

Strategy for Land Consolidation and Improved Land Management in Georgia

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List of Abbreviations and Terms

APLR	Association for the Protection of Landowners' Rights
UN	United Nations
FAO	Food and Agriculture Organization
SDLM	State Department of Land Management
NGO	Non Government Organization
EU	European Union
KfW	Kreditanstalt fuer Wiederaufbau (German Bank for Reconstruction)
GEL	Georgian Lari (1 EURO=1,85 GEL; February 2002)
GTZ	Gesellschaft fuer Technische Zusammenarbeit (German Association for Technical Co-operation)
USAID	United States Agency for International Development
Rayon	District
Sakrebulo	Community / Municipality – Lowest level of self-governance

1 ACKNOWLEDGMENTS AND FOREWORD

This Case Study is mainly based on the outcomes and findings of the pre-feasibility study ‘Strategy for Land Consolidation and Improved Land Management’ conducted by UN/FAO through its Sub-regional Office for Central and Eastern Europe, Budapest (November 18-30, 2001).

I’d like to express my sincere appreciation of the work of the international experts’ Messers. W. Mueller, J. Lieberei and V. Lejava, and the decisive contribution from organizers (FAO, Budapest) side that is duly reflected on the quality of the aforementioned Study.

As the case study is concerned with strategy for land consolidation and improved land management it is to be emphasized that Georgia as a transition country is at the initial stage of defining above mentioned strategy. To state briefly: Georgia is at the stage of defining the strategy and the questions are more than answers.

This would imply that the correct understanding the land consolidation is the issue to be tackled firstly. To formulate the strategy some major questions are to be answered as:

- What is land consolidation?
- What does land consolidation have to target?
- What are the costs and benefits of land consolidation?
- What are the ways of and timing for implementing land consolidation?

In this Study land consolidation is to be understood as *concerted effort towards sustainable rural development at the local level*.

The term "*concerted*" implies that many actors are involved and many different interventions take place in the process of land consolidation.

There are no queries necessary to detect the problems land consolidation in Georgia can tackle. They are on the surface. However, all those problems are being dealt using sector approaches, whereas modern land consolidation can offer the synergy of *concerted inter-sectoral approach*.

Aforesaid would imply that in Georgian case, at the given stage of development, land consolidation affords are more creation of conditions for a full scale land consolidation programmes rather than direct actions and interventions.

2 COUNTRY PROFILE

2.1 Background Information

When discussing Georgian case, low income mountainous country with the area of app. 70 000 sq. km (the size of Bavaria) with the population of ca. 4,4 million (preliminary results of the 2002 census) is to be considered. Out of this population about 40% is rural, with higher percentage of involved in agriculture as the considerable share of the population in medium and small size towns is also involved in the primary agricultural production.

Starting in January 1992 the Georgian Government privatized approximately 25% of agricultural land. Citizens who were directly involved in farming had the right to receive up to 1.25 hectares of land per family. As a result of the land reform 1.055.200 million families – i.e. an estimated 4 million Georgian citizens - became owners of small land parcels, with an average of 0.9 hectares per household and 0.25 ha size of an average parcel. This privatization was free of charge – so called social privatisation.

The land was not provided in one parcel to the different recipients. On the contrary, because of the chosen kind of allocation, each family was given approximately 4 to 5 different types of land parcels located in different areas. This has led to the fragmentation of privatized land throughout Georgia.

Agricultural land in Georgia is recorded as being 3020 thousand hectares (44%). The remaining area (57%) is covered by forests, urban settlements and other uses. 942 thousand hectares of state owned land were transferred into private ownership free of charge. 762 thousand hectares of privatized land were suitable for agricultural use, which amounts to about 25% of the country's total farmland. 2256 thousand hectares of agricultural land (75%) remained in state ownership, out of which 940 (31%) thousand hectares are currently leased.

Most of the land that was privatized lies in the vicinity of settlements and in Georgia's more important agro-ecological zones. The majority of the land designated as arable (55% of total arable) or used for perennials (68% of total perennials) was privatized. The remaining state owned land is mainly to be found in remote, often mountainous areas where there is a clear dominance of pastures. Most of the seed production, breeding, testing and other experimental farmland is not yet privatized.

Sought-after land still remaining under state ownership is largely leased under long-term lease contracts. Often this land has been leased in large blocks (following the former Kolkhoz boundaries) to individuals or legal entities.

Although the fact that 75% of land is in state ownership might at first glance indicate that land is available, the actual situation is that the "valuable" land in the vicinity of villages is either privatized or leased, so that not much reserve land is available in the agriculturally important areas. It also needs to be stressed that over 60% of the country consists of mountainous regions, which is reflected in the large area designated as pasture often with very limited accessibility.

2.2 Legal Framework

The first stage of land reform as described above coincided with political and economic crises, civil war and a difficult criminal situation without a legislative framework. Only in March 1996 did the

Parliament approve the Law on Agricultural Land Ownership. Basically the Law has legitimized all the previous acts aimed at the privatization of land in the country.

Since then a number of efforts have been successfully implemented with regard to the registration of land and the land cadastre. These include the “Law on Land Registration” of January 1997 and the “Presidential order on urgent measures for the initial registration of agricultural land ownership rights and issuance of registration certificates to citizens of Georgia” (1998).

The Georgian legislation regarding land, landownership and land related issues includes:

Constitution of Georgia (1995)

With the new *Constitution of 1995* great progress was also made with regard to the development of land-related legislation. Land tenure security and property rights are secured under *Article 21* of the Constitution. Property is considered inviolable. Universal rights include those of ownership, acquisition, transfer and inheritance. The constitution also provides that such rights may be restricted for the purposes of public needs, provided that due process is exercised and appropriate compensation is paid.

Article 21 in the Constitution of Georgia is the fundamental provision covering the ownership of land and the transfer of land.

Civil Code (1997)

The Civil Code also contains regulations with an impact on ownership and ownership rights. The Civil Code provides an important legal basis for a number of crucial elements related to land consolidation and land management. These regulations concern legal rights to property. They state that: “*For real estate acquisition it is necessary to produce documents approved by notary and registration of the person acquiring in the public register.*”

Law on Agricultural Land Ownership:

The purpose of the Law on Agricultural Land Ownership is to ensure the rational use of land, to improve agrarian structure and to prevent the fragmentation and inefficient use of land parcels. The Law determines the rules of acquisition for agricultural land parcels and of government intervention for their regulation. The Law specifies that agricultural land can only belong to Georgian citizens or legal entities registered in Georgia. Land in mountainous areas may be in private, community or state ownership. The Law also observes customary land tenure, recognizing village communities as possessors of land in areas where private land ownership is contrary to local traditions. The Law has left mountainous areas in common village and community ownership.

Law on Land Registration (1996):

The Law on Land Registration defines that ownership rights are recognized only when those rights are registered. Thus security of tenure can only be claimed if land is registered. Even in the case of leasing the tenure is secured if the contract is registered in the public book.

This also includes all secondary registrations, in particular the regulation of procedures for the registration of land transactions (leases, sales, mortgages) including the procedures for register correction, compensation fees and non-fulfilment of requirements. On this legal basis land management actions are possible both between private owners and the state and the transfer processes are safeguarded.

The introduction of the law describes general provisions and important definitions related to issues on land, survey and registration, which are of course of great interest for land consolidation activities. Also, the Land Registration System and its organization are explained and it is laid down that the initial registration of privatized land and other real estate should be free of charge (registration fees).

The Law on Land Registration is the most important basis for measures related to land consolidation procedures as long as no separate legal act on land consolidation is available.

Tax Code:

The present system is reflected in different tax rates for agricultural land. The annual tax rate is fixed depending on the characteristic use of the land (arable, perennial, mowing or pasture) and the quality of the soil (good, medium or low) and on its location in the rayons. The lowest rate is 2 GEL (app. 1.1 EURO) and the highest 57 GEL (app. 30.8 EURO) per hectare per year. Normally the leasing rate of land is equal to the tax rate. The present Value Added Tax system also has an affect on the agricultural land market. 20% VAT on net agricultural production income above GEL 20,000 (app. 10,800 EURO) (by crop) encourages the farmers to avoiding tax payment by portioning agricultural production between different individuals.

Law on Land Parcel and Related Immovable Property State Registration Fees (April 1999):

In November 2000 an amendment was made to the Law on Registration fees in order to encourage landowners to register their transactions more often (initiated by the Association for the Protection of Landowners' Rights). The fees for secondary registrations were reduced from 26 GEL (app. 14 EURO) to 7 GEL (app. 3.8 EURO).

In the case of the consolidation of parcels, the registration for the first three parcels costs 7 GEL (app. 3.8 EURO) and registration of every additional parcel costs only 2 GEL. The fee for a copy of the register varies from 0.5-2 GEL (app. 0.27-1.1 EURO).

Law Regulating the State Land Management:

Georgia is committed to privatization and it has successfully transferred extensive amounts of land and other property into private hands. However, the state will always remain the holder of some land assets, since for various reasons some land will not be transferred into private ownership. A serious bottleneck with regard to future land consolidation is the non-existence of municipal and communal land. The present legislative framework only envisages two types of ownership, private and state ownership. However, it would be desirable municipalities to play a role in future land consolidation that is not simply restricted to the management of land. The municipalities need some reserves of land for infrastructure development, compensation and other communal tasks. Thus future laws on privatization and/or land consolidation should consider this aspect.

Law Regulating Local Self-Governance:

The question of self-government at rayon and municipal level is presently being vehemently debated in Georgia. Municipalities have not up to now functioned as fully democratic self-governing local authorities. Their powers and obligations are not clearly defined with regard to the State/Regional Governor and to self-government at rayon level. The fact that the question of local self-government has not been finally resolved in Georgia further weakens the role of the municipalities in the active management of land and spatial development. This weakness is aggravated by poor finance conditions and their lack of land ownership (as mentioned above).

Legislation on Land Consolidation:

Neither the legal nor the institutional framework in Georgia is at present adequate to address issues of land consolidation or rural development. No specific law has yet been framed to address land consolidation and fragmented agricultural parcels and to promote rural development. Due to the lack of a land consolidation act, any land consolidation procedures currently have to be carried out on the existing legal basis. The usual advantage of a simplified land consolidation procedure is therefore not practicable in Georgia. The drafting of a land consolidation act (or a temporary decree) would be a necessary precondition for the implementation of land consolidation measures, e.g. on a pilot scale. Otherwise the process of consolidation and allotment would be more difficult and costly.

Legislation on Second Phase of Privatization:

The land reform process has now arrived at the preparatory stage for the second phase of privatization of the remaining state owned land. In November 2001 the draft law on the privatization of agricultural land remaining in state ownership was finalized and it is presently being discussed. The draft law seeks not to increase the fragmentation that resulted from the first phase of privatization. It addresses the issue of the minimum parcel size (3 hectares) and average parcel size (5–10 hectares) to be privatized through land auctions. Its other provisions include the consideration of present leasing agreements (priority sales to present leaseholders), a participatory approach to privatization on the lowest local level (the Sakrebulo/community) and a number of other features that form part of a more sustainable land management strategy.

However this law is not yet approved and there is controversy in Georgia about the future strategy for privatization. A strategy on land consolidation will be closely linked to the outcome of this discussion.

2.3 Institutional Framework, Main Actors and Stakeholders

The following institutions, agencies, associations and other stakeholders are interested in land consolidation and are in most cases potential partners in all planning processes.

The State Department for Land Management (SDLM)

The SDLM has a strong stake in matters related to improved land management. It is responsible for developing state land management policies, designing and implementing programs, and assisting in the preparation of legislation on land management issues as well as the resolution of land-related conflicts. The tasks of the SDLM include land allocation, land alienation, change of land use and state control of land use.

Currently the SDLM is mainly occupied with the ongoing land registration and cadastre and has made significant progress in the execution of the first registration. One of the SDLM's institutional strengths is that it is responsible for both land registration and the cadastre. This combination provides favourable circumstances for ensuring that the registration and cadastral systems function efficiently and effectively.

In 65 rayons there are land management offices to carry out the initial land registration and cadastre operations. The SDLM does not currently carry out land use planning. The current workload of local offices is nevertheless high, because the initial registration ties up many resources.

The SDLM staff is aware of the current problems in rural areas, caused by fragmentation of ownership and infrastructure weaknesses, and are supporting efforts (projects) to improve the

situation. The land management offices can assist in land consolidation by supplying the registration data relating to the old situation and will receive data for an automatic update after the re-allotment of new parcels. Close co-operation must ensure that the ownership rights are safeguarded in the land consolidation procedure.

The Ministry of Agriculture and Food is responsible for agrarian reform. The Ministry is in charge of offices on the second level, i.e. the 65 rayon offices. The number of members of staff in one office depends on the size of the rayon and varies from 6–15 employees. Land consolidation is regarded as a useful instrument for improving farmers' incomes. The offices for agriculture and food are to be integrated in the process of land consolidation as they define and state leasing strategy and implement it. They are responsible for providing agricultural extension services to farmers as well.

The Ministry of Urbanization and Construction shares responsibility with the SDLM for land-use planning and policy formulation. The Bureau of Technical Inventory (BTI) is subordinate to the Ministry and has records of real estate. The Ministry of Urbanization and Construction is assisted by regional and local offices. Representatives of the administration are involved in some pilot projects with various aims, associated for instance with natural resources, eco-friendly energy and tourism. Representatives from the Ministry show great interest in land consolidation tasks and close co-operation is expected.

The Ministry of Environmental Protection and Natural Resources is responsible for all the planning and implementation of environmental measures and natural resources. Currently its main tasks focus on pollution, mining works, oil transport, pipelines and field pesticides. Close co-operation between the regional and local offices and a land consolidation body is necessary with regard to the issue of landscape planning and protection.

In the State Department for Irrigation and Water Management the importance of irrigation and drainage for agricultural production was emphasized. Irrigation to ensure steady annual production is essential if agricultural products are to be marketed under long-term contracts. There is an urgent need for the rehabilitation of irrigation systems, hydraulic structures and drainage measures by means of rural development cooperation.

The Department of Geodesy and Cartography regulates surveying and mapping activities conducted by state organizations and the private sector. Its requirements are related to surveying techniques and do not include legal cadastre.

Municipalities

Local self-government at municipal level is presently very weak. The existing municipalities are administrations with governing mayors appointed by Government. Municipalities do not own land, but they are responsible for administering the disposal of state-owned land. It is currently intended to reorganize the municipalities. The responsible areas for the communities, rayons and regions might change.

Associations Active in Rural Development

Some non-government organizations (NGOs) and associations are important partners for land consolidation and rural development and should be involved in planning activities, especially in coordinating possible activities.

The Association for the Protection of Landowners' Rights (APLR) is an important advisor for farmers and other landowners. It involves itself with relevant political decisions (i.e. on legislation, tax and fees) and also with practical projects.

Elkana is a Biological Farming Association. Its main objectives include assisting the sustainable development of Georgian agriculture and improving living conditions in rural areas by stimulating self-help processes in the villages.

Utility Companies such as power, water, sewage and telephone companies may be affected by consolidation procedures and be interested in co-operation. Some legal regulation of the registering of user rights is required. The holders of such rights (utility companies) should link together to make agreements with the landowners for each individual case.

Private Persons living in the land consolidation area or nearby may profit from rural development and have a special interest in the benefits of land consolidation. Landowners and farmers are interested in simple land transfers without charges and farmers may be stimulated to improve their farmland and holdings. The consolidation of parcels, the building of new roads and the improvement of access would make an essential contribution to efficient farming by shortening the working time required.

It is to be found in the villages that there is an interest in consolidating parcels not only among larger scale farmers but also among some farmers with smaller holdings. Co-operation takes place e.g. with regard to the use of machinery, usually on the basis of private verbal agreements.

No great knowledge of farming is generally evident amongst the farmers. The small farmers in particular do not aim to become professional farmers; they are just trying to survive with their families through subsistence farming. Some farmers complain about the high cost of fertilizer and about receiving no support from the governmental agencies. There is a lack of trust in all official activities as a result of corruption.

Dwellers in rural areas complain about poor conditions with regard to essentials such as roads, water supply, power supply, sewage treatment systems etc. Small-scale enterprises and handicrafts are lacking in the villages. The inhabitants cannot see any future in the villages and complain about the departure of young people. The rural people are aware of the problems but are hopeless and lethargic, without the facilities and skills to change the situation.

Politicians are aware of these problems in rural areas but there is no political program and no strategy to improve the situation. Rural areas are less developed and in a much worse condition than urban areas. As a consequence people are abandoning rural areas and moving to the cities, expecting to find work and better living conditions. The political aim of creating equally good living conditions in both urban and rural areas has to exist. The time now seems to be ripe for an active rural development policy.

2.4 Donor Activities

Subsequent to land reform a number of donor-funded projects have made progress with aerial photography, mapping, cadastre software, database development and registration of land titles, thus contributing to more secure land tenure in Georgia. However, the initial registration process has not yet been finalized (40–50%). Coverage of more territory by cadastral data and its integration into a unique database system will increase the effectiveness of the cadastral system. The initial registration can be completed within 2-3 years.

International donor organizations are also making efforts to improve land management in Georgia. Currently there are seven donors involved in projects with the State Department for Land Management (SDLM) in Georgia:

- USAID Land Market Development Project

- World Bank/IFAD Land Registration Unit
- KfW Cadastre and Land Register Project
- EU Food Security Programme
- GTZ Urban Land Management
- UNDP Land Management
- SIDA Training Project

Most of the above projects are aimed at the improvement of the cadastre and registration system in Georgia, which is an important precondition for further land consolidation efforts.

In addition there are a huge variety of projects in the field of agriculture as this sector is the donor focus in the country. Many of these projects work on community level, sometimes in co-operation with NGOs. According to the NGOs' experience, outcomes have been positive with respect to community mobilization.

The achievements of these projects as well as the established legal framework have created a sound base for further activities with regard to improved land management.

2.5 Status of Land Markets

The land market is very weak, especially in rural areas. Registered secondary land transactions are scarce. Although figures indicate a doubling of land transactions every year for the last four years, the total number of transactions was no more than 17.000 in the year 2002. This is a result of general economic conditions as well as a number of specific reasons:

- The existing credit system is not favourable to agriculture. One-year term credits are available only at high interest rates (minimum 18%). Furthermore neither the land nor the house owned by farmers are normally accepted as collateral by the banks because of low value. In addition neither agricultural banks nor agricultural insurance systems exist. Real estate and land agencies have begun to develop in urban areas. In rural areas some marketing has begun but only with regard to holiday homes in sought-after locations near Tbilisi or the established holiday resorts.
- The present taxation system cannot be considered supportive to the agricultural land market. 20% VAT on net agricultural production income above GEL 20,000 (app. 10,800 EURO) (by crop) discourages farmers from acquiring more land and leads to tax avoidance by dividing up agricultural production (fragmentation). Land tax is currently identical to leasing rates. In addition leasing is often connected with complicated procedures, which further discourages landowners from leasing.
- Land valuation is carried out according to an old classification system based on location, e.g. accessibility, rather than on a combination of more realistic parameters such as soil quality, land suitability and land market analyses. The present system is reflected in three different tax rates for agricultural land. The absence of a proper mechanism for land valuation thus hampers the development of the land market, especially with regard to the selling of land. In general land prices in rural areas are extremely low (with the exception of vineyards). Prices range from 1,000 GEL (app. 540 EURO) to 20,000 GEL (app. 10,800 EURO) per hectare. Therefore, landowners prefer to maintain their land as some sort of

social security even if they do not cultivate it. And the value of land is presently deteriorating due to the lack of soil fertilization, anti-erosion measures etc.

- Land transactions involve registration fees and since most of the smallholders live below the poverty line, they tend to avoid the payment of registration fees and – if transactions take place – prefer to make oral agreements with neighbouring landowners.

In spite of the negative environment for land market development, some initiatives can be observed with regard to land transactions in rural areas:

- There are examples of private leasing. Some private landowners, not satisfied with their small areas of land, are seeking more land where possible. This represents a positive approach, which should be further promoted. Also some voluntary exchanges of land parcels can be observed. The recent reduction of registration fees to GEL 7 (app. 3.8 EURO) per parcel may have encouraged some landowners to register their land transactions officially, so as to secure their long-term ownership rights.
- There are instances of co-ownership and the uniting of farmers to work jointly on their fields, especially for land uses that require concerted action such as viticulture. However, the creation of farmers' associations and farmers' credit unions – which may be the most appropriate way to overcome the above problems – is still underdeveloped.
- There is a demographic dimension in Georgia that may be favourable to the further development of the land consolidation efforts. Many landowners have reached pension age. Thus land transactions including inheritance will play an increasing role in the near future. More land may also become available from the large number of people who have not had much success in farming in recent years and may therefore want to give it up, as well as from landowners who are not interested in farming because they have been previously educated for some other work. However, with regard to inheritance the question of gavelkind tenure (real division of real estate between heirs) needs to be addressed. Otherwise inheritance will lead to the further fragmentation of agricultural land.

2.6 Review of Georgian Agriculture and Rural Development

There is a clear distinction between the humid Western Georgia and the more arid Eastern Georgia. In addition the majority of Georgia consists of mountainous areas of up to 5000 meters. This geographical variety is also reflected in the agricultural structure and the settlement structure. Diverse agricultural production systems with a huge variety of products can be found in the different areas of Georgia.

Georgia is rich in natural resources. The great diversity of landscapes and climate, as well as the fertile soils, has always allowed a huge variety of agricultural products for both the domestic and the international market. In former times Georgian agriculture played a significant role on the export market within the Soviet Union. The main income from agriculture was derived from viniculture, horticulture (nuts and fruits), citrus fruits, vegetables, sunflowers, tobacco, cereals and potatoes.

After independence and the collapse of the Georgian economy, the situation in the agricultural sector has completely changed. Today Georgia is a “low income country” (WB classification), based on agricultural subsistence farming. The agricultural sector is still the main source of income and employment (50% of the population) and accounts for more than 20% of the GDP. Rural incomes have remained practically stagnant.

Low yields had a negative impact on food production and the earning capacity of a significant proportion of the population and thus on household food security. Many farmers are stuck in a low-input low-output trap and domestic production suffers from competition from legal and illegal imports. Following 1997-1999 years economic stagnation there has been a drastic decline in agricultural production, which has been further aggravated by the occurrence of drought in East Georgia in 2000 and in West Georgia in 2001.

The rural physical infrastructure is desolate. This infrastructure was built for large-scale farming in sovkhozes and kolkhozes and is now totally ineffective for current farming in small-scale units. There is no general accessibility of land parcels by rural roads, and the existing roads are in a poor state. The irrigation system, established during the period of large-scale farming, is insufficiently adjusted to the new land tenure structures. The water management system has collapsed. There is a great lack of efficient agricultural machinery and trailers. Most of the state co-operatives have been abandoned or are unlikely to be restarted without major capital investment.

The basic physical infrastructure in rural areas is very poorly maintained and often defunct. Roads are in poor condition, most households do not have running water and the energy supply is erratic. The social infrastructure, especially the schools, is in a state of decay. Most villages do not have adequate economic infrastructure and depend on supplies from regional and sub-regional centers.

The provision of services to small farmers is poor. Most farmers do not have access to agricultural extension or other services such as insurance systems or agricultural credits. Only a few farmers are organized into co-operatives to improve small-scale production or marketing. The marketing of agricultural produce is often carried out at the roadside or at local markets.

Georgia's agriculture is not subsidized at present. Wine is currently regarded as potentially the most profitable agricultural product. This is reflected by relatively high investment in this type of land use and the land prices for vineyards. Hazelnuts are also regarded as a crop with high potential for export and they are widely planted in Western Georgia. Fruit orchards are still highly valued by the farmers but the advancing age of the majority of trees/plants and the breakdown of the irrigation system constantly reduce agricultural income from this type of land use.

There is potential for bio-farming, especially since farm inputs such as pesticides and chemical fertilizers have not been systematically applied over the past ten years. Georgians, especially the residents of Tbilisi, are aware of the difference between low quality agricultural imported products and better value domestic production and are willing to pay higher prices for more quality. Big international food processing companies have already showed an interest in Georgian bio-products. However, the systematic marketing of such products is presently hampered by the absence of a transparent certification system (a draft law is currently in preparation).

The once important agricultural processing industry has also been seriously damaged. Many of the former facilities are not operating any more and those that still work are operating with reduced capacity. Employment opportunities in other formerly important sectors have also become scarce and are now to be found mostly in towns and bigger centres.

Tourism used to be one of the most important sources of income during the Soviet period. Today (local) tourism can offer a new development perspective in rural areas, especially with regard to the creation of part-time and seasonal income alternatives in "agrarian tourism". Most of the sites with tourism potential are located in mountainous areas with restricted potential for market oriented agricultural production. Tourism needs appropriate infrastructure. Since infrastructure development/village renewal would in any case be one of the most urgent initial steps in improving rural areas, land consolidation could be used as a vehicle for a tourism development process.

Rural Development used to be coordinated by a separate authority during Soviet times. Today responsibilities for spatial planning and rural development are split between different Ministries. In fact no spatial planning takes place and no strategy for rural development is defined. If the rural areas are to be developed, integrated spatial development plans need to be elaborated and a strategy for land consolidation needs to be embedded into a spatial and regional development plan.

2.7 Analysis of the Extent of Land Fragmentation

In the former Georgia there were 1,750 state large farms, which cultivated all the agricultural land. Nowadays there are only 200 to 300 joint stock cooperatives, mostly with leased land. The other landowners are mostly working in subsistence farming. The land reform has allotted 25% of the total agricultural land for privatization. The land reform process was carried out according to three categories:

- Citizens who were directly involved in farming had the right to receive 1.25 hectares of land per household.
- People who lived in rural areas but were not involved in farming (working in education, culture, public health etc.) had the right to 0.75 hectares.
- People from urban settlements had the right to 0.25 hectares.

The land that was owned by individuals (subsidiary household plots) prior to land distribution was counted as part of the 1.25 hectares. In some areas, especially in western Georgia, the available land in the vicinity of the settlements was not sufficient to cover the demand according to the above categories. Thus, in fact, many households received less than the specified 1.25 hectares.

The quotas did not mean that the land was provided in one piece. On the contrary, because of the chosen kind of allocation and the different kinds of land use (arable land, perennial crops, mowing land, pasture) each family was given 4 to 5 land parcels located in different areas. Therefore the average parcel size amounts to only 0.25 hectares and the distances between the various parcels of one owner and his home may be more than 1 km. The distance between parcels varies greatly in different cases.

Land fragmentation in privatized agricultural land in Georgia is a major obstacle to economically viable farming for the large number (app. 94.5%) of smallholdings of approximately 1.25 hectares. These farmers apply risk-avoiding strategies and their development potential is very limited. They consider their land as social security rather than as an economic asset. In fact, most of these farmers do not see a long-term perspective in farming and have limited interest in land consolidation for the time being.

There is a second type of approximately 32,000 farmers (app. 5.4%) who have about 10 hectares. These farms have either pooled land between relatives, friends and neighbouring landowners or have leased additional land from the state or applied both strategies to upgrade their farming operations in size and quality. This group has a certain potential for development and has an increased interest in potential measures with regard to the re-allotment of plots.

There is a third group of roughly 6,300 commercial farms (0.1%) with an average size of about 90 hectares. These farms (often legal entities as cooperatives) have leased large units of adjoining plots of former kolkhoz land. This group has good development perspectives and a strong interest in avoiding further fragmentation.

Farm structure and the infrastructure are also affected by fragmentation. Irrigation is affected in particular and many of the former irrigation schemes are defunct and do not reflect the requirements of the new farm structure after the land reform.

2.8 Review of Ongoing Land Consolidation Efforts

The following attempts to reduce or prevent fragmentation can be observed in Georgia:

- A major effort has been the drafting of the law on the privatization of agricultural land remaining under state ownership and the expected second phase of privatization. This second land reform seeks to avoid increasing the fragmentation that resulted in the first phase of privatization. However, the law is still under discussion and the future strategy is as yet unclear.
- Some farmers are trying to consolidate land on a voluntary basis. This is hindered by fees for notaries and registration and by the unwillingness of other farmers.
- Farmers try to lease land not only from the state but also from private persons.
- Leasing contracts for state land and the law on agricultural land ownership aim to prevent fragmentation and the inefficient use of land.

3 APPROACH TO LAND CONSOLIDATION

3.1 Pros and Cons of Land Consolidation in Georgia

The situation analysis shows that the development of rural areas in Georgia is presently hampered by a number of interrelated problems. The fragmentation of agricultural parcels, together with a generally fragmented settlement structure, is definitely a serious problem, especially for commercial farming. In addition there are a number of other problems and framework conditions that hamper agricultural development. Some of the most important problems are:

- poverty and low income in rural areas
- insufficient physical and social infrastructure
- the poor condition of irrigation and drainage systems
- lack of agricultural credit and insurance systems
- low capacities of agricultural industries and lack of off-farm employment opportunities
- poor domestic markets and strong competition from foreign markets
- few commercial farm enterprises and a high number of subsistence farms
- unsatisfactory provision of services and inputs to private farmers.

At this juncture the question that should be addressed is whether an established procedure of land consolidation would make a meaningful contribution towards resolving the multiple problems facing Georgian farmers. Given the difficult general economic conditions, land consolidation will not resolve the overall situation, but it can contribute to:

- improving rural infrastructure and settlement structure
- reducing existing fragmentation on privatised land
- avoiding further fragmentation through privatisation and inheritance.

Even though the contribution of land consolidation in its initial stages might not be so important for the country as a whole, it should be noted that there would be extensive structural improvements in the areas concerned and in the living conditions of the citizens in and near these areas. The impact of the development would be felt in the longer term.

There are a number of arguments in favour of a strategy that seeks to introduce land consolidation in the country:

1. Most of the “high quality” agricultural area is either privatised or leased already. Land ownership perspectives are therefore clear.
2. The civil code and a number of laws have been successfully implemented. They form the basis for the development of further privatizations strategies and regulate ongoing efforts in land

management (e.g. land registration, cadastre). Land tenure and property rights are protected by law and security is given in the case of official transfer.

3. Recent maps and orthophotos are available for the agricultural area of Georgia.
4. The cadastre and registration process is proceeding successfully at the moment, including software and database development. About 40% of initial registration is finalised; the remaining privatised area is expected to be registered by 2004-2005.
5. There are a number of successful donor funded projects dealing with issues that are useful for land consolidation e.g. land market development, cadastre and registration, soil/land valuation.
6. There is an awareness of the necessity of land consolidation in government agencies and NGOs.
7. There is a demographic dimension in Georgia that needs to be addressed in a rural development strategy. The population in rural areas will shrink. Many landowners are old today and will not participate in farming in the future and many people do not see farming as a long-term prospect. In addition there is rural – urban migration, which further contributes to the shrinking of the rural population.

On the other hand there are a number of background conditions that could hamper the successful introduction of land consolidation.

1. The land market is blocked. Lack of land valuation, unfavourable taxation and lack of access to credit pose major obstacles to the development of the land market. Land transactions in rural areas are rare. However, the land market may take off slowly in the next few years. In addition there is a USAID funded land market development project successfully operates in this field.
2. The majority of the rural population does not consider farming to be a viable alternative and are therefore not inclined to become involved in land consolidation efforts. In addition there are few self-help initiatives in the villages and a poorly developed community spirit.
3. Land consolidation needs to be implemented at the community level. Apart from the problems in the communities as described above, local self-government is very weak.
4. Land consolidation must be seen as a tool in developing rural areas. This tool needs to be embedded in an overall strategy on spatial development/planning. The system of land use planning and regional planning in Georgia has collapsed. No budget is allocated to activities related to spatial planning. The existing master plans from the former Soviet period have not been updated. This hampers the implementation of rural regional development policies, strategies, programs and projects aimed at improving rural livelihoods.
5. The situation and general conditions in rural Georgia vary widely. There is a clear distinction between the humid Western Georgia and the more arid Eastern Georgia. In addition the majority of Georgia is made up of mountainous areas of up to 5000 metres. This is also reflected in the agricultural structure and the settlement structure. For example huge parts of western Georgia are characterised by rural sprawl, with scattered housing with scattered farms in between. In such areas measures for land consolidation aimed at the re-allotment of parcels will be very difficult to implement. But the improvement of the infrastructure and the creation of village centres may contribute to avoiding further sprawl and contribute to certain concentration trends. On the other hand in Eastern Georgia the situation may be more conducive to the re-allotment of parcels due to a different rural structure.

6. At present a draft “Law on the Privatisation of Agricultural Land Remaining under State Ownership” is being discussed. However, it is not yet clear which strategy will be applied in Georgia for further privatisation. In any case the strategy for further privatisation must be geared to avoiding further fragmentation of state owned land. This law should also consider the possibility of maintaining a reserve of land to remain in communal/municipal ownership. This would on the one hand strengthen the communities and on the other allow them a certain flexibility in the planning and implementation of future measures related to land consolidation.
7. No law on land consolidation has yet been drafted to address the issue of land fragmentation.

3.2 Preconditions for Land Consolidation

The first steps should address some key issues that are important preconditions for the establishment of a land consolidation strategy. These are:

Public Awareness

Currently neither the rural population nor the decision-makers at various levels have a clear understanding of the potential contribution of land consolidation. The meaning of land consolidation needs to be understood and communicated in the same terms by the various stakeholders. A much higher level of public awareness is required, in particular on the part of politicians, if land consolidation is to be accepted as a possible strategy for rural development in Georgia. An essential contribution for public awareness could be made through pilot projects.

Legislative Framework

The existing instruments for the improvement of land management, e.g. leasing procedures and ownership transfer regulations, are not entirely conducive to the development of a land market. The simplification of current procedures and legislation may have a considerable impact on the development of the land market, which is seen as an important element in land consolidation. The issue of legislation should be included in a long-term strategy to improve rural areas. A legal act on land consolidation needs to be drafted and introduced in Georgia. The legal framework is the necessary basis for the implementation of land consolidation procedures. It would also provide the necessary incentives for landowners to participate in rural development efforts. Land consolidation must not necessarily be implemented by the public sector. Private enterprises can be contracted for implementation. But the co-ordination and supervision of land consolidation should remain within the remit of the public sector. An appropriate institutional set-up needs to be created and the legal framework should define the respective roles and responsibilities of the communities, the state and the private sector.

Spatial Planning

Every land consolidation scheme should be embedded in a spatial planning effort. Currently planning does not take place and the division of responsibilities between ministries is unclear. A strategy needs to be developed to reintroduce spatial planning in rural development in Georgia. A possible approach on the national level could be the introduction of a coordinating body. This body could consist of a working group with members from the relevant government agencies as well as specialists, e.g. from relevant NGOs. On the local community level spatial planning is an integral part of a land consolidation procedure. A spatial plan would also provide the basis for decisions on the type of interventions most urgently needed to improve the livelihood of the local population, the rural economy and localized economic circuits. In the course of land use planning it would become clear what type of land consolidation would be appropriate in the given situation.

3.3 Required measures in Land Consolidation

Land consolidation is commonly perceived as one of the most important measures for improving agricultural production by reducing land fragmentation through the re-allotment of parcels and the rearrangement of farm holdings. However, this is not the only instrument of land consolidation. The priorities for measures in a land consolidation procedure in Georgia are different to those in many other European countries. The urgent requirements in rural areas of Georgia are to be found in the improvement of the rural infrastructure. The main priority can be defined as village renewal – i.e. the most urgent measures should be implemented in the villages (built-up areas) rather than in the agricultural fields:

- Building or maintenance of roads and access roads, hydraulic structures, water supply, power supply, waste water disposal
- Removal of old buildings, renewal of community facilities such as school buildings, sports grounds, kindergartens etc.
- Support to improved supply, transport and marketing, i.e. markets, shops,
- Strengthening social cohesion and organization
- Training of farmers and landowners in capacity building and self-help activities
- Improvement of self-governance in communities and municipalities
- Capacity building in planning processes in the villages
- Land exchange and boundary improvement in the villages.

Additional measures/interventions in rural structures (outside in the fields):

- Building, rehabilitation or maintenance of field roads, irrigation & drainage
- Consolidation of parcels, re-allotment of parcels with optimized shape, size and location
- Measures against water or wind erosion
- Measures for landscape protection, e.g. planting of trees.

3.4 The Main Players, their Roles and Responsibilities

Land consolidation as defined in this report is an integrated task that requires interdisciplinary expertise. It aims at the improvement of rural livelihoods at the local level. Various ministries and government agencies as well as NGOs in Georgia need to be involved in the process.

Land consolidation needs to be well co-ordinated with the various stakeholders. Therefore an interdisciplinary working group on land consolidation should be established to carry out the task of co-ordination. All the relevant stakeholders should be represented in this working group.

The most crucial players in land consolidation schemes are the landowners. Their active participation in the procedure is the best way to fight mistrust against state driven measures. Depending on the size of the consolidation area and on the measures to be implemented, some schemes may involve smallish groups of neighbouring landowners while others will involve larger

groups or even complete villages. The participating groups will have to elect boards or committees to represent their interests. These boards will be the main players in planning and decision making with regard to the land consolidation measures to be implemented. Of course the capabilities of such boards will be limited and they will therefore have to be assisted by an advisory body.

Land consolidation sometimes involves decision-making where not all of the participants and stakeholders can agree on a joint strategy. Thus land consolidation procedures are likely to generate conflict. Therefore, it will be crucial to involve another external partner who can act as a mediator in the case of acute conflicts. This role could be taken over by NGOs. There are a number of NGOs active in this field of work, in particular the Association for the Protection of Landowners' Rights (APLR). The NGOs could also contribute to the public awareness component and the legislation component of the land consolidation projects, as these are two of the main domains of work of the relevant NGOs in Georgia and their valuable experience should be included.

The implementation of individual land consolidation schemes should be entrusted to private companies through competitive tender procedures. Thus the SDLM would mainly play a supervisory and backstopping role. For the private companies it would be important to present multidisciplinary teams.

It would also be essential to provide good training for land consolidation in both the public and private sectors in Georgia.

4 STRATEGY OF LAND CONSOLIDATION

4.1 A Strategy for the Introduction of Land Consolidation

In order to establishment a functioning system of land consolidation five results have to be attained:

1. The institutional framework for land consolidation has to be set up.
2. The legal framework for land consolidation has to be created.
3. Public awareness for land consolidation needs to be created.
4. A training programme for land consolidation has to be put in place.
5. Pilot projects in land consolidation have to be successfully implemented.

4.2 The Institutional Framework for Land Consolidation

Land consolidation as a strategy to improve rural development needs a co-ordinating body at national level. Thus an interministerial task force on land consolidation should be instituted.

The members of the task force, under the guidance of the State Department of Land Management, would be representatives of the Ministry of Agriculture and Food, the Ministry of Urbanization and Construction and the Ministry of the Environment. Representatives of Non-Government Organizations, should also be included in the task force in an advisory capacity. This task force will act as a steering committee for the introduction of land consolidation in Georgia. First of all the task force should elaborate a common understanding of land consolidation and strategic guidelines for the land consolidation process.

The task force will also decide on roles and responsibilities in the process of land consolidation. This concerns in particular the roles and responsibilities of the various government agencies in relation to private sector.

The guidelines for land use planning, for voluntary land exchange, for simple land consolidation schemes and for comprehensive land consolidation schemes need to be discussed and finally approved by the interministerial task force.

4.3 Legal Framework for Land Consolidation

Depending on the measures to be implemented in a land consolidation procedure, a legal act or a temporary legal decree will be required. As long as land consolidation is restricted to the voluntary exchange of land, temporary regulations for the streamlining of procedures (e.g. leasing) and exemption from registration fees for participants may be the appropriate tools. But the legal framework needs to be in place if and when more complex measures and procedures are involved.

Existing legislation, the legislative gaps and requirements for land consolidation should be examined. Models from other countries should also to be taken into consideration while drafting legislation.

4.4 Public Awareness for Land Consolidation

The meaning of land consolidation needs to be understood and communicated in the same way by the relevant stakeholders. A much higher level of public awareness is required. Therefore, the strategy should address the creation of public awareness on two levels:

1. Decision-makers on the national level have to understand that a concerted effort is necessary to improve rural livelihoods.
2. Local people on the community level will be the key players in the implementation of land consolidation schemes. Thus, on the one hand, trust has to be built up regarding potential measures and, on the other, awareness needs to be created about the potential advantages of consolidation.

Long-term comprehensive awareness campaigns will be required to create the necessary preconditions for land consolidation.

4.5 Training Programme for Land Consolidation

The ultimate success of land consolidation in Georgia therefore depends to a large extent on tailor-made training measures for the main players in government and in the private sector. Training measures would comprise:

- Seminars
- Workshops
- Study tours to Central and Eastern Europe countries
- Post-graduate university studies in rural development
- On-the job training

To start with a training, needs of the government departments involved, the private sector, Community Councils and participants' boards should be assessed. As relevant experience from other countries would be of great value for this task seeking donor funding for training courses in land consolidation is crucial. A comprehensive programme of short-term training curricula should be designed on the basis of the training needs assessment. The trainers would come both from local training institutions and from outside the country.

4.6 Pilot projects in Land Consolidation

The above-mentioned elements of a strategy (inter-ministerial task force, legal framework, public awareness and training) are necessary instruments. But these instruments will be of limited use if land consolidation procedures are not tested and implemented in the field. Thus pilot projects should be carried out to gain experience with the different approaches and procedures in land consolidation at community level. These experiences will be fed back into the further development of a national strategy.

5 ENDNOTE

Land consolidation has to be seen as an instrument in a long-term planning perspective for Georgia. With respect to the current situation a strategy to introduce land consolidation needs to be careful, well timed and flexible. Although the need of land consolidation is stated at present one should not try to establish a fixed land consolidation procedure for the whole country. This is neither feasible nor appropriate at the present time. A top-down approach, e.g. compulsory consolidation schemes, will not be an option since the population mistrusts government driven activities. Thus a careful step-by-step approach should be considered, with special emphasis on community and citizens' participation. The first step should address some key issues that are important preconditions for the establishment of a land consolidation strategy.

There are a number of bottlenecks that may hamper the introduction of land consolidation in Georgia. Among the many constraints the most striking are:

1. A very weak land market, developing only slowly in rural areas.
2. A policy framework that is still in a transitional stage.
3. The absence of spatial planning in rural development.

But there are also some elements that favour the introduction of land consolidation in particular:

1. The need to improve the situation in rural areas given the level of fragmentation of agricultural land and the poor state of the rural infrastructure.
2. The recent successful efforts towards improved land management within the State Department of Land Management in Georgia including the establishment of a cadastre and registration system.

When weighing up the above pros and cons for land consolidation in Georgia one can state that land consolidation would contribute to the improvement of the situation in rural areas because it would offer an intersectoral framework for tackling the multiple problems with which rural communities are faced. Poverty and the basic needs of citizens in rural areas with a livelihood on the subsistence level provide a huge field of activity for land consolidation, limited only by finite resources like finance or manpower. Given the overall economic conditions and considering that political transition is an ongoing process in Georgia, only a highly flexible approach will be successful. A number of preconditions must be met before land consolidation can be introduced on a nation-wide scale. These preconditions are:

1. A strategy for the reintroduction of spatial planning must be elaborated and reflected in land consolidation procedures. This must also be reflected by the institutional set-up and the sharing of responsibilities between the various ministries.
2. Public awareness about the advantages of land consolidation both on the level of public decision makers and local actors must be improved.
3. The legislative framework, regulations and guidelines for land consolidation must be drafted.
4. Key players from the public administration and the private sectors must be trained.