My presentation

1. Three views on agricultural policymaking in Central Asia
   - Agricultural vs. urban interests
   - Endowment effects in post-socialist agriculture
   - Agricultural policy in Limited Access Orders
2. Evidence in favour of each of these views
3. Conclusions & implications
Main areas of agricultural policy action to be examined

- Public budget transfers to agriculture
- Agricultural price support or taxation
- Restructuring of farms & value chains
- Governance of public goods in agriculture

Which agricultural policies to expect in Central Asia?

Two leading views on the determinants of agricultural policies:

1. Agricultural vs. urban interests
   - Shifting political influence during economic development induces taxation of farm sector in “poor” & protection in “rich” countries

2. Endowment effects in post-socialist agriculture
   - Expected subsidy losses & technological disorganisation costs inhibit agricultural restructuring in post-USSR
   Pryor 1992, Swinnen & Rozelle 2006
An alternative view

3. Agricultural policy in Limited Access Orders

- Political elites use agricultural policies to create short-term rents in order to control violence


[Graphs and data sources mentioned]

Data: World Bank, FAO.

Martin Petrick (IAMO) 2016
Degree to which citizens can influence political decisions

![Graph showing the Polity indicator for different countries over time]

Data: Polity IV Project.

Urbanisation & public support to agriculture

![Graph showing the relationship between agricultural population and budgetary support in % of agr output]

Population extrapolated from FAO data, support data from OECD & var. government sources.
Agricultural vs. urban interests in CA policy making

- Declining share of agricultural employment in all countries
- Strong average income growth in Kazakhstan & Turkmenistan
  - Prediction: rise of protective agricultural policies across the region

Available evidence indicates **diverse picture**:
- Rising public support in Kazakhstan
- Strong taxation (of cotton) in Turkmenistan & Uzbekistan
- Little policy intervention in Kyrgyzstan & Tajikistan
- Political influence of farmers very small across all countries
Endowment effects in post-socialist agriculture

Conventional arguments why little restructuring occurs in ex-USSR:
- Capital & network intensity of socialist large-scale technologies
- Lack of private farming tradition
- Lack of grassroots pressure (other than in China)

Prediction: observe little restructuring across the region, except where farmers had nothing to lose

In fact, policy-induced change did occur:
- Cropping patterns: substitute wheat for cotton
- Diverging picture of farm restructuring, even in homogeneous areas
- Individualisation of livestock herds (mostly unintended)

![Diagram showing the ratio of cotton to wheat area from 1990 to 2015 across different countries.](chart.png)

Source: USDA.

Martin Petrick (IAMO) 2016
Wheat production in Central Asia

Source: USDA.

The farm restructuring laboratory in Ferghana valley

Source: UNEP/GRID Arendal.
Share of individual farms in total irrigated land
Ferghana valley provinces

Data: National Statistical Agencies.

Martin Petrick (IAMO) 2016

Number of individual farms per irrigated area
Ferghana valley provinces

Data: National Statistical Agencies.

Martin Petrick (IAMO) 2016
Remaining puzzles in the light of conventional theories

- Why the technology shift from cotton to wheat in Tajikistan, Turkmenistan & Uzbekistan?
- Why the striking differences in land reform in Kyrgyzstan, Tajikistan & Uzbekistan?
- Why such an exceptional rise of agricultural spending in Kazakhstan?

North/Wallis/Weingast theory of Social Orders

Increasing
- Control of violence
- Durability of organisations
- Rule of law for elites
- Economic prosperity

Open Access Order
- Discrete, irreversible transition

External shocks

Limited Access Order
- Dominant coalition directs organisations to create & distribute rents, to keep violence in check
- Dilemma: violence control enables short-term rents, but inhibits long-term economic growth

Empirical implications for Central Asian agriculture

- Purpose of agricultural policies: create & distribute rents in favour of ruling elite (possibly productive rents in Ricardian sense)
- Agricultural reforms are (at least indirectly) caused by the threat of violence. In fragile LAOs, this threat can be immediate
- While observed agricultural policies create short-term rents, they are detrimental to long-term growth
- Complex agricultural organisations cannot exist outside control of government
- Private agricultural organisations start to exert pressure on governments in maturing LAOs
- OAO agricultural institutions operate differently in LAOs and should not be uncritically promoted in LAOs (e.g. private property)

Illustrating examples

- Land reform in Kyrgyzstan & Tajikistan
- Cotton vs. wheat in Uzbekistan
- Reform of agricultural water governance
- Agricultural policy reversal in Kazakhstan
Land reform in Kyrgyzstan & Tajikistan

Kyrgyzstan
- First President Askar Akaev chosen as a compromise candidate by Kyrgyz Supreme Soviet to moderate ethnic tensions
- Land redistribution an explicit strategy to defuse these tensions (in the wake of Osh riots in 1990) (Collins 2006)

Tajikistan
- Privatisation & land redistribution a threat to elites in Tajikistan
- While restructuring was formally implemented, it actually only meant a change of the sign on the door ("collective dekhan farms") (Robinson et al. 2008)
- “Bricolage”: a “process of re-combination and re-interpretation of institutional elements from different logics” (Sehring 2009, 41)
Cotton vs. wheat in Uzbekistan

In favour of cotton:
- Long-standing tradition of cotton taxation in favour of local elites since the Soviet “Cotton Scandal”
- Purges initiated by Moscow were undone after independence, as old administrators were reinstated by new government (Collins 2006)

In favour of wheat:
- Bread shortages a recurrent cause of violent conflict (e.g. Ferghana city 1990, Tashkent 1992)
- Introduction of wheat delivery quotas a government response to stabilise domestic supply, thus calming the streets

The failure of agricultural water governance reform

Introduction of local Water User Associations (WUAs) in early 2000s
Actively promoted by donors as international best practice to:
- Improve local self-management of farmers in a participatory arrangement
- Enhance efficiency & reliability of water use,
- Recover maintenance cost, etc.

In fact, “the rules and roles of WUA’s were unpacked and remodelled to serve particular functions” by
- Compulsory rather than voluntary membership,
- Appointment of leaders by governments,
- Accountability to state organisations rather than to members,
- Taking over responsibility for state production targets.

Sehring 2009; Veldwisch & Mollinga 2013, 770
Agricultural policy reversal in Kazakhstan

First decade after independence: the agricultural race for assets
- Independence meant temporary power vacuum & emergence of new players (Schiek 2014)
- Widespread asset stripping at former kolkhoz level
- Government sales of tobacco, sugar & oil processors to foreign investors worth 440 mln USD (Kalyuzhnova 1998)
- Power re-monopolisation successfully completed by end of 1990s

After 2000: bureaucratic modernisation to safeguard political power
- Strong rise of agricultural spending & protection to boost diversification
- Set-up of KazAgro as an agricultural development bureaucracy
- Broad mix of instruments with questionable focus (Petrick & Pomfret 2016)
Conclusions

- Agricultural policymaking in Central Asia subject to a **political context of Limited Access Orders**
- Thorough agricultural reforms in the region often triggered by (at least implicit) **threats of violence**
- **Long term effects** on agricultural growth often negative
- Incentives for policymakers **depend on fragility of regime**, not on classical political majorities or interest groups
- Astonishing diversity of agricultural reforms **at odds with simplistic explanations** of post-socialist reform barriers
- Ample evidence that “**Western” institutions are dysfunctional** in Central Asia

Implications for the economic reform agenda

If Central Asian countries aspire to raise prosperity, **their problem is not to become Western-style market economies** overnight

- Fragile LAOs need to control violence
- Mature LAOs need to make organisations more durable, shift attention from short-term rents to long-term growth

**Example**: Kazakhstan’s attempt to introduce a “Singapore-model” of meritocratic public administration, including reforms in

- Staff selection
- Pay & grading
- Education & training
- Behaviour of the leadership

Nelis 2014, Schiek 2014
Implications for the agricultural reform agenda

- Strengthen agricultural administration & public services related to agriculture (incl. vocational & higher education, research)
- Decentralise & locally legitimise government
- Encourage economic & political self-organisation of farmers, agrobusinesses, rural banks
- Consider downside of generous spending in agriculture (incentives, lobbying, corruption)
- Don’t expect miracles

References


