

**REPUBLIC OF MACEDONIA**

**Ministry of Agriculture, Forestry  
and Water Economy**

# **PROGRAMMING OF LAND CONSOLIDATION IN MACEDONIA**

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## **Contents of the presentation**

1. Current land and farm structure in Macedonia
2. Land consolidation-kind policies/experiences in the country
3. The concept of introduction of LC policy in the Macedonia (included in the draft National LC Strategy)
4. Future steps

## Location



## Facts about Macedonia

Population: 2.046.177, citizens/km<sup>2</sup>: 79,8  
 Total area: 25,713 km<sup>2</sup>  
 (Hills and mountains 79,0 % )  
 (Plains 19,1 % )  
 (Natural lakes 1,9 % )

Forest land: 1.159.600 ha (45%)  
 Agricultural land: 1.121.000 ha (44%)  
 Cultivated agric. land: 509.000 ha (20%)  
 Pastures: 611.000 ha (24%)

*State-owned land: 200.000 ha/143.600 ha distributed*

Agriculture:  
 Main occupation in the rural areas  
 43% of population is rural  
 11% share in GDP, 15% with food industry  
 17% of the total export (424 mill. euro 2010)  
 21% of population employed in agricultural sector



## Agricultural land and farm structure and land fragmentation

**Efficient land use is hampered by the small scale and fragmented private farms**

### Statistical surveys

Number of family farms : 192.675 in 2007 (226.000 in 1994)

Average farm size : 1,47 ha in 2010 (1,6 ha in 2007 / 2,6 ha in 1994)

According to 2007 census - less then 1ha are 63% (54% u 1994), 90% up to 3 ha

### Farm Register

Number of farms: 102.599

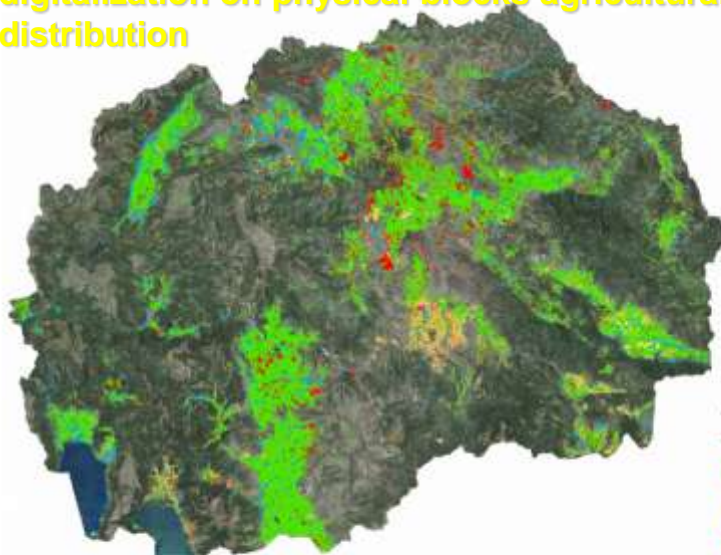
Average farm size: 2,27 ha for crop farms and 1,05 ha of vineyard farms

Average farm size of farms using state-owned land: 26,80 ha belong to 5.350 users  
(but the most 4.700 are with 10 ha plots)

### Fragmentation

- Cadastre: 4.5 million cadastral parcels with average size of a parcel of arable land is 0,26 ha (0,2 ha with private parcels, 0,53 ha while state land)
- Farm register: In average 3,5 parcels per family farms and 5 for legal entities with average parcel size of 0,6 ha/parcel

## Digital orthophoto image in color (RGB) and initial digitalization on physical blocks agricultural land-use distribution



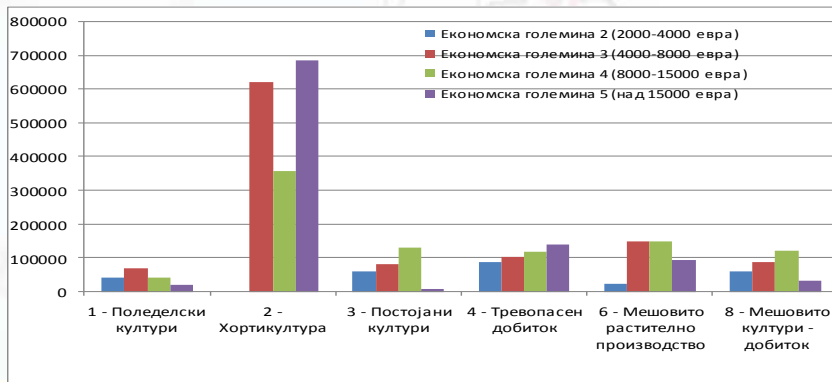
### УПОТРЕБА НА ЗЕМЈИШТЕТО

- Обработлива површина (нави)
- Сранжерии и пластеници
- Ливади
- Долгогодишни насади
- Земјиште со различна употреба

-Average size of physical blocks is 1,19 ha (from 0,27 ha of abounded land to 1,31 ha of cultivated land)

## Impact of land structure to farm profitability

- Cultivation of small parcels is not economically feasible, often below break-even level thus **prevent new entries in agricultural business or make unprofitable continuation** of agricultural activity
- Small plots and bigger number of parcels have higher fixed costs per land unit, low productivity of land and labor factors, and make inefficient engagement of technology thus producing **lower absolute and net incomes**,
- There is a general positive correlation between economic size of Macedonian FADN farms (that is linked with size of cultivated land) with profitability per ha



## Rural development aspects of land structure

- **Adverse effect on development of rural communities because of its negative impact on agricultural profitability** as main rural occupation
- **Agriculture usually only provides supplementary incomes**, which in absence of other incomes **lead to migration** to urban areas or abroad, especially youths (only 13,5% of farms-beneficiaries are young farmers)
- In this way the unfavorable land structure **from limiting factor for sustainable economic activity gets itself into abounded production and natural resource**

### Rural infrastructure

- **Local road infrastructure is obsolete** needing reconstruction while field roads linking fragmented parcels takes quite a lot of the arable land itself
- **Irrigation is crucial** for Macedonian agriculture but usage is below real potential (400.000 ha/installed network on 123.864 ha/22.344 irrigated)
- Most of the irrigation systems **requires rehabilitation especially because in absence of their functionality expected climate changes will be very harmful**
- Stimulate **individual actions for water drills seriously threats underground waters** (200.000 farms uses 100.000 drills for irrigation of around 5.000 ha)

## Impact of land structure on sector competitiveness and land market

- Also **negatively affects** :
  - the mobility of land market - are not attractive to be sold or leased,
  - hinder private and public investments thus lowering rural areas economic development potential,
  - efficient utilization of natural resources and appropriate protection of environment,
  - abounded land, as result of the process, increases possibilities of fires.
- **Small sized farms produce limited market quantities of agricultural products** with diverse quality due to they **are in subordinated position on the market without negotiation power** in regards to buyers and processors
- Other forms of concentration of supply like establishment of cooperatives do not progress according expectations
- **Limiting factor for improvement of competitiveness** (especially visible when Macedonian land capacities are compared against other competitive regional and EU agricultural economies)
- **Farmers are not capable to resolve adverse land structure problem by themselves** and **show increasing interest to participate** in state initiated consolidation projects

## The concept of introduction of LC policy in the Macedonia

- Organized land policy that treats structural deficiencies of small parcels, high fragmentation and non-viable land market is basically in **programming phase**
- The **need for introduction of active structural policies** in land structure has been recognized in:
  - National Strategy for Agriculture and RD 2007-2013 as one of goals to tackle structural problems, and
  - Government Programme 2011-2014 as specific commitment to introduce active corrective land consolidation policies by drafting of LC Strategy and starting up with LC measures
- **Competent authority** for agricultural land policy in Macedonia is Ministry of agriculture, forestry and water economy-MAFWE's Department for Agricultural Land Policy



## Current LC-like policy interventions

- Land consolidation-like / land market policies restricted to:
  - **Management of the state-owned agricultural land** by the Ministry of agriculture that lease parcels with size up to 10 ha
  - **Exchange between state-owned and private land parcels** in order to achieve enlargement of the both exchanging parcels
  - **Physical division of land parcels** smaller than 2 ha is legally prohibited
  - **Pre-emption rights** regulated by the Agricultural Land Law giving priority to buy selling parcels first by the co-owners, neighbours and by the state
  - **100% coverage of transaction costs** for voluntary exchange within the National Rural Development Programme
  - **Subsidized loans at 4% annual interest rate** for purchase of agricultural land
- **Piloting of voluntary land exchange** and drafting **National Land Consolidation Strategy 2012-2020** with Operational Program supported by Dutch bilateral cooperation within consecutive projects of EMERALD and STIMERALD, implemented by DLG and SNV Macedonia

## Strategic framework

- **Strategic goal :**  
*„alleviation to gradual overcome of unfavorable structure of agricultural land as basic resource for economic activities in rural areas with aim to increase competitiveness of Macedonian agriculture production, as well as to improve living conditions in rural areas and to secure sustainable usage of natural resources“*
- Land consolidation is emphasized as:
  - Integrated rural development approach,
  - Territorial planning and re-design activity linked to re-parcelization of the land to improve agriculture
  - Strong linkage to road and irrigation network investments (all where appropriate)
- Due to the fact LC aimed at public goods and market deficiencies as well sustain the development of rural areas, **land consolidation is recognized as activity of public interest**

## Specific goals

In meeting the strategic goal, future policies should have a goal to reach following specific goals:

- **Reduction of fragmentation** of land parcels with grouping and improvement of their location in regards to farm buildings,
- **Improvement of irregular shape of the parcels** in order to apply contemporary technologies and techniques to production,
- **Increasing of average size of the farms**, (by putting of all available resources possible (state land and other land resources of the Land Bank)
- **Provision of access to parcels** of new or rehabilitated irrigation network, as well as road infrastructure,
- **Reduction of areas of uncultivated or abandoned agricultural land** (more than 100.000 ha)
- **Minimization of negative effects on optimal land structure caused by implementation of facilities of public interest** (road, social, other infrastructure), or parallel spatial reorganization of land parcels to improve current unfeasible structure,
- **Enhanced ecological protection and sustainable management of natural resources**

## Strategy time-span 2012-2020 and phasial implementation of the LC policies

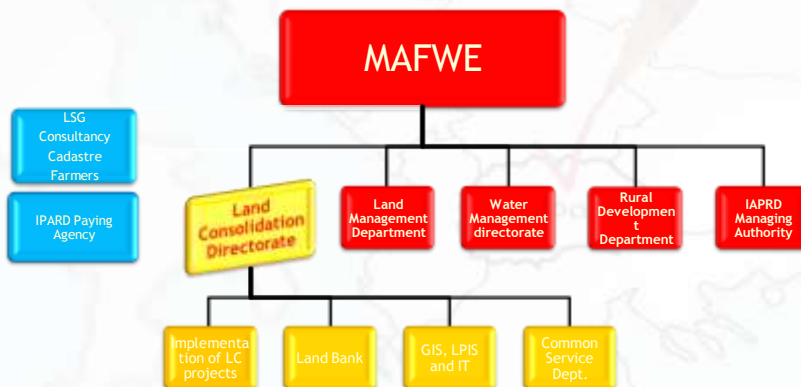
Two phases:

- In the **initial period 2012-2014**: setting of basic conditions (legal, institutional), and implementation of small to medium size projects of voluntary land exchange, and piloting more complex instruments of small scope, with parallel promotion of the results and awareness rising activities among the farmers
  - **Beyond 2015** (after evaluation of the results) process continue with implementation of more complex integrated LC projects in larger consolidation areas, including infrastructural investments
- **Initial LC regions will be identified** based on: intensity of agricultural activity, level of fragmentation and size of the parcels, potential to achieve bigger progress, and where farmers are more aware of need to consolidate their land, latter also where rehabilitation of the irrigation systems is more needed

## Areas of intervention to achieve strategic and specific goals

- **Selection of LC Instruments** envisaged to be utilized in LC process: **Voluntary Land Exchange, Voluntary LC and Legally Supported LC** with strong infrastructural (access to road, irrigation) investments
- **Provision of legal basis** – passing of **separate Law on LC**, by-laws, procedures and manuals plus adoption of other laws treating transfer of property rights to prevent further fragmentation and improve land market mobility
- **Establishment and institutional strengthening** of competent authority for LC formulation and implementation – **New LC Directorate** within MAFWE with separate budget

## Areas of intervention to achieve strategic and specific goals - Institutional set up of LC





## Areas of intervention to achieve strategic and specific goals

- **Financial sustainability provided through:**

- the new LC Directorate budget (for directorate and project operating costs - by 2013),
- Paying Agency RD budget for capital investments, and IPARD program for LC measure, according to EU Regulation 1698/2005 (accreditation process in advance 2013-2015),
- Institutional Strengthening IPA Projects (in 2014),
- LSG, Water Enterprises, other line ministries budgets (when implement projects)

*Aid intensity of public co-finance of costs is:*

- 100% for administration costs for implementation of project, geodetic works for land exchange and consolidation, property transfer costs and re-parcelization costs,
- 90-100% for the costs related to thercial irrigation network,
- 80% for the costs for building and rehabilitate of primary and secondary irrigation network,
- 70% for the costs of road and social infrastructure.

- **Public Awareness rising and improving of the LC skills**

(communication plan and conduct of campaigns)

## Other complementary policies

In order to achieve better and sustainable results, LC activities are planned to be adjoined with intervention in other non-land policies with side impact on prevention of further fragmentation, or wit incentive to enlarge the parcels

- Interventions are planned in following areas:

- Provision of accurate information of land markets
- Further improvement of the access to rural loans
- Reduction of transaction costs for transfer of property rights
- Inheritance of farm by one person
- Taxation of abounded and uncultivated land and management of such land via Land Bank

## Prospective activities

- Strategy will be publicly discussed next week
- After it will be sent in inter-service government consultations to be further adopted by the Government
- By the end of year, a new Law that is in process of drafting now, is expected to be adopted
- New competent authority for LC to be prepared in order to start working by 1<sup>st</sup> of January 2012
- Still concerning issue remains is how to bridge the period from now till IPA project in 2014 in terms of provision of TA to support initial period of newly establishing



**Thank you for  
your attention**

