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DANISH – LITHUANIAN LAND COLIDATION PILOT PROJECTS IN LITHUANIA.

Introduction:

The Danish Land Consolidation Division has in the recent years been more and more involved in activities in other countries. The division has carried out bi-lateral projects in both Latvia and Lithuania. The projects have been financed under the Danish programme for support to the EU-accession countries. This programme has from the end of 2003 closed for new projects the EU accession countries. Instead a new programme from 2004-2007 will be launched with the neighbouring countries of the enlarged EU as the beneficiaries. It is expected that bi-lateral land consolidation and land banking projects can be financed through this programme.

The Land Consolidation Division has together with the Lithuanian counterpart, The National Land Service, tried to create a Lithuanian land consolidation model based on the both the Danish tradition and field experiences from pilot projects in Lithuania. In this way the projects have had their point of origin in land consolidation and not so much in land banking. However the interaction between land consolidation and transactions with free state owned land has given valuable experiences for future land banking activities as well. Recognition of the need for a second wave of land reform has spread during the last years in Lithuania. Land Consolidation and the establishing of a Land Bank / Land Fund will be important elements in the future land management in Lithuania. The experiences from the Lithuanian projects can be of some interest for other countries as well.

The Dotnuva project

The Danish – Lithuanian cooperation about land consolidation began in 2000. The idea of the first project, the Dotnuva pilot project, was to introduce land consolidation to Lithuania and to concentrate on improval of the local agricultural structure in the project area. The pilot project area was 392 ha with 79 private landowners. There were 46 ha of Free state owned land in 12 plots.

In the first part of the project a preliminary investigation was carried out by the local Lithuanian land consolidation planner under Danish supervision. All private landowners were interviewed about their interest in and wish for the land consolidation pilot project and the agricultural structure in the project area was analysed. The method where the project is begun with a preliminary investigation is similar to the method used in Denmark in connection with the implementation of wet area projects. Also other characteristics of the Danish tradition such as voluntary agreements based on negotiations with the landowners were part of the approach in the pilot projects.

The user structure in the area was very much different from the owner structure, since there were only very few but large users.

In the second part of the project the landowner negotiations were continued and voluntary agreements on participating in the project were signed by the landowners.

In the Dotnuva pilot project 19 landowners in the project area participated and 86 ha changed owner. Of the 19 participating landowners, 6 were sellers only, 4 were buyers only and 9 exchanged plots. The three major private farmers in the project area all increased the size of their owned farm land. The 6 landowners that sold their plots leased out the land before the sales.

The biggest family farmer in the area increased the size of the owned land with 28 ha. This owner could have done the same with out the project but it would have been scattered parcels and would have lead to fragmentation. The land consolidation project could through exchange of plots make some very attractive plots available for the farmer. This could not have been handled without a land consolidation project. Other results of the project were improved access to the roads. The free state owned land / land reserve was used as a catalyst to initiate the process. At that time sale / privatisation of state agricultural land was not possible according to the legislation. This changed before the second project.

The second project: *Land Consolidation: A Tool for Sustainable Rural Development*

The second land consolidation project in Lithuania began in October 2002 and was finished at the end of 2003. The overall idea of the project has been to continue the work from the first pilot project and this time to introduce land consolidation as a tool for implementation of elements of local Rural Development.

The first activity of the project was after certain criterias selection of 3 project areas between 8 suggested areas. The 10 Lithuanian Counties were invited to suggest project areas, 5 counties did. The main task of the project has been to carry out the land consolidation planning in the 3 project areas in *Akadamija*, *Pabaiskas* and *Puskelniai*.

The first task of the planning process was a preliminary investigation with interviews of all of the landowners in the 3 project areas. The preliminary investigations analyzed the three areas. The 3 project areas were very different and show different images of rural Lithuania.

Another element in the preliminary investigation was for the land consolidation planner and the local authorities to identify local measures for rural development. It was the intention to implement the measures through the subsequent land consolidation project. The general approach to the land consolidation work in the projects has been bottom-up. The land consolidation instrument has been

made available to the landowners and land management authorities. But it has been up to these actors what they want to use it for. It has been an experience of the project that using such a participatory approach also takes a lot of time. It was the intention to mobilize local NGO's such as village committees, rural societies and different interest groups. This needs to be further developed in the future.

The results of the planning process:

The landowner negotiations were completed in the beginning of September 2003. In the **Akadamija project area**, the land consolidation project mainly concentrate on improval of the agricultural structure in the project area. 21 landowners will participate and 122 ha change owner. The three biggest family farmers in the area will all increase the size of owned land and fragmentation is reduced. Many small plots are amalgamated in to one big plot. 4 ha of state owned agricultural areas is privatized during the project. In this way the project is also a pilot project when it comes to getting experiences with privatization through land consolidation projects.

In the **Pabaiskas project area**, the land consolidation project include 32 landowners and 82 ha change owner as part of the project. A state afforestation project was one of the main measures for local rural development. The afforestation is implemented as a result of the land consolidation. 18 ha free state owned land of bad soil quality is transferred to the State Forest Agency for afforestation. The afforestation project will support and complement private initiatives for rural tourism. The total of 38 ha of state owned agricultural land is privatised through this land consolidation project. In the northern part of the project area the agricultural structure is improved. Some of the active family farmers increase the size of owned land.

In the **Puskelniai project area**, the land consolidation project include 10 landowners. 22 ha change owner during the project. Many of the land plots in the area has been cut through during the construction of the new Via Baltica Highway. It has been a main objective for the project to reduce the fragmentation caused by the new road. But the project has only partly succeeded. The process has been difficult because of unclear territorial planning for the areas close to the road. The landowners have hesitated in selling even small and badly shaped plots, because they think that they will be able to sell them for a much higher price than the normal agricultural price in the future in connection with development of urban areas close to the road. Future plans for widening Via Baltica has also contributed to this problem since the landowners experienced prices 2-3 higher than the normal agricultural price when they "sold" land to the road project 2-3 years ago.

The special experiences with land consolidation in connection with infrastructure projects lead to writing a discussion paper about this special subject. The main conclusions from the paper are that land consolidation in connection with infrastructure projects will be of the advantage for both the society and the landowners. But in order to get the full advantages of the land consolidation it should be considered to avoid uncertainty of the future land use of the areas close to the road.

The planning of the future land use of the areas close to the new road is recommended to be made an integrated part of the territorial planning procedures in relation with the road project. Such planning will determine the future land use, and in that way also the value of the areas.

Clear procedures for acquisition of land for public construction projects should also be established. Such procedures will make sure that absence of the landowners accept of the compensation does not

delay the construction works. Only the compensation should be allowed appealed to a further commission or to the court, not the decision for expropriation.

The value of the land

When performing land consolidation planning the valuation of the land in the project area is a core question. The purpose is to find the market price on each of the plots in the project area. It is a precondition that there is an existing land market in the area, meaning that there are various potential buyers (at least more than one) for each plot offered for sale. The market price is tight connected with the allowed land use. Land use maps, soil maps and in Lithuania the newly introduced mass valuation maps, can support the valuation, but such maps can never replace a separate valuation of the plots.

In the Danish tradition the land consolidation procedure begins with a detailed valuation of the plots in the project area. The valuation is normally carried out by the land consolidation planner and the committee of landowners together with one or two plant breeding specialists. Afterwards the valuation is a guideline for the planner and the committee of landowners in the landowner negotiations.

It is the experience from the three project areas that this procedure can not yet be used in Lithuania. The land market is still too weak. Instead the value / price of each plot in the three project areas have been negotiated separately between the potential seller(s) and the potential buyer(s). This procedure has had a limiting effect on the result of the projects but there have been no alternatives. When the land market is stronger in Lithuania more sophisticated and comprehensive valuation methods can be introduced.

Land consolidation legislation in Lithuania

It has been one of the main activities of the projects to give input to the on-going work in the Ministry of Agriculture with the preparation of a land consolidation legislation. As part of the project a discussion paper on this issue was prepared. Finally the land consolidation legislation was adopted in January 2004 by the Lithuanian Parliament as part of an extensive amendment of the Land Law.

It was, at the beginning of the project, expected that the project could test the new legal frames for implementation and registration of Lithuanian land consolidation projects. Because of the delay in the legislation process and due to this the absence of a legal authority for land consolidation it was necessary for the implementation of the signed land consolidation agreements in the three project areas to follow the normal procedure for selling, buying and exchange of agricultural land. The same procedure was followed with success in the first pilot project in the Dotnuva Area (2000-2002). It is a valuable experience from the projects that pilot projects can be implemented without a special land consolidation legislation. Based on the Danish experiences with land consolidation and the experiences from the pilot project areas, the project has contributed to the creation of the Lithuanian land consolidation model.

The interaction between land consolidation and land banking

The starting point for the discussion about Land Banking in Lithuania is the 500.000 ha free state owned agricultural land that is estimated to be available after the end of the land reform process. The land is scattered all over Lithuania and typically in relatively small plots. It is strongly suggested to privatise this land reserve with thoughtfulness and use it to improve the agricultural

structures and also as a catalyst to implement measures for local rural development. The results of the three land consolidation pilot projects carried out in the second project have shown that the land consolidation instrument is very suitable to handle this process in practise.

Lithuania will include land consolidation activities in the Rural Development programme. It is decided to begin full-scale land consolidation projects from 2005 with EU co-financing. The political decisions about the future of the state land reserve has not been taken yet.

In order to optimise the privatisation and management of the free state owned land it is recommended to establish a Land Bank / Land Fund and to transfer the management of the land reserve (free state owned land) to the land bank. The future organisation must be seen together with the organisation of the land consolidation activities. Privatisation of the land reserve will be under the responsibility of the Land Bank. In many cases, but not all, land consolidation projects will be the best instrument to implement the privatisation. The Land Bank shall also have the possibility to buy agricultural land from private landowners, most obvious in areas where future public projects are planned (highway construction projects and afforestation projects among others). Such opportunity to buy the land in advance will make the acquisition of land for the project both easier and cheaper. It can also be considered to buy agricultural land from private owners as part of an early retirement programme and afterwards sell it through land consolidation projects and in this way contribute to the building up of competitive family farms.

It is an experience from the three project areas that many of the landowners are not using their agricultural land but leasing it out. Such owners often live in a long distance from the plot. It is suggested to consider to let the land bank buy back the restituted land at the market price from owners, who will not go into the farming business. This will also stimulate the development of the weak land market. Again the land bank can sell the land through land consolidation projects and in this way improve the agricultural structures. A planned and "slow" privatisation of the free state owned land over maybe 20 years can contribute considerable to the financing of the land consolidation and land banking activities.

State Aid for the Acquisition of Agricultural Land.

In cases where free state owned land in a land consolidation project is sold to a private landowner, the payment can be accorded to the rules in the Provisional Law on State Aid for The Acquisition of Agricultural Land. This law provides favourable conditions for acquisition of agricultural land. This instrument will in a very good way support the land consolidation and land bank activities and accelerate the development of a functioning land market. However the provisions of the law are not in function yet.

Conclusion.

After two land consolidation projects in Lithuania it is clear that the essential interaction between land consolidation and land banking that has been developed in Denmark over the last more than 80 years can be just as essential in Lithuania and other countries. The combination of a land consolidation instrument with the land bank activities can be very important for the development of both competitive family farms and for implementation of local measures for rural development.