

Constraints for Development of Agricultural Land Markets in Countries in Eastern Europe and Central Asia

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SUMMARY

The countries in Central and Eastern Europe (CEE) as well as in Central Asia (CA) began a remarkable transition from centrally planned economies towards market economies from 1990 and onwards. Land reforms were high on the political agenda in most of the countries. In most of the countries, land reforms resulted in a complete break-up of the large-scale collective and state farms.

Following the land reforms, land administration systems including cadaster agencies and land registries were with donor support build up in the countries. Private land ownership rights to agricultural land or formal private use rights to state owned land were in most of the countries formally registered after land reform and land markets were prepared.

Well-functioning agricultural land markets are among the basic preconditions for agricultural and rural development. Despite the many efforts from both governments and donors throughout the region, the formal agricultural land markets remain weak in many countries. There are multiple and inter-related causes for this. Many different types of constraints hamper the agricultural land markets. Few countries such as Georgia and Albania have the problem that the first registration after land reform is not fully finalized. In addition, many countries have “pockets” of unregistered land, often state or other public owned land but also smaller areas of private land remain unregistered. Without formal registration, the formal land market is obviously not able to function.

In many countries in the region land reforms resulted in holding and farm structures characterized by excessive land fragmentation and small parcel sizes, often 0.1-0.5 ha. Such structure is in itself hindering development of land markets as transaction costs are often higher than the market value of the

land.

Furthermore, the agricultural land markets are often hampered by a high degree of informality meaning that the land is sold/purchased but the transaction is formally not registered. Another example of informality is unsolved inheritance procedures in the families, sometimes decades after the registered owner is deceased. In some of the countries this is again connected with complicated transaction procedures, high transaction costs compared with the market price of the land. Sometimes also widespread corruption is preventing the transactions from being formalized. All these registration problems prevent the land parcels from accessing the formal land market. This undermines the sustainability of the formal land administration systems and the high degree of informality in the land market is then again leading to insecure land rights and risk of disputes and conflicts that are very difficult to solve in the Court system after decades of informality.

The paper will be based on desk research combined with the experiences from FAO land tenure projects provide an overview of development of agricultural land markets in the region and identify the main constraints hampering the markets from functioning well. The paper will in addition discuss the land management instruments available to facilitate development of agricultural land markets.