



## Table of Contents

<b>1. INTRODUCTION</b> .....	<b>13</b>
1.1. COUNTRY BACKGROUND AND PROBLEM STATEMENT .....	13
1.2. MOTIVATION OF THE STUDY .....	16
1.3. OBJECTIVES AND RESEARCH QUESTIONS .....	17
1.4. HYPOTHESIS .....	18
1.5. (ONCEPTUAL FRAMEWORK OF THE STUDY .....	18
<b>2. SECTORIAL ANALYSIS AND BACKGROUND OF THE STUDY AREA</b> .....	<b>20</b>
2.1. ECONOMIC REFORMS IN UZBEKISTAN .....	20
2.2. ÄGRICULTURAL SECTOR OF UZBEKISTAN .....	23
2.2.1. <i>Agricultural development</i> .....	23
2.2.2. <i>Farm restructuring process</i> .....	29
2.2.3. <i>Landproperty rights</i> .....	36
2.2.4. <i>Agricultural market, price setting and agricultural products' chain</i> .....	38
2.2.5. <i>Impact o j agricultural policy on agricultural productivity</i> .....	45
2.2.5.1. Agricultural labour productivity .....	46
2.2.5.2. Agricultural land productivity .....	46
2.2.5.3. Total factor productivity .....	47
2.3. REGIONAL BACKGROUND: KHOREZM REGION .....	49
2.3.1. <i>General infor mation about Khorezm: history, location and climate</i> .....	49
2.3.2. <i>Economy o j Khorezm</i> .....	51
2.3.3. <i>Agriculture o j Khorezm</i> .....	52
2.4. WATER RESOURCES AND WATER MANAGEMENT SYSTEM .....	55
2.4.1. <i>Overview o j water use</i> .....	55
2.4.2. <i>Water management</i> .....	56
2.4.3. <i>Irrigation and drainage system</i> .....	58
2.5. SOIL RESOURCES OF KHOREZM .....	61
2.5. 1. <i>Soil type and soil quality</i> .....	61
2.5.2. <i>Soil salinity</i> .....	64
2.6. LANO DEGRADATION IN THE STUDY AREA .....	65
2.7. (ONSEQUENCES OF UNSUSTAINABLE RESOURCE USE IN AGRICULTURE OF (ENTRALASIA .....	68
<b>3. THEORETICAL FRAMEWORK AND METHODOLOGY FOR LANO DEGRADATION ASSESSMENT</b> .....	<b>71</b>
3.1. LANO DEGRADATION: DEFINITIONS, CAUSES AND IMPACTS .....	71
3.1.1. <i>Definition o j land degradation</i> .....	71
3.1.2. <i>Causes o j land degradation</i> .....	72
3.1.3. <i>Land degradation impact</i> .....	74
3.2. ECOSYSTEM SERVICES AND ITS IDENTIFICATION .....	76

3.3.	THEORETICAL FRAMEWORK FOR ECONOMIC ASSESSMENT OF THE LAND DEGRADATION COSTS .....	78
3.3.1.	<i>Total economic value of land and land-based services .....</i>	78
3.3.2.	<i>Economic assessment of land degradation - selecting of valuation methodology.....</i>	82
3.3.3.	<i>Production loss approaches .....</i>	86
3.3.4.	<i>Mitigation cost approach .....</i>	87
3.4.	IMPLEMENTATION COSTS OF ALTERNATIVE TECHNOLOGIES .....	88
3.4.1.	<i>Water supply costs .....</i>	88
3.4.2.	<i>Irrigation efficiency and water productivity .....</i>	90
3.4.3.	<i>Assessment of budgetary and trade effects .....</i>	91
3.4.4.	<i>Partial budgeting.....</i>	92
3.5.	COST-BENEFIT ANALYSIS OF LAND USE CHANGES .....	92
3.5.1.	<i>Cost-benefit analysis for decision-making.....</i>	92
3.5.2.	<i>Discounting and compounding.....</i>	93
3.5.3.	<i>Present value .....</i>	94
3.5.4.	<i>Net present value .....</i>	94
3.5.5.	<i>Benefit - cost ratio .....</i>	95
3.5.6.	<i>Internal Rate of Return.....</i>	95
3.5.7.	<i>Action against inaction.....</i>	96
<b>4.</b>	<b>DATA SOURCES AND ANALYSES .....</b>	<b>97</b>
4.1.	<i>Land classification .....</i>	97
4.2.	<i>Crop pattern, yields, product prices and water consumption .....</i>	98
4.3.	<i>Water use efficiency .....</i>	99
4.4.	<i>Water price calculation .....</i>	101
4.5.	<i>Cotton value chain and wheat value chain .....</i>	102
<b>5.</b>	<b>ASSESSMENT RESULTS .....</b>	<b>104</b>
5.1.	LAND DEGRADATION COSTS IN KHOREZM .....	104
5.1.1.	<i>Production losses as an impact of land degradation.....</i>	104
5.1.2.	<i>Mitigation costs of land degradation.....</i>	105
5.2.	ASSESSMENT OF WATER CONSERVATION IMPACTS .....	106
5.2.1.	<i>Changes in irrigation efficiency .....</i>	106
5.2.2.	<i>Inflows to the state budget.....</i>	108
5.2.3.	<i>Results of the Partial budget analysis .....</i>	109
5.3.	COST-BENEFIT ANALYSIS OF THE LAND-USE CHANGES .....	111
5.3.1.	<i>Action versus inaction: production changes.....</i>	111
5.3.2.	<i>Action against inaction: economic benefits .....</i>	114
5.3.3.	<i>Action against inaction: costs.....</i>	117
<b>6.</b>	<b>DISCUSSION OF THE RESULTS .....</b>	<b>119</b>

6.1.	POTENTIALS FOR WATER PRICING .....	119
6.2.	IMPROVING OF WATER SECTOR .....	121
6.3.	PERSPECTIVES OF LAND-USE CHANGES .....	123
<b>7.</b>	<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>126</b>
7.1.	GENERAL SUMMARY AND CONCLUSIONS .....	126
7.2.	RECOMMENDATIONS FOR FURTHER RESEARCH .....	127
<b>REFERENCES .....</b>		<b>129</b>
<b>APPENDICES .....</b>		<b>146</b>
ÄPPENDIX 1.	LAND AREA OF DIFFERENT FARMS .....	146
ÄPPENDIX 2.	ÄGRICULTURAL CROP PRODUCTION BY CATEGORY .....	147
ÄPPENDIX 3 A.	(LASSIFICATION OF SOILS ACCORDING TO WATER PERMEABILITY, 1000 HA.....)	148
ÄPPENDIX 3 B.	ÄDAPTABILITY OF VARIOUS SPRINKLING TYPES FOR THE SOILS OF DIFFERENT PERMEABILITY,,)	149
ÄPPENDIX 4 A.	(ROP ALLOCATION FOR SELECTED SCENARIOS .....	150
ÄPPENDIX 4 B.	ÄLTERNATIVE CROP ROTATION FOR IMPROVING SOIL ORGANIC MATIER.....)	151
ÄPPENDIX 5.	SELECTING OF OPTIMAL CONSERVATION TECHNOLOGY .....	152
ÄPPENDIX 6.	LAND CLASSIFICATION IN UZBEKISTAN BY REGIONS, HA.....)	153
ÄPPENDIX 7.	ECONOMIC BENEFITS OF INACTION AND ACTION, 1000 USD .....	154
ÄPPENDIX 8.	COST OF INACTION- DECREASING OF INFLOWS TO THE STATE BUDGET, 1000 USD .....	155
ÄPPENDIX 9.	IRRIGATION WATER PRODUCTIVITY .....	156
ÄPPENDIX 10.	FOOD PRICE INDEX IN KHOREZM .....	157
ÄPPENDIX 11.	SOIL SALINIZATION OF THE KHOREZM REGION .....	158
ÄPPENDIX 12.	MAP OF THE SOIL BONITET CLASSIFICATION OF THE KHOREZM REGION .....	159

