

Perspectives on land banking in Central and Eastern European countries

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This workshop is not the first time that FAO is facilitating discussions on land banking:

FAO organized with DFFE in March 2004 a workshop in Tonder, Denmark:

-Land Banking / Land Funds as an Instrument for Improved Land Management for CEEC and CIS

Workshop Report still available from:
www.dffe.dk/Default.aspx?ID=22311



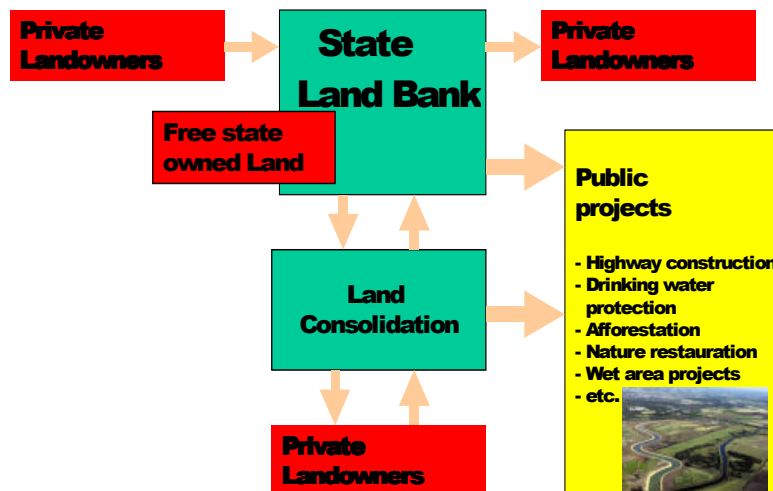
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What is the purpose of establishing a public land bank / land fund?

- Very important for the success of the institution that its objectives are clear and that it "fits" into a certain policy framework
- Shall the land bank / land fund support land consolidation activities under a national land consolidation program?
- Does the institution have a role to play in relation to the Rural Development program (e.g. administration of early retirement schemes and support for young farmers)?
- Shall the institution deal with management of existing public land (lease agreements etc.)?
- Shall the institution be involved in privatisation of public owned land?
- Many similar questions can and should be asked!

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Proposed model for State Land bank in Lithuania (2004) under the framework of land consolidation pilot project II



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The considerations on land banking in Lithuania has continued since:

- Establishment of a land bank is part of the land consolidation strategy adopted through a Government resolution in January 2008 and facilitated by a FAO TCP project (2006-2007).
- A study on establishment of a land bank will be prepared by the National Land Service / Ministry of Agriculture in 2008-2009.
- Legal framework for a land bank will be drafted 2011-2012.
- Establishing of a land bank in 2012.

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How can land consolidation projects benefit from land banking?

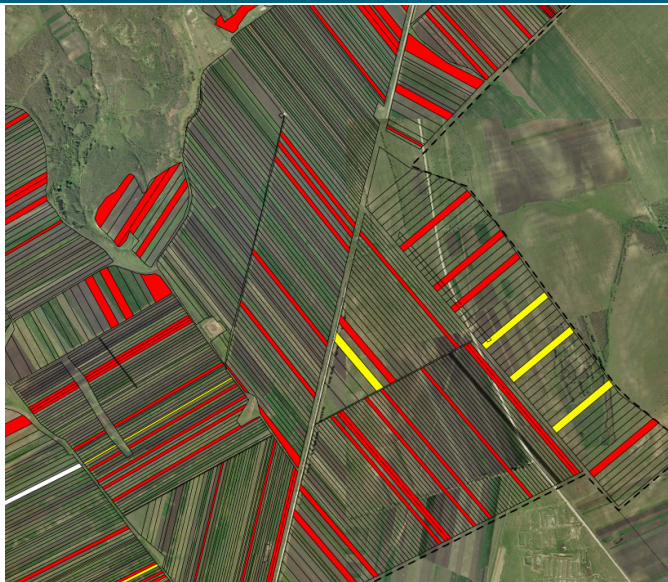
- An active land bank is an instrument to increase the *land mobility* (make more land parcels available for the project).
- Use of a land bank will allow the lead agency for land consolidation to buy land parcels when they are for sale before the land consolidation project begins (some sellers will not wait for the project).
- Early purchase of land parcels increase the flexibility of the project implementation but there is always the risk that the project for other reasons is cancelled. However, in a land market with prices going up, it is very difficult to loose money if the land is bought for the market price.
- A land bank is most needed to catalyst the land consolidation process when there are very few sellers.

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Moldova Land Re-Parceling Pilot project (2008)
Land Mobility Map for Opaci Pilot Community

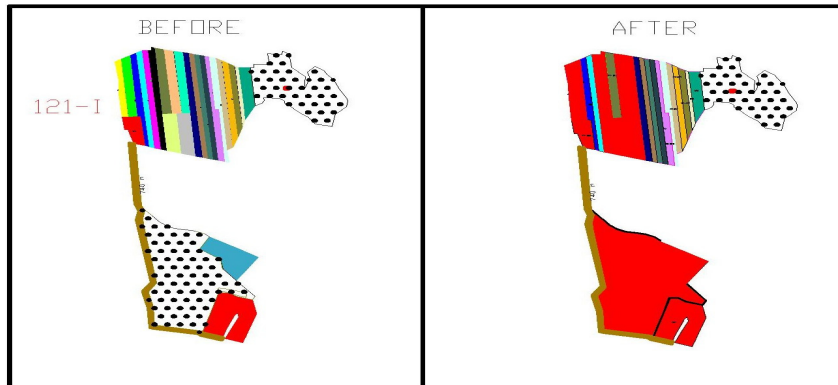
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Moldova Land Re-Parceling Pilot project (2008)
Part of Land Mobility Map for Opaci Pilot Community

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Example from land consolidation pilot project in Nor Erznka village, Armenia (FAO project):



Small part of the owner structure in the pilot community before and after the project.

More than 100 voluntary participants. Sale / privatization of community land catalyzed the land consolidation process.

What is needed to establish a land bank that can play a significant role in the State land management:

- Broad political support behind the institution (not depending on day-to-day politics) is essential.
- Clear objective and mandate of the institution (incl. legal framework for land banking).
- Clearly defined competences towards other Government institutions.
- Institutional and organizational aspects analyzed and considered.
- Establishment of flexible and operational procedures for the selling and buying of land under the land bank.
- Transparent procedures that prevent from corruption.
- Develop a training programme for the staff of the land bank.¹⁰

Organisational and institutional aspects of land banking:

- **Two mains ways of organization:**
 - 1) The land bank is an integrated part of Ministry of Agriculture (often the department dealing with land consolidation). This is the case in Denmark.
 - 2) The land bank is an independant Government institution (e.g. State Enterprise) with own director and board. Own budget for 3-5 years and not affected so easy by day-to-day politics. This is the case in the German Länder (Landgesellschafts).
- **There are pro's and con's with both models!**

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The land bank will only be a success if it is able to act on the land market in a fast and flexible way:

- **The land bank shall be able to act in the land market (take binding decisions about purchase and selling of land parcels).**
- **Use of pre-emptive rights can be considered, but the experience from Denmark is that it not operational and without practical importance.**
- **An important limitation of the activities of the land bank is the budget (in Denmark the demand is higher than the budget because of high land prices).**
- **The decision making in the land bank most be fast (most be able to accept or decline an offer to buy land within 2-3 weeks or the seller will find another private buyer).**

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Summary: Land Banking

– an important instrument to complement land consolidation:

- **Available State or Community land reserve can catalyst the process (of special importance where there are few private sellers).**
- **Land consolidation can be an important instrument for privatization of State / Community owned agricultural and forest land targeted towards improvement of the local agricultural structures and rural development (opposed to auction).**
- **Easier (and cheaper) implementation of "area demanding" public projects (highway construction, afforestation, nature- and environmental protection and restoration).**
- **Possibility of combination with early retirement scheme under the RDP.**