

***Political, Social, and Economic Implications in a Russian Border  
Region:***

***The Case of Gdov***

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## ***Introduction:***

With more than a decade having passed since the dissolution of the Soviet Union, Russia continues to struggle to achieve the overarching goals of reform: to produce a free market economy in which the three factors of production, land, labor and capital, will generate income for the producers of good and services (Limonov, Oding & Vlasova, 2000). During this time of transition, sharp disparities in the economic, political, and social transformation of Russia's regions have emerged, with some faring better than others (Makhotaeva and Nikolev, 2000). Nor are market reforms in Russia are not being conducted in a uniform manner or with steady momentum. On the whole, they are being most actively pursued in the areas of private business, housing and finance, and in the development of markets in building premises (Valetta and Vysokovski, 1999 ). In other areas, reforms are progressing more slowly. One of the most persistent difficulties remains in the area of land reform, that is the privatization, regulation and management of land, which is progressing slowly, unsystematically and with procedural inconsistencies (Wegren and Belen'kiy, 1998). This critical though under-analyzed aspect of Russia's transition is important, both for its potential benefits to its regions and municipalities, as well the certain negative outcomes which will result from incomplete land reform. The positive implications of land reform are significant. On a practical level privatization of land can contribute to tax coffers, leading to the ability to engage in more directed regional and local economic development and encourage investment. As the ability of local and regional governments to gather income for their budgets through taxes and fees on land and land uses increases, the dependence on payments from the central government (and the influence that it can wield) may decrease. At the same time development of a well functioning, transparent land market has important social and political implications in transitional countries such as Russia. As more citizens participate in the land market, individuals and groups will eventually mobilize to influence the political process and the development of policy, thereby deepening and broadening the process of democratization (Wegren, 1997).

The negative consequences of unregulated land use and land market development is already manifest in incompatible land uses, uncontrolled development at the periphery, lack of certainty and security for investors and the "shadow" trade of land, and unsustainable natural resource management.

With so much to gain (or lose) from developing a well functioning land market and land planning system, the centrality of land reform is obvious. There is a wealth of research and information regarding the optimal conditions for land market development in transition economies, the legal and institutional mechanisms needed to support land reform and land use principles to guide future development (Salazar, Brandao & Feder, 1995; Frischtak, 1995; Prosterman, Rolfes & Duncan, 1999). For Russia and its regions and districts such as Gdov, the challenges associated with land reform are complicated by a variety of factors from the international to local levels. At the international level, the dissolution of the Soviet Union created political antagonisms between countries previously linked by strong economic and cultural ties. At the national level, of inter-governmental relations between the center and its 89 regions was and remains a paradox. (Slider, 1999; Kirkow, 1998; Stavrakis, DeBardelben & Black, 1997; Stoner-Weiss, 1997; Alexseev & Vaguine, 1998). The initial political and economic autonomy that devolved to Russia's regions in the early 1990's left them with unprecedented autonomy, but with little guidance defining relationships *across* levels of government. As a result, formal and informal "rules" in the reform process, including land reform, are as diverse as the regions themselves (Willerton, 1999). At the same time, a more recent trend toward politically reigning in regional autonomy has been accompanied by an absence of fiscal support from Moscow, leaving regions to seek out their own ways of bolstering regional budgets. But apart from these more practical matters, there is also a definitive link in the Russian mind between land and identity. This research, for example, will underscore how the case study's centuries-long history as both a military fortress against international encroachment and agricultural heartland has impinged upon the current process of land reform and transition.

In the effort to undertake land reform in the context of shifting and evolving international political and economic allegiances, political power struggles between the center and regions, and the centrality of land in Russia's history it is Russia's sub-regions i.e. districts, cities and villages that must also cope with the confluence of these issues. The Gdov District (raion), located in north-west Russia and bordering Estonia, is an illustrative case study of how an economically disadvantaged district is contemplating land reform in such an environment.

Despite the key role of land reform in Russia's economic, political and social development, research of regional land markets and planning systems remains relatively sparse. Nedovic-Budic, Zorica (2001) has documented the changes in planning practice at the national level in several eastern European countries, while Shove and Anderson (1997) have documented planning trends in Russia. Regional case studies of land market development and planning issues have been undertaken by Wegren (check years), Gross (2000). Studies at the sub-regional level are mainly limited to major cities such as St. Petersburg (Limonov, Oding and Vlasova 2000). For political and economic reasons, however, cities, villages and districts are, by necessity, having to take responsibility for their own development, with land as a central component of these responsibilities. Despite this fact, however, there is almost no research that has been undertaken at this level. Moreover, this case study of Gdov will also reveal how land issues are having geopolitical implications at the national and international levels. In terms of connections between land reform and identity there is even less written.

The information obtained in this study is the result of field visits to the Pskov region, where Gdov is located over a period of one year. Research methods include analysis of current theoretical and practical approaches to land market reform and planning in transitional economies prior to study visits. Primary data on land market conditions and land uses were obtained and analyzed. Interviews were conducted with academics, regional officials, civil servants and land committee members to discuss obstacles and opportunities related to land reform and economic development in Gdov.

### ***Planning and Property in the Russian Context***

Any discussion of the current dynamics of land and property reform must consider its place in Russian history. By comparison with other countries, Russia has never developed a system of private ownership for any length of time. Throughout the centuries feudal conquerors seized lands and enslaved peasant populations. By the middle of the nineteenth century there were various forms of private land ownership by lands owned by the imperial family, by the reigning tsar, or by *pomeschiki* (landowners or nobleman), or the Russian Orthodox Church. State property was the predominant form of property until the beginning of the twentieth century. Almost 20% of these lands were used for agricultural purposes, which in turn were leased by peasants under terms of a "quit rent."<sup>1</sup> Interestingly, a large percentage of state properties were unregistered and unsurveyed. The result of this practice was a land registry that both contained descriptions of non-existent lands, or articulated conflicting information and about land owners and property dimensions, resulting in numerous land disputes. (More needed here)

Despite its divergence from typical property systems at that time, land development patterns were very similar to Europe, particularly in the western half of the country. But the dominance of the central government in Russia's history is no more in evidence than in matters relating to land ownership, use and management. One of the most important pieces of legislation, however, occurred in 1922 through the Russian land code, which nationalized land and abolished all private ownership of land, including water, forests, soil and minerals under it, "forever."<sup>2</sup> It also forbid the purchase, sale, mortgaging and bequeathing of land. The 1922 land code remained in force until the late 1980's, at the onset the dissolution of the Soviet Union. During this same approximate time period all planning and land use matters were managed under a system of centralized planning and the development of new towns. These new towns and cities were built to provide a labor pool to use natural resources i.e. agriculture, forestry, mining, etc or produce manufactured goods (Shove and Anderson, 1997). Housing in the form of high rise buildings were constructed within proximity of work facilities and the ability of citizens to relocate to other work areas was forbidden. Moreover, all matters related to economic development, planning, and finance and construction were handled by the state. Under the Soviet system, the central government communicated its goals related to land use, construction, design, transportation, location of municipal services and facilities to the state planning agency, which then issued specific objectives that government ministries were mandated to follow. At the city level, the Chief Architect, an appointed official, was charged with implementing the general city plan. The Chief Architect worked in cooperation with local officials to make sure that the objectives of the plan were met. These were not broad guidelines, but rather strict administrative acts designed to meet the goals dictated by the center. Implementation of plans was monitored by the central government and failure to achieve these goals was not trivial. Any official who did not comply was faced with loss of employment or expulsion from the Communist Party. Plans were updated every five years by the Chief Architect and submitted to the state Chief Architect, who approved them to make sure it remained in compliance with Soviet Union mandates. The state would then submit the plan to the central government and the process began all over again. It is important to note that at this time these plans were also secret

documents (Butler and O'Leary, 1995). However during the later Soviet decades, urban development activity was not regulated by a legal framework, but by administrative acts and administrative power. The resulting development of large scale block apartments, built in a short time with mediocre building materials and design, absence of tools for rehabilitation of housing, commercial and historical properties produced a built environment without precedent. (Vision 2010)

Certain themes in Russia's history are worth noting in that they have had important implications that may account for some of the difficulties associated with land reform at the present time. First, both in the inability for citizens to own land, as well as their irrelevance in the planning and development process, one of the most striking themes of Soviet-era was a total absence of public participation and inclusion. A second theme, rooted in the secrecy surrounding the development and implementation of central and local plans, is a lack of transparency surrounding land relations in general. A third theme, as evidenced in development of cities as production centers to achieve national objectives, is that industrial and economic policy was generated completely from "above," nullifying the need for regions and municipalities to pursue their own economic development agendas. Thus, regional and local governments have a long history of "top-down" planning and governance and little experience with "bottom-up" planning and governance. The legacy of this history is a lack of transparency in land relations and a culture of non participation for individuals and groups in land ownership or the development process.

### ***Russia at the Transition***

The causes and conditions precluding the dissolution of the Soviet Union are complex and fall outside of the scope of this paper. However, the profound influence of the December 12, 1993 Russian Constitution, setting out the blueprint of principles of the Russian Federation on land ownership and use cannot be over-emphasized. The 89 administrative units or regions, having equal constitutional rights, are comprised of republics, territories, autonomous regions, autonomous areas, cities of federal importance (St. Petersburg and Moscow). Regions were left with unprecedented autonomy, but with little guidance defining relationships *across* levels of government. As a result, formal and informal "rules" in the reform process, including land reform, are as diverse as the regions themselves (Willerton, 1999). Article 72 of the Constitution of the Russian Federation created the federal framework relating to the use, possession and order of land and other natural resources, as well as stating this framework should be implemented jointly by the federal government and its "subjects." The Land Code states the general goals of development, describes public rights, defines the essential actors in the development process, their rights and obligations, lists essential planning and development documents, their content and acceptance procedure.

Apart from the Land Code, other federal laws,<sup>3</sup> laws of the subjects of the Russian Federation may legislate land relations, but these must conform to the laws set forth under the Land Code. Land planning and other matters relating to land may also be adjusted or amended by way of decrees by the president of the Russian Federation. However, again, even these presidential decrees cannot be in contradiction with the Land Code. There are ministries and departments which have not been vested under the Russian Constitution have separate regulatory functions as they relate to land and planning activities. One of the most important aspects of the new land legislation was in the treatment of property and property rights:

- Foreign ownership of land forbidden
- Agricultural land not for sale

The notion that Russia is a full-fledged federal system, with a national, state and local levels, is not correct. Article 12 of the Constitution of the Russian Federation does not include the local government into the system of public authorities. Rather, they are self governed and to that end can make independent decisions on questions of local significance including the use, possession and arrangement of municipal properties. Market reforms were being implemented and as stated in the introduction were most actively pursued in the areas of private business, housing and finance, and in the development of markets in building premises.

With the collapse of the Soviet Union, the inefficiency and obsolescence of manufacturing industries in many of Russia's regions rendered them non-competitive in international markets. Many large and medium-sized factories were bankrupt. Locally made goods rapidly lost market share in their respective regions, in Russia, and in other former Soviet states. In particular, the agricultural sector was suffering. Despite, the enormous state subsidies that

had been used for large capital investments such as irrigation and drainage systems and machinery beginning in the 1960's, these systems were of poor quality relative to Western agricultural producers. State planned and controlled fixed linkages such as agricultural processing, services, inputs and marketing enterprises meant that inadequate attention was paid to creating a diverse rural economy.<sup>4</sup> In the wake of low efficiency of labor, low incomes in rural communities, migration moved toward cities, and out of Russia.

The task facing Russia's regions and sub-regions, then, was and remains enormous: to revive an ailing economic base and implement market reforms but had to do so in a climate of enormous political change during the formation of a new system.<sup>5</sup> The research area, Gdov, located in the Pskov region clearly illustrates the complexity of this process. It is a district in a state of economic crisis, dependent upon land and natural resources for subsistence and trade, while also a key geopolitical player in Russia relations with the West.

### ***The Gdov District***

The Pskov region, located in north west Russia, is comprised of 24 districts and has a population of approximately 800,000. The region borders Estonia, Latvia and Belarus. Its capital, the city of Pskov, in which more than one quarter of the population lives, is equidistant from Riga, Latvia, Tallin, Estonia and St. Petersburg. In terms of population, Gdov is the third largest district, with 18,500 residents, one third of whom reside in land classified as urban (Table 1). However, in terms of land area however, it is the second largest, but accounts for only 6.2% of the regional total.<sup>6</sup>

**Table 1**  
Area, population and percentage of urban vs. rural residents Pskov regions 3 largest districts

<i>Administrative Unit</i>	<i>Area square kilometers</i>	<i>Population 1996</i>	<i>Population 2000</i>	<i>Percentage living in urban area</i>	<i>Percentage living in rural area</i>
City of Pskov		207,100	201,400	100	0
Gdov District	3,400	19,300	18,500	31	69
Pechory	1,200	27,800	26,900	51	49
Pskov District	3,600	37,500	37,000	0	100

Source: Russian Regional Statistical Offices, 2000

Gdov's main feature, however, can be found in its geopolitical significance in the past as well as present: it is both an internal and international border. Internally, it borders the Leningrad region to the north. Since 1992, the Gdov District has had border status between Russia and Estonia. Prior to this point Gdov and the Pskov region as a whole have served as a military outpost protecting Russia from Germanic, Swedish and other invasions, has made Pskov as "the uncompromising symbol of resistance to westward expansion."<sup>7</sup> In addition long standing land claims from both Estonia and Russia at the border has contributed to Gdov's history as a military outpost. Gdov also has a 110 km border with Lake Peipsi, the fourth largest lake in Europe.<sup>8</sup> The area of the Lake is 3,550 km squared 44% belongs to the Republic of Estonia and 56% to the Russian Federation. On the Estonian side four counties, Ida Virunna, Jogeamma, Tartunna and Polvamma border the lake. On the Russian side the Leningrad and Pskov regions border the lake by way of the Gdov, Pechory, and Pskov districts. As part of the Baltic Sea Water Basin., Lake Peipsi (also called Chudskoye) is connected with the Gulf of Finland and the Baltic Sea through the Narva River. (More on social, economic ties with Baltics in Soviet era)<sup>9</sup>

**Map 1**  
*Locus Map of Pskov and Gdov*

**Map 2**  
*Map of Lake Peipsi region (The Estonian Russian Joint Commission on Transboundary Waters)*

Lake Peipsi is not only important geopolitically, but economically. The local economies of all Lake Peipsi communities are dependent upon fishing, relying on subsistence fishing with some commercial fishing of smelt, perch, roach, bream and pikeperch. The lake is also a source of recreation, attracting visitors from the Baltics with an increasing number wealthier residents from St. Petersburg, building second homes (Polukoshka, 2002). Gdov also has some low melting clay, building sand and peat deposits, but it is its abundance of agricultural and forestlands that have formed the foundation of the local economy. Prior to the 1980's Pskov region accounted for almost one quarter of all agricultural production in the North West of Russia. . The main economic difficulties faced by both the timber and woodworking industries are due to an inconsistent customer base, collapse of old economic links under centralized planning, leaving both Gdov, and the region as a whole, in an economic crisis. By 1999 a study undertaken by Makhotaeva and Nikolaev ranking investment potential ratings among put Pskov 67<sup>th</sup> out of 89 (Makohtaeva and Nikolaev, 1999). With an average monthly income of less than 600 rubles per person, it fell far below the average of more than 900 rubles per person in both St. Petersburg and Moscow. The economy in the largest districts in Pskov seem to have bottomed out by the mid 1990's. As shown in Table 2, unemployment rates in Gdov, Pechory and Pskov Districts fell by slightly under 50%.

**Table 2**  
*Unemployment figures in the three largest districts in Pskov Region 1996 and 1999*

Administrative Unit	Unemployment 1996	Unemployment 1999
Gdov District	6.29	3.30
Pechory District	7.23	3.05
Pskov District	4.28	2.82
City of Pskov	4.48	1.88
Pskov Regional Average	6.51	2.65

Transition here... tie in all points so far.

## ***The Political Context of Land Reform***

### **National/ International Level**

Geopolitical implications of the dissolution of the Soviet Union between Russia and Estonia with special reference to matters pertaining to trade, land claims between the two countries, Lake Peipsi and the establishment of the border:

Estonia:

- Hostile relations with the Baltics at the national level. Moscow wants to promote economic links with Belarus rather than the Baltics, though it is a less promising prospect economically for the region. The challenge in the new border region is complicated by both geopolitical insecurity on the part of Russia (Moscow) in contrast to the powerful incentives for trade and economic cooperation between Pskov and the Baltic States.<sup>10</sup>
- At the collapse of the FSU Gdov and Estonian communities enjoyed close economic and social ties. However the development of the visa regime as well as high taxes for goods exported from Estonia in to Russia has stopped this close cooperation.
- The Estonian –Russian Joint Commission was established in 1997 after signing an intergovernmental agreement on the protection and sustainable use of transboundary water bodies. The Commission's main task is to coordinate activities concerning implementation of the agreement. These include exchange of monitoring data in accordance with the agreed monitoring program. Defines the priority directions and programs of scientific studies on the protection and sustainable use of transboundary waters. Agrees on common indicators of quality and methods of testing, facilitates cooperation between agencies of executive power, local governments and public interest organizations, ensures publicity of discussions of questions related to the use and protection of transboundary waters (Estonian-Russ Joint Commission, 1999)
- The Center for Transboundary Cooperation was created representatives from Estonian, Russian and Danish

- Communities Neither the Estonian or Russian Governments have the financial resources to support this border region nor the lack of cooperation between local community leaders has increased social and economic stability in the region. The goals of the projects are to strengthen the network of Estonian and Russian local governments and to involve them in joint projects, expand skills of project development and management on cross border issues, encouraging a process in which sustainable development and environmental considerations are included in this cooperation model (CTC 1999 newsletter, 1).<sup>11</sup>
- Gdov was given border status in 1992 and in this context land cannot be purchased by foreigners, though a rise in requests for joint ventures, which is legal, was common.
  - Continued dispute over land claims by Estonia at the border vis a vis Tartu Treaty

### **National Level**

- Communist party and agrarian interests aggressively fighting against land reform. Protest the sale and purchase of land by any, even Russians.

### **Regional level**

At the onset of Russia's transition, the Pskov region embraced its newly established autonomy, as well as the implications of land reform for regional development. Pskov's first Governor, Vladislav Tumanov, a Yeltsin appointee, was among the first in Russia to adopt a law on local self management, which allowed for elections of local representative bodies and enabled local governments to retain monies received from value-added and excise taxes. In terms of land reform, Tumanov opened up dialogue with the University of Massachusetts to encourage exchanges of information in land planning and management techniques, a Center for Regional Planning was established and a new academic department in Pskov Polytechnic Institute was developed to provide planning and land management curricula in free market conditions.

Despite some successes and concerted efforts by Pskov's governor for regional development, Pskov continued to struggle economically during the 1990's. Industrial production as a whole declined by approximately 70% (Makhotaeva and Nikolaev, 2000). Agricultural employment also decreased from 43,000 to 39,000 between 1996 and 1999.<sup>12</sup> Though the blame fell squarely on Tumanov, in reality he had few financial resources to develop policies or institutions needed to implement reforms. The region was plagued by budgetary shortfalls under the new system and Moscow was not forthcoming with their regional budget payments.<sup>13</sup> Out of the issue of non-payment by Moscow a candidate emerged advocating stronger regional government and cross border trade with the Baltics as tangible alternatives to dwindling financial support. Yevgeny Mikhailov from the nationalist Liberal Democratic Party (LDPR) won the 1996 regional elections on a platform of regionally sustainable economic development.<sup>14</sup> Mikhailov, in contrast to Tumanov, expanded the role of the regional government and sought to establish greater leverage over local policy, particularly economic policy. He established protectionist barriers to goods imported to region and to restrict the flow of goods, particularly natural resources include peat fish and timber, out of the region (Slider 1999). These materials could only be exported in processed form. But it was the pursuit of trade with the Baltics, that helped and continues to help Pskov from a regional development perspective. The construction of a European standard check point and modernization of the major road between Pskov and the Baltics generated approximately 5,000,000 USD equivalent for Pskov coffers. But some observers speculate that his pursuit of trade with the Baltics only alienated the region from Moscow, which is politically anti-Baltic and favors trade expansion through Belarus. The region paid a political price that is directly relevant to Pskov in terms of the exploitation of the regions rich land-land based natural resources: the Kremlin charges all goods coming from or through Estonia into Pskov twice the normal import duty.

### **Local Level**

No foreigners can buy land at the border. They can pursue joint ventures as long as more than 50% of profits do not go to the foreign company. Also the land upon which the enterprises s constructed can only be leased. In many ways the obstacle to foreign ownership remains psychological. Gdov Administration has been approached by many EU countries to cooperate in joint ventures or initiatives. However, there is a great deal of reticence to realize these projects on the part of Gdov officials because of both their experience and perception of money being drained out of the District and mistrust of foreigners in general (Vladimirovna,2002)

#### Summary:

The dissolution of the Soviet Union had important geopolitical implications for Gdov that were affected by international, national, regional and local political dynamics

- The establishment of a new international border stirred up old land grievances between Russia and Estonia
- The political transition brought about an ambivalent relationship between the region and its Estonian neighbor: Political leaders in Pskov wanted to pursue trade with Baltics, while Moscow wanted to strengthen relations with Belarus.
- Lake Peipsi now became a key transboundary resource that had to be managed by a coalition of interests, bringing Pskov and Gdov into European partnerships.
- Moscow, with its own budget issues, was not forthcoming in payments to peripheral regions such as Pskov
- Land reforms needed to transition to a free market economy were hampered by agrarian movements inside of Russia
- The region had to pursue trade with Estonia to bring desperately needed money and development to the area.
- Mikhailov made some effort to promote processing of natural resources inside of the region as ancillary industries.
- Many foreign companies approached Gdov to participate in joint ventures, but locals were reluctant to do so.

### ***The Status of Land Reform in the Gdov District***

#### *The Land Market*

Clearly, the transition to market reforms in Gdov has been fraught with larger political events at the international, national, regional levels. Issues pertaining to land and natural resources have been at the center of these events. For a district whose economy was and will remain reliant upon agriculture, forestry, fishing and tourism, the importance and potential of the land market to establish a structure of economic incentives for investment in land-based activities, as well as a means to supply regional and municipal tax coffers with money needed to fund infrastructure and other government sponsored initiatives cannot be overstated. As with many of Russia's regions and districts, land market development in Gdov has been hindered by legal, procedural and administrative constraints. These will be described below.

**Table 3**  
*Structure of Gdov Lands*

<i>Structure of Gdov Lands</i>		
Category of Land	Area in Thousand of Hectares	Area Percentage
Agriculture	1537	31.0
City and Village	287	5.0
Industrial and Transport	110	3.0
Forest	2192	44.0
Surface waters	861	17.0
	4988	100.0

Source: Russian State Committee of Statistics, 2002

In the case of Gdov, it is also exacerbated by a relative lack of land that is actually eligible for "participation" in its fledgling land market. As shown in Table 3, almost 85% of the region is either forest or agricultural land and surface water. Under the current Land Code, agricultural, forest and surface waters cannot be sold or purchased, leaving only industrial, city and village lands, about 390,000 hectares or 7%, available for transactions. This percentage is further reduced by two factors. . Of all land in Gdov, -----blank percentage of land is either owned by the State or

District government (calculate) Though local governments can decide on which lands can be sold and for what price, this process has not been proceeding with much rapidity. While there is a reluctance to release government-owned lands because of the long history of both owning and controlling land uses, Gdov officials cite very legitimate concerns in regard to this process. These include the fear of foreign domination of land markets. Because of its vast natural lands and resources, many foreign interests have sought to establish joint ventures with Gdov businesses to take advantage of these opportunities since land transactions were only open to Russian citizens (Pindik, 2001). The latest version of the Land Code, however, has opened up the land market to those previously excluded and the ramifications of this yet to be seen. Unrestrained activity by future landowners and excessive short-term speculation of land that runs counter to regional and local concerns are possible (Zandontsev, 2001). Reluctance to make government-owned lands available for sale is also linked to preventing consolidation of land holdings by a select few individuals or groups. Finally, one of the most culturally and politically sensitive issues relates to concerns about the wholesale and uncontrolled loss of agricultural land. For the time being, at least in terms of its ability to be bought and sold, the Land Code allows for uses in these lands to remain in agricultural use (Sobolev, 2001)

The second factor, limiting the development of the land market in Pskov is linked to institutional and procedural difficulties in conducting and tracking land transactions. The land cadastre is the cornerstone of this process. Currently the cadastre for registered lands is incomplete. On the one hand because land can be taxed no one is particularly eager to register his or her land. On the other, those who are even inclined to participate in the process describe it as cumbersome and time consuming. Currently, the owner of a privatized building of any kind must register their premises and the land under it in two separate places (Polukoshko 2001). They also acknowledge that under the current system the state provides no guarantees of their property rights, even if their land is registered (Sobolev 2001). Moreover, the system is already overwhelmed and understaffed, leaving owners unwilling to follow proper channels (Vladimirovna 2001). This situation is further exacerbated by the fact that private notaries, who oversee all land and building transaction, frequently under-report these transactions to the land cadastre. The result of all of these factors is the so-called “shadow” trade of and includes the leasing or trading of land on the black market. In 2002 there were 5,000 total land transactions. 2000 were inheritance related and another 3000 were gifts of lands or land sales. Regional officials however estimate that there were as many as two-times more transactions done on the black market.

**Table 4**  
*Total Number of Land Shares for which certificates of Land Rights were not Obtained*

The negative implications for the continued uneven development on the land market is considerable for both governments and investors—and mutually reinforcing. Since only those lands that are registered in the state land cadastre are eligible for sale and purchase, land market development will remain stagnant. In addition the revenues needed for tax coffers for planning and development of infrastructures needed to attract investment will be limited. For investors, poor infrastructure combined with a lack of transparency in the land market will deter business and economic development. In terms of the ramifications for more proactive planning, the lack of participation in the land market and registration process means that zoning measures to guide land uses cannot be implemented since there is not a complete picture of available parcels of land for development (Rokhchin, 2002)

#### *Legal and Institutional Considerations*

In Gdov, the main problems with regard to land reform arise, in large part, from the failure of Russian law to develop clear provisions regarding private ownership of land resulting in a lack of guidance and guarantees about the rights of existing and potential landowners. On the whole these laws have established the right to private ownership of land, but have progressed in such a piecemeal and contradictory manner as to produce a general lack of clarity and confusion about landowner's rights.<sup>15</sup> Urban development plans do not have direct legal implications for actors such as real estate property owners or developers. Although on the one hand there is compensation for damage caused by planning restrictions, this compensation, required to be issued within 1 year before expropriation,

is only when disbursed when the action results in “significant deterioration of living conditions.” Not surprisingly, the interpretation for this criteria tends to favor government as opposed to the landowner (Pindik,2002). In addition, the Urban Development Code does not provide time limits of any kind for either preparing or approving plans, nor does it mention the rights of the RF subjects to require acceptance of any document within certain time limits.

A comprehensive discussion of the origins and implications of Russian land law is outside of the scope of this paper. However, the following legal issues continue to impact land reform in the Gdov district including:

1. Lack of unified and coherent land laws
2. The existing Land Code remains unstable due to opposition from Communist and Agrarian political parties
3. Because current federal land laws focus on agricultural land, the legal status of land used by the military, industry, transport and communications is under-regulated.
4. Real estate continues to be broken up legally into building premises and plots of land
5. There is a lack of legal clarification over which sectors of state agencies; such as conservation, urban development, infrastructure etc have priority over the others.
6. Some laws are not in compliance with the Russian Constitution because these laws are unclear and in need of clarification ( Sobolev, 2001; Limonov et.al., 2000; Zadonsev, 2001)
7. At the present time, there are no regulatory measures to guide development. In the process of planning, they still use the old master plans. These are similar to our master plans in that they take considered the complexity of the development process i.e. there were sections for transportation, architecture, infrastructure, etc. It was one picture of how a place should “look.” And as that place should look, so it was for master plans were essentially the law for development. In this period of transition, it is only now a “map” (Rokhchin,2002).

In the northwest of Russia the current wave of activity has been in relation to the legislative and institutional basis for cooperation between Pskov Oblast and its districts and raions

The contradictory and uncertain nature of land law impacts prospects for regional development. Because potential investors in the land market perceive the process of development to be arbitrary and subject to directives by regional and local officials, the incentive to invest is diminished. By the same token, these same officials must somehow regulate development that now includes new “players”, without the benefit of comprehensive legislation to guide their decisions. Thus, decision-making can and does become arbitrary and this low level transparency further reinforces investor insecurity.

Another important outcome emanating from current land law is that land use and development are handled as purely technical and administrative matters, without the guidance of legal mechanisms to regulate, plan and manage *future* development. As will be highlighted below, this has had important implications for Gdov in regard to land planning and management (Land Officials Roundtable, 2001)

### *Land Planning and Management*

Efforts to navigate the transition process and transform land relations have been hindered by incomplete land market development, the absence of a stable system of rules and legislative guidance, and insufficient administrative and institutional support. The status of land reform is also visible in the system of land use in Gdov. The most pressing issues are outlined in Table 5 and will be elaborated upon below.

**Table 5**  
*Current Land Use Issues in Gdov District*

<i>Land Use Concerns for Gdov</i>
No comprehensive planning
Low density development at the peri -urban level
Underutilized agricultural land
Inattention to natural resource planning
Underutilized and inefficient industrial land
Continued provision of training for land use and management
Lack of regional and local policies to guide land uses
Lack of citizen participation in planning and land use issues

### **No Comprehensive Planning**

The main document guiding all local governments are the strategic plans or Concepts of Development. They do not however have any regulatory function. In Gdov Concepts of Development, there is no mention of development of the either the land market, or land use planning.

The land development process in Gdov

There are 4 parties responsible for the development of land in Gdov district:

The Local Land Committee

The Land Cadastre (register of lands)

Bureau of Technical Inventory (Register of real estate buildings)

Notary Public

At the current time decisions for development are made on an ad hoc basis without the benefit of a comprehensive plan.

### **Low density development at the peri -urban level**

Under the Soviet system most Russian citizens were given half -acre garden plots or *dachas*, usually located at the edges of cities or villages. Families constructed temporary summer homes and cultivated crops for subsistence farming. Since 1992, national land policy has allowed for privatization of *dachas*. In Gdov, some of these summer homes and gardens are being replaced by permanent single- family homes. In addition, some residents are simply foregoing the complicated permitting system and building without permission. According to Shove and Anderson, the implications of this trend are significant. First, the unregulated development of new housing pose a host of problems (health, budgetary and land use) for local officials who are mandated to provide public services for permanent homes (Shove and Anderson, 1997). Second, expenditures on transport structures, utility networks and other public systems to service these housing developments will put yet more stress on the Pskov regional and local governments whose budgets are already severely stressed.

### **Underutilized agricultural land**

During the collapse of the Soviet Union, communal farms were among the first lands to be privatized, though not subdivided during this process. As a consequence it is not unusual for 50-200 individuals to communally own a single large plot of land. Not only is it next to impossible for such a large number to come to consensus about to do with the land, but they are uncertain about what ownership entails. (Polukoshko, 2001). Many of these landowners are pensioners who will not be actively engaged in farming. Since the current Land Code stipulates the continuation of agricultural uses on these lands, some officials fear that over time, these large parcels of agricultural land are in danger of becoming “uncontrolled territories” that could potentially be developed without any benefit of planning (Land Officials Roundtable, 2001).

Of Gdov's 24,841 hectares of agricultural land only 5,810 hectares in use. The northwest of Russia is a complete anomaly in terms of land use from the rest of Russia in terms of agricultural land. Of total land set aside for agricultural production only 30% of land is in active use while a full 70% is unused either because of land degradation. The following factors are responsible: namely no money. No money by land owners for seeds, no money for equipment, no money for fertilizer, no money for gas to transport any agricultural products to be brought to market. (Polukoshko, 2002) There is plenty of land but the shift to private family farms has been unsuccessful because of lack of support of the industry.

The biggest land use changes in the district have been in agricultural lands since 1995. Land must be worked every five years or it becomes fallow. Prices for agricultural products are so low that it is not profitable for farmers large or small to engage in age production. These lands are becoming overgrown or simply fallow. In Gdov, there are efforts underway to expand agricultural production. Potato growing and feed for animals is happening. Without investment it will continue to decline. One of the big problems too is that there are no mortgage or credit lines available for farmers in Gdov district because it seen as too risky of an investment. In the oblast as a whole, only 6 lines of credit were given for agricultural investment in 2002 (Polukoshko)

**Table 6**

*Distribution of Agricultural Land Shares and Transactions in Gdov District*

#### **Inattention to natural resource planning.**

One of Gdov's greatest assets in terms of its economy and development is an abundance of natural resources, including forestlands, fishing and agricultural crops. Experts acknowledge that there is huge potential in the field. Gdov's food industry, though lively, serves a local community base and is not an export industry. Most goods however, must be imported, pointing the way to an economic opportunity to develop indigenous industry. Most of the newly registered companies are in the area of trade, timber harvesting, and fishing. A full 58% of companies are privately owned, 7% belong to the state, 16% are joint ventures and 19% are municipally owned. Joint foreign investors are involved in timer harvesting and include Russian- Swedish ZAO, STF-Gdov, Finnish ZAO Gdovles, while Polish-Russian ZAO Gdovsky Ryzozadov has been producing canned fish. However, there is an effort to encourage and plan for a more long-term and sustainable approach to resource development as opposed to the ineffective use of natural development to gain short-term profit (Sobolev,2001). It is important to note, however, that the tendency to practice the latter is due, at least in part to decentralization, as well as existing land law.

As stated previously, Gdov is dependent upon fishing as one of its main industries. In the Soviet era, licenses to fish Lake Peipsi were granted by way of a lottery system, with Gdov earning a fair share of fishing rights. However, this process has been replaced by the practice of auctioning licenses. Under this system, licenses are mainly granted to organizations and interests in St. Petersburg and Moscow, who can outbid Gdov. The same is true for hunting, and harvesting mushrooms and cranberries. Hunting is another popular activity, but the municipality does not charge user fee for hunting rights. The regional government is the grantee of these licenses Fees as high as 60 USD per day have been procured for hunting rights of which none goes to Gdov District. The procedure is the company that has harvesting rights allows entry into the lands. The fee is then split between the company that brought them in and the *regional* government that granted the license to begin with. (Polukoshko, 2002) There is a pilot project to take 50% of these lands and set them aside Gdov business interests to harvest this timber themselves.

Gdov also maintains over 200,000 hectares of forestland. Most round timber is exported unprocessed to the Baltic countries and Scandinavia. However ancillary timber industries are not yet developed In an effort to expand the development of this industry, workers and local officials in Gdov have sought to create wood processing capabilities. District officials estimate that three times more lumber could be harvested, but for the fact that there are no roads to transport harvested lumber. As a peripheral subregion within a peripheral region, the probability of securing funds to build these roads is unlikely. In addition, it is also more profitable to sell raw lumber to either St Petersburg or Moscow, leaving few options or incentives to develop this industry (Vladimirovna, 2001).

As with hunting, fishing, cranberry and mushroom harvesting, At the present time, the federal government regulates what percentage of forest land can be harvested. Who will harvest these federal lands is decided by way of an

auction. The winners of these auctions always go to the highest bidder, who is almost always Saint Petersburg, Finland and Sweden.

### **Underutilized and inefficient industrial land**

Development in Gdov is not only dependent upon new investment, but on the long established formerly state-owned enterprises that are currently independent as a result of privatization. Under the Soviet system these enterprises were given, free-of-charge, as much land it deemed necessary. It was often the case that more land was taken than was needed. Although there are no specific figures for the Gdov district the proportion of land occupied by industry in Russian towns and cities is several times higher than in more developed countries (Limonov et al, 2000). The result is not only the entrenchment of inefficient land use, but as in the case of agricultural land, the potential that these lands will also become uncontrolled territories if enterprises go bankrupt (Land Officials Roundtable, 2001).

### **Continued land use and land management training and education**

As noted previously, reticence about development of the land market is, at least in part, rooted in the concern that the local and regional governments are technically unprepared for land market reforms. Pskov regional officials have been proactive in providing training and education in planning and management in market conditions. Pskov Polytechnical Institute, in collaboration with the University of Massachusetts Department of Landscape Architecture and Regional Planning and the Pskov regional government, have established a Department of State and Municipal Management. Students entering the program are traditional-age undergraduates and can take courses in GIS and other computer-aided programs for planning, regional science, land use planning and more.<sup>16</sup> In 1993 a Center for Regional Planning (CRP) was also established as a joint venture with these same parties as well as St. Petersburg State Technical University. The Center provides research, training and technical assistance to the public sector, private businesses and non-profit organizations. Among the services that CRP has provided include GIS maps for municipalities, developed socioeconomic plans for governmental districts, and created business and investment plans for private enterprises (Gross, 2000).

### **Lack of regional and local policies to guide land uses**

A common thread running through all of the land planning and management issues described above is the dearth of policy guiding regions and municipalities to create an environment conducive to economic development, of which land reform plays an important part. Efficient use of natural resources, agricultural and industrial land and city/village lands are key to investment and economic development. Yet the driving forces of regional development at the current time are two-fold: Incomplete and contradictory federal laws and a fledgling federalist system in which informal negotiations and deals can still dictate the development process. The problem facing Pskov, and many regions throughout Russia, is the fact that even if there were land and planning policies in place, there are as yet no institutions to advance or support policies (Land Officials Roundtable, 2001).

In Gdov, for example During the break up of the Soviet Union land use policy was moved to the Property Ministry. But as noted, in Table 7 the Property Ministry has no local affiliate in Gdov. Thus at the current time in Gdov *“There is no land use policy of any kind guiding development decisions”* The Ministry of Property tried to implement policy measures at the local level but since there was no local affiliate, it did not work. Then they tried to create an affiliate, but failed on 2 pints. First, the local authorities could not afford this new local institution and second, the federal government had implemented a federal policy of reducing all governmental costs. The Land Committee is left in a bind, what is its role if there is no policy to guide development decisions. So there was an agreement between the Regional Administration and the Regional Affiliate of the Land Committee to rectify the situation. Under the current situation the region was in violation of the Federal Constitution and the right for possession and ownership of land. The agreement states that until the distribution of lands is finalized and reorganization of government is finalized, the regional land committee will be responsible for all land use policy and management of lands. So right now local administrations, including Gdov look to Pskov Land Committee for land policy guidance (Polukoshka, 2002)

**Table 7**  
*Intergovernmental Structure of Land Use Institutions in Gdov*

Federal Land Committee	Ministry of Agriculture	Ministry of Forestry	Ministry of Property
Regional Land Committee	Pskov Regional Ministry of Agriculture	Pskov Regional Ministry of Forestry	Pskov Regional Ministry of Property
Local land Committee	Gdov Local Affiliate	Gdov Local Affiliate	NO LOCAL AFFILIATE

However, this arrangement has not been without problems, the Ministry of Property facing redundancy has asserted itself into issues related to land matters, which should be handled by the land committee. Some Ministries have taken the initiative to undertake land development deals in direct contradiction with the terms of the agreement undertaken between the regional administration and land committee. So far there have been no sanctions against the ministry of Property for this. This turf battle over who should be at the center of land relations is continuing

#### **Lack of citizen participation in planning and land use issues**

In regard to public participation, the following rights are granted to every citizen as it relates to the planning and development process.

1. To have access to complete and valid information regarding the urban environment and expected changes to it.
2. To participate in discussions on urban development documentation prior to its adoption, to attend public hearings and meetings, to submit proposals regarding discussed documents,
3. To perform public examination of development and design documentation
4. To appeal administrative decisions on planning and urban development
5. To get compensation for damages caused by development.

What the land code does not specify is the procedures or mechanisms for public participation, except to say that it is the responsibility of public authorities on all levels. According to both regional and local land officials, there has been little impetus for citizen participation by either citizens or government. This is predominantly due to Russia's long history of citizen exclusion from public matters of any kind, lack of institutional and civic mechanisms to support participation, and general inexperience in understanding how participation benefits either private or public interests.

One of the ways that participation has been somewhat successful relates to cross border initiatives. These include a March 1999 seminar examining European models of cross border cooperative structures and institutions and participation in Baltic Sea 2010 (Toward a Framework for Spatial Development in the Baltic Sea Region, 2000). Co-financed by the INTERREG IIC Program and the PHARE CBC Programme and participating partner states including the Germany, Belarus, Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Poland, Russia and Sweden, the objective of the partnership is discover ways to make the principles of sustainable development in the Lake Peipsi area operational (VASAB 2010, 1994).

According to District Heads in Gdov, they are trying to develop more ties, but these are primarily cultural in nature. They do have an agreement on cultural cooperation with Mustvee.

## ***Future Considerations Impacting Land Issues in Gdov***

### ***International***

#### Foreign Investment

- NATO expansion to Baltics
  - Moscow-not happy-wants to build up the area. Construction of military housing and infrastructure upgrades promised by Putin. Revisiting history as military fortress
  - Gdov and Pskov-very happy- sees NATO troops at the border as a source of regional development. Regional leaders must tread lightly about their enthusiasm for NATO presence
- The biggest initiative has been the port that has been constructed in Gdov, but is not yet up to European Standards. There were numerous investors including the Estonian and Russian Federal Governments, Pskov Oblast and private investors including German investors. At the present time there is a major tourism joint venture project in the work between Germany and Russian company. German representatives have received death threats from residents in Gdov (Vladimirovna, 2002)
- On a political level both Russia and Estonia are focusing on establishing more bilateral relations. The most sensitive of these issues, as they have been for the past ten years remain establishment of a state border treaty and the rights of compatriots. The political framework of both countries allows local authorities to pursue cross border cooperative agreements. Since 1991, there have been 24 agreements and contracts signed between the Estonia and Russia. When Estonia joined NATO one of their conditions was to drop its territorial claims on Russia note: under the 1920 Tartu Peace Treaty. But Moscow continues to intrude the Kremlin currently changes twice the import tariff on goods coming from or through Estonia, dampening trade relations
- Transboundary relations re: Lake Peipsi. A major incentive for a Baltic states to reach out to Pskov has been European programmes and funding for border area cooperation programs with the goal of establishing transparency in all of its transboundary regions

### ***National***

- At the present time are there any controversial aspects of federal land legislation. (For example, it seems that the big debate with the land code was in the area of buying and selling agricultural land) yes, there is a strong lobby in the state дума to rescind the allowance for foreigners to buy land (Vladimir Rokhchin
- Putin has put more financial burden on all Russian Municipalities through a proposal to have police personnel and duties funded 50% by the municipal governments as opposed to the federal government. But there is no money.

### ***Regional***

- Pskov oblast is already stretched thin financially and institutionally.
- Intergovernmental coordination of land institutions continues

### ***Local***

- Citizens still do not know their rights regarding land and property. This is further exacerbated by lack of citizen participation in planning and development procedures. Officials want to sponsor an information campaign for agricultural land owners regarding their property rights and the procedures they should follow.
- To develop a natural resource and land use policies. (Vladimirovna)

## ***Conclusion***

The common theme running through continued poor economic performance in the region is an unstable investment climate directly related to incomplete land reform and the uncertain political environment: Political instability and lack of transparency in the land market are primary factors constraining foreign investment. Other factors include inadequate infrastructure, lack of uniformity and clarity on the rights of investors, problems of delivery of materials, backwardness of financial markets and institutions—all issues directly related to land reform (Makhotaeva and Nikolaev, 2000).

As with the other regions in Russia, transition to a market economy stands in direct contrast to the former centrally planned, managed and financed system in which land was neither a commodity for citizens, nor were citizens participants in the planning and development process. The current political climate, which has yet to definitively define relationships among the levels of the country's federalist system, has given way to uncertainty and instability. At the same time, privatization of real estate and land has brought new participants to the system, rendering methods of regulation and planning for development that reflects the needs and interests of these parties.

The Pskov region has been active in pursuing and exploiting its assets: its geopolitical position at the border of the Baltics, and as a potential gateway to the "West,"<sup>17</sup> high education levels, development of institutions and educational programs to anticipate land reform and abundant natural resources. Progress, however, has been hindered not only by technical and procedural difficulties related to land transactions, registration of land parcels and the development process, but also by the exclusion of agricultural and natural lands, nearly 85% for sale or lease. The current federal legal framework, which establishes the basic parameters of land relations for the region has only entrenched uncertainty by lacking predictability, fairness and continuity. Finally civil servants and officials engaged in land matters and economic development cite inefficient land uses in agricultural and industrial zones, unregulated housing development, the need for more sustainable use and exploitation of natural resources and a lack of regional and local policies to guide solutions to all of these issues.

Investment and business development are the key to regional development in Pskov. Despite the opportunities that privatization of land and real estate present, the current state of land relations continues to perpetuate investor uncertainty. For example, procedures for obtaining planning approvals, building permits, legal title, permission to change land use and building functions are too complicated. Investment projects may be stopped at any phase. For citizens, the residual effects of the secrecy surrounding Soviet-era planning remain. At the present time there are no public hearing mechanisms for planning or investment projects. Nor are there regulations or guidelines regarding compensation or resettlement of residents if property is used for government projects.

### **Reasons for lack of progress in land reform in general**

The reasons for this lack of progress in land reform in Russia in general are historical, political and technical. From an historical perspective, the previous system excluded the rights of citizens to own land, to participate in the development process, or even have access to plans.

Politically, the adoption of a new Russian constitution to a federalist system has allowed more governmental power to be exercised at the regional and local levels than under the highly centralized Soviet system. However, in this process of transition, the March 1992 Federal Treaty did not define relationships *among* the federal, regional and local authorities. This has left an enormous power vacuum (*bezvlastie*) and provided an unprecedented opportunity for political elites and entrepreneurs to expand their own agendas in the policymaking process, particularly at the regional level (Willerton, 1999). The uncertain political terrain of center-periphery relations has been a dynamic albeit tumultuous process, in which regions and municipalities are seeking to assert greater control and as will be shown below, Pskov has been no exception. In addition, a concerted effort to make progress toward land reform has been prominent within numerous regional and local authorities, including Novgorod, Kazan, Irkutsk, and Kostroma oblasti.

Technically, the challenges associated with transforming land relations from a centrally managed to a market system are not trivial. There is a growing number of owners, users and leaseholders of land parcels and buildings. This requires new methods of regulation and control that are more complex than were previously necessary. A decline in state funding for planning and development paralleled by an increase in private investments for commercial,

industrial, housing and service facilities, has rendered it necessary for governments and investors to work cooperatively to secure their respective goals. The fledgling development of land markets and markets in real estate that have and will continue to require resulted financial entities to regulate these activities i.e. mortgaging, banking, etc (Valetta et.al ,1999). Regional and municipal officials and civil servants understandably lack knowledge of the tools and techniques needed to regulate and manage land in market conditions. This is further exacerbated by land laws and decrees that have been contradictory, incomplete and controversial. In addition, as land moves from government owned, to a system of multiple owners and users, a new set of institutions, rules and procedures must be developed to balance government goals with the interests of these individuals.

Regional land officials understand that the need for citizen participation and education in the planning process will be critical as privatization continues. In the Gdov subregion, for example, the district government is contemplating a series of pamphlets and meetings to educate owners of agricultural lands about the rights and opportunities they have about their land. Even more importantly, land officials in Pskov are considering how to introduce a citizen participation component in the development process. Although the goal is “to educate people about what they have, how they can use it and what they can do with it,” budgetary restrictions and uncertainty of exactly how to proceed constrain these efforts.

It is important to note that these processes will not operate in a vacuum, but within a national political context. In particular, the national debate over the sale of agricultural land remains a prominent issue. Communist agrarian allies have succeeded in blocking the inclusion of these lands in the final reading of the Land Code. Ridell (2000) speculates that the national and cultural identity associated with agricultural will likely prevent it from being a freely tradable asset for the foreseeable future. The presidency of Vladimir Putin has once again impinged upon center-periphery dynamics with a concerted shift back to stronger center (Stavrakis,2000). The development of nine “super-regions” is the most recent evidence of attempts to consolidate power away from local and regional governments.

The next wave of research as it relates to land reform in Russia will have to consider the implications of the Land Code on the rate of privatization, contribution to tax rolls, land uses and more. As has been emphasized in this paper, it must also consider the ever-evolving political landscape as well

- Border region
- NATO expansion
- Europe/ Russian Trade interface
- 4th largest lake in Europe player in multi-lateral European Initiatives
- Land reform as key to economic development

## Appendix 1

### ***Conceptualizing the Land Market and Land Planning for Regional Development: A Theoretical Perspective for Transitional Economies***

#### *The Land Market*

Land markets serve to establish a structure of economic incentives for investment in land-based activities. Every developed country uses land markets as an important means to provide access to land resources, efficiently allocate land resources, and encourage productivity and investment among land users. The cornerstone in the development of the land market is the establishment of private land rights.<sup>18</sup> Through the transfer of land rights in the land market for compensation, two important dynamics occur. First, land and the accompanying bundle of rights are, at least in theory, reallocated to users for productivity-enhancing investments. Second, as an economic as well as physical asset, land may be taxed, contributing to regional municipal tax coffers, which can then be used to invest in the infrastructure needed to attract further investment.

Land markets also play a crucial role in the transformation of agriculture-based economies to industrial and service-oriented economies. As such economies develop, land markets facilitate the gradual transition of labor from agricultural to non-agricultural sectors, as those who wish to leave agriculture sell their land rights (including the value of the improvements they have made) to those who wish to remain engaged in agriculture. In addition the sale of agricultural land for non-agricultural uses in land markets can facilitate changes within the agricultural sector from labor-intensive to capital-intensive (Prosterman, Rolfes & Duncan, 1999).

In terms of regional development for transition countries such as Russia, the land market may also achieve the following:

1. Provide greater incentives for long-term resource conservation to promote the sustainability of profits derived from natural resources.
2. Enable transferability (temporary and permanent) of land to cultivators who have the resources to make better use of it.
3. Promote the use of land as collateral in formal credit markets, which serves to stimulate the financial services sector.
4. Establishes new economic activity based upon property and land through adaptive and culturally recognized procedures.
5. Promotes incentives for investment because rules are transparent and clear (Ridell, 2000).

Development of the land market also has important political implications in transitional countries such as Russia. First, as the ability of local and regional governments to gather income for their budgets through taxes and fees on land and land uses increases, the dependence on payments from the central government (and the influence that it can wield) may decrease. In a political climate characterized by the efforts of Moscow to reign in a growing number of the Federation's 89 regions seeking even greater autonomy, the issue of land has become of central importance at the present time.<sup>19</sup> Second, as more citizens participate in the land market, individuals and groups will eventually mobilize to influence the political process and the development of policy, thereby deepening and broadening the process of democratization (Wegren, 1997).

For these potential economic, political and social benefits to be realized, the land market must be well established and well functioning. The characteristics of such markets are outlined in Table 1.

**Table 1**

<i>Elements of the Land Market</i>
Ease of entry in performing land transactions

Availability of secure land tenure arrangements  
Low transaction costs  
Adequate land information in land registries and cadastres  
Competition in the land market  
Administrative support mechanisms  
Clear, simple, and enforceable legal rules for land ownership and use  
Existence of formal title for all land parcels

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Undeveloped or heavily restricted land markets slow these processes, delaying important efficiency gains. Efficiency gains resulting from effective land markets must, however, be balanced against competing social and environmental policy goals, particularly as the land market does develop. As a transitional economy continues to allow for multiple owners of land to engage in a diversity of activities, it becomes increasingly necessary to regulate relations between and among landowners and the government through normative rules governing the use and regulation of land. Therefore, a high priority must be assigned to the implementation of institutional and legal reforms to eliminate these constraints for the operation of the land market (Dowell, 1994; Deininger and Feder, 1995).

#### *The Role of the Law and Legal System in Land Reform*

One of the most important aspects of land market reform is the creation of a system of stable rules. A land law that establishes basic parameters for the operation of the market is a fundamental component of this system. Any country reforming a body of law must ultimately decide on and clearly define the relative roles of the national government and sub-national levels of government (regional and local). The basic rules allocating jurisdiction (the authority to adopt rules) over land issues are usually stated in a country's constitution. Jurisdiction over land issues can be given to the central government, given to the regional governments, or exercised jointly between the central and regional governments. All three models have been used successfully in developed market economies. The approach chosen will depend on the unique political and geographic circumstances of each country. Under most approaches taken, there will also need to be resolution, through the constitution itself or authoritative means provided by the constitution, of further basic issues of preeminence and priority, including: (a) how various actions or failures to act by the executive and legislative powers at the same level of government relate to each other (e.g., if the national legislature has not acted on particular land issues, can the executive act via presidential decree or government resolution on those issues pending legislative action?); and (b) how various legal enactments adopted at the national level relate to various legal enactments adopted at the regional level (e.g., what happens if a law passed by a regional legislature contradicts a presidential decree or a national government resolution or administrative regulation?).

Lack of clarity over these jurisdictional issues can lessen tenure security and impede land market development when contradictions or uncertainties exist in the legal framework. Finally, the role and function of the judicial system can play a very important and powerful role in contributing to effective agricultural land relations, but that role must be clearly defined.

Other characteristics of an effective land law and legal system are highlighted in Table 2 and described in more detail below.

**Table 2**

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<i>Characteristics of an Effective Legal System</i>
Predictability
Fairness
Rapid adjudication
Consistency with customs, norms, and levels of economic development

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Predictability (or transparency) is perhaps the most important single feature for a legal system designed to induce economic growth. Economic actors must be able to predict the legal consequences of their economic activities as well as possible. A legal system that lacks the element of predictability will not adequately promote individual initiative. If a legal system is to afford a high measure of predictability to many persons, it must include substantive and procedural rules that are written, published, and widely available. The legal system should spell out very clearly the procedure necessary for the enforcement of legally protected rights and interests. The procedural and substantive rules should also be as simple, precise, and unambiguous as possible.

Legal systems designed to foster economic growth should also place a heavy emphasis on the relative “fairness” of the law. To the extent possible, laws should apply equally to all regardless of public connections or private power. Moreover, both substantive and procedural laws should contain some notions of “due process” -- open and unrestricted access to public courts and administrative bodies for the airing of legal grievances and for the enforcement of legal rights. A legal system that tolerates unequal application of legal standards or permits arbitrary exercise of power without legal recourse tends to induce passivity and resentment, neither of which is conducive to encouraging widespread and enthusiastic participation in land based activity.

Rapid adjudication or formal resolution of disputes facilitates participation in land based activities. In transition economies legal systems have an unfortunate propensity for long delays before official resolution of a dispute can be completed. Such long delays can be addressed by increasing the number of judges or courts to handle anticipated litigation, keeping formalized procedural rules to a minimum, establishing administrative procedures to solve some problems without time-consuming and expensive recourse to the courts, and, where practicable, encouraging private dispute resolution through prearranged mediation or arbitration. Efforts to facilitate rapid adjudication can impinge on the standards of fairness, and the appropriate balance must be sought in each unique setting. The appropriate balance is likely to include publicized and practiced rules specifically defining and limiting administrative authority and discretion.

No legal system can depart totally from the habits and traditions of the populace it serves and remain effective. A legal system must reflect, to some significant extent, the legal and social customs of the country’s people or they may resent or mistrust the law. Unless the land laws and the law-enforcing mechanisms are considered fair, legitimate, and familiar by the people it serves, the cost of law enforcement will become prohibitively high. The legal system must also be consistent with the country’s level of economic development. For example, a country’s administrative resources and capability must be considered in drafting both substantive and procedural rules so that such rules can actually be implemented. These resources and capabilities differ significantly among the various transitional countries. Moreover, law must be consistent with the mode of land use and transactions actually practiced in the country. Thus, the law is both a reflection of a country’s economic, social, and political fabric and a tool to reform that fabric.

### *Development of Land Institutions*

Land administration in transitional countries is often performed by institutions that have inadequate technical, administrative, and legal capacity. It is often the case that bureaucratic procedures are cumbersome and not transparent. The costs of land adjudication are high, titles are often issued with incorrect boundary specifications, and crucial market information is not made available to interested parties at reasonable costs. In addition, the enforcement of property rights is not evenhanded. Another important component of a stable system of land administration is an adequate framework capable of performing the following functions outlined in Table 3

**Table 3**

<i>Land Institution Development for Land Reform: Ideal Characteristics</i>
Facilitates access to land information
Adjudicates boundary disputes
Resolves conflicts and enforce property rights
Values and assesses land

Encourages registration  
Provides technical assistance  
Applies expropriation rules

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A land information system that is transparent and readily accessible is essential. It will normally be based on a cadastre and will register property, with corresponding data (for example, value and nature of attached investments), as well as boundary information and tenure status (Deininger and Feder, 1995). An accessible system provides incentives for landowners to keep an updated cadastre and to register titles. The system should also be technically prepared to map the changes in boundaries following land market transactions quickly and at reasonable costs. At the beginning of the reform process, however, it is likely that clarification of existing boundary disputes will require most of the resources of the land administration institution. One important instrument for the reduction of conflicts related to such disputes is the possession of a registered title.<sup>20</sup>

The land administration system should be able to solve most conflicting claims related to property rights, which underscores the need for an in-house cadre of technical and legal knowledge. To resolve conflicts that cannot be handled in the field, an efficient appeals process through the judiciary system is of utmost importance. As a consequence of making information easily available, permitting most conflicts to be resolved in the field, and providing an efficient appeals process, the land administration system facilitates the enforcement of property rights in an unbiased way. In addition, the land administration system should be in charge of land valuation and assessment for purposes of the land tax, key for an efficient land tax administration. The information required for these functions -- size, value, ownership status, productive capacity, and market value of outputs and inputs --is usually available in the cadastre.

One important function of the land administration system is to create procedures and rules that enhance, rather than reduce, the incentives to supply information and comply with registration requirements. Some countries discourage registration, for example, by only allowing registration of agricultural plots larger than a specified minimum size. In transitional countries, it is typical that land and premises are currently registered in separate places and the process is cumbersome and time consuming, thus discouraging participation. In addition clearly defined criteria for the expropriation of land for public projects must be established in the land legislation. The land administration unit will be responsible for executing the law and determining the compensation in each case according to land valuation studies performed for tax purposes and from cadastre information (Ridell,2000).

Related to all of the characteristics described above is the need to provide technical assistance to local governments and communities. In countries where land taxation is managed at the local level, the system will have to provide cadastre information to local authorities for proper valuation and assessment. In countries where ethnic, religious, or other circumstances require special legal status for some communities, the land administration system should be prepared to provide such communities with technical assistance as well as help in conflict resolution. In transitional countries where the land market is developing, the legal system is being implemented and land institutions are evolving, it is critical for governments, citizens and the emerging private sector to have access to the information they need regarding land relations (Goldman,2000).

### *Land Planning and Development*

The previous sections have shown how a well-functioning land market, supported by the implementation of legal and administrative procedures and institutions to govern land management can have important positive implications for regional development. However, in the current transition from a centrally planned and financed system, to one in which these matters have both devolved to Russia's cities and regions and now involve multiple owners of land and real estate, new mechanisms must be developed to regulate *how* land will be used. Under the Soviet system, planning and development was centrally managed and ostensibly defined by the state for state authorities. Rules and norms governing land uses were applied uniformly over the entire territory of the USSR and citizens were given no rights to participate in decisions regarding the development of their cities (Shove and Anderson,1997).

Land use controls require balancing of public purpose or needs with efficiency and private cost. Land use restrictions may accomplish their intended purpose, but in doing so may impose unnecessarily high costs on individuals and the community. Countries emerging from central planning often emphasize public purpose but

ignore efficiency and private cost. Land use requirements such as development permits, setback requirements, open space, or development prohibitions for environmental purposes can become obstacles to land market development and to efficient land use if the requirements are overly broad or restrictive. The difficulty with such legislation is judging what is “overly restrictive,” and which is an appropriate balancing of (often competing) social, economic, and environmental goals. Moreover, the implementing institutions can be problematic even if the rules themselves are not. For example, a development permit requirement may seem reasonable on its face, but if the agency that grants the permit is understaffed, staffed by individuals hostile to private land rights, or otherwise incapable of handling requests in a low-cost and timely manner, the result can be inefficient use of land, efficient use of land that lacks legal sanction, and/or an underdeveloped land market (Giovarelli, 1995). Therefore, the state does have a legitimate role to play in assuring that land is used well and that use of land does not interfere with the rights of other persons or legal entities.

Comprehensive planning is a tool to enable governments to both maintain control over how land is used, while allowing citizens and private interests to participate in the economic and social benefits brought about by land reform. It recognizes that various aspects of community life interconnect including economics, culture, values, physical arrangements and social structures. This process allows regions and cities to achieve well-being for its inhabitants by maintaining and enhancing their quality of life, as well as defining its values and goals and the means by which to meet those goals. First, planning can be used to achieve desired national, regional and local goals. Second, it can enable governments to build up territories in desired areas with desired uses. Third, it can create partnerships between municipal authorities and prospective real estate owners, developers and investors. Fourth, it ensures that undesirable development trends, including peri-urban development, incompatibility of land uses, underutilized industrial and agricultural land, and their negative consequences will not occur or continue. Finally, planning can clarify the powers of various city agencies and authorities in regard to land use and development. Implicit in each of these potential benefits is the notion that uncertainty should be minimized and transparency maximized for both investors and governments (Limonov et.al, 2000). Governments create an environment conducive to investment by making clear the legal and procedural rights of developers and landowners and in turn reap the economic and financial benefits, which accompany the investment by the manufacturing, commercial, industrial, service and agricultural sectors.

This portion of the article has provided an overview of the ideal conditions and characteristics of land market, land law and institutional development as they relate to land reform in transitional economies. While the theory of land reform is relatively straightforward, the reality of implementing land reform, as will be shown in the case of Gdov, Russia, is far more complicated.

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<sup>1</sup> Under a quit-rent lease rights were granted for a maximum 24 year period and paid a fixed fee set by the State.

<sup>2</sup> From Carr, Edward H (1952) *The Bolshevik Revolution, 1917-1923*. New York: MacMillan, p.296.

<sup>3</sup> Other laws affecting development include, but are not limited to “On Ecological Assessment (1995)” “On Historical and Cultural Monuments preservation and usage” (1978) as well as other legislation in the areas of architecture investment activity, land allocation, subdivision and land rights and more. On Environmental Impact Assessment (1995) stipulates the obligation of planning “actors” to meet the requirements regarding environmental

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preservation and protection as well ensuring compliance with existing environmental laws and regulations.

<sup>4</sup> Speculation is that one of the reasons for this is further regional fragmentation of internal economic links that had previously been fixed and managed by the centrally planned economy. In the period prior to reforms economic linkages were hierarchical in nature i.e. rural communities were agricultural producers while city land was dedicated to industrial enterprises. A lack of diversification left Russia's rural regions and sub-regions particularly vulnerable to a decline in agricultural activity, as is certainly the case in Pskov.

<sup>5</sup> The levels of government that emerged were the State (national), Oblast or Kray (regions, similar to states as we know here in the US), raiony (districts), cities and villages. The Mayor is aided by several deputy mayors, who have various sector responsibilities. The local *duma* is a kind of city council comprised of elected officials from various political parties. Although the *duma* has the ability to create local regulations, by design the Mayor has the most political power and can supercede the regulations that may emerge from the *duma* by way of special decrees. In most cases, it is the mayor who is in charge of land use and planning including ordinances, permits, though it must also abide by the laws and regulations of the federal level.

<sup>6</sup> The total area of Pskov region is 55,300km<sup>2</sup> with a population of 789,400 as of January 2001 and is home to .5% of the total population of the Russian Federation. The capital city, Pskov, has 201,400. The Pskov region has 24 districts and 14 cities

<sup>7</sup> It was here that Russian Prince Alexander Nevsky, later sanctified by Russia's Orthodox Church, defeated the army of Teutonic knights attempting to expand eastward. His most famous utterance, "he who will come to Russia with a sword, will perish by the sword."

<sup>8</sup> Lakes Ladoga, Onega, Vanern are the three largest with respect to surface area.

<sup>9</sup>  
<sup>10</sup> For an excellent detailed discussion of this situation see Mikhail Alexseev, Russian Regions in an expanding Europe: The Pskov Connection. Europe Asia Studies, January 1999.).

<sup>11</sup> Participants include Estonian towns of Tartu, Rapina, Mustvee, Kallaste, Marva, Tartu County, Polva County and in Russia, Pskov region, Pskov Town, Gdov District, Pskov district, Terbischi parish (volost), Piskovichi parish, pechory district, Kulje parish, Ivangorod town and kinisepp district. Denmark partners include Arhus County, Frederiksborg County, and Funen County

<sup>12</sup> The region attempted to return to state methods of managing agriculture in the mid 1990's. However, there were no regional financial resources to make the investments needed to make agriculture competitive again (Makotaeva and Nikolaev, 2000).

<sup>13</sup> Typically oblasti receive budgets through transfer payments from Moscow, which then distributes money to cities and raiony from their budget.

<sup>14</sup> The LDPR gained particular notoriety in 1996 of Zhirinovsky's parliamentary campaign's of nationalist rhetoric pledging to recapture Alaska and Finland and on a platform of solving regional economic grievances "especially the absence of a regional financial resource base and the futility of counting on help from the federal government." During elections in October 1996, Vladislav Tumanov captured 31% of the vote but Mikhailov captured 23%. The latter candidate then joined forces with the Communist party and on Nov 3 captured 57% of the vote over Tumanov's 37%. (Slider, 1999) This is interesting especially since the Communist (KPRF) party, which advocates tighter political and economic centralization under Moscow (Alexseev and Vaguine, 1997)

<sup>15</sup> See Wegren 1997 for a complete and detailed discussion of the evolution of land legislation.

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<sup>16</sup> For a complete overview of the components of the University of Massachusetts, Pskov Polytechnical Institute and Pskov Regional Administration partnership see Forsyth and Gross (1998) Transatlantic lessons: developing a planning degree program in provincial Russia. *Journal of Planning Education and Research*, 17 (3), pp. 259-273.

<sup>17</sup> It is important to note that the Baltic states also benefit from developing relationships with Russia—political leverage with the West. Entrance into western European organizations. For example, a condition for Estonia to join NATO is for Estonia and all Baltic states to drop these claims on land in Russia. European institutions encourage government projects featuring partners in Russia's regional governments. In 1996, Estonia and Latvia unilaterally lifted many trade tariffs and allowed visa free border crossings for borderline districts including Gdov. In the face of severe shortfalls in federal financing, economic opportunity remains the only hope for the districts (raiony) within the Pskov oblast. So while Moscow can use either the "barrier" or "gateway" role for Pskov, it is the region itself that must balance these roles. Pskov could position itself with the newly emerging Baltic Nordic Free Trade area (Alexseev and Vaguine, 1997).

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<sup>18</sup> Prosterman describes the bundle of land rights as functional, permanent or long-term rights of possession; freedom to decide on the use of a land plot, subject to reasonable land use regulation; and freedom to sell, lease, pass by inheritance, and conduct other transactions with the land.

<sup>19</sup> The growing body of research on what is termed “the new regionalism” describes in greater detail the power vacuum left in the wake of the 1992 Federal Treaty in which regional elites sought to advance their own political, economic (and personal agendas) apart from Moscow. These power struggles continue to the present time.

<sup>20</sup> The costs of titling projects can be high, and a careful cost-benefit analysis should be done in each particular case. In addition, it is important to note that rural land titling projects have met with bureaucratic and practical implementation difficulties.