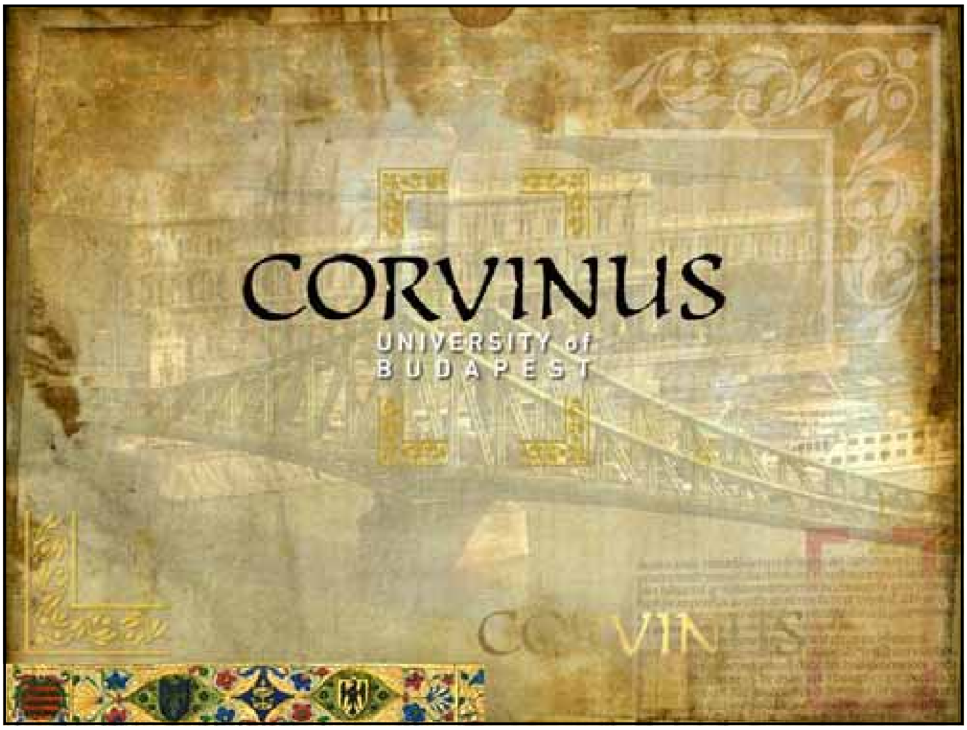

Success and Failure of Land and Agrarian Reform in CEE and CIS Countries

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FAO Policy Assistance Division Technical Seminar

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OUTLINE OF PRESENTATION

- The framework of agrarian reform in the CEE and CIS countries.
- Process of land reform and outcomes.
- An assessment of the status of agrarian reform in selected country groups.
- Problems and future of agrarian reform.

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About the CEE & CIS Region:

- About 20% of global land resources.
- Only 7% of global population.
- 9% of GDP from agriculture.
- 18% of population is active in agriculture.

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Reform Agenda

- Market liberalization.
- Land reform / farm restructuring.
- Privatization of processing and services.
- Creating working rural financial system.
- Institutional reform.

Land privatization

- Restitution
- Distribution
  + paper shares
  + in physical units
- Transitiom from paper shares to physical units.
- Importance of procedures
- Cadaster and registration.

Restructuring Modes

Allocation strategy	Immediate outcome	Resulting farm structures	Countries
Physcal distribution of land and assets	Dismantling of collective structure	Individual farms	All CEE Transcaucasia, Moldova
		New corporate units created by reconfiguration of individual holdings	CEE (except Albania), Moldova
Distribution of"paper shares"	Retention of former collective structure as new organizational form	Individual farms established by withdrawal of shareowners	All other CIS
		Corporate units created by reconfigurations of shares inside former collective shell	
		„Stay as is": Successor farm created by keeping the shares in former collective	

Characteristics of Land Policy in Transition Countries

	Region	Potential private ownership	Privatization strategy	Allocation strategy	Transferability
Poland	CEE	All land	Sale of state owned land	None	Buy-and-sell, leasing
Romania	CEE	All land	Restitution+distribution	Plots	Buy-and-sell, leasing
Bulgaria	CEE	All land	Restitution	Plots	Buy-and-sell, leasing
Estonia	CEE	All land	Restitution	Plots	Buy-and-sell, leasing
Latvia	CEE	All land	Restitution	Plots	Buy-and-sell, leasing
Lithuania	CEE	All land	Restitution	Plots	Buy-and-sell, leasing
Czech Rep.	CEE	All land	Restitution	Plots	Buy-and-sell, leasing
Slovakia	CEE	All land	Restitution	Plots	Buy-and-sell, leasing
Hungary	CEE	All land	Restitution+distribution	Plots	Buy-and-sell, leasing
Albania	CEE	All land	Distribution	Plots	Buy-and-sell, leasing
Armenia	CIS	All land	Distribution	Plots	Buy-and-sell, leasing
Georgia	CIS	All land	Distribution	Plots	Buy-and-sell, leasing
Moldova	CIS	All land	Distribution	Plots (from shares)	Buy-and-sell, leasing
Azerbaijan	CIS	All land	Distribution	Plots (from shares)	Buy-and-sell, leasing
Russia	CIS	All land	Distribution	Shares	Leasing, buy-and-sell dubious
Ukraine	CIS	All land	Distribution	Shares	Leasing, buy-and-sell dubious
Kyrgyzstan	CIS	All land	Distribution/conversion	Shares	5-year moratorium on land transactions
Kazakhstan	CIS	Household plots only	None	Shares	Use rights transferable; buy-and-sell of private plots dubious
Tajikistan	CIS	None	None	Shares	Use rights transferable
Turkmenistan	CIS	All land	None; up to 50 ha of virgin land to farmers	Intra-farm leasehold	Use rights nontransferable
Uzbekistan	CIS	None	None	Intra-farm leasehold	Use rights nontransferable
Belarus	CIS	Household plots only	None	None	Use rights nontransferable; buy-and-sell of private plots dubious

Central Europe / Baltics

- Advanced land privatization.
- Fragmented land ownership, less fragmented use.
- Dual farming structure.
- Low profitability of farming.
- CAP and national policies provide significant support.
- Recovering agricultural output.

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Russia / Ukraine

- First phase of large farm restructuring finished.
- Independent private farming has a marginal role.
- Household plots provide over half of output.
- Traditional Large farm performance has not improved – majority are loss-making ventures.
- Emergence of large commercial farms with high efficiency.
- Outputs are stabilized at 50-60% of pre-reform level.
- Signs of recovery in privatized agroprocessing.

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Caucasus

- Small private farms are dominant.
- Difficult rural situation.
- Private farming offers the opportunity to survive.
- Agroprocessing is in disarray.
- Outputs are recovering in primary agriculture.

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Central-Asia

- First phase of land reform completed.
- Diverging outcomes.
- State land ownership is still dominate.
- Lease-based land use rights.
- Serious social problems.

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Actions Required to Promote Privatized Agriculture

- Creation of a competitive land market and mortgage system.
- Facilitate land consolidation and creation of viable private farming entities.
- Development of a competitive bank credit system for financing the establishment of farms.
- Maintaining free and competitive markets for inputs and outputs.
- Strengthening infrastructure and transportation systems for the rural sector.
- Establishment of appropriate advisory and extension services.

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Options for Farm Consolidation

- “Recollectivization”
- Consolidation driven by liberal land market.
- Land market-based consolidation. facilitated by a supportive legal and budgetary framework.

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Principles of Market-Based Land Consolidation Program

- Voluntary, based on a functioning land market.
- Principles and objectives of program are clearly defined and publicized.
- Specific entry barriers and excessive transaction costs on land markets are removed.
- Supportive legal measures (e.g., pre emptive purchasing rights) are well defined and easily implementable.
- Support measures such as grants, tax breaks, are transparent and monitorable.
- System of reporting for monitoring all land sales, including sales prices, profile of investor, and type and condition of farm are in place.

Reform Agenda

- Market liberalization.
- Land reform / farm restructuring.
- Privatization of processing and services.
- Creating working rural financial system.
- Institutional reform.

I. Table 2: Key to Numerical Ratings Used in Analysis

Market Conforming Policy Environment	Land Reform	Privatization of Agroprocessing and Input Supply	Rural Financial Systems	Institutional Framework
1-2. Direct state control of prices and markets.	1-2. System dominated by large-scale farms.	1-2. Monopolistic state owned industries.	1-2. Soviet type system, with "Agrobank" as the sole financing channel.	1-2. Institutions of command economy.
3-4. Deregulation with indicative prices, and price controls; significant NTB on imports or exports.	3-4. Legal framework for land privatization and farm restructuring in place, implementation launched only recently	3-4. Spontaneous privatization and mass privatization in design of early implementation stage.	3-4. New banking regulations are introduced; little or no commercial banking.	3-4. Modest restructuring of government and public institutions.
5-6. Mainly liberalized markets constrained by the absence of competition and some remaining controls on trade policy.	5-6. Advanced stage of land privatization, but large-scale farm restructuring is not fully complete.	5-6. Implementation of privatization programs in progress.	5-6. Restructuring of existing banking system, emergence of commercial banks.	5-6. Partly restructured governmental and local institutions.
7-8. All command economic type interventions are removed. Market and trade policies are in compliance with WTO, however, domestic markets are not fully developed.	7-8. Most land privatized, but titling is not finished and land market not fully functioning.	7-8. Majority of industries privatized with a framework conducive for foreign direct investment.	7-8. Emergence of financial institutions serving agriculture.	7-8. Government structure has been refocused while research, extensions, and education is being reorganized.
9-10. Competitive markets with market conforming trade and agricultural policies, and no more than modest protection	9-10. Farming structure based on private ownership and active land markets.	9-10. Privatized agro-industries and input supply, with improved international competitiveness.	9-10. Efficient financial system for agriculture, agro-industries, and services.	9-10. Efficient public institutions focused on the needs of private agriculture

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Status of Agricultural Reforms in CEE and CIS Countries
1 = Centrally Planned Economy   10 = Completed Market Reforms

	Prices&Mark			Land Market			Agro-Processing			Rural Finance			Institutions			Total Score		
year:	05	04	00	05	04	00	05	04	00	05	04	00	05	04	00	05	04	00
Bulgária	9	9	9	8	9	8	9	9	8	8	7	7	9	9	8	8,6	8,6	8,0
Románia	9	8	7	8	8	8	9	9	8	8	8	6	8	8	6	8,4	8,2	7,0
Armenia	8	8	7	8	7	7	9	9	7	7	7	6	9	8	8	8,2	7,8	7,0
Croatia	9	9	8	8	8	8	8	8	8	7	7	6	8	7	6	8.0	7,8	7,2
Albánia	8	8	8	9	9	8	8	8	8	7	7	7	7	7	6	7,8	7,8	7,4
Serb&M	8	8	3	8	7	5	8	7	3	6	6	3	8	7	4	7,6	7,0	3,6
Macedonia	8	8	8	7	7	7	7	7	6	7	7	5	7	7	7	7,2	7,2	6,6
Kyrgyz Rep	8	8	7	8	8	7	7	7	6	7	7	6	6	7	5	7,2	7,4	6,2
Bosnia HG	8	7	6	7	7	6	7	6	6	7	7	6	5	5	5	6,8	6,4	5,8
Russia	6	6	6	6	6	6	9	8	7	7	7	6	5	4	4	6,6	6,2	5,8
Azerbaijan	6	6	6	6	5	5	9	9	7	6	6	5	5	5	5	6,4	6,2	5,6
Kazakhstan	7	7	8	8	9	8	6	6	6	5	6	5	5	5	5	6,2	6,6	6,4
Ukraine	6	5	6	5	5	5	8	8	6	7	8	6	5	5	5	6,2	6,2	5,6
Moldova	6	6	7	7	7	8	6	6	6	7	7	6	5	4	5	6,2	6,0	6,4
Georgia	8	8	8	6	7	7	4	5	5	6	6	6	3	4	5	5,4	6,0	6,2
Uzbegistan	5	4	3	5	5	4	5	5	3	4	3	2	5	3	3	4,8	4,0	3,0
Tajikistan	5	6	6	5	6	6	4	5	5	4	5	2	4	4	4	4,4	5,2	4,6
Belarus	3	3	2	2	2	2	4	3	2	2	2	2	4	3	1	3,0	2,6	1,8
Turkmenistan	2	2	2	2	2	3	2	2	1	1	1	1	2	2	2	1,8	1,8	1,8
AVERAGE	6,8	6,6	6,2	6,5	6,5	6,2	6,8	6,7	5,7	6,0	6,0	4,9	5,8	5,5	4,9	6,4	6,3	5,6

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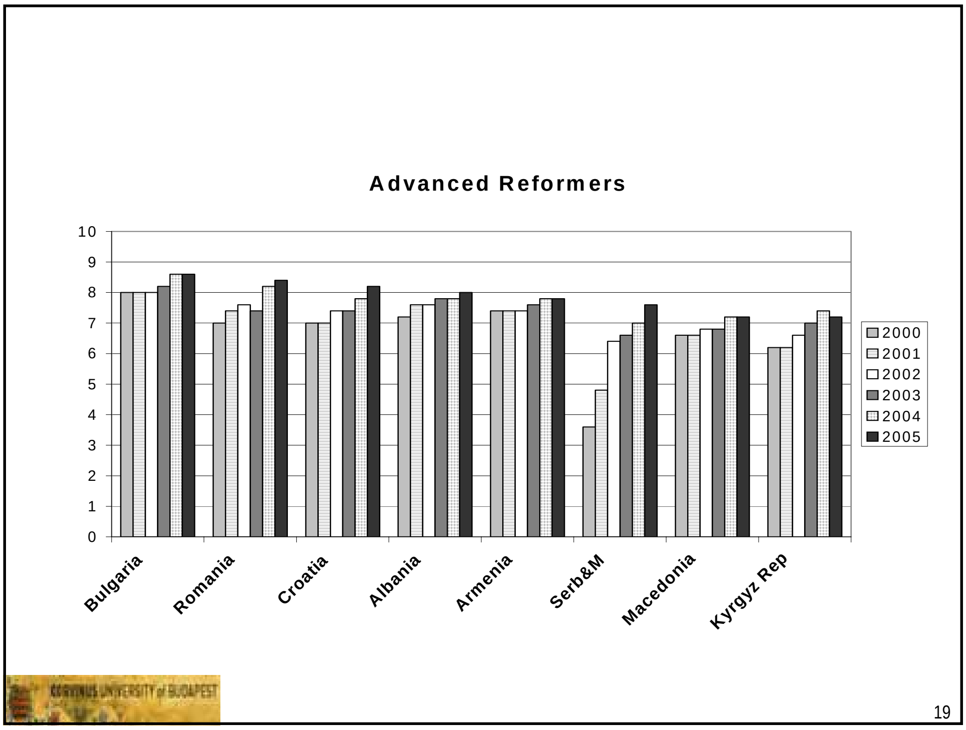
Advanced Reformers
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Croatia
Albania
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Kyrgyz Rep
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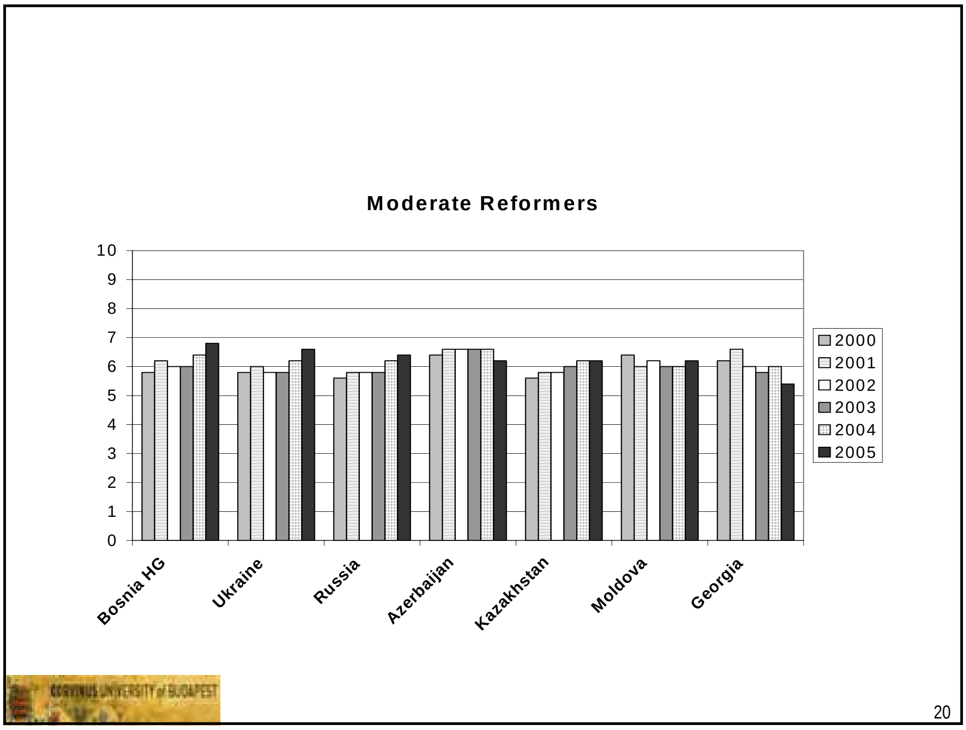
Moderate Reformers
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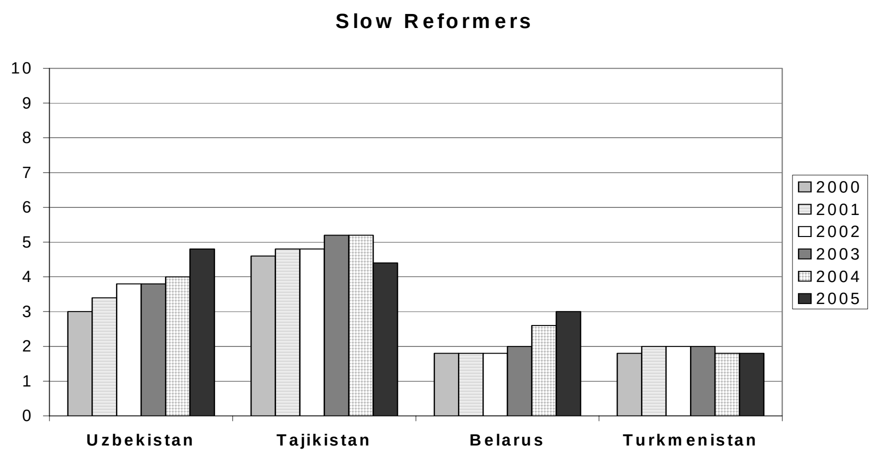

Table 2: Status of Agricultural Reforms in the **New EU Member Countries at the end of 2003**
1 = centrally planned economy 10 = completed market reforms

	Prices & Markets	**Land Market**	**Agro-Processing**	**Rural Finance**	**Institutions**	**Total Score**
Estonia	9	10	10	9	10	9,6
Slovenia	9	10	10	9	10	9,6
Czech Rep	9	9	10	9	10	9,4
Hungary	9	10	10	9	9	9,4
Latvia	9	10	10	9	9	9,4
Slovak Rep	9	9	10	9	9	9,2
Lithuania	9	9	9	8	9	8,8
Poland	9	9	10	8	8	8,8

Overall conclusions

- The results of the reforms have not yet met original expectations.
- The biggest transformation has taken place in the price and market environment, while there has been a substantial lag in solving financing problems and institutional reforms.
- The transition of agriculture is most advanced in Central Europe and, in particular, the EU candidate countries.
- The transition of agriculture in the CIS countries is still in its early stages.

Lessons of countries leading the transformation

- Overall economic recovery is essential for progress on rural reforms.
- Development in the non-agricultural segment of the rural economy is of key importance to the recovery of agriculture.
- An important factor in the successes achieved in reforms is consistency, and the combined implementation of parallel steps in the areas related to reforms.
- The greatest reform progress has been made by those countries that are reforming in very large steps, despite the great difficulties that these efforts are causing in the short-term.
- Politics play a decisive role.

Uneven reform progress

- Liberalization of market and trade plolicies has been implemented to a much greater degree in CEE countries compared to the CIS countries.
- Privatization of land and the related reorganization of the large farm units have almost been completed in most Central European countries. Land reform and land ownership continues to be the subject of heated debates in practically all CIS countries, however there has been measurable progress, even in the core of thes CIS.
- While initial privatization bas been accomplished, the technological modernization of agroprocessing has yet to take place in most of the countries.
- Lack of agricultural financing continues to be one of the most serious constraints to agricultural growth.
- Institutional reforms are proceeding much slower than all other ares of reform throughout the region.

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Conclusion for the International Community

- Initial recommendations were appropriate

However,

- Market liberalization and land reform were over-emphasized.
- Less attention was given to reforms in agro-processing / rural finance and to institutions.
- Underestimated the social costs and their potential impacts.
- Focused on agriculture rather than rural.
- Simplified approach to interregional diversity and political economy of transition.
- Inadequate assistance on detailes and procedures.

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CRITICAL ISSUES FOR THE FUTURE

- Land titling –physical determination of land parcels.
- Impact of new market relations upon small farmers.
- Future of „privatized” large farms.
- Incrasing social tensions.
- Rural development
- Monitoring and policy advice.

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