

Estonia case study

The current status, lessons learned and future priorities and issues for Estonia

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Current status

Land consolidation background in Estonia

Between 1920 and 1940 land consolidation was a normal process in civil society. Land valuation based in Czarist times (“clear profit roubles” – “rubli tšistoi pribõli”). Every parcel had its detail taxation value. However, as consolidation is time consuming, during 20 years little was accomplished.

From 1945 to 1991 consolidation was provided by force – **state nationalized land** holdings, people had only land use right for small plots (no ownership) and thus consolidation was technical process of planning, provided by the state and integrated with land improvement works (drainage etc). As result, actual land use boundaries were completely different from the ownership boundaries from 1940.

New independence period

From 1991 the institutions dealing with consolidation were closed, surveying activities completely privatized and land **restitution** established as a rule “within former boundaries” with regulations effectively blocking all possibilities for significant consolidation. Restitution actually restored the situation from 1920-1930.

Land valuation for taxation purposes was established, with taxation from 1993. The methodology allowed a detail assessment of each individual plot and parcel. However, because of a lack of funding and the need for simplification, since 1996 the whole assessment system has been redesigned to be based on actual market transaction price levels. The problem itself is not in the market price, but in fact, that this way the generalization level went too high and the legal “taxation values” became not usable for consolidation purposes.

Practical experience in last 10 years

Voluntary consolidation attempts in **Saaremaa** were blocked by one landowner (out of 70 participants) who demanded that his parcel boundaries would not change – even where the Consolidation Law specifies majority rules on decision-making - the Judge asked in his decision in Court for the consolidation to follow the particular person’s wish – thus 7 years of serious work went down.

Another voluntary case (**Jõelähtme**, near to Tallinn) has been already 10 years under processing, mostly blocked by the landowners, who are expecting a non-agricultural land related property boom (the area within 20-40 km from Tallinn centre), expected to be used for housing and business.

In 1997-2002 the **World Bank Agriculture Loan** project introduced land surveying integrated with consolidation, at a minor scale some progress has been encountered – however, the scale of consolidation was really low. Objects of the project were between 600 and 2000 hectares (which is good for consolidation), but unfortunately a high share of landowners, who do not manage their lands themselves (if the land is managed at all) and lands, in which reform has not been passed (the subject status is still valid), effectively blocked any significant results. The cost of consolidation is too high, compared with the land market value. The only way to achieve some results is through linking the consolidation with other “carrots” – rehabilitation of drainage systems, local access roads etc – in a way, where mutual agreement of beneficiaries is precondition for getting the (heavily subsidised) investment.

Within the **Dutch cooperation** program (1998-2001) consolidation on 4 sites has been provided. However, the scope of consolidation was minor, mostly due to lack of interest of landowners (there was high interest of land users, but the user has no rights on consolidation according current laws).

Problem on servitudes

During restitution and privatization the servitude issues were not practically addressed. Thus the result often happens that a parcel does not have access to a public road network without crossing one or more other properties belonging to other private individuals. The task of consolidation is to provide these access possibilities to every new plot. Another problem is of a legal nature – the servitude fee is considered as income of the landowner and thus it is taxed. The understanding of the meaning and usefulness of servitudes hasn't been fully understood in society, however, the establishment of servitude later, when property has already been registered without servitudes, is extremely difficult task. The problem is basically from incorrect restitution or privatization, and additional rights have to be bought later.

Lessons learned

1. Municipality planning regulation should be tight – at the current phase it is too easy to change the land use type, from “rural productive land” (agriculture and forestry) to “housing” or “business”. The land use planning should have a long-term target. Integration of spatial development and consolidation (preparation).
2. Every bit of land should have a clearly identified owner, is it private or state – it doesn't matter. In a case where land is owned by a person who is not farming, the local community has to have some rights over the future of the lands, based on local community interests. By 21.01.2005 - 3,5 million ha registered in Cadastre from 4,3 of total area of Estonia (Cadastre began from zero in late 1993).
3. In a situation where total consolidation costs are in same range with land market prices, the only way to achieve measurable results is through integration of support schemes where agreements on new boundaries could be precondition to other investments, linked to consolidation; consolidation itself has to be also subsidised.

4. Management of land improvement and consolidation has to be task of the same authority. In the Estonian case, the National Land Board (under Ministry of Environment) so far officially has the land related tasks, where improvement issues are of Ministry of Agriculture. The NLB has actually reduced themselves to functions of land registrar (Land Cadastre).
5. Training for surveyors – these have good practice of actual surveying, but practically no training on land assessment and negotiation strategies. These aspects have vital importance for successful consolidation.
6. Experience of other countries shows that consolidation is very costly and time-consuming process. The state role in the process is vital for the success not only through subsidization but also with buying and selling lands, necessary for parcel exchange as the basis of consolidation – needs for specific organization.
7. There are basically two different approaches on consolidation:
 - a) parcel exchange approach – the consolidation is a combination of huge number of parcel exchanges, cutting parcels into smaller units and joining these into new, larger units; and
 - b) total reform approach – exact valuation of every small parcel and identifying new configuration with completely new boundaries.

The provider of consolidation should have either enough time and money to deal with detail negotiations, or, a lot of funds and rights to buy land for consolidation purposes, to be later used for parcel exchanges.

Priorities and issues

1. Pilot projects under current NDP (Single Programming Document, 2004-2006) – integrated drainage and consolidation tasks.
2. Structural change – take the consolidation related functions from Cadastre to Drainage Offices (under Ministry of Agriculture) – already responsible for infrastructure related investments.
3. Studies to
 - a. prepare suitable methodologies for assessment of land for consolidation,
 - b. for assessment of economic benefit of consolidation and measurable indexes to compare the previous status with the status after consolidation (land fragmentation)
4. Revision of legislation
 - a. to provide long term land users with some rights on modification of boundaries provided that the overall market value of property won't decrease, and registration of land use rights (rental contracts).
 - b. Change of land use type (from agricultural land to housing) could be taxed (additional value of property – either the difference of prices to be paid or the difference to be taxed)
 - c. Change in land taxation – at least 60% of tax to be central (currently entirely local tax)

5. PR and Training for:
 - a. civil servants (overall management and technical aspects)
 - b. private land surveyors (assessment and negotiations)
 - c. farmers, Local Action Groups (need for consolidation, methodology).
6. Preparation of the (EU) Programming Document for 2007-2013 to include all necessary aspects on consolidation (methodology, monitoring and evaluation issues) and regional policy.