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Agents of change: The role of agricultural service organizations in Uzbekistan

Summary

This paper tackles the yet unstudied agricultural service organizations (AgSOs) in Uzbekistan, 20 years after national independence from the Soviet Union: Which role do the AgSOs play today and what could be done to improve their functioning during this ongoing period of agrarian change?

Background

Agriculture plays a principal role in the national economy of Uzbekistan, aiming at food security and employment of the country's rural population. As in Soviet times, cotton remains an important foreign exchange factor for the national economy although the contribution of agriculture to the GDP has decreased from 37% in 1991 to around 18% in 2009. Since its independence in 1991, Uzbekistan has initiated three major agricultural reforms, changing agricultural production from a collectivized enterprise to a still-in-flux system today with semi-privatized individual farming and with crops such as cotton and wheat under a state procurement system. This 20-year process of transition has significantly impacted the country's rural and agricultural landscapes.

Function and role of AgSOs

Agricultural service organizations (AgSOs) play a crucial role in offering inputs, machinery services, fertilizers, financial and insurance services to agricultural production today. As long as agricultural activities are promoted by the national administration, AgSOs will be needed. In the current transition process, AgSOs do however not only provide agricultural services, but fulfill many other socio-political functions in society too: E.g., they participate in meetings arranged by the state administration dealing with cotton and wheat agricultural campaigns, and act as a social security net for its personnel.

Analyzing causes of mal-functioning

Here, we analyze the current challenges of AgSOs in the region of Khorezm. The AgSOs have moved from fulfilling a role in the centrally managed Soviet agricultural system to providing services to a large contingent of individual farmers under various production systems. Despite the reforms, the development of AgSOs is interrupted and many of them are on the brink of bankruptcy. This is caused by, for example: The ceased state supply after the demise of the Soviet Union, debts of farmers, poor service and input provision, inability to renew hardware such as agricultural machinery and equipment, under-developed



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market infrastructure in rural areas, mismanagement of AgSOs' resources, lack of access to credit facilities, and a lack of knowledge on how to work under a changing and more market-oriented environment as desired by the national administration.



Picture 1: Urgench district Machine Tractor Park, state-neglected AgSO.

Typology and methodology

Data was collected through various qualitative methods including farmers' surveys, literature review, participants' observation and semi-structured interviews with state authorities and all service providers in 2009 and 2010, as well as through conducting internships in different AgSOs. Research findings identified three types of AgSOs. The first group consists of state-affiliated AgSOs (AgSOs-1), for example fertilizer companies and fuel supply organizations. They are of strong economic interest to the state and under state vigilance. The AgSOs-1 fulfill the state orders as required by the present-day procurement system. Therefore, they get more economic state indulgences but are also more bureaucratic and overstaffed than the other two types of AgSOs.

The next category are the state ignored AgSOs or AgSOs-3, exemplified by e.g. private bio-laboratories. They are of little economic interest to the state, since service provision by bio-labs is not compulsory for farmers who cultivate cotton and wheat - in contrast to service provision by AgSOs-1 and 2. Moreover, AgSOs-3 receive less state-support than AgSOs-1 and are least covered by the monitoring mechanisms applied to the AgSOs involved in producing state-ordered-crops. AgSOs-3 operate both for the state procurement system and outside of it. Producers not subjected to the state procurement system such as commercial farmers, animal husbandry farmers and horticulture farmers are the primary users and customers of services offered by AgSOs-3. These non-state AgSOs-3 therefore offer a next development path for agrarian reform, particularly when aiming at creating a private market of services.

The last category consists of state neglected AgSOs or AgSOs-2, exemplified by e.g. machine tractor parks. They are in the process of transition from AgSOs-1 to AgSOs-3. This type of organization remains vital for all agricultural productions systems. Due to the transition process, AgSOs-2 are withering away since the state has (gradually) down-scaled its support, forcing these AgSOs into a process of re-structuring. The human resources working in AgSOs-2 still know how to run agriculture as practiced during the Soviet times and function as a taskforce to

manage today's agriculture – which is still of strategic importance to the state. Now, the AgSOs-2 either have to give up, or are being half-way between becoming private *de jure* and being subordinated to the state *de facto*.

Summary and recommendations

AgSOs face two possible future scenarios:

- If the present production conditions under the state procurement system remain unaltered, state support has to further improve the functioning and efficiency of all AgSOs. This could imply that the on-going privatization process is reversed. In this case, communication channels between state and farmers should be improved.
- The state abandons completely or partly the procurement system for cotton and wheat. The majority of present-day AgSOs are then likely to become redundant, whereas those required by the market/agricultural producers will reemerge. In the latter case, training of staff is needed on, e.g. how to run business under a changing and market-oriented environment, how to deal with financial documentation, do accounting, get a loan from the bank; get state incentives (i.e. small subsidies for infrastructure development, decrease taxes, etc.); involve international development organizations in strengthening small business and private initiatives and how to establish bottom-up communication channels.

To function in either way, the central state will keep its pivotal role, e.g. in eliminating bureaucratic hurdles, so the clients at regional and local levels can be served and the agricultural producers be supported in an effective way.

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