

State and local authorities should pay more attention to the issues of strengthening investment policy in the interests of small businesses. This policy should take into account the needed volumes of financial resources, different forms of investment support and, first of all, structural and regional priorities.

Another important factor is the level of external economic relations' development.

It is necessary to make a definite choice regarding the development model for the local economy (import replacing or export-oriented policy) in the sphere of external economic cooperation. The resource distribution structure must meet the requirements of the chosen model.

It is necessary to create a favourable economic environment for domestic entrepreneurs and for foreign investors. It is foreign capital and technological potential, as well as the experience in organizing and running a business that can be used by entrepreneurs to accumulate their own resources for the further development of their businesses.

Besides economic components, the formation of a business environment is influenced by public, political and social factors and they are no less important.

These are purely objective factors and the forming of the market type of thinking is also important.

A large part of the population, including the urban population, does not completely believe in the ideology of market relations. Overcoming the formed stereotypes requires decades: people do not easily change their psychology and way of thinking. It is very important that there be a group of people ready to carry out entrepreneurial activity and protect and personify its principles.

A gradual change in people's psychology, their acceptance of new types of activity and better adjustment to market relations will favour the better use of human potential. The entrepreneurial effectiveness of the population also depends on the combination or predominance of various forms of labour motivation. Currently the material incentive has become the main factor of this activity.

The development of entrepreneurship also shows the importance of historical experience and the availability of traditions, which show the ability of the population to unite in order to bring to life an idea, which opens the prospects of further development.

One of the main problems in the transition to market relations is social differentiation of the population by level and quality of living standards, because this restricts the growth of the entrepreneurial effectiveness of the population. Falling living standards of the overwhelming majority of the population in Kyrgyzstan and a growing number of social groups, which are not competitive in the labour market (disabled people, pensioners, some categories of women) and are passive in their attitude to entrepreneurial activity, are aggravating the unfavourable social, economic and moral situation.

In conclusion it should be noted that all these factors produce a cumulative effect on the development of small businesses. It is actually impossible to define a certain factor and determine its influence on the development process. All the above-mentioned factors either strengthen or eliminate each other. However, the listed factors are not the only ones, which influence the forming of an entrepreneurial environment. There may be casual factors, whose influence can hardly be forecast.

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## THE AGRO-INDUSTRIAL COMPLEX: IMPROVING ECONOMIC RELATIONS

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One of the main reasons for the unsatisfactory situation in the agro-industrial complex is the lost ability to regulate processes taking place in this sphere. The organizational structure of the agro-industrial complex (AIC), which comprised agriculture, forestry, water economy, processing and food industry, material and technical supply, agrarian services and agricultural construction, had disintegrated.

The AIC state management system was liquidated and nothing was created in its stead. This has caused a vacuum in the management system. The unreasoned and scientifically baseless reorganization of state management bodies has led to disjointed management functions at republican and regional levels and the vertical system of the AIC state management system was disrupted.

The AIC economic management system has not been formed either, for different reasons. Numerous structures have been formed in material and technical supply, processing, agro-services and trade, but their work has not been coordinated at state level.

The majority of commercial structures have channeled their activity to making profits without taking into account the interests of agricultural producers and this has negatively influenced the whole production process.

At the present time the number of enterprises and producers processing agricultural raw materials for food and light industries is more than 600.

Due to lack of resources, the production capacities of processing enterprises remain underused. Food industry enterprises are only working on average to 15 % of their capacity and some other enterprises producing certain types of products – less than 10 %.

The branch really lacks modern containers and packaging materials.

The main factor restricting the food industry's development is the unadjusted mechanisms of interaction between agricultural producers and processing enterprises.

The difficult situation in light industry was caused by a lack of mutual relations between light industry and

related branches of the economy and between light industry and consumer cooperatives dealing with the procurement of agricultural raw materials.

Disruption of the chain of mutual relations between industry and agriculture resulted in less than 10 % of domestically produced light industry goods in the domestic market. Light industry production levels are only running at 20-30% capacity.

The following measures are offered to solve the problem of the AIC management:

Firstly, it is necessary to determine the AIC structure as an object of state management, pursue a state policy and have a vertical AIC management system with regard to state programmes implementation, distribution of information and compliance with national laws.

Secondly, it is expedient to establish an AIC Coordination and Development Council.

Thirdly, area agricultural administration bodies must be included in the state management system of managing the AIC at local level.

Fourthly, changing the main management procedures, forming new administration bodies, strengthening operating state and regional organizations of the AIC and creating a network of information consultative services.

The integration of agricultural and industrial output is a necessary process conditioned by the specific character of food production technology and the peculiarities of production technologies for some types of raw materials for the food and light industries.

Agricultural outputs are mainly represented by perishable goods and goods poorly suitable for transportation and unbalanced, disintegrated and isolated production, storage and processing result in big material losses.

The modern agro-industrial complex of the Republic must be formed and improved in the following directions: improving the system of economic relations, which secures a greater material interest of agricultural producers in the increase of agricultural output, achieving intensification of branches based on agro-industrial integration.

The agro-industrial complex must include the following: production of the means of production for the complex's branches, production of agricultural products, an agricultural raw materials processing industry and the production and social infrastructure.

It is necessary to establish close relations between enterprises of the complex concerning utilization of transport, energy, storage facilities, waste products, etc.

Processing enterprises must be provided with a reliable raw materials base – this will help to effectively influence the assortment and quality of supplied raw materials. Agricultural economic entities will be able to sell their products in a timely and full manner.

One of the main tasks for increasing the volume of food and light industry products and for promoting them in the domestic market is forming equal economic relations between agricultural producers and processing enterprises. Another task is integration on mutually beneficial terms and conditions in the form of finance and industry groups, concerns, inter-regional unions,

associations, cooperatives of goods producers, agro-combines, agro-firms and other formations in the production, processing, storage and sale of agricultural output.

It is necessary to provide conditions for the integration of all subjects on a cooperative basis to cover the whole technological process – from the production of agricultural raw materials to the sale of the finished goods.

The development of agricultural integration is an objective economic process connected, on the one hand, with the public division of labour and its specialization and on the other hand, with the necessity for interaction between specialized branches and types of agrarian and industrial output.

Integration forms, such as non-commercial partnerships, associations and unions will be developed and their main tasks will be protecting and representing the interests of their participants, promoting the development and introduction of advanced techniques and technology, establishing the procurement and trade network and coordinating the interaction and mutual settlements of participants.

The AIC crisis cannot be overcome without strengthening the role of the state in economic regulation, without attracting domestic and foreign investments and creating conditions for increased profitability of output and the development of a marketing system and market infrastructure.

In the agrarian sphere it is necessary to secure a regulated agrarian economy.

It is important to establish the optimum correlation between the state regulation of agricultural output and the food market at macro-level and between the market regulation mechanisms.

The most important problem for the AIC is village social development. Its solution requires restoring old and creating new jobs in villages, raising the level of agricultural producers' incomes and pensions and social protection of the most vulnerable layers of the population.

The new national strategy must be based on the approach of considering the village to be a large agro-industrial sphere.

It is necessary to stipulate the development of housing and road construction, a network of general educational institutions, primary medical aid institutions, cultural and leisure activities, trade and consumer services, gas, electricity, water and telecommunications supplies in rural populated areas.

The effective work of the AIC depends on solving technical, economic, organizational and social problems:

1. Integrating agricultural and industrial output to increase the effectiveness of the complex's functioning.
2. Forming the production infrastructure including procurement organizations, material and technical supply, elevators, storage facilities, roads, power transmission lines, transport and repair enterprises.
3. Securing social infrastructure including housing and communal construction and consumer services.
4. Creating agro-industrial formations in view of the development tendencies of specialization, concentration and cooperation of production.

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