Policy Options for Economic Growth of Remote Village in Kyrgyzstan: an Analysis with Village CGE Model

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After dissolution of collective farms and land privatization the agricultural sector in Kyrgyzstan is dominated by smallholders. With market failures and low asset endowments there is a risk for rural households to fall into downward spiraling poverty trap (low level equilibrium). To avoid this and improve the welfare in rural areas the more proactive policy interventions are justified. Agricultural growth is a catalyst for broad based rural growth since it is connected and drives the non farm rural economy in terms of employment and income. It is hypothesized that for Kyrgyzstan the agricultural focused strategies should be pursued and agricultural supporting polices are to have the highest effect on rural and national welfare, in terms of poverty reduction.

Rural economy wide modeling approach (i.e. village CGE) is used to investigate the major linkages within rural village in Kyrgyzstan and assess how agricultural supporting polices that intended to address the production and marketing constraints of newly emerged private farms impact on welfare of rural households in a transition country of FSU - Kyrgyzstan.

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