

Land Consolidation and Development of Land Relations in Ukraine

Roman M. Shmidt

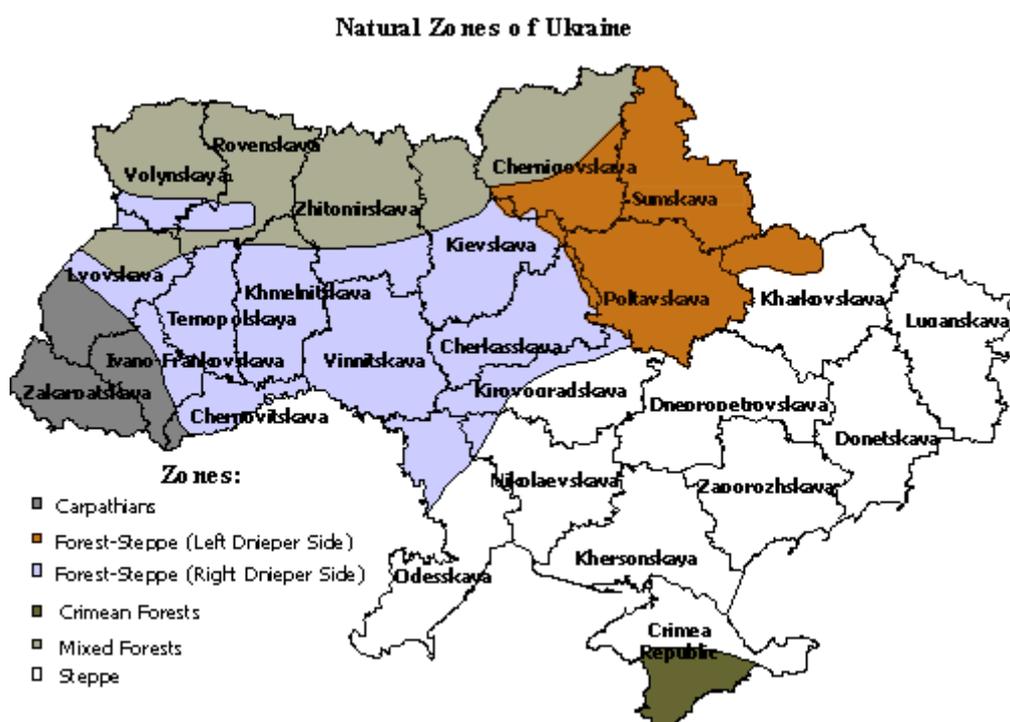
National Association of Agricultural Advisory Services of Ukraine

1. Land resources

Ukraine is one of the largest Europe countries, the area is 60, 37 million ha and it's 5.7 % of Europe territory or about 0.5% of the globe. Most territory of Ukraine is situated in the western part of East European plain, on the South it washed by the Sea of Azov and Black Sea. Freshwater resources are concentrated in 73 thousand of big and small rivers which flow through its territory and about 20 thousand of lakes. Dnipro is third longest river in Europe. The Carpathian Mountains are on the West of Ukraine and the Crimea is on the South. The relief of 60% of agricultural land is flat and 35 % has slopes ranging between 1 and 3 degree.

Agricultural lands of Ukraine comprise 41.76 million ha or 70% of the territory of Ukraine, including ploughed lands 32.4 million ha or 54%, pastures – 9%, hay – 4% and long term planting – 2%. Climate conditions and good soils (third part of World reserve of black earth or 54% of own lands) are very favorable for agriculture production. That is why there is highest level of ploughed soils in Europe – near 78%.

The territory of Ukraine is divided into three main natural and climate zones – Marshy woodlands (Polissia), Forest-steppe (Lisostep) and Steppe (Step).



The **Marshy woodlands** zone occupies the northern part of Ukraine, the total is 11.35 million ha (19 % of the entire territory of Ukraine) and is characterized by lowlands relief,

continental climate with warm and humid summers and mild winters, Turfy – podzolic soils (75%), woodiness (30%), haymaking – 1.2 million ha and the pasture (0.7 million ha). Ploughed lands occupy 33 % of the entire zone territory (4million ha). This is the main zone for grain production (rye, oats, and buckwheat), technical crops, flax, hop, sugar beets and potato as well as the processing of flax, meat and dairy produce.

The **Forest-steppe** zone is located in central part of Ukraine and its area is 20.2 million ha. It is mainly flat with temperate continental climate, woodiness is insignificant (about 12%), topsoil is quite diverse with an intermittence of podzolic soils and typical black soils. Agricultural lands occupy 70% of the territory including 66% of ploughed lands. The structure of sown areas: winter wheat – more than 30%, corn – 10%, about 8% - barley and pulse crops, more than 10% is devoted to sugar beet and sunflower. Also here is popular meat, dairy production and pig production.

The **Steppe zone** includes the entire southern and eastern parts of Ukraine with mainly flat relief (24 million ha) and characterized temperate-continental climate with hot summers and cold winters. 90% of Forest-steppe occupies black earth. This is the zone of maximum plough for Ukraine and about 48% of Ukraine's ploughed land rest on this steppe.

2. Rural population

The population of Ukraine consists of a bit more than 47 million including 32 million (68%) urban and 15 million (32%) in rural areas. The average density of the population of Ukraine is 80 people per square kilometer. Ukraine is the fifth most densely populated country in Europe after Germany, Italy, Great Britain and France and the 21st most populated country in the world. Approximately, seven percent of Europe's population and about one percent of the world population live in Ukraine.

There are more than 28.5 thousand villages, i.e. settlement of permanent populations which provide a rural way of living, in most cases dealing with agriculture production. According to the State Statistic Department here live 15 475 971 of permanent inhabitants. During the process of land reform and agricultural land sharing, 6.8 million of rural inhabitation got land shares and an average size of 4 ha. In the country 0.8 ha of agricultural lands including 0.64 of ploughed lands exist per person.

The structure of the rural population consists of 21% under working age, 29% over working age and 50% at working age. The gender structure of population is: women – 54%, men – 46%. Every fourth employed rural inhabitation has high education.

Far and above any other economic activity, the rural population is mostly engaged in agriculture, forestry and fishery (more than 55%, including individual farms – 23%). Besides that, 15% of rural inhabitation engaged in education and healthcare, 11% in extraction and processing industries and 6% in stock trade. More than 76% of rural population is hired and only about 20% is self-employed mostly on land shares for individual farming.

3. Development of land relations

In presentations during FAO regional workshops on 07-11 March, 2005 in Prague "Possibilities of Land Consolidation in Ukraine: Land (Hypothec) Bank and Land Market in Ukraine" and on 06-07 May, 2005 in Nitra "Forming of Legal Base of Functioning of Land

Market in Ukraine” we critically estimated the realization of the Land Code by the Government of Ukraine, adopted by the Ukrainian Parliament in 2001 in the context of assigning of institute of private property to rural population, forming of land market, system of hypothec crediting and civilized land relations. I would like to remind you just one phrase from presentation in Prague: “There is no State Policy on land consolidation, but elaboration of such strategy is on time. There are three natural (evolutional) ways of land consolidation:

1. Renting of the land by medium farmer enterprises.
2. Renting of the land by large farmer enterprises.
3. Expanding of small private rural farms due to land shares of their members”.

The meaning of this phrase has come to be very important in Ukraine now because of the repeal of legislation from January 01, 2007 of the moratorium for selling and buying of agricultural lands, the creation of the rules on agricultural market. It means the system of registration, hypothec, hypothec crediting and it will speed the process of land resources consolidation and formation of civilized land relations.

What do we have in Ukraine during last year? First of all the active politicization of the community during the president and parliament elections did not have a very good influence on the normative activity of Government, besides it changed twice during last year.

For solving of problems the State Committee of Land Resources of Ukraine prepared the *Draft of State Program of Development of Land Relations in Ukraine for 2006-2015*. The draft of this program was developed according to recommendations of Parliament hearings “Present Condition and Prospects of Development of Land Relations in Ukraine” and was adopted by Decree of Parliament of Ukraine from 22.09.05 No. 2897-IV and Decree of the President of Ukraine “The National Security and Defence Council of Ukraine” from June 29, 2005 “On Condition of Legislation Execution and Measures Concerning rising of Effectiveness of State Policy in the Sphere of Land Relations Regulation, Using and Protection of Land” from 21.11.2005 No. 1643/2005 in accordance to Constitution of Ukraine, Land Code of Ukraine and other legislative acts with aim of realization of state policy on development of market land relations, providing of corresponding measures in the field of land using and protection, implementation of modern automatically system of land cadastre which could guaranteed land rights, providing of civilized land market, rising of investment attraction of Ukrainian land use.

Realization of the Program as a system of interconnected organizational, legal, scientific, normative and financial measures should provide the finishing to the country’s land reform and also create effective mechanism of regulation of land relations and state management of land resources.

The draft program determines that state policy in the sphere of land relations in Ukraine noted by narrow direction, issues on land reform was not solved in the right way, land monitoring, rising of effectiveness of land resources management and improvement of control on land using and protection.

A result of such state policy was irrational use of land potential, worsening of land conditions, unregulated changes of land functioning character as object of producing in economic system of the market, absence of one system of land protection.

According to such conditions, solving the problems of further development of land relations and grounding of optimal state policy in this field should be provided on the base of a program directed approach regarding forming of land using in the way of concentration of scientific and production potential and material and technical financial resources and also coordination of activity of central and local authorities, enterprises, institutions and organizations.

The Program foresees a list of measures and tasks with determination of executors, term of execution and resources of financing.

Of course there is not time today to inform you in detail about content of this document which is fulfilled by figures, but I would like to comment one of the chapters of the Program which should provide development of land market and its infrastructure.

Measures and tasks of the Program	Executors	Quantity of financing per years, million UAH												
		2006	2007	2008	2009	2010	I stage	2011	2012	2013	2014	2015	II stage	Total
Task 4. TO PROVIDE DEVELOPMENT OF LAND MARKET AND ITS INFRASTRUCTURE														
Organization of land market infrastructure and system of consumers protection	Total	4,06	20,29	16,23	6,49	1,62	48,69	1,62	1,62	2,03	2,11	2,27	9,65	58,34
	Ministry of econ.	0,61	3,04	2,43	0,97	0,24	7,29	0,24	0,24	0,30	0,32	0,34	1,44	8,73
	Ministry of finance	0,49	2,43	1,95	0,78	0,19	5,84	0,19	0,19	0,24	0,25	0,27	1,14	6,98
	State com. land	2,96	14,82	11,85	4,74	1,19	35,56	1,19	1,19	1,49	1,54	1,66	7,07	42,63
Elaboration and execution of state, regional and local programs of privatization and development of land market	Total	12,92	21,54	8,62	4,31	2,15	49,54	-	-	-	-	-	-	49,54
	Ministry of econ	0,90	1,51	0,60	0,30	0,15	3,46	-	-	-	-	-	-	3,46
	FDMU	1,55	2,58	1,03	0,52	0,26	5,94	-	-	-	-	-	-	5,94
	Ministry of econ	1,16	1,94	0,78	0,39	0,19	4,46	-	-	-	-	-	-	4,46
Local budgets	9,31	15,51	6,21	3,10	1,55	35,68	-	-	-	-	-	-	35,68	
Supporting in creation of consulting and realtor enterprises	Total	0,16	0,81	0,65	0,26	0,07	1,95	0,07	0,07	0,08	0,08	0,09	0,39	2,34
	State com. land	0,05	0,26	0,21	0,08	0,02	0,62	0,02	0,02	0,03	0,03	0,03	0,13	0,75
	Local budgets	0,11	0,55	0,44	0,18	0,05	1,33	0,05	0,05	0,05	0,05	0,06	0,26	1,59
Creation of clarity mechanisms on land market	Total	2,38	11,89	9,51	3,81	0,95	28,54	0,95	0,95	1,19	1,24	1,33	5,66	34,20
	State com. land	1,81	9,04	7,23	2,90	0,72	21,70	0,72	0,72	0,90	0,94	1,01	4,29	25,99
	State com.inform	0,19	0,95	0,76	0,30	0,08	2,28	0,08	0,08	0,10	0,10	0,11	0,47	2,75
	Local budgets	0,38	1,90	1,52	0,61	0,15	4,56	0,15	0,15	0,19	0,20	0,21	0,90	5,46
Creation of national, regional and local data bases of demand and supply on land market	Total	1,00	4,99	3,99	1,60	0,40	11,98	0,40	0,40	0,50	0,52	0,56	2,38	14,36
	State com. land	0,27	1,35	1,08	0,43	0,11	3,24	0,11	0,11	0,14	0,14	0,15	0,65	3,89
	Local budgets	0,73	3,64	2,91	1,17	0,29	8,74	0,29	0,29	0,36	0,38	0,41	1,73	10,47
Implementation of the system of public discussion of investment projects on territories development	Total	0,09	0,47	0,37	0,15	0,04	1,12	0,04	0,04	0,05	0,05	0,04	0,22	1,34
	State com. land	0,07	0,36	0,28	0,11	0,03	0,85	0,03	0,03	0,04	0,04	0,03	0,17	1,02
	Ministry of econ	0,01	0,04	0,03	0,01	-	0,09	-	-	-	-	-	-	0,09
	Local budgets	0,01	0,07	0,06	0,03	0,01	0,18	0,01	0,01	0,01	0,01	0,01	0,05	0,23
Elaboration of the order creation and control for priority rights on buying of land shares	Total	0,26	1,31	1,05	0,42	0,11	3,15	0,11	0,11	0,13	0,14	0,14	0,63	3,78
	Ministry of just.	0,11	0,55	0,44	0,18	0,05	1,33	0,05	0,05	0,05	0,06	0,06	0,27	1,60
	State com. land	0,15	0,76	0,61	0,24	0,06	1,82	0,06	0,06	0,08	0,08	0,08	0,36	2,18
Elaboration and implementation of special tax regimes according to progress scale for resale of land shares	Total	-	-	-	-	-	-	0,21	0,62	1,25	0,83	0,83	3,74	3,74
	Ministry of econ	-	-	-	-	-	-	0,07	0,19	0,39	0,26	0,26	1,17	1,17
	Ministry of finance	-	-	-	-	-	-	0,04	0,12	0,24	0,16	0,16	0,72	0,72
	State com. land	-	-	-	-	-	-	0,10	0,31	0,62	0,41	0,41	1,85	1,85
Conducting of monitoring of land shares market	Total	3,86	6,43	4,88	5,14	5,40	25,71	5,53	5,66	5,78	5,91	6,17	29,05	54,76
	State com. land	3,20	5,34	4,05	4,27	4,48	21,34	4,59	4,70	4,80	4,91	5,12	24,12	45,46
	Local budgets	0,66	1,09	0,83	0,87	0,92	4,37	0,94	0,96	0,98	1,00	1,05	4,93	9,30

Forming and registering of land shares, circulation of which is limited according to the law	State com. land	0,86	4,30	3,44	1,38	0,34	10,32	0,34	0,34	0,43	0,45	0,48	2,04	12,36
Consulting of land owners and land users on land market functioning issues	Local budgets	0,39	1,54	1,93	2,06	2,32	8,24	2,57	2,19	1,67	1,54	1,03	9,00	17,24
Control on holding of qualification rules to buyers of land shares which are intended for agricultural production	Total	0,33	1,65	1,32	0,53	0,13	3,96	0,13	0,13	0,17	0,17	0,19	0,79	4,75
	Min.Agro.Policy	0,22	1,11	0,88	0,36	0,09	2,66	0,09	0,09	0,11	0,11	0,13	0,53	3,19
	State com. land	0,11	0,54	0,44	0,17	0,04	1,30	0,04	0,04	0,06	0,06	0,06	0,26	1,56
Creation of normatives concerning minimal sizes of agricultural lands and land using and its control	Total	0,09	0,43	0,34	0,14	0,03	1,03	0,03	0,03	0,04	0,04	0,07	0,21	1,24
	Min.Agro.Policy	0,06	0,29	0,23	0,09	0,02	0,69	0,02	0,02	0,03	0,03	0,05	0,15	0,84
	State com. land	0,03	0,14	0,11	0,05	0,01	0,34	0,01	0,01	0,01	0,01	0,02	0,06	0,40
Social regulation of meliorated lands circulation	Total	0,22	1,12	0,89	0,36	0,09	2,68	0,09	0,09	0,11	0,12	0,12	0,53	3,21
	Min.Agro.Policy	0,15	0,75	0,60	0,24	0,06	1,80	0,06	0,06	0,07	0,08	0,08	0,35	2,15
	StateCom.Water.	0,03	0,15	0,12	0,05	0,01	0,36	0,01	0,01	0,01	0,02	0,02	0,07	0,43
	State com. land	0,04	0,22	0,17	0,07	0,02	0,52	0,02	0,02	0,03	0,02	0,02	0,11	0,63
Supporting creation of rural companies on regulation of circulation of agricultural land shares	Local budgets	0,20	0,78	0,98	1,04	1,17	4,17	1,30	1,11	0,85	0,78	0,53	4,57	8,74
Creation and functioning of land exchanges	Total	2,59	12,95	10,36	4,14	1,04	31,08	1,04	1,04	1,30	1,35	1,44	6,17	37,25
	State com. land	0,83	4,14	3,32	1,32	0,33	9,94	0,33	0,33	0,42	0,43	0,46	1,97	11,91
	Local budgets	1,76	8,81	7,04	2,82	0,71	21,14	0,71	0,71	0,88	0,92	0,98	4,20	25,34

According to earlier papers at the Prague and Nitra workshops concerning the necessity of creating information and advisory system on land market subjects, the draft of remaining Program foresees financing of measures on “consulting of land owners and land users on functioning of land market issues” until 2015 in sum 17.24 million UAH. This measure of the Program corresponds with the draft of the State Target Program of Agricultural Advisory Activity for 2006-2009, Conception of which was adopted by Government Decree No. 210-p from 20.06.2005 according to the Law of Ukraine “On Agricultural Advisory Activity” No. 1807-IV from 17.06.2004.

One of the most important measures of task 4 of this Program are:

- organization of infrastructure of land market and system of rights protection of land market subjects (58.34 million UAH);
- supporting in creation of consulting and realtor enterprises (2.34 million UAH);
- creation of clarity mechanisms on land market (34.20 million UAH);
- creation of national, regional and local data bases of demand and supply on land market (1.34 million UAH);
- implementation of the system of public discussion of investment projects concerning territories development (14.36 million UAH);
- conducting of land shares market monitoring (54.76 million UAH);
- supporting creation of rural companies on regulation of circulation of agricultural land shares (8.74 million UAH);
- creation and functioning of land exchanges (37.25 million UAH) etc.

So, adoption and realization by the Government of this Program creates conditions for the second stage of land consolidation and development of civilized land relations through mechanisms of land market functioning.

At the end it is useful to remind that from January 01, 2006 (practically after the Parliament elections on March 26, 2006) came into force changes to the Constitution of Ukraine which founded bases of Parliament – Presidential form of state government. On these bases is forming a new coalition Government.

The main points of these proposals are immediate juridical fastening of land ownership rights and property, ensuring of state guaranties on this property in the way of creation of state system of registration of ownership rights and immovable property, creation of conditions for free management by private property including through legal and institutional forming of immovable property market, its hypothec and system of hypothec crediting in the way of creation of Land Hypothec Bank. Special emphasis were placed on developing an agricultural advisory as the most effective mechanism of implementation of the agrarian policy through dissemination of new knowledge, modern technologies and market information to rural population according to the Law “On Agricultural Advisory Activity”.

There we also proposed the creation of state organs of governments in agriculture through creation on their bases the net of agricultural advisory services. Organs of state governments should have such responsibilities as: developing of state agrarian policy, state and local target programs for development of agriculture and rural areas, fiscal, custom and price policy, providing of monitoring and prediction of prices, some control functions including on veterinary issues, sanitary, food and environment protection etc.

It is clear that from systematic and state building directed thinking of the future Parliament coalition and program bases of coalition the Government will depend on solving of the problems in agriculture and land relations sphere, rural areas development and rural communities during next five years, continuation of successfully started reforms according to Viktor Yushchenko Government Program of Action in 2000 on which is base for Program of President of Ukraine Viktor Yushchenko “Ten Steps Towards People”.