



## Development of agricultural cooperatives in Kyrgyzstan: who are the lead actors?

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### Abstract

*Agricultural cooperatives play an important role in promoting local communities and sustainable farming practices in many parts of the world. In Kyrgyzstan their development remains a challenge despite the existence of laws and policies, support from donor-funded projects and the existence of an apex organisation. What is missing for their development and who should lead their development? Adopting an entrepreneurial ecosystem (EE) approach to the analysis of the agricultural cooperatives, we aim to identify the lead actors of the agricultural cooperatives' development in Kyrgyzstan and understand what roles such a lead actor plays in the emergence and strengthening of an EE for agricultural cooperatives. Adopting a case study approach, we retrieved archival data published between 1991 and 2020 on agricultural cooperatives in Kyrgyzstan, that included documents from government, cooperatives and their apex organisations, and studies commissioned by international organisations. We reviewed data using a grounded theory approach and organised our codes and text excerpts around the EE elements and actors. Thereby, we identify what roles the three principal actors of cooperative development, namely government, cooperatives and their apex organisation, and international organisations, play in different EE dimensions – i.e., policy, skills and education, market environment, culture, networks and partnerships. Among others, we uncover that the lead actor varies across EE dimensions and the paradox, where expectations of the government and cooperatives' are inadequate to their funding abilities; while international organisations, that could fund cooperatives' development, do not consider them as a priority in their projects. Although the study has limitations due to its exploratory nature, we offer both theoretical contribution extending entrepreneurial ecosystem approach to the study of agricultural cooperatives in transition economies and practical implications for better understanding and integrating agricultural cooperatives in the international development programming.*

**Keywords:** agricultural cooperatives, Kyrgyzstan, entrepreneurial ecosystems, lead actor, sustainable development.

## 1. Introduction

Agricultural cooperatives exist in different parts of the world as they provide economic and social benefits to their member farmers, such as realising economies of scale, reducing risk and uncertainty, addressing market failures and allowing access to farming inputs, credit, and services (Bijman et al., 2012; Iliopoulos & Valentinov, 2018; Sexton & Iskow, 1988). In developing countries, cooperatives allow service delivery over long periods as a sustainable business model and as an alternative form of the enterprise (Develtere et al., 2008; Pereira et al., 2018; Verhofstadt & Maertens, 2014). In many countries, cooperatives promote sustainable agricultural practices as they adopt sustainability standards allowing their members to access technical assistance and training, market information, loans, farm inputs and other (Ingram et al. 2017). And yet, cooperatives' development is not a linear process, especially in the context of post-socialist countries, where cooperatives, as a form of entrepreneurial venture, are a relatively recent phenomenon. In Central Asia, despite the potential benefits in various sectors, cooperatives' development is still a challenge that requires a better understanding of the social and institutional environment (Djanibekov et al., 2015; Lerman, 2013).

According to the cooperative identity promoted by the International Cooperative Alliance (ICA), cooperatives are autonomous, self-help organisations controlled by their members. They can benefit from support and funding from governments but these shall not undermine cooperatives' democratic control and autonomy. This principle reflects the perception of agricultural cooperatives in the Western literature, in which agricultural cooperatives address market failures, reduce transaction costs, increase economies of scale and contribute to farmers' poverty reduction (Bijman et al., 2012; Cook, 2018; Lerman et al., 2016). These views join the World Bank position regarding cooperatives as they are comparable to private sector enterprises, while the primary role of government is not to control their activities but to create a favourable business environment (Hussi et al., 1993). Cooperatives that were excessively supported by the state were called 'top-down' cooperatives and criticised for disregarding the cooperative autonomy principle (Bijman et al., 2012). Top-down cooperatives pay little attention to the needs of members (Gezahegn et al., 2019), while their regulatory framework can become attuned to the political expediencies of governments (Tulus, 2020). Studying agricultural cooperatives in Central Asia, Lerman (2013) considers that the government should focus on the provision of public goods, such as information, education, and training in the cooperative arena, and desist from interfering in the allocation of credits and financial support, which in the past led to inefficiency and rampant corruption. Other authors argue that top-down cooperatives could be a potential solution in settings where bottom-up cooperatives are limited, such as in the context of post-socialist countries (Kurakin & Visser, 2017). In these countries, cooperatives would not exist if there had not been strong state support (Zhang et al., 2019). Moreover, in such a setting, it can be challenging for a dominant state to develop a non-state form of organisation such as cooperative, while the state's top-down approach could effectively establish the cooperatives (Niyazmetov et al., 2021). The fact that cooperatives' development is also often initiated and supported by international organisations is discussed in the reports and

publications of the international organisations (Shrestha et al., 2020; Tomohito, 2021), but less explored in the academic literature. In fact, even though cooperatives are often viewed as a solution for the agricultural productivity, rural poverty and smallholder issues in developing countries, little is discussed as for the existence and role of lead actors. Who should take the responsibility for their development? Unlike traditional enterprises that benefit from the support from specialised government agencies, tools and policies aimed at building enabling environment, attracting investments, ensuring access to credit and finance, university programmes such as MBA and extensive knowledge base on firms, little is known about cooperatives. Often cooperatives do not even have a regulatory framework designed to take into account their particularities, lack resources, skills and knowledge, struggle with promoting their specific business culture and cooperative principles and building trustful partnerships. We will attempt to fill this gap by adopting the entrepreneurial ecosystem approach to agricultural cooperatives in order to identify and analyse the roles of the state, cooperatives and international organisations<sup>1</sup> in different areas of cooperatives' entrepreneurial ecosystem.

This article aims to identify the actors of the agricultural cooperatives' development in Kyrgyzstan and understand how they impact their development, i.e. what roles such a lead actor plays in the emergence and strengthening of an entrepreneurial ecosystem for agricultural cooperatives? We also aim to understand the challenges of cooperatives' development in Kyrgyzstan by exploring contextual factors and actors that impact their development as one of the key actors of sustainable development.

We will first briefly introduce cooperatives and entrepreneurial systems and how they relate to the agricultural cooperatives in transition countries such as Kyrgyzstan. Second, we present the case of the agricultural cooperatives in Kyrgyzstan, and the research design and methodological approach to studying agricultural cooperatives as enterprises with their proper ecosystem. Third, we will present the results with the lead actors of the agricultural cooperatives' development: government, international organisations and cooperatives and their activities in different segments of the entrepreneurial ecosystem. Fourth, we discuss the results that illustrate a paradoxical situation: cooperatives lack capacity, while governments' policy intentions of support to cooperatives were also limited by the lack of resources and capacity. Our findings show that agricultural cooperatives in Kyrgyzstan remain highly dependent on donor resources for accessing funding, knowledge and extension services; international organisations have the possibility to impact cooperatives' development, but cooperatives did not align with their programmatic and policy priorities.

## **2. Cooperatives and the Entrepreneurial Ecosystems**

Cooperatives are community-based enterprises with a strong linkage with their geographical base (Bijman & Iliopoulos, 2014). In fact, as a form of sustainable entrepreneurial venture, cooperatives are strongly embedded in a network of stakeholders and a broader social,

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<sup>1</sup> With "international organisations" we refer to multilateral and bilateral organisations, diplomatic institutions, international NGOs operating as members of the Coordination Council of the partners for development of the Kyrgyz Republic

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economic, and environmental context (Dufays, 2016). Since an entrepreneurial ecosystem (EE) represents a set of entrepreneurial actors, entrepreneurial organisations, institutions, and entrepreneurial processes that formally and informally coalesce to connect, mediate, and govern the local entrepreneurial environment (Mason & Brown, 2014), the EE approach is considered an adapted framework to analyse the factors and the actors of cooperatives' development (Beishenaly & Dufays, 2021). EEs are defined as systems of entrepreneurship that are geographically bounded and depend on regulation, institutions and norms, infrastructure, access to finance and other factors (Miles & Morrison, 2020). The concept of EE is widely used in policy areas: the World Economic Forum (2014) conducted a large-scale study that systematically examines which pillars of an ecosystem matter most to entrepreneurs to align policies with the actions of companies. The European Commission (2020) discusses the EE for social enterprises, while the Democracy at Work Institute of the US Federation of Worker Cooperatives developed a Cooperative Growth Ecosystem framework (Hoover & Abell, 2016).

Entrepreneurial ecosystems are considered as largely self-organising, self-sustaining, self-regulating system, implying that there is a socioeconomic system in which equilibrium or quasi-equilibrium is attained by actors' pursuit of their interests or satisfaction of their needs, with relatively little control of the specific processes from the outside (Isenberg, 2016). Entrepreneurs play the key role in leading the development of the ecosystem while government assumes an enabling role in the background (Beugre, 2017; Stam, 2015), supporting the initial stage of development (Mason & Brown, 2014).

Exploring EEs in a developing country setting, Porras-Paez & Schmutzler (2019) argue that in the context of lacking industrial development and weak institutions, a lead actor needs to step in to aid the emergence of an entrepreneurial ecosystem. They argue that only a locally embedded actor can assume such a role with the resource endowment and legitimacy. Colombelli et al. (2019) discuss the role of 'anchor tenant' who plays a central role and actively spurs economic growth, technological change, and innovation. This also relates to one of the issues that the EE literature has largely ignored: the governance of entrepreneurial ecosystems as it is still unclear which agents should be set in charge to organise, manage, and control this process of allocation and distribution of resources (Colombelli et al., 2019; Colombo et al., 2019). The governance issue is essential for rural entrepreneurship ecosystems in developing countries where lack of resources, limited coordination, failing institutions and markets explain the critical need for entrepreneurial leadership (Chohra, 2019; McKague et al., 2017; Miles & Morrison, 2020). In this article, we focus on the case of Kyrgyz cooperatives to understand the roles of different lead actors in the emergence and strengthening of an EE for agricultural cooperatives.

The development of cooperatives in a context of transition from socialist to the market economy has its particularities. On the one hand, cooperatives appear to be one of the most suitable solutions to the smallness of production as a self-governing farming enterprise (Deininger, 1993; Gardner & Lerman, 2006; Golovina et al., 2012; Nilsson et al., 2016). On the other hand, cooperatives face challenges with overcoming the communist legacy of mistrust against cooperative organisations, knowledge and collective action problems (Hagedorn, 2014; Lerman et al., 2016). In addition to the deficit of the entrepreneurial culture, cooperatives often

lack managerial and business skills, resources and investments to ensure their development based solely on self-reliance and self-help. Cooperatives' histories in many parts of the world show the important role of the lead actor during their emergence phase: cooperative leaders such as Raiffeizen in Germany, Desjardins in Canada; Catholic Church in Europe in the 19<sup>th</sup> century and the state as it is still the case in many countries. Hence, state support contradicts cooperatives' 'autonomy' principle and questions the authenticity of the cooperative enterprise as it defines itself as a value-based and democratic organisation. The role of international organisations is less discussed in the academic literature although in many countries they contribute to the development of the cooperative movement.

Given the lack of an adaptable comprehensive framework for cooperatives' development—especially in developing countries, we aim to identify the actors in the development of agricultural cooperatives and to understand how they interact. To address this issue, we explore the case of agricultural cooperatives' development in Kyrgyzstan, where cooperatives represent a relatively new entrepreneurial form (Lerman & Sedik, 2009).

### **3. The case: agricultural cooperatives in Kyrgyzstan**

In Kyrgyzstan, the reform of the agricultural sector in the 1990s created 286 thousand peasant farms and transferred more than 77 per cent of all land to private ownership (World Bank, 2004). However, an average size of arable landholdings of 3.8 hectares resulted in inefficient small-sized farming structures. Moreover, the farm structure is one of the obstacles to the realisation of agro-food potential as it has a negative effect on the functioning of the value chains (World Bank, 2018). Cooperatives were, therefore, one of the key strategies for the reorganisation of the agricultural activity in Kyrgyzstan. As a result, the first agricultural cooperatives were established in Kyrgyzstan in the early 1990s. In 1993, there were 125 agricultural cooperatives, while in 1996, their number reached 631 (The State Program of development of agricultural cooperative movement, 2002): 463 production cooperatives and 122 service cooperatives, that included 16 cooperatives in the dairy sector, 23 in cereal processing, 74 in the fruit and vegetable sector, 9 in the meat and fish sector. In 2006, there were 1240 cooperatives as the government administrative methods increased the number of cooperatives, but in 2017, only 328 continued their activities.

Most of the agricultural cooperatives in Kyrgyzstan appear to be production cooperatives associated with communist-type collective farms and represent a form of worker cooperative

(ILO, 2001), characterised by joint ownership and operation of the means of production (Deininger, 1993; Lerman, 2013). Unlike service cooperatives, production cooperatives are generally less efficient than individual and family farms in market economies (Lerman, 2013). In service cooperatives, members look for accessing services and not for joint production. Service cooperatives can compete with the private sector and contribute to increased competitiveness of agricultural and financial markets and technology transfer, thus allowing a restructuring of large-scale agriculture (Deininger, 1993). We can distinguish four models of cooperatives in Kyrgyzstan based on their origins and motivations: a) former state farms that

maintained their managerial practices and conventions represented large-sized Soviet-type cooperatives; b) donor-funded projects that resulted in establishing the Western-type of cooperatives that follow international cooperative principles and benefit from modernised equipment and extension services; c) family cooperatives, that represent businesses often led by a single person and his family members and whose functioning is close to a regular investor-owned firm; and d) dormant cooperatives that temporarily stopped their functioning and can get activated in case of calls for tender or other opportunities (JICA, 2012).

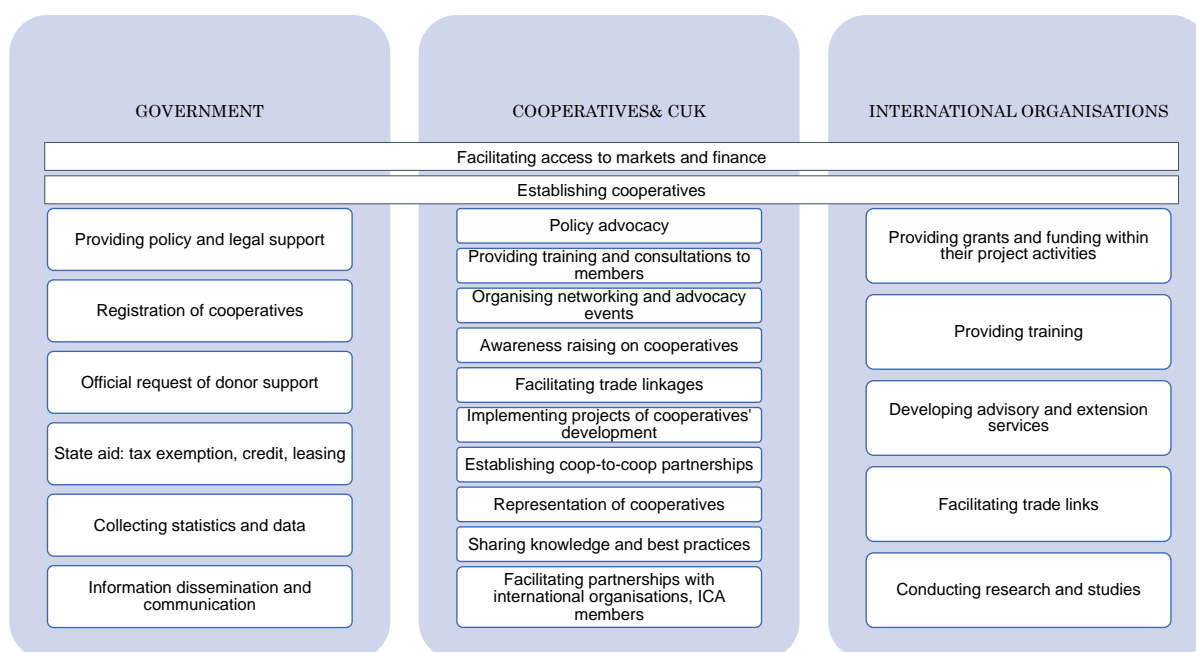
Due to their importance for the agricultural sector, the Kyrgyz government supported agricultural cooperatives with targeted laws and policies in 1991, 1999, 2002, 2004 and 2017. However, despite a few success stories, cooperatives remained very low in number. According to the National Statistic Committee (NSC), in 2018, 328 agricultural cooperatives corresponded to less than 1 per cent of the total number of farmers organisations. It translates a mismatch between the government's intention to develop agricultural cooperatives' development and their slow take-off.

#### **4. Research design and methodology**

Provided the exploratory nature of this study, as well as its focus on both historical and contemporary events within its real-life context and the broad range of entrepreneurial ecosystem (EE) elements, we adopted a single case study approach (Yin, 2013). The case of Kyrgyz agricultural cooperatives is the unit of analysis for identifying the actors of their development. We collected information on agricultural cooperatives from (i) cooperatives and their apex organisation (publicly available protocols of the annual cooperatives' forums, media appearances, interviews, minutes of the workshops, and yearly compilations of the website news of the Cooperatives' Union of Kyrgyzstan), (ii) government (laws and policies on cooperatives, country development plans and strategies), and (iii) international development agencies (studies and reports published by international organisations discussing agricultural cooperatives). We covered the period from 1991 to 2020 to cover the period of cooperatives' development from the republic's independence until the most recent period for which we could gather data. Provided that the EE literature offers multiple configurations as for the EE elements and their interactions (Spigel, 2015; Mason & Brown, 2014), we reviewed data using the grounded theory method (Charmaz, 2006). Using NVIVO software, we then coded text fragments into clusters of EE actors and broad domains of EE elements: policy, education, markets, culture, networks (Isenberg & Onyemah, 2016; World Economic Forum, 2014). In parallel, we looked for the actors that have taken a role in Kyrgyz agricultural cooperatives' development: government; financial actors; cultural impactors; support organisations; universities; corporations, citizens, international organisations (Isenberg & Onyemah, 2016; Beugre, 2017). The first round of initial coding allowed to organise text excerpts around the EE elements and actors. Then, the second round of coding refined the results of the initial coding to categorise data on the actors and their activities regarding cooperatives, as presented in the 'Results' section below.

## 5. Results

The analysis of the government policy and legal documents, available information on agricultural cooperatives from media, the Cooperatives' Union of Kyrgyzstan (CUK) website and the reports commissioned by the international development organisations allowed us to identify that the main actors of agricultural cooperatives' development are the government, cooperatives and the CUK, and international organisations. This exercise also allowed us to identify their activities regarding agricultural cooperatives and categorise them under the EE-related activities, presented in Figure 1.



**Figure 1.** Lead actors and their key functions

### 5.1. Government

It appeared from the analysis of the government policies that the Kyrgyz government recognised agricultural cooperatives as the response to the challenges of the agricultural sector, poverty in rural areas, land consolidation and food security. Since 1991, cooperatives have benefited from specific legislation on cooperatives. The Law on Cooperation (approved on 12.12.1991, N 647-XII) defined cooperatives as an organisation based on collective ownership, while the Law on Cooperation (approved on 02.06.1999, №42) was designed to overcome socialist elements of the previous legal text distinguishing different types of agricultural cooperatives: processing cooperatives, trading cooperatives, service cooperative, procurement cooperatives. It was replaced by the Law On Cooperatives in 2004 (11.06.2004, №70) that defined cooperatives as autonomous organisations and expanded its coverage to other types of

cooperatives. Establishing cooperatives is frequently mentioned in government policies as one of its key elements: "creation of commodity cooperatives", "creation of rural credit cooperatives", "creation of agricultural cooperatives", "creation of enlarged cooperative forms of management", "creation of regional cooperative agro-industrial complexes", "creation of secondary cooperatives" (see Table 1).

**Table I.** Agricultural cooperatives in government policies

<b>Year</b>	<b>Government policies</b>	<b>Key objectives regarding cooperatives</b>
2002	State Program of Development of Agricultural Cooperatives movement in the KR, 24.12.2002, Decree No. 875	<ul style="list-style-type: none"> <li>• Create a regulatory framework for agricultural cooperatives;</li> <li>• Introduce cooperative management in agriculture;</li> <li>• Informational, explanatory and consulting support;</li> </ul>
2003	National Poverty Reduction Strategy 2003-2005, 8.05.2003, Decree No. 269	<ul style="list-style-type: none"> <li>• Create commodity cooperatives;</li> </ul>
2004	Concept of Agricultural Policy of the KR until 2010, 22.06.2004, Decree No. 465	<ul style="list-style-type: none"> <li>• Adopt legislation for the creation and functioning of rural credit organisations on cooperative principles;</li> </ul>
2004	Program Development of Industry, Trade and Trade Production and Services in Rural Areas, 14.12.2004, Decree No. 922	<ul style="list-style-type: none"> <li>• Mobilise financial resources of the rural population through the creation of rural credit cooperatives;</li> <li>• Support to agricultural consumer cooperatives;</li> </ul>
2007	The strategy of the development of the country for 2007-2010, 16.05.2007, Presidential Decree No. 249	<ul style="list-style-type: none"> <li>• Increase agricultural production and sales through the creation of agricultural cooperatives;</li> <li>• Create enlarged cooperative forms of management through cooperative farms;</li> </ul>
2013	National Strategy of Sustainable development of the KR for the period 2013-2017, 21.01.2013, Presidential Decree No. 11	<ul style="list-style-type: none"> <li>• Implement reforms for enlarging and consolidating small farms into cooperatives;</li> <li>• Create favourable conditions for cooperatives activities in the agricultural sector;</li> </ul>



Table I (continued)

Year	Government policies	Key objectives regarding cooperatives
2017	Concept of development of the agricultural cooperative system in the KR for 2017-2021, 21.04.2017, Decree No. 237	<ul style="list-style-type: none"> <li>• Create favourable legal conditions for the operation of agricultural cooperatives;</li> <li>• Improve mechanisms of financial support;</li> <li>• Introduce cooperative management in agriculture;</li> <li>• Develop a system of scientific, informational, advisory support to agricultural cooperatives.</li> </ul>
2018	Country Development Programme of the KR for the period 2018-2022 "Unity, Trust, Creation", 30.08.2018 Decree No. 413	<ul style="list-style-type: none"> <li>• Improve the regulatory framework, registration, management of the activities and taxation of cooperatives;</li> <li>• Support the creation of secondary cooperatives and the development of cooperative credit.</li> </ul>
2018	National Development Strategy of the KR for 2018-2040, 31.10.2018; Presidential Decree No. 221	<ul style="list-style-type: none"> <li>• Help to increase the income of the local population by supporting the production process through cooperatives;</li> <li>• Increase the economic efficiency of agriculture, and the State will promote the transformation of small private farms into cooperatives.</li> </ul>

The government intended to support agricultural cooperatives by facilitating access to markets, investing in transport and logistics infrastructure, ensuring access to finance, and promoting value chains and export-oriented activities. The State programme of 2002<sup>2</sup> aimed to improve the regulatory and legal framework and facilitate the functioning of cooperatives; the Concept of 2017 and the Strategic Initiative of 2018 on the development of agricultural cooperatives focused on increasing agricultural productivity and creating greater market access. In addition, several government agricultural policies aimed at supporting income-generating activities in rural areas mention the plans to support cooperatives with tax exemption, providing access to low-interest credit, conducting information dissemination campaigns through media and the network of local administrations (Table 2). The Ministry of Justice is responsible for cooperatives' registration and requires selecting between "commercial cooperatives" and "non-commercial cooperatives" status; the latter operates in the interests of its members for whom profit is not the main objective of the activity. The National Statistics Committee and the Ministry of Agriculture collect basic statistical information on cooperatives.

The relational structure between the stakeholders in the EE follows a pattern well established in the government's strategic document. As the main funding and knowledge sources are with the international organisations, their country programmes are designed upon

<sup>2</sup> Full references to cited policies are provided in the Table I.

government's request or during inter-governmental meetings, while cooperatives and their apex organisation appeal for support from the Kyrgyz government. This pattern is explained, for example, in the Concept for development of agricultural cooperatives of 2017, that mentions as one of its action items: "attracting investments and funds from international donor organisations to assist the development of agricultural cooperatives". The request of the former-President of the Kyrgyz Republic during his visit to Germany in 2019 is illustrative of this situation: '*we plan to conclude a memorandum of cooperation between the National Union of Cooperatives of Germany and the Cooperatives Union of Kyrgyzstan. This will create a legal basis for the implementation of joint projects and training of specialists in the cooperative system*' said Sooronbai Jeenbekov" during his meeting with the Head of the State Chancellery of Bavaria, Florian Hermann. This was acknowledged by Angela Merkel, the Chancellor of Germany: 'I am informed about your request to support cooperatives in the agricultural sector. We can cooperate in this area, provide advice on phytosanitary, food security, quality of agricultural products and in the direction of green technologies' (CUK website information, 18.04.2019).

To sum up, the government in Kyrgyzstan provides regulatory and policy support to cooperatives. However, the country's budgetary deficit, lack of resources and capacity undermine the implementation process of the intended policies. For the government, the poor performance of the agricultural cooperatives is due to the "lack of a pronounced state policy that provides a systematic approach to the implementation of cluster projects, the lack of an effective methodological base for the application of cluster technologies, the lack of trained specialists, and other" (National Sustainable Development Strategy, 2013). Despite the legal framework for cooperatives, agricultural cooperatives do not have specific incentives in terms of taxation, access to credit, public procurement, and others. Furthermore, some provisions of the Law on Cooperatives reduce the differences of the cooperatives from traditional enterprises, for example, distinguishing cooperatives into commercial and non-commercial types or considering that cooperatives receive dividends as "a part of the cooperative's net profit paid on shares of cooperative members" (Law on Cooperatives of 2004, Art 1.8.). The Ministry of Agriculture is the agency in the government that is responsible for cooperatives' development. While it ensures a certain degree of government buy-in, it still confines cooperatives' development to agricultural activities, neglecting cooperatives' organisational, membership, governance and management aspects. Also, political instability and frequent government changes entailed policy instability that undermined the policy implementation process.

### *5.2. Cooperatives and the Cooperatives' Union of Kyrgyzstan (CUK)*

The website of the CUK communicates that 250 of 328 officially registered cooperatives were its members. CUK ensures its representation and policy advocacy through its apex organisation (see Figure 1). CUK helps its members by facilitating access to markets and establishing cooperatives through raising awareness on cooperatives; providing training and consultations to its members on technical, legal, financial and management issues; organises study tours for its members in Japan, South Korea, Germany, Malaysia, Thailand (CUK, 2019). In recent years, CUK has also been involved in building business partnerships with suppliers of production materials and buyers of agricultural products for local supermarkets and

international markets. One of the key activities of the CUK was organising annually the so-called Cooperatives Forum, which has become a platform for networking and advocacy, coop-to-coop information exchange, knowledge sharing and communication on cooperatives. CUK forums also facilitate exchanges with the international cooperative movement, inviting speakers from the European Association of Cooperative Banks, International Cooperative Alliance, cooperatives' national unions in South Korea, Japan, China, Turkey and many other countries. With the accession of the CUK to the ICA membership, in 2017 and 2018, these forums were co-organised with the International Cooperative Alliance Asia-Pacific and hosted international cooperative movements from Asia and Europe. In addition, these forums invited cooperatives' representatives from Central Asia to discuss the perspectives of cooperatives' development in the region (CUK, 2018).

In summary, cooperatives actively increase access to knowledge by providing training to their members, facilitating access of members to study tours, finding ways to local and external markets, participating in donor-funded projects, international trade fairs, and building business partnerships. Cooperatives and their apex organisation are the leads for disseminating cooperative culture communicating on cooperative principles and values, raising awareness on cooperatives through regular appearances on local radio, television and other media channels. With the accession of the CUK to the membership of the ICA in 2017-2018, cooperatives in Kyrgyzstan gained access to the international coop-to-coop channels of cooperation: CUK members and staff participated in training programmes abroad; while the Turkish cooperative movement facilitated the project of establishing a training centre for cooperatives under the National Agrarian University of Kyrgyzstan supported by Turkish Cooperation and Coordination Agency (TİKA). However, activities led by cooperatives' umbrella organisations remain highly dependent on external funding as membership fees paid by farmer communities in a low-income country would not allow conducting regular events, training programmes, and consultations. Cooperatives' member profiles also limit the potential for self-organisation due to a lack of leadership skills, financial resources, and knowledge.

### *5.3. International organisations*

International organisations are the main providers of funding and knowledge. They also facilitate trade links through their local development and aid-for-trade programmes. Furthermore, the government relies on donor funding for its policies. The State programme on cooperative development of 2002 mentions that for the implementation of the policy, there is a need for technical support from international donor organisations with relevant work experience in the field of development of agricultural cooperatives, as well as financial funds for subsequent financing of technical pilot projects in this direction. The Concept of 2017 states that it will be implemented with the financial assistance of the international organisations based on the agreements with agencies such as the GIZ, USAID, FAO, SCO, JICA. Donors, however, rarely target cooperatives, although the survey commissioned by JICA in 2012 found that all cooperatives, except for a few of them, have been established with the support of projects of international organisations or donor countries (JICA, 2012). Donors provided training, grants, equipment, study tours funded by donors. They also provided policy guidance on the

advantages and disadvantages of cooperatives, instructional materials and specific technical advice on the organisation and functioning of cooperatives, as well as advice on the re-drafting of the law of cooperatives (FAO, 2013).

Support from international organisations included the Development of Trade and Service Cooperatives Project implemented by the German Society for International Cooperation (GIZ) that allowed establishing the Cooperatives' Union of Kyrgyzstan and over a hundred agricultural cooperatives (CUK, 2020). Japan International Cooperation Agency (JICA) focused on training, funding study tours to Japanese cooperatives for CUK members and experts. Other donors had few projects that targeted specific types of cooperatives, focusing on their skills development, production, and the access to trade channels: machinery service cooperatives (World Bank, Community Seed Funds, 2008); potato cooperative (USAID Farmer-to-Farmer programme); handcraft cooperatives (The Asian Development Bank Handcraft and Entrepreneurship projects, 2011); walnut collectors' cooperative (GIZ, "Wealth of the Kyrgyz Forest" project, 2015), plum-producer cooperatives (EU-funded project implemented by ACTED and CUK, 2016-2017) (from CUK website information, 2017). Other projects included cooperatives in bigger agricultural productivity projects to facilitate cooperatives' access to credit, equipment, storage facilities, and training (World Bank, Farmer Cooperative Support Program, Agribusiness and Marketing project, 2009; USAID AgroHorizon project). Few international organisations contributed to gathering data and evidence on cooperatives: the UN Food and Agriculture Organization (2009) and JICA (2012, 2013) had published studies and surveys that analysed the challenges of cooperatives' development, providing policymakers with recommendations.

**Table II.** Donor-funded projects of the CUK<sup>3</sup>

<b>Years</b>	<b>Project</b>	<b>Funding/implementing partners</b>
2020-2021	Economic empowerment of rural women: training and capacity building	The United Nations Entity for Gender Equality and the Empowerment of Women (UN WOMEN)
2019-2021	Project on the development of business plan activities for 3 cooperatives and attracting investments, business partners	European Bank for Reconstruction and Development (EBRD)
2019-2020	Sustainable development of fish farming and aquaculture in the Kyrgyz Republic	Food and Agriculture Organization of the United Nations (FAO)
2016-2017	Promotion of sustainable development of the Ala-Buka region through the support of socio-economic initiatives of communities in partnership	European Union (implemented by ACTED)

<sup>3</sup> Table II is built based on the information on the CUK website, while the most recent projects were communicated by the CUK

Table II (continued).

Years	Project	Funding/implementing partners
2016	Research on cooperatives at the Center. Asia	International Alliance of Cooperatives (ICA)
2016	Analyzing and evaluating cooperatives, providing practical assistance, training and support in cooperative activities. Assistance in the creation of cooperatives. Building the capacity of Kyrgyz agricultural cooperatives for sustainability.	GIZ, JICA, Friend Asia, Agrolide, Good Neighbors, UNDP, FAO, Aga Khan.
2013	Research of agricultural cooperatives in the Kyrgyz Republic	JICA
2012	Research of the Agro-industrial complex (AIC) of the Kyrgyz Republic	Agroindustrial complex KR-AGUPR
2012	Research of agricultural cooperatives in the Kyrgyz Republic	JICA
2011	Institutional support project for cooperatives through the creation of infrastructure	The World Bank

Overall, international organisations' support was instrumental in setting up the cooperative movement in Kyrgyzstan. However, these projects were often part of more extensive agricultural development programmes that considered cooperatives the same as other local development actors. This lack of priority is undoubtedly due to past experiences with cooperatives in different parts of the world (Mansuri & Rao, 2013), but also it could be due to the lack of an updated conceptual frame integrating cooperatives in international development concepts. Moreover, cooperatives are often not differentiated as for their types of belonging to production or service cooperatives (Lerman, 2013). As a result, cooperatives often come under the programmes designed to support the civil society, the private sector, or producer organisations that do not necessarily address cooperatives' specific business and governance model.

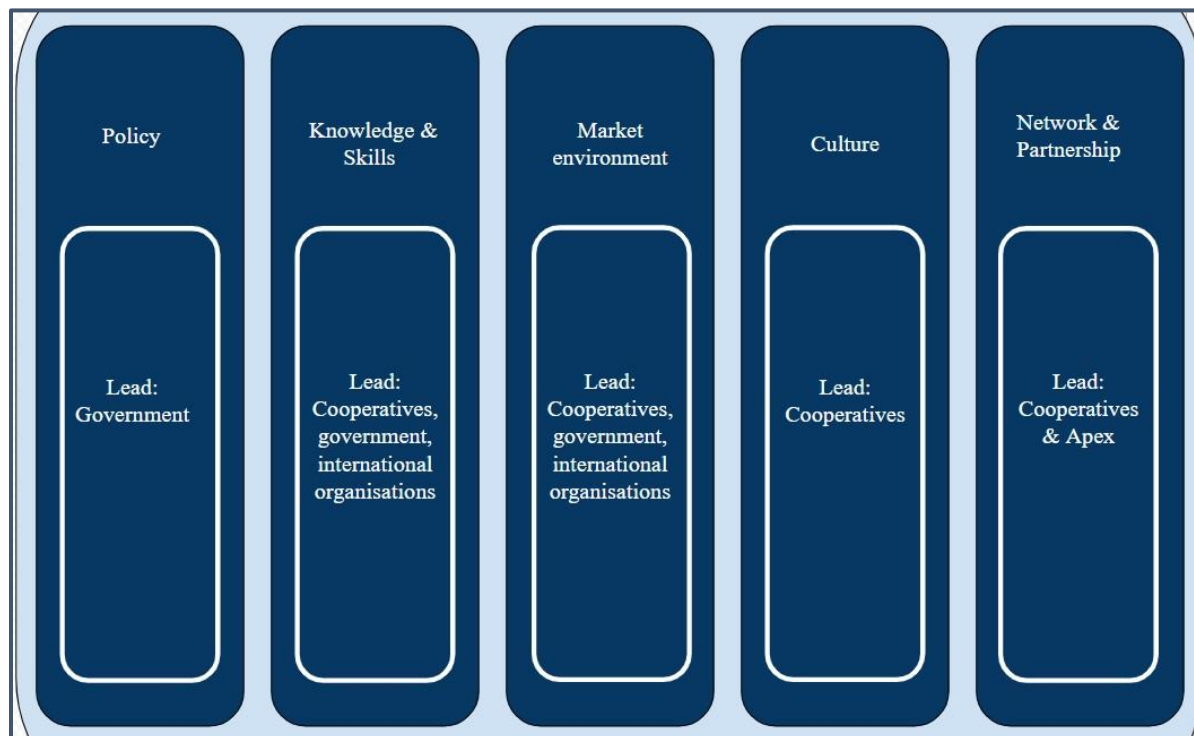
The results of the study show a threefold paradox. First, the government intends to create an enabling policy and regulatory environment without adequate resources and capacity. Second, cooperatives attempt to raise awareness on cooperative culture and actively engage in building cooperative networks and partnerships, but they also lack resources and capacity. Third, the international organisations have resources and capacity, but cooperatives are not necessarily their programmatic priority. This paradox could explain the slow progress of Kyrgyz agricultural cooperatives' development as policies and programmes remain lacking funding, while available funding from international organisations is episodic and attribute minimal role to cooperatives. Cooperatives, however, remain quite active in joining donor-

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funded projects, bringing attention on cooperative issues, defending, and communicating on cooperative culture at their yearly forums, through their networks and partners.

## **6. Discussion**

The findings shed light on the main actors of cooperatives' development in Kyrgyzstan, namely the government, cooperatives and international organisations. Our analysis shows that other stakeholders, such as the private sector, academia, civil society organisations have limited interactions with cooperatives and that they do not play a leading role in their development. Interactions with the private sector mainly concern service providers and intermediaries, since cooperatives still struggle to integrate these functions of extension services and market access in their structures as they remain predominantly remain production cooperatives. The lead actors play a leading role in different EE segments. Government leads the policy and regulatory field as it initiates and owns the legal and regulatory framework. Although cooperatives are also involved in policy development processed through their advocacy, expertise provision, public communication, forums; their lead position is still to be demonstrated. The government, moreover, is the lead on infrastructural and market development issues such as the logistics, certification laboratories, capacity building, trade facilitation agreements that directly impact agricultural cooperatives' activities. This segment is largely funded by international organisations within their programmes and projects aimed at rural development, aid for trade, among others. Cooperatives and their apex organisation lead the segments of the EE related to cooperative culture, as the only references to the ICA principles and values, appear within the publications related to the CUK activities. Their membership to the ICA and increasing engagement with international cooperatives networks and local partnerships through their forums, study tours and project activities often highlight the importance of the democratic governance, education and community engagement, solidarity and self-help principles. International organisations appear not leading any EE segment, but co-leading the fields of building knowledge and skills and building a favourable market environment, in which all three actors are present, as Figure 2 illustrates.



**Figure 2.** Cooperative EE elements and actors in Kyrgyzstan

The lack of a single lead actor supporting agricultural cooperatives' development might be one of the reasons for cooperatives' growth challenges. In the results section, we saw that the government plays a facilitating and mediation role with the international organisations, but the latter rarely target specifically cooperatives. It creates a mismatch between the intentions of the government to develop cooperatives and its capacity to fund the expected growth of cooperatives. We hypothesise that the lack of specific conceptual framing, that would update the role of cooperatives in international development, may play an important role in addressing this mismatch.

Support from the international organisations appears to be a possible response to address the 'top-down/bottom-up' issue as they play an increasingly important role in developing countries, especially when international development cooperation is making a radical shift towards a new paradigm from 'North to South' and 'givers and recipients' logic to 'whole-of-society' approach (Develtere, 2021). In this approach, the new development actors, composed of state and non-state actors, collaborate and co-create development, replacing the traditional vertical and unidirectional North-South approach with the horizontal, networked model with shared goals. In addition, international development organisations could enable coop-to-coop collaboration, as this is already the case for other regions. For example, in 2020, the National Cooperative Business Association of the USA<sup>4</sup> supported the agroforestry project in Haiti, helping smallholder farmers to access equitable cocoa markets. Similarly, the Cooperatives

<sup>4</sup>See the website of the NCBA-CLUSA: <https://ncbaclusa.coop/>

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Europe Development Platform (CEDP) lists 156 active cooperative projects of international development<sup>5</sup>.

In this context, cooperatives appear to be different from other types of local development actors. They are distinct from nonprofits, as they can redistribute their net earnings to their patrons or investors, who may in turn exercise control over the organisation (Hansmann, 1980). Producer organisations share some characteristics with cooperatives, but their legal forms and ownership structures can differ substantially (Bijman et al., 2012). The democratic governance structures of cooperatives as membership-based organisations, are intended to provide both internal accountability (leaders are elected) and external legitimacy (leaders represent their constituency), characteristics not shared by other non-governmental organisations (Uphoff, 1992). Democratic governance is one of the defining characteristics of cooperative enterprises as it voices members' commitment to sustainability. Unlike outside non-governmental organisations (NGOs) that implement donor-funded projects and leave after their project ends (Chen et al., 2007), cooperatives represent a sustainable and embedded form of entrepreneurship (Dufays, 2016). In fact, for sustainable development, local institutions, especially at local levels, are important for regulating the natural resources to maintain a long-term base for productive activity (Uphoff, 1992). For Uphoff (1992), although NGOs have greater flexibility, technical expertise and capabilities, cooperatives have greater access to local knowledge, networks, can take leadership and mobilise collective action.

Nevertheless, today cooperatives have little visibility at national and international levels and are neglected by policymakers and funders, while there is a lack of understanding of cooperatives' actual and potential contribution to sustainable development (ILO, ICA, 2014; OECD, 2017). In this regard, policy recommendations on developing the EE for the agricultural cooperatives include the following: (i) aligning policy and legal frameworks with the international cooperative principles; (ii) promoting the participation of the agricultural cooperatives in international development programmes; (iii) supporting international coop-to-coop cooperation; (iv) strengthening the role of the umbrella organisations, and (v) addressing the issue of lack of structured knowledge and education programmes on cooperative entrepreneurship.

Today, agricultural cooperatives are recognized not only for their productive role, but also for their potential to spread sustainable practices in local communities. The implications of this study are therefore both theoretical and practical. The article integrates agricultural cooperatives in the EE concepts and furthers the analysis to the role of the lead actor; while practical implications include the possibility of developing this framework for the use of governments, cooperatives, and international organisations as a tool for elaborating policies and programmes aimed at enhancing different segments of cooperatives' entrepreneurial ecosystem. Further research can explore more in detail the EE elements for cooperatives with empirical data and extend it to network analysis of the relational structure between the lead actors and other stakeholders of cooperatives' development.

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<sup>5</sup> See the website of Cooperatives Europe: <https://coopseurope.coop/development/>



## 7. Conclusion

In the context of increasing recognition of cooperatives' role in promoting sustainability, the research contributes to the discussion on the importance of ecosystem approach to the development of cooperatives. Cooperatives' development challenges are often oversimplified and often reduced to a single element of the EE, such as the communist legacies, lack of resources and capacity, and trust issues, while this article aims at offering a framework that would allow analysing the complexity of the contextual factors and the roles assumed by different actors in the EE development process. Kyrgyzstan's case is illustrative of the situation where cooperatives are autonomous organisations, yet they were established within the donor-funded projects and needed assistance during the initial phase of their development. We shifted the analysis from binary 'state-cooperative' perspective that viewed cooperatives' development as 'bottom-up' and 'top-down' trajectory and introduced the international organisations, which have a potential to support cooperatives' development. International players gain importance in the context of the unprecedentedly globalised world, but their interactions with cooperatives remain limited even though cooperatives play a significant role as local development actors and promoters of sustainable development in local communities. This support would help them building organisational knowledge and capacity, mitigate dependence from the state and strengthen their 'entrepreneurial' dimension.

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