



The Tonder Statement

Land Banking and Land Funds: Elements for Land Consolidation, Land Management and Rural Development

Representatives from civil society, governments, academic and research institutions from 14 countries, and from international organizations concerned with land management, came together in Tonder, Denmark, from March 17 to 20, 2004, to develop land banking and land fund solutions for rural-regional development in countries of Central and Eastern Europe (CEE) and of the Commonwealth of Independent States (CIS).

Expressing the Basic Concern

The meeting examined the experience of public land banking, land funds and land companies in Central, Eastern and Western European countries and reviewed its significance, including environmental, for land consolidation, improved land management and sustainable rural-regional development.

After decades of collectivization, Central and Eastern European Countries have made great progress in the restitution and privatisation to private owners of state-held urban and rural real estate and property. These reforms, based on principles of political justice, have, however, resulted in agrarian structures that are unsuitable for today's Europe and the globalizing economy.

The resulting land fragmentation has had detrimental results, particularly in rural areas, for private and public investments, sustainable economic growth, social development and the environment.

There is increasing recognition among decision-makers of the need for a "second wave" of land reform – that of supporting the rational use of rural areas through appropriate land management tools and mechanisms.

While land markets play an important role in the creation of more viable farming structures, experience shows that in circumstances of extensive fragmentation of holdings, they are not sufficient by themselves. In practice in these circumstances, the costs of rearranging land use and ownership effectively block land market development and more rational land use.

Pro-active and supportive government policies and strategies to tackle this problem are therefore needed for the development of efficient agricultural economies and sustainable rural livelihoods.

Public land banking and land fund schemes established under state authority and regulation to buy and sell state owned land have proven successful instruments in this context in Western European countries. Land banks are used to play a catalytic role in the land market, assembling and providing better shaped plots and parcels to farmers in land consolidation projects, implementing and facilitating early retirement schemes, and enabling other types of 'land demanding' projects providing nature and environmental protection, afforestation and infrastructure.

Some countries in CEE such as Hungary and Poland have already recognized the importance of these schemes and have either already established relevant structures or are preparing to do so.

Guiding Principles

The participants in the workshop agreed the following guiding principles:

- Land banking, in conjunction with land consolidation, is an essential land management tool contributing to sustainable rural development.
- Land banking schemes, their development and implementation, should be transparent. This requires good governance and the development of appropriate institutions. Policy formulation, legislation, and procedures for implementation should ensure effective and equitable participation of all stakeholders. This should include scope for civil society participation and responsibility. Government agencies should be prepared to accept citizens as partners in land banking schemes.
- Pre-conditions for the implementation of land banking schemes should be identified and satisfied. These include a functioning land registration system, appropriate legal bases, and operational land administration structures. The interdependency between land banking, mortgage secured loans and land market development should be taken into consideration in designing land banking schemes.
- Countries in transition should tailor their preferred solutions for land banking in the light of their specific circumstances, taking advantage of country experience in Western Europe and other parts of Central and Eastern Europe.

It is hence recommended that:

- Land banking should be considered by CEE and CIS countries as an essential instrument, particularly in conjunction with land consolidation, for better rural land use and land management, and pilot projects reflecting this should be designed and implemented.
- Based on the experiences of pilot projects and other lessons learned, CEE and CIS countries should develop and implement appropriate legislation, institutions and technical procedures for implementing land banking schemes
- An enabling environment should be created by CEE and CIS countries, with the assistance of the development community, to strengthen their capacity to design and implement land banking projects and programs.
- The existing cooperation between CEE and CIS countries, national and international development agencies, professional associations, the private sector, financial service providers and research institutes should be broadened and strengthened in the area of land banking.
- Further research in specific areas should be carried out, including for instance a comprehensive analysis of costs and benefits (financial, social, technical); the usefulness and applicability of land banking schemes for the provision of mortgage secured financial services/micro-credit schemes. The research should include making relevant information on land banking from individual countries more easily available to others and the preparation of land banking guidelines.
- Bilateral and multilateral donor agencies should give consideration to land banking in their financial and technical cooperation projects for CEE and CIS countries.

The participants of the Tonder workshop call on the donor community and development agencies such as the European Commission, FAO, GTZ, the World Bank, EBRD and others, as well as the countries in the CEE/CIS region, to have regard to the above recommendations in the design and implementation of their rural development programmes and activities.

Tonder March 20^h, 2004