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Rural Livelihoods in Kyrgyzstan

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Abstract

The aim of the thesis is to investigate livelihoods of rural households and the role agriculture and nonfarm economy play in them. More specifically, the paper investigates income generation and income diversification strategies employed by rural households in the northern part of Kyrgyzstan. Kyrgyzstan was one of the poorest Soviet Republics, which for nearly 20 years since independence has been struggling with poverty, social and political instability. Qualitative approach of data collection, namely semi-structured interviews with experts and life history interviews with household members, was used in combination with quantitative data from previous studies as well as country reports of international aid organizations. It has been discovered that although agriculture remains an important driving force of the economy of the country, rural households rely on the income derived from agricultural activities as a safety net rather than main source of income. Rural household incomes were revealed to be largely comprised of income coming from rural nonfarm activities, including internal labor migration. The most successful risk management strategies were discovered to be employed by households that effectively utilized opportunities offered by both rural and urban areas – by combining regular wage employment as a stable source of income and farming income as a safety net.

Key words: Kyrgyzstan, livelihoods, rural nonfarm economy, internal labour migration, agriculture, income diversification

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Abbreviations and acronyms

ACDI/VOCA	International Cooperative Development Association/Volunteers in Overseas Cooperative Assistance
CADII	Central Agency for Development, Investment and Innovation
CIS	Commonwealth of Independent States
ILO	International Labour Organization
IRD	Integrated Rural Development
KIHS	Kyrgyz Integrated Household Survey
KAFC	Kyrgyz Agricultural Finance Corporation
LED	Local Development Efforts
NELM	New Economics of Labour Migration
RNFE	Rural Nonfarm Economy
RUE	Rural-Urban Exchange
RUL	Rural-Urban Linkages
UFRD	Urban Functions if Rural Development
USAID	United States Agency for International Development

1. Introduction

Over the 19 years since the collapse of the Soviet Union Kyrgyzstan has experienced many changes - departure from planned economy, political revolutions, increase of poverty level, unemployment and social insecurity. All this has had a direct effect on well-being of households and individuals, on people's livelihoods and decisions on how to improve their lives. Although since 1991, Kyrgyzstan was introducing economic reforms, there was only moderate economic growth between 1996 and 2005, other periods have been marked by decline; the poverty level is high (40 per cent of population in 2003), employment situation in the country was not improving. During the years of independence, instead of shifting away from agriculture towards manufacturing, the share of agriculture in total employment has been increasing up until 2000, and even in 2004 it was higher than in 1991 (International Labour Organization 2008a). Although agriculture has been the main engine of economic growth and a source of employment during the early years of independence, during recent years the role of agriculture has been declining both in terms of contribution to GDP and in terms of employment share. This study seeks to investigate what role agriculture plays for households in present-day Kyrgyzstan, how it fits within the context of household livelihoods, and if agriculture cannot address the needs of rural households then this study aims to investigate other sources that are negotiated by households in order to diversify their incomes. The idea of rural-urban linkages is investigated in order to shed light upon the existing cash, goods, labour flows that connect rural and urban areas within the context of Kyrgyzstan.

The aim of this paper is to fill the gap in the existing literature by exploring income-generation patterns in northern Kyrgyzstan from the household perspective, and shed light upon the role of agricultural and rural nonfarm activities in income diversification strategies of rural and urban households. And due to the fact that there is not much research on the subject in Kyrgyzstan available, references are often made to studies conducted within the African context. According to Jonathan Baker (2006) in the context of Africa most development research has been targeting large cities and much foreign aid was channeled to rural development, which was equated to agriculture. The latter implies that rural development is regarded as an autonomous process that is independent from the urban component (Baker & Claeson 1990). Authors, such as Jonathan Baker (2006), Cecilia Tacoli (2007), Fred Krüger (1998), suggest that such a view is erroneous and should thus be abandoned, due to the idea that urban and rural economies are "interdependent" and

“complementary.” Moreover, it is suggested that the two may have a reciprocal positive influence upon one another: small towns promote rural development and agricultural productivity providing a range of goods (such as consumer goods, agricultural inputs), urban cash flows, and services like welfare (Baker 2006); whereas rural component provides resources, be it labour, food, and demand for goods and services, which promotes economic development of small towns (ibid). Various studies (see, for example, Baker 2006, Krüger 1998) have discovered the presence of such urban-rural linkages within the African context. Such studies will be presented and analyzed in greater detail in the following chapters.

A large part of rural income is not generated from agriculture but derived from so-called non-farm income by farm households that are involved in trade, labour migration and other opportunities found in small rural towns (Baker 2006). As Baker (ibid) puts it: “It appears that in the African context, it is those rural households which are most adept at utilizing small town opportunities and exploiting urban niches, in addition to using agricultural land resources, that are most successful in ensuring household survival and pursuing accumulation strategies. By contrast, and at the risk of oversimplification, the least successful households are those which do not pursue such strategies or are, in other words, non-diversified” (Baker 2006).

2. Statement of purpose

There are two main aims of this paper: *to investigate existence of linkages between rural and urban areas within the context of present-day Kyrgyzstan, and specifically the northern¹ part of the country; and to investigate the nature of income diversification in northern Kyrgyzstan in rural context from a household perspective.* Although my main focus is rural areas and rural development, I am also touching upon development opportunities offered by villages that are available to cities. As I have mentioned earlier, potentially there are many flows involved in the interrelationship between cities and villages, urban and rural areas – cash flows, services, labour, social networks, etc. Yet, due to time and space limits provided for this paper I would like to investigate these rural-urban linkages, and as one of the examples of these linkages I will consider internal labour migration in Kyrgyzstan, rural-urban migration. I am looking at rural-urban labour migration as a possible income diversification strategy for rural households.

¹ The north of the country includes four regions (oblasts): Chui oblast (which includes Bishkek city), Talas oblast, Naryn oblast, and Issyk-Kul oblast.

As a part of my study I will discuss the role of agriculture as well as nonfarm activities for development, particularly economic development on a household level, using Kyrgyzstan as the case study. Within this context I would like to look at internal labour migration as an example of nonfarm activity. Furthermore, according to studies conducted within the African context, which will be discussed later, for urban residents, access to agricultural land, in addition to urban employment opportunities, was also an important element in household income diversification strategies. Thus, in my study I will look at different types of households – those engaged in farming activities and non-farm activities.

Thus, the questions that this paper is attempting to answer are: *Are rural-urban linkages on a household level present in Kyrgyzstan? If yes, then do these rural-urban linkages contribute to improvement of rural and urban household incomes? What role does rural nonfarm economy play for rural household incomes? What are the income-generating strategies employed by rural households? What is the role of rural-urban labour migration for rural households?*

In this paper I am looking at internal migration, particularly labour migration, and its effect on strategies employed by households in both rural and urban areas in order to improve their financial situation. Firstly, I will consider different theoretical approaches to rural development; discuss rural nonfarm economy (RNFE) in greater detail by putting it into a theoretical perspective and in this way discussing arguments of its opponents and supporters. Later on I will present different perspectives on labour migration. And finally as a part of this discussion I will consider different livelihood strategies employed by households in rural as well as urban areas. The studies of Tanzania and Morocco will be discussed in greater detail as examples of a similar study; as well as rural-urban linkages within the African context will be reflected on, and particularly livelihood strategies employed by rural and urban households to improve their financial situation. These studies will also be supplemented by studies from Kyrgyzstan on internal and international migration that were conducted by other authors. Later on after giving the overview of social, economic and political situation in Kyrgyzstan, I will present main findings of my qualitative study and draw conclusions.

3. Methodological approach

In my paper I am using Kyrgyzstan as a case study; and specifically I am focusing on the northern part of the country. I choose to employ both quantitative and qualitative methods in my research. More specifically I make use of quantitative method by collecting and evaluating statistical data on poverty and unemployment since the country's independence, which were gathered by the National Statistics Committee as well as international organizations. These findings are combined with my findings that were obtained using qualitative method, specifically in-depth interviews with members of migrant and non-migrant households, as well as employees of loan organizations who are involved in monitoring farmers who have received loans for agricultural needs.

One of the main reasons why I have decided to combine qualitative and quantitative methods of research is lack of data on the subject that I am investigating. Firstly, there are very few studies conducted on internal migration in Kyrgyzstan, which makes available data very limited. Furthermore, the area that I am researching has not been studied in-depth, and since my study is of investigative nature qualitative methods, and particularly in-depth interviews with households and experts, make it possible to shed light upon issues that have not been investigated earlier or were not given proper attention. Whereas quantitative data allows to understand the scale of problems, when we, for example, look at the scale of internal migration, rural and urban poverty level. Thus, such data would suggest whether the subject under investigation is worth studying, as well as help to understand the broader picture and draw the context of the subject being researched.

3.1. Ethical issues

It seems important to address ethical issues because I am using interviewing approach and giving direct quotations from the interviews. The names of household members have been changed because at times sensitive issues have been discussed with them, and the information that is presented in the paper has been agreed upon with respondents. The names of experts have not been altered, and it has been discussed what information could be disclosed and what should remain untold.

3.2. *Case study approach*

John Gerring defines *Case* as a “spatially delimited phenomenon (a unit) observed at a single point in time or over some period of time. It encompasses the type of phenomenon that an inference attempts to explain” (Gerring 2007, p. 19). The author goes on explaining that the size of the case does not affect the choice of methodology, a case can be anything as long as it has identifiable boundaries – spatial or temporal. Whereas a Case study is understood as “the intense study of a single case where the purpose of that study is – at least in part – to shed light on a larger class of cases (a population)” (ibid, p. 19). This by focusing on one case, be it a social group or a phenomenon, allows to conduct an in-depth investigation of a process or a situation. And since such a characteristic is suitable for studies of investigative nature such as mine. Given that there are many actors (households, household members) and processes (labour migration, decision-making, income diversification) involved, case study approach makes it easy to understand them by offering the luxury of focusing on one case.

As suggested by Andersson (2002, with reference to Merriam 1994), qualitative case study has its drawbacks. Merriam (1994, p.47, cited in Andersson) identifies three main problems: firstly, although it is the main aim of case study, so-called “thick” description is not possible due to time restriction and lack of other resources; the other problem poses a threat of oversimplification or exaggeration of certain factors involved; and lastly, case studies are very much dependent on the researcher’s perception.

3.3. *Fieldwork approach*

Fieldwork as a method implies that the researcher follows its “oughts.” The first difference of “fieldworkers” from “survey researchers” is presented by Becker (1996, p.319) when he refers to Diesing (1971): “[t]he point is not to prove, beyond doubt, the existence of particular relationships so much as to describe a system of relationships, to show how things hang together in a web of mutual influence or support or interdependence or what have you, to describe the connections between the specifics the ethnographer knows by virtue of having been there.” Becker (ibid, p.319-320) goes on suggesting that “[b]eing there produces a strong belief that the varied events you have seen are all connected, which is not unreasonable since what the fieldworker sees is not variables or factors that need to be “related” but people doing things together in ways that are manifestly connected.” In other words, fieldworkers are

interested in organization of a given activity, actors involved in it, events that took place prior and after the given activity, rather than the cause-and-effect relationship among events and actions. However, this does not mean that the results of fieldwork are valuable only in a given researched society or group: “[t]he ethnographer “inscribes” social discourse; *he writes it down*. In so doing, he turns it from a passing event, which exists only in its own moment of occurrence, into an account, which exists in its inscriptions and can be reconsulted” (Geertz 1973, p.19). The results and conclusions made about a group may be extrapolated to other groups and explain organization of the group.

Another difference from survey research is identified by Becker: “fieldworkers cannot insulate themselves from data” (Becker 1996, p.320). Fieldworkers ought to record, register all data that he is exposed to while in the field, even though they were not assumed before starting the fieldwork. Survey researchers, according to Becker, on the other hand, on the most part have expectations of what to find and set of questions that they will do research on (ibid).

3.4. *Interview approach*

I used two types of interviewing techniques: semi-structured interviews and life history interviews. This study is using semi-structured interviews with experts, a method that helps to reconstruct subjective theories, referring to the fact that the interviewees have a complex stock of knowledge about the topic under study (Flick 2006, pp. 155-157). The general relevance of this approach is that the different types of questions allow the researcher to deal more explicitly with the presuppositions they bring to the interview in relation to aspects of the interviewee. Moreover, I believe that due to time and space limitations of the study, it is rational to interview a restricted number of reliable informants, in order to gain more comprehensive understanding of their experiences.

The experts that have been interviewed include two employees of “Aiyl Bank”² (former Kyrgyz Agricultural Finance Corporation), from Problem Loan Department – one in the

² “Aiyl Bank” (former KAFC) is recognized by the International Labour Organization (2008a) as one of the most successful organizations providing loans for agricultural purposes to farmers. “Aiyl Bank” specializes in loans for agricultural purposes, and even though during recent years they have reconsidered their policy and began offering loans for other types of business, majority of the loans are taken for agricultural purposes.

branch office situated in Belovodskoye³ village, and the other in the main office in Bishkek. I have decided to interview representatives of the problem loan department because it would allow to obtain information about the problems encountered by farmers, determine the main reasons why farmers do not return loans in time or ever, define the profile of clients coming from rural/urban areas, find out composition of incomes of clients from rural/urban areas. And the final interview was conducted with an in-house attorney of “Frontiers” micro-credit company. I have chosen to interview representatives of “Frontiers” because it serves as an example of a company that was founded on donations from foreign non-profit organization (ACDI/VOCA⁴) as a part of a project financed by USAID. A representative of this company was interviewed in order to gather information on the general situation in Kyrgyzstan and Central Asian region, because this company provides loans for the whole region.

Another type of informants is household members. I have interviewed seven members coming from five households. Two households were only engaged in agriculture, another was almost solely relying on nonfarm economy. The other two households included members that were engaged in labour migration as well as in agriculture.

Before I began conducting my interviews with household members, I was planning to interview only households engaged in internal migration – one member who is migrating/migrated to the city and another member who stayed in the village. However, after my first interview I have decided that in order to understand how rural households are pooling sources of their income it would be useful to also interview those households that are only engaged in agricultural activity, and do not have family members involved in labour migration. I have decided to interview such households in order to investigate whether such household rely only on agriculture or have other sources of income; I also wanted to gather information on possible barriers to entering into nonfarm activities if this type of households encountered them.

I have used a snow-ball sampling method. My first interview was with a friend’s family member, Tahmina, who lives in the village with the rest of her family, but along with small-

³ Belovodskoye village is located approximately 40 km away from Bishkek

⁴ “ACDI/VOCA receives funding from USAID, USDA, the World Bank, UNDP, the European Bank for Reconstruction and Development, the Asian Development Bank, Bill and Melinda Gates Foundation, and other development funders, and is partnering with a growing number of private sector corporations such as Mars, Inc., H.J. Heinz Company and Nestlé. It is affiliated with the National Council of Farmer Cooperatives and the Farm Credit Council, and it has approximately 11 U.S. business and bank members” (ACDI/VOCA Official Website)

scale agriculture activities, she goes to the city for her wage employment. I have interviewed her as a migrating member of the family, and her husband Kanat as staying member of their household. During the interview with Tahmina, she mentioned her neighbor, Vladimir, who was only involved in agricultural activity, and later on introduced me to him, and I could conduct an interview with him as well. The third interview that I have conducted was with members of Kanat's extended family, who were also residing in the village and also were only involved in agricultural activity. The fourth interview was conducted with Raushan, who was Tahmina's family friend, when she was in Bishkek for a few days, which allowed me to interview her as a representative of a household, which almost solely relies on off-farm activity. And the last household that I interviewed was engaged in both agricultural and off-farm activities, and although the household members were pooling income resources together, they were residing in different types of areas – rural and urban. The members that I interviewed were Duishon, who lives in Bishkek, and his father Kerim, who lives in the village. All interviews but one were conducted in interviewees' homes in a rather relaxed atmosphere. I have decided not to tape my interviews in order not to make my interviewees uncomfortable; I made notes of key words and events in my notebook and recollected our conversations from memory once I was done with each interview.

Particularly I employed the method of life history, or biographical approach. I consider life history interviewing a suitable method for my research since there must be a link made to the past experiences of interviewees in order to understand their present condition. Semi-structured interviews might seem applicable in this type of study; however, since motivations behind actions of household members are very important for the study, I have decided to employ life history approach. Thus, interviewees not only explain their present situation, but also their past, and reasons for such turnout of events. Whereas semi-structured interviews limit respondents' answers, and could lead to loss of important information. The advantages of such an approach when studying migration were emphasized by a number of researchers (see, for example, Skeldon 1994; Vandsemb 1995, cited in Andersson 2002). As pointed out by Andersson (2002, p.40), the flexibility of the method is very helpful given the unstable political circumstances of the study, because it is possible to tailor questions to fit a particular situation. I believe that another important benefit of life history approach is that it allows balancing between household and individual levels of analysis, since it takes into consideration both interviewees' personal history and helps reconstruct the history and position of households in general. Thus, household was considered to be a structural context

for individuals' personal lives, and as Bozolli (1991, p.236, cited in Andersson 2002) puts, interviewees perceived themselves as "decision-making existential being[s]."

One possible limitation, or complication, using this method may lie in the method's need to be adapted to the research question and the potential interviewees. Another drawback of life history interview method is that interviewee's version of past events is sometimes difficult to verify and value of an event may be exaggerated or diminished. Crewe and Maruna (2006, p.111) explain this phenomenon: "narrative reconstruction becomes necessary when a person experiences some threat to his or her identity[... w]e use stories to make sense of, rationalize and account for our experiences, be there success or tragedies." They continue by saying that "[t]here is a substantial difference between the internal, personal myths that an individual 'lives by' and the verbal or written accounts they might give about their life in a research situation" (ibid, p.113).

3.5. *Notes on fieldwork*

It is worthwhile being mentioned that supporting the dialog is crucial for the success of in-depth interviewing. Previously I have been taught that interviewer is not allowed to share his/her opinion during interviews, since it may affect the answers, and as a consequence results would lack objectivity. So, when I started the interviews and asked the standard set of questions that I have prepared, I realized that the answers that interviewees give me are very general, and the interview is losing pace, since all I say after each answer is "I see" or "I understand." Thus, I was forced to change the tactics of conducting the interview, and started sharing my opinion and my experiences to support the points made by my interviewees. I noticed how much the quality of interviews changed once I started acting in that manner, establishment of a real 'dialog' triggered a more open sharing of thoughts and experiences from the part of interviewees. Kevin Dwyer (1977, 1979, 1982) and Vincent Crapanzano (1977), to whom Clifford (1988) refers, encourage ethnographers to have a real dialog with their informants: "[b]oth Dwyer and Crapanzano locate ethnography in a process of dialogue where interlocutors actively negotiate a shared vision of reality. Crapanzano argues that this mutual construction must be at work in any ethnographic encounter..." (ibid, p.487). I realized that reciprocal nature of the interview is reinforced due to the fact that I, as a person that has been engaged in labour migration, found myself in a similar situation with my informants, and because they were informed by me that our situations are similar. Jeanne

Favret-Saada (1977), cited by Clifford, “argues that the event of interlocution always assigns to the ethnographer a specific position in a web of intersubjective relations. There is no neutral standpoint in the power-laden field of discursive positionings, in a shifting matrix of relationships, of *I*’s and *you*’s” (ibid, p.486).

4. Rural nonfarm economy – a short historical background

Let me begin with a brief history of rural non-farm economy. In the 1950s and 1960s, “rural nonfarm activity did not exist in the minds of policymakers and practitioners” (Haggblade *et al.* 2007a, p.34). The world was perceived as two-sector – rural and urban; agriculture was only associated with rural areas and considered backward and not promoting economic development, whereas urban was modern (ibid). In 1970s literature on rural nonfarm economy has emerged for the first time. It was inspired by findings from farm labour surveys that revealed an unexpectedly large share of rural employment as well as income coming from nonfarm activities (ibid). Yet, even though to great surprise of policymakers it was discovered that rural nonfarm economy comprises a significant part of rural income, it still had to be proved that it was worth being promoted. The first one to find rural nonfarm activities important for economic development was the International Labour Organization, which at the beginning of 1969, through its World Employment Programme has drawn attention to employment and equity, and advocating small-scale and labour-intensive nonfarm enterprises (ibid). The nonfarm firms have been recognized as important and began being referred to as “sleeping giant” (ibid). By the beginning of the 1980s, the main researchers of rural nonfarm economy came to the conclusion that rural nonfarm activity is worth being promoted (ibid).

4.1. Different perspectives on rural nonfarm economy

Until recently it was assumed that questions ‘what is the future of agriculture?’ and ‘what is the future of rural households?’ would have the same answer. However, nowadays, although these two notions are still interrelated, the link has become significantly weaker.

After RNFE was “discovered” and rural nonfarm activity offered potential and promising contribution to rural economic growth and poverty alleviation, several related literatures emerged, which discussed rural nonfarm economy from different angles: the view from the farm, the view from the firm, the view from the hearth, and the spatial perspective (Haggblade *et al.* 2007a, p.25-26).

The view from the farm, or agricultural growth linkages, considered rural nonfarm activity mainly as a “demand-driven spin-off of agricultural growth” (ibid, p.25). In the 1970s, the early success in the green revolution⁵ attracted a lot of attention to agriculture as a possible source of economic growth, which coincided with rising concerns about rural poverty. Agriculturalists “[r]ather than assigning a purely passive role for agriculture as a pool of underutilized but exploitable resources, [...] advanced the unobjectionable notion that agriculture also deserved recognition as a producer of food and as a potential market for industrial goods” (Johnston & Mellor 1961, quoted in Haggblade *et al.* 2007a, p.30). Agriculture, as the main employer of the “Third World’s” poor, took center stage (ibid, p. 31). During the 1950s, 60s, and 70s, scholars (see Hirschman 1958, Johnston & Kilby, 1975, Mellor & Lele 1973; cited in Haggblade *et al.* 2007a) have identified various reciprocal linkages – production linkages, consumption linkages, labour market linkages – tying agriculture to economic growth.

Let us consider agricultural growth linkages in greater detail. According to Haggblade *et al.* (2007b) the linkages can be classified into four main categories. *Production linkages* refer to “forward linkages from agriculture to nonfarm processors of agricultural raw materials as well as backward linkages to input suppliers of farm equipment, pumps, fuel, fertilizer, and repair services. These input-output relationships generate distinctive patterns of rural nonfarm activity across different agricultural regions” (ibid, p.143). *Consumption linkages* include the relationship in terms of farm families spending on consumer goods and services that were produced locally. *Factor market linkages* refer to interrelation between rural labour markets and nonfarm sector, e.g., due to seasonality of demand in agriculture there is a strong fluctuation in labour demand; another example would be cash flows from rural nonfarm activities finance the purchase of agricultural inputs, and similarly cash surpluses from agricultural sector are directed into investments in nonfarm sector (ibid). And finally, *productivity linkages* include “an array of beneficial macro linkages transmitted from agriculture to the nonfarm economy” (ibid, p.143-144); e.g., productivity of manual workers may be increased due to lower food prices.

The view from the firm, or rural nonfarm employment, looks at individual nonfarm enterprises, and considers constraints to their expansion (Haggblade *et al.* 2007a, p.25), which

⁵ The term was first suggested by William Gaud in 1968, and generally refers to increase in cereal productivity occurring as a consequence of change in agricultural technology in some of the “Third World” countries in the 1960s and 1970. See, for example, Govindan Parayil (1992)

include such factors as education, credit, rural infrastructure, technical efficiency, etc. In the end of the 1970s, two major studies (Anderson & Leiserson 1978, and Chuta & Liedhold 1979, cited in Haggblade *et al.* 2007a, p.38) discovered that the RNFE sector was larger than it was presumed earlier, and provides employment to 20-30% of rural labour force. The research came to the conclusion that the efficiency of small rural producers was “established across a range of products and that preliminary results strongly suggested that consumer spending on rural nonfarm output rose with income” (ibid, p.38). These studies agreed that agriculture was the main source of rural nonfarm demand and thus agricultural policy would be “the key determinant of growth in rural nonfarm activity” (ibid, p.38).

The view from the Hearth, or Household Livelihoods and Coping. Since most rural nonfarm activities are carried out by diversified rural households, it is households that constitute the key decision-making units when it comes to owning and allocating productive assets, be it land, labour, capital, etc. (Haggblade *et al.* 2007a, p.42). While enterprise-level studies of rural nonfarm business offer some answers regarding profitability, productivity and such of specific nonfarm activities, when it comes to diversified farm-nonfarm household, it is a complex set of decision-making criteria “determines the dynamics of rural nonfarm labour allocations and output supply” (ibid, p.42). Thus, literature on household decision-making offers insight on evolution and growth of rural nonfarm activity. The emphasis in such studies is placed on main assets of poor households – human, physical, financial, natural, and social capital (ibid). The main subject of the studies was to understand the livelihood strategies that are developed by poor households in the context of given institutions and assets that determine their opportunities. Household livelihood and coping is the perspective from which rural nonfarm economy will be considered in this paper for the most part.

While agricultural growth linkages discussion focuses on production and consumption linkages, livelihood literature also reveals important market linkages between agriculture and nonagriculture – livelihood diversification reveals capital flows from nonfarm enterprises that are channeled to agricultural investment (see, for example, Freeman & Norcliffe 1985, cited in Hazell *et al.* 2002). Furthermore, livelihood literature offers other important insights into rural nonfarm economy – by looking at household assets, it discovers important barriers – such as lack of education, financial capital available for investment, etc., that are encountered by poor households in their efforts to participate in attractive high-return rural nonfarm

activities; thus, poor households are pushed into low-return, unskilled activities (Lanjouw 1999, Lanjouw & Feder 2001, cited in Hazell *et al.* 2002).

The Spatial Perspective, or Regional Development Perspective. The focus of Regional Development literature is on development of rural towns and siting of institutions, government services, and infrastructure that were established to promote agricultural growth (Haggblade *et al.* 2007a, p.26). The thought behind regional planning has evolved from integrated rural development (IRD) programs of the 1970s, which by providing a package of government services and infrastructure that were targeting agricultural development, nonfarm business, and the growth of towns and rural markets (Ruttan 1975, cited in Haggblade *et al.*, 2007a) tried to promote regional economic growth, to rural-urban exchange (RUE) model, which was focusing on rural-urban linkages (RUL) peculiar to the two or three most important commodities in a given regional economy, to local economic development (LED) efforts in mid-1990s, focusing even more on “promotional efforts by specific local government authorities” (Haggblade *et al.* 2007a, p.47). Proponents of local economic development investigate “commodity and service flows between farms, nonfarm service providers, and rural towns [...and thus...] supply chains become a vehicle for organizing spatial relationships” (ibid). In the early 2000s, RUL and LED proponents focused on promoting mutually beneficial interrelation between local towns and rural areas (see, for example, Evans 2001; Tacoli & Satterthwaite 2003).

According to rural-urban linkages advocates, the interaction between rural towns and agricultural areas is mutually beneficial (Gibb 1974; Evans 1992, cited in Haggblade *et al.* 2007a). As it is put by Steven Haggblade:

According to the advocates of both UFRD [urban functions in rural development] and RUL [rural-urban linkages], agricultural growth stimulates demand for nonfarm goods and services, which are most economically supplied to dispersed farms from centralized locations in rural towns. In turn, the availability of these nonfarm inputs and support services – transport, credit, spare parts, repairs, extension – accelerates the diversification and growth of agriculture. Thus agriculture stimulates the growth of rural towns, and they in turn promote agricultural advance by facilitating information and commodity flows (Haggblade *et al.* 2007a, p.48).

Jonathan Baker suggested that although much foreign aid has been targeting rural development, and particularly agriculture, implying a dichotomous relationship between rural and urban economies, the two should be considered within one framework due to the fact that their economies are “interdependent and complementary” (2006, p. 41). Some scholars suggest that rural-urban linkages “lie at the heart of economic development and the structural transformation of the economy” (Evans 1990, quoted in Baker 2006, p. 42). Baker, however, advises not to take this idea for granted, and suggests analyzing these linkages from the perspective of efficient and inefficient coping strategies implemented by households both in villages and towns in order to improve their economic well-being.

Cecilia Tacoli is another author that tries to bring attention to the increasing role of rural-urban linkages for economic stability of both rural and urban households. She suggests that “poverty reduction initiatives are likely to be more effective where they support poor people’s strategies, which in many cases involve both rural and urban locations and activities” (2007, p.90). Tacoli emphasizes the importance of nonfarm activities for the residents of rural areas, for example, for female-headed households and younger generations that do not have access to farm activities. Furthermore, according to the author, diversification of income sources and engagement in farm activities is crucial for poor urban households. She also suggests that seasonal jobs are unlikely to reduce poverty but serve to “reduce vulnerability in the short term” (ibid, p.93). Although rural poverty, especially in low-income countries such as Kyrgyzstan, reaches greater extent than urban poverty, the latter is growing rapidly together with the increase of the number of people living in urban areas (Tacoli 2007).

4.2. *Alternative views*

There is, however, an alternative view of interrelation between rural towns and agricultural areas. Myrdal (1957) describes in his work the “backwash” effect and Hirschman (1958) talks about “polarization” effect, which suggest that towns drain their surrounding area rather than contributing to its development (see also Harriss and Harriss 1984; Hart 1989).

The two opposing views can be brought to an agreement by anthropologists (see Smith 1984; Painter 1987, cited in Haggblade *et al.* 2007a, p.49), who have studied spatial characteristics of rural marketing systems. This view suggests that the structure of rural marketing systems “mirrors existing social relations” (Haggblade *et al.* 2007a, p.49). Thus under egalitarian

conditions, where resources are evenly distributed among households, there is a healthy competition and interaction, and markets are evenly distributed; hence such interaction is mutually beneficial for both towns and rural agricultural areas. And on the other hand, when there is no or limited competition and interaction among rural markets, the resources are flowing from farmers to towns. This suggests a conclusion that a parasitic view of towns should not be disregarded, and is correct under certain circumstances – presence of disparities in terms of ownership and control over assets, and little market interaction. Such a discovery indicates that cities are not inherently parasitic, and that social structures have an effect on relations between urban and rural areas. One may also conclude that social structures represented by physical marketing networks may serve as a diagnostic tool to determine in which settings rural-urban market relationships are more likely to be mutually beneficial (Painter 1987, cited in Haggblade *et al.* 2007a, p.49).

4.3. *Rural nonfarm economy and livelihood security*

Authors such as Davis (2006) suggest that an increased focus on the rural nonfarm economy resulted in a more holistic view of rural development and reveals growing economic diversification among rural households. He goes on stating that expansion of rural nonfarm economy and income diversification are desirable policy objectives because they can offer households and individuals options to improve their livelihood security and living standard by offering alternative opportunities to generate income when income from farming decreases (David 2006, p.183). Hein de Haas emphasizes the importance of understanding that the poor should not be regarded as passive victims of global macro-forces, on the contrary, they actively try to improve “their livelihoods within the constraining conditions in which they live” (2006, p. 566).

Bebbington (1999, cited in de Haas 2006) stresses that due to the fact that in developing countries rural households diversify their livelihoods, we should not restrict our understanding of rural livelihoods to the analysis of agriculture or natural resources.

Peter Lanjouw (2007) considers possible transmission mechanisms from the nonfarm sector to poverty alleviation that include direct and indirect participation of the poor in the nonfarm sector. This subject will be developed in Chapter 9 of this paper. Some scholars have discovered that of the possible transmission mechanisms, it is the *indirect channels* that play

the most effective role. For example, Kijima & Lanjouw's (2005) study was looking at interrelationships among poverty, agricultural labour, and nonfarm employment in rural India. The following abstract summarizes the conclusions that have been made as a result of the study:

“There is little evidence that an expansion of nonfarm employment has an important direct effect on poverty. This does not mean, however, that the nonfarm sector is unimportant for poverty reduction. Rather, expansion of nonfarm employment, particularly the unskilled casual employment opportunities that appear to present the poor with fewer barriers to entry, may play an important role in putting pressure on the agricultural labour market and in raising agricultural wage rates. Thus the indirect effect of rural nonfarm employment on rural wage rates may prove quite important” (Kijima & Lanjouw 2005, cited in Lanjouw 2007, p.78).

Peter Lanjouw (2007) has conducted an analysis of several studies that were aiming at tracing the possible effect of rural nonfarm economy on poverty alleviation, and came to the conclusion that there is no direct interrelation between rural nonfarm economy and rise in incomes of the poor; however, indirect link was discovered, and thus the author suggests the policymakers not to presume that rural nonfarm economy would necessarily lead to poverty reduction, and rather try to eliminate barriers for the rural poor to entering high-paying nonfarm employment by expanding education and improving social and economic possibilities for the rural poor to engage in such professions. Another conclusion that was made by Lanjouw (2007) is that residual nonfarm activities play the role of a safety net for the poor and protect them from sliding further into poverty.

5. Definitions of key terms

5.1. Rural nonfarm economy (RNFE)

Rural nonfarm economy is often defined as incorporating all economic activities in rural areas except for livestock, agriculture, fishing and hunting (Lanjouw and Lanjouw 1997, cited in Davis 2006). Thus, it should not only include employment, such as agroprocessing, small business, but things like pensions, interest and dividends and remittances from temporary or seasonal migration (Davis & Pearce, 2000). RNFE cannot be considered homogenous – it

includes not only rural nonfarm activities, but also rural institutional framework (roads, schools, hospitals, etc.) (Davis 2006). However, due to space limitations of this paper it is decided to refer to rural nonfarm economy as only incorporating rural nonfarm activities.

5.2. *Rural nonfarm activities*

In search for equity policymakers turn to employment opportunities for the rural poor, and rural nonfarm economy has the potential of serving as a significant alternative for employing members of landless households (Lanjouw 2007). Firstly, due to the fact that great heterogeneity of nonfarm activities in developing countries has been largely documented (ibid, p.60), it is important not to view the sector as homogenous set of activities; we should also refrain from defining it “in terms of what it is not: agricultural” (ibid, p.60). It is important to keep in mind that nonfarm activities do not belong to one category, but can be divided into many.

One of the ways to differentiate rural nonfarm activities is to place them into three categories: casual nonfarm wage employment, self-employment or home-enterprise activities, and regular, salaried employment (ibid, p.61). The first category, i.e., casual nonfarm wage employment, is characterized by low remuneration, often involves hard physical work, health risks, and thus one may conclude that push factors are at work when households choose to engage in such type of employment. Self-employment or home-enterprise activities belonging to the second category may range from low-return “push” activities, such as small-scale retailing, to high-income “pull” small factories. And the last category, regular, salaried employment, is considered attractive by the author due to stable income over time and relatively high earnings.

5.3. *The notion of household*

Within the given context it seems necessary to define what is understood by the notion of *household*. Foeken & Owuor (2001) introduced the idea of *multi-spatial livelihoods*; the authors suggest that many households in urban areas have “rural components to their livelihoods and retain strong links with rural areas, while some keep part of their asset base in rural areas” (Foeken & Owuor 2001, p. 109). Cecilia Tacoli (2002, cited in Owuor 2007) also brings attention to rural–urban interactions that include spatial linkages between *urban* sectors

in rural areas (e.g. rural non-farm employment) and *rural* sectors in urban areas (e.g. urban agriculture). Many households straddle the city and village for their livelihoods (Satterthwaite & Tacoli 2002) causing various social transactions between towns and villages, including flows of people, money, goods, etc.

Evans and Pirzada (1995) suggest that spreading of household labour in cases of extreme rural poverty is crucial for survival of the household; and in less extreme cases of poverty separation of household members through migration is an income diversification strategy. In this context the household “becomes a spatially, and sectorally divided, but highly interconnected economic unit” (Andersson 2002, p. 12). Ncube *et al.* (1997; cited in Andersson 2002) use the term “split families” referring to the family structure of commuter households (rural-urban commuter households), which implies that nowadays household members are rarely spatially co-resident. Thus, we can see that “the tendency to assume that Westernised notions of the household also apply to African settings is largely fallacious” (Andersson 2002, p. 13, with reference to Ocholla-Ayayo 1997), the idea which is also applicable for the context of Kyrgyzstan.

According to Jonathan Rigg (2002), the distant members, or ‘shadow household’ (Tacoli 1996, cited in Rigg 2002), play a role in functioning and management of the household, since by remitting money, for example, they do partake in important agricultural decisions, and although being physically detached from the household, they still identify with ‘home’.

There are also authors who are against looking at livelihood strategies on a household level. As it is suggested by Jonathan Rigg (2002), focus on the village as the unit of study is not relevant since we should take into consideration that village is not a homogenous entity. The author goes on suggesting that, just as village, household is also heterogeneous, and thus it is important to consider the intra-household level: “[i]t is now widely accepted that the household – like the village – should not be viewed as undifferentiated and that the interests of household members may not just be different, they may be at odds. Therefore, to write of household ‘strategies’ as if collectivism were the norm disguises a good deal of intra-household factionalism and conflict” (ibid, p.75).

However, some authors suggest that one should not underestimate the family ties within households. Brettell (2000) discusses different explanations for return (urban-to-rural)

migration, among which are economic reasons, strong family ties, initial migration strategy, and so on. Margolis (1995) introduces the concept of “yo-yo migration”, under which migrants migrate between home and host society back and forth with no intention of staying in either of the places forever. Krüger’s study revealed that “[a] lot of migrants still look upon the city only as their second home, their true home being the village where they were born” and many migrants even many years later “still referred to their village of origin as their first and true home [...and...] indicated that they had always planned, and would still like, to move back as soon as possible although they had in fact already been in the city for decades” (1998, p. 120).

In this paper, *household* is understood as an interconnected economic, decision-making unit that may be spatially divided, and largely dependable on members’ identification with it. Thus, a household should be considered as such, even if family members are residing in different areas (rural, urban, etc.) and do not communicate on a daily basis, as long as they identify themselves as members of that household and are engaged in the household’s livelihood.

5.4. *Livelihoods*

Now that we have defined the notion of households, it is necessary to also describe what is implied by *livelihoods*. In this paper I use the same definition of livelihood as Agnes Andersson (2002), provided by Carney (1998; quoted in Rakodi 1999, p.316), and implying “the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is considered to be 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,” (cited in Tostensen 2001, p.4). Rural livelihoods do not rely solely on agriculture, and may derive from different sources (see Ellis 1998, p.6, cited in Davis 2006). In this paper I will look at both farm and non-farm income sources.

5.5. *Push and Pull factors*

According to Haggblade *et al.* (2007a), determinants of livelihood diversification can be divided into two broad categories, which are studied by “coping” literature and income

“diversification” literature. The two study livelihoods of households that find themselves in two different environments. “Coping” literature studies how households adapt to low-potential and risky environments – be it drought, flooding, etc. – by using various household resources in given conditions. Income “diversification” studies focus on situations in which households may increase their economic well-being by using opportunities presented by the rural nonfarm economy and engaging in different rural nonfarm activities.

Firstly, let us take a closer look at “coping” literature, which deals with “*push*” factors. It emerges from risky agricultural zones, which struggle with such environmental issues as irregular rainfall, floods, drought, etc. (Haggblade *et al.* 2007a, p.43). The focus of such literature is on households’ coping behaviors under conditions of risky environments and lack of insurance and credit markets (Barrett, Reardon, & Webb 2001, cited in Haggblade *et al.* 2007a, p.43).

Hazell *et al.* (2002) discuss stagnant rural zones, where push scenarios are most likely to be at work. According to the authors:

“Falling agricultural labour productivity, a low opportunity cost of labour, and declining household purchasing power induce diversification into low-return, labour-intensive nonfarm activities[...] Specialized nonfarm enterprises and households emerge not to exploit potential productivity gains, but because of an absence of opportunities in agriculture and a shortage of investable capital. Declining economic conditions likewise motivate households to seek farm and nonfarm employment opportunities in more distant regions. Thus migration serves as a regional safety valve” (Hazell *et al.* 2002, p.90).

One of the examples of such diversification is seasonal labour migration, which will be discussed in greater detail further on in the paper.

Within the context of push factors it is very important to identify strategies employed by households in order to deal with risks and shocks. Alderman and Paxson (1994, cited in Reardon *et al.* 2006) determine two types of strategies. First type includes “risk management strategies” that implies choosing income diversification strategies that decrease income fluctuations over time, under this strategy the poor choose to diversify into activities with low

risk (even if they offer low returns) before the risks or shocks take place. Households that choose “risk coping strategies”, apart from using precautionary savings, and involvement in formal and informal insurance arrangements, diversify their income after the shock (for example, drought) (Reardon *et al.* 2006, p. 127).

The “good” reasons for diversification can also be referred to as “*pull*” factors. Such factors explain reasons for which households engage in attractive nonfarm activities. Income “diversification” literature examines households that find themselves in more stable agricultural zones. As it is suggested by Bryceson (1997), for households with high income reasons for diversification include profit maximization, whereas, households with lower income focus on risk minimization and income stabilization (Bryceson & Jamal 1997, cited in Reardon *et al.* 2006).

Table 1
The push and pull factors of RNFE diversification,
identified by Davis and Pearce (2000)

<i>“Push factors”</i>	<i>“Pull factors”</i>
<ul style="list-style-type: none"> • Population growth • Increasing scarcity of arable land and decreasing access to fertile land • Declining farm productivity • Declining returns to farming • Lack of access to farm input markets • Decline of the natural resource base • Temporary events and shocks • Absence or lack of access to rural financial markets 	<ul style="list-style-type: none"> • Higher return on labour in the RNFE • Higher return on investments in the RNFE • Lower risk of RNFE compared to on-farm activities • Generation of cash in order to meet household objectives • Economic opportunities, often associated with social advantages, offered in urban centres and outside of the region or country • Appeal of urban life, in particular to younger people

According to Davis and Pearce (2000) it is very important to make the distinction between distress-push and demand-pull because they may need different policy responses. The authors, referring to Reardon et al. (1998), suggest that pull factors are at work when “relative returns are higher to the RNFE than to farming, and returns to farming are relatively more risky” (Davis & Pearce 2000, p.195). And push factors play a role when “farm output is inadequate and opportunities for consumption smoothing, such as credit and crop insurance, are missing, or when input markets are absent or fail and the household needs cash to pay for farm inputs” (ibid, p.195).

6. Previous studies

6.1. *Kyrgyzstan*

During recent years there have been many studies on migration in Kyrgyzstan. The focus of these studies is mostly on external migration, yet there has been some research of internal migration.

Ruslan Rahimov (n.d.) has been studying internal migration in the context of land relations. The author's aim was to study the process of internal migration from the perspective of land distribution, relying on the assumption that survival of internal migrants in Kyrgyzstan depends on land as their major source. One of the main driving forces of internal migration within the last several years, according to Rahimov, are political events of 2005, which caused a new wave of population movement from the south of the country to the northern regions. An important issue that was brought up by the author is seizure of lands, which historically began in the early 1990s due to social and economic instability and lack of "clear-cut position by the government" (ibid, p.2). To give an example of the scale of such land seizures, during spring of 2005, after the events of March 24⁶, in the area within Bishkek city and its surroundings, 2000 hectares of land were occupied by migrants (ibid). As one of the causes of internal migration, Rahimov names ineffective land policy. The author suggests that the government has not considered "possible cooperation in the area of production and processing of agricultural products, with no in-depth legal, economic, and environmental analysis of the reforms on land distribution" (ibid, p.4). According to Rahimov, this could lead to considerable depopulation of various regions of the country, and as a consequence, to imbalanced development and failure of economic policies.

Susan Thieme (2008) is another scholar who has been studying internal and international migration in Kyrgyzstan. She has raised an important issue – taking up a multi-local perspective to look at the side effects of migration on women. Thieme stated that much of the research on migration in Kyrgyzstan has been focusing on remittances, and has overlooked the challenges that women are facing as a result of migration, particularly how women juggle different roles and expectations in those multi-local settings.

⁶ The events that I am referring to are coup d'état, or a so-called "Tulip Revolution", which will be discussed in greater detail in the section "Political environment"

The study conducted by Schmidt and Sagynbekova (2008) makes an overview of migration patterns in Kyrgyzstan beginning from the Soviet Era, and also considering the period since independence. The study has been focusing on labour migration from Jalalabad region. Motivations for migration were described by “push” factors, and mainly include economic reasons – lack of employment opportunities in the village, insufficient income from agriculture, worsening living conditions in the villages, debts due to bad harvest.

6.2. *Tanzania*

There has not been a lot of research on Kyrgyzstan regarding the subject, which is why I had to rely on cases of other countries in order to develop my ideas. Jonathan Baker (2006) conducted his research in Tanzania, where he studied a small town Biharamulo and four neighboring villages. Within the framework of his study, Baker discusses the idea of risk diversification as an element of a coping strategy employed by households in order to improve their financial situation within the context of rural-urban linkages. This study has been chosen because it is illustrative of interdependent nature of rural and urban economies.

Much foreign aid has been targeting rural development in rural areas, agriculture in particular, which implied a dichotomous relationship between rural and urban economies. However, Baker suggests that the two should be considered within one framework because the two economies are “interdependent and complementary” (2006, p. 41). Thus, engagement in non-farm and off-farm economic activities along with agricultural activities was crucial for making the rural households’ coping strategies successful and helped generate income.

Baker (ibid) came to the conclusion that even though agriculture plays an important role in the economy of the given district, diversification of economic activities was crucial for rural and urban households’ financial stability; thus by engaging in both non-farm and off-farm activities, along with agriculture, was the most successful coping strategy within the context of Tanzania and the given district in particular. Baker’s study revealed that for “urban dwellers, access to agricultural land, in addition to urban employment, is an important element in household diversification strategy” (ibid, p.54). The study has shown that not only rural households depend on additional income, which they gain from working in the nearest small town, but it is rather a reciprocal process between rural and urban settlements.

6.3. Morocco

Hein de Haas (2006) conducted his research in the Todgha valley, Morocco, where he studied international-migrant, internal-migrant and non-migrant households, and the effect of migration on migrant-sending areas. I have chosen this study as an example because it does not focus only on migrant households, but also includes non-migrant households, thus illustrating the effect labour migration has on household income generation.

The study revealed that the income of households participating in international migration is more than twice higher than of non-migrant or internal-migrant households; and there is no significant difference in the earnings of non-migrant and internal-migrant households. Yet, de Haas's study revealed that remittances had "an indirect positive effect on the economy of the whole valley" (2006, p.577) – through investments and consumption they contributed to urbanization, diversification and growth of regional economy and creation of employment, which had a positive effect on non-migrant households. Although the study by de Haas discovered that international migrant households have a greater increase in income, he also suggests that those involved in internal migration could use migration for *income diversification*, and not to increase income per se (ibid, p. 578). Moreover, de Haas also considers the situation in the valley from the macro level and suggests that if households implement a proper strategy the outcomes may be beneficial for the whole community.

It is worthwhile being emphasized that de Haas draws attention to the fact that although international and internal migration as "a household strategy to overcome local constraints on economic production and development" (2006, p.579) may have a positive effect on economic development of sending areas, it should be viewed only as a *potential* effect; and thus impacts of migration are "highly context-sensitive". De Haas proposes that "the fundamental question for researchers is not whether or not migration leads to certain types of development, but why migration has more positive development outcomes in some migrant-sending areas and less positive or negative outcomes in others" (2006, p. 579), thus once again highlighting the conditionality of positive effects of migration.

7. Migration: Theoretical framework

Migration has been a debated issue in the social sciences, by some it is seen as a security threat, by others it is praised as the remedy against economic instability. As a consequence, one should consider differing perspectives on the effects of internal and international migration for sending and receiving societies. When discussing such theories, de Haas (2006) thought it appropriate to divide them into so-called “migration optimists” and “migration pessimists.” The former suggest that remittances – along with knowledge and skills acquired by migrants – would contribute to the economy of the sending countries (ibid, p.566). For example, modernization theory suggests that migration introduces balance between resources and population pressure and thus eliminates differences between agrarian rural and industrial urban areas, and that “[m]igrants, through savings and investment, would become agents of change in their home communities” (Brettell 2000, p. 103).

In the context of rural livelihoods, de Haas understands migration “as one of the main elements of the strategies to diversify, secure and, potentially, durably improve livelihoods, often in combination with other strategies, such as agricultural intensification and local non-farm activities” (McDowell & de Haan 1997, pp. 1–3, cited in de Haas 2006, pp.566-567). De Haas views labour migration not just as a short-term survival or crisis-coping strategy or a flight from misery, but an aware decision made by households to improve their livelihood or even facilitate investments (Bebbington 1999, p. 2027, cited in de Haas 2006); migration can also serve as an income-generating tool to insure against future financial stresses (de Haan *et al.* 2000, p. 30, cited in de Haas 2006).

“Migration pessimists”, on the other hand, largely inspired by the structuralist paradigm and dependency theory, think that migration may “lead to the withdrawal of human capital and the breakdown of traditional, stable village communities and regional economies, provoking the development of passive, non-productive communities, which become increasingly dependent on remittances” (de Haas 2006). “Migration pessimists” also hold the opinion that remittances do not lead to increased investments, but rather to unproductive spending, deepening of inequality and greater underdevelopment. For example, historical-structuralist approach looks at migration within the context of global economy and development of underdevelopment (Brettell 2000, p. 103). Furthermore, according to this approach migration creates awareness

about the larger society and “hence enhances a sense of relative deprivation” (Gonzalez & McCommon 1989, cited in Brettel 2000).

Wouterse and Taylor (2008) look at neo-classical migration models (see, for example, Todaro 1976, cited in Wouterse & Taylor 2008), which look at migration from individual perspective, and it is an individual who makes the decision to migrate based on the expected wage and costs of migrating to the destination point. Within such perspective, migration “affects the migrant sending area only through a loss of labour, the opportunity cost of which depends on local labour supply, as well as through a loss of human or financial capital” (Wouterse & Taylor 2008, p.626). However, Stark suggests that when “migrants and households maintain ties with each other after migration, it is more appropriate to analyze migration in a household model” (Wouterse & Taylor 2008, p. 626, with a reference to Stark 1991).

The approaches that have been mentioned above (structuralist paradigm and dependency theory) discuss the possible effects of migration at a macro level, but during the 1980s and 1990s, as a response to these two theories, new economics of labour migration (NELM) emerged. New economics of labour migration suggested *a household* as a more appropriate unit of analysis, because this “approach perceives migration as the risk-sharing behaviour of households” rather than individuals (de Haas 2006, p.566). Moreover, NELM scholars perceive migration as a potential source of investment capital that may help to overcome various market constraints and give an opportunity to invest in productive activities (ibid). As I have mentioned earlier, this is the approach I am using in this paper – considering household as one decision-making unit engaging in a risk-sharing behavior.

Samuel Owuor (2007) discusses such phenomenon as urban out-migration, which has appeared since the early 1980s due to economic crisis – urban residents return to the villages after losing jobs, or are forced to go back to the village where food and housing costs are significantly lower. The author also discusses another shift in the nature of rural-urban links – the remittances from those who migrated to towns have been decreasing (Bah *et al.* 2003, cited in Owuor 2007), whereas more food is being sent from rural to urban areas as a means to support urban household members (Potts 1997, p. 466). Some authors have discovered that those urban households that have restricted social connections to rural areas are the most vulnerable to hunger, whereas, those that maintain active rural–urban linkages are less

vulnerable in urban areas because of significant transfers of food from rural areas (Owuor 2007; Frayne 2004).

8. The case of Kyrgyzstan

Kyrgyz Republic, or Kyrgyzstan, a landlocked country with approximately 5.4 million people, was one of the poorest republics in the Soviet Union (World Bank 1995).

8.1. Poverty

With the collapse of the Soviet Union, a number of the CIS⁷ countries have begun their way from planned to market-oriented economic system. Kyrgyzstan was no exception. The transition was characterized by sharp decline in economic growth during the initial years, rising unemployment, and increasing levels of poverty. Since 1992, with introduction of economic reforms, Kyrgyzstan has chosen a path of rapid transition: towards democratic system of governance and a market-oriented economy. The reforms have not brought about positive change during the first years; on the contrary, poverty continued increasing till 1999 (International Labour Organization 2008a) and inequality significantly increased in the 1990s (Torm 2003). The incidence of poverty began declining in 2000 (International Labour Organization 2008a). And while between 1994 and 1998, Kyrgyzstan was one of the fastest reformers among CIS countries, over 1999-2006 it encountered reversal and stagnation in reform efforts (World Bank 2007).

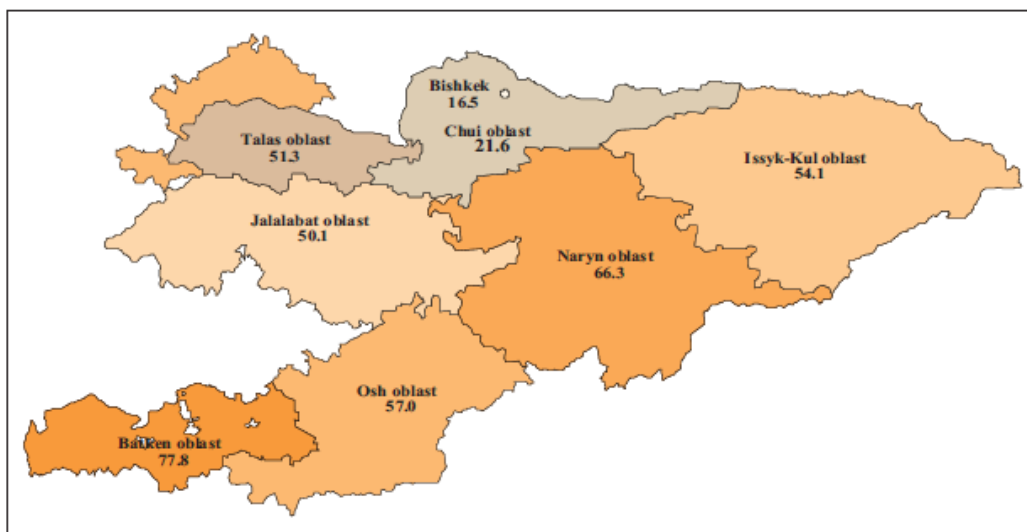
Poverty level is high in Kyrgyzstan, although, according to the World Bank (2007), extreme poverty is moderate. According to official government data as determined by consumption per capita, as of 2005, 43% of the population lived below the poverty line⁸ and 11% in extreme poverty (ibid).

⁷ The CIS countries are countries belonging to the Commonwealth of Independent States, a regional organization formed in 1991, during the breakup of the Soviet Union, consisting of former Soviet Republics.

⁸ The definition of poverty line as provided by the International Labour Organization (2008a, p.25): “The *poverty line* in Kyrgyzstan is constructed using the cost-of-basic-needs approach and is composed of the *food poverty line* and the *non-food* poverty line. The *food poverty line* measures extreme poverty and, is set at the consumption level of the minimum caloric requirements, based on calculations of the cost of a food basket that provides sufficient daily caloric requirements, reflecting the actual dietary pattern of the population.”

Map 1:

Poverty incidence by oblasts (regions): Population below the poverty line in 2004 (%)



Source: KIHS⁹ 2004

According to ILO (2008a), as of 2004, approximately 78% of the absolute poor and 75% of extreme poor were residents of rural areas. In the period between 2000 and 2004, urban poverty declined faster (from 53 to 28%) than rural poverty (from 67 to 55%), which indicates that the concentration of poverty in rural areas has increased (ibid). Both off-farm and on-farm income sources have played an important role in the reduction of rural poverty; agriculture sector grew by 2.6% annually, on average, over 2000-2005 (World Bank 2007, p.8). The rural poor depend on farm production for income generation and own household consumption (ibid). Although during the early 2000s, income from household production, livestock, and property sales was important for the poorest, during later years off-farm income has gained importance, and comprised three-quarters of total income, as of 2007 (ibid).

8.2. *Poverty reduction – efforts and issues*

According to the International Labour Organization (ibid), the main problem in rural areas is underemployment, which is related to the seasonal nature of agricultural activities. The average number of hours worked in agricultural sector per week is as low as 23 hours,

⁹ The Kyrgyz Integrated Household Survey (KIHS) was introduced in 2003 and covers around 5,000 households based on a pure random sample of population. KIHS collects data on a quarterly basis. The questionnaires include household characteristics, expenses on food and non-food items, housing conditions, and a section on the estimation of unemployment data.

whereas in manufacturing, it is 42 hours, and in trade, it is 44 hours. Working members of the poorer households in rural areas have a tendency to work less than the richer. This may be explained by access to land, agricultural inputs and inventories. Other problems related to low progress in reduction of rural poverty “include higher dependency ratio, less reliance on labour incomes, and low level of education” (International Labour Organization 2008a, p.48).

In Kyrgyzstan measures have been taken to improve the situation of the country’s small scale farmers in the rural areas. The government introduced reforms in the rural credit system in an attempt to move from directed and subsidized rural credit system to a commercial one. In relation to this reform, since 1997, a large number of non-bank financial institutions have emerged. There are several micro-credit companies offering loans to farmers directly and to credit-unions to further distribute them among farmers. Some of these have been very successful; among them are the Financial Fund “Bai Tushum” and the Kyrgyz Agricultural Finance Corporation (presently “Aiyl Bank”, representatives of which were interviewed for the present study). The banking sector was performing weakly and was represented by a few commercial banks, and generally not many banks offer loans to the agricultural sector. It is related to high loan losses in the past in the sector and weak legislation to use land as collateral (International Labour Organization 2008a).

Important factors of poverty decline included commercialization of farming and yield improvements. By 2002, small family farms “operated 71 per cent of arable land and produced about one half of the value of production and the majority of the agricultural marketed surplus” (International Labour Organization 2008a, p.49). The increase in livestock and crop prices was another significant factor that led to decline in poverty. By 2003-2004, prices for key agricultural products (such as vegetables, fruits, meat and milk) “had risen by at least 30 per cent since 2000” (ibid, p.50). It was revealed that livestock was an important source of income for rural households.

However, this development has been somewhat halted by the fact that government suffers from weak institutions, which is inhibiting state capacity to bring about a noticeable change for these farmers. The state in Kyrgyzstan has taken a substantial role and lead in the project of human development and poverty alleviation. Yet, as mentioned, the country suffers from a weak institutional framework. The state works through national corporations offering loans to farmers for development of agriculture.

8.3. Unemployment

Under the Soviet Union, during the period of planned economy, unemployment level was very low; yet, between 1991 and 2004, the employment situation has drastically worsened. More than 65% of the population live in rural areas, and although when looking at percentage, unemployment level is higher among urban population, total number of unemployed was higher in rural areas than in urban areas in 2004, as seen in Table 2 below. However, according to CIA World Factbook (2010), overall unemployment level in 2004 was as high as 18%. ILO (2008b) supports such a view, stating that although according to official data, the unemployment rate is 11%, “considering that the rural population is mainly self-employed farmers, this figure might fluctuate depending on the seasons, and in reality might be higher,” and suggests a figure of 16%, which was revealed during household sample survey in 2006.

Table 2
Unemployment level, 2004

	Number of unemployed, people	Level of unemployment, per cent
Total	185,721	8.5
Men	98,796	8.0
Women	86,925	9.3
Urban population	89,159	11.1
Rural population	96,562	7.0

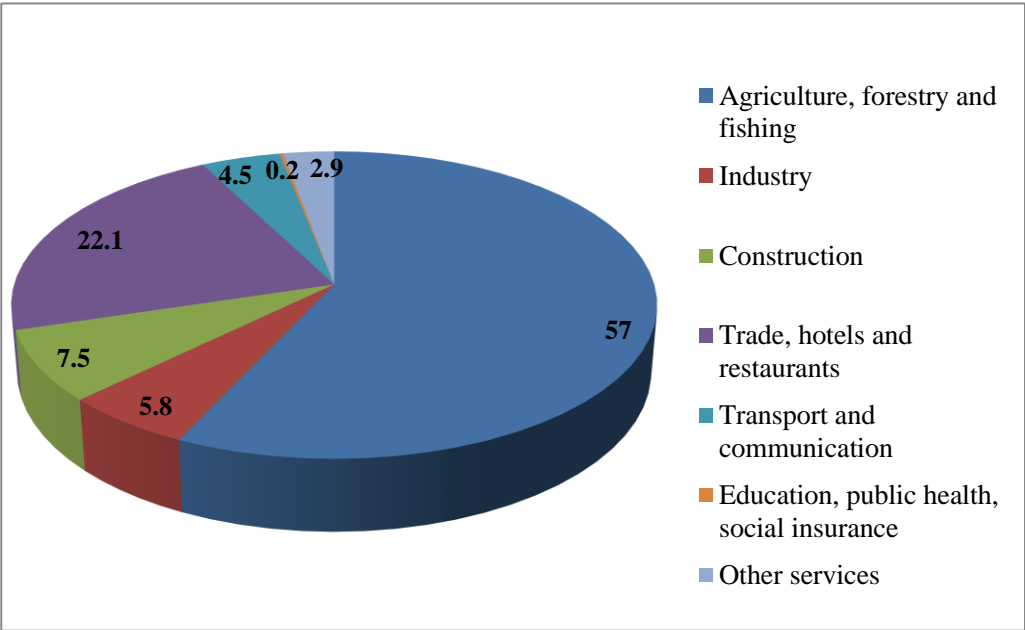
Source: KIHS 2004, cited in International Labour Organization 2008a

Although in 2004, employment level was relatively high, and came to 65% (International Labour Organization 2008a), the structure of employment has changed significantly. The staff number of organizations, enterprises, and institutions that had the status of a legal entity fell from 1,440,000 to 554,600 between 1991 and 2004, representing a decline of 61.5% (ibid). In other words, right after independence, in 1991, 6 out of 10 members of employed population had jobs in enterprises and had guaranteed salaries, and by 2004 it was only 2 out of 10. This indicates that wage employment has shifted to self-employment. Since 1995, farm employment¹⁰ has significantly increased (from 35.5% in 1991 to 49.8% in 2004), while employment in enterprises and organizations correspondingly decreased (ibid).

¹⁰ In this particular reference it includes agriculture, hunting, forestry, fishing and fish-breeding

According to International Labour Organization (2008a), in 2004, employment in the informal sector as principal occupation is rather high, on average annual number came to 1,028,000 people (51.6%). Even more (1,310,000 people) were engaged in informal employment in formal enterprises; the share accounted for over 67% of total number of those employed. And more than 54,000 were engaged in both formal and informal sectors, which meant that these people had two or more additional occupations.

Chart 1
Informal Employment as a Primary Occupation



Source: International Labour Organization (2008a)

8.4. *Agriculture*

In the early period of recovery, agriculture was the main locomotive of economic growth and a source for employment – it played an important role in ensuring food security and physical survival, when industry and service sector failed to provide necessary employment.

Table 3
The Role of Agriculture in GDP, Employment and Consumption

	1991	1996	2000	2004
Share of agriculture in GDP, %	37	50	37	33
Share of agriculture in employment, %	33	47	53	39
Share of family budget spent on food, %	30	57	...	68

Source: ILO (2008a) (KIHS (2004); Earlier data adapted from Mudahar (1998)

Although the role of agriculture in GDP has decreased since early independence, the importance of agriculture is reflected in the share of the family budget spent on food, which has doubled since independence. It also indicates the increase in poverty level. Even though agriculture was one of the main forces driving poverty reduction, rural poverty remained high compared to urban poverty. In 2004, as much as three-fourths of the poor resided in rural areas (International Labour Organization 2008a).

The World Bank (2007) considers that agriculture “remains the strongest component of the Kyrgyz Republic’s economy and should remain an important focus area for the future. It is also the most important sector because of its essential role in providing employment, food security and consumer price stability.” Since 1996, the agricultural sector has been characterized by a reduction in subsistence food orientation and the emergence of commercially oriented peasant farms. The authors go on suggesting that small family farms have played a vital role in agricultural growth and thus if supportive policy and public investment continues this contribution could increase even more (ibid).

8.5. *Political environment*

Political environment in Kyrgyzstan is very important for the purposes of this paper, because not only does it directly affect economic development of the country, and rural development particularly, but also due to the fact that major political events were taking place while the paper was being written.

Independence from the USSR was declared on August 31, 1991. In October 1991, Askar Akaev ran unopposed and was elected President of the Kyrgyz Republic, receiving 95% of votes. Kyrgyzstan was considered the most democracy-oriented among its neighboring states, and was called “the island of democracy” of Central Asia. Kyrgyzstan was regarded as a rare case of seemingly successful democratic changes surrounded by neighbors who have chosen another political course. Among major accomplishments various observers reported freedom of speech and the press, presence of political opposition and civil society, as well as orientation towards economic liberalization. One possible explanation for such initial success could be support from Western international organizations, which rendered aid under strict conditions of economic liberalization and democratization of the state. Moreover, western aid played an important role in establishment of thousands of non-governmental organizations.

However, it is not clear whether support was provided to already existing indigenous civil society, or it was only a response to available foreign aid. And according to Juraev (2008), general dependence on external funding should make one doubt in sustainability of non-governmental organizations that represent the main organizational form of civil society in the country. Thus, some strongly believe that post-1990 democratization in the country should not be considered an indigenous, self-sustainable process (Juraev 2008).

Furthermore, taking a closer look at achievements in democratization process would allow to see that, although freedoms (of speech, press, etc.) were to a greater extent in Kyrgyzstan than in neighboring Central Asian states, the political regime in the country resembled authoritarian rather than democratic. In 1993, the first influential opposition news paper “Erkin Too” was shutdown, and in the early 2000s news means of controlling the press – buying control over major opposition mass media – became popular among political leaders (BekKerimov and Juraev 2005-2006). Another issue with seemingly democratic regime in Kyrgyzstan was constant manipulations of electoral legislation, which allowed Askar Akaev to remain president of the country for 15 years, although no more than two five-year terms were allowed for presidents.

As a result, in March 2005, a so-called *Tulip Revolution* occurred in Kyrgyzstan. Continuous protests and demonstrations against fraud during 2005 parliamentary runoff elections taking in the capital of the republic erupted into demands for the government to resign. On March 24, thousands of pro-opposition demonstrators who gathered in front of the presidential administration building called for the resignation of the president. Later that day protestors seized the building, after which President Askar Akaev fled the country for Kazakhstan, and later on to Russia. The country was left without leadership, and streets of Bishkek without police protection, which resulted in looting breakouts on the evening of March 24, causing approximately \$100,000 in damage. Opposition leader Kurmanbek Bakiev was named acting president, and later that year, on July 10, he easily won presidential elections with over 88% of votes.

The Tulip Revolution served as inspiration to those who were discouraged by the path chosen by the previous president, in both political and academic circles it was often referred to as “democratic revolution” (see, for example, Bunce & Wolchik 2006; Beissinger 2007; Cohen 2005). However, the hopes came short, and Kurmanbek Bakiev’s rule proved to be even more

authoritarian than that of the first president of Kyrgyzstan. Bakiev supported the clan system in the country, and appointed close members of his own family to key posts, including his son, Maksim Bakiev, who was made the head of the newly established Central Agency for Development, Investment and Innovation (CARII). In the spring of 2010, there was another wave of demonstrations and protests against corruption and authoritarianism of Kurmanbek Bakiev's regime following the raising of prices on utilities, which seemed to be the boiling point for many citizens of Kyrgyzstan. On April 7, 2010, the capital of the country, Bishkek, has witnessed a previously unseen eruption of violence as police fired at demonstrators, leaving nearly 100 dead. Within 24 hours, President Bakiev escaped to the south of the country (where he originally comes from), a week later he resigned the presidency and fled to Kazakhstan, and later on to Belarus. Within five years, another "revolution" led to change of power in Kyrgyzstan as a consequence of unrest.

After the events that took place on April 7, 2010, opposition leaders formed an interim government led by former minister of foreign affairs, Roza Otunbaeva. Later on that year as a result of national referendum, she was appointed president of transition period until December 31, 2011, and was prohibited from running in the 2011 presidential election, when next presidential elections were scheduled to take place. The referendum gained support of vast majority of the population and changed the Kyrgyzstani government from a Presidential to a Parliamentary Republic.

Another important event that occurred in the recent history of Kyrgyzstan were deadly riots that began on June 10, 2010, and just in six days left approximately 330 dead (Toktonaliev and Ahmetzhanov 2010), over 2,000 injured and hundreds of thousands displaced (Weir 2010). According to the officials of the interim government interethnic conflict that took place in the south of the country, in the city of Osh, between ethnic Kyrgyz and Uzbeks were provoked by agents of the former president Bakiev (ibid). According to some estimates, the number of people – predominantly ethnic Uzbeks – who fled the country during the civil unrest from Kyrgyzstan to Uzbekistan reached 100,000; and the number of internally displaced persons was approximately 300,000 (World Health Organization 2010). Majority of these people were staying in temporary shelters in refugee camps, while the rest found refuge in homes of relatives and friends. After the government introduced curfew in Osh and Jalalabad cities, and gradually took the situation under control, tens of thousands returned to Kyrgyzstan, particularly to Jalalabad region.

As a result of the violent unrest around 2,300 homes were devastated, as well as markets and businesses, leaving the south of the country deprived of important sources of employment and economic development (Associated Press 2010). President Roza Otunbaeva estimated that about \$100 million would be needed to rebuild the economy of Osh, and another \$350 million to reconstruct the destroyed homes in Osh and Jalal-Abad cities. Before the uprising on April 7, economic growth for 2010 had been estimated at 5.5%, yet after the events that took place in April and June of the same year, the economy was set to contract by 5% (ibid). Recovery of Kyrgyzstan is not expected to be easy, and some state that the economy of the country was set back to five years ago (Toktonaliev and Ahmetzhanov 2010).

8.6. *Migration in Kyrgyzstan*

Migration flows in Central Asia, and particularly Kyrgyzstan could be characterized as active for many centuries (Schmidt & Sagynbekova 2008). After Kyrgyzstan's independence in 1991, following the collapse of the Soviet Union, migration rates, both internal and international, have significantly increased. This was related to lack of political and economic stability as well as increasing inter-ethnic conflicts (ibid). Over ten years since 1989 to 1999, almost 700,000 people, that is every sixth person, has left the country (National Statistical Committee of the Kyrgyz Republic 2002, p. 162). During the first years after the collapse of the Soviet Union, migration from Kyrgyzstan reached its peak¹¹ – in 1993, more than 140,000 people left the country (United Nations 2003). However, if during that period majority of people were leaving the country to go back to their historical homeland in search of better life opportunities – Germans, Russians, Ukrainians, etc. (National Statistical Committee of the Kyrgyz Republic 2002), during the last several years, more and more people are leaving Kyrgyzstan to work abroad on a temporary basis, and some of them change citizenship in the process. At present, officially over 400,000 people are external migrants residing and working abroad. Among them over 170,000 changed Kyrgyzstan citizenship to Russian, which ranks Kyrgyzstan as 7th country according to the number of people residing and working in Russia (Ryskulova 2009).

¹¹ After events of June 2010, discussed in the section “Political Environment”, officially approximately 100,000 people left the country, and unofficially presumably even more. However, I do not consider it the peak of migration from Kyrgyzstan, because in this particular event it is too early to predict how many of these people will return back to the country.

Flow of internal migration is also constantly increasing. According to the data of National Statistics Committee (2002), during 1991-2005, internal movements of population reached 889,921 people. There is an imbalance of labour demand and supply on the national market – some areas are experiencing oversupply, whereas there is undersupply in the others. The transformation of the labour resources structure is occurring due to the outflow of people from rural areas to the cities. And even though Kyrgyzstan is considered predominantly rural, according to experts' estimates, presently the proportion of people (including both registered and unregistered) in the cities and their suburban areas constitute approximately 60 to 65% (International Labour Organization 2008b); these people mainly reside in the capital, Bishkek, and Osh, second largest city located in the south of the country.

My research has mainly focused on the northern part of Kyrgyzstan, which is why I will touch upon migration patterns in the south¹² of the country, but discuss internal migration in the north in greater detail. As the study of internal migration in Kyrgyzstan, conducted by Rahimov (n.d., p.4), has concluded, there are three vectors of internal migration in Kyrgyzstan related to the issue of land division: from southern provinces to Chui and Issyk-Kul provinces, from rural areas in the north to Bishkek, from rural areas in the south to Osh and Jalalabad cities. However, the scale of internal labour migration is difficult to determine because majority of internal migrants do not register on arrival to their destinations (International Organization for Migration 2001).

9. Main findings

9.1. The setting of the study

All households (except for one interviewee who resides in Bishkek city) that have been interviewed reside in Belovodskoye village of Chui oblast in northern Kyrgyzstan. Belovodskoye was established in 1867, and is located 41 km away from Bishkek city, which makes it very accessible – by car, by public transport. The village has a rather developed infrastructure – electricity, telephone network, water supply, access to railways. Majority of the population is engaged in agriculture. Population size is approximately 85,000 people. Average salary is 4,361 KGS (or approximately 100 USD)¹³.

¹² The south of the country includes three regions (oblasts): Osh oblast, Jalalabad oblast, and Batken oblast.

¹³ Interview, Jamilya Rustemova, “Aiyl Bank” Belovodskoye village branch

9.2. *Expert interviews*

One can define two main agricultural trends in Kyrgyzstan – southern and northern. In the north of the country, where more agricultural land is available, households that specialize in agricultural production generally engage in livestock breeding – cows, sheep. Whereas in the south of the country, where lands suitable for agricultural purposes are scarcer, households are engaged in planting: fruits, cotton and rice are the main products¹⁴.

At the time when the interviews were conducted (March 2010), a new initiative was implemented by the government. The head of Central Agency for Development, Investment and Innovation (CADII), Maksim Bakiev, together with Asia Universal Bank initiated a project aimed at assisting agricultural development, according to which farmers were able to receive credits for the amount up to 120,000 KGS (approximately \$2,700 at the time of interviews) at 23% annual interest rate without collateral. The branches, where credits could be received, could be found in local government offices, which made them widely accessible for the population throughout Kyrgyzstan¹⁵. Thus, this initiative offered the most cost-efficient loans that could be easily accessed. However, after the events of April 2010, that led to the overthrow of the government, accusations in corruption against Maksim Bakiev (son of the overthrown president), the CADII was shut down.

One of the main organizations offering credits to farmers is “Aiyl Bank”, former Kyrgyz Agricultural Finance Corporation; they offer credits both to private and legal entities at 22-27% annual interest rate with collateral. Initially the organization was established with the assistance of the World Bank, which offered a credit, and thus presently “Aiyl Bank” is expected to provide annual reports on its activity¹⁶.

The data revealed that agricultural loan facilities that are assumed for usage by rural residents are in reality widely used by urban households. Although it is against the rules to receive loans in “Aiyl Bank” if one has not resided in rural areas for at least two years (in order to be eligible to buy agricultural land), household members that reside in cities register such loans in names of their relatives from villages and get approved for loans¹⁷. Usually such loans are

¹⁴ Interview, Asel Konoeva, “Aiyl Bank” main branch, Bishkek city

¹⁵ *ibid*

¹⁶ Interview, Jamilya Rustemova, “Aiyl Bank” Belovodskoye village branch

¹⁷ Interview, Asel Konoeva, “Aiyl Bank” main branch, Bishkek city

used for livestock breeding, because given the weather conditions in Kyrgyzstan (sudden drop in temperature in late spring in the north, lack of water in the south) it may be risky to invest in crop production¹⁸. Cattle take 4 to 5 months to gain weight and then they are sold alive to the Kazakhstani meat market¹⁹. There are many pastures, so for those households that can afford investing in cattle it can serve as a high-return activity²⁰. Such an investment in farms indicates that households in urban areas use this income-diversification and risk-aversion, or a risk management strategy, as defined by Readron *et al.* (2006), in order to increase household income. This discovery has also found support in household interviews. Members of *Household C* (which will be discussed in detail in the next section), which is considered the most successful accumulator, have used access to loan facilities to diversify into agricultural activity.

According to the expert from “Aiyl Bank”, financial crisis of 2007-2008 has not influenced farmers’ incomes, due to the fact that prices on meat and dairy have not significantly decreased²¹. Research Institute for Agricultural Economics explains such a phenomenon by the fact that the “effects of the crisis on agriculture are still masked by the good conditions in the 2007/2008 season and in previous years” (2009, p.20). And even though there were wage cuts, growth of unemployment, as well as declining remittances, which led to reduction of household expenditures, due to low price elasticity of food, the decrease was less in case of food products than other goods. The authors suggest that the “reaction of stakeholders will be apparent only later due to the uninterrupted biological nature of production. Not only was the arrival of the crisis in the region late but it is now obvious that the recovery will also be slower than in the developed world, in India and in China” (*ibid.*, p.20).

In 2005, “Aiyl Bank” (KAFC at the time) had almost 1,000 problematic loans, while as of beginning of 2010 there were as little as 26 problematic loans left²². As for reasons why farmers do not repay loans, the answer provided by the expert was very surprising. Apparently, clients did not completely understand the concept of “loans”, and were not afraid of consequences of failing to pay back the credits (which includes house repossession). The clients were not afraid of the bank selling their houses, because such houses are not easy to

¹⁸ Interview, Asel Bekturova, “Frontiers” micro-credit company

¹⁹ Interview, Asel Konoeva, “Aiyl Bank” main branch, Bishkek city

²⁰ Interview, Jamilya Rustemova, “Aiyl Bank” Belovodskoye village branch

²¹ Interview, Asel Konoeva, “Aiyl Bank” main branch, Bishkek city

²² *ibid.*

sell, and thus, families could stay there without consequences. And only when the bank has decided to demolish such houses instead of selling them, the clients with problematic loans realized seriousness of consequences and began repaying their debts, and the number of unpaid loans has dramatically decreased²³. This finding suggests that agriculture can be a high-return source of income, under certain circumstances, such as household having an access to pastures, having collateral to receive a loan.

Yet, other experts suggested that the reasons for unsuccessful usage of agricultural loans happen due to lack of sufficient training in the techniques of land cultivation, management and animal husbandry²⁴. For many rural households loans taken for agricultural purposes represent their last resort, and thus failure to pay it back due to economic reasons, causes such households to slide even deeper into poverty²⁵.

Among the reasons why agricultural sector fails to serve as a primary source of income for rural household, experts suggested that poor land cultivation practices lead to degradation of pastures and deterioration of farming lands, which result in low yields and increased expenditures on animal feed²⁶. Furthermore, lack of adequate veterinary services and livestock nutrition lead to spread of diseases affecting cattle and poultry²⁷. This suggestion has also found support in household interviews, when it was discovered that avian flu has affected the poultry of many households in the village. Furthermore, it has been suggested that while in the south of the country there are many lands available, and harvest can be gathered twice a year, in rural areas around Bishkek city rural households find it difficult to gain access to larger plots of land. One of the problems is seizure of lands around Bishkek that were allocated for agricultural use²⁸. This phenomenon has been investigated by Rahimov (n.d.), which has been discussed in Chapter 6. Households that illegally seize land plots around Bishkek often end up with very small area for farming, which makes relying on income from agricultural produce surplus impossible for such households²⁹.

²³ Interview, Asel Konoeva, “Aiyl Bank” main branch, Bishkek city

²⁴ Interview, Asel Bekturova, “Frontiers” micro-credit company

²⁵ Interview, Jamilya Rustemova, “Aiyl Bank” Belovodskoye village branch

²⁶ Interview, Asel Konoeva, “Aiyl Bank” main branch, Bishkek city

²⁷ Interview, Jamilya Rustemova, “Aiyl Bank” Belovodskoye village branch

²⁸ *ibid*

²⁹ *ibid*

Furthermore, in cases when loans were successfully paid back profit is often spent on unproductive consumption, instead of directing the surplus income into further investments in development of business, or improving education and skills of family members, it is channelled to so-called “toi³⁰ economy,” celebrations and feasts³¹.

The idea of conditionality of positive effects of migration was considered in the World Bank’s “Global Economic Prospects” (2006, p. 125); it is assumed that the investment rate of remittances would be high if they are saved by the households and not spent on current consumption, and should be perceived by the households as temporary and transitory sources of income, and not permanent.

9.3. *Household interviews*

Almost all members of households that have been interviewed reside in Belovodskoye village – four households, and one household included members residing in Bishkek, and in Belovodskoye village. *Household A* includes two interviewees – Tahmina and Kanat, who are a married couple with three children. This household derives its income from several sources, which include rural nonfarm activity: Kanat making furniture at the backyard for neighbours (casual rural self-employment) and helping his mother-in-law with sale of school products in her small kiosk located on a local school property; Tahmina going to Bishkek for her wage employment – she works as train stewardess (urban regular, salaried employment), and while going to Russia through her official employment, she also engages in unofficial employment by purchasing goods in Russia and selling them in her village to her neighbours (casual self-employment); and the last source of income is agricultural activity – this household has a small farm – chickens, vegetables.

Household B consists of one person – Vladimir, who has been living in the village most of his life, the only type of activity he is involved in is agricultural – his farm has a cow and sheep, and he is also involved in small-scale crop production and marketing; however, agriculture is not the only source of his income, and his children, living in the city, give him money usually on a monthly or bimonthly basis.

³⁰ “Toi” is translated as “feast”, “celebration” from Kyrgyz, and is an important part of Kyrgyz culture. Igor Rubinov (2010) has been studying the phenomenon of channelling remittances into “toi economy” in the north of Kyrgyzstan

³¹ Interview, Asel Bekturova, “Frontiers” micro-credit company

Household C is a multi-spatial family, consisting of Duishon and his wife and their child, and Duishon’s parents. Duishon was interviewed as a representative of an urban area; he lives in Bishkek with his wife and their child, and his mother. His father, Kerim, who was also interviewed by me, lives in the village. This household is also involved in several types of activities, from which their income is derived. Duishon works as the head of a small private consulting firm (urban regular, salaried employment); his father, Kerim, also has a regular job – working as a doctor in the hospital in the village (rural off-farm regular, salaried employment) and he also invests money in agriculture by purchasing Uzghen rice and selling it later that year when the price peaks; however, the money for such an investment comes from Duishon’s salary, because Kerim’s only allows him to cover utilities and food.

Household D consists of Raushan, whom I interviewed, and her brother. They live in the village, although Raushan regularly goes to town in order to purchase goods on the market, to later sell in her kiosk in the village (casual self-employment); whereas her brother takes care of the house and grows some vegetables in the garden (agricultural activity).

And the last one is *Household E*, which consists of Semetei and his wife, and their two children. This household is only involved in agricultural activity – they breed cows and sheep, which were an investment from their relatives (Semetei’s older brother), and later sell for meat on a local market, for which Semetei’s family can keep part of the profit and meat for family consumption.

Table 4. Interviewed households

Household	Type of area	Interviewed members	Type of activity
Household A	Rural	Tahmina, 39 years old	Nonfarm (mainly)
		Kanat, 40 years old	Agricultural and Nonfarm
Household B	Rural	Vladimir, 58 years old	Agricultural
Household C	Urban	Duishon, 29 years old	Nonfarm
	Rural	Kerim, 54 years old	Agricultural and Nonfarm
Household D	Rural	Raushan, 51 years old	Nonfarm
Household E	Rural	Semetei, 34 years old	Agricultural

9.3.1. *Push factors*

According to Davis and Pearce, within the context of rural nonfarm economy, in a demand-pull process driven by push factors “rural people respond to new opportunities” (Davis & Pearce 2000, p.3); and in distress-push process, when “poverty, strife, or other circumstances cause a lack of on-farm or urban-based opportunities, and drive people to seek non-farm employment” (ibid, p.3).

The claim that when “push” factors are at work, households are forced to engage in new types of activities or seek other new income sources has found its support in my study.

“We have chickens, and the vegetable garden does provide for preparing preserved food for winter – preserved salads, jam. But we do not have large fields, which is why whatever we grow is not enough. Of course we sell eggs to neighbours (because of avian flu not all neighbours have chickens, so they buy from us), but it does not bring a lot of money. Sometimes we just exchange food – eggs for beets or milk [...] That is why I learned how to make furniture. At first I only made for us – a TV-table, shelves, but then neighbours saw and asked me to make [furniture] for them... and that’s how I started.”

--Kanat, agricultural activity and nonfarm activity, Household A

“In the village there are families who have fields, and they can sell potatoes, but our vegetable garden is not enough even for the two of us. We grow potatoes and carrots, and tomatoes, but we cannot grow everything. It takes too much time to take care of the vegetable garden. When we want to cook food we still have to go to the market and buy some products – rise, oil, onions. And we just grow for ourselves; we do not do it for sale.”

--Raushan, nonfarm activity, Household D

This not only indicates that rural households with limited access to land resources cannot produce enough agricultural output to meet the food needs of the family, but also that such households are pushed into other types of economic activities in order to diversify household income. Households engage in such coping strategies in order to protect their families against crop failure, and since such households are often found in risky agricultural zones and low-potential environments, they are forced to diversify into low-return nonfarm activities, so-called diversification for “bad” reasons (von Braun, Puetz, & Webb, 1989).

Yet, it has been discovered in the study of Kyrgyzstan that since rural households not necessarily specialize in agriculture, and agriculture in many cases does not constitute the

largest share of income, rural households can not only be pushed *into* nonfarm activities, but *from* nonfarm activities *into* agriculture.

“I have been working as a [dermatology] doctor most of my life [...] but the salary is very low, you pay for electricity, you spend money to heat your house (and you know how prices grew now), of course what we [doctors] get is not enough. Sometimes patients give me some money or maybe cognac as a thank you, but it is not enough, what three-four thousand soms?.. it is not enough. But I have relatives in the south [of Kyrgyzstan] and I go there, I give them money. You know Uzghen rice is good for sale. We don't sell it in the village, we sell it in Bishkek, because the prices are higher, and expenses on transportation are fairly low [...] My son and I, we put money into rice. We do not do it every year, only when we have some extra money. But if we do it, we can earn good money. And we never buy rice [for the family] at the market, we always have bags at home.”

--Kerim, *nonfarm activity and agricultural activity, Household B*

9.3.2. Pull factors

“Pull” factors represent the “good” reasons for income diversification, and thus, households with high income diversify their economic activities for profit maximization (Bryceson 1997). Among the interviewed households, only *Household C* diversified into agricultural activity due to the role of “pull” factors.

“Of course I want to earn more money... to provide for my family. I have a good salary, my wife also has a good salary, but we are paying a mortgage credit, we have a family to support. We send money to our relatives every month, or we try to help them [...] Several years ago my father suggested to invest in rice. He knows the market well, he knows where to sell and for which price. He said he wanted to invest in rice... he said it can bring good profit. I took a loan at work, gave him money, 100,000 soms [approximately \$2,300]. When he sold the rice, with that money we fixed the parent's house, we bought a washing machine for them, fixed the roof.”

--Duishon, *nonfarm activity, Household C*

9.3.3. Direct channels of participation in RNFE

Peter Lanjouw (2007) considers possible transmission mechanisms from the nonfarm sector to poverty alleviation. According to the author, initially one should look if there is a *direct participation* of the poor in the nonfarm sector (ibid, p.62). Specifically, one should consider whether the poor encounter any obstacles to engaging in those nonfarm activities that promote

upward mobility. The obstacles may include lack of education or skills, lack of information, social capital or necessary contacts, and so forth.

One of the factors that play a role in accessibility of nonfarm activities promoting upward mobility for rural households is *social networks*. Another important factor is *access to credits*. For *Household A*, Kanat's participation in sale with his mother-in-law helps them balance out their income at times when regular wage employment fails to provide necessary income. And the reason why Kanat could find the job is because of his mother-in-law's connections at school, where they are allowed to open the kiosk. Whereas, for *Household E* nonfarm activities are inaccessible because of lack of necessary contacts as well as absence of possibility of receive a loan.

My brother took a loan from the bank, bought the cows and sheep; we can take care of them. Me and my wife, we don't have other jobs, so we take care of the animals. My brother comes and takes away the animals for meat. He sells them to Kazakhstan. The meat sells well in Kazakhstan, more expensive then if you sell here [...] No, I could not sell on my own, [the brother] has connections there, and I don't know who to call, where to go [...] All I have is this house... how much will they [the credit company] give me for it? No, the way we live is good – we take care of animals, my brother gives me part of the profit, and we always have milk and meat.

--Semetei, agricultural activity, *Household E*

When Davis and Pearce (2000) were describing “pull” factors, they were referring to rural nonfarm economy. However, in case of *Household C* (Duishon and Kerim) “pull” factors were attracting the household to diversify into an agricultural activity. And the main reasons why *Household C* was able to directly participate in this activity were reflecting the factors that prevented *Household E* (Semetei) from participation in rural nonfarm activity – *social capital* and *access to credit*.

9.3.4. *Safety nets*

Declining economic conditions push households into seeking farm and nonfarm employment opportunities in more distant regions. Thus, migration “serves as a regional safety valve” (Hazell *et al.* 2002, p.90).

I work as a train stewardess; I go to Russia as much as I can. Our salary is not high, not at all high. I have to buy goods and bring and sell them here, to neighbours, to

friends [...] Sometimes I bring gold, you know our gold is of bad quality, my mother's friends asked me to bring Russian gold. And sometimes I take "free-riders", it is risky, but I have to earn money, one "free-rider" can bring 500 soms, and some even 1500 soms [\$11 and \$34, respectively].

--*Tahmina, nonfarm activity, Household A.*

Many of the neighbors who are only "kolkhozniks" [farmers] eat only noodles, they sow wheat and that is all; they sell one calf and it will only be enough for oil, for hay, and for [renting a] tractor. I cannot be a "kolkhoznik", I need to earn money.

--*Raushan, nonfarm activity, Household D*

Peter Lanjouw (2007) suggests that one should consider whether nonfarm sector works as a *safety net* for the poor that are "pushed" into nonfarm activities rather than being engaged in "traditional" employment. When push factors are at work and households struggle with falling deeper into poverty, safety net function of nonfarm sector is very important for preventing it from happening, which is why proper attention should be given to this function. It would seem that *Household A*, being a rural household, relies on agriculture as their main source of income, but due to low return are pushed into nonfarm activities. However, in reality nonfarm activities represent household's main sources of income. And when this household is experiencing problems with money (for example, during the summer, when there is no sale in school kiosk, or when Tahmina is not assigned to trips at her wage employment), they can resort to agriculture and still have food on their table because of their vegetable garden and chickens. Thus, this household does fall back on its *safety net*, but agriculture – as opposed to labour migration – is serving the purpose.

Moreover, the findings suggest that agriculture works as a safety net not only for rural households, but for urban as well. Thus, *Household C* uses income coming from investment in agriculture as an additional income, which is used not on every-day consumption, but on large purchases and expenditures, such as fixing the house or paying mortgage credit.

Household B, which consists of one member, is involved only in one economic activity – animal husbandry and marketing. Vladimir earns approximately \$100 per months from milk selling and additional income from one calf a year. Although this income combined with agricultural produce constitutes a large part of the household's livelihood, the *safety net* for this household is remittances sent by children who migrated to town over 10 years ago.

9.3.5. *Indirect participation in RNFE*

One of the main patterns that have been traced is that agriculture is rarely a sole source of income. Even in situations when agriculture was the only activity of household family members, such households had other sources of income in the form of remittances from family members, who live in the city and are engaged in wage employment. One of the main reasons why such agricultural households cannot rely only on income coming from farming is land ownership – since only a small land plot is in their possession, it is impossible to increase agricultural produce in order to satisfy all food needs of the household, much less use for sale.

One of the lines of transmission defined by Lanjouw (2007) is through *indirect channels*. As it has been discussed above, the poor often have limited access to high-profit nonfarm activities; however, it is important to consider the possible benefits and rise of income for those non-involved may have from expanding nonfarm sector. This may happen due to rising demand for agricultural produce (offered by poor farmers) among the non-poor; it may lead to rising demand for agricultural labour in case of increasing investments in agricultural sector coming from nonfarm incomes; and finally, growth of nonfarm sector may lead to tightening of the agricultural labour and hence increase in wages for the latter.

Among the interviewed households, *Household A* could diversify its income due to factors that did not depend on their actions. They could sell eggs to their neighbors and derive income from this activity, while their neighbors were forced out of this agricultural activity (poultry farming) due to avian flu. Thus, tightening of the agricultural sector in their area led to possibility for the household to diversify into a new activity.

9.3.6. *Income diversification strategies*

Jonathan Baker (2006) in his study conducted in Tanzania has identified different types of income diversification strategies – some of them are more risky than others. The author referred to farming-only households as the most risky category, and straddle households as the most successful because they combine crop production and marketing with variety of nonfarm activities. As for Kyrgyzstan, the findings gained support for the idea that non-diversified households belong to the risk category. However, it does not imply that only farming-only households are employing the least successful diversification strategies, but also

those, who for the most part rely only on single nonfarm income. Thus, *Household D* (Raushan) relies only on the profit coming from sale in kiosk, and has taken up only one type of economic activity. This increases household's risks of facing temporary poverty in case their temporary business is affected by external factors (e.g., several years ago the mayor's office in Bishkek has decided to remove all illegally placed kiosks throughout the city, which resulted in removal of majority of kiosks). This household has adopted a survival, or "risk coping," strategy and does not diversify its income.

Household E (Semetei) is not struggling with poverty; it is a rather secure household that does not experience food insecurity or temporary poverty. One might assume that the household is employing "risk-aversion strategy" (Baker 2006). Yet, after closer investigation it can be concluded that *Household E* can also be categorised as risky, because all of the household's livelihood assets in reality belong to another household (Semetei's brother). Thus, the household's wellbeing is very much depended on factors that the members have no power over.

Household B, although involved only in one type of economic activity, can nevertheless be regarded as employing the "risk-aversion strategy." He is spreading his risks through diversifying his agricultural produce – relying not only on crop production but also marketing, as well as milk and meat marketing, which constitute a large share of household's income.

Household A can be regarded as more successful because it combines different types of economic activities – agricultural and nonfarm, as well as utilizes opportunities of the village they reside in and the town to which one family member migrates on a regular basis for wage employment. Diversification of income sources can assure constant flow of cash to meet household expenditures and agricultural produce can ensure relative food security and household survival.

Household C is the most successful accumulator of income – it not only combines income from regular wage employment both in the village and in the city, but also uses opportunities offered by Bishkek city to market agricultural produce. This household not only employs risk aversion strategies, but also diversify their income sources and income-generating activities.

The findings also suggest that majority of households in the village derive their incomes, for the most part, from nonfarm activities. Many families have a division of labour within the family – some members take care of the house, vegetable garden, poultry and livestock (if any), whereas other migrate to urban areas and abroad to earn additional income.

Urban households take loans from banks because they have more access to loan facilities (information, required collateral), and if viewed from household level, it might seem mutually beneficial as in case of *Household E* – urban household hires employees in the village, and a rural household has a source of income. Yet, considered from a macro-level one can conclude that towns are utilizing rural resources and using the loan system to their advantage to a greater degree than villages. Thus, rural households are “pushed” into rural nonfarm economy.

10. Concluding remarks

Agricultural sector plays an important role for rural population around the world and in Kyrgyzstan. However, recent studies began emphasizing the significance of diversification of household incomes in rural areas (Baker 2006; Davis 2006). Thus, both rural and urban livelihoods have been characterized by pooling of resources from different types of economic activities, including agriculture and nonfarm activities.

This paper was aiming to investigate the existence of rural-urban linkages and their effect on rural and urban household incomes. While agriculture is regarded as a traditional form of income-generating activity in rural Kyrgyzstan, it has been discovered that rural households largely rely on nonfarm activities as essential sources of their income; whereas agriculture was serving as a safety net in cases when wage employment, casual nonfarm or other income sources failed to meet household needs. One possible explanation could be that urban households are in many cases more successful at utilizing rural agricultural opportunities, and as a consequence push rural population out of agricultural sector into nonfarm sector.

The evidence presented in this paper indicates that the most successful type of income-diversification strategy implies utilization of both rural and urban opportunities – for example, using loan facilities and social networks in order to invest in animal husbandry or crop production, and combine this income with stable wage employment. Although rural households derive a large part of their income from nonfarm sources of income, they cannot

solely rely on them. Kijima and Lanjouw (2005) explain such a phenomenon by stating that the poor rarely or never have access to high-paying nonfarm activities due to, among others, lack of education, limited land and financial capital, low social status. This suggestion found evidence in the study conducted in Kyrgyzstan. Hence, rural households are forced to be engaged in several low-return nonfarm activities, including internal labor migration, in combination with agriculture in order to balance their household income. Households belonging to high-risk category rely only on one economic activity – farming or nonfarm employment, which makes them vulnerable and dependent on other sources of income, such as remittances.

Inability of rural households to successfully utilize opportunities offered by the agricultural sector could be a subject for future studies. It is necessary to further investigate the barriers that prevent rural population from entering the agricultural sector of employment in general or high-return agricultural activities, and deprive them from opportunity to more successfully apply risk management strategies.

Moreover, interdependent nature of rural and urban households that has been discovered during the study in Kyrgyzstan is also an interesting topic for further investigation. This interdependent nature of the relationship has been discovered to be either mutually beneficial in cases when social capital of one side complements the financial resources of the other. In other cases such a relationship can be risky, because while urban household – by hiring labour from rural area – represents the sole income source for rural household, the latter becomes dependent and vulnerable. Thus, it is worthwhile to pay attention to factors that make rural-urban household relationship beneficial for both parties, and investigate the ‘rural’ part in urban development, and ‘urban’ part in rural development, as suggested by Owuor (2007).

As the study results have shown, it is important to pay proper attention to the inter-dependent nature of town and village economies. National governments together with international organizations should not always consider the two as dichotomous. Cecilia Tacoli states that:

“[i]n many cases, competition for resources results in an increase in social polarization and poverty in both rural and urban areas. The mechanisms that regulate access to, and management of, such resources (such as land tenure systems) thus become increasingly significant, as is the role of government in

negotiating the priorities of different users and in safeguarding the needs of the most vulnerable groups while at the same time making provision for the requirements of economic and population growth” (Tacoli 2007, p.94).

Agriculture continues to play the important role as a safety net for rural and urban households. However, it seems rational that a source of both rural and urban growth would result from encouraging the departure from agriculture into sectors with high labour productivity. Thus, it seems necessary to improve training and retraining capabilities in order to improve skills of rural labour force.

Also, one should understand the importance of not taking the conclusions made in this study for granted, and keep in mind that it is necessary to approach settlements within “the context of their situatedness in time and space” (Sjöberg & Woube 1994, p. 4, cited in Andersson 2002, p. 18).

11. Problems encountered in the course of the study

One of the main problems that I have encountered while conducting this study is lack of official data and lack of accurate data. Current data have to be used with precaution because temporary migration happens in most cases without official registration. However, the present migration phenomena are very difficult to understand only through official figures and ‘outsider perspectives’.

Political events that were taking place in the country have also caused difficulties during the study, because as a consequence political environment had to be addressed in greater detail. Moreover, social and economic conditions of the country has changed drastically and further studies will be able to reflect upon in more accurately, whereas my study had to rely on data on previous years, which without a doubt significantly differ from the present situation.

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13. APPENDIX: Guidelines for expert interviews

- Is there a general profile of your clients? Who are the farmers that take loans from your organization?
- For which purposes do your clients usually take loans?
- How does income portfolio of your clients usually look like? Is agriculture their sole income or do they use it as supplementary income?
- Are there many opportunities in this area to find employment apart from agriculture?
- What are the main reasons why your clients do not return their credits?
 - What are the economic reasons?
 - What are the social reasons?
- How has the economic crisis affected:
 - well-being of farmers
 - their economic situation
 - possibility of marketing agricultural produce
- Does your organization work together with the government? Does it report to government officials?
- What are the government initiatives on improvement of agricultural sector in Kyrgyzstan?
- What are the government initiatives on making loan facilities more accessible?
- Does your organization report to any international donor organization?