

**PRIVATISATION AND OWNERSHIP REFORMS
IN CENTRAL ASIA SINCE 1992**

*Dissertation submitted to the Jawaharlal Nehru University
in partial fulfillment of the requirement
for the award of the degree of*

MASTER OF PHILOSOPHY

RISHI RAMAN SINGH



Center for Russian Central Asian and East European Studies
School of International Studies
Jawaharlal Nehru University
New Delhi 110067
2003



JAWAHARLAL NEHRU UNIVERSITY

School of International Studies

New Delhi - 110067

Tel. : 2670 4365 (Direct)
26107676, 26167557
Extn. 4365, 4399
Fax : (+91)-11-26165886
(+91)-11-26198234

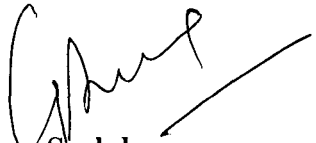
Centre for Russian, Central Asian and East European Studies

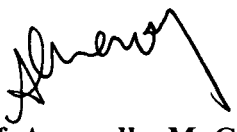
Date: 21 July 2003

CERTIFICATE

This is to certify that the dissertation entitled “**PRIVATISATION AND OWNERSHIP REFORMS IN CENTRAL ASIA SINCE 1992**” submitted by **RISHI RAMAN SINGH** in partial fulfilment of the requirements for the award of degree of **MASTER OF PHILOSOPHY**, is his own work and has not been previously submitted for degree of this or any other university.

We recommend that this dissertation be placed before the examiners for evaluation.


Dr. Gulshan Sachdeva
(Supervisor)


Prof. Anuradha M. Chenoy
(Chairperson)

**Dedicated to whom I am Indebted from core of
my Heart**

Smt. Vidyawati Singh
&
Dr. Raj Narain Singh

CONTENTS

	<i>Page No.</i>
<i>Acknowledgement</i>	<i>i</i>
<i>List of Figures and Graphs</i>	<i>ii</i>
<i>List of Tables</i>	<i>iii-iv</i>
Chapter I : Privatisation in Transition Economies: An Introduction	1-15
Chapter II: Institutional Framework and Privatisation Policies in Central Asia	16-47
Chapter III: Progress with Privatisation and Ownership Change in Central Asia	48-87
Chapter IV: Privatisation and Ownership Reforms in Agriculture	88-132
Chapter V: Assessment	133-142
Bibliography	143-152

ACKNOWLEDGMENT

I express my sincere and deep sense of gratitude to Dr. Gulshan Sachdeva for his valuable guidance and encouragement towards the successful completion of this work.

I extend my deep sense of gratitude to the Chairperson, Center for Russian Central Asian and East European Studies for providing me the necessary facilities to carry out my research work.

I am thankful to my classmates Saroj, Shradha, Sudhir, for their valuable help during the period of work.

My sincere gratitude to the Center staff and J.N.U. library staff. Special thanks to Mrs. Hema Balasubhramaniun, librarian of World Bank library for her great assistance.

I am especially thankful to my brother Mr. Ravin Singh, my niece Dr. Aparajita Singh, nephew Deen Dayal Singh, Shalu who stood by me throughout my pursuance of this study.

My heartfelt thanks to my friends Rajiv, Vijay Sreedhar, Satyapal, Amit, Rana, Mukund, Balwant, Samarvir.

I like to thank to my friend Dipendra Singh for his encouragement and continuos support during my research work..

NEW DELHI

JULY, 2003


(RISHI RAMAN SINGH)

LIST OF FIGURES AND GRAPHS

	Page No.
1.1 Privatisation	5
3.1 Private Share in GDP 1990-2002	51
3.2 Progress in Small-Scale Privatisation 1990-2002	52
3.3 Progress in Large-Scale Privatisation 1990-2002	52
3.4 Small-Scale Privatisation in Tajikistan by Year	75

LIST OF TABLES

	Page No.
1.1 The Main Motivation and Goals for Privatisation	6
1.2 Methods of Privatisation of Medium and Large Sized Enterprises in Transition Economies	10
1.3 Privatisation Proceeds Accruing to the Budget (% of GDP)	11
1.4 The Main Obstacles to Privatisation	12
2.1 Differentiation of the object for privatization programme of 1998-2000 in Kyrgyzstan	30
2.2 Institutional Changes and Privatisation Policies in Central Asia	44
2.3 Methods of Privatisation in Central Asia	46
3.1 Progress with Institutional Reform	53
3.2 Indicators of Legal Reform and Effectiveness in Central Asia	53
3.3 The Level of Privatisation in Central Asia-2000	54
3.4 Privatisation of State Enterprises in Kazakhstan (Number of Units Privatised)	60
3.5 Public Enterprises Reform and Privatisation in Kazakhstan	61
3.6 1992-1999 Privatisation Transition Data for Kazakhstan	62
3.7 Statistics of Enterprises Privatised in Kyrgyzstan by Methods of Sale	66
3.8 Public Enterprises Reform and Privatisation in Kyrgyzstan	68
3.9 1992-99 Privatisation Data for Kyrgyzstan	70
3.10 Medium and Large Privatisation Accomplishment in Tajikistan by 1995	72
3.11 Privatisation in Tajikistan 1991-98	74
3.12 Privatisation in Tajikistan by Region and Year	76

3.13	Requirements of Government of Tajikistan, IMF, WB	78
3.14	Transformed and Privatised Medium and Large Objects by Year	79
3.15	Public Enterprises Reform and Privatisation in Tajikistan	80
3.16	Public Enterprises Reform and Privatisation in Turkmenistan	82
3.17	Ownership changes in Uzbekistan (Number of Entities)	85
3.18	Overall Proceeds from Privatisation and Divestiture in Uzbekistan	85
3.19	Public Enterprises Reform and Privatisation in Uzbekistan	86
4.1	Farm Sizes in Socialist Agriculture: Land, Workers, and Machinery (Per Socialized farm in 1980s 10 year averages, per farm)	90
4.2	Summary of Legal Organisational Farm Types (20 April 1999)	96
4.3	Classification of Farms by Financial Status in Kazakhstan	99
4.4	Policies and Objectives of Agriculture Reform in Kazakhstan	100
4.5	Policies and Objectives of Agriculture Reform in Kyrgyzstan	108
4.6	Policies and Objectives of Agriculture Reform in Tajikistan	115
4.7	Policies and Objectives of Agriculture Reform in Turkmenistan	122
4.8	Policies and Objectives of Agriculture Reform in Uzbekistan	128

Chapter-I

Privatisation in Transition Economies: An Introduction

INTRODUCTION

The word privatisation entered popular usage recently and has been employed with increased frequency through most part of the world since 1980s. The privatisation has almost ended the involvement of state- owned enterprises in global economic activity at large extent. Before 1980s there has been a mixture of public and private ownership of means of production and commerce.

The depression of 1930s pushed governments into a more active role, including ownership of production and provision of all types of goods and services in most part of the world. Before the Thatcher government's privatisation programme there was a huge debate in Western Europe that what should be the limit of national government in economic activity and which sector should be reserved exclusively for state ownership. The outcome of the debate was that the government should at least own the telecommunications and postal services electric and gas utilities and most form of non-road transportation. In many countries it was believed that the state should control certain strategic manufacturing industries such as steel and defense production as well as banking. Thus there was tremendous growth in the use of state owned enterprises throughout most of the world

especially after depression & World WarII, which in turn led to privatisation several decades later.

The privatisation programme was made popular by Britain's Thatcher government's privatisation programme in the early 1980's. However, the Adenauer Government in the Federal Republic of Germany launched the first large scale ideologically motivated "denationalisation programme of the post war era". Peter Dracber originally coined the word "privatisation" and which replaced the term "denationalisation".

Thatcher government's successful implementation of privatisation programme motivated many other industrialized countries to begin divesting state owned enterprises through Public share offerings. Jacques Chirac's government of France in 1986, other European governments including those of Italy, Germany and most spectacularly Spain were the countries which adopted the idea of privatisation. Two Asian giant economies India and China also started privatisation programme. Chile was the first country to launch its privatisation programme in Latin America. Mexico's privatisation was very much successful programme in reducing the state role in economic activity¹

¹ William L. Megginson and Jeffrey M. Netter, "From State to Market: A Survey of Empirical Studies on Privatisation", *Journal of Economic Literature*, Vol.39, 2001, pp.324-326.

Definition and Objective of Privatisation

The word privatisation has different meaning for different countries. But broadly privatisation has been defined as the deliberate sale by government of state owned enterprises (SOEs) or assets to private economic agents as well as contracting out the supply of publicly financed services or the introduction of user charges for services which were previously provided at public expenses.

Privatisation is basically a transfer of ownership. In modern economies large scale enterprises exhibits a variety of ownership forms. Ownership of a firm as the term is conventionally understood comprises two rights; the rights to control the firm and the right to appropriate the firms net earning while these two rights could in theory be separated and assigned to different persons in practice they are typically joined. According to the incomplete contracts view of the firm, ownership of an assets is to be identified with residual rights of control, right to make decisions in the domain not already subject to contractual obligation².

² *The New Palgrave Dictionary of Economics* , (United Kingdom: The Macmillan Press, 1987) , Vol.3, p.122

Apart from the above said definition of privatisation, different economists have described privatisation in different ways. Ramanadham says the term privatisation essentially denotes “marketisation or bringing the enterprises under the disciplines of the market”³, Vicker and wright describe privatisation “as an umbrella term for a variety of policies that are loosely linked by the way in which they are taken to mean the strengthening of the market at the expense of state”⁴.

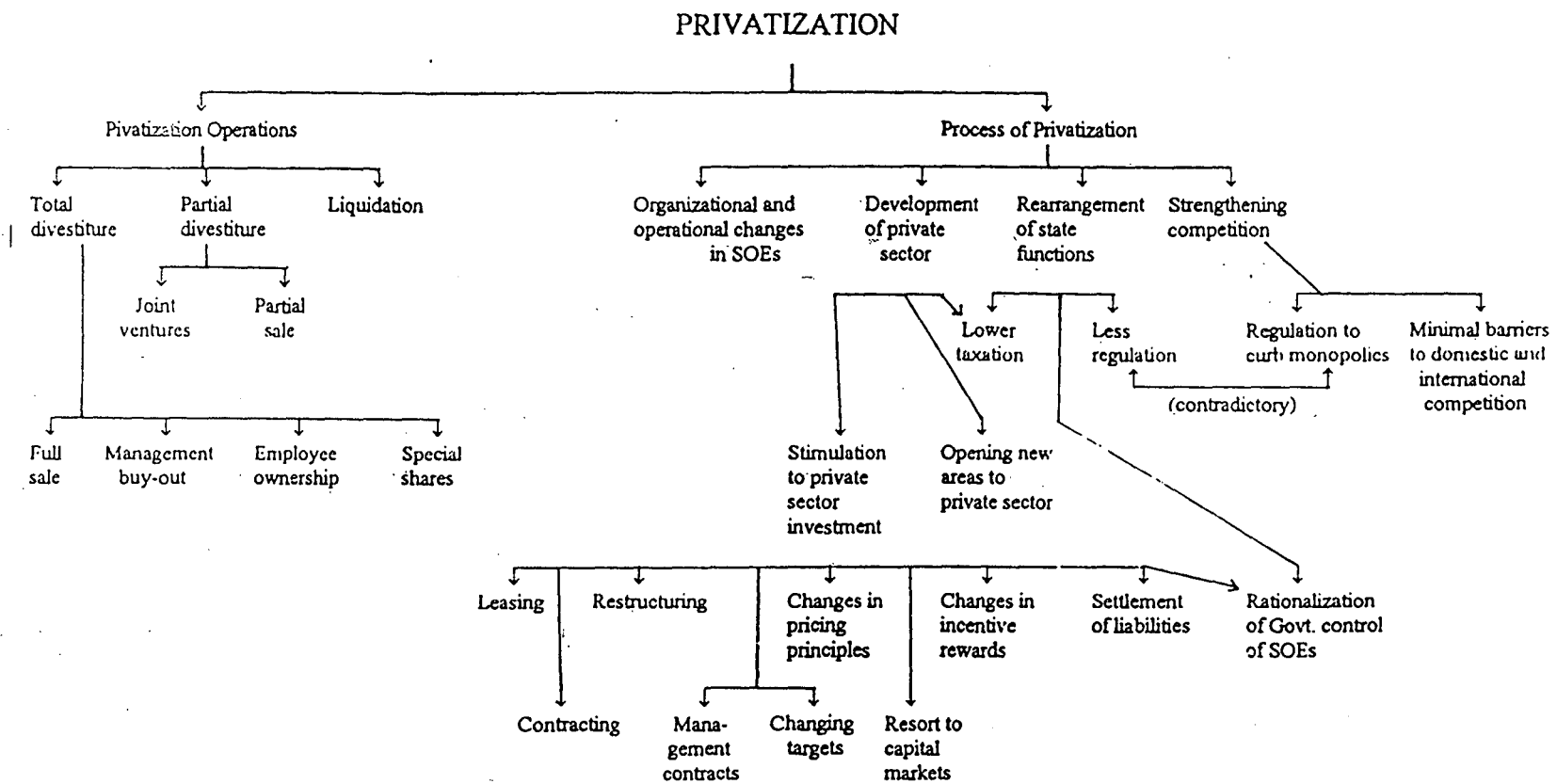
About privatisation Gulshan Sachdeva had written that the problem with almost all these notions about privatisation is that there is some confusion regarding the “operations of privatisation” and the “process of privatisation.”⁵ The classification is described in the following table:

³ V. Ramanadham, *The Economics of Public Enterprises*, (London, Routledge, 1991), p. 395

⁴ John Vicker and Geroge Yarrow, *Privatisation: An Economic Analysis*, (Cambridge, The MIT Press, 1988), p. 8

⁵ Gulshan Sachdeva, *Privatisation: An Interpretative Endeavour*, Discussion Papers No.-21, (Budapest: Kopint Datorg, 1994), p. 9

Figure-1.1



Source: Gulshan Sachdeva, *Privatisation: An Interpretative Endeavour*, Discussion Papers, No. 21 (Budapest: Kopint Datrog, 1994) p. 10

Justification For Privatisation

For the need of privatisation different schools have given different justification. In neo-classical economics, the main emphasis is on competition rather than ownership to achieve efficient resource allocation. According to property rights school, public enterprises are condemned to inefficiency owing to the very fact that their owners have neither the motivation nor sufficient means to compel enterprises to efficient management. They argue that the public reward system connected with public ownership provides decision-makers weak incentives to work towards efficient outcomes. Therefore other things remaining the same, the direct effect of transferring ownership rights is going to be positive.

The broader area of the property right school, the neo-Institutional economies, also forwards arguments for privatisation. Further more, public choice scholars argue that public enterprises offer tremendous opportunities for politicians to interfere in the affairs of the enterprises. They are frequently used to achieve electoral, regional or employment policy goals⁶. Further more in Western countries on privatisation and deregulation, scholars have argued for the most part that nationalized industries are inefficient and unresponsive for various reasons.

⁶ ibid

Apart from these various justification privatisation has been justified on many other economic, political, social and wealth distribution ground which is summarized in the following table.

Table-1.1

The Main Motivation for and Goals of Privatisation

Economic	Political	Social	Trade Union	Wealth distribution
1. Efficiency	De-etatization	Integrate	Less wage pressure	People's property
2. Profit maximisation	Strengthen democracy	Social peace	Reform consensus	Portfolio diversification
3. Share holding	Social stability			
4. Budget easing	Remove nomenklatura			
5. Finance growth				
6. Foster competition				
7. Enhance stablization				

Source: *UN Economic Survey of Europe, 1991-1992* (Geneva, UNECE) p. 212

All these objectives are mainly applicable for transition economies. Motives behind privatisation programme are almost similar for every country: objectives and motives of privatisation are different for transition economies because the circumstances in transition economies demanded different approach. For example all transition economies contained thousand of state owned small business and service units of type unknown in the west.

Privatisation defined earlier as the deliberate sale by governments of SOEs or assets to private economic agents. This involves the change in controlling interest from the state to private owners. This differs from the definition in several East European countries, where the transfer of any shares by the state to private owners has been called privatisation. The definition does not necessarily involve the sale of ownership right. In East Europe ownership in some cases had been transferred for free for example as restitution to previous owners or through mass privatisation.

Privatisation in transition countries from generations under communism and central planning, is therefore only one element in a wider programme of reform matched in significantly for price liberalization, institutional and legal development, the removal of trade restrictions and macro- economics stabilization.

The context of economic reforms has led the countries in transition to innovate their own methods of privatisation. In the absence of developed capital market, institutions and with drastic shortage of domestic saving. The methods of privatisation adopted in transition economies have been well defined by Josef Brada. Brada's privatisation methods are⁷;

- 1) **Privatisation Through Restitution** This method is appropriate when former owner exist and can demonstrate their past ownership. This method has involved buildings and real estate and also agricultural land. The degree of privatisation by this law can only be determined historically and politically. The method is rarely observed outside Eastern Europe though it has been important there. The major difficulty with this method is that the records needed to prove ownership are often inadequate or conflicting.
- 2) **Privatisation Through Sale of State Property** In communist era transition economies had huge state own industrial assets and good part of the housing stock. Since no former owners to whom this property could be returned exist, a common response was to sell these properties. This category have two important forms; the first is direct sales of SOEs and the second form is share issue privatisation in which some or all of

⁷ Josef C. Brada, "Privatisation in Transition –Or Is It?", *Journal of Economic Perspective*, Vol.10, No. 2, 1996, p. 68

government's stake in a SOEs is sold to investors through a public share offering.

3) **Mass or Voucher Privatisation** In this method eligible citizen could use vouchers that are distributed free or at nominal cost to bid for stakes in SOEs or other assets. This method has been used only in transition economies of Eastern Europe and former USSR. Where it has brought about fundamental changes in the ownership of business assets in these countries.

4) **Privatisation from below** The growth of the private sector has proceeded not only through the privatisation of state – owned property but also through the stand- up of new business by indigenous and foreign entrepreneurs.

Table-1.2

**Methods of Privatisation of Medium and Large Sized Enterprises in
Transition Economies**

Country	Method of privatisation		
	Direct sale	Voucher	Management employ buyout
CSB (Central Southeastern Europe and Baltics)			
Albania	N.A.	Secondary	Primary
Bulgaria	Primary	Secondary	N.A.
Croatia	N.A.	Secondary	Primary
Czech Republic	Secondary	Primary	N.A.
Estonia	Primary	Secondary	N.A.
Hungary	Primary	N.A.	Secondary
Latvia	Primary	Secondary	N.A.
Lithuania	Secondary	N.A.	Primary
Poland	Primary	N.A.	secondary
Romania	Secondary	N.A.	Primary
Slovak	Primary	Secondary	N.A.
CIS			
Armenia	N.A.	Primary	Secondary
Azerbaijan	Secondary	Primary	N.A.
Belarus	N.A.	Secondary	Primary
Georgia	Secondary	Primary	N.A.
Russia	Secondary	Primary	N.A.
Ukraine	Secondary	N.A.	

N.A.: Not Applicable

Source: The World Bank, *Transition the First Ten Years Analysis and Lessons for Eastern Europe and the Former Soviet Union*, 2002, (Washington D.C.: The World Bank) p.75

All these transition economies have adopted a privatisation programme as a part of their economic reform process. The method adopted by them also varied according to their need and feasibility. Thus their privatisation proceeds also varies which is listed in following table

Table-1.3
Privatisation Proceeds Accruing to the Budget
(% of GDP)

Country	1991	1992	1993	1994	1995	1996	1997	1998	Annual average during active privatisation*
Czech Republic	---	---	---						
Estonia	-	-	-	-	-	-	-	-	-
Hungary	.4	1.5	1.0	1.7	4.0	4.2	2.6	---	2.2
Russia	---	.5	.2	.1	.3	.1	.9	.7	.4
Ukraine	-	-	-	-	-	-	-	-	-
Average of all transition countries with data**	.2	.7	.6	.5	.9	.9	1.1	1.0	.8
Average of all non transition countries with data***	.2	.2	.3	.8	.5	.6	.9	.3	.7

Note- * Average of annual rate of privatisation proceeds to GDP during the period of active privatisation

** Transition case study countries comprise the Czech Republic, Estonia, Hungary, Kazakhstan, Mongolia, Russia, Ukraine and Vietnam

*** Non-transition case study countries comprise Argentina, Bolivia, Co^te d'Ivoire, Egypt, Mexico, Morocco, Mozambique, Peru, Philippines and Uganda
Source-Jeffery Davis and Others, *Fiscal and Macro Economic Impact of Privatisation*, Occasional Paper, No.194, (Washington DC: IMF, 2000) p.5

We noted above that every transition country have adopted various methods of privatisation, which resulted in different outcomes, because all the transition countries have different problems and obstacles with privatisation. Broadly main obstacles in process of privatisation are listed in following table

Table-1.4

The Main Obstacles to Privatisation

Salient	Technical	Economic	Managerial	Attitudinal
Speed (how fast)	Market structure	Savings	Principal-Agent	Time preference & Risk taking
Priority (why)	Absence of capital market	Distributive aspect	Information	Role of foreign capital
Foster competition	Information & Regulation	Organisation of auction	Efficiency of capital	Entrepreneurship
Enhance stabilisation	Valuation	Protecting assets	Corporate governance	Claimed property rights
Restructuring (in what state)	Starting conditions	Macro economic condition	Sequencing	Conflicts of interest
Selection of mechanism (how)				
New owners (for whom)				

Source- UN *Economic Survey of Europe, 1991-1992*, (Geneva:UNECE), p.218

Just as in motives and goals of privatisation, the intensity and weight of various obstacles encountered differ in transition economies in many respects. But that countries that persuaded some form of decentralization earlier like Hungary and Poland faced fewer economic, managerial and attitudinal obstacles and the political aversion in pursuing privatisation programme. The long slow forward movement of reforms in Hungary succeeded in putting in place a number of legal and other institutions that came in handy in its transition. Poland also had experience with these elements of the market albeit with much more social discord than in Hungary. The situation was of course far more difficult in those countries that undertook very limited experimentation. This is now hampering smooth transition notably in the successor republics of Soviet Union.

With the collapse of Soviet Union in 1991 and the subsequent emergence of sovereign republics it was impossible to maintain an economic system based on pre dominant state ownership, hierarchical subordination and command rationing allocation mechanism. To build up new economic mechanism based on market all the five Central Asian economies (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) also started privatisation programme since independence.

The objective of this dissertation is to frame and answer the key questions that privatisation programme of Central Asia have addressed. Throughout this study we adopted the perspective of different economists and international institutions, who are wrestling with the practical problem of whether and how to implement a privatisation programme in newly independent states of all five Central Asian economies.

This dissertation is organised as follows; chapter 2 provides an understanding of privatisation policy in Central Asian economies within the broader framework of systemic transformation. Chapter 3 examines and describes progress in privatisation in Central Asian economies. Chapter 4 provides detail description of ownership reform in agriculture. Finally in chapter 5 is an assessment of last ten years of privatisation programme adopted in five Central Asian economies.

This study is descriptive and analytical, based upon data and literature both from primary and secondary sources and the analysis of scholars who have attempted critical review of privatisation in transition economies. To gain a balance view of the perspective, reports published by IMF, World Bank, ADB and other independent sources are also examined.

Chapter-II

Institutional Framework and Privatisation Policies in Central Asia

More than a decade ago breaks up of the Soviet Union brought up an end to the socialist economic system, in all the republics of the former Soviet Union. Ending up with socialist system all newly independent states adopted the idea of market based economics system¹. This new economic system required a lot of changes in previous system. Out of those one of the most important change was change in property rights. Before break up of Soviet Union all the former socialist economies had absence of private property rights. But for market based economic system private property right is a minimum requirement. Thus to create private property, all the former socialist countries including five Central Asian economies (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) started privatisation. History of privatisation in five Central Asian economies is somewhat older than their independence. The privatisation programmes were adopted under the existence of USSR in 1991, in Uzbekistan, Kazakhstan, and Tajikistan. In the early period the center of gravity was in small privatisation of shops, workshops, enterprises in the service sector and housing².

¹ In market based economic system all the central problems of economy are solved by market forces demand and supply

² A.I. Belchuk, "Economic Reforms in Central Asian Republics", *Contemporary Central Asia*, Vol.11, No.3, Dec. 1998, p.14

From 1993 onwards the entire Central Asian republics with the sole exception of Turkmenistan adopted the programme of privatisation extending to the middle level and partly to the large state enterprises.

Kazakhstan's privatisation programme Kazakhstan was the first Central Asian republic to form its own state property committee and began small privatisation in August 1991. After attaining independence at the end of 1991 the government of Kazakhstan introduced intensive privatisation programme in which number of legislative changes and formation of institutions took place. Mainly the privatisation programme of Kazakhstan was started with the motive to conclude it in three different stages.

First stage (1991-1993) - Privatisation in Kazakhstan started in 1991, simultaneously with reforms aimed at shaping up and intensification of market economy, more particularly, through legislative and institutional transformation. During the first stage two laws represented legislative basis for privatisation in Kazakhstan: "On property" and "On destatisation and privatisation". The two leading special institutions at national level were formed to promote privatisation³

³ Rafis Abazov, "Formation of the Non-State Sector and Privatisation in Kazakhstan and Uzbekistan", *Communist Economies and Economic Transformation*, Vol.9, No.4, 1997, p.434

(1) State committee for administration of State property (Goskokimushchestvo) and

(2) State committee for privatisation.

Goskokimushchestvo was responsible for state property. The committee defines principles and deadlines for privatisation of state enterprises. Then the state committee for privatisation, represented in each region of the republic directly supervised and regulated the process of privatisation case by case.

At this stage privatisation was semi-experimental and mainly involved the trade and consumer services sectors. The plan was overly ambitious and progress impeded by the lack of basic technical and professional skills, together with public suspicions, corruption and organised crime, which complicated the development of private enterprises and a high level of bankruptcy further discredited the process.

Several factors made the progress of stage one of the privatisation less than satisfactory, leading to the modification of its legal frame in 1993. First the law lacked necessary details and was to some extent ambiguous, leaving much to be determined by the legislative and administrative act of the main organs of power which were presidential apart the council of Minister's and

the Supreme Soviet. Second and perhaps related to the first factor, the local authorities at the oblast and rayon levels frequently failed to comply with the basic tents of the law and in some instances even resisted privatisations⁴.

Second Stage (1993-95) In response to the criticisms leveled against the government and in order to incorporate the lessons learnt from stage one of privatisation, on 5 March 1993, President Nazarbayev introduced two new decrees and three edicts to inaugurate second stage of privatisation. One decree entitled “On further improvement of the administration of state property privatisation”, aimed at consolidating institutional control over the implementation of the privatisation programme. There was recommendation also that the chairmen of the regional state property committee’s be appointed the deputy heads of administration in each oblast. This was a strategy devised to ensure that local administrative body act in accordance with the directives of the state committee for property and to prevent arbitrary privatisation⁵.

Another edict intended to guarantee a stable functioning of the state enterprises and commercialization of their activity, speeding up destatization

⁴ Mehrdad Haghayghi, “Politics of Privatisation in Kazakhstan”, *Central Asian Survey*, Vol. 16, No. 3, 1997, p.325

⁵ ibid

and privatisation process, and retaining control within the state sector. These edicts overturned the decrees of 8th February and 28th April 1992, delegating authority to the State Committee for State property to begin reorganization of enterprises into joint stock companies of open type. The decree of 22 April 1992 entitled 'Measures to setup the work of destatising and privatising property in sectors of material Production, and also overturned the controversial provision of the 1991 law on Privatisation and desatisation after that foreign subjects had right to acquire property. The monitoring of the progress of privatisation was relegated to the Chairman of State Committee for State Property, Goskokimushchestvo (GKI).

The Presidential edict on the programme of destatisation and privatisation set forth a number of objectives which included acceleration of the formation of market oriented structures through joint stock of the majority of state enterprises; creation of conditions for participation of all strata of population; creation of a competitive environment and the demonopolization of production; creation of business organization and economic structures and attraction of foreign investors; the development and strengthening of investment structures for the securities market⁶.

⁶ ibid

Two forms of privatisation cheque that designated an 'investment coupon' were distributed to all Kazak citizens. Those in rural areas received 120 point and those in urban areas 100 point. These investment coupons could only be deposited in 'investment privatisation funds' and could not be traded or used directly to buy equity⁷.

In cases involving mass privatisation, the public were granted the liberty to acquire ownership right through the use of privatisation investment coupons in return for shares of privatisation investment funds whose directors were authorized to acquire the stocks of enterprises on their behalf. A privatisation investment fund was recognized as a joint stock company of open type responsible for attracting investment coupons as well as monetary assets through emission of its own shares, investment of its fund in the securities of other emitting entities and trading in securities.

TH-10355



The privatisation investment fund was supposed to use the accumulated privatisation investment coupons in auctions of medium size enterprises.

DISS
338.9250958
Si646 Pr

TH10355

⁷ Michael Kaiser, "Economic Transformation in Six Central Asian Economies", *Central Asian Survey*, Vol.16, No.1,1997, p.21

The case by case privatisation of large and unique enterprises that manufactured specific products, as well as those under state monopoly, the GKI was to implement one of the following options: sale to a specified investor on stipulated conditions; sale by means of auctions or competitive bidding; conclusion of a management contract; or sale of stocks to the public.

In the second stage of the programme the institutional framework for implementation of the privatisation programme was somewhat expanded and modified. The two other institutions: the state privatisation fund (SPF) and the information and registration center (IRC) came under the jurisdiction of the GKI⁸. SPF was responsible for organising auctions of state blocs of shares to privatisation investment fund and IRC was suppose to establish a securities market and a depository system as well as to function as an information center for mass privatisation.

Third stage (1996-1998) The third stage aimed at implementation of a more for reaching privatisation programme and restructuring of state property. In this phase a law comes into effect, which abolished the preferential treatment of workers in the privatisation of enterprises, and retained only

⁸ Mehrdad Haghayeghi, op.cit., p .326

two privatisation methods; direct sales to investors and auction. This phase of privatisation included the auction of remaining state shares and of enterprises scheduled for privatisation but remain unsold. The principal was that only the natural monopolies should remain under state ownership. Because of these changes Kazakhstan becomes a major target for western investment, which by 1998 was the highest per head in the Commonwealth of Independent States. However, privatisation of selected major state assets was interrupted owing to unfavorable market conditions. Again the privatisation programme was resumed in 1999 with stakes being offered in national telecommunications company Kazaktelecom, the ustkamenogorsk metallurgy plant and the petroleum producer, JSC Aktobemunaigaz and JSC Mangistaumuncigaz⁹.

At present, the government of Kazakhstan carries activities in the field of state property management within the frames of the concept of management of state property and privatisation in the Kazakhstan approved in July 2000, and the programme of improved efficiency of state property management and privatisation in 2001-2002 approved by resolution of the government in June 2001¹⁰.

⁹ *Regional Survey of Europe*, (London: Europa Publication Limited), Vol.2, 2002, p.205

¹⁰ www.economic-trends.org

Kyrgyzstan's Privatisation programme The privatisation programme in Kyrgyzstan was started with basic Soviet legislation and with its own Law on general privatisation of enterprises and on competition. But the effective ownership transformation in the Kyrgyz economy started in 1992 with privatization of small-scale enterprises. Denationalization and privatisation of the state property in Kyrgyzstan has been carried out from 1991 in a number of stages.

First stage (1991-93) This initial phase entailed selling around one third of state enterprises and two third of housing stocks within a two year period. The process took various forms such as selling to individuals, collective buyouts by the company's management and work force, and the creation of joint stock companies¹¹. Main objectives in the first stage were to reduce state holding in small enterprises and light industry.

At the first stage the legal fundamentals for denationalization and privatisation were set forth, the corresponding organizational infrastructure was created, the methodical documentation was developed and practical skills were acquired¹². The main tasks in this stage were wide scale privatisation of enterprises in various sectors of economy, quick

¹¹ *Regional Survey of Europe*, op.cit., p. 234

¹² www.privatisationlink.com

performance of small-scale privatisation, establishment and development of the market relations in the society and changes in public psychology of the population. In this stage the main emphasis was made on the privatisation of trade, food and services companies.

For the above said objective the different institutional and legal frame work was introduced during this period which were; the “State committee for the management of state property” and “attraction of direct investment (former state property fund) were created and the Law on the state property fund of the republic of Kyrgyzstan were created¹³.

During the first stage of privatisation there were following effects of legislative changes.

a) The privatisation process was very much in favour of insiders. All kyrgyz citizens received privatisation certificates in the form of escrow accounts in the state saving banks¹⁴. Which could be converted into vouchers to use it in auction for purchasing shares.

¹³ ibid

¹⁴ Michael Kaiser, Op.Cit., p.18

- b) If the fixed asset per employ exceeds 600 som in state enterprises then management and employ could buy up to 5 percent of equity through privatisation certificates.
- c) 20 Percent of equity was open to public auction against privatisation vouchers and cash.
- d) The state could retain a 50 percent holding in enterprises for a transitioned period.
- e) Citizens could use their privatisation certificates to purchase house.

Second stage (1994-1996) - During the second stage material changes were made in the privatisation process, measures were taken to remove deficiencies and short comings and a number of new normative legal documents were developed. The main task for privatisation policy at the second stage was the transformation of the large industries and construction sector and even some of those sectors that had previously been excluded, notably the energy and transportation sectors. To these ends various forms and methods of privatisation were used, depending upon the condition. In the new sale, foreign investors were allowed to buy majority share holding for the first time, although most potential investors proved to be wary of purchasing, when they knew so little about the kyrgyz market or the real

value of the business on offer¹⁵. At the same time it was decided to transform the state enterprises into joint stock companies of the open types. But in this process privileges were given to the staff of the enterprises. The period of time for buying out the property was cut considerably. There was relaxation for the remote area and unfavorable regions. To corporatise the enterprises 5 percent of the shares were given free of charge to the workers, 25 percent were sold at the coupon auctions and 70 percent were offered for auction¹⁶.

To involve the public in privatisation process Kyrgyz government used the special payment instrument (SPI) but in the use of SPI there was so much complexity and limitations that SPI did not allow citizens to use them in full volume and with the proper effectiveness. This was because SPI was not considered as securities. To overcome with this problem it was decided that SPI would be distributed free.

During this period the work on the governmental project of shares in joint stock companies started; the institute of the state representative of companies was formed, and the normative basis for management of the governmental package of shares transfer of those shares to external management was worked out.

¹⁵ *Regional Survey of Europe*, op.cit., p.234

¹⁶ www.privatisationlink.com

Third Stage (1996-1997) In the third stage of privatisation the government of Kyrgyz Republic started to privatise the enterprises of fundamental & strategic importance with the adoption of the programme of denationalization and privatisation. The main task in this stage was to privatise; mining, power engineering, telecommunication, oil and gas supply as well as the non-production sphere. The specific feature of this stage was the change of the strategy and tactics of privatisation. Slowing down the tempo of privatisation, an individual approach for transfer and adoption of selective privatisation, based on complex analysis of the financial-economic state of an enterprise; its significance for the economy; need for financial improvement of the enterprises.

At this stage the new structural form of denationalization and privatisation was created, main motive was, effective optimisation of governmental package of shares and the investment. On the basis of the policy of attracting investment through state programme on attracting loans.

Fourth Stage (1998-2000) After finishing the third stage of privatisation, further government policy in the field of denationalization and privatisation in 1998-2000 was directed towards denationalization and demonopolisation

of strategic sectors of economy and completion of privatisation of public sector properties. For this period the government's policy goal with respect to privatisation were directed towards completing the previously started process of privatisation; denationalization and to privatise enterprises of strategic sectors of economy.

Table 2.1

Differentiation of the Object for Privatisation Programme of 1998-2000 in Kyrgyzstan

Object which privatisation was prohibited at this stage	Objects not subject to privatisation at this stage	Object which privatisation was only by decision of the government of the Kyrgyz Republic
<ul style="list-style-type: none"> ➤ Railways and Automobile roads ➤ Object on gold production of Kara-Balta mining factory ➤ Post office of the Ministry of Transportation and Communication ➤ Institute of higher education, technical colleges and high schools ➤ Academic theaters “Kyrkyzfilm” studio ➤ Alchoal production enterprises ➤ State film-video fund 	<ul style="list-style-type: none"> ➤ Object of the water-economy and reclamation system, ➤ Object of the road repair and maintenance network ➤ Scientific-technical agencies and libraries ➤ Institutions for prophylaxis and treatment of mental, psychological-neuropathological, veneral diseases, tuberculosis, oncological, AIDS patients, blood transfusion centers, Institute for protection of maternity and childhood ➤ Organization of social protection system ➤ Scientific-research institute, enterprises under the National Academy of Science of the Kyrgyz 	<ul style="list-style-type: none"> ➤ Enterprise, organisation and institution having automobile columns of military type ➤ Object and enterprises for processing precious and non-ferrous metals ➤ Cultural institution under the operative management of the Ministry of Defence of the Kyrgyz Republic funded from the State budget ➤ Gold refining objects ➤ Television and broadcasting centers

	<p>Republic</p> <ul style="list-style-type: none"> ➤ Forestry enterprises and organizations which are part of the Ministry of environment protection system in Kyrgyzstan and the Forestry State Agency under the Kyrgyz government ➤ The state seed inspection, soil-agrochemical and seed-test agricultural stations ➤ Scientific research and project institute of the State Inspection Agency on Architecture and Construction under the Kyrgyz government 	
--	---	--

Tajikistan's privatisation programme The collapse of the USSR left Tajikistan with considerable economic problems, even before the civil war broke out. Civil war in Tajikistan created a major problem in normal economic transition. Despite the civil war during the initial phase of transition Tajikistan adopted Soviet time "Law on Property" for privatisation in which joint ventures were allowed with foreign companies without formalising private ownership right. In February 1991 government

introduced one more law “on destatisation and privatisation”¹⁷ under which a new institution a “State Property Committee” was established in August 1991, which was responsible to set out procedures for transferring public ownership. In June 1992 “Bankruptcy law” was enacted but the provisions of this law were not been used oftenly.

All these changes in law and formation of new institution became insignificant in privatisation process. Effective privatisation in Tajikistan took place after the negotiation of the peace agreement especially the UN prepared peace agreement of December 1996. After this peace agreement major international financial institution involved in the reconstruction of Tajikistan. In 1996 the IMF offered a stand by arrangement to support government’s reform plans, followed by the World Bank’s offer of substantial credits for restructuring. This in turn formed part of \$50 million credit to assist with structural adjustment programmes involving mass privatisation and reform of the financial sector¹⁸.

In Tajikistan much of the pressure to accelerate privatisation came from privatisation conditions established by the World Bank and IMF. In 1997, a new privatisation law was enacted which changed the process of privatisation. Because of this law enterprises were sold by open and competitive bidding.

¹⁷ Michael Kaiser, *op.cit.*, p .22-23

¹⁸ *Regional Survey of Europe*, *op.cit.* p.407

All this effort changed the privatisation system, which was developed over seven years into a corrupt, closed sales process at large extent but not fully. Additional legal measures were adopted through 1997 and 1998 to support the new process but the result were very diversified in the country. The auction process accelerated and proven successful particularly in the more developed and commercial northern part of the country. In other areas auctions were not always easy to implement. The situation of auction in Tajikistan was very pathetic, in one shares auction in Dushanbe, a single bidder was given two numbers, and proceeded to bid against him (the law requires at least two bidders). When asked what he was doing, he replied “my friend could not come”¹⁹.

Prior to the passage of the new law on privatisation in 1997, incorporation had been defined as a form of privatisation, since the collectives were to be allowed to purchase some of the shares in the enterprises, and incorporation was generally accompanied by a purchase-sale agreement. After the new law incorporation was not considered privatisation, since the shares had to be sold at auction. In 1998, a further change was made so that enterprises were only considered incorporated when they had registered their share emissions with the Ministry of Finance. Incorporation referred to as “transformation in joint stock companies” as first step, while registering share emission is the next step.

¹⁹ www.privatisationlink.com

In order to accelerate the incorporation process, several measures were adopted. During this process letters were sent by the government to various ministries requiring them to complete the incorporation process for their enterprises within a specified time period. Incorporation was a particularly important target for the World Bank and IMF, because it is considered a relatively easy first step to take in the privatisation process.

Whenever an IMF targets come up pressure is applied through telegrams from the government. These telegrams have less effect each time, and more raions do not meet their targets. As soon as deadline passes, privatisation is forgotten until the next panic. Related to this problem, main cause is that in spite of a clear legal framework giving the government authority to delegate privatisation to the state property committee, no object is privatised without the approval and assent of some committee, ministry, or association. All these approvals and cooperations require additional time and frequently petty official refuse to cooperate, which means more objects are lost to the process. Another cause of aggravation of problem was introduction of new inflation coefficient, which increases starting prices about three times over what they were before.

Recent Trends Recently, the state property committee has decided that it will focus more and more on case-by case privatisation of large enterprises.

A team of international consultants financed by the International Finance Corporation reviewed aluminum smelter. Besides the smelter, other Tajik enterprises such as the national airline (Tajik Air) and telephone company were reviewed for privatisation. The processing of transactions was improved in 2001. The state property committee itself has received renewed support from World Bank from 2000 until 2004. This assistance includes policy and legal advice on the incorporation and privatisation process, especially with regards to the remaining medium and large state owned enterprises the consultants are also to provide organizational, legal and policy advice to the central share registering on incorporation and share auction process.²⁰

Turkmenistan's privatisation programme The process of privatisation in Turkmenistan was very slow even by CIS standards. In 1999 the country was above only Belarus in the EBRD's ranking of countries in transition²¹. During the first five years of transition, privatisation was restricted to retail trade, catering and consumer services. Before independence Turkmen SSR formulated property rights and allowed assets to be leased to foreign physical or juridical person, these provisions were liberalized after the independence. After independence in February 1992 law on destatisation and privatisation was enacted which closely followed the 1991 Soviet model

²⁰ www.panegapartners.com

²¹ *Regional Survey of Europe*, op.cit. p.437

in envisaging a voucher distribution for part of the equity offered placed in accounts in the State Saving Bank.

According to the law on destatisation and privatisation, method of privatisation was decided by majority vote of the staff of the enterprises concerned if they don't choose any method then one could be imposed by the "Department for the Management of State property and privatization" of the Ministry of Economy and Finance or by the branch ministry responsible. Foreigners were allowed to purchase share but on their purchase government could impose quota.

The law of Turkmenistan on destatisation and privatisation of property signed by President S. Niyazov on February 1992 defines the legal fundamentals of the destatisation and privatisation of state property in Turkmenistan during the period of the establishment of market relation. This law was intended to develop various forms of property ownership, given citizens the economic freedom to choose their occupation and sphere of employment and create new economic structures.

In the initial stage President Niyazov excluded Turkmenistan's main resource (i.e. oil, gas and mining) from privatisation. But in 1997 the poor performance of the state Oil Company Turkmanelt, induced him to accept a production-sharing agreement with an Anglo-US consortium for all the

deposits in the western zone, except for a small block previously awarded to an Argentine firm. It also had been announced that citizens and foreigners could compete on equal terms.

In early 1998 President Niyazov approved a procedure whereby of large firms were valued in preparation for their conversion into joint stock companies. In Turkmenistan there is a little prospect of a rapid divestment of the state from economic activity, because of mercantilist instincts on the part of presidency, and a poor understanding of the workings of market.²²

Uzbekistan's privatisation programme The government of Uzbekistan followed a gradual privatisation process, which was entirely different from other Central Asian Countries, especially Kazakhstan. The first step towards privatisation implied a gradual social and economic transformation of the economy from totalitarian control to a mixed economy. Selected privatisation of the public sector was to form an organic part of its implementation, it was anticipated that the reforms would promote establishment of a wide stratum of owners who would become a base for further development of private entrepreneurship in country.

Broadly the major privatisation efforts of Uzbekistan could be classified into three stages.

²² ibid

First stage (1991-1993) For the purpose of implementation of the privatisation programme, almost similar institutions to those in Kazakhstan have been created in Uzbekistan.

To support privatisation, the State Committee for the management of State property and privatisation (GKI) was established in February 1992. In the first stage of the privatisation the, GKI undertook the disposal of housing agriculture and the retail sector. In the same year Uzbekistan established the legal base for non state enterprises by Laws on enterprises and on entrepreneurship and on cooperatives. The State Property Committee (adding 'and privatisation to its title) was made responsible for the privatisation programme and for foreign participation therein by presidential Decree of February.²³

The first transfer of ownership during first stage was related to housing. Householders were given ownership of the property they occupied, although not of the land on which it stood. From late 1992 government priority for small privatisation was in retail trade sector which continued until mid 1995 which had been sold by cash auction or leased.

²³ Michael Kaiser, op.cit., p.19

No vouchers are on offer and foreign buyers are welcomed either to bid at auction or to negotiate individual purchase.

The main task of state property committee were²⁴

- Carrying out a policy to form market economy and entrepreneurs support.
- Management of the process of denationalization privatisation and entrepreneurship support and coordination activity of relevant structures.
- Protection of property rights of population in the process of privatisation, distribution of shares, mobilization of financial assets and transfer of state owned entities into other legal forms.
- Determining the main directions and forms of attraction and utilization of foreign involvement in the process of denationalization and privatisation of state property.
- Establishment of investment funds, consulting and auditing services, holding companies, stock and real exchanges, other funds and market institutions.
- Providing information to population for involvement in the privatisation process through establishment of open joint-stock

²⁴ www.privatisationlink.com

companies as well as through the sale of shares to employees of respective companies.

- Demonopolization of production and managerial institutions in the process of denationalization and privatisation.
- Post privatisation support and to entrepreneurship.

Second Stage (1994-1996) As the privatisation process progressed, several changes took place in term of priorities in selection of privatisation forms. Before 1994, mostly private and collective enterprises were created on the basis of state property followed afterwards by open and closed joint stock companies. The pace of privatisation accelerated in March 1994, with the decree On the main priority directions for further development of denationalization and privatisation.²⁵

As a result of the second phase, which involved the wide-scale privatisation of all industrial enterprise, a huge owner's class was established of securities and shares. At this stage a downward trend in the privatisation was observed. In 1994 only to accelerate privatisation president Karimove announced that the state would no longer finance insolvent enterprises.

²⁵ *Regional Survey of Europe*, op.cit., p.495

A number of branches remain unaffected – the energy, metals mining, pharmaceuticals, high technology industry, railway, air transport. In the remaining branches governments offer at least 50 percent of the equity to buyers. Investment funds are encouraged and are seen as playing a significant role in the completion of privatisation in the permitted branches. A stock Exchange, a National Share Depository and a National Investment fund were created in 1994.²⁶

Third Stage (1997-1998) – In the period of third stage privatisation process of medicine and large-scale state enterprises accelerated with the help of Resolution no.477 of the cabinet of Ministers dated November 18th 1998, on Measures for stimulating the attraction of foreign capital when privatising state property.²⁷ The resolution provided for a list of 258 enterprises to be sold by tender to foreign investors. This included; a list of 30 large companies for “case by case.” Privatisation, with foreign minority shares (25-50%) allowed in 27 Enterprises, as well as majority ownership in 3 companies; a list of 69 medium and large-sized enterprises to be 100% transferred to foreign ownership and a list of 159 enterprises to be 25-75% sold to foreign investors.

But this resolution also had not delivered the desired result because of the lack of buying interest especially due to high price of enterprises and the

²⁶ Michael Kaiser, op.cit.,p.20

²⁷ www.economic-trend.org

requirement that the companies should not change their specialization, has led the government to adopt a new resolution in December 1999.

Formal privatisation has actually been quite significant in Uzbekistan. However, real restructuring and improvement of corporate governance of both small and medium sized enterprises is still constrained by a number of factors. The progress of privatisation and divestiture performance in Uzbekistan proceeds in line with implementation of special government resolution. In the first quarter of 2001, following the resolutions of Uzbek authorities, the auctions were implemented for ownership changes, reformation, restructuring and demonopolisation of main sectors like energy, railway and automobile transports, agriculture, chemical and cotton processing industry for creation of multi level economy.

The resolution of the Cabinet of Ministers No: 119 “About further measures for attraction of foreign investment to privatisation and divestiture process in 2001-02” adopted on 9th of March 2001”.²⁸ Which provided new prospects for deepening of privatisation and divestiture process and wide attraction of foreign capital.

Among peculiarities of the privatisation in Uzbekistan the following should be highlighted;

²⁸ ibid

- a) Traditions of small and medium entrepreneurship and the 'bazar economy', especially in agriculture and the service sector.
- b) Privatisation was not a radical mass in character and was conducted gradually.
- c) Privatisation and growth of the new market relations were accompanied by construction of a closed national economic and financial market.
- d) The process of privatisation has been undertaken with an active regulatory role of state institutions at all levels of the economy.

The overall privatisation policies, institutional changes and legislative changes of Central Asia are summarised in the following table-

Table 2.2
Institutional Changes & Privatisation policies in Central Asia

Country	Stage/Year	Policies	Laws	Institution	Sector
Kazakhstan	First Stage (1991-1993)		On Property, On Destatetisation	State Committee for Administration of State Property, State Committee for Privatisation	Trade, Consumer services
	Second Stage (1993-1995)	Mass privatisation, Cash auction, National programme of privatisatio	On state holding companies, On further improvement of administration of privatisation of ownership of state enterprises,	State Privatisation Fund, Information and Registration Center,	Specially small scale enterprises, Medium size enterprises
	Third Stage (1996-1998)	Direct sale, Auction	Abolishment of preferential treatment of workers in privatisation enterprises		Large scale enterprises, & Others apart from natural monopoly
Kyrgyzstan	First Stage (1991-1993)		On State Property Fund of the Republic of Kyrgyzstan,	State Committee for the Management of State Property.	Small scale, Retail trade, Food processing services companies
	Second Stage (1994-1995)	Special payment instrument (SPI)		The institute of the state representative of contract companies	Industry, Transport system & Construction
	Third Stage (1996-1998)	Programme of denationaliza-tion & privatisation, Selective privatisation, Attraction of foreign & strategic investors, The corporate management system			Mining, Power engineering, Telecommunica-tion, Oil & Gas supply

Continued

country	Stage/Year	Policies	Laws	Institution	Sector
Uzbekistan	First Stage (1991-1993)		On denationalization & privatisation, On enterprises & on entrepreneurship & on cooperatives	State Committee for the Management of state Property and Privatisation	
	Second Stage (1994-1996)		Decree on the main priority direction for further development of denationalization & privatisation	Stock exchange, National share depository, National investment fund	
	Third Stage (1997-1998)		Resolution on "Measures for stimulating the attraction of foreign capital when privatising stae property"		Fuel & Energy, Chemical industry, Metallurgy

Methods of privatisation Early debates tried to identify the single best means of creating a private sector. Given the broad range of assets to be privatised and the different ways in which social property was created. A variety of techniques have proven to be necessary for effective privatisation. Thus in Central Asian economies where huge number of state owned enterprises were present required different privatisation method. All the economies of Central Asia have employed different method for privatisation, which is listed in the following table:

Table 2.3

Methods of Privatisation in Central Asia

Country	Direct sale	Voucher	Management-Employ Buyout
Kazakistan	Primary	Secondary	N.A.
Kyrgyzstan	N.A.	Primary	Secondary
Tajikistan	Primary	Secondary	N.A.
Turkmenistan	Secondary	N.A.	Primary
Uzbekistan	Secondary	N.A.	Primary

Note: Not Applicable

Source: The World Bank, *Transition the First Ten Years Analysis and Lessons for Eastern Europe and the Former Soviet Union* (Washington D.C.: World Bank, 2003) p. 75

On the basis of detailed description of the privatisation policies, institutional changes and legislative changes in Central Asia it is clear that privatisation has been carried out without much enterprises restructuring. State enterprises had been sold as they were. The form of corporate governance and the provision of funds were crucial to the process of restructuring enterprises to a market efficient orientation.

The Central Asian countries advanced slowly for market institution and capacity building. Some progress was made in such areas as setting up

Central Banks and payment systems, as well as basic national administrative structures and legal systems. But fundamental weakness remain as regards the civil service, budget management, regulatory and judicial systems, control of corruption and especially civil war in Tajikistan. Because of these factors privatisation policies were not able to deliver their best result.

Chapter-III

Progress With Privatisation and Ownership Changes in Central Asia

In 1991, the five Central Asian republics were ill prepared for independence and the break-up of the Soviet Union. For decades, the region had been treated as a Soviet outpost, providing cheap raw materials in exchange for generous fiscal transfers. With the start of transition, Central Asia's political elite were faced with the triple challenge of learning to live without transfers from Moscow, building new nation states within territorial boundaries little related to ethnic settlements, and reforming the economy as the central plan withered away. Whilst the Soviet Union did invest heavily in the region's infrastructure, Central Asia is geographically isolated from established market economies and thus remained closely tied to Russia for several years after the break-up of the Council for Mutual Economic Assistance (CMEA). Against these enormous tasks stood a number of important assets, such as rich energy and mineral resources, a highly-educated labour force and an important geo-strategic position. The initial years of transition were characterised by great macroeconomic instability, significant reduction in output and relatively limited progress in economic reform. Since the mid-1990s, economic reforms have progressed more rapidly, although with significant variation across countries. Kazakhstan and the Kyrgyz Republic have been among the front-runners in reform in the CIS, whilst Turkmenistan and Uzbekistan are among the region's slowest reformers. Tajikistan started late due to its civil war, but has made good progress in recent years. Since the Russian crisis

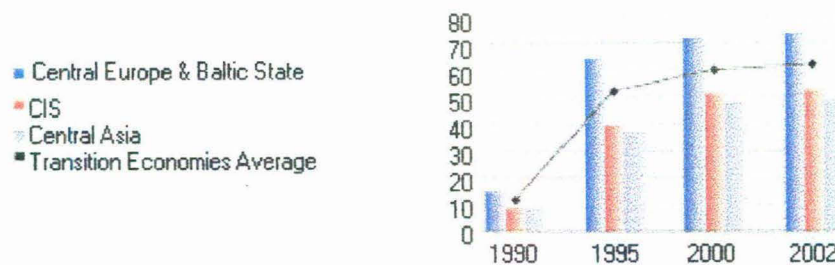
of 1998, economic performance has also recovered. However, three of the region's economies - the Kyrgyz Republic, Tajikistan and Uzbekistan - are still among the poorest in the world with per capita incomes below US\$ 700. After a decade of transition, the reform agenda remains long and difficult. It is no longer simply a question of transition but is also increasingly becoming a question of economic development. The key area linking transition and development is the development of the private sector. A vibrant private sector is the key to a successful market economy. At the start of transition, virtually all-economic resources were concentrated in the hands of the state. A summary indicator of private sector development is, therefore, the extent to which the private sector has increased its claim on economic resources, which can be approximated by the private sector's share of GDP. Graph one show that the process of resource reallocation from the state to the private sector has led to an increase in the average private sector share in GDP for transition economies. But, this progress has been highly uneven across countries, with Central Asia lagging behind all other regions by comparison. The state currently retains a dominant share in economic activities in Tajikistan, Turkmenistan and Uzbekistan and the average private share in GDP in Central Asia is still just below 50 per cent. There are two related reasons for the slow pace of resource reallocation. The first is the slow pace of privatisation of state-owned assets. The second is the low level of private sector investment due to a weak

business climate and difficult access to finance. Privatisation and private investment are of course related, as privatisation may directly involve additional investment commitments, restructuring, or the unbundling of assets, with non-core activities and assets becoming available to private entrepreneurs. Privatisation was the main vehicle for increasing the role of the private sector during the initial stage of transition. It is useful to distinguish the transfer of small-scale units largely to individual entrepreneurs (small-scale privatisation) and the privatisation of large enterprises, for which a variety of methods are available. Graph two shows the progress made in both dimensions as measured by the EBRD index. As in most transition economies, small-scale privatisation was largely complete in the Kyrgyz Republic, Kazakhstan and Tajikistan by the end of 2000. However, in Turkmenistan and to some extent also in Uzbekistan a significant number of small-scale establishments remain state-owned. Large-scale privatisation and the sale of strategic enterprises and public utilities has progressed less in Central Asia than elsewhere in the region, as revealed in Graph three. Voucher privatisation led to relatively rapid early progress in the Kyrgyz Republic, but the sale of strategic enterprises has lagged behind. In Kazakhstan, there were numerous early sales of large enterprises in the mineral and metallurgical sectors to foreign investors, but the state retained minority stakes, which it has so far continued to hold. Moreover, several strategic enterprises, including the state-owned oil and gas company, are

not likely to be sold in the near future. In Tajikistan large scale privatisation has made steady but slow progress in recent years, whilst privatisation has largely stagnated in Turkmenistan and Uzbekistan. In the latter country, plans to revitalise the process exist, but their implementation will depend in large measure on the achievement of currency convertibility, an essential precondition for attracting outside investors. In transition, progress in large-scale privatisation is also often associated with significant inflow of FDI. As with privatisation, Central Asia has under-performed in attracting the foreign direct investment.

Graph 3.1

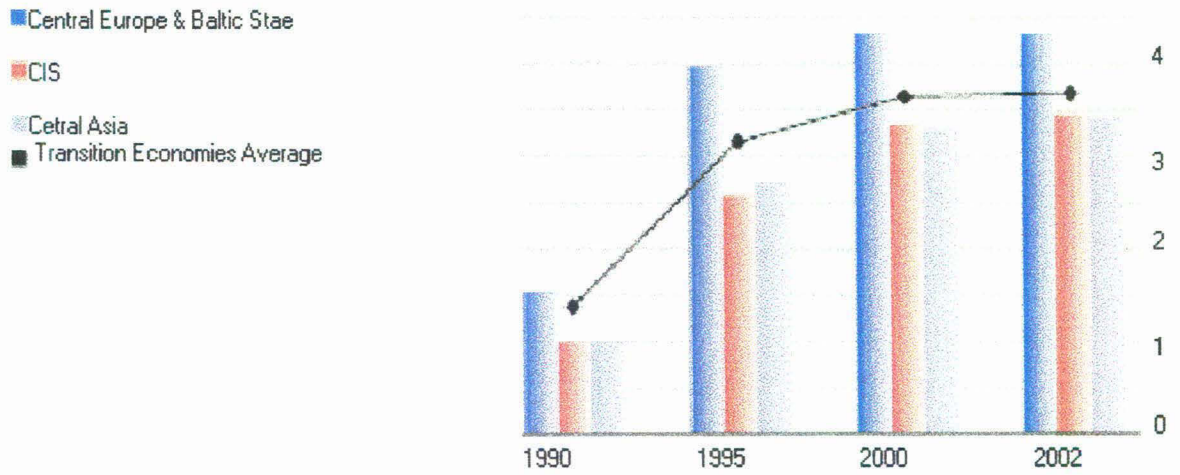
Private Sector Share in GDP, 1990-2002



Source: *Law In Transition: Central Asia*, (London: EBRD), 2003, p.18

Graph 3.2

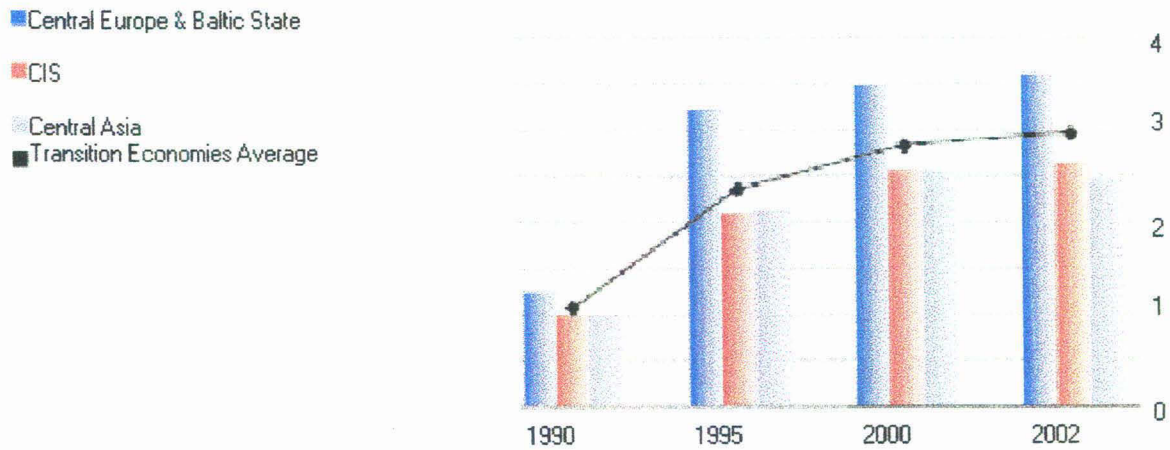
Progress in Small-Scale Privatisation 1990-2002



Source: *Law In Transition: Central Asia*, (London: EBRD), 2003, p.19

Graph 3.3

Progress in Large-scale privatisation 1990-2002



Source: *Law In Transition: Central Asia*, (London: EBRD), 2003, p.19

Table 3.1

Progress with institutional Reform

Country	Initial Conditions Index	Institutional Quality 1997-98	EBRD Transition Indicators	
			1995	1999
Kazakhstan	-2.5	-5.3	2.1	2.7
Kyrgyzstan	-2.3	-4.2	2.9	2.8
Tajikistan	-2.9	-15.0	1.6	2.0
Turkmenistan	-3.4	-11.5	1.1	1.4
Uzbekistan	-2.8	-10.4	2.4	2.1

Note:

- **Initial Conditions Index**- A weighted average of indicators for level of development, trade with CMEA, macro economic disequilibria, distance to EU, natural resource endowments market memory (measured by number of years of communist rule), state capacity.
- **Institutional Quality**- Index based on five components, namely, extent of democracy, government effectiveness, extent of regulation, rule of law and extent of graft/corruption. Each indicator is scored in the range -25 to +25 and so the average lies in the same range. For developed market economies the average score is 12.6
- **Transition Indicators**- Based on simple average of eight indicators each scored in the range of 1 (no market reforms) to 4 (condition as in developed market economy)

Source: UN *Economic Survey of Europe*, (Geneva: UNECE), 2001, No.2, p. 85

Table 3.2

Indicators of Legal Reform and Effectiveness in Central Asia

Country	Commercial law		Financial regulations	
	Extent	Effectiveness	Extent	Effectiveness
Kazakhstan	4	-4	3	-3
Kyrgyzstan	3	3	3	-3
Tajikistan	2	-2	2	1
Turkmenistan	--	--	--	--
Uzbekistan	3	2	2	-2

Note: Each indicator is scored on a basic scale from 1 to 4 with 1 signifying little or no development of the relevant legal provisions and or poor implementation. A score indicates that the legal rules are quite comprehensive.

Source: UN *Economic Survey of Europe*, (Geneva: UNECE), 2001, No.2, p.86

Table 3.3

The Level of Privatisation in Central Asia-2000

Country	Privatisation	
	Small Scale	Large Scale
Kazakhstan	4.0	3.0
Kyrgyzstan	4.0	3.0
Tajikistan	3.3	2.3
Turkmenistan	2.0	1.7
Uzbekistan	3.0	2.7

Note: Rated on a scale of 1 to 4.3 being the highest level of reform
Source: *Transition Report*, (London: EBRD), 2001

Kazakhstan Kazakhstan had adopted a pragmatic approach to privatisation and has used almost every method. Because so many different methods of privatisations were used, analysis of privatisation in Kazakhstan is a bit complicated. The first method which was spontaneous privatisation, allowed only managers and employees to take over ownership of small and medium enterprises. Regional administration allowed those “insiders” to buy shares for free or under generous conditions. About 7000 small and medium enterprises and housing units were privatized in this way.

After this early experience with privatisation, the government decided to adopt more open and equitable methods of privatisation in which investors other than managers and employees could participate. The small-scale privatisation adopted in mid 1993 privatized approximately 13,000 small

establishment in agriculture, retail trade, catering, and services. These were sold through cash auctions though housing vouchers were also used as payment.

The mass or voucher privatisation of early 1993 was not very successful even some critics regards this programme as a failure because it did not provide good owners who could restructure enterprises¹. However, this programme has two major objectives. The first one was to provide free to all citizens an equal ownership share in the enterprises included in the programme. The second one was to create privatisation investment funds that could act as the owners of these enterprises and encourage them to restructure.

The method applied to achieve these objectives was to give each citizens free of charge coupons that could be used to bid for shares of enterprises in special coupon auctions.

Further each citizens were required to turn over their coupons to a privatisation fund that they could freely select.

Distribution of coupons took place at the end of 1993, the privatisation funds began bidding for enterprise shares in mid 1994, and the last auction was held in January 1996. Approximately 1,700 enterprises were included in the proramme. Substantially less than the initial target of 3,000. Though 170-privatisation fund

¹ World Bank – *Kazakhstan Joint Private Sector Assessment*, Report No. 18467-KZ, 1998, p.13

were formed, the 30 largest accumulated two thirds of the coupons collected from citizens².

In early 1996 government adopted case by case privatisation in which enterprises were sold in cash auctions or negotiated direct sales. The government sold shares in about 1600 companies using this method.

In blue chip programme the government planned to list and then sell on the Kazakhstan stock exchange minority equity stakes in the leading Kazakh companies. The long list of 56 'blue chip'³ companies were mainly in oil and gas, metal and mining, infrastructure and financial sectors. In November 1997, the exchange named five companies for listing⁴:

- a) 5-20 percent of Zhezbaz Gantsvement Copper Plant of which Samsung already owns 40 percent;
- b) 5-7 percent of mangistaumcenaigas of which medco, an Indonesian company, owns 40 percent;
- c) 5-15 percent in abco bemunaigces of which the Chinese National Petroleum Company owns 60 percent;
- d) 2-4.5 percent of Kazakh telekom of which Kazkommertz owns 40 percent;
- e) 16.5 percent of Ustkamenogorsk Titanium and magnesium plant.

² Ibid

³ selling shares on the stock market in a public offering is referred as blue chip programme in Kazakhstan.

⁴Report No; 18467-KZ, op.cit., p 44

While Kazakhstan made strides in privatisation of small, medium and large enterprises, the government early on was concerned about the social consequence of the quick sale of some 100 very large enterprises. Many of these firms faced serious problems related to mismanagement, absence of market based accounting practices, enormous social obligations, and large inter-enterprise payroll and tax arrears that investors would be generally unwilling to assume. In essence, the government aimed to restructure such enterprises prior to privatisation.

The government signed 41 management contractor covering 94 enterprises in December 1994. The enterprises were either in processing, services or mining and mineral processing. The length of the contract varied from 18 month to 15 years but the majority was five years.

Progress in small-scale privatisation in Kazakhstan Since inception and inclusive of a full year of implementation, the small-scale privatisation programme compiled a commendable record of accomplishments. Approximately 765 total auctions were held, 7651 small-scale enterprises, trucks and warehouses were sold

and almost \$ 49 million in sales has been recorded⁵. The small-scale privatisation has achieved impressive auction results in most performance areas including;

- Outright sales to lease holds of 93 per cent for small-scale enterprises and 100 percent outright sales for all trucks and ware house.
- Overall collection performance of 87 percent for small-scale enterprises and 82 percent for trucks.
- Conditional sales of 40 percent overall for small-scale enterprises and 24 percent if essential food stones are included.
- 81 percent outright sales of small-scale enterprises built in objects.

In Kazakhstan during the period of active privatisation (i.e. 1993-98) Gross privatisation proceeds was \$ 5798 million. Net privatisation proceeds accruing to the budget for the same period was \$ 2425 million which was 2.3 percent of GDP, ratio of net proceeds accruing to budget to gross proceeds was 25 percent⁶.

In Kazakhstan privatisation proceeds were reported at net basis, after taking account of the overhead costs of the privatisation agency, and usually after

⁵ Aldo Baietti, *Small-Scale Privatisation in Kazakhstan*, CFS Discussion paper series, Number 114 p-49

⁶ Jeffery Davis and others, *Fiscal and Macro Economic Impact of Privatisation*, IMF Occasional Paper No. 194, 2000, pp. 5-8.

subtracting the cost of any privatisation restructuring. Privatisation proceeds accruing to the budget in Kazakhstan varies significantly. In 1991 it was 0.3% of GDP and maximum in 1998 4.3% of GDP in 1992 it was 8% in 1993 it was 0.41% in 1994 it was 0.2% in 1996 it was 2.3% and in 1997 it was 3.3% of GDP respectively⁷.

In Kazakhstan privatisation proceeds were placed in budget and use of privatisation proceeds was mostly unearmarked. Form of earmarking was some of the cash proceeds from the auctions of small enterprises. Processes were earmarked for social safety net.

Recent Trends During the period of July 2000 to 2002 the programme of improved efficiency of state property management and privatisation in 2001-2002 was approved by resolution of the government in June 2001. The specific character of privatisations at this stage was transfer from mass privatisation to case-by-case developed projects and sales of large objects and state stock packages with the maximum effect for the economy and financial result. 12 billion Tenge or 31.5% of the annual plan were received by the state enterprises in the nine months of 2001. The third quarter of the 2001 was characterized as reduction of receipts. As usual,

⁷ Ibid .

the majority of revenues (95% of total receipts from privatisation) were received by the republican budget and only 5% was received by local budgets. The over all privatisation statistics of Kazakhstan is shown in following tables:

Table 3.4

Privatisation of State Enterprises in Kazakhstan (Number of Units Privatised)

	Before 1994	1994	1995	1996	1997	1998	1999	2000	2001
Small-Scale Privatisation	5578	2748	2477	3393	5590	2539	2153	1581	1400
Mass Privatisation	n.a.	n.a.	147	497	1122	514	161	129	130
Privatisation in Agriculture	n.a.	918	513	138	18	9	4	11	21
Case-by-Case Privatisation	n.a.	n.a.	5	28	47	11	0	3	1
Total	9269	4147	3142	4056	6777	3073	2318	1724	1556

Note: n.a. Not available

Source: *Privatisation Department (Ministry of Finance)*, KET Calculations.
(at www.economic-trend.org)

Table 3.5**Public Enterprise Reform and Privatisation in
Kazakhstan**

	1991	1992	1993	1994	1995	1996	1997
Private Sector Share of GDP							
Private Sector Share of Employment							
Small Enterprises Privatised Each Year			4,771	2,747	3,290	3,457	2,805
Large Enterprises Privatised Each Year							
Total Revenues from Privatisation (Mil. Tenge)		1	784	1,459	7,233	3,1105	
Case by Case Privatisation						17	47
Mass Privatisation Auction of JSC							
Number of JSC for Sale				660	1,430	1,232	
Number of JSC fully sold				402	911	838	1284
Number of Small-Scale enterprises for sale					8014	10291	
Number of Small-Scale Enterprises Sold			4771	2747	3290	3457	2805
Infrastructure Privatisation							
Telecom							1
Power/Energy							7
Coal							4
Water							
Oil and Gas							20
Railroads							
Land Privatisation							
Number of Farms privatised						138	

Source: World Bank- *Private Sector Development in Europe and Central Asia*,
(at www.worldbank.org/ecspf/PSD-Yearbook)

Table 3.6
1992 - 1999 Privatization Transaction Data for Kazakhstan

1992 - 1999 Privatization Transaction Data: Kazakhstan								
Year	Country	Company	Sector	Share sold (%)	Sale Amount	Foreign exchange earned on transaction	Financial Notes	Purchaser(s)
1994	Kazakhstan	Almaty Tobacco Kombinat	Tobacco	50.0	314.9	314.9	Direct sale	Foreign investor
1994	Kazakhstan	Chimkent	Food Processing	100.0	----	----	Direct sale	Foreign investor
1995	Kazakhstan	Karmet Steelworks	Steel	10.0	00.0	---	Direct sale	
1996	Kazakhstan	Bogatyr	Mining		40.0	40.0		Foreign investor
1996	Kazakhstan	Sokolovsk-Sarbai	Mining	49.0	49.0	49.0		Foreign investor
1996	Kazakhstan	Karaganda	Energy		2.4			
1996	Kazakhstan	Ekibastuz	Energy		2.0			
1996	Kazakhstan	Almaty Power Consolidated	Energy		340.0			
1996	Kazakhstan	Yermovskaya Power Plant	Energy		1.5			
1996	Kazakhstan	Tselinny	Metals				Management	Foreign investor
1996	Kazakhstan	Vostohny Mine	Mining	100.0				
1996	Kazakhstan	Stepnoy mine	Mining	30.0				Foreign investor

Continued to Next Page

Year	Country	Company	Sector	Share sold (%)	Sale Amount	Foreign exchange earned on transaction	Financial Notes	Purchaser(s)
1996	Kazakhstan	Severny	Mining					foreign investor
1996	Kazakhstan	Dzhezkasgantsvetmet	Petroleum					
1996	Kazakhstan	Yuzhneftegas	Petroleum					foreign investor
1996	Kazakhstan	Kazakhtelecom	Telecommunications	49.0	79.7			
1997	Kazakhstan	Mangistaunaigaz	Oil & Gas	60.0	248.0	248.0	Private sale	foreign investor
1997	Kazakhstan	Kazakhtelecom	Telecom	40.0	370.0	370.0	Private sale	foreign investor
1997	Kazakhstan	Aktyubinskneft	Oil	60.0	4,325.0	4,325.0	Private sale	foreign investor
1997	Kazakhstan	4 Coal-fired and 2 Hydroelectric power plants	Power	---	25.0	---	Private sale	Local investor
1997	Kazakhstan	Karazhanbas munay	Power	94.6	--	---	Private sale	Foreign investor
1997	Kazakhstan	Paclodar oil refinery	Oil refinery	--	---	--	Private sale	Foreign investor
1997	Kazakhstan	Atryau refinery	Oil refinery	53.1			Private sale	Foreign investor

Continued to Next Page-

1998	Kazakhstan	Eastern Kazakhstan Copper Chemical Plant	Copper/Manufacturing	90.0	6.3	6.3	Direct sale	foreign investor
1998	Kazakhstan	Turanalem Bank	Banking	--	72.0		Direct sale	Local investor
1998	Kazakhstan	Offshore Kazakhstan International Operating Company Consortium (OKIOC)	Oil and gas	14.3	500.0	500.0	Direct sale	foreign investor

Source: World Bank, *Development Economics Prospect Group*,
(at www.ipanet.net/document/WorldBank\databases/plink/soceco/kazakhstan.htm)

Kyrgyzstan Privatisation in Kyrgyzstan was introduced on December 20, 1991, with a programme for the transfer of almost all state-owned enterprises. The ownership transformation process in the Kyrgyz economy started in 1992 with the privatisation of small-scale enterprises. In 1992 and 1993, 97.2 percent of small companies in retail trade and food processing, 86.7 percent of companies in catering, and all service companies were privatised. Privatisation of medium- and large-scale enterprises in core sectors, such as industry, transport, and construction began in 1994 and coincided with the certificate (coupon) stage of mass privatisation. In order to facilitate coupon privatisation, the Government allowed the sale of 25 percent of the state shareholdings in companies eligible for mass privatisation through coupon auctions. By the completion of the mass privatisation programme in mid-1997, 926 medium and large companies had been placed in full

or majority private ownership. By the end of 1997, the private sector represented 65 percent of GDP, the highest among all CIS republics. The third stage of privatisation, currently underway, has as its major objective denationalization of the large monopolies.

A decree in January 1992 and several amendments designated the State Property Fund as the principle institution responsible for the sale of enterprises. The State Committee on State Property and Direct Investments (former State Property Fund) of the Kyrgyz Republic is now responsible for carrying out the government policy on deregulation and privatisation, governed by the Law on State Property Fund of the Republic of Kyrgyzstan.

Progress in privatisation of the largest enterprises was uneven. Privatisation ran into difficulties and was suspended (and subsequently resumed) in 1997 following allegations of fraud. By mid-2000, 68 percent of enterprises were transformed to private ownership. The government failed to meet privatisation targets of the 1998-2000 privatisation programme. A total of 168 enterprises were privatised in 2000 in Kyrgyzstan. A new privatisation plan was adopted in December 2001.

The privatisation programme for 2001-03 calls for privatisation of the major assets over the next two years. The list includes telecom operator, Kyrgyztelekom; power generator and transmission company, Kyrgyzenergo; gas company, Kyrgyzgaz, and national airline Kyrgyzstan, Aba Zholdoru.

Table 3.7
Statistics of Enterprises Privatised in Kyrgyzstan by Method of Sale

	1994-1995 Privatisation Programmes Totals at	1996-1997 Privatisation Programmes Results:	1994-1997 Cumulative Totals at
TOTAL ENTERPRISES	31.12.1995	17.02.97	20.06.97
Total enterprises in program	1,112	462	1,574
Total enterprises privatized (a)	876	322	984
Small-scale enterprises			
Total enterprises in program	257	85	342
Total enterprises sold	257	48	58
Medium and large enterprises			
Total enterprises in program	855	377	1,232
Total passed through coupon auction	833	160	1,126
Of which:	374	249	637
Total fully privatized	245	25 c	289
Total majority privatized	214	(114) c	164
Total <50% privatized	0	0	36
Total liquidated or in process			

Source: (at www.ipanet.net/document/WorldBank\databases/plink/kyryz/priver.htm)

Note: a) Includes total of (i) small-scale enterprises sold and (ii) small and medium enterprises fully privatised and those in which state ownership has been reduced to minority interest.

b) Anticipated through 30.06.97

c) Represents net change in category during period.

d) Mid-98: based on the assumption that the recently reported numbers refer to medium-sized and large enterprises (see attached). Recent sales through cash auctions (28) are included into the 747 fully privatised objects.

The Above table shows the number of enterprises in different privatisation stages in Kyrgyzstan. Privatisation progress was very much impressive during the first stage but after that when privatisation was differed due to unfavorable market condition in 1997 it became very much tame affair. The over all progress in privatisation is illustrated in the following tables:

Table 3.8
Public Enterprise Reform and Privatisation in
Kyrgyzstan

	1991	1992	1993	1994	1995	1996	1997
Private Sector Share of GDP	18.8	24.3	29.4	51.9	66	73.4	76.4
Private Sector Share of Employment (percent)	34.5	39.8	47.3	58.3	68.5	72.5	74.2
Total Number of Enterprises Privatised Each Year			4,428	5,168	5,895		
Total Number Of Small Enterprises Privatised					2,550	3,995	
Total Number of Large Enterprises Privatised						705	
Total Revenues from Privatisation							
Number of State-Owned & Former State-Owned Enterprises							
Number Of SOEs	5,270						
Small Enterprises (1-199 employees)	4,300						
Medium & Large Enterprises (200-4999)	950						
Very Large Enterprises (5000+)	20						
Small-Scale Establishment Not Enterprises	9,500						
Enterprises Privatised		2,358	4,428	5,168	5,895	6,204	6,375
Competitive Biding		1,081	1,336	1,387	1,499	1,628	1,623
Sale to Individual		940	924	1,072	1,216	1,279	1,300
Lease With Option to buy		68	67	67	75	95	98
Formation of Joint Stock Companies		281	778	1,062	1,446	1,509	1,640
Sale to Labour Collectives		488	1,223	1,413	1,479	1,502	1,516
Other Methods			100	167	329	199	198
Number of SOEs Privatised			4,428				
Percentage- Tenders			28.6				
Management-Employee Buyouts			28.2				
Direct Sale to Individuals			21.3				
Auctions			18.0				
Coupon Auction							
Lease With Option to Buy			1.5				
Other Methods			2.4				
Number of Farms	676517	703479	727651	714638	671206	747828	730718
State	286	221	192	127	49	38	35
Others (Including Cooperatives, JSC, Collectives & Private Farms)	676231	703256	727459	714011	671157	747785	730683

Source: World Bank- *Private Sector Development In Europe and Central Asia*
(at www.worldbank.org/ecspf/PSD-Yearbook)

Table - 3.9
1992 – 1999 Privatization Transaction Data for Kyrgyzstan

1992 – 1999 Privatization Transaction Data : Kyrgyzstan								
Year	Country	Company	Sector	Share sold (%)	Sale Amount	Foreign exchange earned on transaction	Financial Notes	Purchaser(s)
1996	Kyrgyz Republic	Bishkekkiy Zavod Antibiotikov	Chemicals	28.9	1.5	0.0	MBO	
1996	Kyrgyz Republic	Kcshk	Industry	18.4	6.8	0.0	MBO	
1996	Kyrgyz Republic	Kadamghaysky Surymyniy Combinat	Industry	5.0	27.9	0.0	MBO	
1996	Kyrgyz Republic	Kisil-Kiyskiy Tabacfermza vod	Industry	70.0	5.6	0.0	Competitive bid	
1996	Kyrgyz Republic	Kyrgistamekisi	Industry	--	5.6	0.0		
1996	Kyrgyz Republic	Uchckun	Industry	14.9	4.2	0.0		
1996	Kyrgyz Republic	Kyrgyzcom unproeckt	Services	5.0	85.5	0.0	MBO	
1996	Kyrgyz Republic	Agroservis	Agriculture	95.6	0.1		Cash auction	
1996	Kyrgyz Republic	Shahta Ghirgalan	Coal	28.9	0.2			
1996	Kyrgyz Republic	Aren. Stroit. y Pravlenie Kench	Construction	5.0	0.4		MBO	
1996	Kyrgyz Republic	Bazalt	Construction	5.0	0.2			

Continued to Next Page-

1996	Kyrgyz Republic	Specrsu	Construction	28.0	0.1		MBO	
1996	Kyrgyz Republic	Sylykta-Shahtokyrlylysh	Construction	26.3	0.1			
1996	Kyrgyz Republic	Naymanskiy Galjshniy Zavod	Industry	5.0	0.6		MBO	
1996	Kyrgyz Republic	Osoo Balikchi-Vtormet	Industry	--	0.1			
1996	Kyrgyz Republic	Razrez Ack-Ulack	Industry	5.0	0.5		MBO	
1996	Kyrgyz Republic	Shahta Ckoc-Ghangac	Industry	29.2	0.2			
1996	Kyrgyz Republic	Tash-Kymir Shsy	Industry	100.0	0.1		Cash auction	
1996	Kyrgyz Republic	Gaksk Kyrgyzstan	Services	29.3	0.2			
1996	Kyrgyz Republic	Kara-Baltinskiy	Services	100.0	0.1		Competitive bid	
1996	Kyrgyz Republic	Osoo Altk	Trade	100.0	0.1		MBO	
1996	Kyrgyz Republic	Munay Kurulush		5.0	0.2		MBO	

Source: World Bank- *Development Economics Prospect Group*,
(at www.ipanet.net/document/WorldBank\databases/plink/soceco/6kyrgyzrepublic.htm)

Tajikistan Early in the reform period, the Government designed a programme for commercialisation and privatisation of state enterprises. Implementation began in mid-1991, but economic and political instability interrupted the process. The new government, appointed in November 1992, decided to activate the stalled reform in the face of the rapidly deteriorating economic situation.

Although the Government regards private enterprises development as a key element of the economic reform programme, the privatisation programme at that time was narrowly defined. It focuses on small and medium enterprises, and to some extent, on larger enterprises that are non-profitable or heavily subsidized. The 1991-92 privatisation programme, approved in October 1991, targeted the sale of 1276 enterprises, of all size and form different sectors of the economy. The 1993-95 privatisation programme proposed to add medium and large enterprises to the list. Thus, by the end of 1995, the objective was to privatise over 19 percent of all enterprises. This represent only 6 percent of the 1304the medium and large enterprises⁸. But the actual result was very disappointing, however, in the following table sector wise privatisation accomplishment is shown.

⁸ The World Bank, *A World Bank Country Study, Tajikistan*, 1995, p.33

Table- 3.10

Medium and Large Privatisation Accomplishments in Tajikistan by 1995

Sector	Private Company	Employee Collective	Leased	Joint Stock Companies*	Bought Real Estate	Total
Agriculture		15		1		16
Industry		11	3	13		27
Construction & Materials	2	16	5	11		34
Transport		3	3	2		8
Trade, Retail	3	15	2	3	1	24
Catering	1	3				4
Services	1	14	5	7	2	29
Mining Metallurgy		5		1	1	7
Other		1	1		1	3
Total	6	81	22	38	5	152

Source: State Property Committee, Cited in *A World Bank Country Study, Tajikistan, 1995*, p.35

Regional and district communities are moving slowly with small-scale privatisation mostly through negotiations with labour collectives. As of October 1995 only 600 of small enterprises has been privatised. Similarly medium and large privatisation only 152 enterprises had been privatised.

Privatisation programme in Tajikistan was interrupted due to civil war but the UN brooked peace agreement in 1997 accelerated the privatisation programme in Tajikistan. After the peace accord many international institutions were interested to help Tajikistan in its restructuring project.

After that Tajikistan privatisation programme was mixed in result in 1998 Tajikistan privatised more enterprises than in any other year, and in fact by some measures, more than 1996 and 1997 combined, both of which were good years for

privatisation. More small enterprises were sold than ever before, and both incorporation and privatisation of medium and large enterprises accelerated greatly. With the legal base for privatisation through auctions and tenders in place, the process was more open and competitive than ever before. In addition, at the end of the year, work began in earnest on privatisation of the important cotton sector.

On the other hand, the privatisation process was very uneven, as the following sections demonstrate. Sales were generally slack until a World Bank or IMF requirement came up, at which time a short burst of frantic activity ensured that the requirements were met. With each successive requirement, the results were weaker and weaker, and by the end of the year, the requirements were not being met. Progress of privatisation in Tajikistan is shown in the following table:

Table- 3.11**Privatisation in Tajikistan 1991-1998**

Small Scale Objects Sold in 1998:	1175
Medium and Large Enterprises Incorporated in 1998:	185
Medium and Large Enterprises Sold in 1998:	
Medium and Large Enterprises Sold and Paid For in 1998:	35
Total Revenues from Privatization in 1998:	8847.0 mln.
Total Number of Enterprises in the SPC database	8748
Of Which, Subject to Privatisation	5865
Number Privatised	3844
% Privatised	67%
Number Privatised at Beginning of the Year	2607
% Privatised at Beginning of the Year	44%

Privatisation Completion By Selected Sectors	
Trade	1047 (62%)
Public Catering	352 (65%)
Services	1488 (88%)
Industry	40 (40%)
Construction	66 (42%)
Agriculture	211 (79%)
Transport	25 (60%)

Privatisation By Sectors:

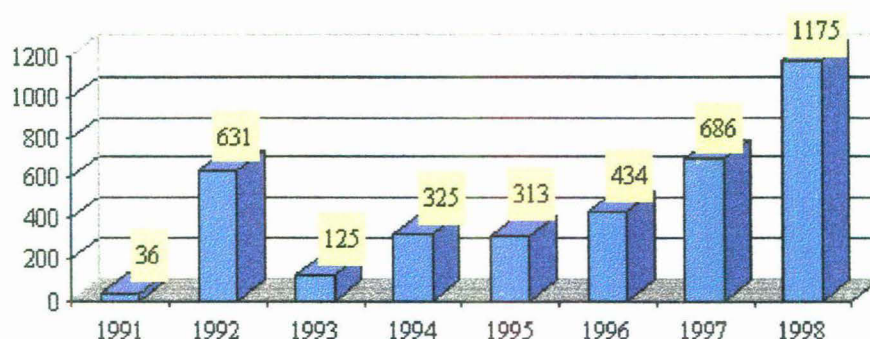
	Subject to Privatisation	Privatised in 1991-1997	% privatised	Privatised in 1998	% privatised
Trade	1685	748	44%	299	18%
Public Feed	547	251	46%	103	19%
Services	1704	1136	67%	350	21%
Communal Services	20	8	40%	4	20%
Industry	101	28	28%	12	12%
Construction	156	38	24%	28	18%
Unfinished Construction	83	63	76%	11	13%
Agriculture	267	94	35%	117	44%
Transport	42	12	29%	13	31%
Public Health	6	4	67%	2	33%
Social	198	62	31%	58	29%
Other	338	105	31%	178	53%
Total			50%		23%

Source: State Committee for Administration of State Property Tajikistan,
(at <http://www.privatisation.tajikistan.com/data/dat2.htm>)

Small-Scale Privatisation Small-scale privatisation was particularly successful in 1998. 1175 enterprises were sold, out of 1577 offered, for a total price of 1.9 billion rubles. As the chart below demonstrates small scale privatisation results far outpaced those in other years.

Graph 3.4

Small-Scale Privatisation in Tajikistan by Year



Source: State Committee for Administration of State Property Tajikistan, (at <http://www.privatisation.tajikistan.com/data/dat2.htm>)

The sales rate for offered objects in 1998 was 71%, and remained surprisingly stable over the year. The reason it may be considered surprising is that on 22 October 1998, the Government introduced new coefficients, which had the effect of raising prices for objects approximately 3 times. The reason that this did

not significantly lower sales rates is that the local state property officials simply did not offer objects, which were suddenly priced too high. In those cases where the object was still priced reasonably, the documentation was prepared. In all fairness, it must also be stated that the coefficients were not widely used immediately after the introduction, and even in December, the coefficients were still ignored in many regional auctions.

A second factor, which affected the small-scale privatisation process and privatisation in general, was the sudden political difficulty experienced in the north of Tajikistan. While the chart below shows a last minute sales increase at the end of the year. Regionally, privatisation was particularly strong in the north for the year as a whole, even taking into account the difficulties at the end of the year. Dushanbe performed very poorly, particularly in the second half of the year, when only one auction was organised, and only 14 out of 67 objects were sold. The southern oblast performed better, overall, with 332 objects sold, as the following table shows:

Table- 3.12
Privatisation in Tajikistan by Region and Year

	1991	1992	1993	1994	1995	1996	1997	1998	Total
Dushanbe	21	112	44	64	138	88	198	181	846
Leninabad	3	331	28	137	57	149	230	445	1380
Khatlon	12	115	36	96	46	128	180	332	45
RRS	0	66	6	20	67	66	62	189	476
GBAO	0	6	11	8	5	3	16	28	77
Total	36	630	125	325	313	434	686	1175	3724

Source: State Committee for Administration of State property Tajikistan

According to the Medium Term Economic Program, small-scale privatisation was supposed to reach a target of 1200 objects sold by the end of 1998. With 1175 sold, this was clearly not achieved. In fact, the only reason the targets were met is because in most cases they had been reduced significantly. However, on the whole 1998 was a successful year in terms of meeting privatisation targets for small-scale privatisation. By end March 1999, the total number of small-scale objects sold from the beginning of 1998 is supposed to reach 2000.

Much of the pressure for this acceleration of privatisation comes from privatisation conditions established by the World Bank and International Monetary Fund. In 1997, a new Privatisation Law was passed, which changed the process from a bottom up, negotiated sale to collectives on an enterprise by enterprise basis to an open, competitive and top down program with more rapid wholesale transfer of assets into the private sector. Additional legal measures were adopted through 1997 and 1998 to support this new process, and the World Bank and IMF kept up constant monitoring to ensure that the momentum continued.

Table 3.13

Requirements of Government of Tajikistan, IMF, WB

Requiring Document or Organization	Requirement	Actual Result
IMF Structural Adjustment Credit	Privatise 600 Small Scale objects till June 15, 1998	Privatised 636 Small Scale objects
IMF Structural Adjustment Credit	Privatise 900 Small Scale objects till September 31, 1998	Privatised 946 Small Scale objects
Letter of President of Tajikistan to IMF	Privatise 1200 Small Scale objects	Privatised 1175 Small Scale objects
Aide memoir of World Bank, November, 1998	Privatise 600 Small scale objects till May 15, 1998	Privatised 573 Small Scale objects
Aide memoir of World Bank, March, 1998	Privatise 500 Small Scale objects till May 15, 1998	Privatised 573 Small Scale objects
Medium term Economical Program of Government of Tajikistan for 1998-2001	Privatise small Scale objects 600-700 till June 30, 1998	Privatised 636 Small Scale objects
Medium term Economical Program of Government of Tajikistan for 1998-2001	Privatise 900-1100 Small Scale objects till September, 1998	Privatised 946 Small Scale objects
Telegram of Government of Tajikistan August 3, 1998	Small Scale objects to be privatise according to Privatisation Plan	Not achieved
Telegram of Government of Tajikistan November 20, 1998	Privatise 479 Small Scale objects From October 1 to December 31, 1998	Privatised 228 objects

Source: www.privatisationlink.com

Medium and Large Enterprises privatisation In 1998 actual privatisation of medium and large enterprises accelerated tremendously. Sale of shares in medium and large enterprises can be said to have started in 1998, in many ways. As mentioned previously, incorporation had previously been considered a form of privatisation, but the definition was changed in 1997 so that only enterprises which were more than 75% sold could be considered privatised. The degree of medium and large scale enterprise privatisation was not as high. In 1998 147 state enterprises registered as corporations and prepared the necessary documents for

sale, while in the previous 7 years of the privatisation programme, only 23 did so. The following table shows the results of privatisation of medium and large-scale enterprises by year:

Table 3.14

Transformed and Privatised Medium and Large Objects by Year

	1991	1992	1993	1994	1995	1996	1997	1998
Transformed into JSC	5	14	12	11	16	15	70	197
Privatised	1	5	3	0	2	1	5	74

Source: State Committee for Administration of State property Tajikistan

The over all privatisation statistics of Tajikistan is shown in the following table-

Table 3.15**Public Enterprises Reform and Privatisation in Tajikistan**

	1991	1992	1993	1994	1995	1996	1997
Private Sector Share of GDP						25%	20%
Private Sector Share of Employment	38.8%	42.6%	44.6%	48.9%	51.7	55.7%	
Total Number of Enterprises Privatised Each year	33	786	84	343			
Small Enterprises Privatised (cum)			600			1,459	
Large Enterprises Privatised							
Total Revenues from Privatisation (% of GDP)		0.7	0.2	0.3	0.4	0.5	
Number of Small State Enterprises			1,749				
Number of Cooperatives			643				
Number of Joint Ventures			182				
Number of Private Enterprises			556				
Joint Stock Companies			38				
Employee Collectives			81				
Leased			22				

Source- World Bank- Private Sector Development In Europe and Central Asia
(at www.worldbank.org/ecspf/PSD-Yearbook)

Turkmenistan Progress of privatisation is very poor in Turkmenistan, Turkmenistan ranks lowest in Central Asia in the EBRDs ranking. Privatisation and private sector development are occurring slowly at the margins of the economy, while state involvement is expanding in some sectors. Most private activity is in the service, agriculture and retail trade sectors and is not with the exception of few joint ventures, directly productive. The regulatory, legislative, and economic environment for private sector investment is not conducive. Few foreign or domestic investors are considering significant equity investments, no

substantive transfer of ownership of agricultural, industrial, or other assets has occurred. The government's programme is to proceed step by step, commencing with small service units, followed by lease for retail premises.

At mid 1999, 23 medium-sized enterprises had been privatised. ten in textiles, seven in food and one in electrical appliances factory; however, the highest price was only US \$ 200,000 and, oddly, all buyers were local. About 24,000 small enterprises had been transferred out of state ownership⁹. Effectively, the entirety of the gas, petroleum and cotton processing sectors, building materials and food processing remained owned and regulated by various administrative structures and ministries.

Little of Turkmenistan's economy is in private hands, although there is significant marginal activity in the agricultural and trading sectors. In July 1992 8,940 were taxable enterprises of which only 2,600 small-scale enterprises are fully private, there are 14 foreign enterprises and 10 joint ventures.¹⁰

The private sector, outside plot agriculture, accounted for 10 percent of GDP in 1995 and it increased to 25 percent in 1997, share of private sector employment was also very low that was only 22 percent in 1995. First times in 1996 enterprises with 100-500 employees were privatised.

⁹ *Regional Survey of Europe* (London: Europa Publication Limited), vol. 2, 2002, p.437.

¹⁰ World Bank, *A World Bank Country Study, Turkmenistan*, 1994, p. 62

The main method for privatisation of state owned enterprises was through management employee buyouts, which accounted for 80 percent in 1996. Infrastructure privatisation was almost zero in Turkmenistan. The over all privatisation statistics of privatisation progress is shown in the following table -

Table 3.16
Public Enterprise Reform and Privatisation in Turkmenistan

	1991	1992	1993	1994	1995	1996	1997
Private sector share of GDP					10.1%		25%
Private sector share of Employment					22%		
Number of Small Unit Privatised	0	0	0	0	1,652	204	
Number of Small-Scale Enterprises Privatised	0	0	0	850	802	204	
Number of Large-and Medium-Scale Enterprises Privatised	0	0	0	0	0	4	
Privatisation Revenues							
Cooperatives					1,456	1,577	
Consumer Cooperatives					413	503	
Production Cooperatives					677	703	
Farmer Associations					366	371	
Mixed Ownership					398	541	
Foreign Ownership					97	259	
Number of SOEs Privatised through Management/Employee Buyouts					80%		
Auctions					20%		
Converted into Joint Stock Companies						10	
Infrastructure Privatisation							
	1991	1992	1993	1994	1995	1996	1997
Telecom	0	0	0	0	0	0	
Power/Energy	0	0	0	0	0	0	
Water	0	0	0	0	0	0	
Gas	0	0	0	0	0	0	
Railroads	0	0	0	0	0	0	
Land Privatisation							
	1991	1992	1993	1994	1995	1996	1997
(Leased, Thousands HA)						938	
Percentage						60%	

Note: SOEs: State Owned Enterprises

HA: Hectare

Source- World Bank- Private Sector Development In Europe and Central Asia
(at www.worldbank.org/ecspf/PSD-Yearbook)

Uzbekistan The privatisation process in Uzbekistan has been implemented in three different stages. All the three stages have very distinct feature in terms of progress in privatisation. In the first stage of privatisation, the GKI undertook the disposal of housing, agriculture and the retail sector. During the period of 1994-95 5,000 enterprises were targeted for privatisation. The pace of privatisation accelerated in March 1994, at the end of 1994 the GKI estimated that there were 67,660 enterprises in Uzbekistan, of which 20,758 were state enterprises and 46,902 private or privatised¹¹. According to President Karimov 67 percent of state firms have been privatised in 1995. In fact, privatisation enjoyed only partial success, with most enterprises still under the influence of state or local government to significant degrees.

As a result of the second stage, which involves the wide-scale privatisation of all industrial enterprises, the owners' class was established, consisting of 2 million security and shareholders, 3 million owners of real estate¹². At that stage a downward trend in the privatised enterprises was observed. Especially from mid-1990s the privatisation programme slowed considerably. In 1998 the government planned to privatise 346 state owned firms, but in May it announced the postponement of the privatisation of the petroleum and gas sectors.

¹¹ *Regional Survey of Europe*, op.cit., p.495

¹² www.economic-trend.org

In 1999 the need of foreign exchange motivated the government of Uzbekistan to develop a list of potential assets for sale. However, even where privatisation was carried out, the result were often far from favourable for the new owners, and it proved difficult to attract foreign investor. Revenues from privatisation amounted to 9,100 million sum in 1999. In the first nine months of 2000 income from privatisation totaled 10,945 million Sum, and by end of the year 189 medium-sized and large enterprises were privatised¹³. The government has requested the Private Sector Group PSG's of ADB participation in the privatisation of one of the banks and the telecommunication utility. These are currently being prepared for sale through the World Bank assistance. ADB supports the Government's initiative to privatise over 270 manufacturers and banks, including some of the largest state enterprises and encourages the Government to inform potential investors and sponsors of ADB modalities available to support private sector investments. Some proposals such as Uzbekleasing have been submitted to PSG for review¹⁴.

The GKI data in the following table shows the all types of ownership changes, which had taken place in different privatisation stages-

¹³ *Regional Survey of Europe*, op.cit., p. 495

¹⁴ www.uzreport.com

Table 3.17
Ownership Changes in Uzbekistan 1995-2001 (Number of Entities)

	Total	Including	
		Privatised*	Converted into JSC
1995		7,511	1,026
1996	1,915	658	1,257
1997	1,231	443	788
1998	451	103	110
1999			
Quarter 1	144	40	46
Quarter 2	119	47	40
Quarter 3	103	42	25
Quarter 4	82	27	30
2000			
Quarter 1	52	21	20
Quarter 2	61	28	23
Quarter 3	76	14	47
Quarter 4	185	40	64
2001			
Quarter 1	225	123	28
Quarter 2	59	19	7
Quarter 3	801	536	142

Note: * Includes all kinds of privatisation (Sales of Shares, transfer of ownership to workers/owners)
Source- State Property Committee (GKI); Ministry of Macroeconomics and Statistics, (at www.economic-trend.org)

Table 3.18
Overall proceeds from privatisation and divestiture in Uzbekistan

	Total (Bn. Sums)	% of GDP	Revenues from sales on stock markets (% of total revenue)	Revenues from sales to employees (%of total revenues)
1997	4.4	0.44	84.5	15.5
1998	8.9	0.63	76.4	13.4
1999	9.1	0.44	44.7	30.7
2000 (Jan-Jun)	7.0	0.67	19.9	32.6
2001 (Jan-Sept)	11.0	0.56	40.0	30.0

Source- State Property Committee (GKI); Ministry of Macroeconomics and Statistics, (at www.economic-trend.org)

The overall Uzbekistan's privatisation details are is shown in the following table-

Table 3.19
Public Enterprise Reform and Privatisation in
Uzbekistan

	1991	1992	1993	1994	1995	1996	1997
Private Sector Share of GDP					50%	66%	
Labour Employed in the Private Sector (Non State)		43%	44%	47%	51%	54%	
Incorporatised and Partially Privatised Enterprises	0	0	34,577	9,744	5,645		
Small-Scale Enterprise Privatised	0	350	33,577	8,760	5,545		
Medium-Scale Enterprise Privatised	0		600	614	50		
Large-Scale Enterprises privatised	0	0	400	370	50		
Privatisation Proceeds (millions of sum)			10	483	2,467	4,556	1,900
Total Number of SOEs	64,547		67,660				
Small	52,782						
Medium	7,059						
Large	4,706						
Non State Sector							
Corporatised medium-sized Enterprises				2,554			
Small Enterprises bought out by employees				210			
Joint Ventures with Foreign Investor				629			
Cooperatives				2,029			
Collectively-owned Enterprises (Agriculture)				1,658			
Small businesses and Farms				14,239			
Leased out Businesses				607			
Infrastructure Privatisation							
Telecom	0	0	0	0	0		
Power/Energy	0	0	0	0	0		
Water	0	0	0	0	0		
Gas	0	0	0	0	0		
Railroad	0	0	0	0	0		
Land Privatisation							
Private Farms					14,000		
% of Total Arable Land					11		

Source: World Bank- Private Sector Development in Europe and Central Asia
(at www.worldbank.org/ecspf/PSD-Yearbook)

Progress of privatisation and ownership reform in Central Asian countries faces multiple problems. Moving from central planning stage to a liberal and market oriented stage Central Asian countries could not replicate the experience of Central and Eastern Europe fully due to difference in condition and institutional framework.

Kazakhstan and Kyrgyzstan was front runner with privatisation progress and Turkmenistan and Uzbekistan was last. Both Kazakhstan and Uzbekistan had adopted two distinct approaches for privatisation. Kazakhstan had adopted an aggressive strategy of privatisation, while Uzbekistan has been much more conservative, preferring to privatise its economy using its own form of gradualism and slow sequencing of reforms. Rest of the Central Asian countries adopted almost any one of both the ways.

It can be stated that by 1997 all the Central Asian countries had completed the stage of small-scale privatisation except Tajikistan whose privatisation progress was hampered due to civil war. But after the peace agreement progress of Tajikistan was very impressive.

Chapter-IV

Privatisation and Ownership Reforms in Agriculture

This chapter analyses the agrarian transition that is taking pace in the former Soviet Central Asia. Since the independence of the five states many economic and institutional reform are taking place. In particular those affecting the agrarian sector are the focus of analysis. While there are substantial differences between the sequencing and the degree of implementation of these reforms, the overall model used in most cases is a blue print programme of market reforms, in which the crucial elements are the break up of the state order, procurement and distribution, the privatisation of state and collective farms and the liberalization of input, output and financial markets.

The term “ownership reforms” is used here to indicate that these reforms are likely to lead to a profound restructuring of land ownership, rural markets, their institutional context and inter sectoral resource flows. Although agrarian systems are always in some form of transition or adjustment, the former Soviet Union had produced a rather static model in the Central Asian states. This was a consequence of rigidly defined regional specialisation, with for example Uzbekistan producing cotton, and Kyrgyzstan meat and wool, and with state and collective forms dominating production, embedded in an omnipotent ‘state order system’ of centrally planned procurement, marketing and distribution. The transition from a centralised command economy to a market driven economy requires continuous decentralization of

decision making, from the central planners to independent firms and individuals in all sectors of the economy. This in turn requires that the government develop a set of legally defined property rights for land, water and intellectual services. The first step is allowing leasing and the allocation of private plots at the farm level. However, before economic actors will risk investing, there must be secure, tradable rights for the particular activity. If the private ownership is not being allowed lease must have long term well defined and be tradable. Secondly, privatising only part of the economy will not have desired results because production decision will still be subject to control by the non-privatised part of the economy. Thus for successful transition from plan to market there should be clear-cut ownership change in agriculture sector. Before startup of the ownership reform in agriculture sector farm size in socialist Central Asia were listed in the following table-

Table- 4.1

Farm Sizes in Socialist Agriculture: Land, Workers, and Machinery per Socialized Farm in the 1980s (10 year averages, per farm)

Country	Number of socialized farms	Agricultural land (ha)	Sown land (ha)	Workers	Tractors and combines
Kazakhstan	2,513	75,555	14,153	664	140
Kyrgyzstan	449	21,626	2,613	882	73
Tajikistan	448	8,352	1,606	948	80
Turkmenistan	468	124,770	2,146	855	93
Uzbekistan	1,902	13,637	2,027	1,045	99

Source: Zvi Lerman, Csaba Csaki and Gershon Feder, *Land Policies and Evolving Farm Structures in Transition Economies* (Washington D.C.: The World Bank, 2002)

Kazakhstan's Ownership Reform in Agriculture The

agriculture sector in Kazakhstan is in a prolonged crisis, which has persisted since the break up of the Soviet Union. Production fell by 55 percent overall between 1991 and 1998 and grains production declined

from a peak of 30 million metric ton (MT) to around 12 million MT over the same period.¹ Live stock production also continues to plummet, use of inputs has dropped dramatically and farm equipment was not replaced.² Several factors led to the crisis gripping agriculture. The collapse of the trade and payment mechanisms within the FSU, particularly the disruption in market outlets and sources of supply for farm inputs has been difficult. The elimination of directed credits, and the disappearance of direct subsidies imposed hard budget constraints on farms. Much of the collapse in output is an inevitable result of the loss of subsidies and in the long run beneficial as resources move to more efficient uses. But, the hardship was exacerbated by the initial slow pace of price, and marketing reform. The tax imposed by the failure of farm prices to move to world market levels was large and the consequence severe in terms of decreased output and productivity, growing farm debts and increased rural poverty.

Reform process (1992-97) The government envisages an increasingly market-oriented and diverse agriculture, consisting both of family farms and larger commercial mechanized farms all serviced by competitive input and output markets. To stimulate the transformation in this direction the government has launched

¹ John, Gray, *Kazakhstan, A Review of Farm Restructuring*, World Bank Technical Paper No.458, World Bank 2000, p. 7

² World Bank, *Kazakhstan, Farm Restructuring Project*, Information Document, No. PID 781, 1997, p. 1

comprehensive reforms. Ownership of farms and agro-enterprises has been passed to private hands. Price, trade, and marketing controls have been lifted, and much of the legal framework for a market economy has been enacted.³ As a result private agriculture has begun to emerge and market signals are increasingly guiding resources allocation.

To facilitate the ownership reform in agriculture government of Kazakhstan has made different legislative changes. Under legislation of 1991 land could be leased for up to 99 years as saleable and heritable, but not mortgagable; such leaseholds together with household plots already accounted the following year for one-third of the livestock and one half of plant output other than cotton and grain, legislation of March 1994 went further. It divided the land of a cooperative farm, reconstituted as a joint stock company into four tranches; 20 percent may be bought by the directors personally; 29 percent is available for purchase by other members, employees and pensioners, 20 percent is to auctioned to buyers who must be Kazakh citizens and have an education and work experiences relevant to agriculture, and 31 percent may be leased for a maximum of five years. By mid 1996, 90 percent of farms with 80 percent of farmland were such joint-stock holdings, but 50 percent of the cattle on them were privately owned by members and only 2 percent by separate

³ Ibid.

private owners. Because of the manner in which the virgin land campaign the 1960s was effected through the foundation of state farms, Kazakhstan had on independence two-thirds of farmland as state farms. Employees have been granted long lease and it would seem that many farms have remained undivided. The state procurement agency, Kazhkleprodukt, was turned in January 1994 into a joint stock company and its monopoly was withdrawn. In December 1994 the premier, Akezhankazhegedin, unequivocally declared that parliament would be asked to legislate for full private ownership of land in the republic. The principle was affirmed by presidential Decree in December 1995 and thereby the 1996 Law 'on land'. Private ownership applied only to household plots and to built on land; the land of share-holding and staff tenure farms remains leased from the state. But that equity in leasehold land may be sold and used as collateral.⁴

Between 1992 and 1997, the farm sector, which in 1991 comprised about 2,500 socialized farms was taken through several evolutionary stages. These can be summarized as follows.

- The former state and collective farms were dissolved as legal entities and collective farm entities were created. This formal

⁴ Michael, Kaiser, "Economic Transformation in Six Central Asian Economies", *Central Asian Survey*, Vol.16, No. 1, 1997, p.25

change had little or no effect on practical ownership and management of the former state and collective forms.⁵

- The majority of collective farm entities were converted in to producers Cooperatives, with the land and property shares retained under the common ownership of the cooperatives.⁶
- Following a presidential decree in April 1997, the producer's cooperatives were encouraged to reallocate shares held in the common to create a more clearly defined structure of ownership. The explicit objective of this change was to foster the formation of groups of share holders to concentrate ownership with certain individuals so that such individuals or groups could take a controlling share holding and “ownership of farm enterprises”, together with the associated financial responsibilities and obligations. In many cases the formal distribution of land and property shares was accomplished by direct gifts of shares, either by president or from the local administration. The most common method to share concentration was the creation of one or more partnership with limited liability (PLL) by leading members of the producers cooperatives, with an accompanying transfer of some or all property and land shares into the name of the Director of the PLL.

⁵ John Gray, op.cit.

⁶ Ibid.

In the sphere of non-land agricultural property, ownership of the productive assets of the former state and collective farm was also vested in the farm population at the time of the formation of production cooperatives. Such property included the machinery and other movable assets of the farm and the buildings used for both production and social purposes. Property shares and land shares are treated separately so that it has become possible for an individual to hold property but not land in a farm entity or vice versa. The property shares of production cooperative members also carried liability to the debts of the cooperative, as under this form of organization individual cooperators, are liable for their share of the debts of the cooperative.

Under the farm restructuring programmes of 1992 to 1997. The various forms of enterprise structure permissible under the civil code of Kazakhstan were mainly of four types; producer cooperatives, Joint stock companies, partnership of various types, and individual farms⁷. The following table summarizes the ownership structure of the farm sector in terms of the permissible farm types as of April 1999.

⁷ Ibid

Table- 4.2

Summary of Legal/Organisational Farm Types (20 April 1999)

Oblsat	Total farms		Peasant farms		Production cooperatives		State farms	
	a	b	a	b	a	b	a	b
Akmola	3956	3954	3600	3575	112	112	5	5
Aktybinsk	2277	2474	1879	1958	284	329	1	1
Almaty	18593	19462	18084	19024	355	312	20	17
Atirau	1146	1143	1100	1097	25	24	-	-
E-Kazakhstan	7080	6989	6841	6761	60	55	4	4
Zhambul	5441	6252	5153	5963	103	100	4	4
W-Kazakhstan	3073	3417	2820	3018	188	186	-	-
Karaganda	4489	4522	4281	4309	73	73	1	1
Kyzl-orda	1693	1623	1538	1473	43	29	2	2
Kostanani	6164	6307	5578	5647	85	69	4	4
Mangistai	393	435	376	418	8	6	-	-
Pavlodar	3322	3347	3179	3197	34	18	2	2
N-Kazakhstan	5821	5801	5148	5128	220	220	6	6
S-Kazakhstan	20477	24250	19570	23198	712	847	14	14
Total	83925	89996	79147	84766	2302	2380	63	60

Oblsat	Legal association									
	Joint stock companies		Partnership (LL)		Collective partnership		DOLP*		Other	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Akmola	33	34	180	203	26	25	-	-	-	-
Aktybinsk	18	18	95	168	-	-	-	-	-	-
Almaty	39	35	83	83	10	10	1	1	1	-
Atirau	9	9	12	13	-	-	-	-	-	-
E-Kazakhstan	19	19	153	149	2	-	1	1	-	-
Zhambul	16	15	165	170	-	-	-	-	-	-
W-Kazakhstan	15	15	50	198	-	-	-	-	-	-
Karaganda	84	82	45	52	-	-	5	5	-	-
Kyzl-orda	45	45	53	63	2	2	10	9	-	-
Kostanani	35	35	462	552	-	-	-	-	-	-
Mangistai	6	6	3	5	-	-	-	-	-	-
Pavlodar	5	4	102	126	-	-	-	-	-	-
N-Kazakhstan	45	45	395	395	6	6	6	1	-	-
S-Kazakhstan	11	11	137	113	-	-	-	67	-	-
Total	380	373	1935	2290	46	43	43	84	1	-

*Director Owned Limited partnership
(a)-As on 1.01.99 & (b)- As on 20.4.99

Source- John, Gray, *Kazakhstan, A review of Farm Restructuring*, World Bank Technical Paper No.458, 2000

The process of farm reform undertaken up to 1997 led to formal rather than substantive changes. The majority of former state farms

and collectives although now legally registered as production cooperatives, continued to function much as before, though under even more difficult financial constraints and in an ever-deepening crisis of indebtedness. Partial attempt at writing off debts to the public sector led to little lasting improvement and threatened to generate complacency at the farm level with respect to debts. The virtually complete reversion to barter as the principal form of trade on both domestic and external markets greatly reduced the efficiency of transactions, adding a further burden to the farms. However, private agriculture farms were forced to work in market conditions while there was no market infrastructure, i.e. no access to credit, leasing of machinery etc. Moreover the low investment potential of the rural population was not taken into consideration during the agriculture reforms the rural people were unable to invest in production, to buy machinery or even send their produce to urban markets.⁸

Faced with these mounting problems, the government initiated a fresh approach to farm restructuring during 1998. The new approach was based on recognition of the need for extensive application of the bankruptcy law both to remove the burdens of farm debts which rendered the sector non-credit worthy and in the hope that

⁸ Rafis Abazov, "Formation of the Non State Sector and Privatisation in Kazakhstan and Uzbekistan", *Communist Economies and Economic Transformation*, Vol. 9, No.4, p. 442

bankruptcies would lead to changes in the ownership and management of farms conducive to post bankruptcy recovery.

The legal basis of bankruptcy proceedings for farm entities is contained in two key documents. The law on bankruptcy of 21 January 1997 provides the economy-wide legal framework for bankruptcy proceedings. The law defines the conditions under which bankruptcy proceeding may be initiated, the definition and function of the bankruptcy courts, the provision for the appointment of a Tender manager following the finding of bankruptcy and the framework for credit or recovery of the asserts of bankrupt enterprises through auction. The second by document for bankruptcy of farm enterprises is the order of 22 Dec. 1997 on the peculiarities in the application of bankruptcy law to agriculture production enterprises.

In this phase to prepare new policies the Ministry of agriculture undertook a classification excersie for all remaining state or cooperatively-owned farm enterprises. In the course of this review, farming entities were placed into three categories;

Group 1- Farms, which were in sound, condition and required no special restructuring efforts.

Group 2- Farms which although facing financial problems, had reasonable prospect of recovery given appropriate support.

Group 3- Farm entities, which could not be salvaged as viable entities and which, should be prepared for and submitted to bankruptcy.

The classification of the farms for December 1997 and again for April 1999 are summarised in the following table

Table- 4.3

Classification of Farms by Financial Status in Kazakhstan

Oblast	Total farms		Group 1				Group 2				Group 3			
	No.	No.	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
	Dec. 97	Apr. 99	Dec. 97		Apr. 99		Dec. 97		Apr. 99		Dec. 97		Apr. 99	
Akmola	230	379	33	14	9	2	115	50	196	52	82	36	174	46
Aktybinsk	372	516	41	11	2	0	285	77	326	63	34	9	223	43
Almaty	614	458	87	14	53	12	521	85	375	82	6	1	29	6
Alturau	43	46	14	33	10	22	18	42	18	39	11	26	22	48
E.Kazakhstan	256	228	78	30	81	36	91	36	72	32	87	34	75	33
Zhambul	249	289	26	10	12	4	175	70	244	84	48	19	77	27
W-Kazakhstan	235	399	35	15	151	38	186	79	52	13	14	6	196	49
Karaganda	181	213	8	4	2	1	144	80	107	50	29	16	83	39
Kyzyl-Orda	117	150	11	9	0	0	86	74	121	81	20	17	24	16
Kostanani	488	660	90	18	26	4	337	69	248	38	61	13	214	32
Mangistai	55	17	44	80	3	18	11	20	14	82	0	0	0	0
Pavlodar	147	150	27	18	30	20	45	31	5	3	67	46	113	75
N-Kazakhstan	490	673	111	23	199	30	174	36	181	27	205	42	293	44
S-kazakhstan	1085	1052	356	33	388	37	623	57	484	46	106	10	180	17
Total	4562	5230	961	21	966	18	2811	62	2443	47	770	17	1703	33

Source- John Gray, *Kazakhstan A Review of Farm Restructuring*, World Bank Technical Paper No.458, 2000

The entire reform process in agriculture sector in Kazakhstan has been summarized in the following table

Table- 4.4

Policies and Objectives of Agriculture Reform in Kazakhstan

Issue	Status of Reform	Objectives & Proposed action
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Price and Subsidies</p>	<p>Significant but incomplete liberalization of agriculture markets</p> <ul style="list-style-type: none"> ➤ Government price controls ended in 1994/95; ➤ Domestic prices largely follow world market price through they still reflect some distortions due to underdeveloped local market; ➤ Purchase price set for Government procurmentis still often used as refrence price; ➤ Subsidies for agriculture have been significantly reduced; 	<p>Competitive markets for outputs and inputs of agriculture with minimal Government intervention,</p> <ul style="list-style-type: none"> ➤ Maintain liberal policies and increase transparency on local markets; ➤ Use domestic prices for government purchases; ➤ Focus support programs on efficiency enhancement programs if any allowed by budgetary situation.
<p>B. Trade policies</p>	<ul style="list-style-type: none"> ➤ Foreign trade is liberalized but seriously constrained by bureaucratic and informal impediments; ➤ No export tariff on any agriculture commodities; ➤ Vat on agriculture goods is astrong impediment to exports to other CIS countries. 	<ul style="list-style-type: none"> ➤ Initiate mutual removal of VAT for trade inside CIS; ➤ Phase out Government purchase for strategic grain reserves; ➤ Make any Government purchase of agriculture product on basis of competitive procurement arrangements; ➤ Make strongf attempts to sanction interference by local authorities in agricultural markets; ➤ Cease any government guaranteed machinery and inut purchase programs.
<p>C. Taxation</p>	<ul style="list-style-type: none"> ➤ Government continues to purchase grain for strategic reserves; ➤ Domestic markets are regularly distorted by the intervention of local authorities; ➤ Machinery markets are distorted by Government guarantees and centrally managed imports of machinery backed by Us EXIM Bank. ➤ Incorporated agriculture enterprises are taxed as other business entities (30% profit tax) as of 1998; ➤ Individual private farms pay personal income tax (marginal rates of 5 to 30%), from 1998; ➤ Land tax is paid on all farming land at anaverage rate of about \$20 to \$25 per hectare depending of quality of land. 	<ul style="list-style-type: none"> ➤ Maintain an equitable and fair taxation of agriculture; ➤ Consider tax reduction as the most preferable way of supporting emerging family-based private agriculture; ➤ Consider deduction of land-tax and part of the interest on agriculture loans from personal property tax.

Continued to the next page-

Issues	Status of reforms	Objective & proposed actions
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Initial Privatisation of large farms has been completed, however, the required restructuring of the farming sector is still in progress.</p> <ul style="list-style-type: none"> ➤ Land law passed in 1995 maintained state ownership of agriculture land; ➤ Permanent and freely transferable use rights were provided to members of the state and collective farms on a share basis; ➤ Land for houses and garden plots became private properties; ➤ Farm privatisation progressed based on the provision of land use rights and assets ownership certificates; ➤ Most of the farming population decided to remain in the framework of large corporate or cooperative farming enterprises, though a significant and growing number of farm member have exited the farms and established their own family farms; ➤ From 2,500 state and collective farms about 9,000 partnership, joint stock companies and cooperatives were created by the middle of 1997; ➤ Individual family farms totaled approximately 60,000 farming on about 20 percent of agriculture land; ➤ The farm restructuring and ownership changes to date have not yielded increases in farm productivity or improved profitability on most of the farms; ➤ Farm privatisation and restructuring has been characterized by a lack of transparency, poor information, and property shares in the hands of farm managers. 	<p>Efficient farming based on transparent ownership and land use rights.</p> <ul style="list-style-type: none"> ➤ Improved transparency and information about ownership rights and opportunities; ➤ Discourage permanent transfer of land use rights in favour of fixed term leases, until transparent lease and user-rights markets emerge; ➤ Complete the roll-out of a national land and real estate registration system; ➤ Facilitate the further restructuring of large farms and establishment of additional family farms; ➤ Explore measures to reverse negative social impact of excessive concentration of land user rights; ➤ Facilitate the financial consolidation of newly emerging farms by debt settlement and introduction of international accounting practices; ➤ Use bankruptcy procedures to accelerate the farm consolidation.

Continued to next page-

Issues	Status of reforms	Objective & proposed actions
<p>3. <u>Competitive agroprocessing and services of agriculture</u></p>	<p>Formal privatisation of state enterprises completed, technological improvement and financial consolidation of these enterprises is lagging behind.</p> <ul style="list-style-type: none"> ➤ The state-owned enterprises were privatised with in 50% of the shares distributed to the suppliers of raw materials, and 10% going to workers in the enterprises. The remaining shares were auctioned; ➤ Capacity in most of the former state enterprises is significantly underutilized, and product quality has marginally improved; ➤ Increased private sector entry into processing, particularly in the grain sector, creating smaller and efficient enterprises producing on an international standard quality; ➤ The grain sector is demonopolised with increased strategic investment by large foreign multi-nationals; ➤ Increasing private sector entry into input supply and output marketing; ➤ Current procedures not fully conducive to foreign participation in agroprocessing; ➤ Basic anti-monopoly and fair competition legislation is currently being developed. 	<p>Private-based and competitive agroprocessing and input supply and facilitation of entry of new private entrepreneurs.</p> <ul style="list-style-type: none"> ➤ Enact anti-monopoly and fair competition legislation; ➤ Aggressive application of bankruptcy legislation to facilitate further restructuring of agroprocessing; ➤ Improve the legal and policy environment for direct foreign investment in agroprocessing; ➤ Facilitate the introduction of international quality standards; ➤ Facilitate the development of secondary markets in shares of privatised agroprocessing industries

Continued to the next page-

Issues	Status of Reforms	Objectives & Proposed actions
4. <u>Rural financing</u>	<p>Basic financial sector reforms in place, with rapid emergence of private financial intermediaries, however the development of a rural financial system is lagging behind</p> <ul style="list-style-type: none"> ➤ Banking system reform complete resulting in the emergence of mainly private and solvent commercial banks; ➤ Lack of collateral, limited experience with rural lending, and poor creditworthiness and the inherited lack of credit discipline of large agro-enterprises limit the amount of rural lending; ➤ With the exception of some pilot projects, individual private farming is not receiving any formal bank financing; ➤ The recent introduction of subsidized credit scheme using budgetary resources is of concern as it is not conducive to the development of commercial rural financing; ➤ Bankruptcy regulations for agriculture enterprises adopted; 	<p>Viable financial institutions efficiently serving the food and agriculture sector</p> <ul style="list-style-type: none"> ➤ Improve legal framework for use of land as collateral ➤ Pass legislation on registration of pledges on movable property; ➤ Introduction of international accounting standards; ➤ Implement bankruptcy provisions; ➤ Develop and implement legislation on the use of warehouse and the use of warehouse receipts as collateral; ➤ Terminate all programs of subsidized credit for the sector.
5. <u>Institutional Framework</u>	<p>Adjustment of the institutional framework to meet the requirements of a market-oriented agriculture sector is still at an early stage.</p> <ul style="list-style-type: none"> ➤ The size of Ministry of Agriculture was downsized, but needed structural changes have not been implemented; ➤ Research and Agriculture training and education has not been adjusted and is seriously hampered by budgetary difficulties; ➤ Western type of extension system does not exist; ➤ The creation of quality public services required by a market based agriculture is delayed by budgetary limitations. 	<p>Effective provision of public goods and support services.</p> <ul style="list-style-type: none"> ➤ Accelerate the creation of quality public administration in agriculture; ➤ Implement comprehensive reform of agriculture research and education; ➤ Facilitate the emergence of western type of advisory services; ➤ Improve provision of public goods such as information, land titling and registration, quality and disease control.

Source- Csaba Csaki and John Nash, *The Agrarian Economies of Central and Eastern Europe and the Commonwealth of Independent States-Situation and Perspective*, World Bank Discussion Paper No. 387, 1997

Kyrgyzstan's Ownership Reform in Agriculture As a transition country, the Kyrgyz republic faces a number of development issues associated with property rights in land and real estate. In Kyrgyzstan, information on land and real estate has been collected and maintained in an uncoordinated and incomplete manner by a number of different agencies including the bureaus of technical inventory, land agency offices, city and regional architects offices, the state property fund, the state cartographic agency, and others.⁹ Further more, as the process of initial privatization of immovable property moves forward, there is rapidly growing amount of information pertaining to rights.

Despite extensive privatisation of housing and significant progress in privatisation of enterprises, real estate markets in urban areas remain under developed. This largely reflects the weak macro economic situation in the country, but is made worse by in appropriate and complicated transaction procedures, lacks of supporting institutional infrastructure, and in many cases lack of clarity of title.

Government strategy in dealing with these issues has been built around introduction of polices supportive of market development and unification and coordination of data held by the state. In particular for clarity and security of property rights, the government has passed a

⁹ World Bank – “ Project Information Document”, No. PI D7975, pp. 1

law on registration, which was reviewed throughout its development by the bank. The law provides the legal foundation for a parcel-based tile registration system.

Furthermore, the government has formed a new state Agency for Registration (Gos Registr) which combines the most important agencies involved in maintaining information on land and real estate. The institutional capacities of these agencies are now to be combined in establishment of registration offices.¹⁰

Changes began in Kyrgyzstan in April 1991 when the Kyrgyz land code of 1972, which prohibited buying, selling donating, mortgaging or barter of land was amended. An implementing Presidential decree in August 1991 allowed farmland to be held on lease by individuals, whether citizens or foreigners, collectives. A law on cooperatives set out terms on which farmers could establish voluntary groups, and by early 1995 four out of five had recognized themselves into either individual holdings or the majority cooperatives; in that year about 10 percent of agricultural output came from former.

A decree of February 1994 allowed the leaseholds, extended to 49 years to be sold, exchanged, rented or used as collateral, and

¹⁰ Ibid.

another of November 1995 extended leases to 99 years but only for Kyrgyz citizens.¹¹

All these above efforts have progressed somewhat is full of contradictions with a history of violent conflicts between Kyrgyz and Uzbek people in the oblast of Osh.¹² Land Privatisation contributed to further inter-ethnic tension in 1992. At that moment around 11,000 small private farms had been established. However, with an increasingly depressed economy and a collapse of marketing, the privatisation programme was suspended until the beginning of the 1993-agriculture season. In that year land reform again showed modest progress, in particular the transformation of state farms into joint stock companies. Nevertheless, during this period the government gave special support to state and collective farms with an emergency programme a move that provided a strong disincentive to start private farming¹³. The land distribution and privatisation programme is now exclusively in the hands of the Ministry of Agricultural, including the National Land fund that aims to reserve at least 25 percent of available land for Kyrgyz farmers.

In Kyrgyzstan the issue of land privatisation remained politically sensitive. In 2000 it was planned to end the recent

¹¹ Michael Kaiser, op.cit.,p. 25

¹² Max Spoor "Agrarian Transformation in Former Soviet Central Asia: A Comprehensive Study of Uzbekistan and Kyrgyzstan" *The Journal of Peasant Studies*, Vol. 23, No. 1 October 1995, p.52

¹³ Ibid.

moratorium on land sales, as result of the inadequate regulation of such activity, and to eliminate various state monopolies in the agriculture sector, most notably that imposed on seed production. On the same year President Akayev offered farmers further relief, by revoking a government decree that would have increased the level land taxation two folds.¹⁴ Till 2000 some 80-90 percent farming took place on lease land, there was not any formal establishment of agriculture property rights.

The entire issue and objective as well as the status of agriculture reform in Kyrgyzstan are summarized in the following table.

¹⁴ *Regional Survey of Europe*, (London: Europa Publication Limited), vol. 2, 2002, p. 235

Table- 4.5

Polices and Objective of Agriculture Reform in Kyrgyzstan

Issue	Status of Reforms	Objectives & proposed actions
<p>I. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Markets, prices and the trade regime are liberalised; but distortions exist at the local level; market structures are not integrated.</p> <ul style="list-style-type: none"> ➤ Agricultural producer and consumer prices are deregulated. Notable exceptions are irrigation water, electricity and railway tariffs; ➤ Agriculture producer and consumer subsidies are abolished. Notable exceptions are selected remote areas and some agricultural inputs; ➤ Social safety-net in the rural areas is inadequate and not very effective; ➤ Irrigation water and electricity for agricultural use remain subsidised. ➤ Prices for most agricultural outputs are below world prices and prices for most agricultural inputs are at or above world prices; ➤ Input and output markets remain very weak due to poorly developed infrastructure, institutions and information. 	<p>Removal of any existing distortions in the markets, prices, trade regime and the incentives system; development of fully functioning, competitive and integrated markets for agricultural inputs and outputs.</p> <ul style="list-style-type: none"> ➤ Eliminate any interference in the functioning of markets at the local level; ➤ Improve targeting and delivery of social services to the rural poor, particularly in the remote areas; ➤ Increase electricity tariffs to improve cost recovery and reduce economic losses; ➤ Establish competitive input and output markets, with a primary focus on infrastructure, institutions and information.
<p>B. Trade policies</p>	<ul style="list-style-type: none"> ➤ Trade regime is generally liberalised but there are still many non-tariff barriers to trade; ➤ WTO accession completed; ➤ Member of Custom Union (Russia, Belarus, kazakhstan and the Kyrgyz Republic) but the Union does not seem to be working. 	<ul style="list-style-type: none"> ➤ Eliminate unnecessary and inappropriate non-tariff barriers to trade; ➤ Make the custom union work to promote free trade.
<p>C. Taxation</p>	<ul style="list-style-type: none"> ➤ From January 1, 1997 , several agricultural taxes have been consolidated into one tax, the land tax; ➤ Tax burden is very high but collection rates are very low. 	<ul style="list-style-type: none"> ➤ Re-assess and revise the land tax rate nnually to improve tax revenue and inter-sectoral equity; ➤ Need to rationalize tax rates in order to improve tax revenue, incentives and equity and improve tax collection.

Continued to next page-

Issues	Status of Reforms	Objective & Proposed actions
<p><u>2. Land Reform and Farm Rest</u></p>	<p>Significant progress has been made in land privatisation and farm restructuring.</p> <ul style="list-style-type: none"> ➤ Legal framework has been put in place to establish family farms or restructure large farms with 99 year land use rights; ➤ 25% of the arable land is place in a land distribution fund (LRF) and 50% of the remaining 75% of arable land is distributed; ➤ The number of state/collective farms has been reduced from 504 to 54 and about 38,000 private farms has been established; ➤ Thus far, land privatisation and farm restructuring has been accomplished through many decrees issued by the President or by the government; ➤ Several land laws are now in legislation; ➤ A land registration system has been piloted in two oblasts; ➤ Pasture land, irrigation infrastructure land and forest land remain state property. 	<p>Completing legal framework to develop fully functioning land market and accelerate farm restructuring.</p> <ul style="list-style-type: none"> ➤ Prepare in accordance with market principles, and issue land code and land mortgage law; ➤ Issue law on land registration; ➤ Clarify procedures for registration rights and transaction in land shares and prepare standard form of contract for sale and lease of land shares; ➤ Issue “regular” land share certificates to those who do not yet have them; ➤ Design an overall framework for auctioning LRF land to ensure efficiency, equity and transparency; ➤ Renew efforts to amend the constitution to permit private ownership of land; ➤ Examine the use of rights issue for common property such as pasture land, irrigation infrastructure land and forest land; ➤ Educate public in the meaning of the rights granted by the land and agrarian reform programme.

Continued to next page-

Issues	Status of Reforms	Objectives & Proposed action
<p>3. <u>Competitive Agroprocessing and Services for Agriculture</u></p>	<p>Substantial progress has been made in privatising the agro-processing and input supply enterprises but the process is not yet complete and the private enterprises are not very efficient.</p> <ul style="list-style-type: none"> ➤ Most of the small and medium scale state owned agro-processing enterprises have been privatised; ➤ The large agro-industrial enterprises are being privatised through case-by-case method of privatisation but the process is slow; ➤ The newly privatised enterprises are hampered by obsolete equipment/technology, lack of credit, poor management, and poor understanding of the competitive markets; ➤ Product quality is very poor, and the existing product quality grades and safety standards are not comparable to international grades and standards; ➤ Lack of critical agricultural inputs is a key constraint to increase agricultural productivity; ➤ Foreign direct investment in the agro-industry remains very low; 	<p>Completion of privatisation of the existing agro-processing and input supply enterprises and the closure of inefficient state owned enterprises that cannot be privatised.</p> <ul style="list-style-type: none"> ➤ Complete the process of privatisation of all the existing state owned agro-industrial enterprises; ➤ Simplify registration procedures and reduce the permission required to establish agro-industrial ventures; ➤ Provide increased access to commercial credit by increasing Kyrgyz Agricultural Finance Corporation (KAFC's) lending capacity; and management training for enterprise managers; ➤ Improve product quality and packaging through technological improvements; and establish product quality grades and safety standards that are comparable to international grades/standards; ➤ Establish a competitive agricultural input marketing system through the development of private input dealers; ➤ Improve the regulatory environment and economic incentives to promote foreign direct investment in agro-industry.

Continued to next page-

Issues	Status of Reforms	Objectives & Proposed actions
4. <u>Rural Financing</u>	<p>The availability of credit is serious constraint to rural development. However, initial steps to establish a commercial rural credit system have been taken.</p> <ul style="list-style-type: none"> ➤ Agroprombank has been liquidated; ➤ There are very few commercial banks and none is interested in lending to agriculture; ➤ Kyrgyz Agricultural Finance Corporation(KAFC) a non banking, independent and commercial public financial institution has been established; ➤ Interest rates have been increased to positive levels in 1997; ➤ Outstanding debts are being recovered. 	<p>Acceleration in the development of viable financial institutions serving the rural and agricultural sectors.</p> <ul style="list-style-type: none"> ➤ Accelerate the implementation of Rural Finance Project (World Bank) and Rural Agriculture Development Bank; ➤ Phase out budgetary transfer for agricultural credit in 1999; ➤ Interest rates charged on agricultural credit through budgetary transfer should not be lower than those charged by the KAFC; ➤ Resolve the issue of outstanding agricultural debt by June 2000; ➤ Support the establishment of "dealer credit" and "trade finance" and expand the lending operations of KAFC to provide credit to meet working capital and capital investment needs of agricultural and agro-industry.
5. <u>Institutional Framework</u>	<p>The institutions of planned economy are gradually being replaced by institutions that serve private agriculture based on market principles. However, the process is very slow.</p> <ul style="list-style-type: none"> ➤ The ministry of agriculture and water resources is being reorganised; ➤ The agricultural research, extension and education system have not yet been adjusted to the emerging market conditions; ➤ Information system required for market-based private agriculture is not yet in place; ➤ The institutional capacity to undertake agricultural policy analysis is very limited. 	<p>The process of establishing efficient and effective institutions to serve commercial private agriculture and rural sector need to be accelerated.</p> <ul style="list-style-type: none"> ➤ Complete the reorganisation of the ministry of agriculture and water resources to serve as the main agency to implement agricultural policy; ➤ Strengthen agricultural research, extension and education system to serve the needs of commercial agriculture in the private sector; ➤ Establish market and technical information system to collect, process and disseminate appropriate information to emerging private farmers.

Source: Csaba Csaki and John Nash, *The Agrarian Economies of Central and Eastern Europe and the Commonwealth of Independent States-Situation and Perspective* World Bank Discussion paper No. 387, 1998

Tajikistan's Ownership Reform in Agriculture Tajikistan is a mountainous land locked country of 143 thousand square kilometers. Crop production is concentrated in irrigated valleys along the tributaries of the Amu and Syr Darya rivers, which originate in Tajikistan. In 1991 there were 206 collective farms (kolkoz), 362 state farms (sovkhoz) and 19 inter-enterprises farms (meshkov).¹⁵ The entire reform and privatisation programme in Tajikistan was distorted by civil war till 1997. After signing the peace agreement in mid-1997, the government has managed to achieve macro economic stability and to intensify the implementation of its structural reform programme. The peace accord in Tajikistan permit legislative progress beyond the land code of December 1990, under which the state continues to be the sole proprietor of land, but allows lease of up to 10 years on decision of the local authority. Such 'lease holders' produce 30 percent of farm output from 6 percent of arable land. Following the years of political instability and civil war the peace accord and renewed government prepared for economic reforms and stabilization provided favourable environment to develop the private sector role in the agriculture, which was is in its infancy.¹⁶

¹⁵ World Bank, "Tajikistan", World Bank Country Study, 1994, p. 95

¹⁶ Csaba Csaki, "The Agrarian Economies of Central and Eastern Europe and the Common Wealth of Independent States – Situation and Perspective", Vol. 1, WDP 381, 1998, p. 108.

In this regard government planned to fully liberalize the price of fruits, vegetable and livestock products and input.

In the mid 1990s the administration of President Imamali Rakhmonov, recognized that agriculture sector is the most fundamental part of the economy, sought to introduce a degree of reform. There was much rhetoric about the complete privatisation of land by the end of 20th century, and plans for agriculture privatisation were announced in the first half of 1996, although there was much resistance to the notion of private land ownership. In July 1998 the government adopted a resolution on the establishment of a center for the support of farm privatisation. In practice, reform measures were slow to take hold, with the state retaining control of both machinery and fertilizer production as well as purchasing, and with local collective farms often unwilling to lease out good quality land. By 2000 there still existed only a limited legal basis for the private ownership of land, although in many cases leased agricultural plots became the property of those who worked them, in all but name. However, the Aga Khan Foundation has provided considerable financial support for the creation of peasant co-operatives and offered practical advice on methods of achieving success in such ventures¹⁷.

¹⁷ *Regional Survey of Europe*, op.cit.

The peace process allowed international organizations to become involved in the reform of Tajikistan's agricultural sector. In 1996 and 1997 the World Bank committed funds to an agricultural recovery programme, although renewed outbreaks of violence sometimes resulted in these and other international loans being diverted to defence needs. Nevertheless, in many parts of the south the regular cycles of sowing and harvesting were renewed, and from 1998 there was some hope that production of agricultural products would begin to increase. The restructuring of the food -production sector, however, took longer than expected. Meat and dairy production declined, although the Director of the Government's Corporation for Food and Processing Industries claimed that output had risen in 1998 compared with previous years. The entire reform policies and their status are summarised in the following table-

Table- 4.6
Policies and Objectives of Agriculture Reform in Tajikistan

Issue	Status of reform	Objectives & Proposed action
<p>1. Macro-economic Framework for agriculture</p> <p>A. Prices and subsidies</p>	<p>Following years of political instability and civil war, the recent peace accord and renewed government commitment to economic reforms and stabilization provide favorable environment to develop the private sector role in the agriculture sector.</p> <ul style="list-style-type: none"> ➤ Prices of fruits, vegetables and livestock products and inputs fully liberalized; ➤ Cotton and wheat prices partially liberalized; ➤ Cotton and wheat prices are based on Liverpool prices and indexation of local currency price to exchange rate depreciation. ➤ Irrigation water continues to be significantly subsidized; ➤ Breads prices fully liberalized, universal bread subsidy replaced with targeted food subsidies to the most vulnerable groups. 	<p>Creation of an enabling environment for private sector participation; development and implementation competitive and fair agriculture markets without Government intervention, and improved targeting of support programmes.</p> <ul style="list-style-type: none"> ➤ Continuation of macro-economic adjustment operations and capacity building to implement market oriented agricultural policies; such as liberalization of all prices and phasing out producer subsidies; ➤ Establish competitive and functioning agricultural markets in the private sector; ➤ Provide secure trade routes from farm to markets and eliminate broader restrictions. ➤ Monitor existing support to provide adequate foreign exchange for import of agricultural inputs using the private sector.
<p>B. Trade Policies</p>	<ul style="list-style-type: none"> ➤ Privatisation of cotton ginneries nearly completed; ➤ Elimination of the state order system for all agricultural commodities; ➤ Licensing requirements for the import of agricultural inputs and export of all agricultural exports, except cotton, tobacco and silk have been abolished; ➤ Government continues to impose reserve requirement of 20% . 	<ul style="list-style-type: none"> ➤ Abolish domestic reserve requirements; ➤ Monitor progress of cotton stock exchange and expand linkage to regional and world markets and promote; conditions for active forward trading activities for cotton ➤ Remove remaining export licensing and quotas; ➤ Market for cotton through “Tojapakthe” an association of cotton traders and processors and producers.
<p>B. Taxation</p>	<ul style="list-style-type: none"> ➤ Present laws impose several types of taxes on the agriculture sector and are subject to varied interpretation; ➤ Registration a requirement for all those engaged in marketing of agriculture products; 	<ul style="list-style-type: none"> ➤ Abolish domestic reserve requirements; ➤ Monitor progress of cotton stock exchange and expand linkage to regional and world markets and promote; conditions for active forward trading activities for cotton ➤ Remove remaining export licensing and quotas; ➤ Market for cotton through “Tojapakthe” an association of cotton traders and processors and producers.

Continued to next page-

Issue	Status of Reform	Objectives & Proposed Actions
<p>2. Land Reform and Farm Restructuring</p>	<p>Land privatisation & farm restructuring are taking place in an ad-hoc manner and are at early stages</p> <ul style="list-style-type: none"> ➤ The Tajik Parliament has passed several land law, decrees and distributed 50,000 ha for the creation of peasant farms according to which more than 240,000 citizen received from 0.08 to 0.15 ha of irrigated land and up to 0.50ha of un-irrigated land for inheritable life long use for agriculture October 1995; ➤ Government has provided long-term lease rights for the peasant farms as a first step towards land privatisation of former state and collective farms; ➤ Most state and collective farms have been converted into joint stock companies or associations but without major change in the mode of operation; ➤ Degree of commitment to land privatisation and farm restructuring varies across the country depending on the hukumat ; ➤ Secure land registration and titling services and supporting mechanisms do not exist; ➤ Almost all the state farms , except the one dealing with pedigree breeds and seed multiplication, have been transformed into collective agriculture enterprises without any significant change in their structure, mode of control and operations. 	<p>Development of transparent, participatory approaches for equitable distribution of land, creation of fair and competitive land lease markets</p> <ul style="list-style-type: none"> ➤ Improve the legal frame work for land reform through (a) allowing land use rights for legal persons; security of land tenure with rights to exit, and formalizing clear rights to own and sell land; (b) constituting a participatory and transparent mechanism for determination of land and non land assets for individuals and their allocation; (c) mechanisms to use land lease rights/ other assets as collateral; ➤ Modernize the land registration system and titling services in the immediate to short term to develop a functioning land lease market; ➤ Reform the legal framework for individuals, cooperatives and corporate entities in agriculture to provide for transparency, autonomy and framework for easy restructuring of farms and agencies; ➤ Develop a variety of private farming approaches and provide legal and appropriate institutional support services for their creation and sustainability; ➤ Rehabilitate critical irrigation and drainage infrastructure and reduce reliance on pumped system, excepts where no alternative exist and develop rainfed agriculture.

Continued to next page-

Issue	Status of Reform	Objectives & Proposed actions
<p><u>3. Competitive Agro-processing and Services for Agriculture</u></p>	<p>New privatisation law passed by parliament (16,1997) and signed by President (June 11, 1997) and new corporatization procedures expected to improve the legal framework and privatisation of agro-processing sector.</p> <ul style="list-style-type: none"> ➤ Government continues to retain partial to majority ownership in most agro-enterprises; ➤ Potential of state and collective farms becoming major shareholders of food processing enterprises; ➤ High level of indebtedness, low capacity utilization and low quality products major impediments. 	<p>Expansion of private ownership, formulation and implementation of transparent legal and privatisation procedures for the development of a fair, competitive agroprocessing and input supply markets.</p> <ul style="list-style-type: none"> ➤ Develop and implement a plan for complete privatisation of all agro-processing and input service enterprises, undertake case by case privatisation of both domestic and foreign investors; ➤ Create enabling policy environment to attract private foreign investment; improve legal system for contract enforcement and market transparency ➤ Develop and implement anti-monopoly legislation ➤ Promote research and development of new products, packaging and marketing to meet outside markets.
<p><u>4. Rural Financing</u></p>	<p>A functioning broad based rural financial system is at a rudimentary stage</p> <ul style="list-style-type: none"> ➤ Farms and agro- processing agencies/enterprises are in serious liquidity crisis; ➤ High interest rates and the lack of collateral seriously limit lending to agriculture; ➤ Financing through Agroprombank has declined substantially; ➤ Micro credit schemes are being implemented in selective regions using NGO's; ➤ National system of rural credit cooperatives was created with Eu; ➤ Mortgage Bank is under Consideration 	<p>Creation of viable market oriented financial institutions to serve the agriculture sector.</p> <ul style="list-style-type: none"> ➤ Restructure Agroprombank into an autonomous commercially viable rural financial institution and train loan officers in market oriented agriculture lending ; ➤ Implement accepted accounting principles and prudent banking practices; ➤ Support the establishment of a variety of rural credit delivery mechanisms; ➤ Develop and implement mechanisms to promote private input/output marketing and trading services

Continued to next page-

Issue	Status of reform	Objectives & Proposed action
5. <u>Institutional Reform</u>	<p>Reforms to restructure government institutions are in early stages</p> <ul style="list-style-type: none"> ➤ Ministry of Agriculture continues to operate in the Soviet type Government structure; ➤ Agriculture research, Extension and Education system have not been adjusted to emerging market conditions; ➤ Reorganisation of the research system is planned but due to serious budgetary difficulties, cannot be implemented for the near future; ➤ Information system required by a market based agriculture is not in place 	<p>Redefinition of the roles of public and private sector institutions to support competitive</p> <ul style="list-style-type: none"> ➤ Complete the reorganisation and improve quality of public agriculture administration to the needs of a market economy; ➤ Complete the reforms of agriculture education and research; ➤ Establish public information system to provide better understanding of rights of individuals and voluntary groups regarding the process of determination and allocation of shares at the grass roots level; ➤ Develop a strategy and establish an institutional mechanism for implementation of multi-stage system of management for the rational basis for land use rights distribution by defining the roles, functions and authority of the "State Land Committee, Ministry of Agriculture, Ministry of Justice, Agrarian Reform Commissions at various levels.

Source: Csaba Csaki, and John Nash, *The Agrarian Economies of Central and Eastern Europe and the Commonwealth of Independent States-Situation and Perspective*, World Bank Discussion Paper, No.WDP387, 1998

Turkmenistan's Ownership Reform in Agriculture Agriculture in independent Turkmenistan bore the scars of Soviet-era collectivization and misguided protectionist and isolationist policies undertaken by the Niyazov Government. Collective farms were reorganized into farmer associations but, as in Soviet times, wheat and cotton were subject to mandatory state orders and quantitative targets, which grossly underpaid farms for these products. The agricultural sector collectivized under Stalin are still subject to pervasive state intervention in the late 1990s.

The Turkmenistan Land Code of October 1990 defined land as 'the property the whole people' and provided for usufruct to be leased to any person, citizen foreigner, for a term of 25 years. A Land Reform Law (April 1992) allowed collective and state farms to be divided among those engaged in them as leaseholds-for-life and with a right of inheritance. A decree of March 1994 required the dissolution of all collective farms and allowed the leasing of land to members (with a maximum of 50 ha for any one owner). Outside these cooperatives a few leases have been accorded individuals, but with a 15 ha maximum. Although constitutionally land may be privately owned, the redraft of the Land Code (1996) still precludes its sale, exchange or donation¹⁸.

¹⁸ Michael Kaiser, op.cit., p. 26

Farm Privatisation and Restructuring In December 1996, Turkmenistan launched a major new stage of its land reform and farm restructuring program. During this stage land within the farmers' association (former state farm) was being assigned to individual leaseholders under medium-term (10-15 year) leaseholds, and with annual production contracts. If producers perform well under the terms of the contract for two years, they will receive land in private ownership¹⁹.

The new program is a natural extension of the family-lease contracts that were practiced in virtually all-large farms in Turkmenistan since 1991-1992 (and in some cases even since 1986-1987). In most instances the new contracts were written for the plots of land actually cultivated by farmers' association members in 1996. Continuity with the past helped to accelerate the implementation of this new programme, and enabled the establishment of new leaseholds to be virtually completed by March 1, 1997. The present leaseholds differ from those in the past because producers are assured continued tenure on the same land, and leaseholders have direct relations with marketing organizations and at least one financial institution (the

¹⁹ World Bank, *Turkmenistan-Farm Restructuring Support Project*, Vol. 1 No. PID6232, 1997, p.2.

Daykhan Bank). As a result of these direct contractual relations, each leasehold is now allowed (or in fact obliged) to have a bank account and automatically receives advance payments from marketing agencies for financing the farmer's working capital.

Lease holders pay 20% of the gross value of production to the association to cover administrative costs, services provided in common to all village residents, and to covered land, water, and income taxes. The remaining 80% cover production costs and returns to labor. This is in contrast with the past when leaseholders paid 50% of gross output to the association. Earnings under the current system are reported to be higher, and enthusiasm for the new program appears strong in rural areas.

The Support Envisaged for Farm Restructuring Implementation of the Government's land reform program, providing leaseholds to farmers, is a significant step towards restructuring collective farms in Turkmenistan and will help establish new, privatized supply and post-harvest agri- businesses.

The entire reform process of Agriculture in Turkmenistan is summarised in the following table

Table- 4.7

Policies and Objectives of Agriculture Reform in Turkmenistan

Issues	Status of Reforms	Objectives Proposed actions
<p><u>1. Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>High levels of government intervention in agriculture including state orders for the two major crops, wheat and cotton, subsidies for agriculture inputs, direct control of trade, and taxation through the State Order System.</p> <ul style="list-style-type: none"> ➤ Measured inflation is relatively low but suppressed inflation may imply a higher actual rate. ➤ Foreign exchange controls remain in effect, and the manat is over valued at the official exchange rate; ➤ Arrears in collection of payments owed for energy exports cause severe disruption throughout the economy; ➤ Main product of the crop sector, cotton and wheat, remain fully subject to state orders at prices which are approximately half of international trading prices; ➤ Inputs subsidised by 50% for production of cotton and wheat; ➤ No significant payments for irrigation water. 	<p>Phase out Government control of agricultural markets.</p> <ul style="list-style-type: none"> ➤ Adopt programme of macroeconomic stabilization proposed by IMF; ➤ Adopt programme to phase out state orders over two year period; ➤ Phase out input subsidies over same period; ➤ Introduce water fees for partial cost recovery of irrigation costs.
<p>B. Trade Policies</p>	<ul style="list-style-type: none"> ➤ Imports and exports registered through state commodity exchange, which amounts to defacto licensing requirement ➤ Government controls all cotton exports; ➤ Minimum export prices for hides and skins. 	<ul style="list-style-type: none"> ➤ Eliminate registration requirement for imports and exports. ➤ Develop a free market for cotton exports; ➤ Eliminate minimum prices on hides and skins
<p>c. Taxation</p>	<ul style="list-style-type: none"> ➤ Implicit taxation high through state order system and export controls, but little explicit taxation; ➤ Private owners pay a land tax, but collection sporadic. 	<ul style="list-style-type: none"> ➤ Phase out implicit taxation through state orders and export controls; ➤ Gradually increase land tax as state order reduced; ➤ Use land tax to pay for rural social services eliminating mandatory payments to farm association now providing social services.

Continued to next page-

Issues	Status of Reforms	Objectives & Proposed Actions
<u>2. Land Reform and Farm Restructuring</u>	<p>Land Reform is slow but making progress.</p> <ul style="list-style-type: none"> ➤ Land in present associations allocated to households on ten year lease holds; ➤ About 5% of land in individual private farms; ➤ Leaseholds convertible to ownership upon successful performance for two years. 	<p>Increase the pace of land reform and private farmer support.</p> <ul style="list-style-type: none"> ➤ Adopt realistic indicators of successful performance so that at least 50% of lease holders receive ownership after two years; ➤ Adopt complementary reforms so that private owners can function in market environment.
<u>3. Competitive Agroprocessing and Services for agriculture</u>	<p>State control of all Agroprocessing and Services.</p> <ul style="list-style-type: none"> ➤ Most processing and services handled by state enterprises organised into large associations; ➤ Very less Privatisation took place. 	<p>Adopt and implement programme of Privatisation and Demonopolisation.</p> <ul style="list-style-type: none"> ➤ Privatised and demonopolised existing agribusiness companies and associations; ➤ Remove barriers to new entry in processing and services.
<u>4. Rural Financing</u>	<p>High dependence on subsidised and direct credit through Government controlled banks.</p> <ul style="list-style-type: none"> ➤ High dependence on subsidised credit ➤ Several bank serve agriculture and the dominant bank is Daikhan bank. Daikhan bank ha slittle risky debt from the past, but intermediation. 	<p>Reduce subsidised credit and introduce commercial banking practices.</p> <ul style="list-style-type: none"> ➤ Reduce subsidy element of direct credit ➤ Conduct financial audits and develop corporate plan for Dankhan bank.
<u>5. Institutional Frmework</u>	<p>Non-transparent Budgeting and inadequate resource allocation to public institutions.</p> <ul style="list-style-type: none"> ➤ Extra budgetary Agriculture development fund manages sectoral financial flows in non-transparent fashion; ➤ Frequent institutional reorganisation and high turn over of administrative staff in response to decline sectoral performance; ➤ Frequent local government interference in production decisions; ➤ Research and extension much reduced. 	<p>Consolidate government budget and increase expenditure for public goods.</p> <ul style="list-style-type: none"> ➤ Consolidate costs and revenues from sector into general budget and abolish agricultural development fund; ➤ Remove authority of local administration to interfere in decisions regarding production and marketing; ➤ As resources permit, develop agricultural research and extension to serve needs of agents in a market economy.

Source: Csaba Csaki and John Nash, *The Agrarian Economies of Central and Eastern Europe and the Commonwealth of Independent States-Situation and Perspective* World Bank Discussion paper No. 387, 1998

Uzbekistan's ownership reform in Agriculture Agriculture is fundamental to Uzbekistan's economy and although arid or semi-arid steppe constitutes 60% of the country, there are also a number of highly fertile regions. The single most important crop in Uzbekistan is cotton, the country being the fourth-largest producer of seed cotton and the second-largest exporter in the world²⁰. Uzbekistan is also the largest producer of silk and karakul pelts in the former USSR. Other important products include wheat, rice, jute, tobacco, fruit and vegetables. Despite the large contribution of agriculture to the economy, Uzbekistan is not self-sufficient. A large proportion of foodstuffs is imported, including 66% of wheat requirements, 30% of meat, 25% of milk and 50% of potatoes.

The form of agriculture inherited from the Soviet era, with its reliance on the extensive use of land, water and chemicals was particularly damaging to the economy. Uzbekistan has an extensive but inefficient irrigation system to provide water for cotton production and it was this system that caused the problems of Aral Sea and the over use of water supplies. Irrigating the cotton monoculture depleted

²⁰ *Regional Survey of Europe*, op.cit., p.495.

water resources in the region, leading to the desiccation of the Aral Sea, which, previously, was the world's fourth-largest inland lake.

Following independence, an important change for agriculture was the abolition of state farms and their conversion to co-operative enterprises. Members of the new collectives did not have the right to sell their shares. Some private farms developed. Land itself was not privatised, although agricultural land could be traded within the mahallah (local neighborhood or commune), and land attached to an enterprise could be sold with it. Despite the change in the formal structures of ownership, the state continued to dominate agricultural production and maintained a virtual monopoly over the purchase of key crops, notably cotton. According to data some land distribution took place in 1992 and 1993, involving 500,000 hectares, most of which was allotted as very tiny plots to households on state and collective farms. During 1993 nearly all state farms were transformed into joint stock-stock companies, and some split into a number of collectives, but the formation of new private farm sector remains rather incipient. Since February 1994 supported by a number of presidential decrees on private property and entrepreneurship, land was to be distributed to peasant farmers, based on a minimum area per

head of cattle owned – varying between 0.3 and 2.0 hectares per head in order to promote the emergence of viable peasant farms.

Uzbekistan was the earliest to start land reform, distributing leases to farm households on the irrigated land of collective farms under a land law of 1989. In late 1991 the land of loss making state farms was leased to staff or became collective farms. The law on private farms of July 1992 divided the land and assets of these and all remaining collectives among members and by mid-1996 there were 19,300 private farms. Both distributed land and that in cooperatives remains leasehold. Lease may be inherited but not otherwise transacted.

A principal problem of the agricultural sector in Uzbekistan was the failure to modernize the food-processing industry to produce better quality goods and provide safe and convenient packaging. In general, processing of primary products had usually taken place elsewhere in the USSR, although after independence Uzbekistan did have some success in upgrading of its existing facilities and developing new ones.

In the third quarter of 2001 privatisation and divestiture complex have adopted measures for creation of multi-level economy in rural area, as well as formation of market infrastructure and owners class.

A gradual implementation of rural reforms and transformation of state farms into shirkats and farming enterprises were accomplished during the first nine month of 2001.

According to the Resolution of the Cabinet of Ministers (December 26,2000) 86 agricultural entities were subject to conversion into shirkats, 47 of which were to be transformed in the first half of 2001. Actually 112 shirkats have been created so far. In general, for the period since 1998 till the 9 months of 2001, the number of newly formed shirkats totaled 1,866 units, including 996 entities for profit (according to the totals of 2000)²¹.

However, it is worth mentioning that since agriculture is one of the most significant branches of economy, state involvement in this sector remains substantial. In particular, public authorities still control agricultural enterprises through state orders for cotton and wheat. Besides, the state remains very active in the distribution of essential agricultural inputs (fertilizers, seeds, chemicals and machinery), as well as in the financing of the irrigation system. Significant state support to the sector also takes place through preferential credit, rescheduling of debts and arrears, as well as preferential tax treatment (VAT exemption of inputs).

²¹ www.economic-trends.org

The overall reform process in agriculture sector could be summarised in the following table-

Table- 4.8

Policies and Objectives of Agriculture Reform in Uzbekistan

Issues	Status of Reforms	Objectives & Proposed actions
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Production Controls</p> <p>B. Price Subsidies</p>	<p>Government committed to transformation to market economy, but slowly.</p> <ul style="list-style-type: none"> ➤ Original policy was to phase out state order system by 1998. This was delayed and production targets for cotton and wheat remain in force at the district level. Production of other crops and livestock products has been liberalised. ➤ Central price controls retained for part of cotton and wheat crops and <i>de facto</i> for other commodities at province/district levels. Subsidies on inputs eliminated but maintained on fuel and water. 	<p>Distortions free efficient and internationally competitive agricultural sector.</p> <ul style="list-style-type: none"> ➤ Accelerate liberalisation of production of all commodities; ➤ Fully liberalised output markets and eliminates all subsidies on inputs.
<p>C. Trade Policies</p>	<ul style="list-style-type: none"> ➤ Traditional international markets for cotton maintained; ➤ Commodity “associations” maintain controlling influence over most marketed products; ➤ Little trading outside former Soviet Union for non cotton products ➤ Continuing traditional production practices cause major marketing problems and high crop losses at farm level. 	<ul style="list-style-type: none"> ➤ Remove all quantitative (non-tariff) trade restrictions ➤ Permit emergence of private sector processors and traders by privatising state owned agribusinesses and encouraging new entrants.
<p>D. Taxation</p>	<ul style="list-style-type: none"> ➤ Government policy is to phase out taxation on primary agricultural products. ➤ Net transfer from cotton and wheat revenues to the economy is 30% 	<ul style="list-style-type: none"> ➤ Develop transparent agricultural taxation based on business profits without discrimination.

Continued to next page

Issues	Status of Reforms	Objectives & Proposed actions
<p><u>2. Land Reform and Farm restructuring</u></p>	<p>Government committed to transforming agriculture into an efficient and dynamic sector.</p> <ul style="list-style-type: none"> ➤ Constitution restricts land holding rights to lease hold only; ➤ Lack of coherent policy and absence of information system; ➤ Slow progress in transforming collective farms to private operators. 	<p>A farming system based on private ownership or long-term leases with irrevocable rights to inherit, trade or sub-lease.</p> <ul style="list-style-type: none"> ➤ Provide information services for rural communities; ➤ Make transparent evaluation and distribution of farmland and property and provide for trading of land property rights; ➤ Encourage voluntary grouping of “shareholders” for managing Privatised farmland in blocks.
<p><u>3. Competitive Agroprocessing and Services for Agriculture</u></p>	<p>Government intends to transfer processing enterprises to private control, improve efficiency of utilization and conserve water supplies, and liberalize the input sub-sector.</p> <ul style="list-style-type: none"> ➤ Little progress due to uncertainty over procedures for decentralizing processing enterprises; ➤ Proposing to revise water law and require creation of water users associations; ➤ Delayed introduction and enforcement of economic water charges ➤ Production of agricultural chemicals remains under monopoly control; ➤ Despite deregulation, inputs distribution remains effectively under monopoly control. 	<p>Efficient, privately owned agrobusiness firms subject to market forces, and agroprocessing industries with high quality products, which can compete in world markets. Full transition of production and distribution functions, with free access of new foreign and domestic operators. Enactment and enforcement of law to improve management and conservation of scarce water resources.</p> <ul style="list-style-type: none"> ➤ Specify strategy for divesting cotton ginneries and other processing facilities; ➤ Enable free entry of new private processing enterprises ➤ Decentralized management of water resources and support creation of water users association on all farms; ➤ Apply water charges sufficient to ensure independent supply and maintenance of primary and secondary irrigation infrastructure; ➤ Introduce measures for disaggregating inputs monopoly to private enterprises.

Continued to next page-

Issue	Status of Reforms	Objectives & proposed actions
4. <u>Rural Financing</u>	<p>Government policy to reorganise financial services on commercial lines.</p> <ul style="list-style-type: none"> ➤ Currently preparing plans for reorganisation of state owned banks; ➤ Financial services in disarray; most banks insolvent and limited access by rural communities. 	<p>Viable financial institution serving the agriculture and rural sector efficiently.</p> <ul style="list-style-type: none"> ➤ Identify viable commercial banking operations for developing rural financial services; ➤ Encourage self-help credit associations; ➤ Apply economic interest rates for all credit funds.
5. <u>institutional Framework</u>	<p>Government policy is to simplify structure and reduce size of agriculture and water ministry.</p> <ul style="list-style-type: none"> ➤ Agriculture and water resources reorganised under single Ministry of Agriculture water management (MAWM); ➤ Existing departments MAWM being reorganised to improve support for farmers 	<p>Efficient and effective public sector administration and support for private agriculture.</p> <ul style="list-style-type: none"> ➤ Focus public services on policy formulation, demand driven research, information and evaluation; ➤ Encourage evaluation of private sector support services.

Source: Csaba Csaki and John Nash, *The Agrarian Economies of Central and Eastern Europe and the Commonwealth of Independent States-Situation and Perspective* World Bank Discussion paper No. 387, 1998

In conclusion we could say that, while there were substantial differences between the sequencing and the degree of the agriculture reform in Central Asia, the overall objectives for reform was almost similar in all the countries. All the countries had adopted somehow different approach for farm restructuring and ownership reform.

The overall progress shows high degree variation in agriculture reform e.g., in Kazakhstan since 1994-95 there were no government price controls, as well as domestic prices were very much competitive to world market prices. There were similar conditions in Kyrgyzstan but input output market was very weak, due to under developed infrastructure and institutions. In Tajikistan only few commodities prices were liberalised. In Turkmenistan there were hardly any significant changes took place in prices. In Uzbekistan also price control was remained for cotton crops.

Progress in land reform was also very diversified in Central Asia. Kazakhstan's movement towards efficient farming based on transparent ownership and land use rights was very good while Kyrgyzstan was also moving in a proper direction with good pace. Tajikistan in early period of reform was stuck with civil war. But after 1997 it made good progress in agriculture reform. In Turkmenistan land reform is slow but it is making a progress. Uzbekistan is trying to

restructure its farm with lease hold only which is slowing down the progress of transforming collectives farms to private farms.

Chapter-V

Assessment

The political economy of privatisation plays out differently in different countries, and differently for each of the major types of assets. Experiences everywhere reveals a severe and politically charged tension between promoting efficiency and rewarding existing stakeholders. None of the methods used to privatise large firms: sales, management-employee buyouts, or equal-access voucher privatisation- is without drawbacks in transition economies, in terms of either the effectiveness of corporate governance, speed, fiscal impact, access to investment capital or fairness.

Nevertheless, privatisation is important. Initial privatisation helps to depoliticize economic restructuring and creates incentives to support change required at the firm level. Government cannot manage and finance such restructuring at such large scale when there is need to privatise almost entire economy. Privatisation also frees the government to focus on those few key areas of the economy – such as infrastructure and, perhaps, key natural resources where its regulatory and ownership roles are most essential.

After the many years of privatisation process, Central Asia can look back on the achievements of state building and economic stabilisation as a pride. Yet the second decade promises to be as challenging as the first one, as there is need to promote sustainable growth based on vibrant private sector.

Rapid privatisation soon after the collapse of Soviet system was a risky gamble. It was also not an easy task because there was no broad public experience of a market system and relevant institutions were not available. Institutional development of financial and legal systems of newly appointed government normally takes years if not decades. It therefore trails early macroeconomic reforms and formal ownership changes. Institutional reforms have been high on the reform agenda in all Central Asian republics. These Reforms have been badly needed because existing institutions were adapted to the needs of a very different economic system and because inadequate institutions impose high economic cost.

An initial assignment of property rights is the first step. The broader goal is to develop an efficient secondary trading process in which ownership claims can be reorganised smoothly. All Central Asian economies need such a process, because governance structure emerging during transition is themselves likely to be transitional.

For effective privatisation, legislation must be well designed and well implemented. In addition, the state must itself be ruled by law and trusted by the private sector to do what it says it will do. Central Asian governments are very susceptible to corruption during the phase when the

state retains both vast assets and extensive powers to intervene in a growing private economy.

In Central Asian institutionally weak economies, privatisation could not deliver desired result because mass and rapid privatization schemes turned over mediocre assets to people lacking the incentives, skills and resources to manage them well. For effective privatisation control of many firms will need to shift from insiders to outsiders if they are to attract the investment and skills needed to survive in a market economy. Agriculture reorganisation will require moving from corporate to individual property rights to enable new, viable farms to emerge.

In Central Asian economies, different branches have experienced different level of privatisation. Ownership reforms have affected greatly the service sector. All the state property objects in the sphere of trade, public catering and public services were privatised. The level of privatisation of fundamental sectors of the economy like construction and transport is also satisfactory. Due to privatisation, a significant stratum of employees in the non-state sector has been increased. Many people have become able to open their own business, but this development was not able to absorb many of those who lost their jobs during economic recession.

Privatisation should be part of an overall strategy of discipline and encouragement. Small enterprises under state ownership were generally sold quickly but the small-scale enterprises were not sold directly to the new owners through an open and competitive auction, without restrictions on who may bid for the shares. To some extent medium and large enterprises are also privatised but mostly to the insiders through management employee buyouts or voucher. At that time when they need strategic outside investors for better skill, management and technology. Requirement was of competitive case by case method, more deliberative than voucher schemes or rapid, small auction, lately they had adopted the method of case by case privatisation but it was late if not too late.

Privatisation should be accompanied by increasing competition in the market for the product sold by the enterprises in question and vigorously enforced by the competition policy authority. This can discipline management in an environment where corporate governance is weak. The cash flow and property rights of the state should be clarified for enterprises in which the state continues to hold an ownership stake. Divesting enterprises in sectors characterised by natural monopoly must proceed with great caution. Advancement in technology has made such sectors very rare

but where they exist as in local distribution of natural gas, an efficient regulatory regime that protects the public is a prerequisite.

Compare to other Central Asian countries Kazakhstan's privatisation drive has been more dynamic in nature and encompassing in scope, particularly when we consider Turkmenistan, which can hardly be regarded as a nation in transition. But privatisation has been not very popular in public because opportunity to acquire property is not equal for every one, it is higher for those people who are within the existing power structure. The process is very much corruption prone.

Compare to other Central Asian countries Kazakhstan has privatised more industries and attracted more foreign direct investment. The share of private sector in GDP is also maximum as well as employment in private sector is high. Apart from this the privatisation is not that much satisfactory which was desired for successful transition.

Kyrgyzstan's assessment of the activity of the privatisation of the various branches of the economy shows that the initial stage structural reforms was characterised by sharp decrease of the economic indicators of the business entities. In the mid 1990s many enterprises which are transformed into joint stock companies whose output were falling was

stopped. But they were not able to conquer new sales market outside the country.

Creation of the competitive atmosphere influenced favorably the general situation in public services but the situation in the economy as whole remains rather difficult. At the same time certain tendency to stabilization of the economy is observed, many private enterprises shows rather good and stable result.

During the first half of 1990s Tajikistan was in the news because of criminal violence not for its privatisation programme. Privatisation in Tajikistan was accelerated and became vehicle for transition since 1997. After 1997 Tajikistan has made a considerable progress in privatising state enterprises but the major progress is in small-scale privatisation not in large and medium scale enterprises. Large-scale privatisation in Tajikistan is not that much satisfactory as its small-scale privatisation is. Tajikistan has almost completed its small-scale privatisation programme.

Progress of privatisation in Turkmenistan is very much pathetic, it does not seem that Turkmenistan is transforming itself from planned economy to market economy. In EBRDs transition ranking Turkmenistan ranks lowest in Central Asia. The economic environment for private sector

activity in Turkmenistan is not conducive. There is no any substantive transfer of ownership of agricultural, industrial or other asset has occurred.

In Uzbekistan tradition of non-state activity has facilitated the successful small-scale privatisation. The government of Uzbekistan has laid the main stress on support of small and medium entrepreneurship, making use of deep tradition of family business. For large-scale enterprises the gradual privatisation approach has not delivered that much satisfactory result which was required for recovery from the early period decline in output. The fall of production in the industrial sector is an indication of the need for rapid privatisation and restructuring of medium and large size enterprises.

The agriculture sector reform in Central Asia also shows variation. Kazakhstan is strong with macroeconomic reform in agriculture it has significantly liberalized the agriculture market, domestic prices closely follow the world market prices. The land reform progress is also satisfactory. Kazakhstan has completed the privatisation of large farms but the required restructuring of farm sector is not good. Only completing the privatisation of farms is not total reform process there should be technological improvement and financial consolidation of these enterprises here Kazakhstan is lagging. The main problem in Kazakhstan is that there is no developed rural financial

system. Even institutions to meet the requirements of a market-oriented agriculture sector are still at an early stage.

At macroeconomic level Kyrgyzstan has made little progress, yet it has liberalized the markets, price and trade regime. But the market structures are underdeveloped. The land privatisation has made good progress but it required more rapid restructuring so that it could be completed early. The main problem with the Kyrgyz agriculture sector is that there is no easy availability of agriculture credit, which is hampering the modernisation of agriculture. Also there is need of introducing institutions which could serve private agriculture based on market principles.

Agriculture sector reform in Tajikistan is in its infancy but the peace accord and renewed government commitment to economic reform provides favorable conditions for developing private sector role in agriculture. Land privatisation and farm restructuring are not so fast they are taking place in an ad-hoc manner. Development of rural financing system is in early stage, which need to be accelerated. Similar situation is in institutional framework.

In Turkmenistan still government intervene in agriculture sector, mainly for cotton and wheat product. Subsidies for agriculture inputs are also continued. Land reform process does not look like a transition economy

process. It is very slow and uneven, but recently government has made progress in farm privatisation, which is better than the past. Agriculture is highly dependent on subsidies and direct credit through government controlled banks. Institutions are not providing transparent budget and resource allocation is inadequate as well as inefficient also.

In Uzbekistan transformation of agriculture sector is moving slowly according to government policy of gradual reform. Price controls were removed but for cotton price controls are maintained and subsidies for fuel and water are also continuing. Government commitment to transform agriculture into an efficient and dynamic sector is not realised because of lack of coherent policy and absence of information system and slow progress in transforming collective farms to private sectors. Financial services are in disarray, most banks are insolvent and limited access by rural communities. Government is not building any efficient institutions to promote private farming.

There are three major areas where improvement is required. The first is the business environment, as well as strong focus on the legal system and the judiciary. The second is the financial sector to ensure broader access to financing for domestic businesses. Still only a minority of local firms have access to bank loans for investment and working capital, greatly

reducing the efficiency with which scarce capital is allocated. The third challenge concerns increased regional and international integration, to enhance market opportunities, particularly for domestic and foreign businesses in the manufacturing and services sectors.

BIBLIOGRAPHY

Primary Sources:

Europa World Year Book, (London: Europa Publication Limited, 1991-2002).

Regional Survey of Europe (London: Europa Publication Limited, Vol. 2, 2002).

United Nations Economic Survey of Europe (Geneva: UNECE, 1991-2002).

United Nations: *Statistical Year Book for Asia and Pacific* (Bangkok: E.S.C.A.P., 1991-2002).

World Development Report, (New York: Oxford University Press, 1991-2002).

World Economic and Social Survey, (New York: United Nation, 1999).

Secondary Sources

Books

Alam, Asad and Arup Banerji, *Uzbekistan and Kazakhstan: A Tale of Two Transition Path?*, Working Paper, No. 2472, (Washington DC: The World Bank, 2000).

- Baietti, Aldo, *Small Scale Privatisation in Kazakhstan*, (CFS Discussion Paper Series, No. 114, 1995).
- Csaki, Csaba, and John Nash, *The Agrarian Economies of Central and Eastern Europe and the Commonwealth of Independent States-Situation and Pererspective* (Washington D.C.: The World Bank, 1998).
- Davis, Jeffery, and Others, *Fiscal and Macroeconomic Impact of Privatisation*, Occasional Paper, No. 194 (Washington D.C.: IMF, 2000).
- Djankov, Simeon, *Ownership Structure and Enterprises Restructuring in Six Newly Independent States*, *World Bank Policy Research Working Paper*, No.2047, 1999.
- EBRD, *Law in Transition: Central Asia*, (London: EBRD, 2003).
- EBRD, *Transition Report*, (London: EBRD, 2001).
- Economic Commission For Europe, *Financing Private Enterprises and Trade: A Guide for the Transition Economies*, (Geneva: United Nations, 1996).
- Gray, John, *Kazakhstan A Review of Farm Restructuring*, (Washington D.C.: World Bank Technical Paper, No. 458, 2000).
- Gidadhubli, R. (Ed.), *Socio Economic Transformation of Soviet Central Asia* (New Delhi: Patriot Publication, 1987).

- Hemming, Richard, and Ali M. Mansoor, *Privatisation and Public Enterprises*, Occasional Paper, No. 56, (Washington D.C.: IMF, 1988).
- Islamov, Bakhitor A., *The Central Asian States Ten Years After: How to Over Come Traps of Development, Transformation and Globalisation?*, (Tokyo: Maruzen Co. Ltd., 2001).
- Jalazai, Musa Khan, *Central Asia Political Situation and Economic Opportunities*, (Lahore: Frontier Post Publication, 1993).
- Kaiser, Michael, *The Economies of Kazakhstan and Uzbekistan*, (London: Royal Institute of international Affairs, 1997).
- Promfert, Richard, *The Economies of Central Asia*, (Princeton New Jersey: Princeton University Press, 1995).
- Ramanadham, V., *The Economics of Public Enterprises*, (London: Routledge, 1991).
- Rumer, Boris, *Central Asia and The New Global Economy: Critical Problems Critical Choices*, (Amnok: M.E. Sharpe, 2000).
- Sachdeva, Gulshan, *Privatisation: An Interpretative Endeavor*, Budapest: Kopint-Datorg, Discussion Papers, No. 21, 1994.
- The New Palgrave: A Dictionary of Economics*, (United Kingdom: The Macmillan Press, 1987).

The World Bank, *Transition The First Ten Years Analysis and Lesson for Eastern Europe and The Former Soviet Union*, (Washington: D.C., 2002).

The World Bank, *Social Assessment and Agriculture Reform in Central Asia and Turkey* Vol. 1, World Bank Technical Paper, No. WTP461, (Washington: D.C., 2000).

The World Bank Country Study, *Kazakhstan, Transition of the State*, (Washington: D.C.1997).

The World Bank Country Study, *Tajikistan*, (Washington: D.C.1994).

The World Bank Country Study, *Turkmenistan*, (Washington: D.C.1994).

The World Bank Country Study, *Uzbekistan*, (Washington: D.C.1994).

The World Bank, *Kazakhstan-Joint Private Sector Assessment*, World Bank Sector Report, Report No. 18467-KZ, 1998.

The World Bank, *Kazakhstan-Farm Restructuring Project*, World Bank Project Information Document, No. PIC78I, 1997.

The World Bank, *Kyrgyz Republic-Land and Real estate-Registration Project*, World Bank Project Information Document, No. PID7975, 1999.

The World Bank, *Kyrgyz Republic-Private Sector Review in the Transitional Era*, World Bank Sector Report, Vol. 1, No. 18121, 1999.

The World Bank, *Tajikistan-Financial Institutions and Enterprise Support Programme*, World Bank Project Information Document, Vol. 1, No. PID11524, 2002.

The World Bank, *Tajikistan-Farm Privatisation Support Project*, World Bank Project Appraisal Document, Vol. 1, No. 19318, 1999.

The World Bank, *Turkmenistan-Farm Restructuring Support Project*, World Bank Project Information Document, Vol. 1, No. PID6232, 1997.

Vicker, John and George Yarrow, *Privatisation: An Economic Analysis*, (Cambridge, Massachusetts/London, England: The MIT Press, 1988).

ARTICLES

Abazov, Rafis, "Formation of the Non-state Sector and Privatisation in Kazakhstan and Uzbekistan", *Communist Economies and Economic Transformation*, Vol.9, No. 4, 1997, pp. 431-447.

Brada, Josef C. "Privatisation Is Transition-Or Is It?", *Journal of Economic Perspectives*, Vol. 10, No. 2 , 1996, pp. 67-86.

Belchuk, A. I., "Economic Reforms in Central Asian Republics", *Contemporary Central Asia*, Vol. 11, No. 3, 1998, pp. 1-26.

- Bornstein, Morris, "Framework Issues in the Privatisation Strategies of the Czech Republic, Hungary and Poland" *Post-Communist Economies*, Vol. 11, No. 1, 1999, pp.47-77.
- Boycko, Maxim, and Others, "A Theory of Privatisation", *The Economic Journal*, Vol. 106, No. 435, pp.309-319.
- Charlton, Roger and Others, "Pension Reform, Privatisation and Restructuring in the Transition: Unfinished Business or Inappropriate Agenda?", *Europe-Asia Studies*, Vol. 50, No.8, 1998, pp.1413-1446.
- De Melo.J., C.Denizer, A.Gell and S.Tenev, "Circumstances and Choices: The Role of Initial Condition and Policies in Transition Economies", *World Bank Economic Review*, Vol. 15, No. 1, 2001, pp.1-32.
- Deverux, John and Roberts Bryan: "Direct Foreign Investment and Welfare in the Transforming Economies: The Case Study of Central Asia", *Journal of Comparative Economics*, Vol. 24, No. 3, 1997, pp. 297-312.
- Ehrlich, Isaac, and Others, "Productivity Growth and Firm Ownership: An Analytical and Empirical Investigation", *Journal of Political Economy*, Vol. 102, No. 5, pp. 1006-1038.
- El,Yanov A, "Central Asia: Transforming Towards Globalisation", *Contemporary Central Asia*, Vol. 11, No. 1, 1998, pp. 21-32.

- Frydaman, Roman, and Others, "When Does Privatisation Work? The Impact of Private Ownership on Corporate Performance in the Transition Economies", *The Quarterly Journal of Economics*, Vol. 114, No. 4, 1999, pp. 1153-91.
- Filatotchev, Igor, "Privatisation and Corporate Governance in Transitional Economies" *World Economy*, Vol. 20, No. 4, 1997, pp.497-510.
- Glacser, Edward L, and Scheinbman Jose, "A Transition to Free Market, Where To Begin Privatisation", *Journal of Comparative Economics*, Vol. 22, No. 1, 1996, pp. 23-42.
- Gleason, Gregory, "Foreign Policy and Domestic Reform In Central Asia" *Central Asian Survey*, Vol. 20, No. 2, 2001, 167-182.
- Haghayeghi, Mehrdad, "Politics of Privatisation in Kazakhstan", *Central Asian Survey*, Vol. 16, No. 3, 1997, pp. 321-339.
- Hamid, Bushra, "Transitional Economies and Development: A Case of Central Asian Republics", *Journal of Rural Development and Administration*, Vol. 33, No. 2, 2001, pp. 16-40.
- Havrylyshyn, Oleh, and Donal McGettigan, "Privatisation in Transition Countries", *Post-Soviet Affairs*, Vol. 16, No. 3, 2000, pp. 257-286.

- Islamov, Bakhtior A., "State Led Transformation and Economic Growth in Central Asia: From Plan to Industrial Policy", *Hitotsubashi Journal of Economics*, Vol. 39, No. 2, 1998, pp. 101-125.
- Islomov, Bakhtior A., and Parpiev Ziyodullo, "Challenges of Globalisation and Exchange Rate Policies in Central Asian Independent State", *Hitotsubashi Journal of Economics*, Vol. 41, No. 1, 2000, pp. 27- 52.
- Iwasaki, Ichiro, "Industrial Structure and Regional Development in Central Asia: A Microdata Analysis On Spatial Allocation of Industry", *Central Asian Survey*, Vol. 19, No. 1, 2000, pp. 157-183.
- Kaiser, Michael, "Economic transformation in Six Central Asian Economies", *Central Asian Survey*, Vol. 16, No. 1, 1997, pp. 5-26.
- Katz, Barbara G. and Joel Owen, "Designing an Optimal Privatisation Plan for Restructuring Firm and Industries in Transition", *Journal of Comparative Economics*, Vol. 21, No. 1, 1995, pp.1-28.
- Katz, Barbara G. and Joel Owen, "Privatisation: Choosing the Optimal Time Path", *Journal of Comparative Economics*, Vol. 17, No. 4, 1993, pp.715-736.
- Kumar, R Sampath, "Central Asian Economic Integration: Emerging Trends", *Economic and Political Weekly*, Vol. 33, No. 18, May 2, 1998, pp. 1013-1017.

- Mandel, Ruth, "Structural Adjustment and Soap Opera: A Case Study of a Development Project in Central Asia", *Central Asian Survey*, Vol. 17, No. 4, pp. 629-638.
- Melo, De Martha and Others, "Patterns of Transition from Plan to Market", *The World Bank Economic Review*, Vol. 10, No. 3, 1996, pp.397-424.
- Mackenzie, G. A., "Macro Economic Impact of Privatisation", *I.M.F. Staff Papers*, Vol. 45, No. 2, 1998, pp. 363-373.
- Meggison, William I. and Jeffery M Netter, "From State to Market: A Survey of Empirical Studies on Privatisation", *Journal of Economic Literature*, Vol. 39, 2001, pp. 321-389.
- Mirzoev, R K, "Economy of Tajikistan", *Contemporary Central Asia*, Vol. 11, No. 1, 1998, pp. 54-69.
- Perotti, Enrico, "Credible Privatisation" *American Economic Review*, Vol. 85, No. 4, 1995, 1847-1859.
- Sachdeva, Gulshan, "Economic Transformation in Central Asia", *International Studies*, Vol. 34, No. 3, 1997, pp. 313-327.
- Spoor, Max, "Agrarian Transition in Former Soviet Central Asia: A Comparative Study of Uzbekistan and Kyrgyzstan" *The Journal of Peasant Studies*, Vol. 23, no. 1, 1995, pp.46-63.

Winterstein, Stephen, "Market for Central Asian Legitimacy", *ORBIS*, Vol. 43, No. 3, 1993, pp. 421-441.

Wyplosz, Charles, "Macroeconomic Lessons from Ten Years of Transition", *Annual World Bank Conference on Development Economics*, 2000, pp. 317-343.

Websites:

www.adb.org

www.ebrd.org

www.economic-trend.org

www.imf.org

www.panegapartners.com

www.privatisationlink.com

www.worldbank.org