

Where Did This Debt Come from? Organizational Change, Role Ambiguity and Development in Rural Khorezm, Uzbekistan

ANASTASIYA SHTALTOVNA / KRISTOF VAN ASSCHE /
ANNA-KATHARINA HORNIDGE

Introduction

Uzbekistan serves as a case study of the evolution of agricultural service organizations in a transitional environment. Since 1991 Uzbekistan has introduced a number of agricultural reforms to allow private farms, but without private ownership of the land and still tied to production targets for cotton and wheat (Trevisani 2007; Veldwisch 2008; Djanibekov et al. 2010). In the later stage of the reform process, agricultural service organizations (AGSOs) have undergone changes. The turning point came in 2004, when the composition of AGSOs' clientele changed drastically from a small number of large, powerful and autonomous *kolkhozes* (state and collective farms) to a large number of small, vulnerable, under-financed and under-skilled farms. AGSOs currently suffer from inadequate state support, farmers unwilling or unable to pay for services provided by AGSOs, too few inputs, underdeveloped markets, bureaucratic mismanagement, a lack of credit and a lack of knowledge about operating in a changing, market-oriented environment (Shtaltovna 2012). Operating in such an environment has an impact upon the accounting system of the AGSOs and their organizational survival. We will argue that the effects of the environment on accounting, on the creation of debt and surplus, and thus on the creation of (in-)efficiency and (mis-)management are restricting reform options, especially in the direction of western-style markets.

Within Uzbekistan we focus on the province of Khorezm, south of the Aral Sea, where three types of organizations were studied in detail by means of internships, participant observation, interviews, discussions with key informants, analysis of legal documents and internal policy documents, and communications: machine tractor parks, bio-labs, and fertilizer companies. The environment of these organizations was mapped out by means of a sur-

vey that assessed farmers' needs and practices regarding service provision and interviews with local, regional, and national government officials as well as members of other agricultural service organizations at different managerial levels.

We tried to obtain a better understanding of legacies of the past through interviews with retired *kolkhoz* managers and workers, retired government officials, and retired members of agricultural service organizations. This nested case study approach was enriched by being embedded in the experience of the German-funded ZEF-UNESCO research project on 'Economic and ecological restructuring of land and water uses in the Khorezm region (Uzbekistan)' from 2001 to 2011¹. Research on agricultural service organizations and the mapping of the regional and national environment took place from 2008 to 2010. Interviews took place in Russian and Uzbek, in most cases without an interpreter. For reasons of privacy, no names will be mentioned.

Our conceptual framework is derived from organizational theory inspired by narrative theory (for the analysis of organizations; Czarniawska 1997, 2008; Seidl 2005) and enriched with insights from political anthropology (for the analysis of transition; Humphrey 2002; Verdery 2003; Allina-Pisano 2008) and new institutional economics (for the study of informal institutions; North 2005; Greiff 2006).

In our analysis of several machine tractor parks, bio-labs, and a fertilizer company, we identify virtual debts, virtual responsibility, opacity and rigidity as key concepts that can guide our understanding of self-transformation and adaptation (Brunsson 2002; Andersen et al. 2008). The agricultural service organizations studied function in a governance context marked by a wide discrepancy between formal and informal institutions (North 1998; Ostrom 1990), whereby formal institutions gradually acquire the character of a façade with doors and windows that are used every now and then, selectively (van Assche et al., forthcoming). The analysis points out the various inconsistencies in formal control that undermine the development of the organization and force it to rely on networks. The evolution of these organizations and their shifting relations can be understood only in context, and the most relevant context in this case is the collapse of the *kolkhoz* system (Humphrey 1998; Verdery 2003; Allina-Pisano 2008). In the case of the revamped agricultural service organizations, a nominal privatization or self-financing requirement is not enough to force and enable an organization to keep accounts and practice economic efficiency. The same

¹ The authors would like to thank the project and the funding ministry for the ongoing support that made this research possible.

holds true for their clients, the farms, nominally private enterprises, but also hindered in the application of a purely economic logic.

Soviet Agricultural Services and the *kolkhoz*

In the Soviet Union the *kolkhoz* was a collective farm, but much more than that. While the importance of collective farms varied over time and place, for all practical purposes the *kolkhoz* combined the functions of a mega-farm and local government (Humphrey 1998; Ioffe 2006; Trevisani 2007; Allina-Pisano 2008). While such utilitarian and mono-functional organization of the countryside obviously introduced rigidities, the autonomy of the *kolkhoz* also offered possibilities for local adaptations. *Kolkhoz* management in many places functioned more or less democratically and had the powers of local governments in the western tradition. Especially where agriculture was profitable, collective farms could generate sufficient resources to plan, organize and develop according to their own standards (Kucherov 1960; Humphrey 1998; Verdery 2003; Ioffe et al. 2006; Allina-Pisano 2008). Usually there were production targets, but diversification was often possible outside these targets, and the targets themselves were often negotiable for active *kolkhoz* managers – if not on paper, then in practice. Thus, the *kolkhoz* was a site of coordination for many sub-organizations and for policies and resources that came from outside (Humphrey 1998; van Assche & Djanibekov 2012). What later became agricultural service organizations existed partly in and partly outside the *kolkhoz*. Spare parts for machinery and necessary inputs were provided upon demand. The collective farms often served to mitigate the direct effects of higher-level policies (Hough & Fainsod 1979; Humphrey 1998). Within the *kolkhoz*, new ideological fashions, new rhetoric, and new ambitions would lose their sharp edge and could often be reinterpreted in a way that was useful for the local community (or the local elite, as the case might be).

Kolkhoz managers had to resort to informal methods and extra incentives (Mudahar et al. 1998; Morgounov & Zuidema 2001; Ioffe et al. 2006; interviews). The Soviet apparatus of agricultural services and applied agricultural research (part of which was effectively extension services) was vast, complex, and evolving (Morgounov & Zuidema 2001). Bio-labs came into existence in the early 1980s, partly as a response to an early environmental movement and partly as a way to save on pesticides (interviews). Fertilizer companies had existed since the early days of the USSR and continued to evolve until the 1970s (interviews). Machine tractor parks were organized at district levels in the early stages of mechanization, but when tractors became more common the *kolkhoz* got their own parks (Kucherov 1960; Dovring

1966; interviews). Applied research institutes and experimental farms existed everywhere in the Union, but there was a general trend towards centralization – a trend that was already deplored in the 1970s (Morgounov & Zuidema 2001).

Rural Transitions in Uzbekistan

The break-up of the system of collective farms differed in every post-Soviet country. Uzbekistan, as a largely agricultural republic, chose to be very careful with the privatization of land and agricultural production and designed its own path of reform. Only since 2004 have private farms been allowed (Trevisani 2007; Veldwisch 2008; Djanibekov et al. 2010), but without private ownership of the land and still tied to production targets for cotton and wheat. In recent years, the reconsolidation of farm land (the local term is ‘farm optimization’) has reduced the number of farms, thereby simplifying water management and the procurement process (Djanibekov et al. 2010). After consolidation, farmers growing cotton and wheat (subject to the state procurement system) usually have over 100 ha; they are called *farmers* and deal more intensively with the service organizations. The following analysis refers to this group. In addition, there are the farmers with a few hectares of vegetables or fruits and the farmers who rely on their small home plot for subsistence (Veldwisch 2008; Trevisani 2009).

Unlike many other post-Soviet countries, Uzbekistan was able to maintain agricultural production, not only cotton and wheat, but also vegetables and rice (Djanibekov 2008). The new farmers come from a variety of backgrounds. Some were in *kolkhoz* management, others, lacking agricultural experience, had either financial or social capital and tried their hand at farming – which was perceived as potentially highly profitable. Teachers, engineers, and doctors suddenly became farmers (Trevisani 2007), and after a little while the risky character of this transition and the possible implications for food security and cotton profits dawned on many governmental actors. A still ongoing process of policy experimentation has followed, whereby the organizational structure of the rural production sector and forms of tenure and control have changed several times (Djanibekov et al. 2010). The farmers themselves, often well-connected, have accumulated more capital and found ways to evade control.

For the agricultural service organizations (AGSOs) the farm privatization of 2004 was a turning point. After independence in 1991, *kolkhozes* and

sovkhozes were transformed into *shirkats*². Although these are still collective farms, since 2004 land holdings have been fragmented among a large number of lessees. Since the land consolidation of late 2008, the number has been reduced, but there has been no return to the collective farm model (Kandiyoti 2002; Khan 2007; Djanibekov et al. 2010). The clients of the service organizations therefore changed dramatically from a small number of large, powerful and autonomous *kolkhozes* to a large number of small, vulnerable, underfinanced and under-skilled farms. Both clients (farmers) and the service providers (AGSOs) have transformed rapidly since 2004. The transformation has been further complicated by the heterogeneous lineage of the AGSOs: some derive from *kolkhoz* sub-organizations and others from district or regional organizations (as in our cases), and some services emerged to meet farmers' needs that had not been covered before (Khan 2007; Shtaltovna et al. 2011). Clients and providers alike were made financially 'autonomous' (i.e. accountable) overnight, without the necessary preparation, assets and infrastructure, while still being held to a series of obligations stemming from the state procurement system (SP) for cotton and wheat (Shtaltovna et al. 2011). Almost all AGSOs are responsible for the cotton harvest. A regional law, dated May 31, 2010 ('Udarnik, 90 days') states: "leaders of the state agricultural management and AGSOs, law enforcement officers, bank clerks, and farm managers are directly responsible for the fate of cotton..."

Providers and farmers alike are *de facto* still dependent on government loans (at 3% interest) granted to farmers to buy inputs for the state-determined crops (in the SP system). This context shapes the functioning and development of the three types of organizations we studied in more detail in Khorezm province. Furthermore, changes in the political context also impact the service providers. Many functions of local government, such as spatial planning, waste collection, and water and sewerage, were moved to the district level, under the supervision of the district *hokim*³, who became a much more powerful figure than in the past. The generally reduced and impoverished agricultural service organizations simultaneously came within the remit of these reinvigorated district *hokims* and, hence, more politicized.

² *shirkat* (Uzb.) – joint stock companies, reorganised collective and state-owned farms during the independence period.

³ *hokim* (Uzb.) – now state administration body or district governor; previously communist party secretaries.

The Khorezm Cases

Khorezm, situated on the western fringe of the country along the lower reaches of the Amu Darya river, is one of the smaller Uzbek provinces. Largely a product of Soviet land reclamation, the province is a center of agricultural production. Cotton dominates, but wheat, rice, vegetables and fruit are also substantial crops (Djanibekov 2008). In the following sections, we take a closer look at three types of agricultural service organizations in Khorezm: fertilizer companies, bio-labs and machine tractor parks. The short case descriptions set the stage for the case analysis, organized around a series of concepts found to be helpful in explaining the evolution of these organizations and the problematic role of accounting.

Case 1: fertilizer companies

Under the name Kishlokhujalikkime, the Khorezm fertilizer company (KFC) is a territorial joint stock company in which the Ministry of Chemical Production (Himprom) and regional and local subsidiaries are the stockholders. At district and local levels the organization functions through an established network of 11 district branches and 92 distribution points. KFC's main purpose is the management and control of the fertilizer supply for the state-determined crops, namely cotton and wheat. KFC's activities are quite diverse. Besides supplying farmers with chemical fertilizer, they also deliver and transport organic fertilizer, provide transportation for other purposes, support weed control and defoliation, and participate in the actual cultivation of the land. KFC's healthy finances are the result of its quasi-monopolistic position as a provider of essential inputs and its special status under Himprom, which is more supportive of its AGSOs than the Ministry of Agriculture and Water Resources is of its (much larger) family of service organizations.

KFC is a multi-faceted organization, not only seeking to make a profit (despite its official job-description), but also forced to keep an eye on many, partly competing goals. In particular it has to support the state administration in all activities related to the production of state-determined crops. Optimizing profit as an autonomous organization is difficult, often impossible, when its hands are tied by mandatory participation in the greater game of de facto collective cotton production and by the virtually unavoidable informal economy of bribes and favors that keeps a dysfunctional and oversized bureaucracy afloat. These tensions between the goals described were observed not only at the regional level, but also at the district and local levels.

Case 2: machine tractor parks

The case we studied is the Urgench district machine tractor park (MTP), which was established in 1932 and is now a joint stock company in which the state's shareholding is less than 35%. The main functions of the MTP are (a) rendering mechanical services, (b) repairing agricultural machinery, and (c) the production and supply of spare parts. The MTP's clients are farmers (growing cotton or wheat), public sector organizations, agricultural enterprises (cotton factory, wheat gin, etc.), small vegetable farmers (dekhans), alternative MTPs (AMTPs)⁴, and other organizations.

The MTP is a more autonomous organization, taking its own decisions, albeit under similar conditions of contradictory goals. The rather chaotic transition process and the financial problems of the MTP push the workers to be innovative (Shtaltovna 2012). They were, in the investigated MTP and in the other MTP's visited, almost never indifferent. For instance, the employees have designed and produced different nozzles for foreign machinery, readjusted ploughs, cardans, clutches, etc. Such modifications solve the problem of getting expensive spare parts for foreign machinery, and with these nozzles the machinery can fulfill extra operations, thereby increasing profits. As the manager of the repair workshop underlined: 'This is a way out of the deadlock' (interview with the manager of the repair workshop, October 2009). It further confirms the high level of individual creativity and innovation also reported by Wall (2006; 2008), features seemingly in contrast to the unified and single definition of reality as communicated by the state.

Apart from the financial and institutional problems, one of the main challenges for the present leaders of the MTP is a lack of experience in and knowledge about management in a (quasi-)market economy. The MTP is intensively involved in controlling cotton and wheat production, which, although outside its official job description, is mandated by the government. Each year, the MTP director participates in approximately 200 meetings related to the cultivation and harvesting of cotton and wheat. Thus, with the director and other managers constantly busy with state assignments, the MTP takes a back seat (Shtaltovna 2012).

⁴ Alternative Machine Tractor Park is a reorganized MTP of the former state and collective farmers on the district and village level.

Case 3: bio-labs

In contrast with the two other organizations discussed, bio-labs are small and do not have a long history. They originated in the 1980s to promote and organize organic pest control (Morgounov & Zuidema 2001). Their status is variable: from joint stock companies in which the state has a majority shareholding, through companies in which the state is a minority shareholder, to wholly private organizations. Usually, there is one bio-lab per village, but farmers are not obliged to use it and can choose another that they think offers better quality. Bio-labs could, in theory, evolve faster because they do not require much finance, land, infrastructure, and personnel and can exploit a rapidly changing science. Additionally, and very important, they are not as extensively involved in the state agricultural campaign as MTPs and the KFC, which again allows them to concentrate on their business venture.

The bio-lab we focused on (Aek Durman) is an example of the latter. Established in 2003, its director used to work in one of the first labs in the region, established in 1983. It is in practice a one-man-operation. The director is very enthusiastic, loves his work, and wants to “save cotton from the pests” (interview with the bio-lab director, July 2010). Despite autonomy and enthusiastic managers, the bio-lab business is rarely profitable. The lab director at Aek Durman told us: “I have been working since the ’80s and I still haven’t bought a bicycle. One can’t make big money here” (interview with the bio-lab director, July 2010). A slogan of the bio-lab director is “the best farmers will find the best bio-labs, and vice versa. They will find each other”.

Case Analysis

In the following sections, we will discuss virtual debts, assets, roles and responsibilities, and the issue of transparency and unpredictability, a series of concepts related to the complex dialectics between formal and informal institutions.

Virtual debts, assets, roles

In the USSR, Uzbekistan was an expensive asset (Hough & Fainsod 1979; Collins 2006), and within Uzbekistan the *kolkhozes* were financial liabilities (Veldwisch 2007; Djanibekov 2008; Lerman 2008; Trevisani 2008). Moreover, the agricultural support organizations in and outside the collective farms made losses, but accounting practices were such that losses were hard to identify, and if identified, they were easily written off (Veldwisch 2008;

interviews with the MTP director, 2009). In addition, many state organizations were anxious to avoid producing profits, since these were likely to be siphoned off. Especially organizations that had more opportunities to hide profits, e.g. by selling or redistributing extra output – organizations like collective farms –, were eager to present a loss to the higher authorities (Kornai 1980; Humphrey 2002). Because of the strong interconnection between organizations in the agricultural economy, each had to fulfill a role, whatever the cost. Thus, if one of the organization made mistakes, it could not be punished, since each was too important to fail. Bankruptcy was not an option, as it would undermine the whole production system (Hough & Fainsod 1979; Ruble 1995). This is exactly what happened in the end: since all were responsible, no one was, and the lack of transparency, incentives, and individual accountability led to the collapse of the overall system (Ledeneva 2005; Ioffe et al. 2006; Allina-Pisano 2008; Rose 2009).

After independence, the financial burden of the agricultural system could not be supported by the new regime. The middle path that the president tried to follow entailed a series of semi-privatization experiments, whereby cotton and wheat production were to be maintained and the risks of production shifted to farmers (Veldwisch & Spoor 2008; Spoor & Visser 2001). Production costs were reduced in many ways, most notably by reducing the formal responsibilities of the government and its agencies and by reducing the work force. The new farms together employ a fraction of the previous *kolkhoz* population (Humphrey 1998; Ioffe et al. 2006; Trevisani 2007; Allina-Pisano 2008; own observation, interviews). Other cost-cutting strategies included privatizing agricultural support organizations and shrinking extension and research organizations (Morgounov & Zuidema 2001; Bekchanov et al. 2009). The privatized organizations were still tied to the state in many ways; in practice their autonomy was limited.

Most farmers and virtually all support organizations are in debt. Farmers are considered to be in debt either when they cannot pay for their inputs or when they do not reach their production targets. Since openly making money and entrusting it to the banking system is a risky strategy, much income is hidden and many players prefer the risk of official debt to an official surplus that can be taken away at any moment (as in Soviet times). Part of farmers' risk strategy, an effect of their ability to create virtual debt, is the creation of debt with AGSO's by not paying for services. Both farmers and support organizations have the same goal of reaching production targets. Farmers know that, and know as well that the support organizations cannot deny their services for long. A debt with them will in all likelihood remain virtual. A debt with the banks can also remain virtual, with the help of various networks, but is much more risky, since it can point

to failing production or to a refusal to share profits (Dobbin 1994; Friedland et al. 1999; Power 2004).

Thus, bank debt is more likely to impact the administration's official and unofficial goals and, hence, entail repercussions. In that case the debt is no longer virtual. When a debt materializes, it can trigger repayment, or loss of agricultural land and the status of being a farmer since the land is still government-owned. For example, in many cases the MTP is pushed by the state administration to render services to farmers under a state plan free of charge (Shtaltovna 2012). Speaking about economic issues of the regional MTP union, a deputy director stated: "We have to provide machinery to the farmers, even though they do not pay. If we do not give machines, we do not fulfill the plan. Even when we don't work, we still need to pay taxes and salaries. What should we do?" (interview with the MTP director, October 2009).

In other words, whatever their strategy, the MTP will be in debt. Not helping the farmers creates a debt in the form of below-target local cotton production, and helping them creates a debt in the form of unpaid expenses, and in time tax arrears. In September 2009, the tax debt of this MTP was estimated at 253 million Uzbek soms (ca. EUR 116,000), part of it to be paid soon and part (ca. EUR 50,000) later, without interest. The systematic abuse of MTPs could be observed across the board, that is, also in other MTPs and in their interactions with other governmental organizations and influential individuals and groups. It is part of a more general pattern of abuse of state organizations and their assets and services by the well-connected. Even if the MTP we focused on seems creative in dealing with the tensions of conflicting goals and attempted abuse, most MTPs are in trouble, and many are on the way out, likely to close. The MTP seems to have few protectors and allies in the intricate web of state organizations.

Debts and taxes are easily created and not easily forgotten, while the reverse is true for other players (like many farmers). MTPs do not have a strong lobby with *hokims* and ministries, and the perception seems to be that they should be taken advantage of while they last, i.e. before wealthy farmers and KFC make them irrelevant. Thus, it is almost impossible for agricultural support organizations to avoid debt because they are forced to support the farmers and at the same time cannot avoid cash transactions with some of their input- or service-providers. Thus, virtual debt is rife and realistic accounting nearly impossible. Informal transactions, bartering, and mutual service provision can partly compensate for this, but not completely (Brunsson 2002). The prevalence of debt and the impossibility of getting out of debt lead to the selling off of common property and a gradual erosion of trust in the organizational goals (Shtaltovna et al. 2011).

Virtual responsibilities

This situation is aggravated by the fact that not the farmers, but the community of farmers and agricultural support organizations as a whole is formally responsible for reaching production targets. However, where everyone is responsible, no one is responsible. With responsibilities shared by such a large number of actors, and blame apportioned unpredictably, there are substantial incentives to free-ride and few to contribute to the common goal (Hough & Fainsod 1979, Kornai 1980). Organizations have to rely on individuals who, as in Soviet times, identify with the common good of agricultural production.

In addition, the *ad hoc* mobilization of men and resources for (control of) cotton production during the season, irrespective of the formal role of the organization and the person in that organization, further undermine the credibility of these roles (and correspondingly limit the possibilities for proper accounting).

We argue that it is better to conceive of government control here as a dual control system, on the one hand enforcing the official roles of all actors, including support organizations, and on the other hand expecting all actors to contribute to the greater good of cotton production. Clearly, in their formal roles the players cannot ensure a sufficiently high level of production, even with the system of imposed production quotas, so the government feels obliged to switch to alternative control mechanisms during the cotton season, thereby forcing many organizations (including the army) into different roles. This has implications for the use of time and other resources in these organizations, and can easily lead to the neglect of official functions (Dobbin 1994; Czarniawska 1997). Thus, the dual control system effectively undermines the identity of the organization. Moreover, in material terms, the survival of the organization is jeopardized because the support organizations have to endure not only free-riding by members and environment, but also the unpredictable transfer of resources to the parallel system of cotton management.

Complicating the picture further are the extra responsibilities of organizations and their leaders at the village level as a result of the un-systematic manner in which the *kolkhoz* was replaced by the associations of farmers, local governments, and *kolkhoz* successor organizations. Because the local implications of the break-up of *kolkhozes* varied considerably, the successor organizations, many of them agricultural support organizations, are involved in the maintenance and repair of community infrastructure, preparations for community rituals (weddings, burials), and other work (interviews, own observation).

Breakdown of organizations

Because of the above-mentioned factors, the agricultural service organizations not infrequently break down. They still exist on paper, but no longer in reality. In such cases, individuals sometimes maintain the façade of an organization, either because they still identify with its cause, or because that individual (e.g. an MTP director) can more easily be forced by the local state representatives to fulfill certain tasks or to represent the organization in diverse forums. This breakdown, we argue, has implications for further reform options.

What survives, does so because of both formal and informal institutions (and the many hybrid practices resulting from their dialectics), and to a large extent because of a series of linkages with other surviving organizations. We say “organizations” here, and not “types of organizations”, because the local variation is tremendous. Some MTPs or bio-labs exist only on paper (the same holds true for research organizations), while others function remarkably well given the circumstances. Some of these well-functioning organizations, i.e. organizations that fulfill their intended function, do so by virtue of largely informal institutions: barter, mutual services, and political connections. Others are able to fulfill their tasks with less reliance on informality, namely in local environments where the surrounding organizations stick to their formal goals and where new political power and economic capital do not render them useless or marginal.

In the case of the fertilizer company, its survival as a company is more or less secure because of its relatively simple organization, which is dependent on few other players, and its greater state backing. This is clearly linked to the financial power of the fertilizer business. However, even they are not entirely safe and stable, since a segment of the farmers now have sufficient financial (and political) muscle to deal directly with fertilizer producers or new and entirely private fertilizer businesses. These new interactions are also more attractive for the farmers because of new and stricter (borrowing) conditions in dealing with the old fertilizer company. Thus, its position (the position of the company) is also weakened by new organizations farther removed from state control that have growing clout.

In the case of the fertilizer company, its strong financial position is both a blessing and a curse. On the one hand, it makes it easier to buy government backing in enforcing agreements and on the other hand it attracts various forms of corruption and inefficiency. While the other organizations studied can hardly pay their employees, who have to accept in-kind payment or side jobs, thanks to patronage and nepotism the fertilizer company has many workers on its payroll for no other reason than to hand out salaries. As long as the company maintains its monopoly and agriculture

does not collapse, the flow of money will fund the inflated payroll. As soon as a large number of farmers gain access to completely private competitors, the organization will have to shrink, and could disappear.

Transparency and predictability

Which organizations will survive and which linkages will prove essential for survival under these conditions is hard to predict. Given the sharp division between formal and informal institutions, we can say that the linkages enabling survival will in many cases be informal linkages. Survival depends on political and economic support, and both usually materialize via informal channels. Because of the radical uncertainty introduced by the dual control system, organizations left to their own devices usually collapse. Self-organization in the rural areas, in the form of farmers associations or meaningful water-user associations, is unlikely, because the legal, political and economic space is nonexistent (Ostrom 2005; van Assche et al. 2010; Wegerich 2010). The grip of the cotton system on the countryside and the associated uncertainty in land tenure and available resources hinder the long-term investment in farms and development.

Our case studies revealed a wide array of causes of uncertainty and unpredictability. Unpredictability of organizations increases if the official function of an organization diverges from its real function, when that organization exists only on paper, when its self-description is full of inconsistencies, when it can only partially fulfill its function, and when politics can suddenly interfere. Close interlinkages between organizations that could shape co-evolution and role stabilization are under constant pressure in this environment (North 2005, Seidl 2005). The legacy of Soviet expectations and close linkages in Soviet agriculture creates the shared assumption that all the old roles still exist, are indispensable, and contribute to the common goal of agricultural production. After 20 years of independence, however, much of agriculture functions differently, and the system of collective farms that function as local governments capable of local adaptation and local coordination has yet to be replaced. Local governments, farms and agricultural service organizations are still searching for their role. The lack of constitutional guidance, of clear choices in the tenure system, and the aforementioned dual control seriously impede the stabilization of roles for (and hence in) organizations (Weick 1995; Czarniawska 1997).

Façade Formalities and Self-transformation

In the case of the Uzbek agricultural service organizations studied, we could establish the strength of the legacy not only of the Soviet Union, but also of the way it broke up and was transformed at the local level. A Soviet-like rhetoric of close linkage between organizations, including service organizations and farms, and a shared goal – cotton production – pervaded the discourse of most government actors, including the service organizations studied. The Soviet complementarity of formal and informal coordination transformed into a situation in which formal institutions, including laws and plans, became a façade for largely informal coordination. Just as in the Soviet Union, however, part of the informal coordination is necessitated by inconsistencies in the formal procedures.

In post-Soviet Uzbekistan this inconsistency is aggravated by several factors. Firstly, there is the formal character of a dual control system affecting most state organizations, including the service organizations studied: organizations have specialized roles in the agricultural production apparatus, but can be forced to shift to completely different roles in *ad hoc* support of cotton production. This undermines the loyalty of the organization's members, its credibility, and the incentives for efficiency. Secondly, there is the inconsistency of responsibility for the specialized function and for the output of the whole agricultural system. This not only undermines the specialization of the organization, but also acceptance of responsibility throughout the system. All are responsible, so no one is. All are in debt, so there is little reason to believe in improvement. Thirdly, the allotted resources, or the formal procedures for obtaining resources, do not enable the organizations to fulfill their assigned tasks. Moreover, politicians have the formal powers to push the service organizations to fulfill their tasks even when the resources are not there, thus pushing them farther into debt.

This means that organizations either fall apart, which some do, or avail themselves of informal means of fulfilling their tasks. The lack of transparency caused by the selective use of formal institutions makes it very hard to distinguish between informal coordination to achieve shared goals and informal means to divert assets to groups or individuals. Dual control, in which priority is given to cotton management, and the prevalence of virtual debt and virtual responsibilities effectively marginalize the specialized function of the organizations. Organizational boundaries become less and less meaningful. The rhetoric of a free market, introduced by a government to cut costs, reduce its responsibilities, and please international organizations and investors, only adds to the inconsistencies in agriculture as a whole, since in practice money cannot be the generalized medium of transactions.

For the reasons mentioned above accounting is already virtual, but the scarcity of money, the incomplete control of dual exchange rates, and the vulnerability of money in banks are another reason to conceal financial resources, or to resort to in-kind payment for, services and products. Farmers pay service organizations in kind and interactions between service organizations follow the same path. Thus, given the multiple contradicting loyalties and identities of organizations, accounting would not make much sense, even where it were possible. What exactly the value of services and products is in monetary terms is unclear; nor is the value of money itself clear since one cannot predict which exchange rate (official or black market) will be used for which transactions.

Thus, the development of organizations cannot be realistically guided by accounting practices that could reveal strengths and weaknesses, and therefore transformation options (Laughlin 1987; Dobbin 1994). And they cannot be guided by externally imposed or internally produced descriptions, either, because of the complex interplay between formal and informal institutions and of the forced *ad hoc* adaptations to very different roles (and hence accounting practices; Brunsson 2002). These are major constraints on managed organizational transformation.

Conclusions

We analyzed the evolution of the agricultural service organizations – the machine tractor park, the fertilizer company and bio-labs – in the light of changing formal and informal institutions. Already under the Soviets coordination mechanisms differed in reality from what was on paper. In this case, informal coordination of decision-making cannot be treated as corruption (Ledeneva 2005). In some cases, a *kolkhoz* tried to assert its autonomy in this manner; in other cases, various organizations sought to achieve official goals by unofficial means (because the official methods were perceived as inadequate or inappropriate; Allina-Pisano 2008).

The three case studies make clear that the present agricultural service system is predicated upon relatively small farmers who behave simultaneously as old-style *kolkhoz* employees, *kolkhoz* management and western-style private entrepreneurs. It assumes that farmers uncritically accept communal – or at least government – goals and targets, informally mobilize resources to reach those targets, and increase efficiency and profitability in the style of a western entrepreneur. However, aside from the inconsistencies in those role expectations, many other factors make this patron-client relationship an unlikely one. There is the dual control system mentioned above, and the continuing importance of cotton targets. There is the unclear

land tenure and unpredictable availability of water, which hinders the development of a class of rural entrepreneurs (Wall 2006, 2008). And where entrepreneurs do emerge, thanks to a mix of economic and social capital, they try to free themselves from the yoke of the agricultural service system, whose services are deemed unreliable and whose political connections are a distinct risk.

It is almost impossible for agricultural service organizations, as exemplified by machine tractor parks, the fertilizer company, and bio-labs, to avoid debt, because they are forced to support the farmers and because they cannot avoid cash transactions with some of their input- or service-providers. Thus, virtual debt is rife and realistic accounting nearly impossible. Informal transactions, bartering and mutual service provision can partly compensate for this, but not completely (Brunsson 2002; Andersen et al. 2008).

Businesses and business performance, therefore, is not transparent to outside observers. Accounting, an essential tool for this purpose, is not practiced. But western-style capitalism is predicated upon accounting-based transparency (even if this is a social construct; Czarniawska 2008). This specific form of transparency is a precondition for inclusion in the network of actors that make capitalist development possible: banks, private investors, management consultants, corporate and contract lawyers, bankruptcy courts, etc. If “development” is participation in the world economy, the accounting problems of these Uzbek agricultural service organizations suggest (in line with the findings of institutional economists) that there may be a loose linkage between development and democracy, but the linkage between development and the formation of stable and trustworthy roles and rules is much closer.

References

- Allina-Pisano, J. (2008) *Post-Soviet Potemkin Villages. Politics and Property rights in the Black Earth* (Cambridge, Cambridge University Press)
- Andersen, E., Kantor, P. & Sim, A. (2008) *Microcredit, Informal Credit and Rural Livelihoods: A Village Case Study in Bamyán Province* (Afghanistan Research and Evaluation Unit)
- Bekchanov M., Kan, E., & Lamers, J.P.A. (2009) *Options of Agricultural Extension Provision for Rural Development in Central Asian Transition Economies: the Case of Uzbekistan* (Tashkent, Westminster International University)
- Brunsson, N. (2002) *The organization of hypocrisy: talk, decisions and actions in organizations* (Oslo, Abstract, Liber, Copenhagen Business School Press)
- Collins, K. (2006) *Clan politics and regime transition in Central Asia* (Cambridge, Cambridge University Press)

- Czarniawska, B. (1997) *Narrating the organizations. Dramas of institutional identity* (Chicago, University of Chicago Press)
- Czarniawska, B. (2008) *A Theory of Organizing* (Cheltenham, UK, Edward Elgar Publishing Limited)
- Djanibekov, N. (2008) *A Micro-Economic Analysis of Farm Restructuring in the Khorezm Region, Uzbekistan* (PhD Dissertation, ZEF, University of Bonn)
- Djanibekov, N., Rudenko, I., Lamers, J.P.A. and I. Bobojonov (2010) *Pros and Cons of Cotton Production in Uzbekistan* (Ithaca, NY, Cornell University Press)
- Dobbin, F. (1994) Cultural models of organization: the social construction of rational organizing principles, in: D. Crane (ed.), *The sociology of culture: Emerging theoretical perspectives* (Oxford, Blackwell), 117–142
- Dovring, F. (1966) Soviet Farm Mechanization, *Slavic Review*, 25(2), 287–302
- Friedland, R., Alford, R. (1999) Bringing society back in. Symbols, Practices and institutional contradictions, in: W.W. Powell and P.J DiMaggio (eds.), *The New Institutionalism in Organizational Analysis*. (Chicago, University of Chicago Press), 232–266
- Greif, A. (2006) *Institutions and the path to the modern economy: lessons from medieval trade* (Cambridge, Cambridge University Press)
- Hough, J., Fainsod, M. (1979) *How the Soviet Union is governed* (Cambridge, Harvard University Press)
- Humphrey, C. (2002) *The unmaking of Soviet life. Everyday economies after socialism* (Ithaca, Cornell University Press)
- Humphrey, C. (1998) *Marx went away. But Karl stayed behind* (Ann Arbor, University of Michigan Press)
- Ioffe, G., I. Nefedova, J. Zaslavsky (2006) *The end of peasantry? The disintegration of rural Russia* (Pittsburgh, University of Pittsburgh Press)
- Kandiyoti, D. (2002) *Agrarian Reform, Gender and Land Rights in Uzbekistan* (Geneva, United Nations Research Institute for Social Development)
- Khan, A.R. (2007) *Land System, Agriculture and Poverty in Uzbekistan* (London & New York, Routledge)
- Kornai, J. (1980) *Economics of Shortage* (Amsterdam, North-Holland)
- Kucherov, S (1960) The Future of the Soviet Collective Farm, *American Slavic and East European Review*, 19(2), 180–201
- Laughlin, R. (1987) Accounting systems in organizational contexts: a case for critical theory, *Accounting, Organizations and Society*, 12(5), 479– 502
- Ledeneva, A. (2005) *How Russia really works* (Ithaca, Cornell University Press)
- Lerman, Z. (2008) Agricultural Development in Central Asia: A Survey of Uzbekistan, 2007–2008, *Eurasian Geography and Economics*, 49(4), 481-505
- Morgounov, A., Zuidema, L. (2001) *The legacy of the Soviet agricultural research system for the republics of Central Asia and the Caucasus* (The Hague, ISNAR)
- Mudahar, M., Jolly, R., Srivastara, J. (1998) *Transforming Agricultural Research Systems in Transition Economies* (Washington D.C., World Bank)
- North, D. C. (1998) Economic Performance Through Time, in: M. C. Brinton and V. Nee (eds.), *The New Institutionalism in Sociology* (Stanford, Stanford University Press), 247-257

- North, D. C. (2005) *Understanding the process of economic change* (Princeton, Princeton University Press)
- Ostrom, E. (1990) *Governing the Commons: The Evolution of Institutions for Collective Action* (Cambridge, Cambridge University Press)
- Ostrom, E. (2005) *Understanding institutional diversity* (Princeton, Princeton University Press)
- Power, M. (2004) *The risk management of everything: rethinking the politics of uncertainty* (London, Demos)
- Rose, R. (2009) *Understanding Post-Communist Transformation: A Bottom Up Approach* (London and New York, Routledge)
- Ruble, R. (1995) *Money sings. The changing politics of urban space in Post-Soviet Yaroslavl* (Washington-Cambridge, Woodrow Wilson Center Press and Cambridge University Press)
- Seidl, D. (2005) *Organizational identity and self-transformation* (Aldershot, Ashgate)
- Shtaltovna, A., Hornidge, A.-K., Mollinga, P. P. (2011) *The Re-invention of Agricultural Service Organizations in Uzbekistan – A Machine-Tractor Park in Khorezm Region*, ZEF Working Paper Series 97 (Bonn University, Center for Development Research, ZEF)
- Shtaltovna (2012) *Servicing Transformation: Agricultural Service Organisations and Agrarian Change in Post-Soviet Uzbekistan* (PhD Dissertation, ZEF, University of Bonn)
- Spoor, M. & Visser, O. (2001) The State of Agrarian Reform in the Former Soviet Union, *Europe-Asia Studies*, 53(6), 885-901
- Trevisani, T. (2007) After the Kolkhoz: Rural Elites in Competition, *Central Asian Survey*, 26(1), 85-104
- Trevisani, T. (2008). *Land and Power in Khorezm. Farmers, Communities and the State in Uzbekistan's Decollectivization Process* (PhD thesis, Institut fuer Ethnologie, Freie Universitaet Berlin)
- Trevisani, T. (2009). The reshaping of inequality in Uzbekistan: reforms, land and rural incomes. The Political Economy of Rural Livelihoods in Transition Economies, in: M. Spoor, *Land, Peasants and Rural Poverty in Transition* (London, Routledge), 123–137
- van Assche, K., Verschraegen, G., Salukvadze, J. (2010) Changing frames. Expert and citizen participation in Georgian planning, *Planning practice and research*, 25(3), 263–283
- van Assche, K., Djanibekov, N. (2012) Spatial planning as policy integration: The need for an evolutionary perspective. Lessons from Uzbekistan, *Land Use Policy*, 29(1), 179–186
- van Assche, K., Beunen, R., Duineveld, M. (2013) Formal/Informal dialectics and the self-transformation of spatial planning systems: an exploration, *Administration and Society* [Online first: doi: 10.1177/00953 99712469194]
- Veldwisch, G. J. A. (2007) Changing patterns of water distribution under the influence of land reforms and simultaneous WUA establishment, *Irrigation and Drainage Systems*, 21(3), 265–276

- Veldwisch, G. J. A. (2008) *Cotton, Rice & Water. The Transformation of Agrarian Relations, Irrigation Technology and Water Distribution in Khorezm, Uzbekistan* (PhD Dissertation, ZEF, University of Bonn)
- Veldwisch, G.J.A & Spoor, M. (2008) Contesting Rural Resources: Emerging 'Forms' of Agrarian Production in Uzbekistan, *Journal of Peasant Studies*, 35 (3) 424-451
- Verdery, K. (1996) *What was socialism? What comes next?* (Princeton, Princeton University Press)
- Verdery, K. (2003) *The vanishing hectare. Property and value in Post-Socialist Transylvania* (Ithaca, Cornell University Press).
- Wall, C. (2006) *Knowledge management in rural Uzbekistan* (PhD Dissertation, ZEF, University of Bonn)
- Wall, C. (2008). Barriers to technological change and agrarian reform in Khorezm, Uzbekistan, in: P. Wehrheim, A. Schoeller-Schletter, C. Martius (eds.): *Continuity and change: land and water use reforms in rural Uzbekistan*. (Halle/Saale, Leibniz-Institut für Agrarentwicklung in Mittel- und Osteuropa), 145-164
- Wegerich, K. (2010) *Handing over the sunset. External factors influencing the establishment of water user associations in Uzbekistan: Evidence from Khorezm Province* (Göttingen, Cuvillier)
- Weick, K. (1995) *Sensemaking in organizations* (London, Sage)

