

# **The State of Land Fragmentation and Land Management in Georgia**

## **Country brief**

### **Chapter 1: Current Situation:**

- *Short review of existing land legislation with reference to Land Consolidation /Land Management efforts:*

Notwithstanding that land legislation may be appraised as developed in general in the view of land consolidation and improved land management, the only norm supporting land consolidation is the exemption of registration fee for several land parcels amalgamation. Heritage “affairs” in Civil Code encourages fragmentation.

The recent modification to the “Tax Code” release from land tax on holding less than 5 ha land parcel stimulates land fragmentation.

- *Assessment of the extent of land fragmentation (average farm holding size, number of plots etc)*

The agricultural development is hindered by lack of financial means and tools, weak land markets and unstable agricultural products market. High level of land fragmentation provides only subsistence farming opportunities.

One third of the agricultural land is privatized, one third is leased by the state to private persons, and the rest is land of low productivity (pastures, mowing land) in state ownership. There are up to 4 million parcels, which amounts approximately 1 000 000 ha in private sector.

The average area of land parcel into private ownership amounts 0.25 ha, where owners have approximately 4-5 parcels in ownership.

The farms covering less than 0.9 ha represents 94.5% of agricultural farms. 5.4% of farms are of 10 ha and 0.1% is the farms of 90 ha. Pastures and mowing lands are not fragmented.

- *Brief description of main stakeholders*

The major stakeholders are farmers, as small size subsistence farming can not be transformed into economic farming. Lots of land parcels (at least 15%) are not cultivated at all. The small farms play “social security” function as there are not off-farming revenues opportunities in rural areas. Fragmentation represents severe constrain for irrigation and drainage infrastructure. Fragmentation is problematic also for agricultural policy implementation as well as for the environmental protection policy.

- *Brief institutional appraisal*

From institutional viewpoint land consolidation has no agency in charge nor is this task assigned to any existing institution. Such an institution is to be established and developed. Local communities are not organized to accomplish consolidation independently.

- *Assessment of beneficiaries' perception/views/fears/interest*

The land consolidation for farmers from on the one hand is an increased potential to start economical farming and on the other hand there is a “danger” for the weak farmers to drop out from farming and lose the “social security” due to lack of “off-farm” employment opportunities.

- ***Short review of existing land management practices and procedures***

In Georgia there is not fully developed land management system. There are problems in legislative base (e. g. absence of “Land Code”) as well as in policy formulation both on local or national levels. No land zoning principles are used. The mechanisms for land parcel formation, land use change and etc. are not defined. Connections with land management and market requirements are not rather weak.

- ***Brief description of ongoing land consolidation efforts including “informal” arrangements***

Observation of the processes gives opportunity to declare that informal land consolidation is conceived and is being developed. This covers land parcel exchange as well as leasing, land use consolidation and land rejection.

Formal support is not established. There is a Pre-Feasibility Study made on Strategy for Land Consolidation and Improved Land Management in Georgia by the Sub-regional Office for Central and Eastern Europe, Food and Agriculture Organisation of the United Nations. Pilot projects are commenced. There is a potential for support and encouragement of informal efforts.

- ***Implication of land fragmentation for rural communities (such as for instance current farm management practices, competitiveness of the agriculture sector, the environment, the EU accession etc)***

The negative influence of land fragmentation is evident in form of hindered farming and agricultural development as well as from rural community development viewpoint. Negative influence of fragmentation on environmental degradation, bio-diversity, landscape protection, soil quality and degradation is also evident.

- ***Pros and cons/potentials and constraints of land consolidation in terms of increased competitiveness/further marginalisation of small farmers, existence of sufficient economic alternatives, social webs etc***

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 privatisation 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. cadastre and registration, soil/land valuation, land market development.
6. There is an awareness of the necessity of land consolidation in government agencies and some NGOs.
7. There is a demographic dimension in Georgia that needs to be addressed in a rural development strategy. The population in rural (mountainous) 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 and, if they occur at all, they are done by oral agreement without official registration. However, the land market may take off slowly in the next few years. In addition there is a USAID funded land market development project operating in this field.
2. The rural population is desperate. The situation is often dominated by the hopelessness of villagers regarding the urgent problems and the poverty and hunger they face. The majority of the rural population do 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. Poorly defined and overlapping tasks in the different ministries are not well co-ordinated and 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. No law on land consolidation has yet been drafted to address the issue of land fragmentation.

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 intersectional 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.

## **Chapter 2: Land banks/land funds as part of a proposed strategy for land consolidation?**

- *What is the status of state/municipal owned land / state land reserve? What is the size and type of land under state domain? What is the current usage and are there any proposals/intentions on how to use state land in the future? Who is in charge of state land management and administration?*

Community/Municipal and state land is legally separated by law on “Governance and Self-governance” though not physically divided. So it creates difficulties to define whether a concrete land parcel is under state of community/municipal ownership. The two third of the whole land (3 million ha) is under state ownership, where 1 million ha is leased, approximately 1 million is pastures and mowing lands, which is under community management. There is a legislative initiation to privatize state agricultural lands presently being leased. The danger of further fragmentation of these lands should be envisaged. The state land management responsibility is divided between the central and local governance. Though competences are not clearly defined.

- *Are there any land banks/land fund schemes already in place or in preparation? If yes what is the intended purpose, institutional setting, concept, finances, potentials and constraints? What are the expectations and lessons learned, if any?*

There are no land banks in Georgia. There is large demand for it though neither legal nor institutional or management precondition exist. From this point it's essential to consider international experiences, especially from former soviet states. The need to implements such schemes is severe.

- *What would be the specific requirements? Who should be part of this process? The main players, their roles and responsibilities?*

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.
- Establishment of 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.

- *Cooperation with the other government agencies/the private sector?*

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 at present 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. In future, their workloads will be lower when activities shift to the registration of subsequent transactions and other possible tasks.

The **Ministry of Agriculture and Food** is responsible for agrarian reform. It has to formulate agrarian reform policies to be implemented by the SDLM as part of its land reform.

The **Ministry of Infrastructure and Development** (previously Ministry for 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 that is not yet registered in any of the SDLM registry offices. 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. Nevertheless close co-operation between the regional and local offices and a land consolidation body is expected 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 wish 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. Surveyors of the Department undertake cadastral surveys. Its requirements are related to surveying techniques and do not include legal cadastral knowledge. Surveyors are the potential contractors in the process of a land consolidation procedure. The marking of new boundaries for the allotment of new parcels will be explained to the owners on the spot. Surveyors will carry out the work of transferring the calculated results into the field.

### ***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 will change. It can be expected that a new local jurisdiction (district) reform process will take place in connection with the election of boards in these districts.

### ***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 pilot projects.

**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 will make an essential contribution to efficient farming by shortening the working time required.

**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 well 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 not existed in the past. But the time now seems to be ripe for an active rural development policy.

- ***What would be the proposed institutional setup?/Levels of administration;***

The local SDLM local offices should be responsible for selecting, preparing and carrying out the land consolidation projects. The work will be implemented by a co-ordinator, who will set up the land consolidation scheme. The co-ordinator will be the partner for the local community that wants to become involved in land consolidation either on its own initiative or on the initiative of the co-ordinator. The co-ordinator will assist the community in setting up a board and in the first organisational steps.

The community board should have 4-8 members elected by the landowners. As a general principle one member of the board should be from the local government.

After the election of a board and the preliminary drafting of an action plan, the co-ordinator will be responsible for the approval of the viability of the community initiative. After this initial planning and approval stage a consultant will be appointed to assist the board in the more detailed planning of measures. Usually the consultant will provide a team of experts, of whom one will act as project manager.

The project manager will be a member of the board and work with the board and the community. The board will have regular monthly meetings, with special extra meetings when required. Representatives of the local public administration, i.e. the local office for agriculture and food, the local office for urbanization and construction, the office for road building and the office for water, irrigation and drainage, may be invited to these meetings as necessary. Other stakeholders in the area should also be invited, i.e. the farmers' associations, associations for nature protection, utility companies, etc. Rayon or regional representatives should be involved if larger scale measures with a regional impact (new roads, changes to irrigation infrastructure, etc.) are expected to be included.

- ***Oorganisation/managerial setup)?***

Presently, Georgia faces some political changes. Government has started reform restructuring of ministries and changing administrative boundaries/levels. Donor driven activities have dominated development in Georgia in recent years. This also applies to improved land management. Seven donors are currently supporting the State Department for Land Management SDLM. Recently, SDLM became subordinated to the Ministry of Justice.

For future it will include not only the public sector but also the private sector including NGOs. The following institutions, agencies, associations and other stakeholders are not only interested in land consolidation but are in most cases potential partners in all planning processes.

- ***Is there a need for a specific legal framework?***

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, which for instance requires no contracts signed by notaries, 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.

- ***What would be the estimated costs?***

The overall budget for a three year implementation phase should not exceed US\$ 450,000 or 150,000 US\$ per year.