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## **Shifting from Plans to Markets: Lessons from the Commonwealth of Independent States and Eastern Europe<sup>1</sup>**

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Since the late 1980's, we have been witnessing the massive re-structuring of politics and economic activities in Eastern Europe and in the countries which have emerged from the former Soviet Union. To one degree or other, these countries have been attempting to shift their economies from centralized, command planning to being market oriented, and their political structures from a singular command model to multi-party mechanisms for defining policies and those who exercise political power. The "reforms" have emphasized the reduction of the state's role in the economy; a shift from state enterprises to private economic activities; opening of product markets to competition from abroad; the acquisition of commercial and banking enterprises in many cases by elements of the previous regimes' elites, transfer of housing units and agricultural land to private owners, and other macro-economic/political measures.

In each country whose leadership has opted for a "transition" to a market oriented economy, the mixtures of policies, their sequencing and emphases have been different—each country chooses its own path. But underlying a certain flexibility and uniqueness in each transition country is the imperative that in today's world, there is no option other than moving toward a market oriented economy with a much smaller state sector than in the previous regime, the private ownership of much of the productive assets of the country, and growing integration into the world economy.

The main issue has not been whether to move toward a market oriented, world integrated, economy, but whether the move should be rapid or gradual. The famous maxim of a school of advisors on the transition has been that when it is necessary to leap across a canyon, you do not leap half-way. But people who are facing extreme economic and political difficulties during the transition, often find it difficult to accept the maxim that "it has to get worse before it gets better". Many people prefer to "muddle through", with a long term strategic objective of "marketizing" their countries, but going slowly and preserving what has been valuable in their lives.

In this paper we present some country experiences with the privatization of immovable properties as an indicator of the "radicalness" of the reforms, and then present some statistics on the overall economic conditions over time in these same countries. We use information gathered for a Workshop in Minsk, Belarus, August, 2000 on land privatization in transition countries, where representatives of Albania, Azerbaijan, Belarus, Georgia, Lithuania, Moldova and Russia presented data on the land privatization programs of their countries. While the re-structuring of property and other transition reforms began in the region in 1990, the countries in our study have moved with different speed and resoluteness toward a market oriented economy.

Some general information on the seven countries is:

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<sup>1</sup> This paper is based on a report "ESTIMATING THE EXTENT OF REAL ESTATE PRIVATIZATION IN TRANSITION COUNTRIES", by David Stanfield, Daniel Bromley and Andrey Kutuzov, Land Tenure Center, Madison, Wisconsin, 2001.

**Table 1: Total, urban, and rural population in 2000**

Country	Total (1,000)	Urban (1,000)	Rural (1,000)	Share of urban population (%)
Albania	3,134	1,302	1,832	41.5
Azerbaijan	8,041	4,605	3,436	57.2
Belarus	10,187	7,248	2,939	71.2
Georgia	5,262	3,194	2,068	60.7
Lithuania	3,696	2,529	1,167	68.4
Moldova	4,295	1,982	2,313	46.2
Russia	145,491	113,020	32,471	77.7

Source: <http://www.fao.org>

**Table 2: Density of total population in 2000**

Country	Area in sq km	Population Density (pers/sq km)
Albania	28,748	109.0
Azerbaijan	86,600	92.9
Belarus	207,600	49.1
Georgia	69,700	75.5
Lithuania	65,300	56.6
Moldova	33,700	127.4
Russia	17,075,400	8.5

Calculated. World Almanac, 1998; FAO, <http://www.fao.org>

Five of the seven countries represented at the workshop have predominantly urban based populations. Albania and Moldova have more rural based populations. The northern countries (Russia, Lithuania and Belarus) have the highest level of urbanization (68-78 percent).

The most densely populated countries are Moldova, Albania and Azerbaijan. Russia has the lowest population density.

Clearly Russia dwarfs the other countries in total land area and total population.

## 1. The Concepts of “Ownership”, “Land”, “Immovable Property”, “Real estate”, and “Privatization”

### 1.1 Private Land Ownership

The increasing importance of private land ownership is particularly dramatic in the transition economies of Eastern Europe and the former Soviet Union. Most of these countries in some way have made the political decision to construct market economies, including the encouragement of land markets, which requires extensive private land ownership. The concept of “land markets” refers to the exchange of rights among private holders of land (including sales, leases, gifts, mortgage transfers). For such exchanges to occur easily, the land holders should have the right to carry them out according to the rules established in law and protected by the state. This right to transfer the

holding and use of land to another holder is a central component of the bundle of rights granted by the state to land owners in privatization programs.

For land ownership to be “private” requires that the state protect holders’ rights to the land, and that these state-protected rights include:

- (1) the right to exclude others from the land;
- (2) the right to use the property according to the desires of the owner without causing damages to others; and
- (3) the right to transfer the property to others, including the right to sell the property, the right to give it to heirs, the right to mortgage it<sup>2</sup>.

Of course widespread private ownership of land is not sufficient for this transition to be successful, but rather is part of many legal and institutional innovations needed to establish dynamic market economies that can function in desirable ways. Moreover, the transitions’ privatization programs do not aim at 100% privatization of the land, but rather some proportion moves into private hands and a portion remains in public ownership. However, without a serious effort at privatization of ownership rights to land, other efforts at moving toward a market oriented economy will have little effect.

Two hypotheses about the linkages between land ownership of land and investments in the productive uses of the land underlie this notion<sup>3</sup>:

- (1) private ownership with the right to sell gives the owners the ability to recoup investments they make in their properties in the future through sale, or to pass on the improvements to heirs, thereby providing *incentives* for investments; and
- (2) private ownership with the right to sell provides the opportunity for entrepreneurs with investment intentions to acquire land from owners who wish to sell, thereby providing *opportunities* for productive investments.

In the countries whose representatives participated in the Minsk Workshop, leasehold interests in land are usually not negotiable. That is, people do not buy and sell leased land, except when such leases burden the land whose owner sells it to another person. This situation may change in the future, since some countries, such as Belarus, are considering leasing of state owned agricultural land and the inclusion in the rights of lease holders the right to transfer the lease to another person (e.g., though sale). In such instances, where lease terms are relatively long (30 years or more) and transferable, the incentives and opportunities embodied in private ownership theoretically should be achievable.

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<sup>2</sup> The Civil Code of the Russian Federation (CCRF) defines private property rights in Article 209, “The Content of Property Rights”:

1. The owner possesses the rights to hold, to use, and to dispose of his property.
2. The owner at his own pleasure may take any actions with respect to the property in his possession as long as they do not conflict with laws and other legal acts and do not harm the rights and interests of other persons as they are protected by the law; he (the owner) may alienate his own property as property to other persons or transfer to them rights to hold and to use and to dispose of the property while remaining its owner, or to use the property as collateral or to exchange in any way or to dispose of it in any other way.

<sup>3</sup> The composition of the bundle of rights comprising private ownership is a subject of many discussions. See Roy Prosterman and Tim Hanstad (Editors), “Effective Rural Land Relations in ECA Countries: A Comparative Perspective”, Rural Development Institute, November 28, 1998.

In the design of immovable property registration systems, leases are usually recorded on the registers of the owners. If a private owner has leased two pieces of a parcel, both leases would be recorded on the single register pertaining to the privately owned parcel. However, when the “owner” of several parcels of land leased to private individuals is the State or some public agency, consideration should be given to the creation of separate registers for each leased property. This creation of new property units may help protect the rights of the leaseholder, and facilitate the use of the land as collateral for loans, and simplify the sale of the lease interest in the land.

## **1.2 Land, Real Estate, or Immovable Property?**

The term "land" can be defined as a piece of the surface of the earth, and any permanent structures attached to it. Some people prefer the concept of "immovable property", as defined in the various civil and land codes. Immovable objects to which rights of ownership, lease, possession, mortgage, etc. are attached by law and custom include parcels of land as well as structures attached to the land. In the Albanian Civil Code immovable objects are defined in the following way:

“Immovable objects are the land, the water sources and running water, trees, buildings, other floating buildings, attached to land and anything which is affixed permanently and continuously to the land or buildings”.(Article 142)

The Russian Civil Code (Paragraph 1, Article 130) defines immovable property to include “...land parcels, parts of mineral deposits, separate bodies of water, and everything tightly attached to land, that is, objects whose movement is impossible without causing considerable damage to them including forests, perennial crops, buildings, and structures”.

Immovable properties are objects of ownership. In the cases of land parcels and structures on them, the ownership of a structure attached to the land may not be the same as the ownership of the land parcel itself.

Although awkward for English speakers from common law countries, we will use the term “immovable property” as conceptually equivalent to “land” and to the English term “real estate”.

## **1.3 Restrictions on private ownership rights**

States typically place limitations on the rights of ownership, including the use rights and transfer rights held by “owners”:

- **Limitations on Certain Classes of Owners:**

The right of certain classes of individuals or organizations to hold and to acquire ownership of different types of immovable property through market transactions may be limited by law or by custom, such as:

- “foreigners” who may be denied the right of ownership of immovable property by law,
- particular ethnic or racial groups who may be restricted, in the ownership of immovable property in certain places.
- Individuals in a certain age category (minors usually) may be excluded from owning immovable property.

- **Limitations on acceptable use:**

Limitations on the rights to use immovable property qualify the meaning of private ownership. Use limitations on immovable property held in ownership may be established by law and custom, such as the zoning of immovable property as exclusive agriculture use, or restricting use as exclusively residential. Zoning may also exclude the use of immovable property for commercial or industrial purposes, or there may be legislation requiring that land fulfill its “social functions” in order to continue under the control of its existing owners.

- **Transaction costs:**

High transaction costs in terms of bureaucratic approvals required, informal payments requested, numerous visits to agencies involved in the transaction process can also provide strong limitations on the meaning of “private owners” rights to use and their rights to transfer the property to another person.

#### **1.4 Problems with the Concept of Privatization as Used in Transition Countries**

There are two concepts of the structure of immovable property privatization used in the region which are somewhat at variance with the notion of “marketable title” to immovable property.

In several countries represented at the workshop, privatized immovable property is considered as having a “marketable title” if a specific piece of immovable property is described in a document describing the transfer of ownership from the state to a specific physical or legal person who holds the marketable right of ownership over that immovable property.

In some countries (such as the Russian Federation, Ukraine, and other CIS countries) however, there have been more complicated concepts employed, particularly for the privatization of agricultural land:

1. Sharing out of land ownership. In these instances the distribution of land shares followed by certificates pertaining to the land of a former collective or state farm, give the ownership of the land to the holders of the certificates. The enterprises themselves are re-constituted into various enterprise forms, such as joint stock companies, production cooperatives, limited liability and mixed partnerships, which lease in, use, and in some cases acquire the ownership of land through contracts with the holders of the land shares.

Neither the land shares nor the certificates refer to specific, demarcated parcels of land in the initial stage of privatization. Issuing land shares show people that they have rights to land. The certificates are intended to start the people down the road to understanding that their land right has value, and that it can be utilized to improve their lives. However, few of these land rights are marketable, nor are they linked to specific parcels of land.

For the “shared out” ex-collectives and ex-state farms (those which have not received land from the shareholders to form legal entities), these entities do not have legal ownership of the land they use and over which they had control previously. These “shared out” entities cannot dispose of land or mortgage it. In principle, they lease land from the land shareholders.

Some of these enterprises simply continue to use the land even if it has been “shared out,” without leases and without payment to the owners of the shares. In some cases, while the land has

been “shared out,” the holders of the shares are locked into the converted ex-collective. The shareholders are dependent on the farm management for receiving benefits from the farming operations, for receiving land parcels to organize their own individual or group farming operations, and for being able to sell or mortgage the land or transfer it to heirs. In such instances, which are difficult to quantify, while theoretically the shares are negotiable, in practice such a right has little meaning at the moment. However, the basis has been laid for developing more secure and negotiable tenure forms.

From a purely legal, theoretical perspective, since the holders of the land certificates can sell or otherwise transfer their ownership of these shares, the affected land can be considered privately owned with marketable title. However, an unknown and constantly changing proportion of this land is, in practice, locked into the control of the managers of the ex-collectives and ex-state farms. We have opted to include this “shared out” land in the category of “privately owned”, but would urge further discussion with the governments using this form of privatization to produce more precise statistics based on actual negotiability of title and not on legal theory.

2. Group Farm Land Privatization. Under this option, land is directly passed into the ownership of enterprises, formed from the residents/workers of the enterprises. The rights of these people are usually not clearly defined or practically defended. Usually unclear is their right recoup their investments in the enterprise through sale should they desire to leave, or should they wish to leave assets to their heirs. While such entities can be said to privately own the land, the negotiability of the shares of the enterprise owners is usually very limited.
3. Ambiguous Privatization. Another tenure form for agricultural land holding in many countries is the “lifetime inheritable estate”, carved out of the former collective and state farms. No sale or other transfer of the rights to such properties is legal, except inheritance. This private use and right to give the land to heirs in some statistical series is classified as “privately owned”, which does not correspond to the definition used in the workshop. In the case of the Russian Federation, some land has been granted by the Government into private ownership of individuals, although the amount of such land that could be granted was established at the local level depending on the size of area and population in a particular district. In addition those individual private farmers could buy, lease or take extra land into lifetime inheritable estate. This means that some the land held by individual private farmers can be sold and some of their land cannot be sold.

Finally, immovable property may be titled in marketable ownership to physical or legal persons, but still may not be legally allowed to be marketed unless it is registered in a functioning and legally defined system for recording and displaying ownership and other rights to immovable property. Any transfer of right is not considered complete or under the protection of the law unless that transfer is registered, including a “patent”, in legally prescribed ways.

Since the privatization process is still underway, and in some regions has not yet begun, it is not surprising that the systems for registering rights to immovable property are still at their initial stages in most countries.

In Russia, for example, the registration of rights to immovable property and transactions with it are carried out by *Registration Agencies* that report to the Ministry of Justice. However, the shift to a parcel-based registration system is just beginning. The registration of rights will be done on the basis of the *State Land Cadastre* data. *The State Land Cadastre* is maintained by the Federal Land Cadastre Service (former Russian Federation State Committee for Land Policy). The Federal Land Cadastre Service is a Russian Federal Government Agency with 89 regional and

2,318 local district offices. The State Land Cadastre is maintained uniformly throughout the country on the basis of the Federal Law on the State Land Cadastre. This law became effective in July 2000.

In Belarus there are two cadastral/right registration systems: One is the land cadastral and land right registration system (National Cadastral Agency), and the second is the building register and building right registration system (BTI). A new Land Registration Law is under consideration by Parliament to establish an Immovable Property Cadastre/Register system, (due for passage in 2001).

In Albania a deed's registry has functioned since 1991 based on the old "hipoteka" offices which functioned prior to 1975, for depositing deeds of sale, mortgage, and gifts as well as wills referring only to urban immovable property. Since 1991 these offices were re-opened and privatization and transaction documents (e.g., sale contracts, wills), mortgages and court decisions mostly pertaining to urban properties, have been deposited. Gradually the new "title" registration system is absorbing the recording functions of the Hipoteka offices, but from a legal perspective registration of transactions done through the deeds system is legally valid registration.

We can say that a specific piece of immovable property is moving along the continuum toward greater "marketization" if it has a marketable title attached to it, **and** if that title is registered in an official and legally sanctioned registration system.

#### **4. Types of Privatized "Immovable property"**

Privatization programs have dealt with various types of state/public owned immovable property since 1989. Some types of immovable property have been privatized more rapidly and more extensively than others. For an economy to become more market oriented means that market forces influence the opportunities for work and for the investment of labor and capital in productive activities. Where "socialization of immovable property ownership" has been extended across sectors of the economy, then "privatization" of immovable property will be required across sectors. As the economy adjusts to the new rules, jobs are lost and other opportunities arise typically in places different from the site of the lost employment. People have to move, to liquidate their investments in one place and move to another, where they acquire housing and employment opportunities. Similarly for capital investors, who search for opportunities for maximum returns on their investments, mobility of capital geographically and across sectors is necessary for the market economy to function.

There are ambiguities in the concepts used in different countries, and limitations in the statistical data being generated about the complex tenure forms being created across sectors in the privatization programs. Nonetheless, it seems possible and desirable to estimate the extent of privatization done through the granting of marketable titles, and the extent to which immovable property is further "marketized" through registration, of various types of immovable property, including but not limited<sup>4</sup> to:

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<sup>4</sup> Statistics on the issuance of marketable title to pasture land (in some countries pastures are grouped with cultivated agricultural land), and forest land are not readily available, since very little privatization has occurred. In many countries, there are legal prohibitions against the privatization of such land. Therefore for this workshop including such land is not helpful. In future workshops, however, for countries where pasture and forest land are more important economically or politically, the desirability of including these types of land can be re-visited.

- Cultivated agricultural land
- Apartments in multi-unit structures
- Urban land under housing units
- Land under and around industrial/commercial immovable property

To capture some idea about the extent to which privatization of immovable property across sectors is occurring, the participants in the Minsk Workshop attempted to gather data on the privatization of four types of immovable property:

- the agricultural land, as a measure of the transfer of ownership of important productive assets into private hands, as a stimulus to productive investments and access to capital, and as an investment in the security of rural peoples as well as providing them with opportunities for either expanding their agricultural enterprises or for moving themselves and their assets to other places and economic sectors;
- apartments, as re-enforcement of family security in possessing needed housing, as an incentive to these families' investments in improving their housing, and for facilitating the mobility of labor by encouraging market transactions in apartments;
- land under houses, for those families in possession of houses, their ownership of the house may be recognized traditionally, but the land plot is often publicly owned, so that the ownership of the land plot is important for encouraging housing investments and for contributing to the dynamism of the housing market (labor and capital mobility);
- land under commercial entities, for encouraging investors by providing security to the place where their economic activities are located, and for making a more attractive asset should the enterprise owner wish to sell.

It is important to note that in most of the countries of the former Soviet Union houses used for residences have been considered privately owned throughout the Soviet period. However, in some countries of Eastern Europe (Albania, for example) in the transition to socialism after WWII even privately held houses became the property of the state. In such cases special restitution programs were crafted to re-establish their private ownership. In both cases, specific procedures for the privatization of the land parcels under the buildings may be required. In Moldova, for example, this privatization of parcels under privatized buildings is being done on a mass basis, with ownership of the land granted automatically to the owners of the buildings. Similar provisions for unifying the ownership of land under and around buildings, and the ownership of the buildings attached to the land, are being applied in Georgia and Azerbaijan.

#### **4, Measuring Immovable Property Privatization**

Methodologically, we tried to determine whether there were statistical data on the extent of privatization of immovable property of the four types outlined above. That is, we wanted to see whether statistical data could be found concerning what proportion of each type of immovable property had been privatized as defined above. Toward this end, the Workshop participants prepared statistics concerning the privatization of different types of immovable property, understanding the term "privatization" as the State conferring on private owners (individuals and legal persons) the right of exclusive use of immovable property and the right to transfer ownership to others.



However, while we may be able to estimate with some rough confidence, the proportions of particular classes of immovable property (agricultural, urban) that have been transferred from state or municipal ownership to private groups or individuals, legitimate questions can be raised about the secure, effective and actual control of that immovable property by the new owners. For instance, if newly privatized land may only be used as it was previously under state control, then while title may have been transferred to individuals, the usual components of ownership—the ability to decide the uses to which the land may be put, the ability to control who may use the land, the ability to bequeath or sell it, the right to compensation should the land be reclaimed by the state or municipal authority—may still be missing or limited in scope.

## **5. Statistical Indicators of Immovable Property Privatization**

Using the statistical approach, we can define a matrix of combinations for which statistics can be generated to compare the processes of “privatization” of immovable property both regionally and internationally. Table 1 shows the approximate statistical indicators of “privatization” of various types of immovable property in the countries which participated in the workshop. We have not included forest or pasture land in the table since there has been little interest in the privatization of such lands, and in some countries privatization is legally prohibited. Also, for simplicity of presentation, we have not included “houses as objects”, but have included “land under houses” as a type of immovable property.

Another distinction was made at the Workshop concerning the quantification of these variables. In some countries, the legal possibility to privatize some types of immovable property does not exist. In Belarus, for example, it is presently not possible legally to convert agricultural land into private ownership. In several countries, it is legally not possible to privatize forest land. Where such statistics are generated for international comparisons, it would be necessary to footnote that a “zero” entry means that it is not possible legally to privatize such land, or at least a special symbol used (such as a “Ø”) should be used.

In Table 3, we show the statistics presented at the workshop with the symbol “?” when the country representatives indicated that the estimates are relatively more uncertain. Given the stages of privatization, and the nature of statistical data in most countries in such a dramatic transition from one property system to another, it is not surprising that some of the statistics are relatively uncertain.

**Table 3: Percent of Privatized Immovable Property with Marketable Titles (ownership with right to sell) for Various Types of Immovable property in Selected Transition Countries**

Country	Types of Real Estate				Average Percent
	Agricultural Land %	Apartments %	Land under Houses %	Land under Commercial/Industrial Objects %	
Albania	80	90	84	90 <sup>5</sup>	86
Azerbaijan	98	80	80	5	71
Belarus	Ø <sup>6</sup>	100	1	Ø	25
Georgia <sup>7</sup>	30	85	100	60	69
Lithuania	73 <sup>8</sup>	96	99 <sup>9</sup>	97 <sup>10</sup>	91
Moldova	91	90	80	15	69
Russia	62	46	30 <sup>11?</sup>	2	35?

<sup>5</sup> Includes only privately held land, and does not include documentation of state ownership of land.

<sup>6</sup> Legally not possible to convert into private ownership

<sup>7</sup> These statistics from Georgia come from a special study conducted by an NGO, and are considered more accurate than the data officially issued by the state.

<sup>8</sup> Includes pasture land

<sup>9</sup> Legally, land under houses is available for sale but all the documents for marketable titles are not yet complete.

<sup>10</sup> Legally, land under commercial/industrial objects is available for sale but all the documents for marketable titles are not yet complete Source: Statistics, Land Management and Law Department, Lithuanian Real Property Central Databank. Data as of 1. 9. 2000

<sup>11</sup> In Russia, the privatization of land parcels on which houses have been built is moving slowly in urban areas (about 21% of the housing parcels are privately owned), but somewhat more quickly in rural settlements (55% privatized). Overall we estimate 30% of such parcels were privately owned at the end of 1999.

The ranking of the countries according to the “average” percentage of privatized properties and average “registered” properties in approximate terms finds Lithuania and Albania as having the highest percentage of privatized property, followed by a group with roughly similar privatization levels (Azerbaijan, Georgia and Moldova). Russia and Belarus have been more tentative in their privatization of immovable property. This rough general indicator summarizes fairly well the “status of privatization” in the countries. Lithuania and Albania with the highest average privatization percentages, have moved forward on privatization for the four types of immovable property. Azerbaijan, Georgia and Moldova in the moderate range of privatization have moved forward with the privatization of some types of properties, and Russia and Belarus have been tentative in nearly all categories of privatization.

## 8. Some Macro Economic Indicators

How do these countries compare on other indicators of economic development?

**Table 4: Annual percent change of real GDP**

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000
Albania	-7.2	9.6	9.4	8.9	9.1	-7.0	8.0	7.3	7.8
Azerbaijan	-22.7	-23.1	-19.7	-11.8	1.3	5.8	10.0	7.4	11.1
Belarus	-9.7	-7.0	-12.6	-10.4	2.8	11.4	8.3	3.4	5.9
Georgia	-44.9	-29.3	-10.4	2.6	10.5	10.6	2.9	3.0	1.8
Lithuania	-21.3	-16.2	-9.8	3.3	4.7	7.3	5.1	-3.9	3.3
Moldova	-29.7	-1.1	-31.1	-1.4	-5.9	1.6	-6.5	-3.4	1.9
Russia	-19.4	-13.0	-13.5	-4.2	-3.4	0.9	-4.9	5.4	8.3

Source: World Economic Outlook, May 2000, IMF, p. 213. , World Economic Outlook, October 2001, IMF, p. 205.

**Table 5: Years of economic growth during 1992-2000 period**

Country	Number of Years
Albania	7
Azerbaijan	5
Belarus	5
Georgia	6
Lithuania	5
Moldova	2
Russia	3

**Table 6: Annual percent change of consumer prices**

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000
Albania	225.2	85.0	22.6	7.8	12.7	32.1	20.9	0.4	0.0
Azerbaijan	912.6	1,129.7	1,664.0	411.8	19.8	3.7	-0.8	-8.5	1.8
Belarus	969.0	1,190.2	2,434.1	709.3	52.7	63.8	73.0	293.7	169.0
Georgia	887.4	3,125.4	15,606.5	162.7	39.3	7.0	3.6	19.1	4.0
Lithuania	1,021.0	410.4	72.1	39.5	24.7	8.8	5.1	0.8	1.0
Moldova	1,276.0	788.5	329.6	30.2	23.5	11.8	7.7	39.3	31.3
Russia	1,734.7	878.8	307.5	198.0	47.9	14.7	27.8	85.7	20.8

Source: World Economic Outlook, May 2000, IMF, p. 221., World Economic Outlook, October 2001, IMF, p. 213

**Table 7: Average Annual Growth/Decline (%) of Main Economic Sectors, 1990-1999**

Country	GDP	Agriculture value added	Industry value added	Services value added
Albania	2.3	6.2	-4.6	5.0
Azerbaijan	-9.0	-0.5	9.3	-0.7
Belarus	-4.3	-5.4	-5.6	-2.4
Georgia	-10.3	...	...	...
Lithuania	-3.9	-1.5	-9.9	-0.4
Moldova	-11.5	-6.2	-11.8	-14.8
Russia	-6.1	-6.3	-9.8	-1.8

Source: World Development Report 2000/2001, World Bank 2001, pp. 294-295

**Table 8: Net Agricultural Production Indices from 1992 to 1999 (1989-1991=100)**

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Albania	89.6	102.6	109.3	126.7	128.0	118.6	122.6	124.4	133.0	134.1
Azerbaijan	76.7	65.5	57.7	53.3	58.8	53.4	58.2	62.8	67.5	84.3
Belarus	82.6	83.4	65.0	62.9	64.9	62.3	65.6	59.0	58.3	60.6
Georgia	71.9	70.4	70.9	74.9	75.6	80.1	72.2	75.5	60.2	68.6
Lithuania	92.2	82.4	67.0	66.1	70.3	71.5	68.2	60.7	62.9	55.6
Moldova	71.3	80.9	59.2	65.9	55.9	63.3	45.6	42.0	49.0	46.3
Russia	87.5	82.7	70.6	64.4	67.4	67.8	58.7	60.6	61.9	65.0

Source: FAO, <http://apps1.fao.org>

## 9. Conclusions

Some conclusions:

- 1) Albania and Lithuania have carried out the more radical and rapid privatization programs. Albania seems to have passed through the difficult transition phases, at least in terms of economic growth. Lithuania started at a much higher level and had experienced less

extremism of collectivization. Albania started the transition period at a much lower level of economic development than did the other countries.

- 2) For most countries, the first few years of the transition have been very difficult economically. Dramatic declines in GDP were experienced in all but Albania after 1992. In recent years countries showed signs of recovery, although the pattern has been uneven. Albania's economic performance was relatively good in such sectors as agriculture and services. But its industrial production during this time decreased significantly. Azerbaijan was the only country with growth in the industrial sector. All other countries showed a decrease in production in all main sectors of the economy; the decrease of industrial production was much higher compared to agricultural production (especially in Lithuania and Moldova).
- 3) According to net agricultural production indices, only Albania significantly increased its production of agricultural goods in 2001 compared to pre-reform level. All other countries did not come near the levels of 1989-1991. Moldova has the lowest indicator—46.33 percent of 1989-90—and Azerbaijan the second best (after Albania)—84.3 percent.
- 4) There are several specific features in the annual percent change of real GDP in 1992-2000:
  - a) Albania was the only one country that experienced positive growth of its GDP during 7 years in the 9 year period (except 1992 and 1997).
  - b) Georgia, Lithuania, Azerbaijan, and Belarus experienced GDP growth during 5-6 years in 1992-2000.
  - c) Russia and Moldova experienced negative economic growth all these years (except 1997, 1999 and 2000 in Russia and 1997 and 2000 in Moldova). Perhaps the recent positive trends in these countries will be sustained. The productive sectors in these two countries, particularly agriculture, do not show signs of recovery. Agriculture is in bad shape in all countries except Albania (and Albania's positive statistics are mostly due to dramatic increases in the livestock sub-sector).
- 5) All countries went through highest inflation rates at the beginning of reform period: Albania and Lithuania in 1992, Moldova and Russia in 1992-1993, and all other countries in 1992-1994. In 1999-2000 Albania, Azerbaijan and Lithuania practically resolved their inflation problem, but Belarus, Russia and Moldova had relatively high levels of inflation.