

# THE GOVERNMENT OF THE KYRGYZ REPUBLIC

## RESOLUTION

Bishkek, Government House  
23 June 1998 #374

### **On measures on further extension of land and agrarian reforms in the Kyrgyz Republic**

The Government of the Kyrgyz Republic acknowledges that reorganisation of the agrarian sector of economy which is being implemented in the Republic through privatisation of state ownership has provided rural commodity producers with full economic and farming independence, established a foundation for the development of free entrepreneurship in agriculture.

The announcement of 1998 by the President of the Kyrgyz Republic as the Year of rural area development and the programme "Araket" on rural area development and poverty elimination worked out as a result gives a specific importance to this issue. The priorities formulated in the programme create a foundation for the long-term strategic and targeted activity for the state on social and economic development of rural area.

In the course of reforms the idea of developing different types of farming, provision of rural residents with equal starting opportunities envisaging free of charge allocation of land and ownership share as an initial capital has been implemented in agriculture. Legal basis have been created for organisation of private farms with provision of license for use of land for 99 years where over this period acting farms can exchange land plots, give them for rent, buy, sell licenses and use them as mortgage.

As a result of reorganisation process 40.6 thousand peasant farms, 367 agricultural co-operatives, 318 collective peasant farms and 47 joint stock companies have been registered as of 1 April 1998. Creation of competitive environment, personal interest and state support influenced the increase in the amount of agricultural output.

In 1997 peasant and individual farms occupying 42% of ploughed fields produced gross output amounted to 15,6 milliard soms or 82.7%, whereas state and collective farms occupying 58% of ploughed fields produced gross output amounted to 3.3 milliard soms or 17.3%. In livestock volume of gross output in private farms amounted to 8,7 milliard soms or more than 95%.

According to the results of 1997 private farms earned 30.0 thousand soms out of 1 ha of ploughed field, collective farms - 6.0 thousand soms and state - 2.0 thousand soms.

Land market is developing. Practise of selling licenses by auction for use of land plots of the agricultural arable land reallocation Fund under the Ministry of Agriculture and Water Resources is given an important role. 14 open auctions on selling licenses for use of land have been conducted and as a result 685 ha of land amounted to 1.9 soms have been sold as of 15 May 1998.

A new wording of the Land Code of the Kyrgyz Republic (a comprehensive summary of all legal documents in land relations) is being developed for further improvement of legal basis.

In order to streamline taxation in agriculture and to create conditions for more effective use of land plots in agricultural production there is only one agricultural tax has been left out of all taxes existed previously.

Credit system is being reorganised. The previous state rural finance system is being replaced by commercial credit system. The Kyrgyz Agricultural Financial Corporation has been set up jointly with the World Bank within the framework of the Rural Finance Project. This corporation is to provide credits to agricultural commodity producers. Credit unions are being established through the Asian Development Bank Rural Finance Project. Farmers associations on sheep breeding and wool production are being organised through the targeted "Sheep Development project". This system ensures profitability of the sector. Also the "Agricultural Services Support" and "Irrigation System Rehabilitation" projects have been developed.

International agencies such as "Helvetas", "Karitas", GTZ, ACD, KAC, TACIS, Peace Corpus, Mercy Corpus, European Commission, Kyrgyz American Joint Commission, the partnership fund "EC- Kyrgyzstan" provide with great help and support in developing the market system of production, advisory services and micro credit.

Institutional reorganisation of the Ministry of Agriculture and Water Resources is being implemented. From the owner and distributor type of organisation it has become an organisation with a co-ordination and regulation role. The state institutions are transformed to institutions providing services to agricultural commodity producers in market conditions.

At the same time the land and agrarian reform implementation progress has been analysed. It showed failure in taking effective measures and irrational use of resources available by the ministries, state committees, administrative institutions and local state administration.

In the farms of Chui oblast licences for use of land have been issued for every member of family (not to the heads of families) and without any information on the location of land plots which led to confusion. This contradicts the Decree of the President of the Kyrgyz Republic from 22 February 1994 "About priority measures on the land and agrarian reform development in the Kyrgyz Republic" and the Resolution of the Government of the Kyrgyz Republic "About approval of the regulations on land and agrarian reform implementation" and also creates problems in issuance of licences for use of land and development of land market relations.

Owners of many privatised state farms and enterprises do not transfer payments in time as redemption cost of the privatised state property. There are situations when a head of ail okmotu (local government) combines his position with a post of a manager of collective and state farm which exerts negative influence for the development of reforms.

Irrational use of land of the agricultural arable land reallocation Fund (under the Ministry of Agriculture and Water Resources of the Kyrgyz Republic) takes place.

Especially it takes place in Alamudun and Sukuluk rayons of Chui oblast where land has been forwarded to different farmers without appropriate documents and it has not been returned back to the Fund.

The existing system of agricultural tax collection for use of agricultural arable land has been brought only to rayon level and it does not take into account the differentiated quality of land plots of farmers. As a result rural residents face the unfairness in paying tax for use of land which does not stimulate the expansion of their production.

In transition period to market relations the state breeding and seed production farms have to survive in extremely difficult situation which has led to lowering of activity related to improvement of available breeding materials of such institutions as the Ministry of Agriculture and Water Resources of the Kyrgyz Republic institutions, research institutes of the Kyrgyz Agrarian Academy.

There are problems related to marketing of agricultural products: existing transport barriers within rayons and between oblasts, lack of wholesale markets and market information system which provides data on inside and outside markets.

The quality of irrigated land is deteriorating. Process of land salinization and swamping is under way due to breakage of the drainage system. Especially, the state of on-farm irrigation system (the maintenance cost of which is included in the balance of local administration and acting units) has drastically worsened.

Activity in assimilation of new technology, development of advisory services and attraction of state and foreign investment is not carried out at an appropriate level. The Ministries, state committees, administrative institutions and local administrations do not pay necessary attention to the development of private intermediary services, and advisory centres for farmers, peasants and other rural commodity producers, as well as to the development of water users associations, sheep, diary cattle and horse breeding and other appropriate infrastructure.

There are situations of irrational use of credits by rural commodity producers; untargeted use of credits has led to accumulation of debts on loans taken from financial institutions. At the same time, despite of types of ownership, there is need in credit resources especially long-term credits which will encourage development of production at farms.

There is an insufficient co-ordination of activity related to the implementation of projects funded by the World Bank, Asian Development Bank, European Bank for Reconstruction and Development, International Fund of Development, Swiss Government, German, Netherlands and other donors. As a result grants and credits provided for agricultural reorganisation process support are being used ineffectively.

For further deepening of land and agrarian reform and increase efficiency in agricultural performance the Government of the Kyrgyz Republic decrees:

1. Development of legal and organisational conditions for sustainable economy and market relations in agriculture in land and agrarian reform process is to be acknowledged.

Main tasks of the ministries, state committees, administrative institutions, local administration and financial institution on further deepening of land and agrarian reform are to be the following:

- organisation of marketing system for agricultural products, provision of rural commodity producers with necessary information on agricultural production technologies, market prices, accounting, marketing and management;
- development of commercial lending which will encourage production;
- rehabilitation of irrigation system;
- introduction of market of licences for use of land;
- improvement and provision for market of inputs, technologies and rural support services.

2. Ministry of Agriculture and Water Resources of the Kyrgyz Republic, Ministry of Finance of the Kyrgyz Republic, Agency for foreign investment under the State commission of the Kyrgyz Republic on foreign investments and economic support, State agency on land management, geodesy and cartography under the Government of the Kyrgyz Republic, Kyrgyz Agrarian Academy are to take measures on:

- acceleration of implementation of the “Agricultural Services Support” and “Irrigation system rehabilitation” projects;
- scientific provision for agricultural sector reorganisation, monitoring of indicative indices of the agricultural development;
- identification of priority for investments in agricultural production taking into consideration their profitability;
- co-ordination of projects which are being implemented and directed for agricultural support.

3. The performance of Chui oblast state administration on implementation of the Decree of the President of the Kyrgyz Republic from 22 February 1994 “About priority measures on the land and agrarian reform development in the Kyrgyz Republic” and the Resolution of the Government of the Kyrgyz Republic “About approval of the regulations on land and agrarian reform implementation” and on provision of rural residents with land plots and property shares is to be considered insufficient. Chui oblast state administration is to bring licences for use of land into line with the samples approved by the Government of the Kyrgyz Republic.

4. Local state administrations are not to allow combination of positions as head of ail okmotu with manager of state, collective and private farms.

5. Chui oblast state administration is to get the land plots of the arable land reallocation Fund under the Ministry of Agriculture and Water Resources of the Kyrgyz Republic back up to 1 October 1998 groundlessly allotted for rural residents. Necessary measures are to be taken with regard to the guilty authorities.

6. The Kyrgyz Agricultural Financial Corporation is:

- to improve the rural lending procedures and methods, to make credits more accessible for acting units of the agrarian sector;
- to provide for transparency for mass media in considering loan provision for non-government organisations, farmers, peasants and rural residents taking into account protection of commercial interests of borrowers and financial institutions.

7. The State Agency for land management, geodesy and cartography under the Government of the Kyrgyz Republic, Ministry of Agriculture and Water Resources of the Kyrgyz Republic, Ministry of Finance of the Kyrgyz Republic, Ministry of Justice of the Kyrgyz Republic are to present draft Regulations on identification of differentiated rates of agricultural tax for use of land for consideration to the Government of the Kyrgyz Republic over the period of one month.

8. Ministry of Agriculture and Water Resources of the Kyrgyz Republic together with local state administrations are to take measures on getting payments as redemption costs of the state property privatised by farmers and rent payments for use of land of the arable land reallocation Fund under the Ministry of Agriculture and Water Resources of the Kyrgyz Republic.

9. Ministry of Agriculture and Water Resources of the Kyrgyz Republic, Kyrgyz Agrarian Academy and oblast state administrations are to take effective measures on accommodating the state system of livestock breeding and seed production to the new conditions and to advertise achievements of science and progressive experience in agriculture.

10. Ministry of Agriculture and Water Resources of the Kyrgyz Republic, State Agency for land management, geodesy and cartography under the Government of the Kyrgyz Republic, Kyrgyz Agrarian Academy, State joint stock leasing company "Ailtechservice" together with local state administrations are to create conditions for encouraging farmers to use practices in agriculture as rotation, effective maintenance of agricultural machinery and production of profitable crops enabling to increase the fertility of soil and remove weeds.

11. Ministry of Agriculture and Water Resources of the Kyrgyz Republic, State agency for land management, geodesy and cartography under the Government of the Kyrgyz Republic, State agency for forestry under the Government of the Kyrgyz Republic and local state administrations are to develop action plan to involve all fields appropriate for ploughing, effective use of irrigation system, bore holes and pumping units.

12. Local state administrations, Ministry of Agriculture and Water Resources of the Kyrgyz Republic, State Property Fund of the Kyrgyz Republic are:

- to set up competitive procurement and agricultural products marketing system in rural area;
- to develop wholesale markets selling agricultural products managed by rural commodity producers associations with the appropriate infrastructure and marketing service;
- to organise training of farmers, peasants and other rural commodity producers on infrastructure management, analysis of inside and outside markets.

13. Ministry of Agriculture and Water Resources of the Kyrgyz Republic, Ministry of Justice of the Kyrgyz Republic, National Statistical Committee of the Kyrgyz Republic together with Ministry of Finance of the Kyrgyz Republic, State agency for land management, geodesy and cartography under the Government of the Kyrgyz Republic are to develop and present propositions for consideration to the Government of the Kyrgyz Republic on introduction of amendments in the acting legal documents of the Kyrgyz Republic related to the registration of acting units with different types of ownership and analysis of their activity.

14. Ministries, state committees, administrative institutions and local state administrations - main executors of measures on implementation of the Rural Area Development Programme of the Kyrgyz Republic for 1998 are to provide Ministry of Agriculture and Water Resources of the Kyrgyz Republic (executive body of land and agrarian reform) with the information on progress in land and agrarian reform implementation process.

15. Ministry of Agriculture and Water Resources of the Kyrgyz Republic and local state administrations are to be responsible for the implementation of the present resolution.

16. This resolution is to be published in mass media.

Prime Minister

Jumaliev K.