



Government Service for Land and Water Management  
Ministry of Economic Affairs, Agriculture and Innovation



# 3<sup>rd</sup> International Workshop Budapest

13-16 February 2012



LANDNET

3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

2



Government Service for Land and Water Management  
Ministry of Economic Affairs, Agriculture and Innovation



## *Land markets in Europe*

### *Bottlenecks and instruments*

*Frank van Holst, DLG -The Netherlands*  
*Francisco Ónega, USC – Galicia (Spain)*  
*FARLAND Network*



LANDNET

3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

3 Forland  
Land Markets and Land Consolidation

Government Service for Land and Water Management  
Ministry of Economic Affairs, Agriculture and Innovation

FAO

- 1. Preliminary ideas
- 2. Characteristics of Land markets: the problems
- 3. Relevant policies-instruments for land markets
- 4. Lessons learnt
- 5. International cooperation

LANDNET

3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

4 Forland  
Land Markets and Land Consolidation

Government Service for Land and Water Management  
Ministry of Economic Affairs, Agriculture and Innovation

FAO

***Some preliminary ideas:***

- **Land mobility is needed for good adjustment of land structures to changing needs and requirements of society (liberalizing global conditions, environmental developments, technological and social changes, etc.)**



LANDNET

3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Some preliminary ideas:

- **Policy objectives** in some cases encompass rather specific efforts to **direct structural conditions in agriculture**; other objectives reflect more **general public interest** concerns in areas such as the environment and cultural or social values (OECD 1998).




## Some preliminary ideas:

- **Land structures** (both the who in the sense of owners and users and the what in the sense of size, shape, location of parcels...) **of today may not deliver reasonable land use / natural resource**




7 Forland Family Services in Land Management

Government Service for Land and Water Management Ministry of Economic Affairs, Agriculture and Innovation



## Some preliminary ideas:


- **Land markets are the central mechanism for land mobility in liberalized economies**
- **Land markets need proper institutional environment and the reduction of frictions that may hamper their performance**



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

8 Forland Family Services in Land Management

Government Service for Land and Water Management Ministry of Economic Affairs, Agriculture and Innovation




## Land markets and land mobility defined

### Different definitions

*‘The Land Market is the market on which (agricultural) land parcels and plots are sold / purchased between farmers, other private owners, municipalities, investors and firms’.*

*‘Land Mobility is the share [of agricultural] land that changes hands in a particular time period’*



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Types of land markets

- **Unregulated market** *Market free from state intervention. In practice a market with role of state limited to tax collection and enforcement of private ownership and contracts, which are completely defined by the parties concerned.*
- **Regulated market** *State defines complementary rules that [partly] condition and guide land markets, looking for a concrete objective in terms of economical, social or environmental outcome*
- **Controlled market** *State directly regulates how goods, services and labor may be used, priced, or distributed, rather than relying on the mechanism of supply and demand.*
- **Non market** *No private ownership or moratorium on land sale / purchase*

## 2. Characteristics of Land Markets: Is there any problem?

## The problems in Land Markets

- Perfect markets?
- Not perfect, not free
- Markets evolve in an institutional context
- And in Central and Eastern Europe?  
(and many other places...)

## Perfect markets?

- **Many buyers and sellers** that each are too small to influence prices
- **Products** that are fully **interchangeable** and standardized Only the price matters
- Full access to economic and technical data needed for decision making: **perfect information and no transaction costs.**



## Land markets are not free and not perfect


- **Land is not [fully] interchangeable** and strongly related to location: each parcel is unique
- Per sub-area little nr of players (partial markets / **segmented markets**) or players no "connected"
- When land **fragmentation is high: lot of transactions** to gather small amount of land



## Land markets evolve in an institutional context

- **Institutions DO MATTER:**
  - They DO need clear definition of the 'object' to be transacted: that's not a physical reality, BUT **institutional object.**
  - Non economic factors (informal institutions) such as **family traditions and cultural issues** play a role
  - **Government regulations** on the use like zoning / spatial planning



1   

## *And in Central and Eastern Europe?*

- **Restitution processes re-introduced the structure of 1940-s: land fragmentation!**
- **Large scale infrastructure not well maintained, lack of organisational capacity**
- **Large share of unknown and undivided ownership**
- **Land transaction procedures are too bureaucratic and expensive in relation to the land value**
- **Farmers lack financial liquidity**
- **Land is often not accepted as collateral for bank loans**
- **Cadastrals and land registration systems not up to date**
- **Little experience and knowledge of market prices**

3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

1   

## *And in Central and Eastern Europe?*

- **Land market over-regulated: for example pre-emption rights, minimum / maximum size**
- **Old conflicts related back to forced land exchanges not yet solved, lack of documentation**
- **Inheritance practice**
- **Lack of cooperation structures at local level**
- **Older people are no longer able to farm actively, or to hire labour, or their children are not interested in taking over the farm.**
- **Absentee owners: gap between supply and demand**
- **Lack of awareness among policy makers about the land structure as a crucial pulling factor of the rural economy**

3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012



## Why do land markets need to be framed?

- Land markets are not free markets **but....**
- Ability to adapt to a changing global context (e.g. liberalisation of world trade) should increase **however.....**
- This should be done with an eye for maintaining a balance of sustainable development (PPP) **and.....**
- Extra regulation does **NOT** mean extra restriction but rather extra facilitation!! (land markets are means n, not an objective by themselves...)
- **Question: What is the right balance between free market functioning and regulating?**



## 3. Relevant policies for land markets



## Relevant policies for land markets

- Institutional environment
- Land Administration (systems)
- Tax policies and credit access
- Land development instruments
- Land Banking



## Relevant policies for land markets

- Institutional environment
  - Property systems and arrangements: unknown ownership, co-ownership, ... (strategies and mechanisms dealing with...)



## Relevant policies for land markets

### • Institutional environment

- **Property systems and arrangements: unknown ownership, co-ownership, ... (strategies and mechanisms dealing with...)**
- **Formal restrictions to land transactions: Pre-emption rights, requirements to the buyer (not judging them, but aware of them...)**

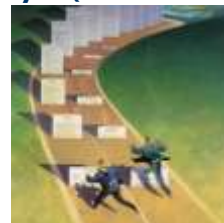


3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

### • Institutional environment

- **Property systems and arrangements: unknown ownership, co-ownership, ... (strategies and mechanisms dealing with...)**
- **Formal restrictions to land transactions: Pre-emption rights, requirements to the buyer (not judging them, but aware of them...)**
- **Transaction procedures**



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

### • Institutional environment

- **Property systems and arrangements: unknown ownership, co-ownership, ... (strategies and mechanisms dealing with...)**
- **Formal restrictions to land transactions: Pre-emption rights, requirements to the buyer (not judging them, but aware of them...)**
- **Transaction procedures**
- **Inheritance rules**



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

### • Institutional environment

- **Property systems and arrangements: unknown ownership, co-ownership, ... (strategies and mechanisms dealing with...)**
- **Formal restrictions to land transactions: Pre-emption rights, requirements to the buyer (not judging them, but aware of them...)**
- **Transaction procedures**
- **Inheritance rules**
- **Tenancy regulations**



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

### • Institutional environment

- Property systems and arrangements: unknown ownership, co-ownership, ... (strategies and mechanisms dealing with...)
- Formal restrictions to land transactions: Pre-emption rights, requirements to the buyer (not judging them, but aware of them...)
- Transaction procedures
- Inheritance rules
- Tenancy regulations
- Land use regulations



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

### • Institutional environment

- Property systems and arrangements: unknown ownership, co-ownership, ... (strategies and mechanisms dealing with...)
- Formal restrictions to land transactions: Pre-emption rights, requirements to the buyer (not judging them, but aware of them...)
- Transaction procedures
- Inheritance rules
- Tenancy regulations
- Land use regulations
- Subdivision regulations and minimum parcel size



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

- **Institutional environment**
- **Land Administration: property, use and value info.** Fundamental for reducing transaction costs AND allowing realization of the other policies

*“The formal property system is capital's hydroelectric plant. This is the place where capital is born”*  
Hernando de Soto



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

- **Institutional environment**
- **Land Administration:** fundamental for reducing transaction costs AND allowing realization of the other policies
  - **Land register/cadastre: update, accuracy, access by relevant stakeholders, titles, boundaries...**



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

- **Institutional environment**
- **Land Administration:** fundamental for reducing transaction costs AND allowing realization of the other policies
  - **Land register/cadastre:** update, accuracy, access by relevant stakeholders, titles, boundaries...
  - **Land market info:** prices, valuation, transactions



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

- **Institutional environment**
- **Land Administration:** fundamental for reducing transaction costs AND allowing realization of the other policies
  - **Land register/cadastre:** update, accuracy, access by relevant stakeholders, titles, boundaries...
  - **Land market monitoring:** prices, valuation, transactions
  - **Land disputes:** procedures



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

- **Institutional environment**
- **Land Administration:** fundamental for reducing transaction costs AND allowing realization of the other policies
  - Land register/cadastre: update, accuracy, access by relevant stakeholders, titles, boundaries...
  - Land market monitoring: prices, valuation, transactions
  - Land disputes: procedures
  - **Use of NTIC-GIS technologies**



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

## Relevant policies for land markets

- **Institutional environment**
- **Land Administration**
- **Tax policies & Credit access**
  - Type of taxes: Inheritance, Capital Gains, Transfer taxes (& all transfer costs), Annual property taxes, Income tax
  - Special reductions
  - Timing
  - Penalties, non used land
  - Special loans & collaterals



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012



## Relevant policies for land markets

- Institutional environment
- Land Administration
- Tax policies & Credit access
- Land Development Instruments:

*Organised, facilitated process among farmers and other land owners to rearrange the ownership structure*



## Relevant policies for land markets

- Institutional environment
- Land Administration
- Tax policies & Credit access
- Land Development Instruments
  - Voluntary land exchange
  - Voluntary land consolidation
  - Statutory land consolidation
  - Statutory integrated land consolidation
  - Statutory integrated land development



## Lessons learnt

- **Problems related to the rural land structure and/or land market often not well analysed**
- **Legislation introduced without proper attention for bureaucratic load and manageability (sometimes with the adverse effect!)**
- **Tendency to over-regulate may lead to less land mobility**



## Lessons learnt

- **Instruments often not well tuned, like:**
  - **Land consolidation <-> privatisation**
  - **Land consolidation <-> land banking**
- **Measures and instruments developed without proper awareness raising among the target groups**
- **Policy makers make little use of the rich international experience**



## Recommendations

- **Analyse the situation well and develop a coherent strategy to improve land structures and land markets**
- **Embed programmatic instruments well in rural development strategies**



## Recommendations

- **Choose for positive (stimulating) measures rather than negative (restricting) measures**
- **Do not try to solve everything but start with pilots, experiments and build awareness**
- **Join international networks for learning and developing**



3 **Farland**  
 Family Farmsteads  
 in the Netherlands

Government Service for Land and  
 Water Management  
 Ministry of Economic Affairs, Agriculture and  
 Innovation

FAO

## 5. International cooperation

LANDNET

3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

4 **Farland**  
 Family Farmsteads  
 in the Netherlands

Government Service for Land and  
 Water Management  
 Ministry of Economic Affairs, Agriculture and  
 Innovation

FAO

## FAO's Programme in Land Tenure Policy Papers – Technical Publications – Training Manuals Guidelines

Regional Office for Europe and Central Asia (REU)

Food and Agriculture  
 Organization of the  
 United Nations

Land Tenure and Rural Development

Land tenure, rural development and natural resource management in Europe and Central Asia

Sustainable development of rural areas calls for a holistic approach, addressing many interlinked issues, such as land tenure, rural development and natural resource management. The Regional Office's group for land issues and rural development is active in addressing these issues.

Land Tenure

Rural Development

Natural Resource Management

SOLAW

The State of Land and Water Resources (SOLAW) is FAO's first flagship publication on the global status of land and water resources.

Upcoming events

FAO REU on International Green Week 2012

LANDNET

3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

# LANDNET



<http://www.fao.org/europe/meetings-and-events/lclb2011/en/>



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

The screenshot shows the Farland website interface. On the left is a navigation menu with the following items: FARLAND, FARLAND DECISIONS, LANDING, NEWS & PUBLICATIONS, RELATED INFO, COMMUNICATION, CONTACT, and PARTNERS. The main content area features a search bar and a section titled "FARLAND" with the following text:

**FARLAND**  
The FARLAND network deals with integrated land development and is built on a group of organizations, brought together in the EU Interreg IIC project FARLAND which ran from 2005 till 2006. Nine out of 11 partner organizations concluded that maintaining a more structural network is beneficial for each of the members. It involves organizations from the Netherlands, Flanders/Belgium, Galicia/Spain, Portugal and Lithuania. The FARLAND Network is intending to have a modest growth and is interested to extend its network in a geographically well-balanced way. New partners should come from countries with an active land development approach. Since 2007 the FAO Regional Office for Europe and Central Asia and FARLAND are connected, creating excellent conditions for exchange of knowledge and upgrading of approaches. Joint activities – among others – concentrate on supporting the LANDNET.

The FARLAND group puts the objectives of the Interreg project. It wants to promote exchange of knowledge and experiences, to stimulate application of new approaches and it wants to influence policies on national and European level. FARLAND also will want to harness a network for the sake of better



3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012

### ***Links:***

- **DLG (NL)**
- **<http://www.dienstlandelijkgebied.nl/en>**
  
- **FAO Regional Office for Europe and Central Asia**
- **<http://www.fao.org/europe/activities/land-tenure/en/>**
  
- **FARLAND**
- **<http://www.farland.eu>**
  
- **LANDNET**
- **<http://www.farland.eu/landnet>**



***Thank you for your attention!***



## ***Looking for the “why” ...***



*3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012*

***The two main obstacles for  
land mobility***

***Two first steps/key activities***

***Two main needs in terms of  
research***



*3<sup>rd</sup> International Workshop on Land Markets and Land Consolidation – Budapest, 13-16 February 2012*

**1 “A4” per country**

**6 “lines” per A4**