

## **Problems of land consolidation in the Republic of Moldova**

**Stefan Calancea**

Ministry of Agriculture and Food Industry

**Oleg Horjan**

Land Re-parceling Component, Second Rural Investment and Secrecies Project

### **1. Introduction**

Moldova is an agrarian-industrial country. Most of its economy is based on producing and processing agricultural production which takes about one third of the gross national product, and more than 60 % of exports. More than 50% of the population lives in rural areas and is occupied mainly in agriculture and agro-processing industry.

Unfortunately, the level of agro-industrial production had no essential growth in the past years, and the difference between the standard of living of urban and rural population constantly increases. It causes the constant migration of the most apt labor of the population to large localities and abroad which threatens to result in communities having large elderly population and people who cannot farm actively. Most small farms are not market-oriented and are operating for their own subsistence. All of these have resulted in developing the National program “Moldovan Village” that contains many actions directed towards the complex development of rural areas. One of the key aspects of this program is consolidation of agricultural lands.

### **2. Current situation**

As of 1.01.2006 agricultural land represents 1952,7 thousand ha or 57,7 % from the total surface area of the country of 3384,6 thousand ha. Agricultural lands of all categories have a surface area of over 2556,7 thousand ha or 74,4 % (table 1):

Table 1. Dynamics of distribution of agricultural lands by types of ownership in 1995-2006

Land use	1995		2006	
	thous.ha	%	thous.ha	%
Total surface area of agricultural land	2556.7	100	2518.2	74.4
Distribution of agricultural land by types of ownership:				100
- state public property	1086.9	57.5	300.1	11.9
- administrative-territorial units public property	-	-	374.9	14.9
- private property	1469.8	42.5	1843.3	73.2

This table shows that three quarters of all agricultural land is privately owned. The ratio of agricultural land in Moldova is one of the highest in the world. Therefore, its rational and effective use is vital for the country.

As a result of implementation of land reform in the 1990s, most of these lands have been privatized. Almost 1,5 million hectares of agricultural lands have been distributed to over 1.1 million owners. The land reform process in Moldova was based on the principle of equal privatization, but not on the restitution of private ownership as has been the case in most of former socialist countries. It is this principle that resulted in large fragmentation of agricultural land. During implementation of land reform most persons eligible for allocation

of agricultural land of equal value requested several parcels of different land use categories (arable, vineyards, orchards). The distribution of agricultural land use categories by types of ownership is presented in table 2:

Table 2. Distribution of agricultural land use categories by types of ownership

Agricultural land use categories	Total, thous. ha / %	Area, thous. ha / %		
		state public property	administrative-territorial units public property	private property
1. Arable land	1833.2 / 100	236.9 / 12.9	29.2 / 1.6	1567.1 / 85.5
2. Perennial plantations, including:	299.0 / 100	29.6 / 9.9	8.6 / 2.9	260.9 / 87.2
- orchards	131.1 / 100	20.1 / 15.3	2.0 / 1.5	109.0 / 83.2
- vineyards	157.3 / 100	6.9 / 4.4	1.5 / 0.9	149.0 / 94.7
3. Hayfields	2.08 / 100	0.5 / 24.6	1.0 / 49.1	0.6 / 26.3
4. Pastures	368.1 / 100	33.1 / 9.0	332.0 / 90.2	3.1 / 0.8
5. Non-cultivated land	15.9 / 100	0.1 / 0.4	4.1 / 25.9	11.7 / 73.7

The data from this table shows that the most arable lands, gardens and vineyards are privately owned and also have to be rationally and effectively used. The dynamics of agricultural land distribution by types of land use categories for the period 1995-2006 are presented in table 3.

Table 3. Dynamics of agricultural lands distribution by types of land use categories for 1995-2006

Agricultural land distribution by land use categories	1995		2006	
	thous. ha	%	thous. ha	%
Total agricultural land, including:	2556.7	100	2518.2	100
Arable land	1758.7	68.8	1833.2	72.8
Perennial plantations: including:	430.7	16.9	299.0	11.9
- orchards	208.3	8.15	131.1	5.2
- vineyards	202.6	7.9	157.3	6.3
Hayfields	2.1	0.1	2.1	0.1
Pastures	365.2	14.3	368.1	14.6
Non-cultivated land	-	-	15.9	0.6

During the years of land reform the areas of perennial plantations – the main riches of agriculture - were sharply reduced. Instead, the area of arable lands has increased and a new category of land appeared - non-cultivated lands.

As of 01.01.2006, 246,9 thousand ha (12,8 %) of agricultural lands in Moldova were processed by 295 state agricultural units of different legal status, with the average size of land plots of 837 ha and 1.26 million ha were processed by 1.31 million various private land owners with the average size of the land plot of 1.29 ha. The major ones are:

- 147 cooperative units farming a total area of 132.2 thousand ha (average size 899 ha);
- 104 joint-stock companies with an area of 51.04 thousand. ha (average size 548 ha);
- 1292 limited liability companies with an area of 632.3 thousand ha (average size 489 ha);
- 221 sole proprietorships with an area of 10.1 thousand ha (average size 45.7 ha);
- 378 thousand peasant farms with an area of 563.1 thousand ha (average size 1,49 ha)

At present, peasant farms are divided in 2-3 and even 5 to 8 parcels with an average area of 0,3-0,5 ha located at 3-5 or even more kilometers from the village and at a total distance of up to 50 km between them. Distribution of peasant farms according to their total surface area is shown in table 4:

Table 4. Grouping peasant farms according to their total surface area (without leasing).

Surface area, ha	Number		Owned area	
	Number of farms	%	thous. ha	%
1 - 4.99	377500	99.85	486.9	97.34
5 – 9.99	165	0.04	1.1	0.22
10 – 99.9	236	0.06	4.1	0.82
≥ 100	151	0.04	8.1	1.62
Total	378052	100	500.2	100

Apparently, both by number and by area very small farms with an area of up to 5 hectares prevail. In the group of peasant farms, the owners with land parcels of up to 2 hectares, representing 80% of all owners prevail. The ownership structure with predominant small size parcels sets limits for the commercial production. Another problem is the shape of the layouts - long and narrow strips, which are located in many cases with the long side in the direction of the slope. The small size of agricultural parcels, vast dispersion and uneconomical shape create inconveniences in land cultivation, increases production costs, cause soil erosion, etc.

At present, in Moldova a unified system for registration of real estate and ownership rights has been established operating through 38 Territorial Cadastral Offices forming the State Enterprise “Cadastru”. They are responsible for registration and maintenance of property register within their coverage area. Now the registration system provides full tenure security. Property owners may carry out transactions which they agree upon such as sale, lease, mortgage, etc.

Besides, the required legal framework was established (Civil Code, Land Code, Law on lease, Law on cooperative societies, Law on real estate cadastre, etc.), which allowed to start agricultural land transactions and develop land market. In the last year, the land market has recorded 51483 transactions, that is 4064 more than in 2005. These include sale, lease, inheritance, donation, mortgage and others.

The fact that the privatization process is completed, the land registration system and the legal framework are in place means that preconditions for beginning the process of land consolidation have been created. In the last years, re-parceling of agricultural land plots has increasingly been set on the government agenda in Moldova and field work has been started.

The mechanisms used for land consolidation based on willingness of land owners include:

1. Re-parceling of land plots with their consolidation on the territory of a commune (regulated by existing Land Code). The Design Institute for Land Use Planning has carried out 20 re-parceling projects, mainly in the Southern part of Moldova, with their partial consolidation (by voluntary will of land owners) in various associations, financed by the state. Some other re-parceling projects have been implemented during the period 2003-2006 under the Land Privatization Support Project funded by USAID. One of the first re-parceling projects carried out under LPSP was in Antonesti village in Stefan-Voda raion, where 200 land owners participated and around 160 ha were consolidated via 25 year lease agreements concluded with a winery. As a result of re-parceling, 100 new jobs at the winery were created. In most of these projects the tools

used were sale, purchase and not lease. A simplified registration and implementation procedure was developed for the project, where, among other things, some of the tasks normally carried out by the notary have been handled by the mayor's office. The simplified procedure reduced transaction time and costs.

2. Carrying out land transactions (regulated by existing Civil Code). In 2005, 47419 contracts of land sale and purchase aiming at land consolidation for a total area of about 70 thousand ha have been registered. In 2007 the number of land transactions has already reached 25 679 for a total area of almost 38 thousand ha, which exceeds the data of the last year with 10%. It concerns, first of all, 134 processing enterprises which own 58,4 thousand ha of agricultural land and 5,9 thousand ha of long-term lease.
3. Land lease (regulated by existing Law on lease). Currently, more than 570 thousand ha of agricultural lands are leased out. That makes 34 % of all privately owned lands. 32530 contracts for long-term lease of almost 50 thousand ha were concluded. In the current year, the number of such contracts as compared with the last year grew with 6543 (almost 11 thousand ha) or approximately 20%.
4. By voluntary association and foundation of agricultural enterprises of various legal forms (regulated by existing legislation).

Thus, as a result of spontaneous land consolidation in Moldova the surface area has reached 839,41 thousand ha or 49,9 % of all private lands of agricultural destination, but with publicly owned lands – 1086,37 thousand ha or 56,7 % of all lands of this category.

### **3. Agricultural land consolidation problems.**

The executed works on land consolidation have revealed the following problems:

- weak knowledge of the existing legislation by the actors of the land market;
- a lot of peasants have not registered their landownership as established by the law, as object of entrepreneur activity (140 thousand ha);
- high cost of registration of land transactions;
- many abandoned and non-formalized land ownerships;
- unwillingness of a part of landowners to participate in the land consolidation process, hindering its realization on the territory of a community;
- occurrence of the phenomenon of buying out agricultural lands with the purpose of subsequent speculative resale;
- problem of further use of low productive lands (354,4 thousand ha or 18 % of highly eroded soils);
- 70-75 % of perennial plantations are in a unsatisfactory condition and require rooting-out of them in the process of land consolidation
- problem of restriction of the area of one landownership;
- high rates for bank loans and absence of specialized land bank;
- average area of the peasant farm constantly grows, but this process is very slow and without accepting special measures it can be stretched during many decades before achieving rational sizes.

### **4. Land re-parceling pilot projects in Moldova**

With the purpose of analyzing the current situation on Moldovan land markets and land management practices and give recommendations on goals, procedures and best modern

practices for land re-parceling, 6 pilot re-parceling projects supported by the World Bank will start in 2007. The specific objectives of these pilots are to:

- test the demand for and feasibility of land re-parceling with small landowners as the primary target group;
- use the pilot experience as the basis for designing a potential national-level approach, including techniques, resource requirements and legislative framework;
- assess the impact of re-parceling at the local level, including on land markets, agricultural production and equity.

The actual implementation of this project began with the selection of the international consulting company and 6 localities, where pilot projects will be realized, and now it comes to an end.

## **5. Measures to be taken**

Preparations for mass privatization involve the following measures for elimination of existing problems:

- implementing the national programme “Moldovan Village”, where the key moment is land consolidation;
- a Governmental programme of land consolidation is accepted. At the first stage of this program land consolidation will be realized at least in one community in each raion. In the future, it is supposed to transform them in didactic and model ones;
- implementation of pilot projects financed by World Bank in 6 villages situated in different zones the republic;
- improvement of existing legislation and its harmonization with the legislation of the European Union;
- provision of tools and research support for the process of land consolidation;
- establishing institutional framework and mortgage lending system, etc.

## **6. Expected results**

As a result of carrying out these measures it is expected to receive the following results:

- technique and procedure of mass land consolidation will be developed;
- methods of management of this process will be improved;
- legislative base will be advanced;
- approach for public awareness campaign organization and preparation of public opinion for positive perception of mass land consolidation will be developed;

All these positive results can be obtained only in the case of close cooperation, collaboration with international structures, provision of modern approaches and implementation of best practice of land consolidation, strict observance of its principles.