



## SCIENCE BRIEF 2

### When a Cooperative Is Not Cooperative: Insights and Implications from the Policy on Cooperatives in Uzbekistan

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#### Summary

This science brief highlights institutional challenges and obstacles to successfully promoting agricultural cooperatives in Uzbekistan. We explored the latest state policy (2019) on establishing cooperatives in the horticulture sector and assessed its compatibility with existing institutional conditions following the Procedure for Institutional Compatibility Assessment. For this study, we collected and analyzed data from relevant policy documents and interviews with farmers, policymakers, and experts involved in the policy design and implementation. The findings indicate that regulatory intervention led to the quick and formal creation of pseudo-cooperatives with quasi-voluntary memberships, which contradicts the autonomous nature of cooperatives as independent entities. Ultimately, information availability, general trust in the state, and the authorities' capability to efficiently enforce the policy proved crucial in assessing the policy's compatibility with the broader institutional environment. Following policy implications ensue. First, more transparent and inclusive consultation with farmers should occur during the policy design phase. Second, the government should relax its enforcement mechanisms when encouraging voluntary organizations like cooperatives. Third, and more importantly, the state should rethink its attitude towards farmers and create conducive conditions for farmers to form and run cooperatives independently.

#### Background

Post-socialist countries confront institutional challenges in advancing agricultural cooperatives. The primary challenge lies in the state's efforts to encourage voluntary cooperation among farmers with a negative perception of collective farms due to the socialist legacy. The issue gained prominence in countries like Uzbekistan, where the state dominates and owns agricultural land. After gaining independence in 1991, the Government of Uzbekistan (GoU) implemented a couple of policy experiments to promote cooperation in agriculture. First, in 1998, kolkhozes (soviet collective farms) were transformed into shirkats (agricultural cooperatives) based on short-term production contracts with their members – small household farms. Shirkats were identified as inefficient organizations primarily because of the inadequate motivation of their members and the state's interference in their operations through production quotas and price regulations. Therefore, between 2004 and 2006, the GoU dissolved most of the shirkats and promoted agricultural firms (agrifirm) as a new form of cooperatives with individual farms as their formal members. Agrifirms, similar to shirkats, were subject to state control through analogous intervention measures and, therefore, could not be classified as genuine cooperatives. Against this background, the Presidential Decree of 14 March 2019 marked a significant shift in agricultural policy by endorsing cooperatives to promote sustainable production and export competitive agricultural goods in horticulture. The Decree states that farmers can establish or join cooperatives voluntarily and introduces two new incentives to make cooperatives appealing to farmers. The first incentive is exempting

members' land from future state expropriation and optimization. The second incentive grants farmers within cooperatives the autonomy to determine their crop structure, land allocation, and production targets. However, the question remains: how is the new policy compatible with the existing institutional environment?

#### Methodology

To address our research problem, we conducted a case study using the Procedure for Institutional Compatibility Assessment (PICA). We carefully selected crucial institutional aspects (CIAs) that reflect the regulatory nature of the policy and institutional context of agriculture in Uzbekistan. The fieldwork was conducted in sites per the Decree where cooperatives had to be established: Samarkand and Tashkent provinces. In addition to reviewing pertinent literature and policy documents, data collection comprised interviewing key actors who played a part in and were impacted by the policy design and implementation: policymakers, farmers, and experts. Important information was obtained from the respondents' rankings of selected CIAs, grouped into categories based on state support for farmers, the bargaining power of farmers, property rights and perceived economic benefits, and trust towards other stakeholders. Ultimately, our methodology allowed us to gain a deeper understanding of the formal and informal processes underpinning state policy on cooperatives.

#### Results

From the following (Figure 1), we can already see the incompatibility of policy goals and enforcement mechanisms with the promotion of voluntary forms of governance, such

as cooperatives. Findings indicate that a top-down approach to policy implementation resulted in the quick establishment of pseudo-cooperatives with quasi-voluntary membership devoid of promised policy benefits. This goes against the very nature of cooperatives as independent organizations based on voluntary participation. A closer look at the relative importance of CIAs, as perceived by respondents, reveals critical areas of policy incompatibility with the overall institutional environment (Figure 2). In particular, the first three most essential CIAs pertain to the role and functions of the state in policy design and implementation

Policy aspect	As per the Decree	In practice
<i>Establishment of cooperatives</i>	Self-organization by farmers	Top-down quick establishment in selected locations. Farmers lacked information on policy
<i>Type of cooperative</i>	Service	Producer
<i>Membership</i>	Voluntary membership	Enforced membership, farmers were indifferent to membership terms.
<i>Crop choice</i>	Freedom to choose crops	Crop choice is still subject to crop placement plan
<i>Land property rights</i>	Protection of land from land optimization and expropriation.	Farmers perceived this aspect as the least important for joining a cooperative

Figure 1. Comparison of policy goals and enforcement results

This aligns with current cooperative theory and practice, indicating that policy intervention outcomes hinge on information availability and communication, farmers' trust in the government, and authorities' capability to efficiently promote cooperatives.

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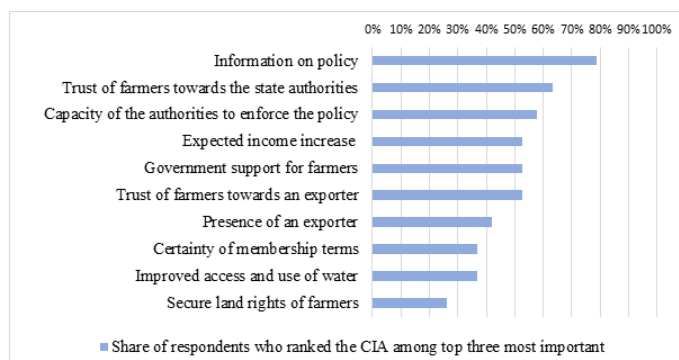


Figure 2. CIAs ranked by their inclusion to the top three most important ones. Note: 19 respondents in total; respondents had a possibility to give the same rank to more than one CIA.

## Recommendations

The state's attempt to impose cooperatives on farmers initially faced challenges due to communication gaps and differing perceptions of roles between the state and farmers in policymaking. This led to outcomes that diverged from the initial policy intentions. The following policy implications can be drawn from this:

1. When consulting with farmers during policy design, there should be increased transparency and inclusivity.
2. The state should avoid strict top-down enforcement mechanisms when promoting voluntary organizations like cooperatives.
3. The state should reassess its approach toward farmers, providing economic and advisory assistance and the time and autonomy needed for farmers to create and manage cooperatives independently.

#### Reference

Niyazmetov, D., Soliev, I. and Theesfeld, I., 2021. Ordered to volunteer? Institutional compatibility assessment of establishing agricultural cooperatives in Uzbekistan. *Land Use Policy*, 108, p.105538.

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