

Farm Land Rationalisation and Land Consolidation: Strategies for Improved Land Management In Eastern and Central Europe

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1. Introduction and Background

It gives FAO a special pleasure to be present with you today at a meeting like this that brings together so many of our technical colleagues to discuss changes in land administration in a Region with which FAO has worked since its founding. The radical changes that were needed in European agriculture in the immediate post – WWII period in both the East and West occupied much of FAO's early energies. How would farms be reconstructed, what size would they be, how would they be owned. The war had swept away most of the remaining vestiges of European feudalism and its landed aristocracy and what would remain would be dealt with during the post-WWII land reforms.

But it was not clear at the time what pattern these reforming processes would take. For example, the more or less market supporting reforms of Germany and Spain and the government-led programme of Italy to create independent small family farms were an expression of a continuing faith in the liberal model that economic capacity grew out of secure property rights. Further these property rights were associated with the ability of a person to function as a full citizen in contemporary European society.²

Of course, we all know the other grand model that was tried, and there is no sense in dwelling unduly on it here. There are, however, a few important points that do bear heavily on our argument in the rest of this paper. When FAO worked with Member Nations trying to make various forms of social property models perform for agriculture, it was with a certain sense of adventure. Could this indeed be the way around the fact

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² Our thinking here hinges on the critical relationships between the land reforms of Europe starting with Denmark in 1780s and freedom from various servitudes and hence the obtaining of political rights. This was a process, fundamental in creating social and political definitions of person that were still going on in many countries in Central and Eastern Europe when WWII began (Riddell 1995). We will argue later in the paper that this has had profound implications for the restitution process.

that rural livelihoods seemed to be stuck in what Rosenstein-Rodan referred to as the "low-equilibrium trap"? Was it possible to make agriculture just like any other form of industrial enterprise? Would agrarian history be swept aside, and a new society based on rational production of ever larger enterprises replace the rustic nature of private ownership of the farm, with its isolated management structure? The answer is quite clearly no in each case, or we would not be here today. All of us in this room are concerned with the building, registering and administrating the myriad of private interests in real estate that the citizens of our countries want to hold and transact.

Thus, when the sudden changes came in 1989 it all seemed so easy. We would restore the old property rights through a well co-ordinated restitution process. We had well established procedures of title rejuvenation in our tool boxes. Old cadastres would be updated, new registries built and modern agricultural land markets would emerge, just as they had in Western Europe. But as we have seen, this has not happened, at least not during the first decade of change. Why?

One of the reasons is surely that we have mixed-up restitution which was essentially a political and justice issue with economic thinking. Restitution was a necessary foundation to re-establishing the principles of rule by law in place of rule by party. In addition it reasserted the idea of the state as a defender of property rights. Since for a majority of the inhabitants the most valuable property held before the collectivisation was in land, the restoration of real estate was paramount to establishing the new political order. That the restituted property often had no, or marginal, economic value in modern European economy was not an issue for this phase.

It is an issue that now effects us very much. The property was restituted, of course, in terms of its definition when it was collectivised. Thus the size, location and valuation all had to do with the agrarian and economic processes of the late 1930s and immediate post war period.

This leaves us with the odd situation where we have property restituted in more or less complete disregard to more than 50 years of centrally planned infrastructure (communications, irrigation, drainage, etc.) development. Thus, we find a large, sometime predominate, proportion of the parcels in rural areas that are unsuitable for the kind of rural economy that is needed in today's Europe, to say nothing of the globalising economy. We need to add to this the fact that the social structure has also changed radically since collectivisation. The population making a living in agriculture has dropped enormously and development today is no longer rural led as it was in the classic pre-WWII land reform days. Urban centres are the dynamic engines and there will be a necessary urban, not rural bias to everything. Thus, rural development in Europe today will have to build on the "Rural – Urban nexus". There is no longer a rural community without its city. Thus, the line between the peri-urban and the peri-rural has become blurred. This is a situation that presents a great challenge to land tenure and administration specialists.

2. A FAO Approach: Multifunctional use of rural space

FAO recognises the challenge given to agriculture and food production by the process of rapid urban growth. It has an interdisciplinary group assigned to develop new

programmes under the rubric "Food For the City". As part of this group, the land tenure and administration specialists at FAO have been recasting our existing tools to provide what we feel is a very sound way to assist rural communities in this process.

The basic idea is to combine classical land consolidation techniques with the participatory approaches that have been made possible with the advances made in spatial data technology. Indeed, when FAO was founded it was just assumed that some form of land consolidation would be necessary for rural development. Parcels had to be reorganized to take advantage of new equipment, drainage, irrigation and so forth. The second technical manual published by the FAO Land Tenure Service was on land consolidation (Binns, 1951). However, under the existing technological constraints it proved too slow and laborious a process. Some kind of cadastre had to be made of the existing parcels to ensure under the new plan, everyone would get land of equal value. By the time the existing situation was recorded and mapped to everyone's satisfaction, the process would be held hostage to the resolution and sub-division of the property of those who had died in the meantime. It was taking 25 years or more to complete the consolidation of a single village and by the time it was done, a whole generation had passed away and it was time to start again. Many Member Nations sought to short the process by imposed land consolidation programs (Eastern and Central Europe, for example) which never worked. Indeed, by the 1970s the whole concept of land consolidation had fallen into disrepute as too expensive and too slow. The number of requests for such services received by FAO by and large diminished greatly.

The current approach is based on a number of new principles:

- Land consolidation has to be participatory, democratic and community driven
- The focus is on rural livelihood rather than on primary production of food staples
- The end result is community renewal, that is, sustainable economic and political development of the whole community
- It is founded on the principle of assisting the community define new uses of its resources and then reorganize its spatial components (parcels) accordingly. (Participatory Territorial Organization)

Spatial data techniques (orthophoto mosaics, high resolution satellite imagery, digital thematic mapping and so forth) have provided the technical fields associated with land resource planning with a powerful means of discussing land use and administration across decision making boundaries, from the farmgate to the national planning office. It has proven an effective tool for community participation in every situation we have been able to try it. Whether we speak to olive and wine producers of Lazio in the area outside Rome, Italy or rice and cassava farmers in Guinea, the ability of the people to define their spatial concepts and have these represented by the polygons on the technician's/specialist's map alters the entire process. It is their space we are discussing. It is within their concept of this space that that we are helping them create a new future.

It is our conclusion that the technology of spatial data infrastructure (GIS, LIS, etc.) is a ground breaking conceptual frame that crosscuts all the resource planning fields and the people who depend on them. Thus, we can help people to easily see the relationship between their land tenure units (LIS) and the land use planner's agro-ecological zones

or the land administrator's environmental protection areas. It provides a basis for meaningful dialog because the concerns of the land user, the planner and the administrator can be discussed at the same intuitive level. Another important aspect is that none of the parties has to be an expert in the technology. Often the government administrator in charge of environmental planning decisions, for example, has no more knowledge of the technology than does the land user. It is a tool, not the answer, and it is a cost-effective way to include in all our projects the means of allowing the land users to truly participate³.

These new participatory tools made possible by the advances in spatial data techniques have revolutionized another critical aspect of land consolidation programs. This is the presentation of alternative solutions. Under the traditional manual approach each variation during the necessary negotiation process required laborious redrawing the new physical map to maintain a semblance of precision needed. Each "what if?" scenario became an expensive, time-consuming use of scarce technical personnel. It is no wonder that under the constraints imposed by classical graphical techniques, one of the early classic FAO publications on the subject recommended an imposed, non-participatory approach⁴. Of course it didn't work, but the motivation was that participatory approaches were just too costly using pre-computer assisted technology.

Participation to be a truly democratic process must at the same time be a truly interactive bargaining process. Land users must have an idea of all the possibilities, the effect of planning restrictions, policies and directives and to see the impact of their own proposals, change their proposals and have the time to think about the implications. The future of land consolidation/amelioration programs will rest on our ability to successfully bring together into a single conceptual package the needs, capabilities and aspirations of rural populations with the knowledge of agro-ecological planning, farm-gate level agricultural economics and sound sustainable environmental planning. For the first time we have the tools needed to achieve this level of sophistication. The future prospects of sustainable rural livelihoods looks much brighter on the land tenure front.

It has to be underlined though, that land consolidation remains still very much a black box and its full scope of impacts is still very much an enigma since experiences, best practices and lessons learned from developing countries and countries in transition are scarce. Without thorough assessments in terms of research studies, surveys and pilot projects and thoughtful considerations regarding the integration of rural development elements to the conceptual framework any corrective measures concerning land consolidation and re-allotment may have undesired effects and add further to exclusion, marginalization and even impoverishment of the rural population.

³ To use an analogy, people everywhere have seen the utility of using cellular phones, a technology that just a few years ago served only by the military and the very wealthy. The millions of users today need know nothing of packets, GSM, and so forth.

⁴ Binns, B. 1951 *Consolidation of fragmented agricultural holdings*. FAO, Rome. This slim volume is still one of the classics on the subject.

3. FAO Experience

In the 55 years since its founding FAO has assisted Member Nations in addressing the land fragmentation and consolidation issues under numerous circumstances⁵. Based on this collective experience the Land Tenure Service has been focusing on three separate processes through a series of analytical studies:

1. Those processes of fragmentation that are the result of cultural and legal traditions of devisement (inheritance, gifts, intervivos transfers, etc.). This is a dynamic aspect of any society and a number of institutional solutions have been developed to address the equity issues involved. Thus, while a single inheritor (primogenitor, ultimo genitor or right holder's choice) has its rational in preventing parcel fragmentation, it calls into question what are the rights of other inheritors. Thus it is not surprising to find that a large proportion of the world's societies have opted for more equitable inheritance patterns. In such cases, land consolidation programs have to work within existing cultural norms in a very dynamic way. Since all agricultural holding will be radically effected each generation cycle (approximately every 25 – 30 years) land consolidation cannot be a "one-shot" undertaking, but a continuing part of rural development, to be effective. Most of our current work in this area is focused on the Mediterranean Basin.
2. Those processes that are the result of radical shifts in the demographic profiles of rural areas represent the second area of the current focus. Rapid growth of urban areas has disproportionately drawn off the young from rural communities. The data indicate that this shift in populations is characterized by a predominance of males, the better educated and surprisingly, the rural middle and upper classes. Under such conditions, rural space will have to be reorganized if there is any hope for revitalized rural economies needed for sustainable livelihoods and food security.
3. The third area of concentration on land consolidation issues involves those Member Nations that have recently undergone the process of land reform either via restitution, compensation or distribution. This is a situation that combines the other two processes in a very special way. To better understand the complex dynamics involved, FAO is working with numerous partners in detailed analysis of the situation in Central and Eastern Europe and Central Asia. The nature of these interventions will be the basis of the next section of the paper.

4. FAO Involvement in Land Consolidation and Improved Land Management Endeavors

4. 1 Comparative Study on Land Fragmentation in four EU Accession Countries in CEE

FAO commissioned a comparative study of land fragmentation and its impacts on rural development in four Central and Eastern European Countries: Bulgaria, the Czech Republic, Hungary and Romania. The main objective of the project is to analyze and assess the impacts of land fragmentation in predominantly agriculture based communities and to design and develop strategies and policies for land consolidation

⁵ The Land Tenure Service is in the process of compiling a bibliography of all past land consolidation projects, guidelines, planning manuals and publications.

and re-allotment, including elements of rural development especially with regards to village melioration and renewal.

After decades of collectivization Central and Eastern European Countries have made significant progress concerning the devolution of state hold real estate and property to private owners in both, the urban and rural space.

Considered a cornerstone for market economy in the sphere of agriculture, priority was given to speed up the re-privatization process, secure land tenure and property rights, develop land markets and untie the inherent wealth locked within the property market. Further improvements in these key areas are likely to occur considering the favorable political environment and the comprehensive legal and conceptual framework. Notwithstanding the remarkable success of the land reform, land fragmentation emerged as a side effect with detrimental implications for sustainable economic growth and social development in rural areas as it constrains both private and public investments.

Dispersed parcels and properties, scattered over different political, juridical and administrative boundaries obstruct spatial planning in terms of land administration, land use planning and management. Decision-makers are encroached by limited possibilities and alternatives to allocate resources. This hampers the implementation of rural, regional development policies, strategies programs and projects aimed to improve rural livelihoods.

Beside infrastructure and service provision the agriculture sector is most affected. The parcels farmers received are often too small to survive in an increasingly competitive sector and often badly shaped, for instance in their length to width ratio. Both characteristics make it difficult to implement new production patterns, utilize machinery and appropriate technologies. Most of the plots are not adjacent to each other, and many not even situated in the same area, outside the municipal jurisdiction or even in neighboring counties. Compensation left farmers without a personal relationship to the land they newly own. Relocated in different geographical (and social) territory, experiences and skills gathered elsewhere do not fit into the new environment. This argument holds for individual farmers, co-operatives and the newly emerged corporations, such as public limited or joint-stock companies alike. In particular, the latter, created in the wake of the dismantling of state-owned farms, often work on hundreds of parcels of land and are engaged in thousands of individual limited-term leasing contracts. Consequently less-favored and least-developed regions with economies still depending on agriculture have been witnessing negative growth rates, soaring unemployment, mounting rural poverty and, as a result, serious social and economic disintegration and wide-spread disappointment among local actors and stakeholders.

Despite certain commonalities, land fragmentation patterns differ from country to country and we have to distinguish between fragmentation of ownership and fragmentation of land use. The Czech Republic and Hungary managed to control extreme forms of land use fragmentation for the time being due to fact that co-operative farms were not dismantled during land reform and the current legislation allows lease agreements to increase farm size. Nevertheless transaction costs are high given the sheer number of short-term lease contracts and legal and juridical restrictions regarding freehold

arrangements, which still hamper farm enlargement. Such is the case of Hungary, where co-operatives, according to the current legislation, are not allowed to purchase land.

In this context it still remains uncertain whether the cooperative-type of farms will survive in the long run, especially in view of EU common agriculture policy and open market conditions. If a significant number of these farms fail to be competitive the problem of fragmentation could resume on a significant scale. This is clearly shown in the case of Romania where fragmentation of ownership coincides largely with fragmentation of use of the land since most cooperatives were dismantled at the outset of transition and this farm type virtually disappeared in 1992. At the moment the average size of private individual farms, which account for 62 percent of agriculture land is 2, 3 hectares spread over 6-10 parcels. Estimates for Bulgaria indicate, that once the land reform is finalized, more than 2.6 million private farmland titles, divided among 12 million parcels with an average size of 0. 4 to 0. 5 ha each, will be issued. The average size of the holding is approximately 2 has.

With regards to the environment, collectivization and large-scale agro-industrial crop and animal production led to extensive clearance of the natural landscape and the degradation of natural resources. Since ecological damages cannot be remedied at the individual level, concerted action and joint efforts among and between public and private actors is needed. To make water and forest conservation effective, entire watersheds, river basins or protected areas have to be delineated and demarcated. This requires consolidation and re-allotment of plots and parcels together with clear and transparent ownership rights and, hence, clear and transparent duties and responsibilities.

The situation presents a very real challenge to land administrators. Alongside the necessary normative framework, capacity building, stakeholder participation, conflict management, knowledge transfer, training and technical assistance are needed to raise awareness, build confidence and mutual trust.

4. 2 Proposal for Technical Co-operation Project in Hungary "Strategy for Improved Land Management in Areas with High Natural Disaster Risk.

The Hungarian Ministry of Agriculture, represented by the Departments of Land and Mapping and Rural Development is requesting FAO assistance to design, develop and test a strategy for improved land management including g land consolidation, village melioration and rural development for environmentally sensitive areas suffering from erosion, water-logging and/or flooding.

Main FAO inputs include:

- Preparing conceptual and methodological guidelines for participatory land consolidation and village development programs in Hungary
- Designing and developing an operative framework for rural development, land consolidation and village melioration projects, especially with relation to the forthcoming EC accession programs
- Assessing and validating the process of data collection, processing, transformation and application concerning tenure security, property rights, land consolidation, geographic and spatial information

- Consolidating the institutional, organizational and managerial framework for interdisciplinary cross-sector and multifunctional 'One Stop Shopping' scheme for local/regional rural institutions including public –private partnerships
- Testing best practice experiences and lessons learned in representative, predominately agriculture based regions
- Designing and developing complementary research studies and analysis to assess and appraise the potential economic, social and ecological impacts of land consolidation and village melioration in Hungary

4. 3 Strategy for Land Consolidation and Improved Land Management In Armenia and Georgia

The overarching goal of the project is to offer concrete legal, conceptual, methodological and managerial proposals, for both concerned governments and civil society, to improve rural livelihoods and achieve increased efficiency and competitiveness for sustainable agriculture and rural development.

The main objective of the project is to contribute to the development of an appropriate strategy for land consolidation/land management including elements of rural-regional development in Georgia and Armenia.

4. 4 The Eastern and Central European and Central Asia Initiative on the Development and Maintenance of Property Rights (ECAI)

The ECA Initiative represents a joint effort of experts from the World Bank, FAO, concerned governments from both donor and recipient countries and bi-lateral development agencies to secure the process of transition of post socialist economies with a focus on:

- Knowledge exchange among partners in ECA and non-ECA countries
- Development of regional and country based analysis in specific areas related to real property rights development and maintenance, with particular emphasis on cross-sector awareness and understanding
- Coordination of international agencies and donor work to optimize the respective comparative advantages

The objectives of the ECA Initiative can be summarized as follows:

- Development and maintenance of real property rights in post-socialist economies,
- Development of a comprehensive conceptual framework for solving property rights problems
- Identification of regional commonalities that could be analyzed and addressed jointly to reduce individual project preparation and implementation costs
- Better understanding of country specific situations.

Based on this conceptual framework the expected outcomes are:

- Rising awareness of magnitude and complexity of land administration problem at all relevant levels,
- Country-owned understanding of general regional problems and own specific ones,
- Setting priorities in land administration strategy,

- Personnel and other groups (civil society, etc.) involved in land administration who have the proper training to support modern land tenure,
- Reduction of gestation and implementation periods of land administration projects,
- Improved public-private sectors mix in the production of land administration related services,
- Reduction of cost for the implementation of land administration systems,
- Improvement of efficiency of donors, international agencies aid and financing and, national resources from client countries.

During several conferences and workshops on the subject of maintenance and development of property rights representatives from CEEC and CIS countries considered land fragmentation among the principal obstacles for increase in farm productivity and competitiveness, land market and rural, regional development. Consequently the Draft Business Plan of the ECAI underpins the priority to address this problem and several co-operation projects between FAO and bi-lateral donor agencies are in preparation. As the audience can see, this is a matter in which all of you here today are actively engaged. We invite you to join us in the activities of the ECA Initiative and seek your assistance in identifying opportunities for synergy with other on-going and contemplated efforts.

5. Conclusions:

In general it has to be outlined that the term land consolidation is misleading, since it suggests an exclusive orientation towards the area of land administration. Access to land and secure property rights are crucial but equally important are rural development elements such as local capacity building, rural services, infrastructure, employment schemes etc. in order to improve rural livelihoods.

- In transition countries in the ECA region land reform in terms of restitution, compensation and distribution led to extreme land fragmentation, which hampers sustainable rural development and affects all sectors with agriculture obviously hardest hit.
- Despite the fact that land fragmentation is widely known and recognized there are few interventions so far and no comprehensive study/research in CEEC/CIS has been carried out.
- Since the impacts and implications of land consolidation programs are still very much a black box careful appraisal is needed to avoid/mitigate/forecast negative externalities for rural society
- Land consolidation represents a essential requisite for further interventions in the rural space especially for EU accession countries
- Complex land consolidation processes provide an excellent opportunity to integrate land tenure services into the broader framework of rural, regional development and substantial synergy effects for instance joint activities concerning rural institutions can be expected.
- Lessons learned in Western Countries show clearly that for land consolidation participation is absolutely necessary and its implementation proved successful only where stakeholders and beneficiaries are involved in decision making processes and existing, informal approaches and schemes are recognized and integrated into local democratic governance institutions.

Paper presented during the International Symposium " *Land Fragmentation and Land Consolidation in CEEC: A gate towards sustainable rural development in the new millennium*"; Munich, 25th – 28th February 2002

Summarizing these arguments land fragmentation is considered as one of the major obstacles to achieve sustainable rural livelihoods, especially in transition countries. Therefore land consolidation ranks among the highest priorities for FAO/Sustainable Development Division and its specialized services, both Land Tenure and Rural Development, in CEEC and CIS countries.