

# **Land market, land banking efforts and Impact evaluation for land development projects in Bulgaria**

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## **Part 1 – Land Consolidation and Land banking activities**

The year that passed lightly from the Prague 2007 regional LC workshop to Prague 2008 was quite intensive for the Bulgarian land market. The Program for Land Consolidation 2007-2013 was finished and published. Based on the Strategy for Land Consolidation the legislation started to change. The Law on ownership and use of Agricultural Land in Bulgaria (LOUAL), which is the main land law, was amended in the spring of 2007 for the sake of the voluntary land consolidation. Every law in Bulgaria operates via Implementation Rules which usually give the procedures concerning different paragraphs in a law. For that reason the Implementation Rules to the LOUAL were developed too and the Land consolidation Unit included a procedure for land consolidation on a voluntary base. The procedure was approved by the Council of Ministers and published in State Gazette in the mid of May 2008. The main pillars of this procedure are the work of the local committee and the signed voluntary agreement. A week after the procedure was published the first two application are on its way to the Ministry – one for planning of a big orchard in a village in the Central North region of Bulgaria and one for intention to solve remaining problems near by water dam and gardens. So, two completely different projects which would give interesting experience for us, especially because they will be on a voluntary base, and in one of the villages in 1947 the project was non-voluntary and restitution is based on it.

The 2007 was the first year after the accession of Bulgaria in the EU. That period was remarkable for the big expectations and the prices of the real estate significantly moved up. But the expectation justified only for the urban and suburban plots. Many investment funds raised their capital in order to invest much more in agricultural lands too. They expected at least 50% price improvement but they only get 21% in average. In some regions the prices even got lower. Our evaluation of the situation is that our fear came true- without good agricultural infrastructure, land consolidation and market chains the price of the land will not grow so fast as expected by the investors and owners. Meanwhile some of the owners, investors and municipalities realized that conflict between the expectation and the reality and

started efforts for improvement of the irrigation as well as the market strategies and territorial planning in order to raise the prices of their property.

While the government is still not ready with the land bank, the biggest investment companies established the first Bulgarian association of the owners of agricultural land, the entry ticket for which is to own not less than 500 ha and to pay annual membership dues. That Association has not only representative functions - organizing conferences, contacting the State, but its own Information system, with data for all the property of the member companies. That directly implies to some land banking functions. The investors base on the info system already started transaction and exchanges of land as kind of land consolidation within the organization. Taking into account that the participating companies already own more than 100 000 ha of quality agricultural land we consider that a land bank of private kind. The efforts will continue in land consolidation projects especially in areas with State land fund and Municipal land fund.

The conclusion is that the market forces do not leave empty places. When the land market is quickly growing in matters of prices and share, the business would not lose the powerful instrument of large land banking, so the government should also speed up the own efforts to establish a real banking structure.

## **Part 2 – Project impact assessment in Bulgaria.**

The approach that is used in Bulgaria in the moment is more post-project than an advanced one. Although, some key factors like the condition of the market situation, infrastructure and demography are measured before the project starts. After the end of the project they are compared to the situation achieved. The structure of the post-project impact assessment used is described in the next paragraphs.

The evaluation of the impact of the project is not a part of less importance within the process of land consolidation, since in a long-term land consolidation program in a state, in which there is a great variety of physical-geographic peculiarities, enormous differences in the structure of the ownership and the usage in the separate parts of the country, it is necessary the technical requirements, the legislation and the financial management of such projects to be unremittingly perfected.

The results and the conclusions of each project of a long-term program have to supplement the existing norms, in order an opportunity to be given for adequate execution of projects in the perfect North-eastern region, as well as in the fragmented ownership of the South-western region.

- Duration of the evaluation

Usually the results of a project could difficultly be defined within the term of one or two months after the plan of the new situation has been elaborated and after the ownership has been registered. At this stage of the project, a few factors could be analysed such as, changes in the prices of the plots as a result of the changes in the area as well as the construction of an operating infrastructure; decrease of the road network and the average distance between the plots and the living premises; decrease of the number of owners and etc.

For example is of great importance the following analysis to be performed as regards: measurement of the level of satisfaction of the participants after one year; increase of the production and the profits of the following production year; increase of the production and the profits in the second production year after the finalization of the project.

In case an agenda for outlining the results of the project should be made, it is recommended that it covers the following:

- *First stage:* immediately after registration of the ownership, the factors, which are purely of technical and economic character need to be assessed in terms of the statistics that has been gathered as a result of the execution of the project.
- *Second stage:* Measurement of the level of satisfaction of the participants after the first production year after the finalization of the project. Measurement of the level of the profitability of the production.
- *Third stage:* If the usage of new seeds and technologies has been provided, as a forthcoming project within this territory, the effect of their application need to be measured after the end of the second production year.
- *Fourth stage:* If a serious dynamics is being observed on the land market, as well as a serious migration or mortality rate is being observed and also in those cases where perennial plants has been cropped, after the fifth production year a new investigation of the profitability of the plants and the state of the ownership need to be performed.
  - Factors, subject to evaluations
- Technical indicators: The length of the agricultural road network; Average distance between the plots; average distance between the plots and the living premises of the participants; average area of the plots; number of the plots;

increase of the cultivated area by the increase of the length of the sides of the plots (width of the boundary – one meter); diminishing of the time for cultivation; number of the owners and etc.

- Economic indicators: Investments of the infrastructure; process of the plots; establishment of market canals; satisfaction of the project; increase of the profitability.
- Social indicators: Diminishing of the migration, creation of totally new farms.
- Methods of analysis:
  - Elaboration of comparative analyses of the situation – “before” and “After”. The analysis of the preliminary situation is being used.
  - Comparison with elaborated trend models
  - SWAT analysis
  - Evaluation of the plots
  - Inquiry for subjective observations
- Use of the results

#### ***Changes in the technical ordinances***, instructions and methodologies

Since only a restricted team is working on the issues related to such a project, it is necessary that all the problems and difficulties, which are a result of existing gaps in the working methodologies to be registered. The final report of the team is being used for changes in the ordinance on the technical activities related to the execution of land consolidation projects, the methodologies and the instructions.

Thus, the probability other teams to face such mistakes under the same circumstances will be diminished or avoided.

Also it can be estimated which of the current formulations are smoothly functioning and which do not.

It would be quite positive if within the current methodologies real examples for finding solutions regarding separate situations under executed projects are being reflected.

#### ***Changes in the legislation***

The results of these projects could lead to the necessary changes in the procedures as provided in several laws: Law on ownership and use of agricultural lands, Law on heritage, Law on territorial planning; Law on protected territories and the biological diversity; Law on protection of agricultural lands; Law on the leases; Law on the state property.

2008, Sofia