

# LANDNET and Land Market Issues in Europe

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## Summary

The article describes current and emerging issues related to land markets and land tenure in Europe and it refers to the role of the LANDNET network in stimulating good governance in land tenure issues. Firstly, a brief overview of land tenure related issues will be provided, followed by the question why government intervention is needed. This includes a brief reflection on three possible roles of the government in land markets: (i) stimulating, (ii) guiding and (iii) complementing the land market. A brief overview of the most common instruments is provided as well as the challenges of using these instruments in relation to responsible governance. To finalise, the role of the LANDNET is described including the priorities and activities for the coming years.

## Zusammenfassung

*Der Beitrag beschreibt die gegenwärtigen und absehbaren Verhältnisse bezüglich der Grundstücksmärkte und zum Grundbesitz in Europa und berichtet über die Rolle von LANDNET, einem Netzwerk zur Förderung von gutem Regierungshandeln in Grundbesitzangelegenheiten. Es wird ein kurzer Überblick über die Grundbesitzverhältnisse in Europa gegeben und zu der Frage übergeleitet, warum politische Interventionen notwendig sind. Diese Ausführungen schließen Überlegungen über die drei möglichen Rollen des Regierungshandelns in Bezug auf den Grundstücksmarkt mit ein, nämlich (i) diesen zu stimulieren, (ii) zu lenken und (iii) zu ergänzen. Es werden die gebräuchlichsten Interventionsinstrumente dargestellt und die damit verbundenen Herausforderungen bei deren Einsatz. Abschließend wird LANDNET mit seinen Zielen und Aktivitäten für die nächsten Jahre vorgestellt.*

**Keywords:** land market, land tenure, land policy, LANDNET, Voluntary Guidelines (FAO), responsible governance

## 1 Introduction

Government involvement in rural land markets through various instruments has been practiced increasingly and widely in Europe since the 1960s. It has supported different public objectives by mobilising, facilitating and influencing the rural land market. In recent years, an increased attention is witnessed for setting up instruments like land consolidation, land banking and pre-emptive rights arrangements. For a main part this is a reaction on the transition process in Central and Eastern Europe which resulted in an enormous challenge to reform land structures by setting up new institutional frameworks. Also in other countries of the European Union (EU), land

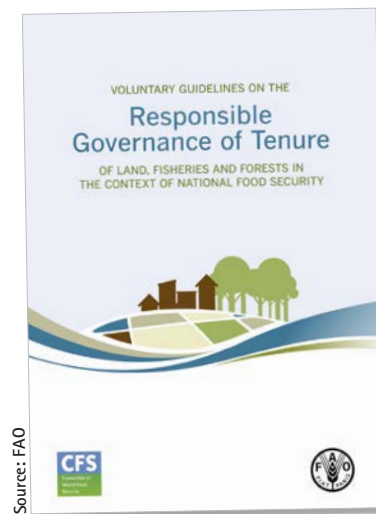


Fig. 1:  
The Voluntary Guidelines provide practical guidance on responsible governance of land tenure.

mobility and land structures are concrete and current policy issues triggered by the continuous challenge to adjust land use structures to changing macro-economic conditions. The issue of food security triggers several European organisations to explore options to maximise the output of land and to reduce the loss of agricultural land due to urban, industrial and infrastructure development. At global level the Food and Agriculture Organization of the United Nations (FAO) is working in the area of standards and rules setting and in this context has been elaborating through an extensive participatory consultation process the »Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security«. In May 2012 the Committee on World Food Security (CFS) officially endorsed the Voluntary Guidelines. The globalisation of markets, which is creating increased pressure on competitiveness and structural change in the agriculture and rural sector, will have implications on the use of land and other natural resources. Therefore, these factors require new or adapted approaches to governance to ensure that land and other natural resources continue to provide the platform for livelihoods and the basis for social, economic, traditional and cultural practices.

The Voluntary Guidelines provide practical guidance to states, the civil society, the private sector, donors and development specialists on the responsible governance of tenure. For more information reference is made to [www.fao.org/nr/tenure/voluntary-guidelines/en/](http://www.fao.org/nr/tenure/voluntary-guidelines/en/). Furthermore, FAO initiated a network to exchange experiences about land consolidation approaches in the early 2000s, which initially focused on Central and Eastern Europe (CEE). However, over the years this international network evolved into a broader European cooperation called the LANDNET which deals with different policies and instruments related to rural land market functioning.

## 2 An overview of land tenure issues in Europe

During the 1990s, Central and Eastern European attention in land tenure was on privatisation, restitution, land registration and establishment of cadastral systems. Countries, often with FAO assistance, were involved in the development of land administration systems. Privatisation and restitution followed different tracks in the various countries but in common, the time needed for the entire process took much longer than expected. Various legal aspects of this *1st wave of land reform* led to long procedures and 20 years after starting the transition, not all procedures have been finished and not all claims for restitution could be honoured. One of the by-products of privatisation and restitution processes was often an increase in land fragmentation. In the late 1990s, land fragmentation appeared on the agenda and FAO started to document problems in this area. There was wide recognition of the role of land consolidation as a tool to improve rural conditions by making agriculture more competitive and promoting rural development. At the same time there was the fear of modern land consolidation being associated with forced land concentration in the past. Nevertheless, this resulted into a *2nd wave of land reform* of setting up strategies with the aim to mobilise the land market and to make rural areas competitive and sustainable. Apart from the land structure, land markets failed to function because of various historic situations (e.g. con-

flicts about ownership rights), lack of credit facilities and inappropriate institutional frameworks. Rural infrastructure like access roads, drainage and irrigation often were neglected and not matching the new ownership and land use structure.

Restitution processes and socially engaged policies of privatisation made land fragmentation a fact and a process that is continuing. Meanwhile, land markets are



Source: Frank van Holst

Fig. 2: Land tenure structures in Europe are manifold as the societies themselves, and are performed through the historical path they had to pass.

### Croatia: an illustration of problems related to the rural land structure

According to the Statistical Yearbook of 2005, there is 2,695,000 ha of agricultural land in Croatia (890,000 ha state-owned agricultural land and 1,805,000 ha privately-owned agricultural land) out of which 1,087,536 ha is used by agricultural producers who are getting agricultural state subsidies and 1,607,464 ha is abandoned or used by agricultural producers and households who are not getting any kind of agricultural state subsidies. The average size of family farms is 5.5 ha, very often split up in many parcels, while the average size of agricultural companies is 74.9 ha according to the official farm register in 2008. The predominance of small family agricultural holdings, abandoned agricultural land, excessive fragmented agricultural land and not sorted real-property rights on agricultural land, impede the development of a well-functioning agricultural land market. The underdeveloped agricultural land market hampers rural development in Croatia, preventing national and international investments. Setting up a well functioning Agricultural Land Agency in Croatia is regarded by the Croatian government as a crucial step towards the development of an effective agricultural land market and agriculture land policy.

almost non-existent and land mobility is very limited. This means that the necessary structural adjustment process in the agriculture and rural sector is not taking place. During the last decade, using past experience of Western European countries, land consolidation has been presented by some international organisations as the crucial instrument for dealing with land fragmentation problems and supporting the development of land markets. However, one of the experiences of past land consolidation projects in transition countries (mostly on a pilot basis) is the strong attachment to land partly caused by experiences with land tenure rights during the centrally planning period in their countries. Land policies ranged from restriction (as for example in former-Yugoslavia, Poland) to complete loss of private property of land, except the odd garden plot in most other centrally planned economies. After a first round of implementation, it was realised that land consolidation addresses only part of the problem. Land fragmentation has at least three dimensions: 1) small parcels, often with irregular shape and scattered (called internal fragmentation); 2) small properties (in the sense of total amount of land owned by one person) and 3) small farms (in the sense of total amount of land managed by one farm).

All three may appear simultaneously and have different consequences in terms of agricultural performance, land use dynamics and thereby affecting rural and regional development. Land consolidation primarily copes with the first issue, but the other issues are not directly addressed. These dimensions of land fragmentation are supposed to be improved by land consolidation through

its improvement of land market performance but the impact is limited. The reality in transition countries of Central and Eastern Europe (but also comparable to other peripheral regions in Western Europe) is a general lack of mobility of land, due to institutional constraints (for instance strong attachment to land), high transaction costs and inability of »normal« land markets to cope with it. Taking into account the broader context of rural development, there is a need of ensuring land mobility with a broader approach to adaptation of land structures. Such approaches should deal with the following issues:

- Little experience and lack of (affordable) information about land market (prices);
- Large share of unknown ownership;
- Large share of co-ownership that is very often not documented;
- Land transaction procedures are too bureaucratic and expensive in relation to the land value;
- Farmers lack financial liquidity to invest and to scale up;
- Land is often not accepted as collateral for bank loans;
- Cadastres and land registration systems are not up to date;
- The land market in some cases is over-regulated or regulated in a non-coordinated way;
- Old conflicts related back to enforced land exchange are not yet solved, lack of documentation;
- Inheritance practice leading to splitting up parcels (often not formalised);
- Large scale infrastructure (based on the scale of the former centralised production units) does not fit well the current land use structure and is not well maintained;
- Lack of organisational capacity and cooperation at local level for development and maintenance;
- People, not able to farm actively, hesitate to sell or lease out their land;
- Lack of awareness among policy makers about the land structure as a crucial pulling factor of the rural economy.

Many Western European countries have found mechanisms to adapt land structures. Central and Eastern European countries are still in the process of settling the pre-conditions for land markets to function while the problems related to the land structure are much more profound. Although land issues are less profound than in CEE countries, land tenure issues are also on the agenda in various »old« EU member states. Trends like globalisation and liberalisation challenge the agricultural scene and require farmers and land structures to adapt faster to the changing economic context.

### 3 The limitations of rural land market functioning

While adjusting the land structure to a changing environment, the first mechanism that comes to mind is the land market. Land markets are supposed to cope with inefficiencies of the land structure, leading to better conditions for land-based activities through land transactions among economic actors. In this context, the main question remains: why should governments intervene in the land markets using different instruments? After all, in a liberalising world, the market could do its work and make sure that land structures are adapted to economic standards of rational and economically viable farming.



Source: FAO

Fig. 3: In plenary sessions of LANDNET meetings land management experts throughout Europe exchange their experiences in actual land management challenges.

So, why to stimulate or guide the land market? What is special about land markets? Do current specific developments in Central and Eastern Europe justify intervention? And if so, why do Western European countries still intervene? For example why does a country like France intervene substantially in rural land markets with a mix of pre-emption rights, land consolidation and land banking?

The rationale to be intervening in the land market has both an economic (market oriented) reason of creating the proper pre-conditions and a social/environmental reason of keeping Europe's rural areas sustainable and liveable. Land markets have particular characteristics in the sense that they are neither free nor perfect markets. Often markets are very local, segmented and in general they are oriented by (publicly engaged) spatial planning policies creating restrictions regarding the land use. Besides that, land structures evolve in both (formal and informal) institutional contexts. Local customs, beliefs and back up systems cause owners to act in ways that may not seem rational at first glance but that make sense in the broader historic context of securing investments and creating longer term self sustainability. In the broader European scene, structural problems in Central and Eastern Europe need urgent emphasis. As already concluded, transition



countries of Central and Eastern Europe face enormous challenges in developing a viable land structure.

On the other side, land markets are non-existent or very limited which means that the necessary structural adjustment process in the agriculture and rural sector is not happening. Apart from that, government interest in the land market is not solely based on increasing mobility but also to create the preconditions for more articulated development policies. Many countries including the transition countries witnessed a strong development of national level infrastructure, further affecting the land use structure. In addition, ambitious policy objectives are set for keeping Europe's rural areas unique in their variety and maintaining their biodiversity. European countries increasingly formulate aims and objectives for rural development. Such rural development is not solely focused on maximising profits. Sustainable development strategies contain the three dimensions of »People«, »Planet« and »Profit«. European wide policies focus on keeping rural areas liveable, with sufficient services, a balanced population (avoiding ageing) and assets (landscape, culture heritage) well taken care off. All three dimensions are reflected in the European agricultural model. Primarily based on the »family farm« it accommodates employment of local people in a long lasting cultural tradition. So, governments are not only focused on how the land is used but also who is using the land and who gets the benefits as part of a model of sustainable rural development.

All these developments put claims on land and trigger the attention of policy makers to reconsider policies, instruments and governance systems. Leaving the issues entirely to market forces appeared not to be possible and desirable since land structures would either adapt too slow or would not adapt at all, jeopardising the economical, social and environmental sustainability of rural areas. The EU Rural Development Framework aims to provide a framework for integration but attention for land use structures and mobilising the land markets is still limited. Land use and land markets are considered to be the responsibility of national or regional governments.

#### 4 Options and risks of government intervention

In conclusion, rural land structures in Europe face different challenges with a clear and permanent role of the government to create the basic preconditions for proper land market functioning. In addition land market related policies will keep being applied to implement specific measures for adapting faster to changing macro-economic and social conditions. While analysing such role in the broader rural development context, three distinct roles can be distinguished.

- The first role is to *stimulate* the land market. Increased land mobility is needed for more rapid adjustment to liberalising global conditions and changing needs of



Source: FAO

Fig. 4: Intensive discussions in working groups let arise tailor made solutions.

society. Improved market information and simplifying of land transaction procedures are examples of this.

- In addition to stimulating the market, government intervention also aims to *guide* the land market towards a more viable land structure. In this sense measures are development oriented. For example by land banking, offer and demand in a certain area is matched better in order to reach a new situation. This »new situation« is being defined in development policies on either regional and local level and usually formalised in spatial planning schemes.
- And last but not least, measures can be used to *complement* the land market for example in a sense that property rights do not change but only the function of the land.

Each region or situation needs the proper balance between different approaches and instruments. It is important that a mutually enforcing set of instruments and measures are implemented based on a proper analysis of the situation and keeping in mind the local traditions and sensitivities as mentioned before. Such »strategy« could contain different activities to stimulate, guide or complement the land market like for example:

- Updating and modernising land administration systems;
- Provide information and transparency about land market (prices);
- Simplify and reduce costs of land transaction procedures;
- Land consolidation instruments, in either voluntary or statutory form;
- Land banking and land funds;
- Use of pre-emptive rights, e.g. a first right to buy for co-owners or lease holders;
- Tax measures, e.g. exemption of property transfer tax for transactions among neighbours;
- Legal regulations like e.g. minimum parcel size to avoid further fragmentation by sale and inheritance;
- Measures to clarify the status of farms, e.g. in situations with a large share of part time farmers;

- Procedures to clarify unknown ownership and co-ownership;
- Simplify procedures for mediation in land use conflicts;
- Guarantees (life-long pension schemes) or early retirement schemes;
- Buffer lack of financial liquidity of farmers to invest and to scale up by providing leasing arrangements or by mediating to get »soft« loans;
- Improving leasing frameworks.

Government involvement means that a certain mandate is granted to government agencies; which unavoidably introduces the risk of misuse of such power. Setting up a land bank for example will immediately raise criticism and questions like: How much will this intervene in the freedom of people to operate on the market? Will the Land Bank be in favour of land owners or users or will the state mainly care about its own interests? And who will be target groups: Only farmers already well off? Will procedures be fair, understandable and simple? And what about costs involved? Won't it create a vehicle for corruption?

A well functioning land bank system in a certain institutional setting will not automatically lead to a success in another country. Some land banks in Europe have been subject to legal procedures and persons in charge have been prosecuted for bribery or misuse of power. Land banking could also lead to distortion of the market when the share of land bank acquisitions gets too high or when prices are not in tune with regular market prices. Land banking therefore requires a precondition of transparency, a functioning legal system and sound monitoring bodies.

Another example is land consolidation. In the Netherlands, land consolidation procedures including the pro-

cedures about majority voting have been gradually build up, based on experiences with voluntary projects dated back from the 1920s and 1930s. During the subsequent laws of 1935, 1954 and 1985, procedures and objectives of land consolidation evolved based on practical experience with stakeholders involved. Introduction of such statutory form of land consolidation in a Central European country with relatively recent experience with forced forms of land consolidation and land concentration would have no effect and even it could increase distrust and therefore impede any other incentive from the government to improve land structures.

In Western Europe, France is the country with the most extensive form of pre-emption rights on rural land. Since the 1960s most agricultural land is subject to this with the goal to keep farm land in farmer's hands and to strengthen the local land structures in case farm land is sold in the area. This gives a powerful position to the SAFER organisations who are in charge, but in practice the right is used relatively little. Of all relevant rural land transactions in France in 2010 (280,000 ha) SAFER purchased 26.75 % (75,000 ha). A total of 8 % (6,000 ha) was transferred using the pre-emption right. In total the pre-emption right was used in 2.1 % of the transactions. It means that the system has a self regulatory effect. Part of its success is probably caused by the fact that SAFER organisations are unique forms of public-private management, in which farmers themselves are shareholders and involved in the different technical committees of the SAFER organisations. Besides that, the procedures are relatively short and simple. On the other hand, efforts to introduce pre-emption rights in Croatia in 2008 have caused a lot of debate and protest with accusations of favouring certain (groups of) people. In addition, the system proposed was complicated leading to a lot of bureaucratic load.



Source: Idiko Buglyo

Fig. 5: LANDNET meetings represent the agglomerate knowledge and experience in land management issues out of 30 European countries



## 5 LANDNET for promoting efficient governance in rural land markets

A main conclusion is that governments in various European countries face enormous challenges to create or update the institutional frameworks for proper rural land market functioning. At the same time design of a particular set of instruments in a certain institutional context needs great care in order to have the right effect. For some instruments, like for example land consolidation, international reference documents are available but in general there is a lack of up to date reference materials for the different land market related instruments. Organisations and key experts in CEE countries therefore need an international network to exchange effectively experiences on instruments, approaches and legislative frameworks, to analyse key success factors of various instruments and to develop jointly tailor made solutions in various institutional contexts. Since 2002, the FAO Regional Office for Europe and Central Asia (FAO REU) has been organising annual workshops to discuss instruments like land consolidation and land banking. The yearly workshops provided a lot of insight of the state of the art and the issues and challenges involved. The workshops are well documented and provide a rich source of information on land market related instruments in the different countries. Information is accessible via: [www.fao.org/europe/activities/land-tenure/landconscee/en/](http://www.fao.org/europe/activities/land-tenure/landconscee/en/). Since 2007 the FAO led network of CEE countries and a group of western European organisations working on land development (FARLAND) are connected, creating good conditions for exchange of knowledge and upgrading of approaches related to land tenure issues. Between 2010 and 2013 activities of the network have been supported by a project called: »Support to network on Land Market issues in Central and Eastern Europe«, implemented by the Netherlands Government Service for Land and Water Management (DLG) in cooperation with the FAO Regional Office for Europe and Central Asia. In total four international workshops were organised and some studies have been undertaken (land banks, pre-emption rights). Workshops, normally attracting representatives of 20 to 30 countries, have proved to be a good tool to exchange and develop. Given the large range of subjects and the need to have more deep understanding of the impact of different instruments, steps were set since 2011 to intensify the working programme and to have a more institutionalised set up. In 2011 the name LANDNET was selected and a visual identity was chosen.



In March 2012 it was concluded that:

- The exchange of knowledge and experience, the study of common issues, capacity building and the innovation of approaches, benefit greatly from a strong international network;

- Existing networks are not dealing sufficiently with improving of rural land structures and functioning of the rural land market;
- Such a network, although gaining intensity and profile, needs a stable institutional set up with proper legitimacy and organisation to carry out a more intense and complete programme of awareness raising, exchange, study, development and coaching, addressing important common issues.

A LANDNET declaration was adopted which calls for the recognition, participation and support by national and regional governments, as well as the FAO and other international organisations, to transform the current LANDNET into a stable permanent and institutionalised network on rural land structure issues. The full declaration is available via [www.fao.org/fileadmin/user\\_upload/Europe/documents/Events\\_2012/3LANDNET/Declaration\\_en.pdf](http://www.fao.org/fileadmin/user_upload/Europe/documents/Events_2012/3LANDNET/Declaration_en.pdf).

An institutional set up and a work programme for the period 2014 to 2016 have been developed in which aim, scope, activities, identity, organisation and priorities have been outlined.

The aim of the LANDNET is to stimulate proper and timely responses to (changing) needs of society regarding land use and land tenure in rural and peri-urban areas. Through various activities like studies, collection of knowledge and experiences, exchange and capacity building, innovation of institutional frameworks and implementation approaches is stimulated.

The scope is the broad set of institutional requirements needed to facilitate, guide and complement rural land markets. This concerns both the »hard side« of regulatory/legal frameworks for market functioning like laws of land ownership and leasing, taxation and the »soft side« like promotional measures, mediation and solving of land use conflicts. Moreover it includes the range of public and public/private interventions to adjust the use and/or the ownership structure of land to the current economic, environmental and social reality. Interventions often take place as integrated territorial development projects serving different objectives at local, regional and national level, including instruments like land swapping, land consolidation (voluntary or statutory) and land banking. Approaches are »people oriented« in the sense that they are carefully planned and implemented and contain sufficient opportunity for recourse. LANDNET activities are based on the principles laid down in the »Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security« ([www.fao.org/nr/tenure/voluntary-guidelines/en/](http://www.fao.org/nr/tenure/voluntary-guidelines/en/)).

Main operational objectives are to

- deepen the understanding of the issues that hamper rural land markets and their interrelation in various parts of Europe,
- exchange knowledge and experience to enhance capacity among its members and to create a broader knowledge base,
- identify good practice in order to formulate common visions on the main elements needed to come to effective policies,
- stimulate the establishment and upgrading of regional and national approaches and institutional frameworks,
- influence upgrading of the national and European policies by joining policy consultations and taking part in public and policy debate,
- stimulate and facilitate professional training and capacity building in order to create the organisational preconditions for implementation.

The LANDNET's identity is a community of professionals from different countries and different organisations under the FAO initiative. Professionals involved can represent the government, the private sector, NGO's, universities and other research institutes.

The organisation is kept as light as possible:

- FAO REU in Budapest is Network Manager and fulfils a function as Secretariat.
- Each country (EU/Candidate EU and New Neighbours) appoints a national contact person to ensure linkages with the relevant government organisation.
- Organisations that support the LANDNET are registered as LANDNET partner organisation.
- A core team of European experts is created to assist FAO in the preparation and implementation of content related activities (workshop programs, studies etc.).

The activities of the LANDNET are programmed on two levels.

- The basic package of activities includes: organising thematic international workshops focused on knowledge exchange, to study specific themes and country cases, to mobilise and organise the participation in other events or programmes, to facilitate E-discussions and a web forum, to maintain a webpage, to issue a yearly newsletter and to maintain an international contact point.
- Depending on additional funding opportunities, the LANDNET will extend its activities with the following activities: to organise study visits focused on new (experimental) applications and approaches, to contribute to implementation pilots in different areas of the LANDNET mandate, to contribute to guidelines

and good practice manuals, to formulate common positions related to new policy developments, to participate in policy debate sessions, to identify relevant international events and subsidy programmes and to compile and to maintain a database of experts.

For the coming period the following themes have been prioritised:

- Monitoring of policy developments and experiences in member countries in introducing and upgrading of land market related instruments (mainly land consolidation, land banking and pre-emption right systems);
- Systems or methods to create insight and transparency in agricultural land market data;
- Leasing and crop consolidation as options for structural improvement;
- Experience from land consolidation processes: stakeholder involvement;
- Land mobility instruments and land abandonment.

## 6 Invitation

The LANDNET is interested to extend its network to other countries, organisations and experts. Contact with organisations who would like to support LANDNET's activities is also welcome. Contact can be made via richard.eberlin@fao.org or f.vholst@dlg.nl.

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