

Family Assets Mobilization – 2009

Increasing Social and Economic Mobility to Promote Broad-Based Economic Growth

CER, with the support of UNDP, is launching the second round of the 'Family Assets Mobilization' (FAM) survey. The first round, conducted in 2004 focused on the issue of transforming the 'idle' capital of households into productive investment

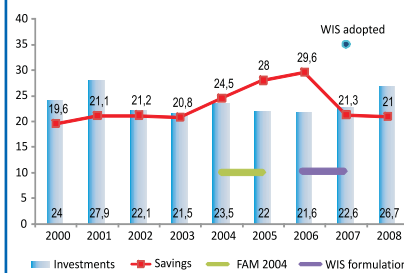
FAM-2004 was largely based on the ideas and approaches developed by Hernando de Soto in his renowned book 'The Mystery of Capital'. De Soto argued that the enhanced capacity of households to effectively mobilize their 'idle' capital is the key to unleashing the capacities of the poor for income generation and to contribute to overall economic growth. Hence, FAM-2004 assessed the size and structure of households' assets and identified new opportunities for using these assets for income generation.

The recommendations based on FAM-2004 had a considerable impact on social and economic policies during the last five years. The development of microfinance institutions, reduced transactions costs and home-based employment programs supported by the government expanded the opportunities of households and businesses. FAM-2004 also served as an input for the formulation of a comprehensive study on Linking Macroeconomic Policy to Poverty Reduction (2006) and of the National Poverty Reduction Strategy - the Welfare Improvement Strategy of Uzbekistan (WIS).

Still, the impact of economic growth and investment on living standards has so far remained limited. Each percent of GDP growth generated only 0.37-0.40% growth in employment. Income growth has also been uneven and the findings of the Household Budget Surveys (HBS) show that poverty declined consistently but only slowly – from 27.5% to 23.6% between 2001 and 2007. However, HBS data is insufficient for analyzing what causes the movement of households within and between income groups. And there is no reliable assessment of the current composition of households' assets and the effectiveness of government policies on asset mobilization.

Therefore one of the objectives of the FAM-2009 will be to analyze changes in households' assets and the effectiveness of the policies and infrastructure created so far to facilitate households' assets mobilization. It will also explore the needs of households in terms of improving the environment for income generation and increasing living standards.

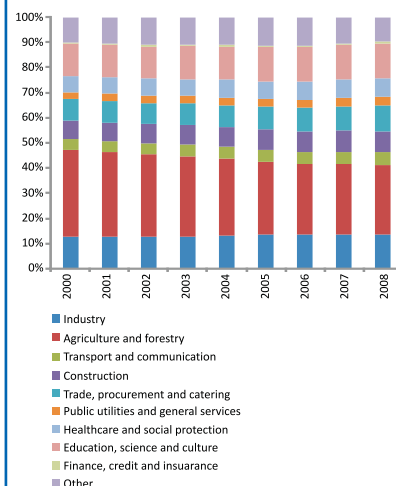
Savings and Investments in 2000-2008, % of GDP



Source: State Committee on Statistics

Uzbekistan does not lack savings to generate productive jobs. The main challenge in investment policy is not just the search for additional sources of financing but to mobilize such savings and direct it to productive private investment.

Employment by sectors in 2000-2008, % of total employment



By 2025 the rural population will reach around 22.2 million. Given the size of agricultural land and the expected increase of productivity, the number employed in agriculture will decrease from 3 million to 2 million. In the medium run Uzbekistan will face growing unemployment in the rural labor force (which will reach about 7 million by 2025). Therefore the Government should strive to develop more comprehensive policies to create employment opportunities in the non-agricultural sectors of the economy.

At the same time, for various reasons, some households are either unable or unwilling to take advantage of the improved business environment and start their own business. Some of them lack sufficient resources, knowledge and skills or have limited access to infrastructure. Others prefer to remain as salaried workers. Additionally, households that already have businesses are reluctant to invest their disposable resources into the expansion and diversification of production and the recruitment of new employees. Given this, further improvement of the existing institutions for assets mobilization and a focus on self-employment and entrepreneurship development may not be sufficient to ensure broad-based economic growth. The Government should strive to develop and implement comprehensive policies to better facilitate the mobility of individuals, households and businesses and so:

- expand opportunities and build-up the capacity of sustainable businesses and create incentives for them to develop and access new markets, expand employment and invest in human capital;
- create an enabling environment and stimulate the geographical, occupational and social mobility of individuals and households, encouraging households' investment in human capital and engaging them in productive employment.

These new dimensions will be included as new components of FAM-2009. The survey will be conducted in all regions of the country. It will cover 3,000 households based on representative random sampling and entail 2,500 interviews with individuals to ensure the representativeness of the study at the national level. It is also envisaged to interview 1,000 entrepreneurs, and conduct 70 in-depth interviews and 15 focus group discussions in all the regions of Uzbekistan to get an assessment of the impact of existing institutions on social and economic mobility.

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