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Land consolidation and rural development in Central and Eastern Europe

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Introduction

Rural development is critical for reducing global poverty and hunger. Extreme poverty is an essentially rural phenomenon and, even with growing urbanization, poverty and hunger are expected to remain a prominent feature of rural areas. By 2025, when most of the world's population is likely to be urbanised, it is estimated that 60 percent of global poverty will be rural (IFAD, 2001). Compared with the developing world the transition countries of Europe are favourably placed but significant poverty exists in the region and rural residents are often more at risk than those in urban areas.

Poverty in European transition countries has occurred relatively recently. Incidents of poverty vary greatly from one country to another, and within a country. Principle causes of food security in the region have been poverty, war and conflict (with ensuing problems of refugees and displaced persons), natural disasters (primarily prolonged droughts), weak state institutions to ensure the safety of the food from the farm to the household, and the breakdown of safety social nets. In general, the percentage of the population who are undernourished tends to increase in line with increases in the percentage of labour force in agriculture and the portion of GDP derived from agriculture (FAO, 2002a).

Although poverty is greatest in rural areas, access to land, even if only as small garden plots, has allowed much of the rural population to produce their own food. Nonetheless, rural poverty appears to be most severe for the following groups (IFAD, 2002):

- Farmers in upland and mountainous areas who often have few opportunities to generate off-farm income and face severe marketing constraints because of their isolation;
- Rural wage earners who lack enough land on which to produce their own food;
- Rural women who are left to care for children on the farm when male members of the families migrate to urban areas for work;
- Elderly and retired people who were often the primary beneficiaries of land restitution but are no longer capable of farming themselves; and
- Ethnic minorities who did not benefit from land allocations during the privatisation process.

Political stabilisation and good harvests during the past few years have produced positive results but the effects of over a decade of decline will take considerably more time and effort

¹ The positions and opinions presented are those of the authors and do not necessarily represent the views of the Food and Agriculture Organization of the United Nations.

to ameliorate. Growth in agricultural production and non-farm activities in rural areas can be a significant force in reducing poverty and hunger in transition countries (FAO, 2002b). Because the needs of the poor, and especially the rural poor, are diverse, there is a need for rural development approaches to go beyond an exclusive agricultural focus. An integrated approach to rural development includes:

- Strengthening the rural economy by developing a policy environment conducive to broad-based growth and equitable sharing of benefits, supporting non-farm activities, and providing access to credit, markets and infrastructural support;
- Social development in rural communities including dealing with employment, access to social services, water and sanitation, social integration and aging, and rural-urban migration;
- Sustainable natural resource management including access to natural resources and environmental protection; and
- Empowerment of the poor and greater participation in the development process by those usually left out of it.

Within the transition countries, rural development is affected by its particular demographic factors (decreasing and aging populations in rural areas as a result of natural population decreases and migration to urban areas), EU accession requirements for a number of countries, and decentralisation of administration.

The remainder of this paper looks at the role of land tenure and land administration in supporting integrated rural development, focusing in particular on land consolidation.

Land tenure reforms in the region

Some of the most fundamental institutional changes introduced in transition countries related to land tenure. The initial period of transition from central planning was characterized by the reallocation of rural property rights through privatisation, usually resulting in the conversion of the large socialist-type farms into joint stock companies (often retaining the same management), or their dismantling through restitution of land to former owners and the distribution of land parcels among farm members. During this period, land record systems were transformed from having a focus on controlling land use by government to one of providing security of tenure to citizens. This required significant investments in changing policy and legislation and in developing new institutions and services to protect property rights.

Despite the great differences between transition paths, a characteristic common to almost all countries in Central and Eastern Europe is the predominance of small and fragmented parcels. In several countries of the former Soviet Union fragmentation arose through the creation of vast numbers of small parcels in the programmes of decollectivisation. Land of a cooperative was often allocated to its members on the principle of equity and households usually received several parcels of different qualities of arable land, a portion of the orchard and of the vineyard. In other transition countries, fragmentation was reintroduced through the restitution of property rights as former owners were returned their original holdings or were granted equivalent parcels elsewhere. In the Balkans, the pattern of small fragmented parcels is the perpetuation of centuries-old peasant holdings that survived the limited socialist attempts to transform agrarian structures.

A major legacy of the first phase of transition is thus tenure arrangements where the majority of farms are small and are frequently divided into many fragmented parcels which are often badly shaped for agricultural purposes. As a result, it is difficult for farmers to implement new competitive production arrangements, and to use machinery and appropriate technologies. Most private farmers are therefore restricted to subsistence agriculture and cannot participate in commercial production, which in turn reinforces trends of migration and the abandonment of farmland, especially in areas distant from markets.

Land consolidation and rural development

These land reforms of restitution and decollectivisation were essentially ones of political justice which have resulted in agrarian structures that are unsuitable for today's Europe and the globalising economy. There is now increasing recognition of the need for a "second wave" of land reform – that of rationalising rural space through consolidation of fragmented parcels. One way to re-allocate property rights is through land markets. The newly created land administration systems, which were always intended to serve land markets, are being further re-oriented to stimulate markets by decentralising services, improving coordination of ministries and agencies involved with land administration, and developing effective partnerships between the public and private sectors.

While land markets play an important role in the creation of more viable farming structures, they are not sufficient by themselves and pro-active government policies, and their implementation, are needed for the development of efficient agricultural economies and sustainable rural communities. One of the more important policy instruments being considered for agricultural and rural development is land consolidation.

Land consolidation was one of the first areas of tenure reform in which FAO was involved. In the 1950s, the main considerations for land consolidation were improving agricultural efficiency by addressing problems arising from the physical separation of parcels (wastage of time and expense in moving workers, animals and implements from one field to another; increased expenses on fences, water supplies, buildings, etc); the irregular shape of small parcels (uneconomic cropping patterns; disproportionately large wastage due to corners and uncultivable banks, etc); and limited access through the fields of other farmers (FAO, 1950). Addressing these problems remains an important consideration but in line with the continuing elaboration of the concept of rural development over the past five decades, land consolidation projects today also aim at addressing a variety of rural development elements such as local capacity building, rural services, infrastructure and rural employment creation.

Current approaches to land consolidation are now based on principles such as:

- The objective should be to improve rural livelihoods rather than to improve only the primary production of food staples;
- The end result should be community renewal through sustainable economic and political development of the whole community;
- The process should be participatory, democratic and community-driven;
- The intervention should be to assist the community to define new uses for its resources and then to reorganise the spatial components accordingly; and
- The approach should be comprehensive and cross-sectoral, integrating elements of rural and broader regional development including the rural-urban linkages.

The movement away from top-down, imposed land consolidation projects is not merely because of current views that development approaches in general should be participatory and human-centred. Instrumental to this re-orientation are the findings of recent studies by FAO and others that rural inhabitants of transition countries recognise that land fragmentation is an obstacle but they believe there are no other economic choices, they fear the loss of their land, and they do not trust solutions imposed from the top.

Because land fragmentation patterns differ from one country to another, and even within a country, particular approaches will vary. Consolidation projects in mountainous areas, or in forested ones, will be quite different from those in the plains. The influences of environment and culture, along with financial constraints and other limitations, make a range of consolidation strategies necessary.

Complex, or comprehensive, land consolidation schemes include the re-allocation of parcels as well as elements of rural development, land use planning and land management. In some cases opportunities arise for a land consolidation initiative to be broadened to include village renewal, support to community-based agro-processing, construction of rural roads, construction and rehabilitation of irrigation and drainage systems, erosion control measures, environmental protection and improvement including the designation of nature reserves, and the creation of social infrastructure, including sports grounds and other public facilities. In other cases infrastructure and other types of rural development projects can be broadened to include consolidation of land parcels in order to provide additional gains to the community.

More simplistic land consolidation schemes optimise conditions in the agricultural sector through the re-allocation or exchange of parcels. As fragmentation often occurs over administrative boundaries, land exchanges could occur from one district or region to another. Such exchanges can be facilitated through land banks and national lands funds using state reserve land funds to allow owners to exchange some of their land for other parcels or to increase their farming area.

At a more informal level, voluntary exchanges of land can be promoted. This is the most intrusive form of consolidation and the one most easily practised in the short-term. Reducing transaction costs is one of the simplest forms of support and can include improving the supply of information on land ownership for the market and reducing or eliminating transfer fees and taxes. Loans can be provided to facilitate the purchase of land by active farmers while subsidies can be provided to encourage owners such as pensioners to sell their land. In addition to sales, leasing can be an effective way to consolidate farming operations in a flexible manner, and FAO has recently produced guidelines on best practices for agricultural leasing arrangements (FAO 2001).

A large number of transition countries have expressed interest in introducing land consolidation programmes and preliminary work has started in several countries. Most emphasis is being placed on the design and implementation of pilot projects to test solutions for some of the issues that would require comprehensive legislation for land consolidation, to establish the horizontal and vertical linkages necessary between administrative jurisdictions (community-district-province-state) and the interaction between participating institutions at the local level (government agencies-civil society organizations), and to develop the procedures for projects (administrative responsibility, land use and planning provisions, land conflict resolution, valuation of land holdings, treatment of costs, protection of rights of participants, and modifications to legislation).

Concluding comments

While there is now a deeper understanding of the nature and extent of land fragmentation in transition countries it should be recognised that there are no simplistic solutions. The cost of comprehensive schemes may limit their application to a comparatively small portion of a country even taking into account a time horizon of the next decade or two. In all projects dealing with the re-allocation of property rights, the large number of land owners in a community, each with their own interests and aspirations, can render public participation difficult. Improvements to leasing arrangements may require action at the policy level as well as the operational level as high transaction costs associated with large numbers of short-term leases can hamper the enlargement of farms.

Experiences of western Europe have already proved useful and one way to improve the flow of knowledge is the development of partnerships between land consolidation agencies of western and transition countries, either through bi-lateral arrangements or through common fora. But while western European experiences are important, they will not provide all the answers for several reasons. On the one hand, solutions must be devised with a realistic view on the costs that can be budgeted for and the resources available for the particular land fragmentation patterns found within transition countries, and even within specific portions of countries. On the other hand, current expertise of western experts lies primarily in the on-going operation and maintenance of land consolidation programmes under stable financial management whereas the immediate problem faced by transition countries is starting the first land consolidation pilot projects, something that was done by a previous generation in western Europe.

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