

REPUBLIC OF MACEDONIA

**Ministry of Agriculture, Forestry
and Water Economy**

LAND CONSOLIDATION IN MACEDONIA

Sarajevo, February 2013

Perica Ivanoski, MSc State Counselor

Contents of the presentation

1. Land consolidation experiences in Macedonia before 1991
2. Pilot experiences with land consolidation after 1991 – lessons learnt
3. Legal framework – how has the legal framework dealt with in pilots and afterwards
4. Perspectives and plans for future LC activities

Facts about Macedonia

Population: 2.046.177, citizens/km²: 79,8

Total area: 25,713 km²

(Hills and mountains 79,0 %)

(Plains 19,1 %)

(Natural lakes 1,9 %)

Forest land: 1.159.600 ha (45%)

Agricultural land: 1.121.000 ha (44%)

Cultivated agric. land: 509.000 ha (20%)

Pastures: 611.000 ha (24%)

*State-owned land: cca 170.000 ha/
143.600 ha distributed*

Agriculture:

Main occupation in the rural areas

43% of population is rural

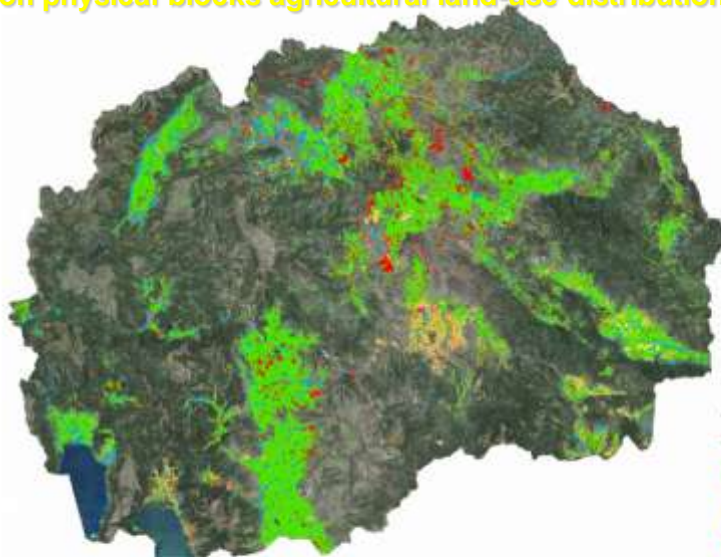
11% share in GDP, 15% with food industry

17% of the total export (424 mill. euro 2010)

21% of population employed in agricultural sector



Digital orthophoto image in color (RGB) and initial digitalization on physical blocks agricultural land-use distribution



УПОТРЕБА НА ЗЕМЈИШТЕТО

- Обработлива површина (накви)
- Срежери и пластеници
- Ливади
- Долгогодишни насади
- Земјиште со различна употреба

-Average size of physical blocks is 1,19 ha (from 0,27 ha of abounded land to 1,31 ha of cultivated land)

Agricultural land and farm structure and land fragmentation

Efficient land use is hampered by the small scale and fragmented private farms

Statistical surveys

Number of family farms : 192.675 in 2007 (226.000 in 1994)

Average farm size : 1,47 ha in 2010 (1,6 ha in 2007 / 2,6 ha in 1994)

According to 2007 census - less then 1ha are 63% (54% u 1994), 90% up to 3 ha

Farm Register

Number of farms: 80.000

Average farm size: 2,27 ha for crop farms and 1,05 ha of vineyard farms

Average farm size of farms using state-owned land: 26,80 ha belong to 5.350 users (but the most 4.700 are with 10 ha plots)

Fragmentation

•Cadastral: 4.5 million cadastral parcels with average size of a parcel of arable land is 0,26 ha (0,2 ha with private parcels, 0,53 ha while state land)

•Farm register: In average 3,5 parcels per family farms and 5 for legal entities with average parcel size of 0,6 ha/parcel

Land structure impacts

- Cultivation of small plots and bigger number of parcels small parcels is **not economically feasible** due to: higher fixed costs per land unit, low productivity of land and labor factors, lead to lower absolute and net incomes,
- **Result in:** inefficient engagement of technology, prevent new entries in agricultural business or make unprofitable continuation of agricultural activity
- **Agriculture usually provides only supplementary incomes**, which in absence of other incomes **lead to migration** to urban areas or abroad, especially youths
- **Small sized farms produce limited market quantities of agricultural products** with diverse quality due to they **are in subordinated position on the market without negotiation power** in regards to buyers and processors
- **Main limiting factor for improvement of competitiveness**
- **Adverse effect on development of rural communities because of its negative impact on agricultural profitability** as main rural occupation

Rural infrastructure

- **Local road infrastructure is obsolete** needing reconstruction while field roads linking fragmented parcels takes quite a lot of the arable land itself
- **Irrigation is crucial** for Macedonian agriculture but usage is bellow real potential (400.000 ha/installed network on 123.864 ha/22.344 irrigated)
- Most of the irrigation systems **requires rehabilitation especially because in absence of their functionality expected climate changes will be very harmful**
- Stimulate **individual actions for water drills seriously threats underground waters** (200.000 farms uses 100.000 drills for irrigation of around 5.000 ha)

Land consolidation experiences and legal framework before 1991

- Legal acts:

- Law on arondation from 1976/abolished 2008

A process of enlarging state land properties through land exchange with private land properties. In that time, the process was not voluntary, but provided under the Law on Arondation where farmers did not have possibility to refuse it. They were offered with other land parcels in the area and moved to new locations with field demarcation.

- Law on land consolidation 1990/abolished 2008

- Experiences:

- Land Consolidation project design in Cadastral municipality Egri-Bitola 1990
- Participation of Macedonian institutions in LC project in Kosovo

Land consolidation experiences and legal framework before 1991 – LC project in Egri, 1990

- Decision to select CM Egri was the existence of updated cadastral records and dominant agricultural occupation
- Arondation was performed in past in order to provide a more rational utilization of cultivated agricultural land and to improve the conditions for increased agricultural production but in favor of the Agrocombinat „Pelagonija,, that possess the majority of the land
- On the other hand, individual farm-owners have a large number of small plots which are often some distance apart
- Pilot project prepared as MSc work of prof. Jovan Jovanov including construction of new farm roads and canal network for land consolidation area. Four old roads to remain and the total road and canal area will be 99.955 m2 comprising 18 roads (18 new plots).
- The LC project has been fully completed but never implemented.

Pilot experiences after 1991

- Design and introduction of recent LC policy framework in Macedonia has been closely supported by the TA provided by Dutch Government, implemented by Dutch Government Agency for Land and Water management - DLG and SNV
- In development of Macedonian Land Consolidation framework (strengthening of institutions, draft of legislation, strategy/policy formulation), the Ministry has received support within following projects:
 - EMERALD - Encouraging Macedonia's Endeavours to Rural Land Development in the period from 2008-2009
 - STIMERALD - Strategy and Institution Building for Macedonia's Endeavours to Rural Land Development in the period from 2010-2011
- Initial activities were focused on learning from field experiences through performing of small-scale pilots projects activities in selected rural regions as:
 - capacity building within MAFWE central and local staff to prepare and implement LC activities delivered as basic training programmes,
 - developed appropriate methodology for analyses of threats and opportunities (base line survey), valuation and feasibility survey,
 - awareness raising for LC.

Pilot experiences after 1991 – Lessons learnt in Taor case

- Process of **voluntary land exchange based on the interest of the farmers** and using a model of land valuation of land parcels. Scoring made by using several factors (soil quality, size of parcel, shape of parcel, road access, flat or slope land, maintenance of the land, availability of water, drainage and crop - one year or long period crop). The valuation was prepared by the experts with participation of the farmers.
- LC plan was concluded with around 17 ha of land with different ownership in the process of land consolidation. There were also some land exchanges among private land only.
- Obstacles to LC:
 1. **Unfinished process of Arondation.** In 1975-1978 was also implemented in the area of Taor. Few operations were legally concluded and registered in the cadaster, but in several cases this remains unfinished. Farmers can not submit to government agriculture subsidy scheme, since they cultivate land parcels which are not registered on their name, but as state property.
 2. **Complicated property relations** – uninitiated inheritance (the land is owned by the very old heads of the families without interest of participating in land exchange), property is not registered or lack of physical division with the heirs. Also much absent ownership occurs when people have migrated but still own property either in full or in co-ownership.
 3. **High level of fragmentation** due to inheritance through the history, many properties were divided among heirs. Within many generations this properties are getting smaller or even many properties can be found where many co owners are on one land parcel.

Pilot experiences after 1991 – Lessons learnt in Konce case

1. **Importance of involvement of municipality** in facilitating the process of LC. Municipalities, especially those from rural areas are close to the farmers and are familiar with the situation on the field and concerned about the local economy conditions, where agriculture often is main resource.
2. **Careful approach with farmers is very important.** Land property issues are sensitive. The land usually is family heritage this sometimes means an emotional value. In the recent history there were some processes that have negative memory with farmers, such as Arondation. That is why implementing LC needs to be transparent and fair process, properly facilitated in order to avoid fears and insecurity.
3. **Procedures for implementing LC are time consuming within current procedures.** This is especially a hindrance for farmers that will need to travel to cities probably few times. It is very important to shorten and simplify the procedures in LC and facilitated and provide coaching.
4. **Decrease or compensation of administrative fees and property taxes** can support to increased interest to LC, especially important in the beginning.
5. **Promotion of LC policy is necessary.** Farmers can easily be approached if local project results are used. MAFWE and NEA employees as well as LSG have particular role in this process.

Current LC-like policy interventions

Land consolidation-like / land market policies are restricted to:

- **Management of the state-owned agricultural land** by the Ministry of agriculture that lease parcels with size up to 10 ha
- **Exchange between state-owned and private land parcels** in order to achieve enlargement of the both exchanging parcels
- **Physical division of land parcels** smaller than 2 ha is legally prohibited
- **Pre-emption rights** regulated by the Agricultural Land Law giving priority to buy selling parcels first by the co-owners, neighbours and by the state
- **100% coverage of transaction costs** for voluntary exchange within the National Rural Development Programme
- **Subsidized loans at 4% annual interest rate** for purchase of agricultural land

The concept of introduction of LC policy in the Macedonia

- Organized land policy that treats structural deficiencies of small parcels, high fragmentation and non-viable land market is **in introductory phase**
- The **government has strongly recognized the need for introduction of active structural policies** in land structure and in 2012 has adopted the **National Strategy on Agricultural Land Consolidation in the Republic of Macedonia for the period 2012-2020 with Operational plan**
- The strategic goal:
„ alleviate to gradual overcome the unfavorable structure of agricultural land as a basic resource for economic activities in rural areas with an aim to increase competitiveness of Macedonian agriculture production, as well as to improve living conditions in rural areas and to secure sustainable usage of natural resources “
- Land consolidation is emphasized as:
 - Integrated rural development approach,
 - Territorial planning and re-design activity linked to re-parcelalization of the land to improve agriculture
 - Strong linkage to road and irrigation network investments (all where appropriate)
- Due to the fact LC aimed at public goods and market deficiencies as well sustain the development of rural areas, **land consolidation is recognized as activity of public interest**

Specific goals

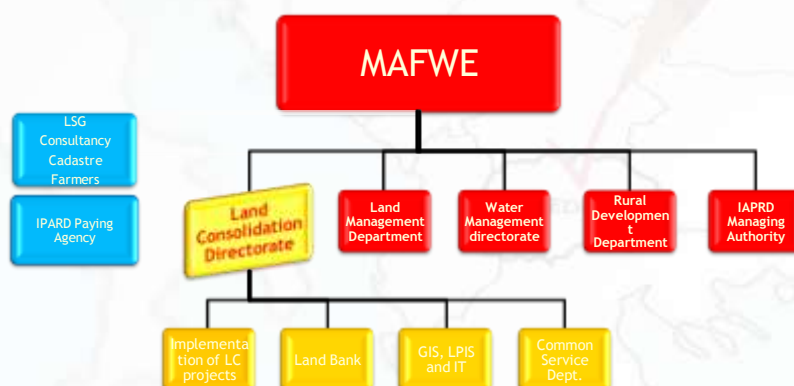
In meeting of the strategic objective, the LC policies should have a goal to reach following specific goals:

- **Reduction of fragmentation** of land parcels with grouping and improvement of their location in regards to farm buildings,
- **Improvement of irregular shape of the parcels** in order to apply contemporary technologies and techniques to production,
- **Increasing of average size of the farms**, (by putting of all available resources possible (state land and other land resources of the Land Bank)
- **Provision of access to parcels** of new or rehabilitated irrigation network, as well as road infrastructure,
- **Reduction of areas of uncultivated or abounded agricultural land** (more then 100.000 ha)
- **Minimization of negative effects on optimal land structure caused by implementation of facilities of public interest** (road, social, other infrastructure), or parallel spatial reorganization of land parcels to improve current unfeasible structure,
- **Enhanced ecological protection and sustainable management of natural resources**

Key elements and Areas of intervention to achieve strategic and specific goals

- **Selection of LC Instruments** envisaged to be utilized in LC process: **Voluntary Land Exchange, Voluntary LC and Legally Supported LC** with strong infrastructural (access to road, irrigation) investments
- **Provision of legal basis** - passing on the **Law on LC**, as well as by-laws, procedures and manuals (plus adoption of other laws treating transfer of property rights to prevent further fragmentation and improve land market mobility). **In December 2012, the Law on Land Consolidation is prepared and currently in governmental procedure.**
- **Establishment and institutional strengthening of competent authority** for formulation and implementation of LC. **In the end of 2012 organizational structure of MAFWE is changed and new LC Department established.**

Key elements and Areas of intervention to achieve strategic and specific goals - Institutional set up



Key elements and Areas of intervention to achieve strategic and specific goals

- **Financial sustainability provided through:**

- the budget of the new LC Department (for directorate and project operating costs),
- Paying Agency national RD budget for capital investments, and IPARD program for LC measure (after accreditation),
- Donors funds: FAO and Institutional Strengthening IPA Project,
- LSG, Water Enterprises, other line ministries budgets (when implement projects).

Aid intensity of public co-finance of costs is:

- 100% for administration costs for implementation of project, geodetic works for land exchange and consolidation, property transfer costs and reparation costs,
- 90-100% for the costs related to thercial irrigation network,
- 80% for the costs for building and rehabilitate of primary and secondary irrigation network,
- 70% for the costs of road and social infrastructure.

- **Public Awareness rising and improving of the LC skills** (communication plan and conduct of campaigns)

Phasial implementation of the LC policies in the strategy time-span from 2012-2020

Two phases of implementation:

I. In the initial, introductory period 2012-2014:

- setting of basic conditions (legal, institutional), and
- implementation of small to medium size projects of voluntary land exchange,
- piloting more complex instruments of small scope, with
- parallel strong promotion of the results and awareness rising activities among the farmers.

II. Beyond 2015 (after evaluation of the results) process continue with implementation of more complex integrated LC projects in larger consolidation areas, including infrastructural investments

Other complementary policies

In order to achieve better and sustainable results, LC activities are planned to be adjoined with intervention in **other non-land policies** with side impact on prevention of further fragmentation, or with incentive to enlarge the parcels.

Interventions are planned in the following areas:

- Provision of accurate information of land markets
- Further improvement of the access to rural loans
- Reduction of transaction costs for transfer of property rights
- Inheritance of farm by one person
- Taxation of abandoned and uncultivated land and management of such land via Land Bank

Perspectives and plans for future LC activities

- **Preparation of three-year plan** of activities according to Strategy Operational plan
- **Capacity building within FAO TCP facility in the first half of the 2013** and preparation of FAO funded LC project. The initial LC pilot project regions will be identified based on: intensity of agricultural activity, level of fragmentation and size of the parcels, potential to achieve bigger progress, and where farmers are more aware of need to consolidate their land, also where rehabilitation of the irrigation systems is more needed.
- **Starting with 2 voluntary Land Exchange projects of small scale in 2013**
- **Accreditation procedure of LC/rural infrastructure measure of IPARD** in the period 2013-2015, according to EU Regulation 1698/2005
- **Implementation of FAO funded LC project** by the end of 2013/beginning of 2014 (a smaller scale complex LC project).
- **Implementation of IPA TAIB funded LC project by the beginning of 2015** (2-3 complex LC projects)

Main issues of the LC law

- Types of land consolidation: voluntary land exchange (agreed by all participants) and complex LC with parcels restructuring including infrastructural interventions (agreed by at least 70% of land owners in consolidation area)
- Projects initiated by MAFWE (as LC proposal and with government decision) or by at least 50% of land owners in consolidation area
- Establishment of LC bodies (Assembly, Committee, Evaluation Commission)
- Evaluation process based on listed criteria
- Preparation of Consolidation Project and comments by + consultations with farmers
- Proposal for Consolidation and another round of direct individual consultations
- Voting the Proposal for Consolidation by Assembly with majority of at least 70% of votes
- Production of Geodetic Plans and Elaborates, decision on distribution by MAFWE and putting into possession within 9 month

Main issues of the LC law

- In the voluntary land exchange MAFWE provides consulting services and covers majority of the other costs for both types of consolidations
- State owned-land is part of consolidation mass. Single consolidated parcel cannot be smaller than 5 ha. If required, it can be attached to private parcel which is of size at least 25% of state-owned land parcel size. Regulated as leasing contract.
- State owned land will be used for common needs (infrastructure) but if there is no such, farmers should release up to 5% of the land value.
- Value difference is limited to certain range and will be compensate in money.
- Land bank stores and provides land for LC and manages through leasing, on the period defined by the owner, with the private abounded parcels (more than a year).
- Ministry submit request for statement of reasons for abandonment.
- 20% of the leased incomes goes to MAFWE LC account.



**Thank you for
your attention**

