



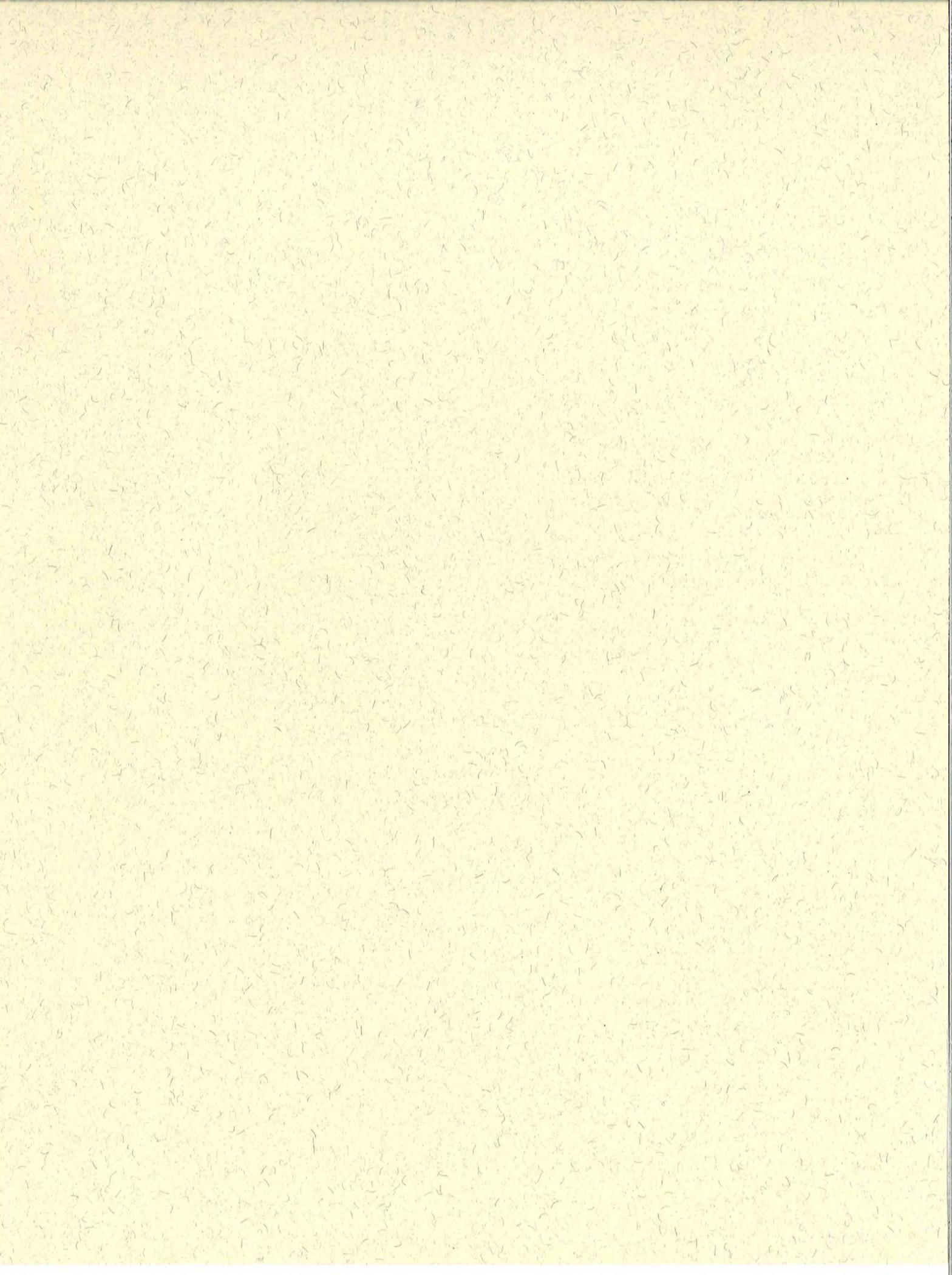
**RDI Reports on Foreign Aid and Development #84**

# **RUSSIAN AGRARIAN REFORM: A STATUS REPORT FROM THE FIELD**

**Roy L. Prosterman  
Leonard J. Rolfes, Jr.  
Robert G. Mitchell**

**August 1994**

**Report on a Policy Study and Fieldwork in  
Collaboration with the Agrarian Institute, Moscow**





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*The authors have completed five rounds of fieldwork in Russia (October-November 1990, September 1991, September 1992, June 1993 and May-June 1994) at the invitation of the U.S.S.R. Academy of Agricultural Sciences and, since 1992, the invitation of the Agrarian Institute to study the agrarian-reform process. In addition, the authors have engaged in discussions in Moscow with senior policymakers and other contributors to the agrarian reform process after each round of fieldwork and on numerous other occasions.*

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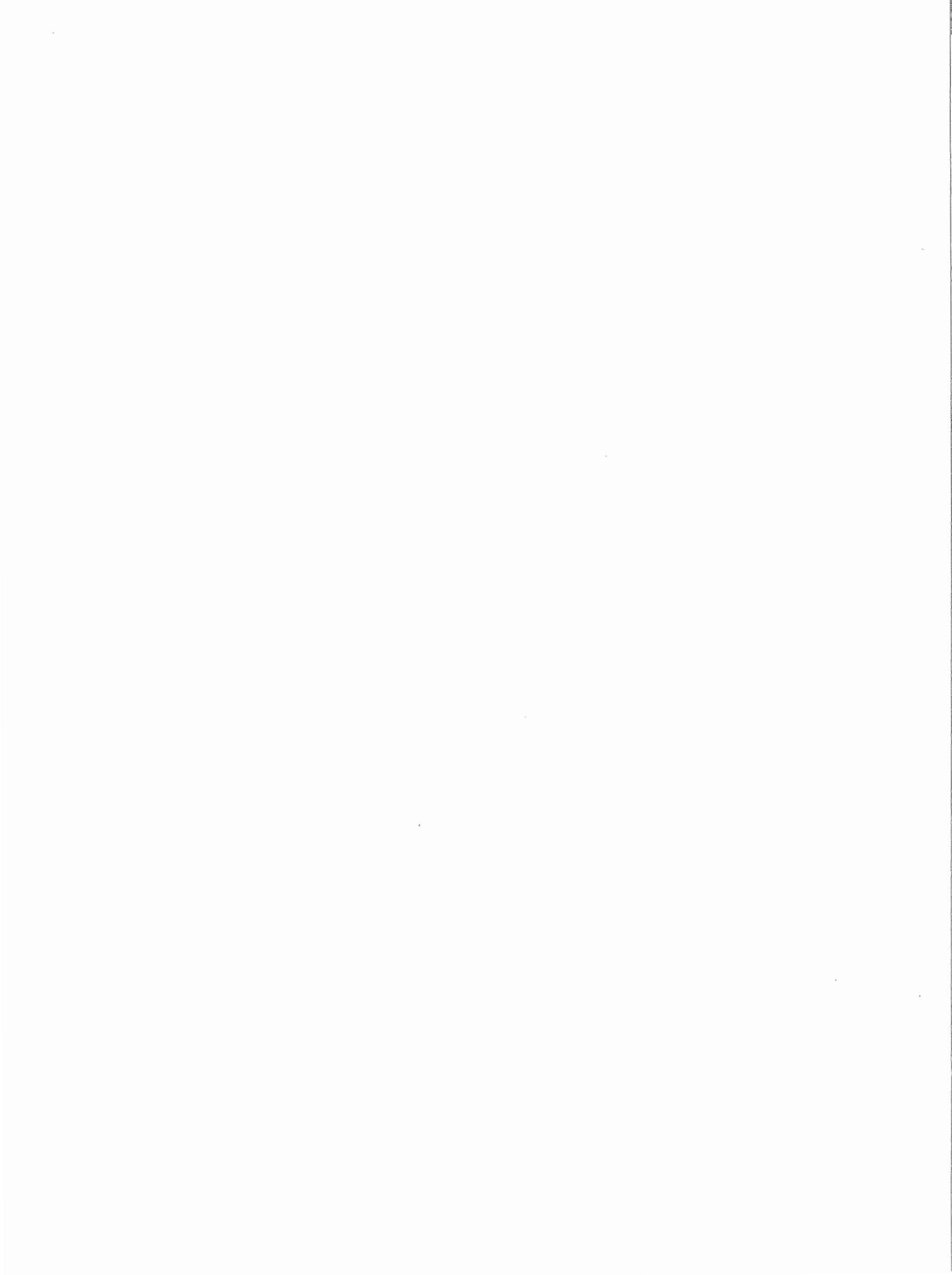
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## TABLE OF CONTENTS

INTRODUCTION .....	1
BACKGROUND .....	2
Collectivization of Soviet Agriculture .....	2
Changes in Collectivized Agriculture Since the 1930s .....	3
Changes under Gorbachev and Yeltsin .....	4
Legal Developments in 1993-1994 .....	7
OBSERVATIONS AND RECOMMENDATIONS .....	9
1. Formation of Peasant Farms .....	10
2. Land Fund .....	11
3. Exchange of Land Share for Land; Land Share Market .....	13
4. Purchase and Sale of Land .....	15
5. Land Leasing .....	16
6. Mortgage of Land and Land Shares .....	17
7. Issuance of Land Certificates .....	18
8. Land Registration .....	19
9. Agricultural Credit .....	21
10. Acquiring Agricultural Equipment .....	22
11. Exchange of Property Share for Property in Kind .....	24
12. Status of Collectivized Enterprises .....	25
13. Marketing .....	28
14. Processing Monopsonies .....	29
15. Social Sphere .....	31
16. Possible Uses of Foreign Assistance .....	33



## INTRODUCTION

Russian agriculture is presently undergoing vast changes in many areas ranging from land tenure to marketing to production decisions. These changes are heavily influenced by the Russian economy's transformation from central planning to free markets. The agricultural sector is currently experiencing great difficulties, but the reforms -- if their implementation is pursued and facilitated -- should result in overall strengthening of democratic institutions and increased productivity.

This report consists of: (1) recent legal and general background information relevant to Russia's agrarian reform process; (2) observations on the state of the reform process underway in Russia's agricultural sector, with specific emphasis on land reform and farm restructuring; and (3) recommendations which may help Russian agriculture and land relations to function in a market economy while allowing those engaged in agriculture to choose how they wish to farm. This report is derived largely from field research conducted in Voronezh and Vladimir *oblasts* (provinces) in May and June of 1994, plus the experience gained from four previous field research trips in Russia,<sup>1</sup> extensive policy advisory work in Moscow, and experience in eight other countries making the transition from centrally planned to free market economies.

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<sup>1</sup>Observations and recommendations from prior field research were detailed in: *Russian Agrarian Reform: A Fieldwork-Based Assessment*, RDI Report #83 (July 1993); *Agrarian Reform in Russia*, RDI Monograph #11 (May 1993); *Observations and Recommendations on Russian Agrarian Reform*, RDI Report #76 (October 1992); *An Update on Individual Peasant Farming in the U.S.S.R.*, RDI Monograph #8 (October 1991); and *The Prospects for Individual Peasant Farming in the U.S.S.R.*, RDI Monograph #6 (January 1991).

## BACKGROUND

### *Collectivization of Soviet Agriculture*

During the first twelve years after the 1917 Bolshevik Revolution, Russian peasants continued to farm their individual parcels (except for those on a small number of experimental collectives), now amplified by lands seized from the large landlords. During the early and mid-1920s, under Lenin's "New Economic Policy," the peasants could even sell their production on the market, and were generally free of government crop seizures. The Soviet state, however, continued to own the land, as it had since the 1917 Land Decree. In the late 1920s, Stalin began a campaign against the so-called "*kulaks*" (better off peasants). Anyone who farmed more than 30 hectares,<sup>2</sup> or had more than three cows, or ran a small shop, or hired any labor was vilified as a *kulak* and enemy of the state.

In 1929, forced collectivization began in earnest. A combination of ideological reasons prompted collectivization, including the desire for state control over the distribution and use of agricultural production and concern for political control of the peasantry. Production plummeted, and Stalin briefly discontinued the collectivization policy in 1930, at which time most farmers soon left the new collectives. Stalin reasserted the policy, however, and completed the collectivization process over the next several years. A simultaneous drive to liquidate the *kulaks* as a class drove millions of peasants from the land they farmed. The disruption of production was awesome. Farmers slaughtered much of the country's livestock, preferring to butcher them for meat rather than give them to the collectives. More than five million people died in the resulting famine.

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<sup>2</sup> One hectare equals 2.47 acres.

### ***Changes in Collectivized Agriculture Since the 1930s***

At first, virtually all production on the collectively farmed lands was seized by the state to support forced industrialization. The peasants survived, as well as they could, on what they could produce on their tiny household ("private") plots. Then, after Stalin's death in 1953, Nikita Krushchev liberalized procurement policies, beginning a slow and uncertain revival of incentives for the peasants. In the mid-1960s, state resources began to be poured into the collective and state farm sector in an effort to improve production. These massive expenditures continued until recently.

The size of collective and state farms gradually increased, as smaller farms were combined to form larger ones. When the Soviet Union broke up in 1991, there were approximately 26,000 collective and state farms in the Russian Republic and 50,000 in the Soviet Union as a whole. These farms averaged over 4,500 hectares of cropland, even larger amounts of pastureland, and had about 400 workers.<sup>3</sup>

The number of state farms grew steadily in relation to collective farms, often taking over financially troubled collectives for direct bankrolling by the government. On the eve of the recent reforms, however, there was little practical difference between the two forms. The "election" of collective farm chairmen was largely guided from outside, so there was little difference from the appointment of state farm directors. Collective farm members received a set monthly salary financed out of a line of credit from the state banks regardless of profitability (plus a bonus based on production), making their remuneration essentially indistinguishable from that of state farm workers. Private plots were allowed on both. Retired farmers on both collective and state farms received state pensions.

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<sup>3</sup>From FAO data.

Collectivized agriculture clearly did not work well in the Soviet Union. Labor productivity was lower by about a factor of ten on Soviet farms than in the United States and Canada. Measured most comprehensively, total factor productivity in climatically comparable areas of North American agriculture was more than twice that of the Soviet Union. That is, for the same amount of land, material inputs and labor, Soviet farms produced less than half as much as North American farms in similar climatic areas. If the Soviet farms' inefficient use of seed and feed is considered, the gap becomes still wider. Private plots, which occupied roughly three percent of the cultivated land in the Soviet Union, produced 25-30 percent of the total value of agricultural production in the country. In addition, Soviet state and collective farms lost 25 percent or more of their production during the harvest and post-harvest processes. As a result, grain had to be imported to help feed a country with sufficient agricultural potential to feed itself. State investment in collective and state farms was heavily subsidized, aggravated by government decisions to write off much of the long-term farm debt. Soviet collectivized farming proved to be a black hole down which vast resources disappeared and from which little light emerged.

### ***Changes Under Gorbachev and Yeltsin***

The recent agrarian reform process began with the slow emergence of peasant farms<sup>4</sup> in the late 1980s. This emergence was encouraged first by Mikhail Gorbachev and others at the all-union level and by the leadership in several republics and districts. Initially these peasant farms emerged without benefit of supporting legal provisions. Starting in

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<sup>4</sup>These are essentially family farms operated by individuals and small groups of farmers. We will use the term "peasant farm."

1989 the U.S.S.R. government, and later, the republic governments, began to give the peasant farming movement formal recognition.

Between November 1989 and March 1990 the U.S.S.R. Supreme Soviet passed the Law on Leasing, the Law on Property, and the Law on Land. These laws permitted individuals and families to hold long-term leases on land both within and outside the collective and state farms. They also allowed the granting of lifetime inheritable proprietorship (*vladenie*) over land, which included a perpetual, inheritable right to work the land, but not the right to buy, sell or mortgage. The laws also authorized local governmental bodies to grant land for peasant farms upon application, where the management of the collective or state farm was unwilling to do so. Finally, this set of all-union laws delegated important powers to the republics to pass additional measures which would provide essential detail and mechanisms for the legal process of establishing peasant farms.

In late 1990 the Russian Supreme Soviet adopted a set of three agrarian reform measures: the Law on the Peasant Farm, the Law on Land Reform, and the Law on the Social Development of the Countryside. These acts not only added detail and implementing measures to the all-union laws, but went beyond what was authorized at the central government level. For example, the final versions of these pieces of legislation went beyond the lifetime inheritable proprietorship rights allowed by the all-union law, and provided for a highly restricted right to sell land. According to the law, a farmer could acquire land in private ownership (*chastnaya sobstvennost*) and had the right to sell that land, but only to the *raion*<sup>5</sup> government and not to private individuals.

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<sup>5</sup> Administrative units similar to counties in the United States.

The Russian laws did not mandate a general redistribution of land, but provided two alternative mechanisms for granting farmers land. The first was a shareholding system on collective and state farms by which collective farm members and state farm workers received shares, which could be traded in for plots of land and other assets to establish a peasant farm. The second mechanism created a state land fund from unused and underutilized land. The *raion* administration allocated land from this land fund to applicants, bypassing the collective and state farm leadership. The laws also exempted peasant farms from state procurement, exempted peasant farms from land taxes for five years, allowed peasant farms to use hired labor, and provided for unspecified maximum landholding ceilings.

With the breakup of the Soviet Union in August 1991 power over the agrarian reform was transferred to the republic level. In December 1991 further agrarian reform measures were adopted in the Russian Republic, including the Presidential Decree "On Urgent Measures to Implement Land Reform in the RSFSR" and the Government Resolution "On the Procedure for Reorganization of Kolkhozes and Sovkhozes." These measures required collective and state farm members to "decide on transition to private, collective-shared or other forms of ownership, in accordance with the Land Code of the RSFSR," by March 1, 1992. The transition was to be completed by January 1, 1993. The measures further provided for the transfer of social services maintained by the collective and state farms to the local government administration and authorized penalties for farm managers who obstructed a would-be peasant farmer from receiving the land due under his or her land share.

The next significant legal development in Russia's agrarian reform occurred in November 1992, when the Russian Supreme Soviet enacted a law providing that those

who hold small plots of land would have full ownership, with the right to buy and sell such plots in direct transactions with other individuals. Then, in December, the Russian Congress of Peoples' Deputies amended the Russian Constitution to give holders of small land plots full ownership rights, including the right to buy and sell land directly to other individuals. These two enactments allowed those who hold private plots on former or present collective and state farms, garden plots, and *dacha* plots for country cottages to buy and sell such plots.

As to full-size farms, the constitutional amendment allowed private sale to other individuals only after ten years for land that was received free and after five years for land that was purchased; meanwhile, such land could be sold only to the local government.

#### ***Legal Developments in 1993-1994***

Four major legal developments related to agrarian reform occurred in 1993. First, in May the Russian Government issued Resolution No. 503, "The Procedure for Purchasing and Selling Land Plots by Citizens of the Russian Federation." This procedure contained rules for buying and selling land plots for *dachas*, gardens, private plots, and individual housing, which was allowed by the late 1992 enactments. The rules required that the purchase transaction be between the buyer and seller, that price be negotiated between them, and that the sale occur only if no land disputes or other legal obstacles were present. The rules also required a land plan before the transaction can be registered, with any necessary survey work performed at the parties' expense. Finally, the procedure provided that ownership of the plot shall be considered transferred from the moment of registration of the buyer's ownership right.

Second, President Yeltsin issued a major decree on October 27, soon after dissolving the Supreme Soviet. Decree No. 1767, "On Regulation of Land Relations and Development of Agrarian Reform in Russia," restored broad rights of individual acquisition and disposition of land for the first time since 1917. The decree gave citizens the right to buy, sell and otherwise transfer land in direct transactions. The decree also allowed land mortgage, and created the bases for a functioning land market. For each holder of a land share on collective agricultural enterprises, the decree established the right to buy, sell and otherwise transfer such share, and confirmed the right of each such holder to use the land share to claim and withdraw land from the collective enterprise to start a peasant farm. The decree also provided for issuance of a new form of registered ownership certificate to each owner of land and each holder of a land share, and set strict conditions for refusing to issue such certificates.

Third, the new Russian Constitution approved by the electorate in December reaffirmed the right of citizens to own land and underpinned the reforms of Decree No. 1767. Article 35 prohibited taking of property by the government without full compensation paid. Article 36 allowed "citizens and their associations" to hold land in private ownership, and continued by saying that "owners may freely possess, utilize and dispose of land . . . ."

Fourth, Decree No. 2287 of December 24, "On Bringing the Land Legislation of the Russian Federation Into Conformity With the Constitution of the Russian Federation" repealed large sections of the 1991 Land Code, the 1990 Law on the Peasant Farm and the entire 1990 Law on Land Reform.

An important legal development in 1994 concerned the reorganization of state and collective farms. In April, Prime Minister Viktor Chernomyrdin issued Government Decree

No. 324, "On the Practice of Agrarian Transformation in Nizhny Novgorod *Oblast*." The decree formally endorsed the International Finance Corporation's (IFC) ongoing project to reorganize collective and state farms in Nizhny Novgorod *oblast*. The decree also directed certain Russian government entities to prepare a statute on agricultural enterprise reform based in the IFC experience in Nizhny Novgorod.

## OBSERVATIONS AND RECOMMENDATIONS

With the May-June 1994 fieldwork in Voronezh and Vladimir *oblasts*, we have now conducted related field research regarding the actual status of agrarian reform in the countryside in 13 *oblasts* and *krais* since 1990.<sup>6</sup> During the 1994 fieldwork we were in seven *raions*, where we interviewed 17 peasant farmers, and visited ten present or former state and collective farms, interviewing farm leaders and rank and file workers. We also talked extensively with local and regional officials and closely examined the records of four *raion* land registration offices. In addition, we interviewed management at a milk processing facility.

The field research was conducted using a method known as "rapid rural appraisal."<sup>7</sup> This method consists of extensive interviews with peasant farmers, collectivized farm leaders and members, local officials and others regarding problems and prospects related to the reform process. The method is not a scientific sample survey, but

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<sup>6</sup> A *krai*, like an *oblast*, is a type of Russian province.

<sup>7</sup> For a discussion of rapid rural appraisal methods, see Robert Chambers, "Shortcut and Participatory Methods for Gaining Social Information for Projects," in Michael Cernea, ed., *Putting People First: Sociological Variables in Rural Development* (New York: Oxford University Press, 1991); and Chambers, "Rural Appraisal: Rapid, Relaxed and Participatory," Institute of Development Studies Discussion Paper 311 (University of Sussex, 1992).

provides information regarding the state of the reform from the beneficiaries and participants themselves.

The observations and recommendations from the field research are detailed in the following 16 sections.

### **1. Formation of Peasant Farms.**

Despite favorable legal developments, the formation of peasant farms by individual farmers and small groups of farmers has slowed dramatically over the past twelve months. In November 1990 there were estimated to be fewer than 1,000 peasant farms in the Russian Republic. That number grew to 185,000 by January 1993 and to 258,000 by July 1993. As of May 1994, however, the number of peasant farms totalled 293,000, representing an increase of only 35,000 over the past ten months. (Peasant farmers currently represent about six percent of agricultural households and operate about five percent of cropland in Russia.) Another way of viewing this slowdown is against the background of a survey of 1,000 rural citizens completed by the Agrarian Institute in January 1993. This survey, when projected over the approximately 11.2 million rural households in Russia, had indicated that some 600,000 rural families were ready to start peasant farms in the near future. However, in the following 16 months only 108,000 new peasant farms have been created.

The momentum of formation of peasant farms achieved in 1992 and sustained into the first half of 1993 has been lost. This slowdown may be attributable to a number of factors, such as increased difficulty in acquiring enough land and equipment to start a farm and the deterioration of the macroeconomic situation, which has made profitability harder

to achieve. The difficulties are also reflected in the smaller size of peasant farms started in recent months. These problems are detailed in the following sections.

## 2. Land Fund.

*Raion* land distribution funds, which were created using land taken from former state and collective farms, had been one principal source of land for peasant farms. Citizens wishing to establish peasant farms could apply to the *raion* administration to receive such land. The *raion* administration could grant an applicant a certain amount of land from the land fund (up to the *raion* norm)<sup>8</sup> in ownership without payment. Land exceeding the *raion* norm could be given in lease or in lifetime inheritable proprietorship.<sup>9</sup>

*Raion* land funds were typically the only source of land for would-be peasant farmers who did not work on a state or collective farm. While those working on state or collective farms are entitled to withdraw a small amount of land from the farm (again,

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<sup>8</sup> The *raion* norm limits the amount of land that can be granted free in ownership per individual to start a peasant farm. Consequently, peasant farmers must lease in additional land for optimum operating efficiency. The land funds are the source of such leased land. The *raion* norms (which we typically found to range from five hectares per adult to as low as two hectares) are so small because they are calculated by dividing the amount of agricultural land in the *raion* by the entire rural population, rather than using the smaller denominator of agricultural workers and pensioners.

<sup>9</sup>Sometimes land up to the *raion* norm was also given in life inherited proprietorship instead of ownership. A question now arises as to what to do regarding land held in lifetime inheritable proprietorship, since Decree No. 2287 of December 1993 abolished this tenure form. However, it continues to be referenced in circulating land code drafts, causing confusion among *raion* administrators. We recommend that peasant farmers who received free grants of land in lifetime inheritable proprietorship below the *raion* norm have their interest converted to full ownership, and that those holding in lifetime inheritable proprietorship above the *raion* norm be allowed to buy such land for a nominal payment. In this way, holders of lifetime inheritable proprietorship would be protected from having to make unexpected, high payments for land in their possession.

limited by the *raion* norm), they often must lease in supplemental land from the *raion* land fund.

Unfortunately, our fieldwork in 1993 indicated that the *raion* land funds were depleted in many areas of Russia. The 1994 fieldwork confirmed this observation for the areas we visited. As a result, the land distribution funds are often no longer a reliable source of land for those who want to start peasant farms. Nor are the land funds able to supply additional leased land to farmers who wish to expand their existing peasant farms. The widespread shortage of land in the land funds is reflected in the fact that, countrywide, peasant farms begun in 1994 average only about 20 hectares, a steep decline in size from the pre-1994 average of approximately 40 hectares per peasant farm.

The land funds could be replenished, but not without causing several problems. Most importantly, land used by former state and collective farms is owned by enterprise members as common joint or common share property. If the concept of ownership is not to be severely undermined, land used to replenish the land fund cannot simply be confiscated, but must be purchased by the state.<sup>10</sup>

We suggest that the state not attempt to replenish the land funds, but instead concentrate on developing the legal infrastructure for a private market for land and land shares in which those needing more land could identify and purchase or lease what they desire. Replenishing the land fund would simply put the state in the business of being a major buyer of land, both delaying and disrupting development of a private land market. Additionally, any such land acquisition program would be a target for corruption, a serious problem in Russia currently.

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<sup>10</sup> Article 35 of the Russian Constitution requires full compensation.

### 3. Exchange of Land Share for Land; Land Share Market.

The other principal source of land for peasant farms, besides *raion* land funds, is land represented by land shares belonging to members of collectivized enterprises. In our fieldwork we found that nearly all peasant farms are now being started by members of collectivized farm enterprises claiming their land share.<sup>11</sup>

Each member of a reorganized collective enterprise is entitled to receive an equal land share representing that member's common share ownership of agricultural land used by the enterprise. Each holder of a land share has the right to claim the land which the share represents and withdraw such land to establish a peasant farm. Our field research indicates that although farmers who attempt to establish peasant farms using this process are almost always able to obtain a commensurate quantity of land in exchange for their land share, a significant number are not able to obtain land of suitable quality and location. It is important that land acquired is not too distant from the peasant farmer's home and is served by adequate roads. One procedural approach that would help to ensure that the withdrawing farmer obtains fair treatment would be to divide a map of the former collective or state farm into equal land plots equivalent to each member's land share and then allow the enterprise management and the withdrawing farmer to take turns proposing specific land plots until each side agrees that the farmer can withdraw a particular plot.<sup>12</sup>

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<sup>11</sup>This was the case in every *raion* we visited in 1994. Until sometime in late 1992 or early 1993, most new peasant farmers were probably townspeople who applied for land from the land fund. Unfortunately, federal data on the two groups is apparently not collected.

<sup>12</sup> A variant of this procedure would use fields of the enterprise as the units which each side would alternately propose, and would locate the withdrawn land plot on a particular field after both sides had agreed on that field.

Decree No. 1767 also confirms the right of each holder of a land share to sell, exchange, lease, pass by inheritance and otherwise transfer such share.<sup>13</sup> The right to transfer such shares is crucial, since -- in the general absence today of supplemental land that can be rented in from the *raion* land fund -- acquisition of additional land shares promises to be the best way for peasant farmers to acquire needed land. Land shares could be bought or leased from pensioners and others. Currently a land share is typically too small for someone to farm under Russian conditions without acquiring additional land. The fieldwork has shown that the share is often five hectares or less.

Our fieldwork, however, found no examples of land shares being sold. There are at least two obstacles to land share transferability and the development of a private market in such shares. One primary reason is the lack of a mechanism. As discussed in the next section, a procedure similar to Resolution No. 503, introduced for small plot sales in May 1993, should be sufficient to facilitate such sales, and should therefore be adopted. Second, it is possible that existing law will be erroneously interpreted to forbid a holder of a land share from withdrawing such share once it has been contributed to the charter capital of an enterprise. Such an interpretation could have disastrous effects for the land reform, since collective enterprise managers could coerce holders of land shares into making non-withdrawable "contributions." Fortunately, present Russian law clearly does not allow such a result.<sup>14</sup> This fact should be publicized.

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<sup>13</sup> Land share mortgage appears to be included in the language of Decree No. 1767, but some within the government dispute this.

<sup>14</sup>Decree No. 1767 provides for land *plot* owners to contribute land to charter capital, but makes no parallel provision for land *share* owners. The decree also gives land share owners the right to the allocation of the physical land plot, thus indicating that such land shares cannot be irrevocably contributed. In addition, the 1990 Law on Joint-Stock Societies requires that a joint-stock society charter follow the law. Since Decree No. 1767 does not envision that land shares can constitute a contribution to capital, they cannot

#### 4. Purchase and Sale of Land.

Decree No. 1767 of October 1993, in conjunction with the Constitution approved in December 1993, clearly allows Russian citizens and private Russian legal entities to buy and sell all types of land in direct transactions.<sup>15</sup> Purchase and sale rights had previously existed only since late 1992, and only for garden, *dacha* and other small plots.

A significant market for small land plots is already developing in many *raions* we visited. For example, in Suzdal *raion* of Vladimir *oblast*, 261 small parcel sales transactions have been registered in the *raion* office of the committee on land resources and land use since registration of these transactions became available in August 1993. These transactions were carried out pursuant to Resolution No. 503 of May 1993, which was passed after purchase and sale of small plots was legalized in late 1992. The resolution introduced a simple (less than one page) procedure for buying and selling such plots.

By contrast, our recent fieldwork uncovered no sales of agricultural land (i.e., full-sized farms). Because the *raion* land funds are largely depleted, private purchases of agricultural land will be a fundamental method for peasant farmers to acquire enough land. Both peasant farmers and local officials noted that sales were not occurring because no sale mechanism existed. We recommend that the Resolution No. 503 procedure be modified and extended to allow for sales of all types of privately owned land, as well as

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constitute a contribution under the Law on Joint Stock Societies. Finally, the 1990 Law on Enterprises and Entrepreneurial Activity states that the property of a limited responsibility partnership (or joint-stock society of the closed type), mixed partnership or full partnership shall belong to the enterprise participants in common share ownership. Since decree No. 1767 states that land shares are held in common joint or common share ownership and are withdrawable, even if such shares can be deemed contributed to capital under the 1990 Enterprise law, they continue to be in common ownership and are withdrawable.

<sup>15</sup>This includes commercial and industrial land, although our focus here is not on such land.

land shares.<sup>16</sup> Under no circumstances should any procedure be adopted which would require government approval of such sales.

### 5. Land Leasing.

Leasing of land and land shares is another promising method for farmers to acquire land sufficient to operate a peasant farm. Decree No. 1767 gives broad authorization for leasing. All industrial democracies allow land leasing between private parties. For example, in the United States approximately 40 percent of agricultural land is leased, and in Great Britain about 36 percent of agricultural land is leased.

Many peasant farmers currently lease land from *raion* land funds, as noted in section 2. In fact, because the low *raion* norms limit the amount of land which peasant farmers can obtain in ownership from the land fund or withdraw in ownership from the collective farm, most peasant farmers presently lease from the land fund the great majority of the land they farm. The typical lease requires no rent payment for the first five years and generally includes an option to buy. Although many peasant farmers we interviewed were interested in eventually buying the land they leased, most were not certain that the option to buy would continue and were not inclined to place great reliance on the possibility of purchasing their leased land.<sup>17</sup> Since land funds have little land left to lease

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<sup>16</sup> The modified procedure should allow parties to execute preliminary sale agreements of the type commonly used in real estate transactions in the United States. The procedure should also be modified (consistent with Decree No. 1767) to forbid transfer only in the case of dispute regarding ownership rather than a minor dispute regarding land plot boundaries.

<sup>17</sup> We recommend that peasant farmers who have leased in land from the land fund above the *raion* norm be allowed to buy such land for a nominal payment, whether or not the particular *raion* has granted a formal option to buy in its leases.

out to anyone who needs additional land, private leasing of land and land shares, like private sale of land and land shares, therefore becomes extremely important.

Unfortunately, we discovered no examples of land or land share leasing between private parties during the fieldwork. Opportunities for land share leasing may increase substantially once land share certificates are issued pursuant to Decree No. 1767. Such leasing may be particularly attractive to pensioners and other certificate holders not currently active in agricultural work. Limited experience with such leasing of land shares has been reported in connection with the IFC farm reorganization project in Nizhny Novgorod *oblast*. Simple federal regulations on leasing, for both land and land shares, should be adopted.<sup>18</sup> Again, adoption of a specific procedure for implementing the broad authorization of Decree No. 1767 is much needed.

## **6. Mortgage of Land and Land Shares.**

The use of collateral to secure borrowed capital is a fundamental requirement in market economies in order to obtain investment capital for business operation and expansion. Land is typically a farmer's most valuable collateral. The right to mortgage that land can have significant productivity enhancing effects. Farmers in many countries mortgage their land to receive credits for inputs and machinery. Moreover, farmers in the industrialized democracies often obtain a loan to purchase land by using such land as collateral for the loan. This practice, sometimes known as "purchase money mortgage," allows competent farmers to purchase land even though they have limited cash or savings available.

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<sup>18</sup>Land share leasing regulations may be adopted on the federal level as part of a broader package of regulations relating to the IFC farm reorganization project.

In order for efficient peasant farmers to be able to buy land and land shares, they will need to use the purchase money mortgage mechanism. Such mortgaging has not been occurring in Russia, but is crucial for development of a functioning land market. Several draft land mortgage laws have circulated over the past few months, but none has been enacted. Such a law is needed, and must allow purchase money mortgages. We recommend that the law also allow mortgaging of real estate with any registered bank, with the bank having the right to foreclose upon and sell mortgaged land if secured debts are not paid. Proceeds of such a sale in excess of the amount needed to pay off the mortgage debt should, of course, be remitted to the mortgagor. State approval of each mortgage should not be required, since it would stifle the land market.

#### **7. Issuance of Land Certificates.**

Documenting rights to land is important for instilling a sense of ownership and ensuring the viability and exercise of those rights. Many peasant farmers before 1994 were given a state *akt* or old-form certificate to document their land rights. Decree No. 1767 of October 1993 simplified the requirements for documenting land rights and standardized a new certificate embodying ownership rights. The decree also called for distribution of these new certificates and allowed holders of old-form certificates and *akts* to exchange such documentation for the new certificate at their option.

Our field research indicates that although the process started slowly, the new certificates called for by Decree No. 1767 are finally beginning to be distributed to the beneficiaries. For example, in Vladimir *oblast*, the *raion* land committees had begun to distribute new certificates to owners of agricultural land and holders of land shares. Also, in Voronezh *oblast*, the *raion* land committees had just begun to distribute the first batch of

new certificates to owners of agricultural land. The *oblast* committee chair reported that the *raion* land committees would not be able to complete the distribution of the new certificates in time to meet an extremely optimistic August 1, 1994 deadline that had apparently been set administratively in Moscow. This was both because of the size of the job and because the *oblast* still had not received enough new certificates.

Ultimately, countrywide, the new certificates should be distributed to all peasant farmers (currently over 293,000 in number), to the owners of some 41 million small plots, and to the roughly 10 million owners of land shares. In addition, certificates will need to be distributed to private owners of other types of land.

#### **8. Land Registration.**

Proper registration of land ownership and other interests in real property is important to guaranteeing legal rights and developing a land market. Registration of such interests allows land to move freely in commerce by providing definite proof of ownership and other interests, and by collecting data in one location for access by market participants. Our visits to *raion* level land registration offices, all operated by the *raion* committee on land resources and land use, left positive impressions. Materials presently documenting the rights of the owner(s) of each peasant farm seemed to be in order, and a registration log book described the property rights related to land plots. Land registration offices we visited were "registering" small plot sales in special books provided by the federal committee on land resources and land use.<sup>19</sup> Many of the *raion* offices had

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<sup>19</sup> Because there has been no federal law or regulation defining the legal significance of registration, it is not clear what effect registration at the *raion* level currently has. It is not clear, for example, what effect failure to register various interests in real estate may have. Such issues must be addressed.

received new certificates but had not yet distributed them. Fortunately, neither Decree No. 1767 nor the new certificate require completion of a boundary survey before land ownership can be registered.<sup>20</sup> Indeed, more than one official stated that doing survey work for each land share and land plot before issuing the new certificate would be an impossible job. Although personnel in some *raions* were skeptical of distributing such certificates without a graphic boundary plan, all personnel seemed to be ready to carry out their instructions. Several *raion* administrators also complained that they did not have enough funding to retain adequate numbers of staff to register land ownership and land transactions. The entity given responsibility for registering rights in land must be adequately staffed.

Several problematic issues concerning land registration should be mentioned here. First, all land within a single *raion* is not registered at a single office, but is split up between the *raion* administration and the lower-level rural administrations depending on land type and location. Indications are that rural administrations simply do not have the resources to properly register land and control land records. Furthermore, the split in registration jurisdictions makes it more difficult to locate information about a particular parcel. Land registration functions should be taken from the rural administrations and consolidated at the *raion* level.

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<sup>20</sup>Decree No. 1767 does, however, require that the committee on land resources and land use oversee completion of a boundary survey within one month following registration. Several methods other than a ground survey can be used to describe location and size of an item of real estate. An urban land plot, building or apartment can be identified, for example, by street address. Boundaries of an agricultural land plot can be identified by using an aerial photograph (which indicates the pattern of field use in the area of the plot) to construct a scale map showing field division and assigning unique parcel numbers to each field. Such aerial photographs existed in each of the registration offices we visited and this method of boundary description was used in at least one of the visited *raions*.

Second, Russian land records and records for buildings (and other structures) have historically been treated differently. Records concerning buildings are administered by the Bureau of Technical Inventory. By contrast, land and building records in Western Europe and the United States are administered together, since land and buildings are integral to one another and it is almost unheard of that someone owns the building without the land or vice-versa. Since continuing such separation of records may well hinder real estate market creation and real estate transferability, we recommend that administration of land and building records be consolidated in a single registry.

Finally, *raion* land officials complained regarding the legislative basis for registering transactions in land. These officials believe the various decrees, government decisions and ministerial directives which discuss registration provide inadequate guidance to the registrars, resulting in confusion and mistakes in registration. We recommend that the government set a high priority on testing pilot registration procedures and developing comprehensive registration regulations and a comprehensive set of procedures for registrars to follow in registering ownership and other rights to land and buildings.

## **9. Agricultural Credit.**

The days of the state lavishing subsidized credit on the agricultural sector seem to be over. Last October the practice of subsidizing credit to agriculture ended. Peasant farmers and enterprise leaders we interviewed in May and June 1994 reported annual interest rates of over 200 percent for credit. Although such rates reflect the inflationary nature of the economy, many leaders of collectives and peasant farmers nevertheless recoil at the idea of paying such high rates.

A related problem is the amount of credit available. Many peasant farmers reported that, even at high interest rates, credit was still not available. Such a credit shortage makes it difficult for peasant farmers to borrow money to buy equipment, and will cause additional problems as the land market develops and farmers are able to use mortgages to borrow money and buy land. Ways must be found to make additional credit available to peasant farmers. One possible solution, discussed in the following section, is to provide government subsidized agricultural credit for purchase of farm equipment by those starting new peasant farms. Another step might be to encourage banks to index loan principal to an index of agricultural product prices, which would allow the farmer's debt to rise as prices for agricultural products rise and to fall as those prices fall.<sup>21</sup> For such a loan, interest rates should be very low, and the loan could be mid- to long-term, despite the presence of inflation.

#### **10. Acquiring Agricultural Equipment.**

In our fieldwork we have found that the acquisition of adequate equipment to start a peasant farm has grown more and more difficult since 1992. This continues to be a major barrier to the creation of new peasant farms and the expansion of existing efficient peasant farms. Equipment prices have increased dramatically over the past few years. Many collective leaders and peasant farmers reported that equipment prices increased

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<sup>21</sup> Indexation of loan principal has been used successfully in both Finland and Israel during times of high inflation. Russian farmers and enterprise leaders with whom we discussed this approach, during both the 1993 and 1994 fieldwork, generally responded positively to this approach. This solution would likely require a government subsidy as well since banks would otherwise probably make higher profits by extending loans to non-agricultural businesses producing products whose prices more nearly tend to follow general inflation trends in the economy.

much faster than prices they received for their production.<sup>22</sup> As a result, newly created peasant farms are often much less well equipped than existing peasant farms.

A number of alternatives can make equipment more accessible. Our interviews indicate that peasant farmers often share equipment. Sometimes, several families simultaneously starting peasant farms share equipment.<sup>23</sup> We also found cases of well-equipped peasant farmers who began farming in 1992 and earlier sharing their equipment with relatives or friends who are starting peasant farms now.

Other alternatives will require some form of government action. Those who have started a peasant farm after mid-1993 could be provided government-subsidized start-up credit to purchase necessary equipment. Subsidized credit should not be made available to peasant farmers who started before mid-1993, since they should already be established and often have sufficient equipment. By the same token, present or former collective and state farms should not be eligible for subsidized equipment credit, since most of these farms have already obtained equipment on highly subsidized terms over a period of many years.

Also, equipment depots (possibly through AKKOR, the peasant farmers' organization) could be established to make available crucial equipment. Our field research uncovered one such depot in 1993 which seemed quite beneficial to peasant farmers in the *raion*.

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<sup>22</sup>Enterprise leaders and farmers voiced the same complaint regarding the rapid increase of prices for chemical fertilizer, fuel and other inputs.

<sup>23</sup>These families often pool their agricultural land as well.

## **11. Exchange of Property Share for Property in Kind.**

Another potential source of peasant farm equipment is the pool of non-land assets which a member of a collective enterprise may claim upon departure from the enterprise by exchanging his or her property share for property in kind.<sup>24</sup> The 1994 field research indicates that holders of property shares continue to have a difficult time claiming anything close to their share of non-land property. We also observed this problem during field research in 1992 and 1993. Almost no peasant farmers we talked with were successfully able to exchange their property share for a fair equivalent of cash or property in kind. This situation not only adds difficulties for farmers trying to leave collective enterprises, but undoubtedly discourages many prospective peasant farmers from deciding to leave, since they realize they cannot claim the property represented by their property share. Absent adequate and affordable bank credit, such property shares may be the only realistic source of equipment for most prospective peasant farmers.

Fair disbursement of property to departing holders of property shares is being obstructed in a number of ways. The rare peasant farmer who was able to exchange his or her property share for properly valued property often did so after long delays and protracted negotiations with the enterprise. Other peasant farmers interviewed indicated that enterprises insisted upon valuing withdrawn property shares in 1992 rubles, whereas the equipment and other items to be claimed using the share had been revalued to take into account the effects of inflation. As a result, such shares were practically worthless.

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<sup>24</sup> Property shares represent an enterprise member's share of non-land assets used by the former collective or state farm and owned in common with other members of the enterprise. Such assets typically include livestock, farm equipment, buildings and inventory of agricultural inputs such as seed, fertilizer and fuel. Unlike land shares, which are equal, property shares are based on seniority and salary.

It appeared that in these situations property shares had been so grossly undervalued that, if every holder of a property share was to exchange his or her share for property in kind, only a small fraction of enterprise equipment, animals and buildings would have been disbursed.

How can property shares be fairly exchanged for property in kind? First, the governing law could require that property shares and collective enterprise assets be valued as of the same time period. One way to neutralize the effects of future inflation would be to express the value of all property shares as a fixed percentage of enterprise non-land assets, such that the total value of the property shares would continue to equal the total value of enterprise non-land assets. Prospective peasant farmers would then have a better idea of what assets they were entitled to receive when withdrawing from the enterprise. Second, certain crucial equipment, such as trucks and tractors, could be earmarked for allocation to persons exchanging a property share for property in kind, under rules making the valuation and claiming of such equipment more nearly automatic. Third, existing penalty provisions should be implemented. The December 1991 decree "On Urgent Measures to Implement Land Reform in the RSFSR" penalizes farm managers two months' wages for obstructing a holder of a property share who is attempting to exchange the share for property in kind. This provision was utilized briefly in 1992, and should be utilized again.

## **12. Status of Collectivized Enterprises.**

The fieldwork included visits to enterprises identifying themselves as shareholder societies, associations of peasant enterprises, limited partnerships, and state and collective farms. All but those denominated as state and collective farms claim to have reorganized

pursuant to the December 1991 enactment "On Reorganization of the Kolkhozes and Sovkhozes." In all but one case the reorganizations were cosmetic: farming operations were substantially the same on the reorganized enterprise as on the prior state or collective farm, and the management structure had changed little. Although certain operations (such as marketing) did change somewhat, these new enterprises for the most part continued to operate as single, integrated units.<sup>25</sup> Our finding regarding the cosmetic nature of most "reorganizations" remains unchanged from our fieldwork findings in 1992 and 1993.

On a positive note, all but one enterprise we visited (with the exception of specialized exempt enterprises<sup>26</sup>) had calculated the land shares and property shares of their members and pensioners, and enterprise management seemed to acknowledge the legal right of members and pensioners to leave the enterprise and exchange their shares for land and either property in kind or cash. Even enterprises which do not claim to have reorganized do recognize these rights of withdrawal. (In practice, as discussed above, a member can generally withdraw land from an enterprise, but not non-land property.)

Additionally, a small number of former state and collective farms in Russia have genuinely reorganized.<sup>27</sup> After diligent search, we identified three such enterprises during

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<sup>25</sup> In fact, even non-reorganized state and collective farms have altered some operations, including marketing, to adjust to the new environment.

<sup>26</sup> Some state farm enterprises, such as specialized seed growing and livestock breeding operations, have been formally exempted from the reorganization process. Departing members may not withdraw land or property in kind from these enterprises. We suggest that there be a careful review at the federal level regarding the conferral of specialized status on such enterprises.

<sup>27</sup> One should also keep in mind the IFC project to reorganize six collective and state farms in Nizhny Novgorod *oblast*. This project attracted federal level attention, and new regulations are expected under which this approach will soon be promoted all over Russia.

previous fieldwork, and a fourth in 1994. How can such genuine reorganizations be distinguished from cosmetic ones? The following are useful indicators:

- (a) How many separate units have resulted from the reorganization? Do these units merely correspond to brigade units of the former collective or state farm in terms of land farmed and members?
- (b) Do the units receive instructions from a central entity? Is the central entity the same size as and composed of the same personnel as the administration of the collective or state farm?
- (c) Do the units take separate responsibility for profits and losses, and for wages and dividends paid to unit members?
- (d) Have the units identified, either on a map or on the ground, parcels corresponding to particular land shares of unit members or smaller groups within the unit? Have documents been distributed for these land shares?
- (e) Do the units farm the land themselves, do individuals and groups within the unit farm land separately, or do the units farm together with other units? Have there been any other significant changes in operations and procedures since the reorganization occurred?
- (f) Do the units have their own bank accounts or do they have subaccounts through the central entity?
- (g) Can the units make independent business decisions, such as contracting with each other directly rather than through the central entity, contracting with outside entities, marketing as they choose, and acquiring inputs as they choose?

Although various degrees of reorganization of entire enterprises will continue to occur, it appears that individual and small group withdrawals will continue to comprise the great majority of cases in which the scale and organization of farming are dramatically altered. Because polls have shown that only a small percentage of collective enterprise workers want to leave the enterprise, the probability is remote that a majority of workers on any given collective enterprise would want to break up that enterprise completely.<sup>28</sup>

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<sup>28</sup> Based on our comparative fieldwork in countries such as China (which has seen almost total breakup of the former collective farms), we believe there are several reasons for this phenomenon in Russia. Among these are the longer history of collectivized farming in Russia,

Placing complete hope on the widespread breakup of entire enterprises is therefore unrealistic; those who want to encourage true reorganization must promote adoption of procedures which facilitate withdrawal of individuals and small groups of farmers, such as the improved procedures for claiming land and property shares discussed above. Equally important, measures designed to produce partial reorganization of an enterprise should always allow for further reorganization in the future. One crucial factor is that members who contribute their land shares to any new or existing enterprise should continue to be able to withdraw such shares in kind in the future.

### **13. Marketing.**

Marketing of production is currently rife with problems, yet the agricultural sector does seem to be slowly converting to a market based system. Both collective leaders and peasant farmers reported that they were no longer required to make significant obligatory deliveries to the state. Although such leaders and farmers did think they would sell most of their production to the state in 1994, many were selling an increasing part of their production on the private market.

Collective leaders and peasant farmers interviewed were becoming more responsive to market forces. For example, the manager of a collectivized enterprise near the city of Voronezh reported that because demand for the enterprise's vegetable production had declined significantly (partly because increased production on local household, *dacha* and garden plots was satisfying much of the demand), the enterprise was looking for other

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the cautionary experience with the *kulaks*, and the greater difficulties of obtaining equipment and arranging marketing associated with the comparatively large peasant farms formed in Russia. However, if the equipment and marketing obstacles could be solved, at least the balance of the 600,000 families projected by the early-1993 Agrarian Institute poll (see section 1 above) might be willing to start peasant farms rather soon.

crops to produce. A peasant farmer reported that he received immediate payment for his sunflower from a private buyer which he found through friends. Another collective farm manager described contracts recently entered into to supply the cafeteria of a nearby furniture factory with milk, meat, potatoes and other foodstuffs. In one *raion* in Voronezh *oblast* the manager of a dairy informed us that reduced subsidies (from 60 percent to 4 percent of base price paid) and lower prices paid to dairy farmers had caused the collectives and peasant farmers to reduce the size of their herds significantly, resulting in a decrease in deliveries of milk to the dairy from 270 tons per day to 150 tons per day. Removal of subsidies and emergence of market forces obviously have caused major repercussions for some agricultural producers and processors.

A related obstacle which impacts the small agricultural producer is the lack of affordable cleaning and storage facilities for grains and other agricultural production. Operators of peasant farms typically have no such facilities and therefore are forced either to sell the production to state or privatized monopsonies which have cleaning and storage facilities or pay exorbitant fees for those services. Some of the more established peasant farmers we met had constructed storage facilities and other peasant farmers were determined to build their own storage facilities as soon as they could afford to, thereby giving them greater power to avoid the high fees and sell to a wider range of buyers.<sup>29</sup>

#### **14. Processing Monopsonies.**

One major obstacle to the agrarian reform is the continued existence of processing monopsonies, such as dairies and meat packers, which can and do take advantage of the

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<sup>29</sup>In prior fieldwork, we found one example in which the *raion* AKKOR leadership had helped a group of peasant farmers to plan and obtain credit for a joint storage facility.

fact that they are the only buyer of a particular agricultural product in a given region. Such monopsony power is the natural result of high transport costs for raw agricultural products and the fact that Soviet-era agricultural processing facilities were built to serve particular regions on an exclusive basis. Even though the processors have been privatized, the processing enterprises continue to be majority-owned by their workers and management. Although collective and peasant farmers are allowed to own shares in the processing enterprise, they may not own more than 49 percent and are therefore denied a controlling interest. Processors have every incentive to exploit their monopsony position to keep producer prices as low as possible. For example, the manager of a dairy we visited told us that the dairy was not able to pay dairy farms on time for milk deliveries, but was always able to demand payment in advance from his customers. (Meanwhile, the dairy was paying its workers an average monthly salary of 170,000 rubles in May, as compared with average salaries of around 50,000 rubles paid by many reorganized dairy farms) Other producers, on both collectivized farms and peasant farms, complained that they were forced to deliver to a single regional beet-sugar refinery.

One possible solution would be for the government to require processing firms to amend their charters to allow collectives and peasant farmers to obtain a controlling ownership interest in the processing enterprise by purchasing shares from management and employee shareholders. This would protect the interests of current shareholders and give them a market for their shares while allowing producers the opportunity gradually to convert the processors into processing cooperatives similar to those operated by farmers in the United States and elsewhere.

Another major problem in marketing is the delay in payments to the producers. Almost everyone we spoke with, from collective enterprise leaders to peasant farmers,

reported lengthy delays in payment for production delivered to monopsonistic buyers. We found that delays of two to three months were not uncommon, and some delays exceeded six months. In an inflationary environment, such delays significantly reduce the value of the production and result in delayed payment of wages to employees of collective enterprise and cash-flow problems for owners of peasant farms. These delays are unconscionable; no business in any country would be able to survive for long under such conditions.<sup>30</sup>

### **15. Social Sphere.**

During the Soviet era, collective and state farms supplied their members with services such as central heating, water, kindergarten, maintenance of roads, and cafeteria, bathhouse and clubhouse facilities. Collective enterprises provided most social services other than medical services and school beyond kindergarten. Indeed, it was common for the management of a single collective enterprise to function essentially as the civil government of the villages located within the boundaries of the enterprise. Most local administrations cannot afford to assume financial responsibility for these social services. In areas we visited, most such services continue to be provided and funded by the collective or state farm, regardless whether the enterprise has reorganized. Leaders of such enterprises told us that such services are important for the well-being of their members. The cost of providing such services weighs heavily on the collectivized

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<sup>30</sup>A similar problem may exist regarding the manufacture and distribution of agricultural inputs. Every collective enterprise leader and peasant farmer we interviewed complained about the very high cost of agricultural inputs and many suspected that manufacturers and distributors of some inputs were exercising monopoly power to keep prices high. We found in many cases that, as a result of high cost, use of chemical fertilizer had either been severely reduced or eliminated altogether.

enterprises and several enterprise leaders told us that they feared having to curtail services due to lack of funds.

Rural citizens are entitled to receive services which satisfy their basic needs and ensure a minimum quality of life. If financial pressures continue to threaten the viability of such services, rural citizens may become demoralized. Of equal importance, the fact that leaders and members of collectivized enterprises cannot depend upon local administrations to provide such services is a significant obstacle to the breaking up collectivized farms into smaller agricultural enterprises and peasant farms. Likewise, members who might be inclined to leave collectivized enterprises to establish peasant farms must worry whether they will continue receiving village services or will be charged a penalizing fee by the collective. In effect, the organization of production may well be influenced by the organization of rural social services.

We recommend that serious efforts be made to facilitate the transfer of the social services to the local administration.<sup>31</sup> Given the cost and difficulty of such transfer, and the continuing cost of actually funding such services, it will be necessary to offer incentives to the local administration to accept responsibility for the farm's social sphere.<sup>32</sup> If rural services are to be successfully transferred from the collective

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<sup>31</sup> One mechanism which has been suggested is to require a reorganizing collectivized farm to transfer its social sphere to the local administration as a mandatory precondition to farm reorganization. This is problematic because it may allow the local administration to prevent reorganization by refusing to accept responsibility for the social sphere. We would instead recommend that the government encourage, but not require as a precondition for reorganization, the transfer of the social sphere to the local administration.

<sup>32</sup> One alternative solution would be to turn over responsibility for rural services to a new local government entity and give the entity authority to fund such services by assessing local collective farms, peasant farms and other rural inhabitants. We observed an assessment scheme on one collective enterprise which had divided into 15 "production groups," all of which joined in an "association of peasant farms." The association (which continued to be headed by the former manager of the former collective farm) assessed each group based on

enterprises to the rural administration, alternative sources of funding must be found to support those services. The federal and *oblast* governments must either assume direct responsibility for providing essential services in rural areas, or the taxing regime must be reformed to allow *raions* and rural administrations to retain a greater portion of taxes collected in rural areas. Financial stabilization of the social sphere, and its separation from control by and dependence upon collectivized enterprises, will make the organization of agricultural production more flexible and better able to respond with innovation to developments in the market.

#### **16. Possible Uses of Foreign Assistance.**

Foreign assistance may be especially useful to help the agrarian reform process and assist in the creation and functioning of a land market in such areas as the following:

(a) to provide subsidized startup credit through the commercial banking system or perhaps through creating farmers' cooperative banks for a significant number of new peasant farms. Resources would be provided sufficient for a farm with basic equipment where at least two families were cooperating in sharing such equipment.<sup>33</sup> Of course, such credit should be secured by a mortgage, with foreclosure upon the security in the event of default;

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the number of members to fund services supplied by the association staff, including kindergarten. The assessment averaged approximately five percent of each group's profits. We would favor implementation of this type of system, to be administered by a public entity rather than a private collective or association.

<sup>33</sup>In mid-1993, we estimated the cost of starting a peasant farm, when two or more families were cooperating in the purchase and use of equipment, as the ruble equivalent of \$5,000. This figure would be the minimum needed, which we estimated would be less than half of the startup credit needed for those farmers starting alone and requiring complete inventories of equipment. The corresponding dollar figure would be higher today, but we do not have sufficient data to estimate. One possibility might be to provide some proportion of the total resources needed by a peasant farm --say one-half-- as an outright grant through foreign aid, and for the bank (with incentives) to provide the remainder as a long-term, low-interest loan with indexed principal.

(b) technical assistance and credit resources could help peasant farmers establish service cooperatives for pooling equipment, building and operating crop storage and processing facilities, and developing marketing channels and strategies;

(c) technical and financial assistance in registration and distribution of ownership certificates to more than 293,000 peasant farms, 41 million small plots, 10 million land share owners, as well as to the holders of commercial, industrial and other land plots.

(d) technical assistance might help administrators explore ways of transferring responsibility for the social sphere from collectivized farm enterprises to village and *raion* administrations. Such analysis should focus upon funding needs and resources, including possible revision of the rural taxing regime;

(e) credit and training for enterprises and individuals performing a crucial land market function, such as brokers and real estate lawyers.

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