Implications of the 2008-2009 global economic downturn for rural livelihoods in the Kyrgyz Republic

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Key words: global economic downturn 2008-2009, Kyrgyz Republic, livelihood diversification strategies, rural livelihoods, rural households, labour migration, food security, remittances, employment.

Abstract

The global economic downturn caused by the global financial crisis of 2008, has had dramatic impact on national economies worldwide. The states that have suffered the most have been developing countries with fragile national economies and unstable political systems. Kyrgyzstan has been one of them. The dissertation examines the impact of the global economic downturn on Kyrgyzstani rural households through the livelihood diversification framework. Labour migration is studied as one of the main diversification strategies used by the rural households. The dissertation examines the impact of the decline of labour migration to Russia and Kazakhstan on rural households in Kyrgyzstan during the period of 2008-2009.
Introduction

This dissertation will examine the economic and social impact of the global financial crisis and the economic downturn of 2008-2009 on rural livelihoods of the Kyrgyz Republic, former Central Asian Soviet republic. While it will be suggested in the dissertation that all five countries of the Central Asian Region have been affected by the crisis, Kyrgyzstan in particular offers an interesting case study due to several reasons. First, in contrast to Kazakhstan, Uzbekistan and Turkmenistan, Kyrgyzstan has a high rate of labour migration to Russia that significantly links it to the Russian economy and therefore makes it vulnerable to economic shocks in this country. Second, these external shocks have been exacerbated by internal economic problems caused by continuous droughts, crisis in water and energy supply, and deteriorated social infrastructure. Finally, the case study is moreover interesting because in 2009 for the first time in its history Kyrgyzstan was urged by the United Nations (UN) to launch a Humanitarian Flash Appeal to mitigate the above mentioned shocks. This suggests that the country has been, in fact, significantly affected by the crisis and required urgent international humanitarian interventions in order to sustain both social and economic impacts of the crisis. While another Central Asian country – Tajikistan – also launched humanitarian appeal in 2009, this was the ninth incidence for this country to seek international humanitarian assistance. In the case of Kyrgyzstan, this was the first crisis of such scale.

Considering the above reasons, the dissertation will study the consequences of possible decline of labour migration to Russia and the inflow of remittances for rural households through the analytical framework of livelihood diversification strategies. The dissertation will suggest that this framework is the useful episteme in the analysis of the recent crisis because it allows for the examination of migration patterns from the perspective of the diversification of livelihoods by rural households. To offer a more complete theoretical basis, in addition to the main theoretical framework chosen for the research, the hypothesis of mobility transition and the theory of networks and migration system will be also briefly reviewed in the dissertation. However, it will be argued further that these theories, while being useful to clarify the rationale for some of the...
migration patterns, cannot explain the impact of economic crisis on the rural livelihoods of sending countries to the same level of scrutiny as can the livelihood diversification framework. Therefore, the later will be used to consider factors which may have contributed to the deprivation of households. It will specifically look at possible effects of the increased numbers of returning labour migrants from neighbouring Kazakhstan and Russia on the household diversification strategies in rural areas.

The dissertation is composed of three chapters. Chapter 1 provides a literature review of different livelihood diversification strategies used by both rural and urban households across the board. It gives an insight into the specifics of livelihood diversification approaches used by rural households in the developing countries. First, it reviews such traditional strategies as drawing upon communal resources, social relationships, household stores, and assets. Later, the chapter will analyze other strategies; specifically, it will examine employment and labour migration as it is argued in this paper that, under certain conditions, these strategies can be the main sources of diversification for rural households. A special place is devoted to the definition of households and livelihoods in order to depict the framework for further analysis of these two research subjects in the dissertation. The chapter will discuss how livelihood diversification strategies are used by rural households in Kyrgyzstan. It will provide an overview of the political and economic background of the country in order to understand current income diversification patterns and the role of agriculture and migration in the formation of these trends. It will study the post Soviet social and economic reforms to demonstrate their contribution to the collapse of industry and collective farming. A special role of radical liberalization of economy and ‘shock therapy’ following the collapse of the Soviet Union will be discussed in relation to the current state of rural households.

In Chapter 2, I will further apply the analytical framework depicted in the first chapter to explain the role of migration as one of diversification strategies that is employed by many Kyrgyzstani rural households. In this chapter, I will analyze the correlation between migration and remittances, the role of remittances in the national economy and their share in GDP, and their impact on rural livelihoods.
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The last chapter will study the impact of the world economic crisis on labour migration patterns in Kyrgyzstan, the new trends in the inflow of remittances and possible consequences of these trends for rural households. The chapter will analyze data from government sources and a number of independent international researchers on the trends of labour migration at the global, regional and country level. The dissertation will also utilize two reports produced by the UN that were not published due to their content and the potential risk of political consequence. The reports were obtained directly from the UN in the Kyrgyz Republic. Utilizing this array of materials, patterns of labour emigration from Kyrgyzstan to Russia and Kazakhstan will be scrutinized in more detail as these two countries are the main destination points for Kyrgyz migrants. The study will further analyze the impact of these patterns on rural households by comparing statistical data from a number of sources and by drawing upon existing analytical materials on rural livelihoods in the Kyrgyz Republic.

1. Rural household diversification strategies: Migration as one of the diversification strategies

1.1. Theoretical framework

The dissertation will argue that the main impact of the global economic downturn on the Kyrgyz Republic has been due to the decreased level of labour migration from the country, it will utilize migration theories, and the livelihood diversification framework in particular, to examine this hypothesis. Prior to defining basic concepts of the livelihood diversification framework, let us first review two other theories that offer alternative episteme for the study of migration. As it is suggested by the hypothesis of this dissertation, the research will study the impact of the global economic crisis on the rural livelihoods in the Kyrgyz Republic. In particular, it will study the impact of the affected labour migration on livelihoods in rural areas. For this purpose, a framework that is to be chosen has to explain not only regular migration patterns but also how these patterns are affected during the times of crises and what it means for rural livelihoods.

This dissertation will consider three theories that aim at explaining the correlation between labour migration and the wealth of households whose members migrate to work. It will be further suggested that the livelihood diversification framework would be most useful to examine
the hypothesis. However, let us briefly review the first two theories and explain why they cannot provide a solid epistemological ground for this particular research.

The first theory called the hypothesis of mobility transition suggests that migration is a natural process of mass movement that is determined by the increased social mobility in the recent history (Zelinski, Z. 1991). The theory studies migration patterns from the historical perspective and investigates the increased capabilities of individuals to travel temporarily or permanently.

While this theory aids in the understanding of the benefits that mobility offers to individuals, it does not offer an explicit explanation of why people sometimes chose not to migrate despite their capability to be mobile in both financial and legal terms. Furthermore, it lacks the methodological framework that is suitable for the explanation of the correlation between migration patterns and household livelihoods. This is due to both its focus on individuals as research subjects rather than households and its accent on historical explanation of global migration rather than on its impact on developing countries.

The other framework named the theory of networks and migration system studies migration from the perspective of social relations and their impact on the growing migration. On the one hand, the theory claims that the migration patterns are often shaped by the affiliation of those migrating with particular ethnic, cultural, or religious groups – thus shaping their preferences of the countries to which they migrate; on the other, it suggests that the affiliation with these groups may influence individuals’ decisions to migrate and obtain the legitimatization of their work abroad or the acquisition of a new nationality. Shuval, for example, suggests that:

“In this type of migration (the one based on diaspora relations) an ascriptive, ethnic or religious criterion is used to claim the right of return and entitlement to specific benefits, in some cases automatic citizenship” (2000, p. 35)

While this framework provides a valuable understanding of migration patterns determined by diasporal relations, and it can be useful for the purpose of this dissertation, it also fails to provide epistemological ground for the explanation of economical rational of individuals when they
migrate as a result of economic and social deprivation of their households. It becomes even less useful in the explanation of reasons why only certain members of households migrate while others remain in their countries of origin and rely on their migrating members for income.

Therefore, perhaps the most useful theory for this study is the livelihood diversification framework that, it will be argued, not only explains economic, social, and individual reasons for migration, but also suggests why not all members of a households migrate, what links migrants to other household members while they work abroad, and why migrant workers choose to support their households even when they do not intend to return to their home countries. The framework will be further explained in the following sub-chapter and an explicit definition will be provided for the main concepts of this theory.

1.2. Definition of rural households and their livelihoods

Utilizing the livelihood diversification framework to explain the link between economic circumstances and decision making process in rural households, this chapter will provide a critical review of the literature on the rural households, their livelihoods, and income diversification strategies they utilize. Before analyzing different income diversification strategies used by households in the developing world, it is important to understand different definitions of households and limitations that they pose for the analysis. This understanding will be crucial for further study because the analysis will use households as research subject while individuals and families remain researched mostly as parts of households. One of the reasons for this unified approach to livelihood research using households is because it is more challenging to generalize and segregate research data by families, for example, because their meaning in different cultures, social conditions and geographical areas may vary significantly. Bernstein (1992), for example, suggests that families and kinships have different meaning in different cultures and even communities. Thus, ideal traditional family in Ghana may be different from the one in the USA or the Netherlands. At the same time, the idea of traditional family in the USA in itself may differ in different social groups. Bernstein (1992) particularly argues that:
“The problem is that the meanings of family and kinship, and how they are translated into the institutions of everyday life, vary widely between different cultures, and across different social groups” (p. 87)

Considering these limitations, households would be a better subject for the analysis because its notion explains its complexity and provides for the understanding of the roles and powers of families and individuals within them.

Currently, there is an array of academic literature that defines rural households and although every definition has common features, there are definitely certain variations that are mostly due to diverse purposes of academic studies. Let us discuss several different definitions in order to understand the complexity of this term. It will be important to keep these definitions in mind when analyzing both qualitative and quantitative statistical data in the second and third chapters of this dissertation.

Because “rural household” is a disyllabic term that consists of “rural” and “household”, let us discuss both components of the definition starting with “household” and then expanding it to a “rural household”. One of the traditional definitions of a household proposed by Crow, B. (1992), Johnson, H. (1992), and Barraclough, S. (1991) suggests that households as a research subject should be considered as “units of co-residence and consumption” (Bernstein, p. 103). He suggests that:

“This idea of households presupposes that resources, food and incomes are somehow shared between household members but...there may be different forms of provisioning, and access to food and income, within the household itself. Who lives with whom, and who consumes what, are all subject to different norms, values and customs” (p. 103)

The most important notions in this definition are co-residence and common consumption. It provides for the perception that all members of a household live together on a permanent basis and they all consume collective products. Similar definitions are suggested by Ando A. et. Al (1994) and El Alamy, M et. Al (1986) in which they define households, respectively, as:
“a group of individuals linked by ties of blood, marriage or affection, sharing the same dwelling and pooling all or part of their incomes. Persons living in nursing homes for the aged or ill, prisons, or military installations are not included” (Ando, A. et. Al, p. 369), and;

“a group of people living under the same roof and sharing the same food; in some instances this unit include more than one family” (El Alamy, M et. Al, p. 1007)

Although these definitions are useful for our further research, it is essential to realize that: first, it is not always the case that all members of a household reside within the same compound on a permanent basis, and second, although all members may contribute to their households and consume its resources, their individual levels of contribution and consumption may vary significantly due to a number of cultural, gender, social, and kinship factors. Thus, the definition of Ando suggests that persons who live outside the dwelling due to their age, health conditions, or military affiliation, do not belong to the household. This definition cannot be applied to a number of countries-communities because in many cultures, including Kyrgyzstan, those members of families, while they do not contribute to the household income, rely on other members of their families to support them financially.

With these limitations in mind, one can reasonably argue that a more practical definition of a household would be the one that suggests that a household is a “group that insures its maintenance and reproduction by generating and disposing of a collective income fund” (Wood, C. 1982, p. 312). This definition has been taken as a basis by the Kyrgyz National Statistics Committee (NSC) for defining a household in its Population and Housing Census of the Kyrgyz Republic of 2009 in which a household:

“is one person or groups of people living together in one living unit and making provision for them own all essential for living, having common housekeeping and fully or partially pool and expend their money (income). They may be related by marriage, [or to be] related persons without being related to each other [by kinship]” (Abdykalykov 2009)
This definition, while conforming to the ones of Bernstein, El Alamy, Ando, and other above mentioned social scientists provides for a number of important features of a household that are missed out in the previous concepts. First, it suggests that a household does not necessarily have to consist of several members. It may be represented by a single individual. Second, it recognizes the fact that not all members of a household necessarily reside in the same house or compound and that kinship is not the only principle under which household members unite. And finally, it recognizes the fact that some of the household members might not contribute to the household income while relying of support from other members. As a summary, for the purpose of this dissertation, households share the following features: 1) co-residence – permanent or temporary; 2) kinship, friendship, partnership; 3) production, contribution; 4) distribution, and consumption.

Let us now examine, what distinguishes rural households from the ones described as urban. Traditionally this definition is based on the size of a settlement in which households reside. As Bernstein suggests, for different countries this size may vary slightly or significantly due to the variations in the definition of cities, towns, and villages. However, geographical location is not only the factor that distinguishes rural and urban households. For instance, in some research referenced in this dissertation, rural households are situated in suburban areas that technically belong to large cities. However, the lifestyle these households lead cannot be simply attributed to urban settlements.

Bernstein, therefore, further suggests that the definition may be not only due to where they locate but also “how they live? What they do? [and] How they fare?” (1992). It is crucial to acknowledge these nuances because rural does not necessarily mean “villages” and “remote communities”, but it can also mean suburban areas in which people lead a lifestyle similar to those observed in remote areas or a country or region. Moreover, rural households or their particular members may move between rural and urban areas that make it even more sophisticated to define them:

“Great number of people move between countryside and town more or less frequently, for longer or shorter periods, in regular or sporadic patterns of migration, and for various reasons: to seek work, to market their produce, to get education, to visit relatives, to buy goods, to petition government officials, politicians or lawyers” (Bernstein p. 3)
For the purpose of this research, however, the definition of rural will not be linked solely to their location and the traditional understanding of rural lifestyle. The main generalization to avoid here is the widely spread stereotype that rural households are passive actors in economics and politics, and therefore acknowledge the fact that rural household incomes are not limited to agriculture, forestry, fishing, and collecting.

“In most rural areas of the developing world, [rural] households tend to increasingly draw on multiple activities inside and outside agriculture” (Naerssen et al. 2008, p. 23)

This statement is a cornerstone for the understanding of different livelihood diversification strategies employed vastly by rural households which are not limited to solely agriculture but are extended to different modes of employment, exchange, and migration. These strategies will be discussed shortly, however, before going into this discussion, let us first define livelihood as another unit of this research. This definition will be frequently used further in the dissertation.

In contrast to the definition of “rural households”, livelihoods are defined similarly in most of the academic debates. Most of the definitions suggest that a livelihood is a composition of an array of means of living. Thus, perhaps the simplest definition of a livelihood is suggested by Chambers and Conway in which “a livelihood in its simplest sense is a means of gaining living” (1992). A more comprehensive definition is suggested by Sunderlin, W. et. al. in which they define a livelihood as one that comprises:

“… the assets (natural, physical, human, financial, and social capital), the activities, and the access to these (mediated by institutional and social relations) that together determine the living gained by the individual or household.” (2005, pp. 1385-1386)

While both definitions can be accurate, one can criticize them for being too vague in the case of the first definition, and for neglecting the aspect of capabilities in the definition of livelihoods in the second one. Perhaps, one of the most outstanding and complete definitions of a livelihood that, one can suggest, comprises all of the above listed popular definitions of livelihoods and introduces the notion of capabilities into the definition, is the one suggested by Diana Carney:
“A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living.” Further, she gives a definition of a sustainable livelihood that will be also useful for the understanding of analysis provided in this research: “A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base.” (Carney 1998, p. 4)

In summary, livelihood is not an equivalent of income or even material resources that a household possesses. In addition to just material assets, livelihood as a notion represents social relations and individual and group capabilities of household members necessary to sustain means of living. How members of a rural household sustain their livelihoods is a critical questions that is important to answer before analyzing how external shocks can affect the capabilities of households to respond to them. Let us now review these strategies.

1.3. Traditional livelihood strategies: drawing upon communal resources, drawing upon social relationships, drawing upon household stores, drawing upon assets

“People in the countryside of the Third World gain their livelihoods in a variety of ways from different types of farming and a wide range of other activities. They do so with varying degrees of success according to their access to resources and employment and how they deal with pressures arising from social, economic and environmental change” (Bernstein, p. 1)

Although the main focus of this research will be on migration as, it will be argued, it is the main strategy employed by many rural Kyrgyzstani households, let us review some other traditional strategies to recognize the complexity of ways in which rural households diversify their livelihoods in the developing world to which Kyrgyzstan belongs by the definition of the United Nations Conference on Trade and Development (UNCTAD)1

While different social scientists (Ahmad 1991, Bernstein 1992, Barraclough 1991, Sen 1999) suggest slightly different classifications of livelihood diversification strategies, there is as consensus among most of them in terms of five main coping mechanisms. First class of strategies can be described as the diversification of sources of income, including diversification of crop and

1 Data accessed from the UNCTAD web-site: http://www.unctad.org
cattle production, local employment, and seasonal labour migration. Households utilize strategies of this class in regular circumstances by trying to avoid limiting their income to only agricultural production of main crops and natural resources and ensure employment for some of their members as an alternative source of income. However, although income from employment may ensure sustainability of livelihoods within “calm” economic, political and social environments, those can be affected drastically during the times of economic shocks, political crises, and social unrests. In particular, it can be affected by the decreased demand from employers, declined wages, and increased time to find and process food.

Therefore, in the times of economic instability and the lack of employment and trading opportunities, households tend to use another four strategies for survival. One of those strategies is a more intense use of communal resources such as common lands and forests to collect food products (such as vegetables and fruits), fuel (wood, dung cakes), as well as medical herbs used by households as an alternative to traditional medication. The downside of this strategy is that the increased dependence on communal resources intensifies conflict which often leads to the limitation of access to communal resources by national or local authorities due to the fear of their complete exhaustion.

With these limitations in mind, households may also choose to draw upon social relationships such as patronage, kinship, friendship, as well as informal credit networks. When access to other resources becomes limited, members of households tend to borrow money, food, and other material resources from their relatives, friends, community trusts, or banks. Although, in certain cases this strategy can be a successful way out, in other situations, it may lead households to become more vulnerable to economic shocks if a crisis goes on for a long period of time. In such conditions, access to free gifts from relatives and friends may be denied and loans may be denied as poor households would be considered by lending societies and banks as high risk.

The last two classes of strategies are drawing upon household stores (of food, fuel, etc.) and adjusting current consumption patterns. These two strategies are often described as strategies of a last resort when households cannot see any alternative ways to sustain their livelihoods. The downside of both strategies is a high risk of the exhaustion of stocks and assets that are necessary to sustain rural livelihoods in a long-term perspective.
Having reviewed the main livelihood diversification strategies, let us now scrutinize employment and labour migration in more detail as it will be argued later that it is often the main source of diversification for rural households in Kyrgyzstan.

1.3. Migration as a unique livelihood diversification strategy: analytical framework

Nayyar (1994) suggests that by analyzing only micro-economic parameters of labour migration, one may risk to limit themselves to only one-sided understanding of macro-economics that takes into account only private benefits and assumes direct correlation between labour migration, employment and financial flows. He specifically suggests that this approach neglects the social aspects of migration and that it does not always provide a solid basis for macro-economic analysis of labour flows due to the complexity of contemporary economy and the multidimensionality of economic parameters. He suggests that it is not simply enough to measure levels of international migration as a factual phenomenon. It is rather important to understand the background of such labour flows to assess reasons for movement: whether those are due to the unemployment of peasantry in their home country or due to the lack of professional opportunities for highly qualified professionals. He concludes that while highly qualified workers can increase production outputs radically, unskilled workers do not bring the same value to the market. In particular:

“The migration of unskilled workers should have little or no impact on output and should reduce unemployment. However, the migration of skilled workers or high-skilled professionals is likely to affect both output and employment if the migrants cannot be replaced without training” (Nayyar 1994: 5).

This formula will be critical to understand the value of labour migrants for the Kyrgyzstani economy which is discussed in the following chapters. It will become clear from the labour emigrant profile what value they bring to the local market and how their immigration correlates with employment situation in country. However, the understanding of only macro-economic aspects of labour migration is not sufficient for the purpose of this research. It is also crucial to understand micro-economic framework of analysis in order to scrutinize the impact of labour migration on rural livelihoods and to draw parallels between the effects of economic crisis on
migration and its impact on rural households. In particular, the micro-economic view on labour migration can help one understand the important role of migration on the capabilities of the poor to control resources. Barraclough (1991) suggests that voluntary labour migration has been witnessed as one of the most successful livelihood diversification strategies across the Globe, including Latin America, Sub-Saharan Africa, South-East Asia, and Eastern Europe. He argues that despite the common perception that labour migration from poor countries causes impoverishment of rural regions of those countries, there is evidence that it in fact helps these regions to develop:

“Where voluntary migration could take place..., food security usually increased both for migrants and the communities they left” (1991, p. 138)

The argument behind this statement is that it is not because of migration that rural lands lack workforce for their cultivation, but it is rather due to natural disaster and economic and political problems in their countries that rural workers migrate to industrialized countries to diversify livelihoods of their households. Thus:

“Migration proved to be an effective tactics by Latin American peasants to improve their livelihoods, even if it was often accompanied by considerable psychic and physical hardship” (Barraclough 1991, p. 138)

While this positive view on migration as a mechanism for poverty alleviation is important for the further analysis of Kyrgyzstan case study, there are some limitations that have to be acknowledged now in order to provide complete analysis in the following chapters. Thus, one of the limitations of migration as a livelihood diversification strategy for the poor is its comparatively high cost for rural workers. While it can be seen as a universal panacea from poverty, it would not be correct to assume that all of the poor can use it. Hein de Haas (2008, p. 24) suggests that “poverty can coincide with the lack of resources to migrate”. At the same time, De Haas acknowledges that the cost of migration may differ tremendously from region to region and even from country to country. Internal rural-urban migration might be a cheaper alternative to international migration while its impact on rural livelihoods would not differ much from international migration in some countries. Keeping this in mind, it will be difficult to compare migration patterns in different countries in order to understand their impacts on rural livelihoods.
However, some level of generalization can be achieved for the countries with similar economic, cultural, social, and political conditions.

It is essential to acknowledge the role of remittances for developing countries and the positive impact which they have on economies of local communities as well as on national economies. Remittances are not only monetary inflows into the economies, they can take the form of “food, clothing, medicine, gifts, dowries, tools and equipment, and a range of domestic consumer goods” (Chimhowu et. al., 2005, p. 84). In this dissertation, only monetary segment of remittances will be examined because statistical data is not available for other forms.

Based on the available data, it will be argued that remittances may decrease during complex economic downturns, political instability, and natural disasters as it has happened in the case of Kyrgyzstan. In order to understand the complexity of the situation and its impact on rural livelihoods in this country, let us first review the political and economic background of the Kyrgyzstani economy.

1.4. Political and economic background as a contributing factor to current migration patterns

1.4.1. Post Soviet social and economic reforms: collapse of industry and collective farming

The Kyrgyz Republic, also known as Kyrgyzstan, gained its independence from the Union of Soviet Socialist Republics (USSR) in 1991. Presently, according to the UNODC classification, the country is categorized as a land-locked developing country. As of 2008, the GDP per-capita constituted 934 US Dollars.

Prior to the period of its independence, it used to be a colony of the Russian Empire (1913-1917) and eventually became one of the republics of the Soviet Union in 1917. During the Soviet era (1917-1991), Kyrgyzstan was a part of a centralized economy of the Soviet Union. Despite the traditional nomadic culture of the Kyrgyz ethnic population, during the USSR regime, the country has been reformed into an industrialized, agriculture-focused economy strongly linked to the centralized economy of the USSR (Abvazov 1999). During the first wave of collectivization

2 UNODC web-site: www.unodc.org
and industrialization, Kyrgyzstan built a number of plants and collective farms that employed most of the country’s population. Due to the abolishment of private businesses in the USSR, private farms could not exist independently but had to be parts of bigger collective farms thus collectivizing private outputs of households and distributing them for the needs of the centralized industry of the USSR. At the same time, most of the plants were built in or near Osh and Bishkek – the biggest cities of Kyrgyzstan in the South and the North respectively. Therefore, urban population was mostly employed by factories and plants, while rural people worked at collective farms.

By 1991, when the USSR collapsed the majority of the country’s population were living in rural areas and remained serving collective farms while having little income outside these structures (Suiumbaeva 2009, p. 1). While urban population has grown insignificantly by 1991, the growth of rural population was more noticeable. This growth of rural population is demonstrated in Chart 1 (source: Abazov 1999, p.244):

![Chart 1: Growth of urban and rural population in Kyrgyzstan 1979-1991](image)

By 2009, over two thirds of the country’s population were living in rural areas (Suiumbaeva 2009, p. 1). This figure is worth noting if we are to realize the scale of the rural population in Kyrgyzstan, however, we first need to review the recent history of liberalization of the economy.

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4 Data accessed from the Annual Report 2009 of the National Statistics Committee of the Kyrgyz Republic
and shock-therapy in order to understand the causes of the current economic and social collapse in the country.

1.4.2. Radical liberalization of economy and ‘shock therapy’: background of social and economic reforms in Kyrgyzstan following the collapse of the Soviet Union

Following the collapse of the Soviet Union in 1991, Kyrgyzstan quickly became a country with an image of an ‘island of democracy’ in Central Asia. Due to a number of democratic reforms by the first president Askar Akaev, the country has rapidly changed not only in terms of its commitments to the implementation of human rights, but also assumed many features of capitalist economies. While many prophesied a bright future for Kyrgyzstan’s economy, there were many downsides to the reforms implemented by the new independent government. Thus, due to the rapid privatization and a considerable decrease in the number of state-funded employments, hundreds of thousands of people were forced to seek employment in private sector or became self-employed (Abazov 1999). A number of ethnic Russian and German citizens have migrated back to their countries of origin to seek employment. This first wave of migration was flagged as an immense brain-drain from the country as most of the migrants were highly skilled workers formerly employed by industrial sector around cities.

Chart 2: Outflow of ethnic Russians during the first wave of migration from Kyrgyzstan

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5 Data accessed from the Annual Report 2009 of the National Statistics Committee of the Kyrgyz Republic
As demonstrated in Chart 2, the total number of ethnic Russians who left the country in 1990-1998 constituted almost 350,000 people or about 15% of the total population. The peak of migration was in 1993, when the liberal legislation for ethnic-Russian migrants was adopted by Russia in order to facilitate their return to the country of origin. By 2000, a total of 618,556 people (roughly 20% of the total population) left the country to neighboring countries either permanently or seeking temporary employment due to the lack of employment opportunities in Kyrgyzstan.

![Chart 3: Growth of unemployment in Kyrgyzstan](image)

It is evident from Chart 3 that the number of unemployed people in the country has increased dramatically following the collapse of the Soviet Union. While during the Soviet era, the government aimed at providing every individual with a work place, the new neo-liberal policies of the independent Kyrgyzstani government, while aimed at encouraging free trade, have failed to create employment opportunities for the population. This was especially evident in 1996, when the privatization reached its maximum and many state-employed professionals lost their jobs.

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6 Data accessed from the Annual Report 2009 of the National Statistics Committee of the Kyrgyz Republic
While this negative trend was observed in 1990s, on a more positive note, more people were given the freedom to seek income from sources other than state-owned farms and factories. While an overwhelming majority of the employed urban population have found their professional niche in the service sector (71.9%), most of employed rural population (63.3% in 2009) were involved in agriculture sector.

**Chart 4: Rural-Urban employment structure in Kyrgyzstan in 2009**

However, while agriculture has become one of the main sources of income for the employed rural population, following overall unemployment trends, level of employment in this sector of Kyrgyzstani economy have declined drastically from 63,734 in 1998 to 11,475 in 2008 (Abdykalykov 2009). Considering there is not an industrial infrastructure in the rural areas where

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_Population and Housing Census of the Kyrgyz Republic of 2009. National Statistical Committee of the Kyrgyz Republic_
most of the agricultural production is located, most of the people from these regions would either switch to small private agriculture or migrate to urban areas of the country or other countries where they could find more sustainable sources of income. The latest Population and Housing Census of the Kyrgyz Republic conducted in 2009 revealed that despite this unemployment pattern in the rural areas of the country, “about two thirds of population (65 %) [still] live in rural settlements” in Kyrgyzstan. This statistical evidence can only mean that the households in rural areas are still able to find sources of income other than agricultural production that can only support them seasonally.

Considering the lack of other opportunities, one would consider labour migration as one of the ways through which rural households are able to maintain their livelihoods. Let us now review some statistical evidence of this hypothesis. It will become obvious that labour migration has become one of the main sources of income for a considerable number of households in rural areas of Kyrgyzstan.

The following chapter will provide an analysis of the factors that contribute to current migration patterns, main destinations of labour emigrants, and the important impact of remittances on the country’s gross domestic product (GDP).

2. Diversification strategies in Kyrgyzstan. Labour migration as one of the main diversification strategy for rural households.

2.1. Migration patterns in Kyrgyzstan

According to official statistics issued by the NSC, the annual outflow of emigrants from Kyrgyzstan during 2000-2006 was about 30,000 people. The International Organization for Migration have published data that reveals that in 2006, a total of 161,400 citizens of Kyrgyzstan were living in Russia (133,800) and Kazakhstan (27,600) which are considered to be the main countries of labour migration for Kyrgyz workers\(^8\). Roughly, three fourths of these labour migrants were men. At the same time, according to other sources, almost 500,000 Kyrgyz citizens lived and worked only in Moscow that year. This discrepancy between official and

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\(^8\) Source: International Labour Organization (ILO) web-site – www.iло.org
unofficial statistics demonstrates that many labour emigrants from Kyrgyzstan work abroad illegally without proper registration (Schmidt, M. Sagynbekova, L. 2008). The inability of labour migrants to legalize their work in Moscow if often due to bureaucratic barriers put forth by the local administrations for the registration of foreign workers. This situation has implications on the safety of a big number of Kyrgyz emigrants and on possible support they can receive from the Kyrgyz authorities while working abroad. It also has its impact on the accuracy of official statistics available for research. While recognizing these limitations for the study, and taking only official statistics into account, within the past decade, at least 1.3 million people from Kyrgyzstan (one quarter of the total population, or half of economically active population) have moved in-country or internationally to seek employment due to adverse economic conditions, high level of unemployment and low pay scales (Schmidt, M. Sagynbekova, L. 2008).

The specific reasons for labour migration from rural areas in particular were suggested by M. Schmidt and L. Sagynbekova in their Central Asian survey “Migration past and present: changing patterns in Kyrgyzstan” within which they have interviewed five hundred households in rural areas of Kyrgyzstan. Their findings are well summarized by the following statement:

“The economic arguments for migration are based on the lack of employment opportunities in the village combined with insufficient income from agriculture on the one hand, and the hope of finding employment abroad with which they can improve their material situation on the other hand. Other push factors are the worsening of living conditions in the villages, debts due to a bad harvest, alcohol or other problems, or insufficient educational facilities” (Schmidt, M. Sagynbekova, L. 2008: 118).

The increased labour migration from rural areas in Kyrgyzstan can be viewed as one of the main livelihood diversification strategies for the following reasons: 1) people choose to work abroad to receive higher income; 2) although being de-linked from their households, members of rural households working abroad are likely to choose to send some of their income back; and 3) due to the increased contributions of emigrated members, households find themselves in a better position to cope with economic and social challenges in their country. The following chart represents the correlation between employment available in country and the number of emigrants that leave the country to seek employment abroad:
While it is clear from the above mentioned survey why people from rural areas of Kyrgyzstan choose to work abroad, there needs to be some clarification as to why they choose to share their income (mostly through remittances) with their households back home. While there are definitely variations among individual cases, there is an obvious global trend that explains the correlation between labour migration and flows of remittances to emigrants’ countries. Frank (1998) suggests the following generalized reasons for emigrants to support their households in home countries:

“Migrants maintain a flow of remittances to their families, and several reasons of migrant self-interest are advanced to explain why this occurs; namely, the need for a fall back position if urban income sources collapse, and the protection of land and other assets to which the migrant has claim back home, including assets expected at inheritance” (Frank 1998: 16)

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9 Data accessed from the Annual Report 2009 of the National Statistics Committee of the Kyrgyz Republic
In the case of Kyrgyzstan, poor economic rationale is not the only reason for emigrants to maintain links with their households. There are a number of other factors, more related to loyalty to the country and the national pride, that stimulate the flow of remittances to Kyrgyzstan. A study on “citizenship, migration and loyalty towards the state” in Kyrgyzstan has demonstrated that “migrants have a paradoxical, sui generis relation to their state of origin, in which pragmatic interest and long-term loyalty do not easily cohabit. For example, the respondents’ answers revealed at least three paradoxes:

1. Majority of the migrants would not hesitate to naturalize in Russia or Kazakhstan, yet believe that they will eventually return to Kyrgyzstan.
2. Most of them argue that they are interested in the politics of their country and would like to participate more; yet, they do not vote.
3. On average, migrants are less proud of their nationality than residents, but many take pride in how they contribute more effectively to the homeland by sending remittances.”
   (Ruget, V., Usmanalieva, B. 2008: 138)

**Chart 6: Correlation between the number of emigrants and the inflow of remittances in Kyrgyzstan**

![Chart 6: Correlation between the number of emigrants and the inflow of remittances in Kyrgyzstan](chart6)

10 Data accessed from the Annual Report 2009 of the National Statistics Committee of the Kyrgyz Republic
While there is an array of reasons for emigrants to share their income with households in which they are members, there is a clear evidence that there is a strong correlation between the annual number of emigrants from Kyrgyzstan and the inflow of remittances to the country (see Chart 6). Thus, after 2003, an annual increase in the number of emigrants by 10,000 people would lead to the increase in remittances by 100 million USD. This correlation provides statistical evidence which will be of importance later in the dissertation in order to demonstrate the impact of a declining international migration on the flow of remittances to developing countries, and in particular, to Kyrgyzstan. It will be demonstrated in chapter 3 that both the country’s GDP and the livelihoods of rural households are being affected by this decline. But before drawing upon this conclusion, let us briefly review statistical evidence on the impact of remittances on the country’s economy in a regular economic and social set up.

2.2. The role of remittances in the Kyrgyzstani economy

It is argued by many that remittances play an important, if not critical role, in the economies of some developing countries. Based on a comprehensive study of 99 developing countries conducted through 1975-2003, Aggarwal et al. (2006) argued that remittances have become the largest financial inflows into developing countries’ economies after foreign direct investments “both in absolute terms and as a proportion of GDP”. The research demonstrated that in 2003, the total amount of remittances received by developing countries constituted 90 billion USD in 2003. The research suggests that there is a strong evidence that remittances play an important role in reducing poverty. Moreover, “in terms of poverty reduction, rural areas in developing countries tend to benefit the most because much of the world’s migrants are drawn from these areas” (Aggarwal et al. 2006: 7).

In Eastern Europe and Central Asia, where international labour migration has become a panacea for many households to secure their livelihoods, as demonstrated earlier in this chapter, remittances have become especially important for the economies of receiving countries. Ratha, D. and S. Mohapatra (2009) suggest that countries from this region have become the biggest recipients of remittances in the world if compared by the share of GDP. Thus, in 2007, Tajikistan and Moldova placed first two in the chart constituting 36.2% of their GDP made of remittances.
They are followed by Tonga (32.3%) and Kyrgyzstan whose GDP was comprised of remittances by 27.4%. While other sources suggest that this figure may be a little lower, i.e. 25% (ADB 2008), it still suggests that remittances have become the second biggest share of GDP after the biggest sector of Kyrgyzstani economy – agriculture, whose share in GDP in the same year was 31.1% (NSC).

Moreover, the level of remittance inflows to most developing countries have been increasing tangibly within the past decade. Thus, within the period of 2002-2007 remittances to the five developing countries which are considered to be leaders in terms of share of remittances in GDP, have increased by 6-7 times (calculated based on data provided by Ratha, D. S. Mohapatra, 2009). This rapid growth of remittances is demonstrated in Chart 7:

![Chart 7: Growth of remittances to Tajikistan, Moldova, Tonga, Kyrgyzstan, and Honduras 2002-2007](http://siteresources.worldbank.org/EXTDECPROSPECTS/Resources/476882-1157133580628/BriefingNote3.pdf)
While an impact of remittances on national economies is evident, more analysis needs to be done to understand their role in social development and their impact on individual households in Kyrgyzstan. Let us first analyze some of the studies on Kyrgyzstani rural households to understand the impact of remittances on their livelihoods. It will be further analyzed how these households use remittances and what role remittances play in their income diversification strategies.

It is argued by many social scientists and development agencies (Aggarwaal 2006, Mansoor 2006, ADB 2008, UNICEF 2010) that remittances have a direct impact on the ability of rural households in Kyrgyzstan to cope with economic challenges. First, it is important to acknowledge that statistically most remittances to developing countries go to rural areas where diversification strategies are often limited to agricultural production and natural resources. Central Asia and, particularly Kyrgyzstan, is not an exception from this global trend. “Information from Household Budget Surveys suggests that in Central Asian countries, most remittances go to rural areas” (Mansoor, A. Quillin, B. 2006, p.8). This is due to the fact that because of the limited opportunities in their habitats, rural people tend to migrate more frequently than do individuals from urban areas where other options for income diversification are available. A rapid needs assessment conducted by the UN in 2009 demonstrated that:

“The main reason given for labour migration was lack of work at home, because farming does not produce sufficient income. Reasons given for this included: a shortage of land; an absence of effective farming practices; poor local markets; and lack of knowledge regarding how to market agricultural produce elsewhere. The problem is especially acute in small towns where households do not have land plots and incomes are dependent on salaries” (Dhur 2009: 24)

While data on the distribution of remittances between rural and urban areas of Kyrgyzstan is limited, alternative findings suggest that over two third of overall remittances are sent to rural areas. Thus, Dhur, A. et al. (2009) suggests in her unpublished Kyrgyzstan Rapid Multi-Sector Needs Assessment developed for the UN, that:

“About 70 per cent of all migrants are from rural areas, particularly from the south of the country; 10 per cent migrate from Bishkek and 21 per cent from other urban areas.
The majority of remittances are sent to rural areas and 55 per cent of remittances are spent on household expenditures” (Dhur 2009: 23)

The same study has revealed that remittances constitute 30% of the overall income of most rural households; for one in each four households, remittances constituted over 50% of the overall household income. At the same time, the study has demonstrated that the majority of households use remittances to buy food products, pay for electricity and heating bills, cover medical services, and purchase agricultural inputs. Therefore, while some households depend on remittances for their intermediate needs, many use them to maintain levels of agricultural production that ensures their livelihoods in a long-term perspective. This leads to a conclusion that if one year remittances decline or halt, it may have a dramatic impact on particular rural households not only that year, but also in the future as those households may deplete their agricultural inputs and become unable to contribute to the next agricultural cycles.

Therefore, it is critical to understand whether or not remittances to rural households in Kyrgyzstan have declined and if so, whether this decline had any long-lasting impact on those households. The next chapter will analyze available data on remittances and rural livelihood trends in the Kyrgyz Republic to help answer these questions. While it will be too early to conclude whether long-lasting consequences will be observed in Kyrgyzstan, it will be possible to suggest the probability of this scenario if short-term consequences are proven to be taking place.

3. Impact of the world economic crisis on labour migration patterns from Kyrgyzstan.

Consequences for rural households.

3.1. Does the world economic crisis have positive or negative impact on remittances?

There is an ongoing academic and policy debate over the impact of the global financial crises of 2007-2008 on remittances both globally and in Kyrgyzstan. While there is little research done specifically on Kyrgyzstan, global data (International Monetary Fund and WB) suggests that there is a decline of remittances from global North to developing countries registered internationally. This was not the case before the crisis. Prior to 2008, remittances have been growing globally as demonstrated in Chart 7. “According to newly available data from the IMF Balance of Payments statistics, remittance flows to developing countries reached $265 billion in
This unusual acceleration of remittance inflows into developing world observed up until early 2008 halted in the second quarter of 2008 and started to decline. While most studies on remittances and migration following the crisis did not provide an analysis of the impact which this decline might have had (or may have in the future) on the developing countries, there are a number of indications that the crisis had negative effects. One of the impacts of the crisis is the decline of labour migration from developing countries. Thus, De Paz Nieves, C., Paci, P., and M. Sasin (2009) suggest that for example:

“The rate of emigration from Mexico has decreased from 14.6 per 1000 residents in 2006 to 8.4 in 20083. Outflows from Sri Lanka have dropped by 33% in the last quarter of 2008 (to 16,811) and in Bangladesh registered out-migration was 40% lower in January than in the first three quarters of 2008.” (2008, p. 1)

For the case of Kyrgyzstan, it has been debated lately by different social scientists (Marat (1) 2009, Dhur, 2009, ADB 2008), whether the number of migrants have decreased or it was not affected by the crisis. On the one hand, Marat (1) (2009) argues that the number of international labour migrants from Kyrgyzstan not only did not decline, it even increased in the second half of 2008. She suggests that the decline of remittances to the country in early 2008 became a motivation for more young men from Kyrgyzstan to go to Russia to help their households. On the other hand, Dhur argues in her research that:

“Most of the households surveyed (58 per cent) reported that fewer family members had migrated or remained away this year [2009] compared to spring and summer of last year; 19 per cent said the same number had migrated or remained away, and 13 per cent that this figure had increased.” (Dhur 2009: 26)

She further explains that:

“One in three households reported that migrants who had left in the past three months had returned, often earlier than expected. Reasons cited included losing their job (55 per cent), illness (25 per cent), and family reasons (20 per cent)” (Dhur 2009: 26)
This data, that in contrast to Marat’s argument, is based on a methodology-based field survey, demonstrates that the number of migrants have declined due to the economic crisis. In support of this argument, it can be illustrated by the data of the NSC of the Kyrgyz Republic that suggests that the number of emigrants form Kyrgyzstan has declined from 54,608 in 2007 to 33,380 in 2009 which constitutes a 49% reduction within just two years of data collection. Chart 8 demonstrates this sharp decline:

![Chart 8: Decline of the number of emigrants from the Kyrgyz Republic](image)

The chart also demonstrates the trend of an annual decline by about 10,000 emigrants every year following the peak of the crisis in 2008. Although, as suggested in Chapter 2, this data only represents official emigration which can be just a top of an iceberg, it can still represent the trend in the overall emigration patterns. Therefore, it can be claimed that the crisis had a direct impact on the number of emigrants from the country and, as most of them traditionally came from rural areas, it had some consequences for rural households. However, it is not only due to the decreased number of labour emigrants that leave the country to work abroad that one can anticipate that rural households would be affected. Another trend which is linked to this pattern is the increased number of migrants that return to Kyrgyzstan from Russia and Kazakhstan.

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12 Data accessed from the Annual Report 2009 of the National Statistics Committee of the Kyrgyz Republic
As it was suggested earlier in the paper, most of the rural emigrants from Kyrgyzstan do not possess any special skills or education. This hinders them from competing at the skilled-labour markets of Russia and Kazakhstan. Therefore, most of them provide manual labour for construction industry, work as sellers and loaders at food markets, and participate in agricultural sectors of both countries: “Many people [from Kyrgyzstan] are going to Russia for looking a job and working as builders, street cleaners and others” (Suiumbaeva 2009). With the collapse of the banking system and the suspension of major construction as a result of this financial failure, many construction workers in major cities of Russia have lost their jobs (Suiumbaeva 2009). They found themselves either looking for other employment opportunities in their temporary habitats abroad or go back to Kyrgyzstan to either look for jobs there or help their households with farming and agricultural production for personal needs and trade. This posed another challenge for both the national government and local communities as returning migrants would likely compete for limited jobs in their communities or add to the national unemployment statistics.

![Chart 9: Trends in employment and migration in the Kyrgyz Republic 2003-2009](image)

Data accessed from the Annual Report 2009 of the National Statistics Committee of the Kyrgyz Republic

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13 Data accessed from the Annual Report 2009 of the National Statistics Committee of the Kyrgyz Republic
As demonstrated in Chart 9, the decreased number of emigrants from Kyrgyzstan did not have any tangible influence on the levels of employment in country at least in 2008. While data is not available for 2009, one can suggest that it would be reasonable to anticipate that the trend would not change because the national government and local administrations failed to introduce any policy changes to provide returning emigrants with jobs. Therefore, most of the unemployed emigrants either work at farms and fields that belong to their households, or if these resources are not available, live on social benefits that are not sufficient to meet even basic nutritional needs.

At the same time, while the unemployed labour force has been increasing in Kyrgyzstan, the inflow of remittances have been decreasing dramatically. This trend is by no means unique for Kyrgyzstan. The majority of developing countries in the world have registered the decline of international remittances into their economies since 2008 (De Paz Nieves, C., Paci, P., and M. Sasin. 2009).

“According to the World Bank, officially recorded remittances to developing countries reached $316 billion in 2009, down 6% from $336 billion in 2008 as the result of the global economic crisis. The magnitude of the decline varies across regions: Europe and Central Asia have experienced the sharpest decline (-21%) followed by Latin American and the Caribbean and the Middle East and North Africa (-12% and -8%, respectively), while South Asia reported a moderate growth over 2008-2009 (5%) (UNICEF 2010)”

It is suggested by the World Bank (WB), that the most vulnerable countries have been those in Europe and Central Asia. Their vulnerability has been due to both their deteriorated economies and the reliance on labour migration as one of the main sources of income for rural households, in which the later has been the most significant. According to an IMF report, the inflow of remittances into the five top countries with highest remittance share in GDP has decreased by 19% from 2008 to 2009 (Ratha, D. et al. 2009). Thus, from 2008 to 2009, remittances have declined from 1,897 million USD to 1,491 million USD in Moldova, and from 2,544 million USD to 1,815 million USD in Tajikistan. According for different calculations, remittances to Kyrgyzstan have declined from 1,232 million USD to 1,011 million USD (Ratha, D. et al. 2009) or from 1,206 million USD to 967 million USD (National Bank of the Kyrgyz Republic 2010).
Regardless of the source, it is evident that the inflow of remittances to the country has declined by 18-to-20 per cent.

![Chart 10: Decline of remittances to Kyrgyzstan according to IMF and the National Bank of the Kyrgyz Republic](chart)

It is evident from Chart 10 that despite minimal discrepancies in statistical data between the IMF and the National Bank of the Kyrgyz Republic, there was a dramatic drop of remittances to the country between 2008 and 2009. While comparing charts 9 and 10, it is evident that there is a strong correlation between the decline of international labour migration and the decrease in remittances to Kyrgyzstan, there is also another factor that has contributed to this trend. Videlicet, even those emigrants who managed to secure their jobs in Russia, have reduced the amount of their remittances. This was due to the actual decrease of their wages due to the deprivation of Russian economy and the devaluation of Ruble. Central Asia, which is traditionally the region from which labour migrants go to Russia, became particularly affected by this decline:

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14 Source 1: NBKR Data – Official report of the National Bank of the Kyrgyz Republic for 2009
Particularly problematic is the situation of countries like Tajikistan, Moldova, Kyrgyz Republic, and Armenia for which remittances are large relative to GDP and Russia is the main source of remittances. [...] The sharp depreciation in Russia’s currency in the second half of 2008 and into early 2009 (falling about 35 percent against the USD) has significantly reduced the local currency value of ruble-denominated remittances. (De Paz Nieves, C., Paci, P., and M. Sasin. 2009:2)

A similar situation was observed in other regions where South-South labour migration was more common than the one characterized as South-North. “South-South remittances from Russia, South Africa, Malaysia and India [became] especially vulnerable to the rolling economic crisis” (Ratha, D. and S. Mohapatra. 2009). It now becomes apparent that the whole region has suffered from the decline of migration that had lead to the decrease in remittances. Let us now analyse what impact these negative trends have had on rural households both regionally and in Kyrgyzstan.

3.2. Consequences for rural households

As it was suggested in chapter 2, as in some other countries of the region such as Tajikistan and Moldova, labour migration and remittances play an important role in the household diversification strategies in Kyrgyzstan. Thus, as suggested earlier, a considerable number of rural households rely on remittances either solely or partially. It will be further argued that while in some of the European and Asian countries, rural households were able to adjust to the situation and employ other livelihood diversification strategies without depleting their basic resources, in the case of Kyrgyzstan, this was not possible for a number of reasons. Thus, for example in China, the national government, trying to cope with the increased number of returning emigrants, has introduced policies that encourage the returnees to go to rural areas rather than seek employment in urban localities or depend on social benefits. This support included “training to start ventures in rural areas for those who decide to stay in the countryside after returning for the New Year celebrations [in 2009]” (UNICEF 2010). Similarly, the government of Mexico has developed a program that would specifically target households that used to be solely dependent on remittances by providing them with social benefits in order to
mitigate shocks associated with the loss of jobs by their members previously employed in other countries (UNICEF 2010).

Due to a number of reasons, including the deprived national economy, a significant decline of GDP in 2009, and high levels of corruption at all levels, the Government of the Kyrgyz Republic has failed to come up with any reasonable measures to support rural households while recognizing the fact that those had been affected by the world financial crisis in one or another way (UN 2009). The following chart demonstrates that with the decline of remittances into the country’s economy, the GDP has declined steadily simultaneously. Therefore, the government found itself in a vicious circle of inability to stimulate the growth of GDP due to the declined remittances on one hand, and the lack of capacity to support households that were affected by both the decline of GDP and the lack of remittances.

Chart 11: Decline of GDP and remittances in the Kyrgyz Republic following 2007

Source for statistics on remittances - Official report of the National Bank of the Kyrgyz Republic for 2009
At the same time, while having less opportunities to diversify their incomes, households across the country faced another obstacle in fulfilling their nutritional needs – following global trend, prices for basic food products have doubles between 2007 and 2008 (See Chart 12).

![Consumer price index chart](chart.png)

**Chart 12: Price consumer index in Kyrgyzstan 2002-2008**

Thus, while having less income from their members working abroad, households found themselves spending twice as much on food as they would spend previously. It is fair to acknowledge that this rapid increase in prices was observed not only due to global trends. Considering the fact that most of the households receiving remittances are located in rural areas and that rural households have considerably lower income than those in urban areas, it is logical to suggest that those would be the most affected by these two factors.

However, there were other factors that affected the capacities of rural households to sustain their livelihoods. Among these was the deprivation of the agricultural sector during the past three years leading to the financial crisis in 2008. Rural households that make 63.3% of their income (Abdykalykov 2009) from agriculture (either employment in agricultural sector or private agricultural production), have been affected the most:

> The impact of these ongoing issues has been compounded by three successive drought years and a sequence of locust infestations and hail storms that inflicted serious damage

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16 Data accessed from the Annual Report 2009 of the National Statistics Committee of the Kyrgyz Republic
Denis Kovalenko

The Multi-sector Rapid Food Security Assessment carried out by United Nations Development Programme revealed that the drought has not only caused the loss of crops, but it also resulted in the spread of infectious disease among cattle which is considered by rural households as the last resort of livelihood diversification.

Over the previous three months [autumn of 2009] one third of surveyed households had faced the problem of animal disease. The main issues relating to this identified by respondents were inadequate, expensive or nonexistent veterinary services. Only 4.3 per cent of households reported receiving adequate veterinary assistance. (Dhur 2009: 29)

The livelihood diversification strategy framework discussed in Chapter 1 of this paper suggests that a combination of these shocks in composition with the impacts of decreased labour migration and remittances can have a dramatic and long lasting negative effect on rural households. Moreover, there is a high probability that among rural households, the ones with the lowest income will be affected the most. A study conducted by ADB (2008) revealed, 64.7% of households receiving remittances spend them on basic food products while only 3.1% invest remittances in business activities. This demonstrates that the overwhelming majority of households do not have the capacity to gain sufficient income from activities other than remittances. The households solely rely on them, and considering the lack of agricultural opportunities and the increased spending associated with basic food products, they would not be able to maintain their basic living standards when their migrant-members return.

It is therefore reasonable to suggest that the rural households in Kyrgyzstan, that comprise two thirds of the overall country’s population, will be at risk of depleting their household stores and assets in order to support their members during the times of the crisis. This may not only affect the ability of these households to recover after the crisis but also affect their lifestyles in a short run. Thus, due to the increased prices and decreased income from agriculture and migration,
households may adjust their consumption patterns by switching to more basic food products that do not provide sufficient vitamins and chemical elements necessary to support proper functioning in organisms.

In addition, this rapid depletion of resource base will force households to involve their children in agricultural production and household maintenance in order to increase the household output. This is a highly dangerous livelihood diversification strategy as children often drop out from school and eventually become less efficient in supporting their parents when the latter became unable to work due to their age. A recent study by United Nations Children Fund has confirmed this danger:

“Children may be compelled to leave school and find work to supplement the family income as the result of the decline in remittances. A 2009 report by the ILO-IPEC highlights the risk of girls being forced into child labour as a result of the crisis, particularly in families that give educational preference to boys” (UNICEF 2010)

Another negative effect of the returning migrants can be the increase of tensions between members of rural communities caused by the increased competition for jobs. As demonstrated in Chart 9, the decrease in the number of labour migrants from Kyrgyzstan did not have any impact on the number of employed individuals in the country. This could mean that while the workforce in the country has been increasing lately, the number of job opportunities has not increased. This trend will unavoidably create conditions for higher competition at the local labour market and may cause tensions both in local communities and country-wide. Local migration may also increase for this reason as unemployed and unskilled people would seek jobs in urban areas of Kyrgyzstan.

3.3. Further research

While it is still challenging to establish a link between the global economic crisis, the decline of labour migration to Russia and the recent political crisis in the country, there are certain observations that suggest that these events can be interlinked.
In a way of background, on 7 April 2010, following protests of hundreds of groups across the country, the government of Kyrgyzstan was overthrown in violent clashes in the capital Bishkek. While some suggest that this “revolution” was an organized and sophisticatedly orchestrated campaign by the opposition leaders, there is some evidence that suggests that these events were initiated on the grass root level.

One of the facts that suggest that the revolution was not an organized coup d'état in that on 7 April 2010, when the president of Kyrgyzstan was forced to leave his office by the protesters, there was no clear leadership of the protesters. “The violent rolling protests appeared to be largely spontaneous rather than a premeditated coup” (Harding 2010). As it was reported by Erica Marat, an independent Central Asian political researcher on 7 April: "At this point the Kyrgyz opposition doesn't really have a clear leader,"… "There are some prominent figures but I'm afraid that at four or five of them see themselves as president. Kyrgyzstan's modest history shows that whoever suffered most will try to fight for power." (2010, p.3)

At the same time, while clashes took place in Bishkek, most of the protesters came from rural areas of the country, which were affected by the global economic crisis the most. Many suggest that the immediate cause of the protests was the growing dissatisfaction of people with the rise in food prices and tariffs for water and electricity, and not political reasons.

“The tensions had been growing in Kyrgyzstan over what human rights groups contended were the increasingly repressive policies of President Bakiyev, but it appeared that the immediate catalyst for the violence was anger over a reported quadrupling in the prices for utilities.” (Levi 2010, p.1)

“One expert said the government had triggered the protests by imposing punitive increases on tariffs for water and gas. "In the last few months there has been growing anger over this non-political issue," said Paul Quinn-Judge, central Asia project director of the International Crisis Group.” (Harding 2010, p. 3)
As suggested above, most of the protesters came to Bishkek from rural areas of Kyrgyzstan to protest against the deprivation of economy and their economic insecurity caused by the global economic crisis. It was evident this time that there were not any political elites or youth activists who would lead these groups:

“Similarly to year 2005, in 2010 the civic protests [were] initiated mostly by unemployed young men or older men and women, rather than by student movements as was the case during the revolutions in Ukraine and Georgia.” (Mamytova 2010)

This suggests that a link can be established between the mass loss of jobs in country and abroad and the dissatisfaction of people with their livelihoods. Moreover, there are surveys that suggest that many people came to the Bishkek main square to protest because they feared the introduction of new barriers for their migration to Russia that, for many families, was the only way to diversify their livelihoods:

“according to surveys of local scientists, among the population's concerns were expected higher customs fees to Kazakhstan and Russia, as well as concerns about withdrawal of Russia's military from the country and the risk for implementation of visa requirements for Kyrgyz citizens to Russia.” (Mamytova 2010).

The above evidence suggests that there might be strong links established between the global economic crisis and the political crisis in Kyrgyzstan that eventually caused the change of political leadership in the country in April 2010. However, more evidence needs to be collected and methodology-based field research needs to be done in order to confirm this hypothesis.

Conclusions

Practically, rural households in Kyrgyzstan depend solely on agricultural production and labour migration to diversify their livelihoods. Local employment (mostly in agricultural sector) cannot be recognized as a common diversification strategy used in rural areas of the country as its levels are extremely low.
Following the shocks posed by the world economic downturn in 2008-2009, a considerable number of Kyrgyzstani emigrants have returned to the country and less new emigrants left the country in 2008 and 2009. This rapid decline in the number of household members employed in Russia and Kazakhstan had its impact on the inflow of remittances. The inflow of remittances from 2007 to 2009 has declined by 22 per cent. As a direct sequence, the GDP has fallen by 13 per cent within one year. This had its deteriorating effects on economic and social conditions in the country. Specifically, the deprivation of national currency affected by the drop in GDP and the decline of agricultural production that resulted from droughts, animal diseases, and locust, have resulted in an unusually high increase of prices for basic food products and fuel. While affected by these shocks, urban households were likely to be able to cope with them more successfully due to their capabilities to diversify livelihoods from sources other than labour migration and agriculture.

However, rural households were less likely to be as successful in coping with these shocks. The analysis of statistical data, several qualitative studies, and literature on traditional livelihood diversification strategies used by Kyrgyzstani rural households, has revealed that the world economic crisis has had the following impact on rural livelihoods:

1. The sharp decrease of the number of Kyrgyzstani emigrants leaving rural areas of the country in 2008-2009 may have devastating effect on rural households. Considering current challenges in agricultural sector, inability to receive income from migration would lead to the depletion of assets and agricultural inputs by the households that would lead to their inability to recover after the crisis. On the other hand, in a short-term perspective, households may choose to adjust their consumption patterns by switching to less expensive foods and reducing overall consumption. This can have its impact on the physical health of the household members, especially elderly and children;

2. The increased number of returning migrants from Russia and Kazakhstan will unavoidably lead to the increased competition at the internal labour market in country. This raise of competition could lead to the increased incidence of conflicts and more frequent rural-urban migration.

3. The rapid decline of remittances to rural households will also contribute to the depletion of assets and change in consumption patterns. It is logical to suggest that the most
affected households will be those composed of elderly and children residing in them, and young adult men migrating to work. With the decline of remittances from their migrated members, the elderly and children would have minimal chances in diversifying their livelihoods through either employment or internal migration.

Utilizing the theoretical framework of livelihood diversification, this dissertation has suggested that households in rural areas have suffered from a significant decline of access to the two interrelated sources of diversification, i.e. labour migration and agriculture. The framework was useful in understanding the relationship between the global economic downturn, its impact on labour migration, and eventual consequences for rural households as their agricultural production and other sources of income has been limited. The theory was instrumental in suggesting that the above mentioned changes in livelihood diversification strategies may have deteriorating effects on their living standards.

In conclusion, it is evident that the world economic downturn had a deteriorating impact on rural livelihoods in Kyrgyzstan. It is important that the national government and local administrations develop and implement measures to protect the poorest during the time of crisis. Special support needs to be provided to the households whose income would be traditionally comprised of only remittances and agricultural production. More research has to be done to suggest development interventions which will assist rural household in their recovery from the crisis.

References


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