

# **Land Consolidation Pilot Project in Armenia**

## **Preconditions**

The privatization of land was based on principles of social justice, and decisions for the allocation of land incorporated both qualitative parameters and assessments of the nature of land. The process transformed 860 collective and state farms into about 337900 peasant farms. The average size of the newly formed farms is about 1.2- 1.4 hectares , which is fragmented into 2-4 parcels and the distances between parcels sometimes exceed 10 to 15 kilometers .

Such small and fragmented land parcels are a social factor for villagers, rather than one of production. Taking into account the necessity to address the above-mentioned problems, the State Committee of Real Property Cadastre of the Government of RA (SCC), jointly with the Food and Agriculture Organization of the United Nations (FAO), implemented the “Preparation and Implementation of Land Consolidation and Improved Land Management Schemes” project.

## **General statements**

The start of the project was the inception workshop, which was organized on 30 th November 2004 . The project duration was 24 months. The project was financed by FAO and the implementing agency was the SCC.

The project was implemented on a voluntary basis, providing for the full participation of all beneficiary stakeholders: landowners, and local and regional management bodies.

### ***The project's outputs were:***

1. At the field level (in Nor Erznka community of Kotayk marz):

- Assessment of needs of landowners;
- practical implementation of land consolidation;
- land zoning and planning of effective land use.

2. Increase in public awareness.

3. Training and capacity building.

4. The drafts of land consolidation concept and strategy documents.

## **Land consolidation activities implemented in Nor Erznka pilot community**

Based on the wishes of landowners the following principles were applied when implementing land consolidation:

- Consolidation of a land owner's fragmented 3 parcels located in different areas into one property unit where possible.
- Enlargement of small and ineffective land parcels through the acquisition of community land and privately-owned land.

Before the start of the land consolidation activities in the community, the SCC undertook measures for the stimulation of land consolidation. It presented a proposal to the National Assembly to exempt free from state duties all registrations of land transactions that would be implemented within the framework of state land consolidation projects. On the basis of the presented proposal appropriate amendments were made in the law. As a further incentive, payments for cadastral and notary services, which also could be a serious obstacle in the way of the implementation, were covered through the FAO project. As a result, landowners participating in the project were exempt from paying the transaction costs of notary verification and state registration.

The committee of landowners was elected to represent the interests of landowners and to mediate in the cases of disagreements among landowners. With the assistance of committee of landowners the pilot area was divided into sub-areas. The distribution of community into sub-areas made much easier the negotiation, valuation, planning and other activities of the team in the field. The area of the community was evaluated and different value zones were identified, for which the average values and coefficients were calculated as well. All the land parcels were numerated by land owners. The identification numbers of land owners have been digitalized as well.

After the completion of the above-mentioned activities, the national project team and Land Monitoring Centre introduced land consolidation activities in the community, including the following steps:

- negotiations with land owners;
- valuation of the land parcels to be consolidated;
- alienation of the community land to be used in land consolidation process;
- notary verification and cadastral registration of land consolidation transactions.

More than 100 land owners signed land consolidation preliminary agreements where both factors of land size and land value were taken into account and land consolidation was implemented via the following mechanisms:

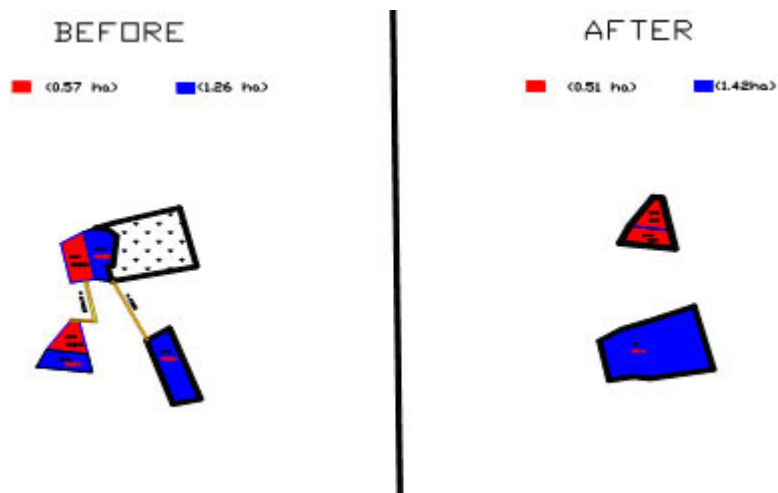
- exchange of land parcels between landowners;

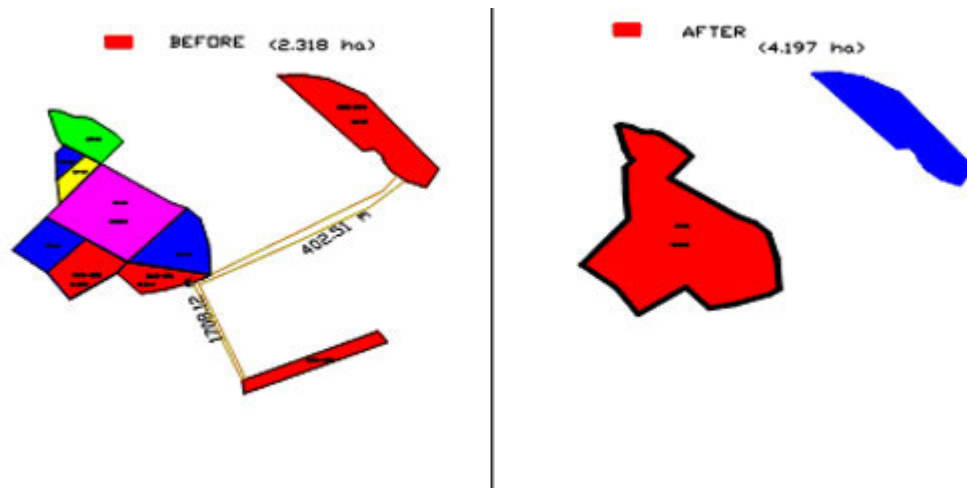
- purchase, sale and donation of land parcels between landowners;
- exchange of private land with community land;
- purchase of community land bordering the private land;
- lease of community land bordering private land.

For definition of the coefficients of land parcels, the following main principles and approaches were applied:

- agreement on values as a result of negotiations between private land owners;
- agreement values as a result of discussions with the committee of land-owners;
- valuation of land parcels (in cases of private land and community land exchanges) by licensed valuers;
- in the case of alienation of community land alienation, cadastral values were applied.

A few examples of land consolidation cases implemented within the project are presented below, where the parcels of different landowners (including the community) are reflected by different colours :

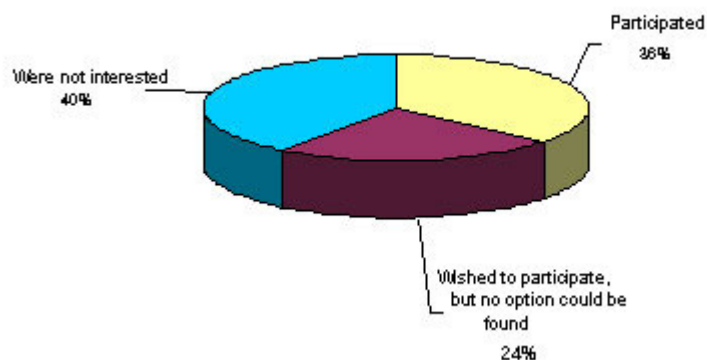




*The project provided for :*

- the consolidation of 162 land parcels into 67 parcels;
- consolidation of 92 ha of land parcels;
- the participation of 92 owners (the total number of co-owners involved was about 281, the community was involved in 14 cases);
- the registration of approximately 188 transactions (the total number of transactions, including the registration of inheritances, was 206).

*The Participation of the Community Landowners in the Project*



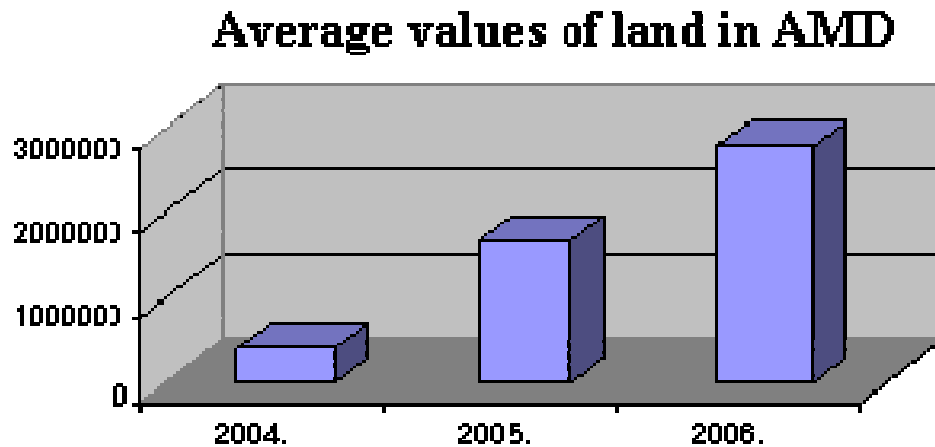
***As a result of land consolidation:***

- For participating landowners, the average number of parcels decreased from 3 to 2;
- The average farm size increased from 1,25 ha to 2,5 ha ;
- The average area of a parcel increased from 0,47 to 1,25 ha .

In two months on consolidated land parcels:

- 25 ha of arable land was converted into orchards;
- 17 ha of land was mortgaged.

***Parallel to the influence of land market development the land consolidation project promoted the increase of land value and land use efficiency:***



## **Land consolidation concept and strategy papers**

In preparation for the formulation of the land consolidation strategy paper, the methodology, criteria and the principles of evaluation were identified and submitted for the approval of the SCC, project steering committee and FAO. Following a decision of the steering committee, a commission was created to evaluate and organize the selection according to criteria.

On 18th April, 2005 , on the basis of summarized results of the tender, the commission selected the “Society, Economy and Law” NGO as the organization to prepare the land consolidation strategy paper.

For the purposes of this component implementation, a work plan and a timeline were prepared. Parallel to these activities international experience in land consolidation was studied.

A detailed baseline and survey of the following areas was undertaken for the land consolidation framework and strategy papers:

1. The macroeconomic situation and land use;
2. The structure of land use and economic situation in agriculture;
3. Environmental conditions - the ecological state of land;
4. Legislative and legal grounds of land use;
5. The international experience in land consolidation;
6. Existing potentials and impediments of land consolidation in Armenia .

Based on this analysis, as well as the international experience in land consolidation, a draft land consolidation concept paper was elaborated, and will be submitted for review and suggestions of all stakeholders and to the Government of Armenia for approval and, as one of the most important issues, is reflected in the programme of the SCC for 2007.

The land consolidation concept paper was presented and discussed on “The problems of land consolidation and possible solutions” workshop in 12 May 2006 .

The main objective of the land consolidation concept paper is the formation of agricultural land parcels for more effective use through the enlargement of small (not effective) land parcels and consolidation of a landowner's fragmented parcels located in different areas into one property unit, the formation of more valuable land parcels having greater liquidity, and the promotion of the rapid development of agricultural land market in Armenia.

For implementing the above-mentioned objectives it is necessary to solve such tasks as:

1. Introduction of mechanisms to encourage the participation of landowners in the land consolidation process, particularly:

- Increasing opportunities of access to credits for those landowners who participate in land consolidation;
- Developing the mechanisms of insuring future products;
- Defining mechanisms of stimulating the realization of the product, etc.

The solution of the following tasks should also be found:

2. Regulation of the land consolidation process;
3. Definition and subdivision of activities and competences of land consolidation; implementing and managing institutions and creation of a monitoring system;
  - Enhancement of mechanisms and approaches for land consolidation by taking into account the different characteristics of regions;
5. Designing efficient land use that enhance land consolidation;
6. Enhancement of public awareness on courses of land consolidation and efficient use of professional potential;
7. Development of community land management mechanisms, which will promote land consolidation.

The implementation of the events stipulated in the concept paper demands the development and adoption of legislative-normative acts the list, stakeholders and timetable of which are also stipulated.

On the basis of the land consolidation framework paper as well as the experience gained via the activities implemented in the pilot area, the draft of the land consolidation concept paper contains baseline analyses of the current situation, potentials and constraints of land consolidation implementation in Armenia, strategic options, mechanisms, methods mechanisms, projected list of activities etc. The document contains also institutional programs and legislative proposals.

## **Summary**

In Armenia the land reforms are coming to the final phase. In all communities cadastral mapping activities are already fulfilled. The first title registration activities as well as the provision of certificates of ownership free of charge are completed. For the creation of the mortgage system, the legal framework and all the necessary preconditions have been developed. In all 916 communities the state land has been transferred to the ownership of communities for future disposal.

As a result of the aforementioned activities the system of registration of the rights to real property have been created, and the real property market, including for agricultural land, has been created and developed. The land has increased in value and become attractive not only for purchase and sale but also for collateral and leasing, the evidence of which is the increase of real property transactions by 2.7 times in 2005 as compared with 1999 (in 1999 some 45317 real property transactions were implemented while in 2005 the number was 122545). The number of transactions on agricultural land has increased by 6.9 times (in 1999 there were about 2344 transactions on land while in 2005 the number increased to 16213). The value of agricultural land has increased: during 9 months of 2006 the average price on agricultural land in Masis, Vagharshapat, Ashtarak and Abovyan regions fluctuated from \$3000 to \$6700 which is 88% higher than figures for 2003. In the land consolidation process the existence and availability of community land is very important. The alienation of community land creates good opportunities for enlarging the sizes of land parcels, and for exchanging with private land parcels in order to create a better layout of parcels.

It can be concluded that as a result of reforms the land is gradually being transferred into a production factor. While the existence of small and fragmented parcels remain an obstacle to increased land use efficiency and the rapid development of an agricultural land market, the project shows that the reforms have created the necessary preconditions for implementing land consolidation at a larger scale. The experience of the project has also shown that it is necessary to not simply adopt foreign models of land consolidation, but instead to improve and adapt them for use with the local conditions and characteristics of Armenia .