

The Land Market: Living with Constraints

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1. Statement of the Problem

The pre-reform period was characterized by state monopoly of land and by land use that did not require any payment. The legal principles of land reform in Russia and the rest of the former Soviet Union were set in 1989 by the Basic Law on Land Legislation in the USSR and the Soviet Republics. This law established the right of the citizens to receive land in permanent or temporary use for agricultural production or for building a house. It introduced for the first time the notion of payment for land in the form of lease payments and land tax. The right of private ownership for land used in agricultural production was declared in the 1990 USSR Law of “On Land Reform” (passed on October 23, 1990). The Law “On Peasant Farms” (passed on December 27, 1990) legalized peasant farms as a form of free entrepreneurship and allowed the land used by collective and state farms (*kolkhozes* and *sovkhozes*) to be divided into land shares for distribution among their member-employees. The law also stipulated that the owners of land shares could leave the farm enterprises with a land plot equal in size to their land share with the purpose of establishing a peasant farm.

These laws passed before the collapse of the USSR created the legal basis for the privatization of agricultural land—the main factor of production in agriculture. The passage of these laws was accompanied by dramatic political debates, and the right of buying and selling land—a precondition for the development of a land market—was never implemented. The problems with transactions in land were only resolved in January 1993 with the adoption of the Federal Law “On Agricultural Land Transactions”. The mortgage of agricultural land has been legally allowed since February 2004.

In practice, the legal ban on buying and selling of land plots withdrawn from former *kolkhozes* and *sovkhozes* was bypassed even before January 2003 by presidential decrees and government resolutions. As a result, most of the agricultural land in Russia is used by non-owners and in some regions we observe vigorous transactions in land shares, which impart the right to a land plot and are used as proxies for physical plots. One of the goals of the BASIS project was to study the development of land markets and agricultural land transactions in Russia as a way of enlarging the individual holdings and increasing production efficiency. As the land market in Russia is developing under various legal and practical obstacles, our study emphasizes the institutional constraints and their impact on land turnover.

2. Methods and Data Sources

Land transactions and land market constraints cannot be studied on the basis of official sources because no statistical data are available on transactions in agricultural land and land shares and there is absolutely no information on the terms of land transactions, on the composition of buyers and sellers, or on supply and demand. The required data can be obtained only through specially designed questionnaire-based surveys. We carried out such surveys in three regions that differed by the level of economic development and by natural conditions (Rostov, Ivanovo, and Nizhnii Novgorod oblasts). The surveys covered agricultural producers of three basic organizational forms—farm enterprises (a corporate form of organization), peasant farms, and household plots (individual forms of organization).

3. Main Results

3.1. Land Transactions through Market Mechanisms

The survey shows that leasing of land is widespread among farm enterprises and peasant farms. Only household plots rely mainly on owned land. In farm enterprises and peasant farms, the share of leased land is on average 60% of the total area of agricultural land used (Table 1). In farm enterprises, three-quarters of the leased land is in the form of land shares, and only one-quarter is leased as land plots. Peasant farms, on the other hand, tend to lease land plots to a greater extent (more than 40% of all leased land). The owned land in peasant farms consists of land shares and land plots allotted without payment to the members of the farm during land privatization (land in joint shared ownership), as well as land shares and land plots purchased in the market. The owned land of farm enterprises consists of land shares invested by members in corporate equity capital. The share of owned land in farm enterprises (36%, Table 1) is overestimated in part due to the incorrect interpretation of survey questions by the managers, who improperly regard leased land shares as land shares invested in their corporate farm's equity. According to official all-Russia statistics, the share of owned land in farm enterprises is only 1.3%.

Table 1. Sources of land in the survey (percent of the total area)

| | Farm enterprises (n=136) | Peasant farms (n=222) | Household plots (n=190) |
|--------------------------------|-----------------------------|--------------------------|----------------------------|
| Average farm size | 4100 ha | 270 ha | 2.6 ha |
| Leased land | 61 | 57 | 3 |
| Leased land shares | (46) | (32) | -- |
| Leased land plots | (15) | (25) | -- |
| Owned land | 36 | 42 | 93 |
| Purchased land shares | (2) | (30) | -- |
| Purchased land plots | (1) | (11) | -- |
| Land shares invested in equity | (33) | (1) | -- |
| Other | 3 | 1 | 4 |
| Total | 100 | 100 | 100 |

*The numbers in parentheses are rough estimates based on part of the respondents.

In all of Russia, about 5% of agricultural land participates annually in market transactions. The survey showed similar results. Respondents in 553 farms of various organizational forms in three regions reported 86 land transactions during one year. The frequency of transactions was virtually the same in farms of different organizational forms. There were only three cases of buying and selling of land. All other transactions involved land leasing. Strengthening the data in Table 1, this shows that land leasing is a dominant form of transaction in land markets across Russia, but unfortunately most of these transactions remain outside the scope of official statistics.

The survey did not detect any dependence of the frequency of land transactions on the distance from the regional center. Yet we are witnessing a particularly active land market in areas close to Moscow and in Moscow Oblast, where land is bought for non-agricultural purposes. This subject requires a special study.

3.2. Payment for Land

The survey enabled us to estimate the lease payments. The data were analyzed separately for agricultural producers leasing in land (56 lessees) and those leasing out land (23 lessors). Most lessees made lease payments in kind; payment in cash was less common. Many lessees assumed the responsibility for the land tax. Lessors also indicated that lease payments were

typically a share of output. The mean lease payment was 440-450 rubles/ha (Table 2). Lease payments estimated separately for land shares gave a median of 420 rubles/ha, and the median of all leasing transactions in the survey was 340 rubles/ha. Thus, the lease payments range between 350-450 rubles/ha, excluding the transactions in state land. The lease payments to the district administration for state land are much lower (about 50 rubles/ha). There were no statistically significant differences in lease payments across farms of different organizational forms.

Table 2. Lease payments estimated from the survey

| Types of lease payments | Lessees, % | Structure of lease payments, % | Lessors, % | Structure of lease payments, % |
|-------------------------|----------------|--------------------------------|----------------|--------------------------------|
| Land tax | 45 | 2 | 13 | 1 |
| Fixed, in cash | 25 | 20 | 22 | 17 |
| Fixed, in-kind | 52 | 57 | 17 | 22 |
| Share of output | 9 | 18 | 43 | 59 |
| In services | 9 | 3 | 13 | 1 |
| Total | * | 100 | * | 100 |
| | 56 respondents | 451 rubles/ha | 23 respondents | 441 rubles/ha |

* Adds to more than 100% because of multiple answers.

4. Constraints on Land Transactions

4.1. Low Demand for Agricultural Land

The holdings of existing agricultural producers, including the leased component, formed a long time ago, so that the observed situation does not necessarily reflect a true satisfied demand for land. The survey has shown that the demand for land and thus the potential for land transactions vary by region and by type of farm.

In all three regions surveyed, peasant farms revealed a greater demand for land than farm enterprises. Thus, 30%- 67% of peasant farmers indicated a demand for land (Table 3). Among farm enterprises, on the other hand, the maximum demand for land (30% of respondents) was reported in Rostov (a region with a highly developed agriculture), whereas in the less developed Ivanovo and Nizhny Novgorod oblasts farm enterprises showed a much lower demand for land.

Table 3. Land users' intentions to reduce or enlarge their land (percent of responses)

| | Ivanovo | | | Nizhny Novgorod | | | Rostov | |
|---------|------------------|---------------|-----------------|------------------|---------------|-----------------|------------------|---------------|
| | Farm enterprises | Peasant farms | Household plots | Farm enterprises | Peasant farms | Household plots | Farm enterprises | Peasant farms |
| Reduce | 43 | 10 | 1 | 26 | 0 | 5 | 3 | 1 |
| Enlarge | 3 | 30 | 14 | 10 | 67 | 11 | 30 | 51 |

In Ivanovo (an example of an agriculturally depressed region), 43% of farm enterprises plan to reduce the use of land and only 3% plan to enlarge it (Table 3). A similar trend is observed in Nizhny Novgorod (an example of a region with medium agricultural development). This suggests that farm enterprises in agriculturally less developed regions will probably release some of their land when they begin re-registering their use rights in state land and lease contracts for land shares, as mandated by the new law. Some of this land will be absorbed by peasant farmers, who in general seek to enlarge their holdings, but the growth potential of this segment is not particularly large. Due to the absence of other interested parties, much of this land may remain unused. The opposite situation will probably occur in Rostov with its highly developed agriculture and a different specialization (more crops, less livestock). There will be

no unused agricultural land in this oblast (Table 3), and unsatisfied demand for land can actually arise.

To conclude, we see that there is a demand for land for large-scale agricultural production in some regions (the Rostov example). In all regions, however, peasant farmers and household-plot owners show less intention to reduce their holdings and more willingness to enlarge their land than managers of large farm enterprises. This tendency does not depend on natural and climatic conditions. In all three regions surveyed, peasant farmers demonstrate a greater demand for land even than household-plot operators. Nevertheless, the physical potential of peasant farms and household plots in Ivanovo, Nizhny Novgorod, and similar less developed regions is not sufficient to absorb the surplus land that will be released by farm enterprises.

4.2. Lack of Market Information

The respondents were asked if land transactions were permitted, if they knew the land prices, if they knew where to find a standard lease contract form and how to register a transaction. With the exception of Rostov peasant farmers (12%), 22%-33% of respondents indicated that lack of information on these matters was a problem for engaging in land transactions. Land price information and transaction registration procedures were mentioned as the most important obstacles.

The respondents did not know the prevailing land prices. The survey showed that many (though not all) knew the land tax rate: 34%-70% of respondents in different groups knew what the land tax was because they paid it once or twice a year. Most respondents could not answer the other questions. The response rate was highest among the peasant farmers in Rostov, where land transactions were more frequent and the interest in the enlargement of holdings greater (Table 4).

Table 4. Frequency of responses to land-price questions (percent)

| | Ivanovo | | | Nizhny Novgorod | | Rostov | |
|-----------------------------------|------------------|---------------|-----------------|------------------|-----------------|------------------|---------------|
| | Farm enterprises | Peasant farms | Household plots | Farm enterprises | Household plots | Farm enterprises | Peasant farms |
| Lease payment for state land | 20 | 20 | 3 | 8 | 11 | 14 | 46 |
| Lease payment for land share | 17 | 50 | 2 | 5 | 12 | 26 | 49 |
| Land tax | 40 | 70 | 34 | 49 | 45 | 53 | 47 |
| Price of land share | 3 | 0 | 1 | 3 | 1 | 9 | 27 |
| Price of state land | 0 | 0 | 0 | 0 | 2 | 0 | 2 |
| Price of land in farm enterprises | 0 | 0 | 0 | 3 | 2 | 1 | 1 |
| Number of respondents | 35 | 10 | 94 | 39 | 93 | 70 | 209 |

The fact that most respondents did not know the prevailing land prices apparently means that there are no established prices for land. There is no benchmark that could help rural people with the decision to sell or lease land.

The issue of market price of land is also important because the Federal Law “On Agricultural Land Transactions” mandates the use of market prices in the process of the partition of a land in joint shared ownership. According to this law, disputes between withdrawing and remaining owners are resolved by applying the market price of specific land plots (on a per share basis). If the agricultural land market is not developed and there are no consistent land prices in the district, it is impossible to speak about the market price of specific fields and land plots. This is a severe barrier to the partition of joint shared land and to the withdrawal of share owners with land for individual farming. A similar problem arises with the buyout of land that was formerly given in permanent use. According to the law, state land should be

bought on the basis of market prices, but none exists. The state is therefore obliged to set calculated (normative) prices, but these normative prices and the rules of their calculation are not readily available¹. There are no statistical reports on the number and characteristics of transactions in agricultural land. While some information is partially collected for land plots, there are absolutely no data on transactions with land shares, which as we have seen are the most common form of land transactions today (Table 1).

4.3. High Registration Costs and Complex Procedures

Expert judgments suggest that high registration costs and complex procedures are an obstacle to land transactions. This view is confirmed by the responses of the Rostov peasant farmers, who have the strongest tendency toward land enlargement. Most of the peasant farmers in Rostov (84%) indeed regard these two issues as a major problem (Table 5; in other regions, where land markets are less developed, a much smaller percentage of respondents addressed these issues).

Table 5. Are high registration costs and complex procedures an obstacle to land transactions? (percent of yes responses)

| Regions | Peasant farms and household plots | Farm enterprises |
|-----------------|-----------------------------------|------------------|
| Ivanovo | 6 | 7 |
| Nizhny Novgorod | 11 | 4 |
| Rostov | 51 | 33 |

The analysis of registration procedures shows that government bodies have created numerous administrative and organizational restrictions to land registration. In the land registration system that was in force until 1998, all the procedures were carried out by a single administrative level – the district committees for land resources and land planning. These committees kept the land redistribution maps, the lists of shared landowners, copies of land ownership certificates, and other documents confirming land rights. The district committees also registered the transactions with land shares and land plots.

This system was changed in 1998. At present, three organizational levels are involved in registration of land transactions:

- district committees for land resources and land planning;
- district divisions of regional registration chambers (subordinated to the Ministry of Justice);
- district divisions of regional cadastral chambers.

The cadastral chambers are responsible for the register of land plots and the registration chambers manage the register of use rights and land transactions. Previously issued certificates of land ownership rights theoretically have the same validity as new entries in these registers. In practice, however, each new transaction requires full registration of the previous rights. This is not done automatically, and it requires a full set of documents issued ten or twelve years ago at the time of original reorganization, including old cadastral plans of the land plots that became joint shared ownership. One does not need to bother with all this as long as there are no new transactions, but the first transaction (be it leasing or sale) immediately triggers the need to go through the entire process of formal registration of previous rights.

¹ According to the recommendations of the Ministry of Real Estate, the market price of a plot of agricultural land is determined by comparison with past sales, and in the absence of sales, it is determined by discounting of lease payments (similarly to the calculation of cadastral prices).

The new system suffers from at least two serious problems. The first problem is the refusal of the cadastral chambers to issue registry extracts for land plots in joint shared ownership. As a result, the whole area in joint shared ownership (often several thousand hectares) has to be surveyed. This is not only a very expensive operation (500 rubles/ha), but it also takes a long time to complete (at least two months). The second problem is the multi-step and absolutely opaque operation of the registration and cadastral chambers, especially regarding the requirements for documents. These bodies develop internal instructions that are not always compatible with the relevant law and require additional documents that were not envisaged by the law. These administrative barriers involve additional expenses for the applicants and lead to a sharp increase of transaction costs.

Table 6, based on a case study for Moscow Oblast in 2004, lists the various organizations that are involved in the process of selling a land share or requesting conversion of land shares into a physical plot. The numbers in the table show the sequence of actions for a landowner in his dealings with these organizations. The sequence of actions to register previously existing rights is shown separately in column 2. Registration of rights associated with a new transaction is identical with the registration of previously existing rights. The case study in Table 6 assumes that the share owner has a land ownership certificate in his possession, i.e., a document that certifies his ownership rights and theoretically has the same validity as a record in the State Register of Rights.

Table 6. List of organizations involved in the registration of a transaction with land shares (column 1) and the sequence of relevant actions (columns 2-4): Moscow Oblast, 2004

| | Registration of previous rights | Selling a land share | Converting 10 land shares into a 42 ha plot |
|--------------------------------------|---------------------------------|----------------------------|---|
| (1) | (2) | (3) | (4) |
| Registration chamber | 1, 8 | 3 | 9 |
| Land committee (local) | 5 | | 6 |
| Land committee (oblast) | | | 7 |
| Cadastral chamber | 3, 6* | 4 | 8, 10 |
| District archive | 7 | | |
| Farm enterprise | 2 | | |
| Surveyor | 4* | | 5 |
| District newspaper | | 1 | 1, 4 |
| Notary | | | 3 |
| General assembly of land-plot owners | | | 2 |
| Ministry of Real Estate | | 2 | |
| Total elapsed time | from two weeks to six months | not less than three months | from three to six months |
| Cost, '000 rubles | 0.3-1.5* | not less than 2.4 | not less than 88.1 |

* In case of refusal to issue a cadastral extract.

As Table 6 shows, the costs of registering previously existing ownership rights vary between wide limits. Theoretically the total shared area is already registered in the cadastre and the applicant only has to pay 100 rubles to get the cadastral extract for his land share. In practice, however, officials often require a full survey for the identification of the individual plot, which is too expensive for the private landowner.

The calculations in Table 6 were carried out assuming that each action requires only one visit to the administrative office. Usually each action requires at least three visits, and the time delays are substantially longer than shown. In the author's own experience, the withdrawal of a single land plot from joint shared ownership requires up to one year of constant occupation.

The list of documents that should be presented in each office is not strictly defined. So each office should be visited again and again. For example, as soon as the joint share owners have reached an agreement regarding the withdrawal of a specific plot, the plot should be marked on the ground and registered in the cadastre. The registration procedure is determined by law, but the law does not specify the precise requirements for documents. That is why officials at the local level set their own demands. In Moscow Oblast, nine out of the ten steps that an applicant has to complete are not prescribed by the law, require submission of additional documents, or are part of a list of verbal requirements that are not listed in any official document.

In this situation, corporations that can afford to hire advisors and have specialized staff responsible for transaction registration are in an advantageous position. This is a typical example of market asymmetry, where some agents have more information than others by virtue of their official position, greater financial possibilities, or the ability to hire experts. Land-share owners, peasant farmers, and traditional farm enterprises are weak players in this process: they have to spend so much time and money on registration that they often simply give up their rights or use land that is not legally registered.

In order to simplify the land purchase procedure, buyers resort to general power of attorney or give the land away as a gift. With general power of attorney, the seller gets the money and empowers a third person to sell the land share and complete all the necessary arrangements. With a gift of land, there is no need to offer the share to other pre-emptive buyers (the joint owners, the oblast government, or the municipality). These “under-registration” mechanisms are risky for the buyer, as a power of attorney can be revoked before the registration of rights transfer to the buyer is completed, and a gift can be annulled as a fictitious transaction. Still, buyers are willing to take the risk because the prices of land grow so fast (the price of land in Mozhaisk Raion, Moscow Oblast increased by a factor of 20 between January 2003 and June 2004).

The cost of the entire procedure of converting a land share into a plot of land (according to the actions in column 3 of Table 6) can be estimated by comparing the market price of a land share with the market price of a registered plot in the same area. In Volokolamsk Raion, Moscow Oblast, the price of a plot is double the price of a land share before conversion.

The state is gradually toughening the rules for the registration of rights to a land plot. For example, as of September 19, 2003, the rights to a land plot cannot be registered until the full cadastral plan has been prepared.

4.4. The Effect of Rezoning on Land Transactions

This factor was not observed in our survey, as it is typical for suburban areas that are attractive to non-agricultural business. Although in theory agricultural land is protected by law, there is nothing in reality that prevents its rezoning into non-agricultural land. This naturally stimulates the interest in land of individuals and organizations whose aim is not agricultural production. The cost of buying cheap agricultural land is recovered with a substantial profit by selling plots for country cottages near Moscow or in other desirable locations. For example, 0.01 ha of agricultural land can be bought for \$3-\$10, but after rezoning the same plot is sold for residential construction for at least \$500.

Rezoning of agricultural land for residential construction is governed by the Land Code. The Land Code explicitly allows building a summer house on agricultural plots of certain types (a vegetable garden or a so-called dacha plot for a secondary country house), but the rules for allowing general construction on agricultural land are not clear. All this may stimulate

transactions in agricultural land in the short term, but ultimately it may severely deplete the stock of agricultural land in some regions.

4.5. The Effect of Mortgage on Transactions in Agricultural Land

The mortgage of agricultural land was allowed by the January 2004 amendment of the mortgage law originally passed in 1998. The language of the 1998 mortgage law extended to agricultural land imposes certain requirements that are inappropriate in the new context:

- Only a land plot can be mortgaged, while most agricultural land is in joint shared ownership.

- Only owned land can be mortgaged (which accounts for a mere 1.3% of agricultural land used by farm enterprises).

- The land owned by legal entities is registered in the cadastre as large massifs. To mortgage a specific plot, the entire area has to be surveyed, the plot has to be registered as a separate object, and the ownership rights to the plot have to be registered. These procedures takes time and money.

- The mortgaged property must be insured by borrower at his own expense, even if this requirement is not explicitly stated in the mortgage contract. If the property is not insured, the lender can demand immediate repayment of the loan. Insurance companies still do not have such a service in their portfolio because they do not know how to assess the risks.

- Mortgaging of land is impeded by the low demand for agricultural plots in most of Russia.

For these reasons, land mortgage will have a very limited potential in Russia.

5. The Effect of Land Transactions on the Composition of Landowners

5.1. Rural Poverty and the Composition of Landowners

Agricultural land is mainly owned by the rural population, i.e., workers and pensioners of farm enterprises created by reorganization of kolkhozes and sovkhozes. This is a low-income segment of the Russian population. The agricultural wages remain very low (40% of the national average) and every third worker in agriculture suffers from salary arrears (compared with every eighth worker in manufacturing industries)². In April 2002, 51% of agricultural workers earned less than 1,000 rubles per month and about 40% earned less than 800 rubles per month. The per capita income of rural households was 1,971 rubles (exceeding the minimum cost of living by only 4%)³. Naturally, if anybody will suggest these workers to sell their land shares, they will sell it. For comparison, the minimum price of land (in the form of land shares, before conversion into plots) in Moscow Oblast is 10,000 rubles per hectare, and the average land share is 3-4 hectares. These people would gladly sell their land if anyone was willing to buy it.

The practice shows that when willing buyers turn up in a village, only 15% of land-share owners refuse to sell. The buyers offer cash on the table, and the price is comparable with wages or pensions that rural people receive during 1-3 years. Land shares have become a commodity in impoverished areas, which was not the case during the initial stages of land privatization. Thus, from the beginning of land privatization to 2003, heirs never bothered to register the rights to their inherited land, because registration would only lead to a real estate tax without any increase of income. According to calculations for four farm enterprises in Moscow Oblast, the dead “owned” nearly 30% of land shares as of the beginning of 2004.

² Calculated from *Sotsial'noe polozhenie u uroven' zhizni naseleniya Rossii*, Moscow: Gostkomstat (2003), pp. 84, 114, 120, 138, 142.

³ Ibid., p. 227.

When the demand for land shares materialized, most of the heirs began to register their rights to the inherited land.

Because of the absence of statistical data on transactions in land shares and registration delays, this trend will be indirectly confirmed by official statistics only one or two years later. It will be reflected, for instance, in the decrease of the share of agricultural land used by farm enterprises and the increase of land for gardening, dacha building, and peasant farming.

5.2. Uncompetitiveness of Traditional Agricultural Producers in the Land Market

To compete against those who buy land for non-agricultural purposes, lease payments from farm enterprises and peasant farmers should at least be equal to the bank interest rate on the market value of a land share, i.e., on average 1,000 rubles/ha. Agricultural producers cannot afford such payments, and rural people will continue to accept the buyers' offers in the future.

5.3. Cash Accumulation in Other Industries May be Fueling the Land Market

Surplus cash accumulated in other sectors of the economy may encourage buying of land from rural landowners by non-agricultural business. This hypothesis has been prompted by the analysis of the high demand for land in some regions close to Moscow Oblast. The available statistical data point to the following factors: surplus profits that are not used for investment in assets are increasing, deposits in Russian banks are becoming less attractive, and the decrease of the dollar/ruble exchange rate drives depositors away from foreign-currency accounts. Real-estate prices begun to grow in 1999, and they are now at their peak, with experts predicting an imminent fall in prices. All these facts have driven businesses to search for new investment opportunities. The demand for suburban homes, the poverty of rural land-share owners, and the end of the debate about buying and selling of agricultural land—all these factors have made it possible for non-agricultural businesses to buy agricultural land. These developments are discussed in more details in the reports on agroholdings.

6. Economic and Political Recommendations

6.1. Because of the release of agricultural land by farm enterprises in some regions, it is desirable to develop conservation programs for privatized land.

6.2. Creation of a market information system requires the following actions:

- introduce standard reporting requirements for organizations that deal with registration of ownership rights and transactions in land shares and land plots;
- specify in law the sources of public data on market prices that will be available on the web sites of the relevant bodies;
- establish an authority for conducting market-price surveys and collecting price information needed for re-registration of previous rights for permanent use of land;
- replace the criterion of market prices in connection with the partition of joint shared land (Article 13 of the Federal Law “On Agricultural Land Transactions”) with the requirement that the owner receives a land plot of equivalent value for his land share, leaving the proof of equivalence to the joint share owners.

6.3. Transaction costs should be reduced by the following actions:

- introduce a simplified cadastral registration procedure that allows varying degrees of detail in the description of land plots by owner's consent, utilizes to the maximum extent the available information in district committees for land resources and land planning, cadastral chambers, and land-surveying institutes, and enables land users and landowners to access the cartographic data banks created at the taxpayers' expense;

- establish a procedure for registration in the Central State Register of Rights on the basis of documents issued to landowners before 1998, without any additional demands from landowners and land users;

- develop a single and complete set of clear requirements for documents from applicants and issue binding regulations that will oblige the officials to publish a full list of required actions; this will prevent the officials from making arbitrary demands from applicants during registration of plots and rights;

6.4. Agricultural land should be protected from non-agricultural uses by the following actions:

- establish a legal procedure for rezoning of agricultural land into land of other categories of lands by a new federal law or by a special chapter in the Land Code;

- amend the Land Code (Articles 30, 31) so as to preclude non-agricultural construction on agricultural land;

- restrict the construction of garden houses to specially designated zones by amending the Federal Law “On Non-commercial Gardening, Orchard-growing, and Dacha Associations” (as in the Federal Law «On Household Plots»);

- establish zoning rules for rural areas identifying where construction is allowed, or conduct land valuation to identify less productive areas that may be used for construction;

- establish standard procedures for controlling the designated use of agricultural land and criteria for identifying unused or improperly used land (the existing approaches to control are not effective).