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# The Impact of Land Reform on Economic Development in Kazakhstan

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## Introduction

The Republic of Kazakhstan has a territory of 2 724,900 sq. km, which makes in the ninth largest country in the world, roughly the same size as western Europe. Kazakhstan is totally landlocked (11). The country is one huge plain, sloping from north east to south west. The plain is bordered by extensive mountain ranges on the east and south-eastern borders. Its neighbours are Russia in the north and west, China in the east, and Kyrgyzstan, Turkmenistan and Uzbekistan in the south. Rural Kazakhstan accounts for over 95 percent of Kazakhstan's territory, or approximately 260 million hectares (6). Kazakhstan lies between the Siberian Taiga in the north and the Central Asia deserts in the south, the Caspian Sea in the west and the mountain range of the Tien-Shan and Altay in the east.

Kazakhstan has a continental climate; average temperatures in the north – 18C in January, while average temperatures in the south are of –3C in January. Summers are generally dry and the average temperature in July increases gradually from 19C in the north to 28-30C in the south. Precipitation in plain areas is generally low from 400 mm annually in the north to 100 mm annually in the southwest. In the mountainous regions, the precipitation ranges from 400-1600 mm (5).

As a result of these factors, Kazakhstan has three principal ecosystems: desert areas, accounting for approximately 55 percent of rural areas; the steppe (grassland), accounting for approximately 30 percent; and mountains and foothills, accounting for the remaining 15 percent (6). These ecosystems provide a varied base for rural economic development encompassing agriculture, fishing, hunting, recreation/tourism, extractive industries and the further processing of natural raw materials (5).

The Kazakhstan's climate makes possible to cultivate wheat, barley, oats and rye in most regions. Irrigated land in the southern regions provides the growing temperature sensitive crops such as cotton, tobacco, rice, sugar beet, grapes and other fruits. Natural pastures accounts for 187, 9 million of hectares of land, which is enough to feed 70,5 million head of sheep or 7,05 million cattle. Kazakhstan's climate is favourable for live-stock farming. It is traditional occupation of Kazakh people and most pastures have been utilised during the year as a forage base (11).

Agriculture in Kazakhstan is the largest industry in the national economy occupying an important position in the social-economic politics of the state. Approximately 43, 7 percent of the population (total 14,9 million) live in rural area and 30,9 percent of the rural population live on less than the minimum subsistence income (approximately \$ 35 USD per month) (6). At present, the total farmland is 222 million hectares and the average population density is under 6 people per square kilometre. Approximately 84,5 million hectares of agricultural land has been distributed to land users, including 20,5 million hectares of arable land.

In 2003, Kazakhstan has introduced the private land ownership by adopting a Land Code. According to this Land Code the temporary and permanent land use rights for agricultural land have been supplemented with private land ownership. Thus the Land Code outlined the forms of land tenure for agricultural lands both land use right and private ownership. The objective of this land reform is to establish efficient system in agricultural sectors, which will contribute to growth of agricultural production, people welfare in rural area and development of the land market.

Economic transformation of the Kazakhstan economy has brought many changes to the agricultural production and the rural economy. Employment opportunities have been severely affected by disintegration of economic relations between former republics of the Soviet Union and the concomitant fall in production. Further problems originated with various constraints on the ability to sell agricultural commodities on the internal and external market at appropriate prices. The numbers of unemployed people have increased significantly after conducted restructuring and privatization of state and collective enterprises and the abilities of the state to help such people are very limited. Thus agricultural reforms, including land privatization are considered an important and key issue in the overall transformation of the economies of the former socialist world (15).

During 2002-2003 the President of the Republic of Kazakhstan approved two large scale national programs: the National State Agrofood Program for 2003-2005 and the National Rural Development Program for 2004-2010. In addition, the President announced in April 2002 that years of 2003-2005 would be Kazakhstan's "Years of Rural Revival". Also, the Government has paid a great deal of attention for transforming agricultural production into a stable factor for economic growth. Three main priorities have been designated for development of rural area:

- providing food security;
- a gradual increasing in agricultural production and the growth of sales on either
- the internal market and international market;
- establishment of proper living conditions in the countryside (7).

Irrespective of whether the Government spends sufficient amount of funds on existing state support programs, the main tasks of agrarian reforms at this stage are the completion of rural land reform and the creation of the necessary legislative base for private landowners to use the land efficiently. The land use rights together with uncertainty and instability of recent land legislation did little to stimulate or enhance the quality of land and attract long term investments in the agrarian sector (7).

The experience of many developed countries has shown that way of economic prosperity depends on the effective implementation of agrarian reforms, particular land reforms. The greatest reform progress has been made by those countries that are reforming in very large steps, which are provided by political will of authorities. It is relevant for countries of Central and Eastern Europe. On the contrary, CIS countries implement the agrarian reforms in the way of a gradual approach. There has only slight progress in the core countries of the CIS countries and consequently the agrarian reforms have not met the original expectation (16). Thus there are some needs for further steps in the agrarian reforms in CIS countries, including Kazakhstan in order to increase the agricultural production that in turn will develop the rural sector and contribute to welfare of the rural habitants.

The aim of this paper is to investigate the economic and social aspects of land reform in Kazakhstan. The following issues are to be considered in this paper:

- the economic transformation of agriculture during last decade and the introduction peasant farms since the early 1990s, the privatization of state agricultural enterprises, the distribution of land shares to inhabitants of the rural areas;
- the regulatory framework for each stages of land reforms, the institutional bases that have been established to strengthen the legal basis for land relations and to encourage entrepreneurial initiatives in agricultural production, desirable state support policies to farms and peasants farms to help in achieving sustainability in their farming activities;
- potential impact of land reform on poor households and considering way to mitigate the most negative impacts, an analysis of proposed alternative policy scenarios and the identification of appropriate and sound policies in land issues.

## **1. Land Legislation Development in Kazakhstan**

### **1.1. Overall Review of Land Legislation Development.**

As in other countries of the CIS, the land reform in Kazakhstan, is concerned with developing a legal and institutional framework, which will allow the transfer of real property assets (land and structures built on land) from state control to a variety of legal entities(4). This transference of land and property assets was made by means of land and property shares as in other CIS countries.

The Law on Land and Land Relations has been replaced several times by authorised legislative acts such as the Presidential Decrees and Laws of the Republic of Kazakhstan. The first attempt to reform land relations was taken by the Supreme Council of the Kazakh Soviet Republic with introduction of the Land Code in November 1990. Despite this Land Code maintaining the dominance of state ownership of land, it did ensure various essential changes in land arrangement some of the key features by providing citizens with the right to possession for life of land plot for a peasant farm, for construction, for subsistence production, horticulture and cattle breeding, summer cottage construction and traditional handicraft.

Before the Land Code was introduced, the Law “On Peasant Farm in the Kazakh Soviet Republic” (21, May 1990) established the peasant farm (private family farm) as an independent farming entity, provided peasant farms (private family farm) an independent farming entity ensuring that it would enjoy equality with other business entities in agriculture. This meant that the organizational and the legal form of non-state agricultural farming entity were introduced into the practice of the country. The Law set out the principles of organization, the activity of peasant farms, declared its business independence and stated that produced commodities and received income are the property of peasant farms and could used by their own discretion. Life inheritable tenure for a land plot was introduced for private family farms, based on labour contribution of each member and joint ownership on the productive tools and property.

According to this Law the land plot under life inheritable tenure is not divisible and it could not be subject of a sale, exchange, lease and transference as a gift to external persons. The land plot might be transferred to member of this family peasant farm due to inability of the head of peasant farm to work because of achievement of pension age or losing the ability to work. The land plot should be inherited to successor in case of death of the head of the peasant farm. All those transfers of land plots to inheritors were made possible by the introduction of the Civil Code at the end of 1994. When the Civil Code took an effect on March 1995, those who had been granted lifetime inheritable tenure status were allowed to sell, gift or lease their land. The same legislation allowed the transfer of life inheritable tenure rights to the capital stock of an enterprise (4).

The next Law “On land reform in the Kazakh Soviet Republic” (28, June 1991) was intended to create economic and social conditions for effective functioning of various business entities, involved in farming and to ensure rational land use and to achieve stable increase in agricultural commodities production. (8). This law provided for the basic norms of land redistribution as regards state enterprises privatization and the reorganization of collective farms. The land legislation created a special land fund for local representative bodies to grant land for life to those wishing to use the land for farming, private ancillary farm, cattle breeding, horticulture, or construction were introduced in this land legislation. The special land fund was created mainly through the withdrawal of “irrationally” used land (9).

The Presidential Decree “On Some Issues of Land Relation Regulation” (# 1516, 24 January of 1994) provided that land parcels could be granted to citizens and legal entities for temporary use for up to 5 years (short-term rent) and up to 99 years (long term rent). In both cases, the user would need to pay rent. This decree also set out the rights of citizens and legal entities for purchasing land use rights or renting them in the case of privatization of non – agricultural real estate.

The 1994 Presidential Decree “On Further Improvement of Land Relations” (#1639, 5 April of 1994) allowed that citizens and legal entities could sell, rent out or pledge their various lands rights as collateral. They were also entitled to sell these abovementioned rights to statutory fund of joint stock companies, to partnerships, co-operatives, including those that included foreign participation. In this way, land use rights became the subject of sales, purchases and other property transaction. This decree could be seen as a significant step in adapting land relations to market conditions and created legal basis for a land market.

The Presidential Decree (having the force of law, in this case) “On land“ was adopted December 22<sup>nd</sup> 1995 and was the first the first legislative act on land relations, which complied with the basic legislative acts such as the Constitution of Republic of Kazakhstan and the Civil Code, (in effect in March 1995). Thus the new introduced institutions of land ownership were legally bound to the abovementioned basic legal act.

In this Law “On land” citizens and legal entities had the right to acquire a land parcel for private ownership and land was recognized as real estate and all transactions were permitted with these land parcels. At the same time forest land, and land relating to water resources fund, land under settlements and especially protected natural reserves remained under the state ownership. Land parcels were granted to citizens for certain purposes, such as conducting own subsidiary farms, horticulture and summer residence construction. As

concerned legal entities land parcels were granted to them for technological needs, particular for the construction of structures on land and construction of living houses.

Farmland remained under the state ownership. Non-state legal entities and citizens had the right to acquire land plots with permanent land use rights while secondary land users and foreign entities had the right to possess land plots on a scheme of temporary land use rights for between 3 years and up to 99 years.

The new property institutions such as the right to private ownership on lands, permanent land use rights, the right for limited use of other land parcel (servitude) and condominium have appeared in the land legislation of the Republic of Kazakhstan.

The third stage of land reform legislation in Kazakhstan was characterized by the adoption of a substantial number of legal acts. After introducing the Law "On land" approximately 100 legislative acts were adopted, creating the legislative infrastructure for market land relations. This has not been changed significantly by further laws and measures. Some acts were introduced to support and reinforce private ownership on land, use of land by non-state legal entities, the creation and defence of the land market, and for ensuring state control for the purpose of safe and rational use of land. All these legislative acts were brought in to transform land relations in conjunction with emerging market conditions (9).

Despite its breadth the Law "On land" was limited by the Constitution of Kazakhstan, which provided that the Presidential Decrees were valid until the relevant law was adopted by the Parliament of the Republic of Kazakhstan. The necessity to issue the Presidential Decrees at the end of 1995 was explained by fact, that the Constitutional Court recognized the election of deputies to the Parliament as illegitimate by its decision and therefore the Parliament was dissolved by the President. Then the President had taken the power to issue laws in the form of a presidential decree. On 24<sup>th</sup> January 2001 the Parliament adopted a new Law "On Land" and this Law replaced the previous Law "On Land" of 1995.

After adopting the Law "On land" of 2001 the institution of land use rights was changed significantly. The permanent land use right of citizens and non-state legal entities was cancelled and the duration of long term temporary land use rights was reduced from 99 years to 49 years. At the beginning of the land reforms peasant farms had the right of inheritable land tenure for life, subsequently, they were given permanent land use rights and finally they were allotted only temporary land use rights. The Law "On Land" of 2001 retained the possibility of permanent land use right only for state land users. Thus the rights of landuser, particular the peasant farms were worsened by this introduced law.

Some essential differences in land tenure between state and non-sate landusers were established by the new legislation. The latter were allowed to alienate their land use rights by their own discretion, to rent out their land use rights, pledge the land to another and implement all other deals with respect to their land use rights. Thus the non-state landusers with its temporary land use rights had a status, very close to private ownership. On the contrary, state legal entities as permanent landusers were restricted in such business deals and only can do it only by the consent of the authorized state bodies. This Law enlarged the sphere of responsibility in land relations.

While increasing the scope of legal freedom also this Law enlarged the sphere of responsibility in land relations. New sanctions were introduced in the form of more

sophisticated property penalties that took into account the type of infringement, the size of damage and the degree of public danger.

In addition to these measures land zoning was introduced in this law. Accordingly, ten zones were determined on the territory of Kazakhstan and these vary from forestry to steppe zone to central Asian mountain and southern Siberian mountain, including deserted and subtropical-deserted zones. This zone specialization of land in Kazakhstan has had a strong influence on the development of land legislation, binding other interrelated legal norms and documents.

This land legislation retained certain functions to organize and provide for rational land use and land protection. The role of state remained considerable and its main functions can be laid out in the following:

- determination of state policy in the area of use and protection of the land fund of Republic;
- establishment of the legal regime of land, proceeding from the categorisation of land by its designation;
- establishing measures to govern the condition of sales of land ownership and land tenure for agricultural land;
- planning of land use;
- establishment, change and termination of land use rights in cases established by legislation;
- implementation of control for right use and protection of land;
- implementation of land monitoring, land cadastre and land arrangement.
- solving land disputes;
- determining the liabilities and consequences for land legislation offences.

In 2003, Kazakhstan introduced private land ownership by means of adoption of the Land Code. According to this Land Code the temporary and permanent land use rights, which were established previously in land tenure for agricultural land were supplemented with the addition of private land ownership. The Land Code of 2003 outlined the forms of land tenure for agricultural land and provided for farms and farming entities to enjoy land tenure by means of private land ownership or temporary land use right. The aim of the introduction of private ownership for agricultural lands was to further promote the development of market relations in rural areas and so help to create a land market, which will facilitate the transition of agricultural land to efficient agricultural producers.



## 1.2 Ownership of Land.

“The concept of ownership is fundamental to the realisation of an assets full economic potential (4)”. With these words land ownership is made a cornerstone to agrarian reforms. Given the important role that land plays in transition, the very concept of land ownership ought to be considered. Under the Civil Code “ownership” is very close to Roman Law and combines the ability to:

- freely acquire or dispose of an assets, either by purchase/ sales or gift;
- possess an asset in the sense that it contributes to the enhancement of an entity’s worth;
- use an asset to provide benefit, either in cash or kind (4).

“In 1991 the Constitution (Article 46) stated that all land in Kazakhstan was the property of the state and as a consequence all other forms of “ownership” were at the discretion of the state (4)”. The Land Code of 1991 did not intend to embrace the Roman law concept of ownership. The land reforms at this time were concerned with the transfer of land plots to the various form categories of permanent ownership, which was restricted to state enterprises lifetime, inheritable tenure, temporary and permanent use, and leasing.

From 1991 to 1995 the abovementioned categories of land ownership and use remained in force. Attempts were made to bring these categories closer to the Roman law definition by relaxing the terms and conditions of ownership. Nevertheless, the provisions of the 1991 Land Code remained legal vacuum because there was no legal basis for fundamental terminology such as “ownership” (non-state), “inheritance” and “enterprise” (4).

By introducing the Civil Code in 1994 made significant change step towards a Roman definition of ownership. However, in practice all land transaction such as purchase, sale lifetime inheritable tenure agreements remained the subject to administrative approval. Similarly, the local administration retained the right to determine the value and other terms of any sale (4). The main weaknesses of this approach was that the actual granting of land to citizens for creating peasant farms was conducted at the discretion of the local representative bodies and subject to their to regulate and control all transactions.

Articles 24 of the 1991 Land Code contained a long list of reasons why an individual could be deprived of previously granted land rights. Many of these conditions were couched in broad term that gave local authorities considerable interpretative freedom. There were cases of individuals having their land rights rescinded or changed hereby introducing uncertainty into the process (4).

The Civil Code (legally in force March 1995) provided the legal basis for private sector entrepreneurial activity such as the right to non-state ownership, the right to establish business enterprises and etc. However, with respect to land the Civil Code (Article 193) reiterated the exclusive right of the state to such ownership. This position was consistent with both previous legislation and the Constitution at that time (4).

The introduction of a new Constitution of Republic of Kazakhstan, adopted by national referendum on August 30th 1995 provided that in addition to state ownership of land, there was the possibility of agricultural land being held under private ownership. The new Constitution guaranteed the equality and equal defence of state and private ownership. These constitutional norms became the ground for the creation of new, more market oriented land legislation.

This constitutional norm enabled a Presidential Decree “On Land” to be issued in December 1995 on which limited private ownership of land was introduced. Private ownership was allowed for personal households plot, gardens and dachas. However, land of agricultural value (except for the households plots previously mentioned) may not be granted for private ownership status and this included peasant farms. At that time peasant farms fell into the category of permanent use and were provided with permanent land use rights.

The administrative regulation and control of land transaction were weakened by the adoption of this Law “On Land”. Henceforth, it was possible for two parts to legally agree the purchase or sale of a land plot between themselves at a mutually agreed price and to have the transaction notarised without administrative interference. This legislation sought to limit administrative abuses such as changing or rescinding land rights yet ownership and use rights could still be rescinded for certain offences, such as violating land use assignment categories, using agricultural land for non-agricultural purposes, causing ecological damages or as a sanction for a criminal convicted of a criminal offence (4).

The next Law “On land“ in 2001 did not make any substantial changes in the concept of ownership. Permanent land use rights were replaced by long term and short terms temporary land use rights with state enterprises being granted the permanent land use right. Non-state land users held the right to rent out their land use rights for periods not exceeding their lease period with state. Also, the non-state land users had the same rights to sell, exchange, gift and pledge as collateral. These temporary land use rights are very close to previously established permanent land use rights although from an economic and common sense perspective the switch from permanent to temporary land use is difficult to understand. The replacement of permanent land use rights was made without any clear explanation and no commentators have been able to find any reason that could explain this change in land use rights.

The land legislation began in 1990 with the introduction of the concept of lifetime inherited land tenure. Then Government introduced permanent land use rights. This was promising in terms of developing a land market. The introduced temporary land use right undermined the sustainability of land tenure and it gave less confidence to owners that their land plot would not taken by officials some time in the future or that the conditions of land tenure would not renewed as they had been granted. Thus the Government changed land legislation to the direction, which has deteriorated the status of landusers.

It is necessary to note that provisions of “On land” of 1995 and ”On Land” of 2001 did not contain the legal norms for the obligatory replacement of documents, proving the land tenure. The 1995 Law “On Land” provided the legal documents, proving the right of citizens and legal entities and issued before adoption of this edict would be remain in force while the 2001 Law “On Land” provided that the process of renewing documents from permanent to temporary status would be at the request of the landusers.

Despite these provisions on the status of pre-existing documents various state bodies forced landusers to change their legal documents from the permanent land use right and lifetime inheritable possession to the temporary land use rights both for legal entities and peasant farms. Thus the Kazakh authorities they did not respect the plurality of land ownership, which were promulgated in previous land laws.

### **1.3. State Farm Privatization.**

Farm privatization took place in several phases as in other CIS countries. Although the farm privatisation was concerned with transforming state agricultural enterprises the privatisation legislation concerned other forms of agricultural enterprise as well. It should be noted that the farm privatisation legislative framework evolved in a piecemeal approach rather than introducing a single comprehensive set of laws with determinate outcome.

Early farm privatisation phase began in 1990 with adopting the Law on Peasant Farms and the entire process was placed in the hands of local administrations. Land for creating these peasant farms was either appropriated from state agricultural enterprise or allocated out of a special land fund established for this purpose. The legislation contributed to creation of several hundreds farms in the form of individually or family owned farms. As this process was made without having all the necessary guidelines and procedure the implementation of farm privatization was highly subjective (4). The result was that not so many people believed that the lifetime inherited land tenure would remain in the business environment, which remained under state control and maintained the principle of the command economy. In addition, employment in the state agricultural enterprises was self-sufficient for many and preferable to taking the entrepreneurial risks, associated with private farming.

In 1992 legislation set out how privatisation of state farms could be more equitable than before. Privatisation was to be achieved, primarily through the distribution of assets to employees (current, retired and ancillary). All those entitled would receive land shares providing an equal amount of land. Similarly the property of state enterprises was allocated in the form of asset shares expressed in monetary terms taking salary, years of service and professional skills into account. The owners of shares could use them to:

- form individual (family) farms;
- contribute to the capital stock of joint stock companies, co-operatives or collective enterprises;
- sell or exchange with other shareholders.

This process was placed in the hands of the State Property Committee (4).

This legislation had limited success. One of the reasons why the privatisation of state agricultural enterprises did not meet the intended expectation was that enterprise legislation, allowing the creation of various types of business was not adopted. Only the Civil Code, which came into force in March 1995, laid down the basic freedom of entrepreneurial activity and defined the various forms of business enterprises including: partnerships, limited partnerships and joint –stock company. These forms as well as productive cooperatives were described in the Civil Code but during 1992 -1994 farm employees had very restricted legal options and were often unaware about all the options available to them (4).

By 1994 it was clear that farm privatisation legislation was not succeeding in creating significant numbers of viable new farms. The majority of former state agricultural enterprises merely underwent a change of name. In an attempt to speed up the process new legislation was passed (4). The Presidential Decree “Concerning the Transference of sovkhoses Property Part to Director Ownership” (1585, March of 1994) allowed the transfer of 10 % of the land shares of an enterprise to the farm director, who had held the position of director for twenty years. A further 10 % could be allocated on a temporary basis and then transferred to full ownership after five years of satisfactory performance. The Government Resolution (216, February of 1994) also allowed the sale of selected agricultural enterprises to individuals through closed tender. Some 34 sovkhoses were selected and about 20 sovkhoses were sold into private ownership. Each buyer was allocated 20 % of the equity and employees 49 %. The remaining 31 % was held by the state and allocated to the buyer under certain conditions. The buyer was required to assume the debts of the farm. These two procedures were temporary measures which were not longer applicable, because the conditions of closed tenders were not appropriate to potential owners of these state and collective enterprises.

In 1995 the farm legislation framework became more consistent, when various parts of legislation were put together. This farm privatisation legislation was based upon the same principles of equitable distribution of land and assets shares, but with the added benefit that the various forms of business enterprise, which could be adopted, had a basis in the civil law. Broadly, the various forms of business had definitions similarly to those in market economies.

By the middle of 1996 and according to official statistics 2332 state agricultural enterprises had been privatised and 6050 new farming entities had been established by new owners on the territory and farmland of these state enterprises. The conversion rate of approximately 1:2,6. The most significant types of non-state farming entities were collective enterprises, small enterprises and co-operatives. The term of collective enterprise was used by local authorities to distinguish a new voluntary association of shareholders from the old state agricultural enterprises. In practise, these associations usually conveyed a change of the name and modest re-organization and little else. The same management and farming activities were pursued. These called collective enterprises and joint stock companies retained about three quarters of the land and assets of the privatised state agricultural enterprises. In other words, three quarters of agricultural production assets did not change their economic and social status. The conversion of state agricultural enterprises into peasant farms did not proceed at the desired level and the number of newly created peasant farms amounted to only 1591 units for the same period, which was less than the actual number of privatised agricultural enterprises (4). All those newly established farming entity obtained the land under permanent land use rights. As these collective enterprises have been owned by

The further stages of farm privatisation were characterised that restructuring, mainly of these collective enterprises was left by “market forces” with the increasingly active involvement of private businesses. The relevant market legislation had been developed by legislation and farm privatisation and restructuring took its place in the framework of civil legislation with additional legislative acts, considering the specific features of agricultural production. Where climatic and marketing conditions were favourable some farms were successfully restructured by their management and private businesses. Considerable proportions of farms though were subject to bankruptcy and liquidation procedures.

A significant number of private trading businesses were suppliers of input for agricultural production mainly in the form of fuel and seed. They were often involved in informal financing of agricultural enterprises or barter trading. The terms of seasonal financing and trading barter were largely unfavourable for agricultural enterprises. Owing to the predatory terms of barter contract and short-term financing provided by trading companies the collective enterprises were usually heavily indebted. It was the only option for agricultural producer under trading companies and furthermore there was no access to either state or banking financing. The result was that many of these agricultural collective enterprises failed to meet their contractual obligations under such contract with the trading companies and the majority of these enterprises were acquired by creditors. The shareholders and workers of these enterprises could withdraw the land designated in their land shares alongside their property shares but they were obliged to take part of debts of agricultural enterprises in an amount corresponding to their share of participation. The result was that shareholder and workers had to leave their land shares in business entities, established by these private businessmen. In this way private businesses entered into the agricultural sectors and assumed a dominant position in agricultural production.

As result of these actions shareholding became to concentrate in the hand of former senior personnel, administrations or private businessmen. And additional reason was that many land shareholders, particularly pensioners and social workers used their land share rights for leasing. For this they received rental payments, mainly in kind, which covers the basic needs in food and animal breeding such as feed and hay.

A mutual economic dependency developed between land share owners and newly established private enterprises. Land shareowners require inputs (animal feed, seed etc) acquired from private enterprises to sustain their personal subsidiary plot and cattle breeding activities. Also, the decision to transfer land shares to large private entities in the form of a lease was based on the possibility that the land share owner could be employed by this farm either permanently or temporarily for seasonal work. This employment provided rural citizens with cash, which was very important because of the absence of other alternatives in the rural area. Thus, farm privatization legislation contributed to the creation of new private agricultural enterprises, which occupied considerable farmland for agricultural production mainly through the lease of land shares from rural inhabitants.

In 1998 all newly appeared non-state enterprises of different categories were required to be re-registered in order to be comply with the Civil Code. By the end of 1998 in percentage, 69, 3 % of the agricultural and arable land belonged to large-scale enterprises such as limited partnerships, agricultural co-operatives and joint stock companies (2). These large-scale enterprises are the backbone of agricultural production at present. In many cases, the ownership or majority of shares of this type of enterprises are in the hand of one person or certain business groups. Thus farm privatization ended with up with emerging private businesses, which had sufficient funds and funding from commercial banks and access to local and republican authorities. At the same time huge number (95 460 as of 1.01.2002) of peasant farms appeared in the agricultural sectors. This amount However, the amount of agricultural land under the land tenure of peasant farms is considerably less than that held in private business entities.

#### **1.4 Land Sharing**

The land sharing mechanism was designed to be a tool for the equitable distribution of land and assets of former state agricultural enterprises in the framework of the state properties privatization program among rural inhabitants and former workers of these enterprises. Thus the land share mechanism was an attempt by legislators to distribute the state property to former workers of this enterprise and other people, involved directly and indirectly in this enterprise or living in the village, where the enterprise had operated.

Employees of former state agricultural enterprises, employees of enterprise of social infrastructure and retired workers were entitled to obtain a share of the farm's land and the assets of their enterprises, which were firstly mentioned in the farm legislation of 1992. This land and assets shares may be identified physically or may remain as a paper shareholding depending upon the choices of the employee and the corporate nature of the privatised enterprise.

The average size of land share was determined by dividing the total land area of an agricultural enterprise by the number of those entitled. The right to a land share was determined by the privatized enterprise which presented a list of those entitled to the head of local administration. Once approved, the list was used by the regional branch of Land State Committee to issue land share certificates, which represented a nominal right to obtain a land plot of state or collective enterprise owned agricultural land. The final size of an individual land share depends upon the agro-ecological zone and type of farm, but is commonly between 20-50 hectares on the northern region whereas in the southern region, the average size of land share varies between 2- 15 hectares. The smallest land shares are those for irrigated land (4).

The invention of the "land share" was common to many countries of the former Soviet Union reflected some of the former rules and principle of the socialistic system. The definition of "land share" together with "property share" was first mentioned in the Resolution of the Government (№ 633, 20, July 1993) "On Measures on Implementation of the Presidential Decree "On the National Program of Privatization in the Republic of Kazakhstan for 1993-1995 years (№ 1135, 5, March 1993)", which specified that rural inhabitants may have the land and property share of state enterprise in framework of the national program of privatization. The rural inhabitants have a right to own land as "collective" property and they may withdraw their "land share" in kind. Also, these land shares were eligible to lease, bequeath it, but not to sell it. The Resolution of the Government «On approval the procedure of concession of land share on privatization of state agricultural enterprises" (№ 611, 10, June 1994) allowed sales and transference of property shares and only the concession of the land shares to other member of collective enterprise for using these land shares for agricultural production. This provision provided the safeguard the wholeness of agricultural property complex in collective ownership.

The Civil Code did not specify the land shares rights as an independent legal element with specified attribute and right to ownership. The land legislation made no provision for the land share to be registered officially and only a land share certificate ought to be issue. This land share certificates did not provide the precise location of land plot with a demarcated land border and other attributes of land plot and it provides the holder only size of land plot. Thus the land share existed in framework of collective enterprises and served as a legal arrangement for transferring the property and land from state to private businesses. Later an Article 82 of the 2001 Law "On Land" defined the legal status of land shares and it reiterated

the same essence of land sharing mechanism that was promulgated in the early land legislation.

A huge number of rural habitants became the land share owners since the start of agricultural reforms in 1991. According to the statistics approximately 2.3 million land share were distributed to rural people. Approximately 60 % of those land shares were transferred to workers of liquidated, privatized and restructured state enterprises and 40% to workers, serving these enterprises and living in its territory and pensioners.

Only a small proportion of peasants took the opportunity to become landowners and work on land. Large proportions however hold the same rights for lands, but are unable to actually farm the land. Those people faced with the problem of how to manage their land shares. The number of such people has been increasing every year due to the retirement of older people and migration to urban area and others reasons. These circumstances provided the private legal entities with possibility to lease land shares from rural habitants. This lease agreement provided the land share holders with lease payments, which usually are very low and mainly paid in kind. Also, the current land legislation did provide the holders of land share with the possibility of withdrawal of their land share in order to establish an individual farm or to pool their shares or to take the land plot for the establishment of partnership, co-operative or joint-stock company.

The division of land into shares allowed for the creation of large private enterprises and the owners of these newly appeared enterprises were able to accumulate the shares of those rural habitants, who did not realise their rights were being used for organizing large scale business. Land share privatization provided an opportunity for land consolidation in the hand of private business entities without any physical division of farmland, thereby allowing private businesses to retain large areas of farmland for agricultural production.

Thus, the distribution of land shares was an important instrument for restructuring the agricultural sector by transferring from state ownership into private ownership, which is basis for a market economy and the further development of land relations.

## **2. Rural Kazakhstan**

### **2.1 Land Resources.**

In 1990 the total area of farmland in Kazakhstan was about 220 million hectares. Out of this figure 35 million of land was cultivated and over 180 million hectares of steppe was utilised as grazing pasture for cattle breeding (2). Following land and agrarian reforms the agricultural economy suffered a deep financial crisis that led to a decrease of the total area of cultivated land. Farmland decreased in 2002 by 2,5 times in comparison with 1990 year and the total area of farmland is currently about 84,5 million hectares with arable land accounting for 20,5 million hectares and the remaining land are used for pasture and hayfields, amounting to 59 million hectares and 2 million hectares respectively(2).

The actual area of sustained competitive rainfed agriculture remains an unanswered question. The area of good quality soils is about 12 million hectares, mostly in the north of the country, but the area with quality soils and normally adequate annual rainfall for arable farming is less. The area suited to rainfed agriculture is mainly concentrated in the north and east. Even in these areas the expectation is that one year in three or four will be one of inadequate rainfall. Thus, rainfed arable agricultural activity in Kazakhstan is not only restricted, geographically, but faces high risks from climatic uncertainties, which impact on the productive capacity of farming entities (5).

The natural resource base provides the opportunity to irrigate substantial areas of reasonable quality soils, which is one way of reducing production risks. In the early 1990s Kazakhstan had 2.3 million hectares of irrigated land, which accounted for 6 % of total sown area, yielding up to 30 % of crop production. Subsequently, the area of irrigated agriculture has been reduced to 1.2 million hectares due to water shortages and deterioration of the infrastructure systems and yields have fallen 1.5-2 times. Most of the irrigated area is concentrated in the southern part of the country and has also undergone a contraction. The land reclamation qualities of soil have been deteriorating, while the technical condition of water stations has also worsened (11).

The third natural resource category is permanent pasture (mostly steppe), which is the dominant natural vegetation of Kazakhstan. This category covers 90% of the country, but the quality of the pasture varies considerably depending on soil quality, temperature and rainfall regimes. The foothills of the mountains and parts of northern Kazakhstan support quality pasture but large areas are arid and support only scrub vegetation. The scale and range of quality of the natural grasslands determines that livestock systems must be the dominant form of agricultural system over much of the country (5).

The natural environment that supports agricultural production systems is fragile due to past inadequate attention to sustainable production practices which meant that substantial areas of lands suffered from saline soils, water logging, soil erosion and desertification. The loss of quality topsoil over the past 30 years is well recognised and parts of the black soil area have lost up to 30% of their humus content (5).

The introduction of market norms through land legislation has substantially affected the reallocation of land categories in the agrarian sector. The introduction of private ownership, land tax and land use rights have forced landusers to optimise the size of their lands. The category of farmland has incurred substantial changes and its land area has decreased to 136,2 million hectares in 2002 (2). Besides, the land tax, other reasons of land users refusal from land tenure were declining the sowing area due to high risks from climatic uncertainties



and decrease of livestock production. Thus the return of these agricultural lands to land reserve fund has taken place, mainly on pasture in semi-desert and desert area and on arable land in dry lands. The total area of this fund has increased in 7 times to compare with 1990 and its accounts for 127,3 million hectares as of 1, January 2002 (2).

## **2.2. Rural Development Policy in Kazakhstan.**

The process of agricultural reforms in the country can be broken down into four stages. The period of 1992-1994 was characterised by the rapid reform of agricultural entities. At this stage the creation of a new legal framework for privatisation and land reforms were the main goal of reformers, leading to the adoption of laws on land, privatisation and peasant farms (11).

By the end of 1994, as a result of the privatization of collective and state agricultural enterprises the number of agricultural entities had increased. But, total agricultural output did not increase despite the establishment of alternative forms of farming entities such as peasant farms and production co-operatives. The reason which has been described in detail above were a mixture of economic, legal and social factors which inhibited the efficient production and rational use of land (11).

The majority of the rural population were unready to accept reforms, which represented fundamental changes in the rural life-style (11). Existing technological links in the production and in the procurement of inputs and machinery were disrupted. The more serious problem of price disparity between industrial and agricultural products emerged as a direct result of government regulations whereby prices of industrial goods and services were liberalised whilst prices for agricultural commodities were fixed (4).

When agricultural prices were finally liberalised in 1994 the higher prices led to a fall in consumer purchasing power. Subsequently, high inflation led to the loss of current and partly fixed assets, mainly livestock as livestock owners slaughtered cattle to raise the cash. This was a starting point of rural out-migration.

The principle of continuity of technological processes on farms, service providing farms and similarly enterprises was broken. Several factors such as the accelerated privatisation of state agricultural enterprises, storage processing and service entities, limited business forms of organization, high inflation and unbalanced nature of sectors made the integration of agriculture impossible, further reducing the efficiency of the production process.

The funds provided under a framework of loan financing for newly established farms were insufficient. Furthermore, the state budget did not allocate additional funding for the rural sector in the framework of the 1991 Law "On Prioritised Development of Auls, Villages and Agriculture", which aimed to soften the consequences of market transition for rural economy (11).

In this way, inadequate implementation of market reforms in agriculture from 1992-1994 led to a fall in agricultural output, the deterioration of the asset base and an increase in negative tendency in both production and social sector. It also led to a significant increase in the migration of the rural population to cities (11).

The period of 1995 -1997 was characterised by an increasingly rapid fall in agricultural output due to declines in the cultivated area and decreasing livestock numbers and as well as low yield and productivity (11).

The private farms accounted for 93,5 % of all agricultural enterprises while the numbers of production co-operatives and agricultural enterprises were also increased. Before 1992 several hundred farms were set up with sufficient resources base, but during “mass privatisation” in period 1993 -95 the condition of privatisation changed and most state agricultural enterprises were deprived of state support, thrown into free market and found themselves in debt. A majority of these state enterprises were heavily indebted and employees with property share found themselves partly to the debt share of enterprise. In this situation agricultural employees were often forced to sell or transfer their land use rights almost unconditionally and in many cases to creditors.

The already seriously complicated situation in the agricultural sector was exacerbated by the transference of the accounting system from cash methods to accrued methods by Resolution of Government “On transition to Accrued Methods in Tax Accounting” (1001, 20 June 1997). This resulted in the bankruptcy of many insolvent farmers, because the income tax on accrued method was considerable more than the actual profit, which farmers had at the reporting date (11).

Investments in the agricultural sectors were substantially reduced, because of sudden policy changes and the transition from state distribution of investment resources to market mechanisms. Farms were generally not profitable and they could not get a loan from the banking sector due to the instability and crisis in agricultural sector. Government measures were very limited and not very effective. Between 1995 -1997 gross agricultural output declined by 38 % compared with 1992-1994, a fall made up of a 26 % reduction in crop farming and a 55 % drop in livestock farming output (11).

This decline in agricultural output inevitably caused adverse social effects. Social tension and migration away from rural area, particularly younger people intensified. Average wages in agriculture were 3,8 times lower than in industry. Social infrastructure in the majority of villages was inadequate and did not satisfy basic needs. After the “optimisation” of education and health care sectors nearly 60 % of villages lost their medical care stations, libraries, clubs and more 50 % of rural settlement did not have any post offices (2).

The period of 1998-2000 saw several positive changes in rural life since independence. More state support was made available for agricultural producers and agricultural enterprises began to receive the favourable loans and advance payment within the state procurement programs. 1999 was remarkable for the fact that agricultural production grew for the first time in several years and growth was at 28 % compared to 1998. The decline in the number of cattle and horses slowed, while the corresponding number for pigs, sheep and goats began to increase (11).

Nevertheless, agricultural producers were still constrained by the lack of guaranteed access to local wholesale food markets, the low purchasing prices for their product, the largely depreciated asset base, limited financing options, high taxes, depletion of natural resources and low consuming power. Falling living standard and higher unemployment rates led to an increase in “self-employment”, which amounted to 2 million people by 2001, although whether these people were able to provide with sufficient income was doubtful. Increased migration led to a significant drop in the country’s population, including in the rural areas (11).

In 2001-2002 the government adopted two-level grain purchasing scheme. In accordance with the Law “On Agricultural Corporation and their Associations” (December of 2000) the Agricultural Corporation was established. This corporation is 100 % owned by the state and is able to mandate the establishment of credit partnerships in rural areas. During this period the government made a number of key decisions such as ensuring lower prices for fuel, providing subsidies for seed-farming, livestock breeding, crop protection and veterinary programs (11).

In 2002 the state allocated 15,6 billion tenge for agriculture, a figure which was 1,5 billion tenge more than in 2001. The state portfolio of agricultural loans grew up to 12,3 billion tenge in 2002 compared with 8,42 billion tenge in 2001.

Positive changes appeared in the rural social sector and the number of rural settlement without a medical care facility or attendant dropped during 2001. In the same year 70 first aid centres were re-opened, as well as 17 medical-obstetric centres and 27 rural hospitals. But, the quality of medical care and the resource base of rural medical centres still leave much to be desired. Similar problems remain in rural education and the same measures have been taken by the state in education and in other area of rural sector development (11). In 2001 new secondary schools were built in the rural area, which provided additional 12 799 places for school attendance. Regarding the pre-school institutions only 162 additional place in rural were provided by authorities (2). Despite that economic development of a rural area remained the government priorities the President announced the National Rural Development Program for 2004- 2010 under which the sufficient funds are supposed to allocate for creation of a social infrastructure in the selected rural areas.

### **2.3 Rural Economy and Poverty.**

Kazakhstan’s population in 2002 was 14.82 million, of which 43.4 percent was located in rural areas. The relative proportion of rural and urban populations has not changed significantly since 1989 (2). Although a total of approximately 600,000 rural inhabitants have moved to urban areas between 1995- 2002. However, the shift in population from rural to urban areas has been relatively balanced by emigration to other countries from urban areas. In general, the migration process has been characterized by the following pattern: Kazakh people migrate within country –mostly to regional centres such as Almaty and Astana cities; members of other ethnic group have tended to emigrate to their original countries such as Russia, Germany and other countries (11).

Table 1: Total and rural population

Year	1989	1995	2002
Total	16,1992	15,9567	14,8209
Rural population	7,063	7,069	6,472
Rural in percentage	43,60%	44,30%	43,67%

This data represents a decline in the rural population of approximately 0,6 million people over the past decade while the overall population declined by 1,4 million of people. The overall rural population density is low, at less than 6 persons per square kilometre while the rural population density is very high in the southern regions. The rural population densities within most oblasts reflects on the resource endowments within these administrative units and the area with favourable climate conditions for agriculture it is much higher compared with those areas with unfavourable conditions.

At the end of 2003, 30.9 percent of Kazakhstan's rural population had an income below the minimum monthly subsistence level of 5162 KZT (approximately\$35.00). Rural poverty is a significant issue in Kazakhstan and the Government of Kazakhstan has taken two related approaches to address this challenge. The first is to focus on issues, which are specific to the rural sector, such as the provision of physical infrastructure, health and education, and measures to improve the viability of the local economies, etc. A significant number of farms are unprofitable however more resources will be directed to those rural settlements that are considered to have stronger economic potential. This is both to maximize the return on the Government's investment and to encourage migration from those settlements with less potential. The second and related approach is focused on the agricultural industry, which accounts for an estimated 90 percent of rural economic activity (6).

Table 2 : Poverty Distribution by Oblast, 2003

	Total	Urban	Rural
Akmola	16.4	10.9	20.6
Aktobe	19.0	6.8	35.5
Almaty	25.3	10.5	31.5
Atyrau	32.7	25.5	44.0
West Kazakhstan	17.1	7.0	23.9
Zhambyl	30.0	21.0	36.6
Karaganda	15.1	9.0	40.1
Kostanai	21.0	9.2	34.3
Kyzyl-Orda	27.1	17.9	42.2
Mangistau	26.0	19.1	59.9
North Kazakhstan	26.1	19.2	29.8
Pavlodar	17.1	7.1	32.8
South Kazakhstan	11.9	3.8	17.0
East Kazakhstan	16.9	10.1	26.8
Astana city	2.1	2.1	-
Almaty city	3.9	3.9	-
<b>Kazakhstan</b>	<b>19.8</b>	<b>10.8</b>	<b>30.9</b>

This table shows the highest proportions of population with income below the living minimum subsistence level are seen in Mangistau (59.9 %), Atyrau (44 %), Kyzyl-Orda (42,2

%) and Aktobe (35,5%). These oblasts are regions with huge oil deposits and the economy of these regions has substantial growth and is one of the main contributors to the GDP of the country. Thus, impressive economic results do not always lead to improvement in the conditions of the poor in rural areas.

Wages in agriculture have always been lower than industry, but the gap has never been so significant. For example, in 1985 and 1991 agricultural workers earned 89 % and 78 % of industrial workers respectively. By 1994 this had dropped to 37 % and compared with nation's average salary it was 60 %. This downward trend in agricultural versus industrial wages has persisted, falling to 28 % in 2001, or only 39 % of average wages nation-wide. In the last three years wages in agriculture remained the low. In comparison with other wages in other sectors agricultural wages are one fifth of salaries in the finance sector or slightly over 30 % in the transportation and communication sector employees. The above ratios are true for all regions. Recently government policy prioritised industry development and it has led to a serious deterioration in the living standards of rural population and caused the migration of significant number of the younger and working age population to the cities (11).

### **3. Implementation of Land Reform**

#### **3.1. Land Reform Concept.**

The Land Code of 2003 establishes two form of land ownership for agricultural land –private land ownership and land possession under temporary or permanent land use rights. In addition, the Land Code recognises equal protection for state and private land ownership. This Land Code provided the legal framework for land privatization and its conversion into tradable commodities. The owner of land has the right to possess, to use and to dispose of their own land at their own discretion and will. The definition of “private ownership for land’ by Land Code is the ability to possess, to use and dispose of a land plot on the base, conditions and limits, established by land legislation. This definition complies with the principle of ownership within Roman Law and consequently with Kazakh civil legislation.

The legislation stipulates the following ways that private ownership for land can arise:

- acquiring a land plot on the basis of legal state acts through purchase of the land plot from the state;
- acquisition of land plot under deals, stipulated by civil legislation such as purchase from private land owners, donation and concession of ownership right;
- acquiring a land plot via inheritance or the re-organization of legal entities.

The purchase of a land plot for private ownership from the state could be made in the following ways: purchase of a land plot according to its cadastre value (assessed), acquisition of plot on delayed payment and at the reduced prices by lump sum or by delayed payment for 10 years. All those three methods should be based on the cadastre value of land plot.

The Land Code gives the priority for purchasing state owned agricultural land to rural residents, who will conduct farming by their own actions and who have specific agricultural knowledge and experience in working with land plot. Citizens and legal entities have the right to buy land at the reduced prices in size of 75 percent of cadastre value, established by Government Resolution. In case of purchase of land for ten years the land could be used as collateral after 50 percent of the purchase price has been paid with only the repaid amount of land being pledged as collateral.

The Code also establishes the maximum size of land plot that can be purchased, something which varies from region to region. The following limits of maximum size of land plot established: for the citizen of Kazakhstan – from 30 hectares up to 25 000 hectares, including irrigated land – from 1 hectare up to 1400 hectares; for non-state legal entities and its affiliated entities- from 150 hectares up to 240 000 hectares including irrigated land- from 5 hectares up to 19 000 hectares.

Explicit criteria for determining of maximum sizes of land plot were not incorporated in the land legislation. Most probably the government established the maximum size of a land plot on the basis of prevailing peasant farms size in the regions.

The land legislation establishes the permanent use rights for state legal entities and temporary land use rights for non-state legal entities, citizens and international organizations. The land use right is the ability to possess use and secure benefits in various forms on the basis of the lease contract. The granting of land use rights to legal entities and citizens is decided by the local executive body. Land use right can arise in the following ways:

- acquiring land plot by leasing land directly from the state;
- acquiring land by concluding lease contract with private owners of land plots;
- acquiring land use rights through universal assignments such as inheritance or the re-organization of legal entities.

In accordance with Land Code the land use could be:

- temporary land use on paid basis, which might be:
  - short-term up to 5 years;
  - long-term up to 49 years.
- temporary land use on non-paid basis not exceeding 5 year as land plot for civil servant and employees of state enterprises, determined by Government Resolution;
- permanent land use, granted to needs of state landusers.

### **3.2. Procedure of Land Allocation and Entitlement.**

The Land Code specifies the procedure for land allocation both for private ownership and under temporary land use right for 49 years. In both cases, those interested must submit their application to local executive body with their application, containing the following information:

- purpose of land plot use;
- proposed size of land plot ;
- location of land plot;
- requested type of land ownership;
- presence of other land plot, granted to private ownership without payment.

The application should be considered within three months from time of actual acceptance of the application. By the order of the local executive body the regional Agency for Land Resources Management should determine whether the request is in conformity with territorial zoning and should organize the preliminary search for a suitable land plot. Then the proposal should be considered by the committee, which could be created by the local executive body and made up of local deputies, representatives of Agency for Land Resources Management and other state agencies and persons, appointed by the executive local body.

The decision concerning the land plot should be sent to the applicant during seven days after the decision has been made. Any refusal to grant land must be supported by full and written reasons. Following a decision to grant land the regional Agency for Land Resources Management should prepare the contract for land purchase and receive payment. This contract for land purchase should become the official basis for issuing the legal documents and be accepted as proving the land right.

The physical identification of the land plot shall be implemented by specialised legal entities and citizens, who are licensed to carry out such work. The work on physical identification of land plot comprises the initial elaboration of the land plot scheme and a strict definition of the land plot with demarcated border and other land attributes and finally execution of the project with all attendant documentation. The use of land before the defining of the land plot is not permitted and violation of this provision is subject to administrative remedies.

The legal documents, that establish land use right are provided by the state Agency for Land Resources Management. These documents together with the land project, prepared by specialised legal entities, should be presented to the regional state agency for registration of real estate and deals. After checking all documents, proving the land use right this agency shall register private ownership right. In accordance with current registration, any rights on the property and other ownership should be registered and will come into force after this registration. Thus, the land use right will be certified by legal act in the form of a deed, which should be registered. In addition, this agency records all other encumbrances on the land such as mortgage, leases and other restrictions, thereby showing complete inventory of legal rights on the land.

The Land Code provides provisions for acquiring land into the private ownership in cases where it is currently used for agricultural production under temporary land use right. In this case, the applicant should submit additional documents, such as the deed of temporary land use right, a copy of business registration certificate, inquiry from tax inspectorate on absence of debts, inquiry from the centre for registration of real estate and deals. The regional land state committee should identify the land plot, determine the cadastre (assessed) value of land

and prepare the draft of decision about granting private ownership on land plot. This decision should be made within one month period from the date of applying.

The granting of land plot for private ownership or under temporary land use right for the creation of peasant farm is considered in this Land Code. In addition to the documents listed previously the applicant should also submit a brief program of the proposed farming, documents, proving the work experience of the peasant farm head in agricultural production and relevant agricultural education, copy of taxpayer certificate and address of the head of peasant farm. The document, proving the right to the land plot should be given to the head of the peasant farm with a list of names of all the member of the peasant farm.

The Land Code also provides an opportunity to receive land plot for private ownership or temporary land use right, when it is currently occupied by agricultural entities under lease contract. The application of citizen concerning the withdrawal of land under use by an agricultural enterprise should be submitted to this agricultural enterprise and considered within one month if the citizen applied before sowing or after the completing harvesting. In some cases receiving a land plot from the agricultural enterprise will only be possible with the consent of the agricultural enterprise. Thus, legislation defends the right of the agricultural producer to refuse to cede land plot, which was sowed by them. The legislation does not guarantee the right of citizens to land from the agricultural enterprise and there are no particular provisions to ensure that plot applicant are given good plots of land. Even if these applicants are and share holders they do not have any right for certain plots of land plot because their land shares do not specify the location of land plot, but only their size.

The local executive body does not consider such application and thus decisions to grant land should be made on the basis of land location project and with the consent of agricultural enterprises. All disputes arising may be considered by the court. However, these appeals to court do have their own limitations. Court procedures are costly and take significant amounts of time before a decision is made. Court trials are not the best solution for citizens, wishing to get land plot from agricultural enterprise.

The Land Code contains some provisions, which secure the right of members, who possess the land plot under “joint ownership”, which means possession of land by two or several owners. Such members have the right to exit the collective with a physical land plot, corresponding to the individual share of collective property. It will not be possible in cases when the land plot is not divisible and the person, who exits the collective can sell their land share to outside people. But before doing this he/she should notify the other members of the collective in writing concerning this deal and those people have priority on purchasing this land share. Division of land plot under collective ownership should be made after a preliminary decision determining the land share of each member. The provisions of Land Code establishes a mechanism for transferring land from joint ownership to private and guarantees the individual’s freedom of choice. In such a way, individuals are entitled to leave the collective taking their share of land with them.



### **3.3. Restrictions on the Rights of Landowners and Landusers.**

The Land Code establishes the following basis for termination of land ownership or land use right:

- alienation of land plot or use right by another entities;
- voluntary refusal of landowner from their private ownership or landusers from their land use right;
- deprivation of ownership and land use right in accordance with existing legislation.

Ownership rights and land use right can also be withdrawn by following cases:

- presence of claim from creditors;
- compulsory purchase for state needs;
- deterioration of land and environment and use of land for not specified purpose ;
- when land has been subject to radioactive pollution;
- confiscation by the decision of the court on criminal offences.

Land use rights could also be terminated by the expiry of a term of granting land plot or lease contract.

The Land Code regulates land use and land relations in order to further the rational and effective use of land and also, because the land is considered a natural resources rather than simply an asset. The Code gives priority to land protection as a necessary component for the safe use of land in agricultural production. The owners of land plot can possess, use and freely dispose with land plots, but their rights can be terminated by non-sanctioned changes of use or following infringements, which cause, damage and deterioration in the quality of land. In such cases, the regional Agency for Land Resources Management brings a suit to court and the decision to withdraw land will be made by the court. Landowners have the right to defend their right in court.

The Land Code intends to defend the public interest in land relations. A number of provisions provide individuals and legal entities with opportunities to own a land plot. However, the Land Code also restricts the rights of owner in case of conflict with public interest. Land can be withdrawn from private hands by means of compulsory purchase in the following cases: to meet international commitments; for needs of defence, park zone or recreational centre; where minerals are found under the land; for the construction of roads, infrastructure building and related installation.

In accordance with the Land Code in these cases the state should buy the land at a price, agreed with the owner of the land plot. If the owner refuses to sell their land plot at a reasonable price, the local executive body has the right to bring a suit to court regarding the purchase price. Land legislation gives priority to the local executive body rather than the land owners when it comes to determining the price for the plot sought for public needs.

The Land Code establishes certain restrictions on the acquisition of land plot into ownership in particular foreign citizens and entities are not permitted to buy either land of agricultural value and non-agricultural land. The land legislation does allow foreign citizens and person without citizenship to receive a land plot of agricultural value under temporary land use rights for 10 years.

In accordance with Government Resolution citizens and legal entities have the right to buy land at 75 percent of cadastre value. But in this case the new owner will not able to make any deals normally allowed by civil legislation for a period of 10 years. These owners can only pledge their land plot as collateral. The same restriction applies to owners of land, who bought land plot on a delayed payment for 10 years either at the basic price or reduced prices. As regards pledging as collateral they have right to pledge both as collateral after repayment of 50 percent of land cadastre value and only on the repaid amounts in both cases. The landowners are also restricted from any deals with their land except using it as collateral unless they repurchase the land use right from the state.

### **3.4. Restrictions to Land Shares Owners.**

The previous land legislation envisaged that some land shares will be given for lease to legal entities and peasant farms and consequently land plots, which were intended to allocate among the owners of land share would be cultivated by leasehold owners. According to the Agency on Land Resources Management of 1, January 2004 about 628.6 thousands land shares were given to legal entities and peasant farms under lease contract, covering a total area of 26.3 million hectares. Approximately 60 percent of these land shares are located in northern regions, where the cereal productions prevail due to the climatic conditions (7).

In order to ensure a prompt transition to private ownership for agricultural land the Land Code contains Transitional Provisions, which had the effect of imposing certain restrictions on land shares and land use rights. These provisions are as follows:

- citizens of Kazakhstan and non-state legal entities who lease their land plot to secondary users are obliged to cancel these lease contract (sub-lease) by 1<sup>st</sup> January 2005;
- holders of land shares, who lease their land shares for lease are obliged to realize their rights until 1, January of 2005 on term and conditions established by legislation.

The owners of land shares hold the rights for realization of their rights under this Land Code. In particular, the right for a land share must be realised by one of the following methods:

- purchase of the land plot for private ownership;
- acquiring the land plot for joint or individual land use for farming or agricultural production;
- transfer by means of a contribution to the statutory fund of partnership or other legal entities.

Granting land by land shares is made under the general procedures of land allocation. Once land ownership or land use right has been granted previous contracts such as lease contract for the land plot or lease contract for a land share are considered repealed. If the owners of the land shares do not fulfil one of listed options for realizing their rights they will forfeit the right to a land share and the “virtual land” will be transferred to a special local land fund by decision of the local executive body.

Citizens and non-state legal entities, who possess the land plot under temporary land use right, have the following right to:

- purchase of the land plot for private ownership;
- acquiring the land plot for joint or individual land use for farming or agricultural production;
- transfer by means of a contribution to the statutory fund of partnership or other legal entities.

If the landuser does not fulfil one of listed options for realising their rights under land tenure the cancellation of the sub-lease contract and the termination of temporary land use right will be ordered by of a court procedure following application by the regional Agency for Land Resources Management. Following such a decision their land plot will be transferred to special local land fund by the decision of a court.

The owners of land shares may transfer these to farming entities by creating an informal partnership on the basis of a contract of joint business activity. In the first stage, the owners of land share must submit their application to the legal entity, where they have decided to place their land shares.

In the second stage the legal entities must make a decision to change their charter because of the appearance of new participants. The decision to change a charter must be taken by authorised bodies such as the general meeting of member of the production cooperative, general meeting of participants in the partnership or for joint stock companies a general meeting of shareholders. On the decision of these authorised bodies the business entities must prepare the relevant legal documents and identify the participation of new members in their business. In case of partnership the additional contract must be signed by both parts. In all business entities amendments to their charter must be made and it should reflect changes in the numbers of participants.

In the third stage an evaluation of these land shares ought to be performed by an assessment of auditors or by agreement between the parts. The Land Code does not specify exactly how the assessment of land share could be made. The manual on Land Code, prepared by the Research Centre under Presidential Administration only recommended some procedure for evaluating land shares.

In the fourth stage the land project of these business entities should be checked by the state Agency for Land Resources Management. The executive state body will make a decision regarding the granting of the land plot to this business entity. Then land plot will be physically allocated and all State Acts (deeds) for land use will be given to this business entity.

Finally, registration of this business entity should be made in oblast branches of Ministry of Justice. The share issuance must be made for joint stock companies.

### **3.5. Land Payment**

Despite the fact that agricultural land was given to farmers for temporary land use without any payment, the land plots under temporary land use are subject to land tax in accordance with the Tax Code. The Tax Code (12<sup>th</sup>, June 2001) establishes two tables of tax rates based on the variability of land quality across the regions. The first table is relevant to land on the steppe and dry steppe with usual and southern chernozem, chestnut and dark-chestnut soil and piedmont area with chernozem, dark gray soil and chestnut. The second table covers all other types of land, including semi-desert, desert and dry piedmont areas with all type of soils in those areas. The range within the first table, containing the more favourable lands for agriculture varies between 0,48 tenge per 1 hectare for the lowest quality of land to 202,65 tenge per hectare for the highest quality of land soil. Tax rates for the majority of lands for agricultural production are within a tax range of 14 tenge and 34 tenge per hectare. The range of the second table varies between 0,48 tenge per 1 hectare for the lowest quality of land and 50,18 tenge per hectare for the highest quality soil.

This land payment applies to land plot, which have been allocated for temporary use under lease. Lease payments are linked to land taxes and the annual lease rate is determined by Resolution of Government (No 890, 2, September of 2003) within the range of 100-120 percent of basic rate of tax payment for land. The size, condition and the schedule of payment of the lease contract is determined within the actual contract, but the size of the lease payment should not exceed this established range.

The cadastre value is determined by the regional state Agency for Land Resources Managements on the basis of base payment rates for land plots. They were established by a Resolution of Government of Republic of Kazakhstan (No 890, 2nd, September, 2003) and depend on the type of farmland and the actual regional location. The base rates of payment for land are established per hectare and differentiated by type of land soil.

The basic rates of payment for land vary in the following ranges at the current exchange rate 130 tenge to 1 USD as of 1.06.05:

- arable land - between 60 USD and 428 USD;
- irrigated land - between 244 USD and 1572 USD;
- hay field - between 24 USD and 139 USD;
- pasture – between 13 USD and 98 USD.

### **3.7. Deficiencies Identified in the Land Code.**

The land legislation being a comprehensive set of legal and normative acts, embracing all aspects of land relations, has some disputable provisions. One such provision, which provokes disputes and disagreements among politicians and land specialists, is the regulation, cancelling sub-lease agreements. A second disputed provision concerns the owners of land shares who according to the relevant provisions have to make a decision on their land share. In both cases the last date is 1 January 2005.

The land reform is one complicated part of agrarian reform and it usually takes a significant amount of time to implement a new law and many factors determine the speed of land reform. The Land code itself is a whole legal framework with complicated institutional and financial aspects that themselves exert a significant influence over the progress of land reforms. Social and historical factors are also a key issue and land reforms in Kazakhstan have proved this the case. When the legislators introduce the next legislative acts in the form of laws and presidential decrees the peasants could not response immediately. It takes time for the rural population to make adequate decisions and act on the proposal and regulation, established by land legislations. For example, the result of the land reforms proposed by the Law “ On Land ” of 1995 only became visible and achievable in 2001 yet the result of this reform was soon cancelled out by the introduction of the new Law ”On land” in 2001.

In this current proposed schedule it is obvious that many peasants will try to make a decision concerning their land or land shares . However, it is likely that not all of them will be able to implement all the necessary steps that will entitle them to the land rights. Despite the Land Code being promulgated on June 2003 it was not possible to implement the land reform, because the Land Code did not contain guidelines concerning the procedures for introducing these changes. The relevant provisions of the Land Code could be applied after the issuing of the Manual on Land Reform on March 2004 b y the Research Centre under Presidential Administration. The result was that peasants have less than 9 months to conduct all the legal procedures, stipulated in the land and civil legislation.

Only a couple farms were able to re-register by the end of March of 2004 as required by current legislation in Atbasar raion of Akmola oblast, which was a project area for conducting social and economic survey for this research. By the beginning of October only several farms of this raion have re-registered and the majority of farms in this rayon are at the stage of performing the legal procedures for re-registering their farms. Nevertheless, these farms were able to meet the dead line of 1<sup>st</sup> January 2005.

According to official statistics the contribution of 628.6 thousands land shares (reported as of 1 of January 2004) was made by the land owners in the following ways:

- contributed to the statutory fund of partnerships -44,6 percent;
- contributed to statutory fund of peasants farms - 23,2 percent;
- used for organizing agricultural production - 17,2 percent.
- contributed to production cooperative - 4 percent
- unused or refused land shares - 9,7 percent.

The latter figure revokes some concern because this official statistics does not provide any breakdown by more detailed explanation of this category. This figure shows that more 60 thousands of rural residents were not able to realize their right, which was given by land share. It might some rural residents, who were not able to manage on time with their land shares, in some extend it might be some so- called “morally degrading” people some kind of vulnerable group of people, who does not take any cares about own. Most likely some farms missed to meet the deadline for official re-registration and peasants in some remote areas with severe conditions for crop growing had no opportunity to contribute their land shares to a farming business, because of the absence such entities. Currently, it is very difficult to believe to Kazakh statistics now, particularly on some sensitive issues such land relations, even this published data does not give 100 percent in total (miss of 1,3 percent). In case of

Atabasar raion this data on percentage of unused or refused land shares might be true, because the local branch of Agency for Land Resources Management was headed by qualified specialist in land relations and the region was attractive for crop growing. And it is very difficult to imagine the situation in others regions, where crop growing is very risky due to climatic conditions.

Another critical point might be the cancellation of secondary land leases, which will considerably limit the freedom of landusers. The tenants on such land plots must start farming otherwise they will lose their right to the land. This provision goes against with the civil law principle of freedom of entrepreneurial activities. A fairer alternative would be to allow sub-lease for secondary landuser for terms less than their principal agreement with the state.

At the initial stages of agricultural land market development the lease could be serve as an alternative means for transferring land from less to more productive producers. In the experience of other countries encouraging of land rental markets coincides with measures to reduce the credit and insurance market imperfection in rural areas. The high risk in agricultural production in rural Kazakhstan means that the development of both these markets is hampered. Alongside increasing the productivity of agricultural production leasing land could be cautious step for tenant farmers to start business.

The majority of agricultural land remains in the possession of non-state agricultural enterprises. These entities rent land from the owners of land shares and therefore these entities possess a considerable part of the agricultural land, which accounts for several thousands hectares of agricultural land in northern regions, favourable for cereal productions. The Land Code aims to prevent such concentration of agricultural land in the hand of single owner or legal entity by establishment the maximum size of land plot in each raions. Some owners of enterprises or legal entities have land in possession in various regions. The Land Code does not regulate whether legal entities or individuals can own land in different raions. Also, the definition of “affiliated legal entities” is not introduced in the Land Code. Thus the introduced provision on maximum size of land plot does not prevent from the concentration of land areas in hand of certain businesses or individuals.

A certain concern exists around the delegation of so much power to local executive bodies, particular in the allocation of land to citizens and legal entities. In Kazakhstan, the process of state governance and local management is not transparent and as a result the local executive bodies, having powers in local management, may make a decision according to its own discretion. The Land Code gives the right to local executive body the right in land allocation and yet the legislation does not stipulate the grounds on which an application might be refused and the land legislation only requires that any refusal must be justified. The actual process of land plot allocation is important as lands in good condition and in appropriate locations are always in demand. An applicant may find that he or she is refused land tenure in the requested place due to reluctance of local executive body to allocate this land plot. Moreover, land legislation does not provide any criteria for ranking applicants and it provides that the process of land granting became non-transparent.

Another issue that was omitted in this Land Code is that the evaluation of land share is hampered by the absence of real market value of agricultural land. The recommendation of the Research Centre under Presidential Administration is based on a finding that the share of land use rights in business entities is about 20-25 percent of the statutory fund and they stated

that in the majority of cases it is between 5-10 percent. This assumption is incorrect, because required capital for establishment of a partnership or other legal entities is considerable less than cost of land use rights, established by land legislation. As an example, the Research Centre suggested that the share of land shares should be 20 percent of total statutory fund of partnership, because in these cases the owners of land share should receive dividends at one fifth the net profit of business. All these assumption do not have much economic realities, because the cost of land use rights is significant in comparison with the actual assets of farm. But at the same time, the land legislation does not determine the cost of the land shares nor describe the procedure for land share evaluation.

The majority of those, who organized farms, who made own cash contribution to business, secured financing from banks and inputs from supplier, who carried all the entrepreneurial risks associated with farming do not agree with the idea of comparing cost of land use rights to the value of the farm assets. As example, one interviewed head of farm in neighbouring raion of the same oblast told me that he removed from urban area to one village and took the land under land use rights. The residents of this village had one option to rent out their shares to single farm, which was not profitable. This entrepreneur was able to organize sustainable farm and provide the rural residents with paid in cash work. He completely disagrees that the land share will take a significant share in his business. Thus, such entrepreneurs were able to get the significant share in their business to compare with share of all other participants with their land shares. This issue of appraising the value of land share is pending with no criterion even suggested by the legislators.

It is difficult to determine the market value of land in the absence of a land market for arable land. After introducing private ownership on agricultural land no transaction occurred in the raion, where the research and the survey were conducted. It is most likely a similarly situation in other raions in the northern regions. The lack of any legally established procedure for determining market value of land and land shares allows the dominant agricultural entities to determine the value of land shares by their discretions which means at lowest cost. The value of land shares varies from 89 tenge up to 23 852 tenge and the size of land share and quality of soil are the same. It emphasize that a fair appraisal of land share is needed, because appraisal by agreement by parts is not always fair and it does not correspond to the economic costs of a land share.

## **4. Social and Economic Analysis of Rural Area.**

### **4.1. Demographic Profile of Rural Residents.**

The average size of a rural family in the country is about 4, 4 persons and approximately 48 percent of all families consist of between four and five persons (12). Small families with one or two persons, which are basically families without children and families of elderly people over 60 years of age, account for 31 percent. This is significantly higher than the number of households with three persons, which accounts for 20 percent. The families with four and five and more persons amount for 22 percent and 26 percent, respectively (2). This data shows that the demographic profile of rural areas has significant number of rural households with small number of family member, which is about 51 percent. The main reason for such a demographic structure is out migration by young people from rural area to cities and urban areas.

Most family members are adults (58,3 %) of normal working age, which is between the age of 19 and 60, youth under the age of 19 account for 31,4 percent of family members and elderly people account for 10,3 percent in the country as of 1<sup>st</sup> January 2002 . The proportion of households with one and two children accounts for 45 and 34 percent relatively while households with three and four children account for 14 and 7 percent, respectively. In other words this data shows that the majority of rural families have one or two children (2).

The number of male and female in the rural population is approximately equal - 49, 9 percent is male and rest female. The head of household is male in 61 % of cases and female in 39 % of cases. Women are reported as head of household where families are without males or males of normal working age and where other males are either minors or seniors (12).

Among adults of normal working age, a considerable number of these are employed by the local farm enterprise. The percentage of males employed is considerably higher than the percentage of females employed on the farm. The main occupations of females who work in the village are social services, teachers, medical personnel or staff of the local administration. In rare cases, agricultural farms employ the females on their ancillary production facilities. The official statistic of employment concerning agriculture looks very unrealistic, reporting that the rate of employment account for 92,6 percent in rural areas in Kazakhstan (3). A certain number of males in the rural areas are engaged in agricultural production on a permanent basis, but not all of them. And only a small number of females are involved in any employment. The high rate of employment most likely comes from the way of official reporting that considers the unemployed rural people as a category of people engaged in self-production activities. The presence of cattle or a subsidiary land plot is a crucial factor for considering them as employed workers.

### **4. 2.Comparative Analysis of Households Income.**

The size of the household budget varies according to the number of adults, but it is more affected by the status of adults. Highest earning usually are found in families where both adults have employment in state organisations whereas the lowest level of income is relevant to pensions and families, where the adults do not have permanent employment. The structure of income according to the main categories of household is presented in the following table.



Income items	Budget of local servants		Budget of pensioners		Budget of employed workers by farms		Budget of unemployed on permanent base	
Income from land plot	12 500	4,7%	6 500	3,9%	12 500	5,3%	18 500	13,3%
Livestock product	30 000	11,3%	5 000	3,0%	35 000	14,9%	75 000	53,8%
Salary	204 000	76,8%			168 000	71,6%		
Pensions			134 400	81,5%				
Income from lease of share	19 000	7,2%	19 000	11,5%	19 000	8,1%	19 000	13,6%
Other income							27 000	19,4%
<b>Total</b>	<b>265 500</b>	<b>100%</b>	<b>164 900</b>	<b>100%</b>	<b>234 500</b>	<b>100%</b>	<b>139 500</b>	<b>100%</b>

It should be noted that employment in the local state organizations provides the family with a 21 percent higher income than employment in agricultural farms and pensioners get approximately 18 percent more income compared with those rural people, who do not have permanent employment.

#### 4.3. Budget of Rural Households.

The structure of the average household budget for 2003 in Atbasar rayon, where the survey was conducted, is shown below.

##### Household annual budget for 2003

No	Items	in tenge	In USD	in percentage
	<i>Revenue</i>			
1	Income from land plot	12 500	89,3	6%
2	Income from sales of livestock products	36 250	258,9	18,0%
3	Salary from employment	93 000	664,3	46,2%
4	Pensions	33 600	240,0	16,7%
5	Rent payments	19 000	135,7	9,4%
6	other income, including temporary employment	6 750	48,2	3,4%
	<b>Total</b>	<b>201 100</b>	<b>1 436,4</b>	<b>100%</b>
	<i>Expenditures</i>			
1	Expenses for crop growing	1 200	9	0,6%
2	Expenses for cattle breeding	14 000	100	7,0%
3	Utilities	34 000	243	16,9%
4	Food	104 500	746	52,0%
5	Clothes	37 700	269	18,7%
6	Expenses on children education	2 000	14	1,0%
7	Consumer goods	2 500	18	1,2%

8	Purchase of cattle	0	0	0,0%
9	Purchase of other means of production	0	0	0,0%
10	Taxes	500	4	0,2%
11	Other expenses	900	6	0,4%
	<b>Total expenses</b>	197 300	1 409	98,1%
	<b>Deficit or surplus of budget</b>	3 800	27	

The average household income in the sample is about 1430 USD in 2003 and the family derive its income mainly from wages, their household plots and rent payments. Some households have additional income from the sales of cattle and other animals. The wage income and the sales of meat are primarily cash while the rent payments usually are paid in kind. The output from the household plot output is consumed by them as foodstuffs, because the household plot is mainly used for growing potatoes, vegetables.

The salary is considered as the main source of farms income and it accounts for nearly 46, 2 percent of their total income. The share of income from the sales of livestock products and pensions is about 18 percent and 17 percent, respectively. The income from lease payments accounts for less than 10 percent of the total household income. The main products, which received as payment in kind, are grain, animal feed, hay, flour and bread, but the rural residents prefer to get animal feed, hay and forage as payment in kind in order to feed their household cattle, sheep and other animals.

The largest items of household expenditure are the expenses for food, clothes and utilities and they account for 52 percent, 18,7 percent and 16,9 percent of total household income respectively. The food expenses comprise the cash and non-cash expenses, which is mainly livestock product and vegetables from a subsidiary land plot. The category of utility items includes the expenses for electricity and the purchase of coal, wood for heating their house during cold periods. Only employed workers and civil servants can afford to pay for the education of their children and the purchase of consumer goods and on average these amounts are small. Expenses for cattle breeding and vegetable growing are mainly non-cash expenses, which are made in kind and rarely, rural people can afford to buy seeds for vegetables to grow on their subsidiary land plot.

The average household budget shows saving to the amount of 3800 tenge (approximately 27 USD at rate of 2003 end). The level of actual spending is 98,1 percent of the total income and it emphasises that the rural residents have only small amounts of saving and they spend almost all their incomes in order to cover the basic needs for food, clothes and appropriate living conditions. The families with higher incomes can afford to make expenses for education of their children and purchase of consumer goods, but the number of such households is insignificant. In this regard rural residents have only little savings, because they need spend most of their incomes on consumption.

#### 4.4. Identified Social and Economic Problems in Rural Area.

The conducted survey in Atbasar raion of Akmola oblast, in an area of cereal production, is an attempt to assess the recent significant changes in rural life and to investigate the scale of problems faced by the rural residents in the period of political and economic changes in Kazakhstan. This survey is aimed to assess the economic and social problems in rural areas based on people's perception and expert opinions. The sociological survey of rural raions, conducted by UNDP in 2002 identified several serious issues such as environmental problems (37 % of respondents), limited prospects for youth (41 %), access to drinking water (59,2 %), the poor status of roads (70,3 %) and unemployment (83 %) (12). Except for the poor status of roads these abovementioned problems were all expressed by rural residents during this survey. The roads in this area are in a good condition compared with other rural raions of Kazakhstan and the problem with drinking water was mentioned in the survey by residents of one village in the Atbasar raion.

The methodology of the survey was based on the principle of random selection. According to this principle each tenth rural resident was interviewed by interviewers in two different counties. Rural residents of various ages, occupations and professions, responded to the questions. Some questions received very similar answers and others were answered differently by the respondents. In general, the answers of interviewed rural residents allow some conclusion to be made concerning social and economic issues in the rural areas and identifying the problems faced by rural residents during the period of transformation of rural economy from the Soviet system to the market economy.

The general profile of survey respondents is the following:

- Men make up 58 % of the survey respondents,
- 80 % of the survey respondents are of working age, while 20 % are pensioners. The working age respondents consist of workers of private farms (48 %), employee of state financed local organizations (2 %), self-employed workers (10 %) and unemployed respondent (20%).
- All respondents hold a land share certificate.

In addition, the breakdown of survey respondents by age group presented below:

Age	N =120
20-29	18 %
30-39	14 %
40-49	26 %
50-59	18 %
60-69	16 %
70 and older	8 %

The 40-49 year-old group contains the highest percentage, followed by the 20-29 and 50-59 year old age groups. Some survey respondents in the 20-29 years-old group received land share certificate as a bequest from deceased relatives. All these respondents contributed their land share into the statutory fund of partnerships.

The UNDP sociological survey of rural areas showed that the rural residents incurred to poverty. This poverty situation in rural Kazakhstan is conditioned by many factors: economic recession, decline in real wages, increased unemployment rates, deteriorating social benefits, low income and increasing inequality. According to the survey of poor households “Causes and Conditions of Poverty in Kazakhstan for 2002” conducted by the state statistical agency, the main reasons for poverty are the following: low wages (43,7% of respondents), inability to secure sustainable employment at the place of residence (17 %), no jobs at all (13%), lack of employment (7,5 %), presence of dependents (5,4 %), poor health status (4,1 %).

In the survey, conducted in Atbasar raion, the respondents reported on question concerning well being in the following ways.

**Level of rural residents well being.**

	Response of survey respondents
Low income not sufficient even for adequate nutrition	13,1%
Earned income provides for food only with other basic needs being largely unmet	14,8%
Earned income provides for adequate nutrition, purchase of necessary clothes and footwear but it is not enough to pay for services	42,6%
Needs of adequate nutrition, clothing footwear and buying services are met to a certain extent	21,3%
Earned income is enough for adequate nutrition, clothing footwear and buying services and for purchase of some consumer goods.	8,2 %
No financial problems	0

The result of the survey shows that about 15 % of rural respondents earn incomes that cover only their needs in food and are not enough to meet other needs. About 42 percent of rural respondent have incomes, which are enough for meeting needs in nutrition, clothing and footwear, but are not enough for paying for services. Only around one fifth of respondents are able to buy services to some extent and about 8 percent of respondents are able to buy some consumer goods.

Regarding the causes of poverty 74 % of respondents reported that main causes of poverty are low salaries. Other causes of poverty are the following: absence of permanent work (56 %), no jobs at all (16 %), poor health status (14%), absence of any social aids (36%), not enough educational background (8 %) and unfavourable condition of living place such as poor economy of region or environmental problems (6%). Some respondents indicated two or three causes, but on average all respondent identified, at least two reasons of poverty. Respondents of working ages below 50 years old reported that the main cause of poverty is low salaries and the absence of permanent work and in some cases absence of any jobs. For

female respondents and pensioners reported the main cause of their bad financial status is the absence of any social aids and poor health status.

Correspondingly, the main factors that would, according to respondents of working ages, improve their financial status are increased wages and permanent work (in both cases 78% of respondents). Respondents were asked to select up to three possibilities that would contribute to improving their financial status. The third option for this group varies from the necessity of securing initial capital for opening own business (22 %), improving the possibility to get credit (40%) to the importance of receiving a land plot into private ownership and land use right (10 %). The oldest respondents reported that main factors that would improve the financial status were increased pensions (24 %), improvement of medical care (32 %) and increase of social aids (20%).

Approximately half of respondents (48 %) expressed the opinion that they would not foresee any changes in their financial status and further one fifth of respondents believed that their financial status would improve only insignificantly. Only a very small group of respondents (4%) is optimistic, believing that their financial status would improve significantly. The remaining part of respondents (32 %) had difficulties in answering this question.

Regarding the expected ways of improving financial status the majority of respondents (90 % of respondents) stated that they believed in their own power, while the oldest respondents indicated applied that is improvement with the help of relatives and friends (42 % of total responses). Some of the youngest respondents believed that the deputies and heads of local executive bodies would help in improving their financial status, in both cases 6 % of responses.

The survey showed that the rural areas face serious problems and future prosperity is not visible unless the government undertakes measures to ensure the economic development of the rural areas. Regarding the future perspectives of their villages the respondents responded differently and negatives responses prevailed in their answers. Approximately, 31 percent and 40 percent of respondents reported that the number of rural residents steadily would decline and the village would not have any future perspectives respectively, while 27 percent of respondents reported that village did have the opportunity for development of agricultural production. Only 2 % of rural respondent believes that the future of their village will be good for rural residents.

The main problem for rural areas is out migration of rural residents. The main reasons for this are the absence of work opportunities in the rural areas (92 % of responses) together with the lack of money for starting their own business (64% of responses). Only a few respondents (4%) indicated that the unsatisfactory condition of school, medical establishment and poor services were the reasons for rural out migration.

Almost all residents (94 % of respondents) consider the main obstacle to the development of their villages is the absence of initial funds for further growth of agricultural production. Only a few respondents (6 %) reported that the principal obstacles are remoteness from the main automobile roads, the low fertility of land and remoteness of markets for sales of agricultural commodities.

#### **4.5. Attitude of Rural People to Private Land Ownership and Land Shares.**

The survey was intended to get some idea regarding the perception of rural residents on private ownership of agricultural land. The survey showed that rural residents accept the private ownership for agricultural land with two thirds of respondents expressing a positive attitude towards private ownership. Only 16 % of respondent responded negatively towards the introduction of private ownership, while another 18 % of respondents had difficulties in answering this question. It is necessary to note that when the respondents were asked about what type of land tenure should be used for agricultural land only 26 % of respondents stated that private land ownership with the right to sale was appropriate. More than half of respondents (58 %) stated that ownership should be in the form of lifetime inheritable land tenure. Some respondents (12 % of respondents) had the opinion that agricultural land should remain under state ownership with 4 % of respondents finding difficulties in answering this question.

Rural residents were asked by the survey about their desire to receive a land plot. Two third expressed the desire to secure land tenure for land plot. Out of these respondents only one third stated that they would prefer to get the land tenure in the form of private land ownership whereas two thirds would prefer to receive use right for the land plot. About 33 % of respondents declared that they did not want a land plot. The most frequent explanations were old age and inability to work the land. In addition, those respondents, engaged in employment with state bodies, stated they would not desire to get the land tenure.

All those respondents that were owners of a land shares were asked about the obstacles to securing land tenure for agricultural land. The respondents were allowed to indicate more than one reason. The vast majority (90 % of respondents) stated that the absence of money is the main obstacle to getting a land use right or purchasing land plot into private ownership. The other answers were following: lack of time and money for travel to raion and oblast centre for getting a title for land (2 % of responses); complicated procedure for getting land tenure (10% of responses); unaware of procedure for getting land tenure (12%).

Only 42 % of respondents believe that the process of providing new titles for land will contribute

to the growth of family welfare. Correspondingly, 4 % and 14 % of respondents answered significantly and insignificantly improvement. Only 2% of respondents answered negatively concerning possible improvements in their family financial status while 36 % of respondents had difficulties in answering the question. From this data it might be concluded that rural residents do consider land ownership as a means improving their financial status although the actual receipt of land for either private ownership or under use right will not provide substantial benefits.

The land share owners are rural residents of various ages, social statuses and professions, who are unable to enter independent farming and so who look to rent out their land shares to agricultural enterprises. The current legislation allows to owners of land shares to do this. The respondents were asked their opinion concerning the importance of lease contract for family income. The survey showed that many rural respondents (56 %) expressed their dissatisfaction with the term and conditions of their lease contract for land shares. Less than half of respondents (40 %) stated that they consider the lease payment as important source of family income and while 4 percent of respondent had difficulties in answering.

The survey asked the respondents about the importance of lease payments compared with total incomes. The result was that (56%) stated that income from the land share lease is less than 10 percent of the total family income. For another group of respondent (34 %) income from land share lease account for 10 percent of total income whilst 10 percent stated that lease payments are equal to 15 percent of the total family income.

Another way to assess the income from leases is to ask whether lessees are fulfilling their obligations to pay for lease in the amounts agreed and to pay on time. The majority of respondents (92 %) stated that lessees did fulfil their obligation on the contract in front of them while 8 % of respondents responded that lessees fulfilled their obligation on the lease of land shares.

A significant number of respondents (44 %) reported that they were not satisfied with the lease terms and another half of respondents stated that they were only partly satisfied with the lease term. Only 4 % of respondents expressed satisfaction with the lease terms. Mainly, it was the pensioners and elder respondents who expressed part satisfaction with the lease terms.

Respondents were asked about their reasons for concluding lease contract with agricultural entities. The following responses were obtained: no alternative options for renting out the land shares (38 %), it was the sole beneficial proposal for the lease of the land shares (8%) and it was possibility to get benefits from the lease of the land shares (46 %). On the basis of this result it is evident that not so many farming entities work in the rural area and that the market for leasing land shares is not competitive. A few farms are interested in renting land shares and they offer similar terms of land share lease in their proposal. It is proved by prevailing responses on absence of alternative options.

As one positive sign for agriculture could be the considerable number of operating peasant farms and therefore the respondents were asked whether they would establish a peasant farm. This question is very important, because this would give some ideas about the future situation in the agricultural sector in Kazakhstan.

First of all, land share owners were asked about their future use of land if they would receive land tenure into private ownership or by use right. The majority of land share owners (74 %) intended to rent out their land plot and out of this group a considerable part (58 %) intended to rent out to those who would pay more. Thus the owners of land shares prefer to get lease payments rather than be involved in farming. It is explicable by the fact that many respondents are elderly or pensioners and they are not able to conduct private farming. Only a small numbers of respondents (22 %) expressed the desire to be engaged in crop growing and only 4 % of respondents intended to use the land plot for cattle breeding. Thus, it is not surprising to get such a result on the desire of land share owners to establish peasant farm. The majority of land share owners (67 %) responded negatively concerning the establishment of a peasant farm and the remaining respondents answered that they did not know whether they would establish peasant farm.

The responses of land share owners showed that the main obstacle to establishing peasant farms is the financially burdened procedure (72 % of respondents) and the other main obstacle is the bureaucracy of local state bodies concerning the registration of peasant farm (10 %). A small group (10 %) had difficulties in answering while the remaining respondents gave other reasons, such as lack of interest, inability to work with land and elder age.

The owners of land share owners were asked to indicate the obstacles in the operation of peasant farm. Respondent could indicate more than one condition and the responses were:

- absence of financing from banks and financial establishments (28 %);
- absence of agricultural machinery and rent of machinery (46%);
- high prices for services for grain storage and cleaning (30%);
- absence of possibility to sell the grain without intermediaries on appropriate price (44 %); and
- ignorance of modern technologies on cultivation of crop production.

Finally, the owner of land share were asked about whether the peasant farm might unite to form cooperatives and unions for joint activity in the purchase of agricultural inputs such as seed, fuel, fertilizes, rent of agricultural machinery and sales of agricultural commodities. A majority (78 %) answered positively while only 2 % of respondents answered negatively. But 16 % of respondents stated that they did not know about the possibility of uniting peasant farms into cooperatives and union and 4 % of respondents had difficulties in answering.

Those who responded positively were asked to indicate the number of persons they would unit with for joint work. Among these respondents approximately 51% respondents stated that they would unit with, at least with five farmers, 23 % and 18 % of respondents said three persons and ten persons, respectively. The remaining respondents had difficulties in determining the number of participants. Thus, the land share owners expressed that they would be able to cooperate with other farmers and the most frequently mentioned ideal number of participants was five.

#### **4.6. Conclusion on conducted survey.**

The survey showed that the distribution of land shares to rural residents did provide them with a meaningful benefit. Despite land share owners reporting that they receive an insignificant benefit from rental payment compared with total family income these rental payments did provide rural residents with feed and forage for their household's cattle and animals. In case of the termination of these rental payments the rural family members, who already have low cash incomes, would have to buy winter feed and forage for cattle at market price or to hire some machinery for cutting grass and preparation of forage. These are considerably higher compared with lessee prices. Thus the rental payment is crucial for rural residents.



The majority of land lessees are large private enterprises and they have more possibility to provide the owners of land share with forage and other agricultural commodities. In this sense they can afford to sell the forage and hay at prices, which are considerably lower compared with market prices.

Due to fact that a substantial number of survey respondents (42%) are rural resident of eldest ages (50 years and more) it is understandable why there were not so many positive responses to the questions concerning the establishment of peasant farms. All those people are unable to farm for various reasons such as age, lack of relevant knowledge and experience, absence of financial resources and others. But the main problem is the inability for proper work in farming, because many respondents worked as an ordinary worker, mainly in cattle breeding. Thus the lease of their land shares has been an important source of income for a considerable number of rural residents. The payments in kind provide them with a meaningful benefit that helps maintain raising livestock for own consumption and sales as well.

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