

# European good practices on land banking and its application in Eastern Europe and Central Asia

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**Keywords:** Land bank, land banking, land management, land consolidation, state land management, Eastern Europe and Central Asia, FAO

## SUMMARY

Land banking based on the acquisition-sale or lease of agricultural land is broadly applied in Western European countries. It facilitates the solution of a range of land management issues, some of which are among the priorities in Central and Eastern Europe as well as in Central Asia. Since the early 2000s, FAO has supported several member countries in the region with the introduction of land consolidation instruments. In recent years, a number of countries have also requested support to introduce land banking instruments. For this reason, the FAO Regional Office for Europe and Central Asia in 2020 conducted a study on good European land banking practices and their applicability in Eastern Europe and Central Asia. Additionally, in 2021, a survey on land banking, land consolidation and land abandonment was carried out, involving experts from most European countries.

This paper first presents an overview of land banking practices in Europe and Central Asia based on the conducted survey. Then it presents the key findings of the study. It briefly presents land banking experiences in selected Western European countries as well as efforts to introduce land banking in Central Europe. The latter efforts have so far largely failed and the paper identifies the main challenges of the process. It also analyses the land management situation in Eastern Europe and Central Asia and the potential benefits that land banking could bring. Finally, the paper summarizes the key policy recommendations of the FAO land banking study, related to the introduction of land banking in Eastern Europe and Central Asia.

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## 1. Introduction

Land banking instruments based on purchase-sale or lease of agricultural land are broadly applied in Western European countries. It facilitates the solution of a range of land management issues in rural areas, some of which are also among the priorities in Central and Eastern Europe (CEE) as well as in Central Asia (CA).

Since the early 2000s, FAO has supported several countries in the region with the introduction of land consolidation instruments (Hartvigsen, 2019). In recent years, a number of countries have also requested support to introduce land banking instruments. For this reason, the FAO Regional Office for Europe and Central Asia in 2020 conducted a study on good European land banking practices and their applicability in Eastern Europe and Central Asia (FAO, 2021). The Study Report provides a set of policy recommendations for the introduction of land banking instruments tailored to countries in Eastern Europe and Central Asia.

Additionally, in 2021 FAO conducted a survey on land banking, land consolidation and land abandonment, involving experts from most European countries. The objective of the survey was to provide an overview of land banking practices in Europe and Central Asia (ECA), as such an overview had not been published before.

Land banking, together with similar land management instruments such as land consolidation and an active management of state-owned agricultural land, has the potential to significantly contribute to achieving the Agenda 2030 and several Sustainable Development Goal (SDG) targets and in particular SDG target 1.4 on ensuring that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources including to land; target 2.3 on doubling productivity and income of small-scale food producers; target 5.A on giving women equal rights to economic resources, as well as access to ownership and control over land; and target 8.3 on promoting development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises.

Since their endorsement in May 2012, the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT) have served as a reference for the improvement of the governance of all kinds of tenure issues. The VGGT suggest that land banking can be a useful instrument to facilitate land consolidation and be used for other land management purposes. Paragraph 13.2 of the VGGT provides that “Where appropriate, States may consider the establishment of land banks as a part of land consolidation programmes to acquire and temporarily hold land parcels until they are allocated to beneficiaries.”

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The objective of this paper is to provide an overview of land banking practices in Europe with the focus on identifying good practices for the countries in Eastern Europe and Central Asia introducing land banking instruments. Based on the results of the survey, the paper first provides an overview of land banking practices in ECA. Then it presents the key findings of the FAO land banking study (FAO, 2021) and discusses the need for land banking in Eastern Europe and Central Asia. Finally, the paper summarizes the key policy recommendations of the FAO land banking study, related to the introduction of land banking in these countries. In the context of this paper and the FAO land banking study under publication (FAO, 2021), land banking is understood as a land management instrument applied in rural areas with the purpose of facilitating the implementation of public policy and public purpose projects (see Section 3 for definition of land banking). The authors are grateful to all the country key persons who have provided information when the land banking survey and the study of European good practices were conducted.

## **2. Overview of land banking practices in Europe**

A comprehensive overview of land banking practices in ECA has as mentioned not before been established and presented. To establish such an overview, in 2021 FAO conducted an online survey, which complements the land banking study presented in Section 3. The invitations to participate in the survey were sent out by email (with a cover letter and a link to the questionnaire) to 117 pre-identified land management experts with knowledge and practical experience in land banking and land consolidation from 48 countries in the entire ECA region.

The online survey was active between 5 March and 19 April 2021, and in total 73 respondents completed the questionnaire covering 43 ECA countries and territories.

The survey respondents were identified drawing on three different sources: i) the informal LANDNET technical network, ii) the list of reviewers of the FAO Legal Guide on Land Consolidation published in 2020 (Versinskas et al. 2020), and iii) the list of contributors to the FAO Land Banking Study (See Section 3).

The online survey had 28 questions in total, grouped into six categories: i) Personal and contact data (4 questions), ii) Land consolidation (9 questions), iii) Land banking (7 questions), v) Facilitation of lease (2 questions), v) Management of state land (4 questions), and vi) Land abandonment (2 questions).

This paper reports mainly on the findings related to land banking including its linkage with land consolidation.

To guide the answers of the respondents and minimize interpretation errors, definitions of land banking and land consolidation were provided in the beginning of the survey.

The first step in data analysis was to validate responses and to ensure that answers provided are in line with the conceptual framework of the survey and consistent for each country where

more than one respondent contributed. Answers to open-ended questions as well as subsequent requested clarifications by email were particularly useful.

Table 1 provides an overview of land banking in ECA based on the results of the online survey. It identifies countries with an active land banking policy, countries that combine a land banking instrument with a land consolidation instrument, and also countries that practice an active facilitation of lease of agricultural land between private landowners and farmers (further see Section 3 where land banking functions are discussed in more detail).

Country	Active land banking policy	Combination of land banking with land consolidation	Facilitation of lease	Country	Active land banking policy	Combination of land banking with land consolidation	Facilitation of lease
Albania	-	-	-	Kosovo <sup>1</sup>	-	-	-
Armenia	-	-	-	Kyrgyzstan	-	-	-
Austria	√	√	-	Latvia	√	-	-
Azerbaijan	-	-	-	Lithuania	-	-	-
Belarus	-	-	-	Moldova	-	-	-
Belgium	√	√	-	Montenegro	-	-	-
Bosnia and Herzegovina	-	-	-	Netherlands	√	√	-
Bulgaria	-	-	-	North Macedonia	-	(√)	-
Croatia	-	-	-	Norway	-	-	-
Cyprus	-	-	-	Poland	-	-	-
Czech Republic	√	√	-	Portugal	√	√	√
Denmark	√	√	-	Romania	-	-	-
Estonia	-	-	-	Serbia	-	-	-
Finland	√	√	-	Slovakia	-	-	-
France	√	√	√	Slovenia	√	(√)	-
Georgia	-	-	-	Spain (Galicia)	√	-	√
Germany	√	√	-	Sweden*	-	(√)	-
Greece	-	-	-	Switzerland	-	-	-
Hungary	-	-	-	Tajikistan	-	-	-
Italy	√	-	√	Turkey**	(√)	(√)	-
Kazakhstan	-	-	-	Ukraine	-	-	-

**Table 1: Overview of land banking in Europe and Central Asia**

\* In Sweden, today only few land consolidation projects are implemented. Land banking activities through buying – selling of private land are carried out by the municipalities.

\*\* The Government of Turkey is with FAO support undertaking steps to operationalize an active land banking policy and to integrate it further with the land consolidation instrument.

<sup>1</sup> References to Kosovo shall be understood in the context of UN Security Council Resolution 1244 (1999).

The survey results show that i) 14 out of the 43 ECA countries that have participated in the survey have an active land banking policy, ii) 13 countries combine land banking and land consolidation instruments, and iii) 4 countries apply active facilitation of lease.

For a country to qualify as having an active land banking policy (Table 1, Column 1), two criteria had to be met. First, the existence of a public institution with the mandate to acquire and sell agricultural land parcels from and to private landowners on the land market. Second, “active” implies that the right to acquire and sell agricultural land parcels should also be applied in practice and not remain a dead letter of the law.

While most countries in the ECA region have institutions designated to manage public owned agricultural land, not all these institutions are granted the right to acquire and sell private agricultural land for land management purposes. The survey proved that it is often difficult to fully distinguish between active management of state-land and land banking activities.

Many ECA countries have a substantial reserve of state-owned agricultural land. The obvious option to open up the land banking potential in such countries is to actively use the existing state-owned land reserves and empower institutions in charge of its management to cater additional policy objectives and operate new instruments. While such an evolutionary approach has many advantages, strict rules and regulations governing state land in practice often make it challenging to introduce new approaches and strategies on how state land is disposed and managed. Furthermore, it has also in practice often proven to be challenging to convince policymakers that an institution, which already has a substantial land reserve in its management, needs to purchase additional land on the land market and spend public money.

The attempt to launch land banking in Lithuania in 2016 is interesting in that sense (FAO, 2021). Lithuania has around 190 000 hectares of state-owned agricultural land (National Land Service, 2021) after the finalization of the restitution of land rights lost during the collectivization after WWII. This land reserve is managed by the National Land Service under the Ministry of Agriculture, which also supervises the State Land Fund created in 2010. The fund performs a number of land management functions, including its role as the lead agency for land consolidation. In 2016, the State Land Fund was assigned with new policy objectives such as restructuring of land holdings, reduction of land fragmentation, facilitation of enlargement of farms and reduction of land abandonment. To this end it was conferred the right to acquire private agricultural land with the aim of improving it and subsequently leasing it out. The fund was not conferred the right to sell the acquired land. Despite this attempt to launch land banking, the initiative failed because of limitations in definition of the acquisition price of the offered land. Also, this initiative could not amount to a true land bank, since the State Land Fund was not conferred the right to sell again the acquired land (see Section 3.3).

The case of Romania is also illustrative, as the country has a reserve of state-owned agricultural land of around 275 000 hectares managed by the Agency of State Property under the Ministry of Agriculture and Rural Development (ADS, 2019). The agency has attributions to purchase or exchange agricultural land for the realization of optimal agricultural exploitations but does not apply it in practice. The state land is usually leased out or given into concession and there

is a pronounced and active policy supporting development of young farmers and family farms by providing them with access to state land.

The survey revealed that land banking institutions in the surveyed countries may carry out the following functions: i) acquisition and sale of agricultural land parcels on the land market; ii) leasing out of agricultural land; iii) exchange of land parcels with private landowners; iv) facilitation of lease agreements between private parties; v) making improvements on the land (clearing bushes, merging parcels, providing irrigation/drainage, etc.); vi) regulation of land market prices (can interfere in private land transactions); and vii) provision of measures supporting access to land for the farmers including e.g., purchase and lease-back, sale-back, provision of credit.

Regarding the combination of land banking with land consolidation (Table 1, Column 2), 13 countries report that they combine these instruments. The active use of land banking in areas where land consolidation is planned or ongoing is an efficient way to increase land mobility in the land consolidation planning (re-allotment) process and thereby achieve better results of the land consolidation project (Hartvigsen, 2014 and Versinskas et al., 2020). Countries with both land consolidation and land banking instruments, but which do not actively combine the instruments are Italy and Spain (Galicia). Turkey and Slovenia are currently piloting a combination of the two instruments.

The survey and the data validation exercise aimed to distinguish between two situations: i) when state land or the land owned by a land bank is located within the boundaries of a land consolidation project and a land bank institution participates in the project in the same way as the private landowners and has the same benefits (e.g., reduction of fragmentation of the state land), and ii) when a land banking mechanism is applied to actively influence project outcomes and pursue broader rural development or public planning objectives. Only in the latter case the two instruments are seen as combined, and the land banking institution is supporting the land consolidation process through acquiring, exchanging and selling land as part of the project to increase land mobility and facilitate project implementation.

The situation in North Macedonia illustrates well how land mobility may be enhanced using state-owned land, even without having the option to purchase land in the land consolidation project areas. In the country, around 240 000 hectares or about 40 percent of all arable agricultural land is owned by the state (Hartvigsen, 2015). State land is formally managed by the Ministry of Agriculture, Forestry and Water Economy (MAFWE), where the main modalities are concessions and leases. There is so far no land acquisition mechanism in place. Nevertheless, there is an ongoing process of amending the legislation and setting up the procedures to enable privatization of small and fragmented state land parcels through land consolidation projects. This will strongly facilitate farm enlargement and the implementation of broader project objectives through increased land mobility.

Lease facilitation instruments are applied only in four of the surveyed countries, namely in Spain (Galicia), France, Italy (Toscana) and Portugal (Table 1, Column 3). In Italy and Spain, the survey results are representative for the regions of Toscana and Galicia, respectively.

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Lease facilitation usually implies i) the existence of a public institution facilitating the conclusion of lease agreements between private owners of agricultural land and farmers, ii) an active approach and not ad-hoc efforts by e.g., municipalities, and iii) the existence of a legal framework, although simplified lease facilitation is also possible without a specific legal framework. The purpose of lease facilitation is to develop the land use market, reduce land abandonment and strengthen local food production by connecting owners (often absent from the village where the land is located) and local farmers, including to provide access to land for new entrants.

### **3. FAO study on European land banking practices**

FAO conducted in 2020 a study on good European practices for the application of land banking instruments (FAO, 2021).

Taking into account the definition of a land bank provided for in the FAO Legal Guide on Land Consolidation (Versinskas *et al.*, 2020, p. 18) and the results of the study, the Study Report provides the following definition of land banking:

*Land banking is a set of systematic activities implemented by an institution with public purpose, performing the intermediate purchase, sale or lease of land in rural areas in order to increase land mobility, to facilitate development of agricultural land markets, and to pursue public policy objectives related to agricultural and rural development, sustainable land use and implementation of public projects related to nature restoration, environmental protection and construction of large-scale infrastructure.*

#### **3.1 Methodology applied in land banking study**

Five Western European countries were selected for a detailed study of the land banking practices applied. The countries studied in detail are Denmark, France, Germany (Mecklenburg-Vorpommern), the Netherlands and Spain (Galicia). The detailed study was complemented by a less detailed study of initial land banking experiences in Central European countries including Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland and Slovenia, as the experiences from these countries are seen as very relevant for the countries in Eastern Europe and Central Asia even if land banking instruments in the Central European countries may not be fully developed (Section 3.3).

The initial draft study report was prepared based on desk research and consultations via email and online interviews with key persons in all analysed countries. The five Western European countries were selected based on two key criteria: i) presence of and long experience with land banking instruments, and ii) presence of land banking tools that could be relevant for the countries in Eastern Europe and Central Asia interested in introducing land banking.

The preliminary findings of the study were presented during an FAO organized webinar in December 2020, where the feedback from the participants in the webinar was collected and integrated into the final draft of the study.

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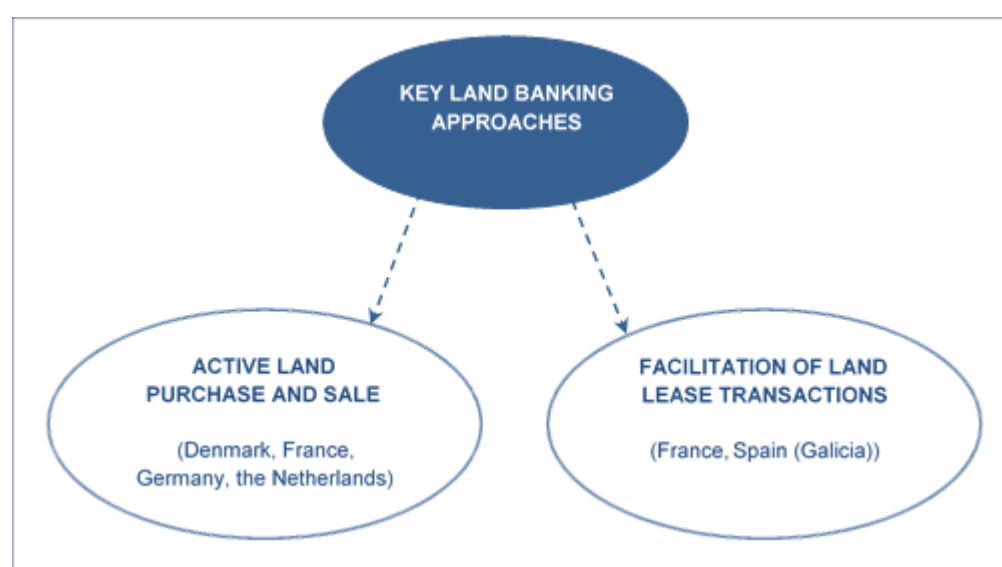
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The sections on the country practices were reviewed by the key persons from the analysed countries and the full review of the final draft study was carried out by a group of 12 international land banking and land management experts. The comments provided by the external reviewers were duly considered and integrated into the study report.

### 3.2 The identified different land banking approaches in the selected Western European countries

The study has identified a number of different land banking instruments applied in the five Western European countries to support agricultural, infrastructure and environmental policies. Some are based on the acquisition and sale of agricultural land from and to private owners, while others focus on lease facilitation. There are also instruments, which combine the features of both acquisition / sale and lease facilitation approaches. Using these tools, the countries target a variety of objectives and their approaches differ. Certain instruments are country-specific due to the local context and the regulatory framework.

Two main land banking approaches have been identified in the five studied countries: i) active land purchase and sale, and ii) facilitation of land lease transactions (See Figure 1).



*Figure 1: Identified key land banking approaches in the five studied Western European countries.*  
Source: FAO, 2021.

#### Acquisition and sale of land

The major land banking approach applied in four out of five analysed countries (Denmark, France, Germany (Mecklenbourg-Vorpommern) and the Netherlands) is the active acquisition and sale of agricultural land from and to private owners. The land is purchased on the land market either in open competition or using a pre-emption right. The latter is provided for in the regulations of all four countries, but in practice applied only in France and Germany (Mecklenburg-Vorpommern).



The acquired land is used for the installation of public infrastructure, re-allocated in land consolidation projects, sold to supported groups (e.g., young farmers) or used for other public purposes. If the acquisition aims to facilitate public projects, it takes place either before or during the implementation of the project. The acquisition initiative comes either from the land bank or from public institutions implementing land demanding projects. In connection with land consolidation projects, voluntary purchase of land from private owners increases the land pool and in this way the land mobility and the re-allotment options in the project area (Hartvigsen, 2014 and Versinskas et al., 2020). It also provides land for spaces to be used for public purpose objectives and/or for the enlargement of farms. France and Germany (Mecklenbourg-Vorpommern) similarly use this approach to impact the agricultural land market in a more general manner, e.g., through prevention of speculation in agricultural land.

Acquired land is usually leased out for a short term until it is sold again with a strategic purpose, allowing to generate additional revenues and keep land in proper condition. During the interim period, the land may also undergo improvements (e.g., clearing of bushes and self-grown trees, parcel restructuring, installation of agricultural infrastructure) and/or other transformations (e.g., change in the use type). The funds received from the sale of land are reinvested into new acquisitions, supporting the continuity of the land banking activities.

Each country has its own specificity in applying land banking instruments. For example, land banking in Denmark is closely linked with land consolidation and is rarely applied outside of land consolidation project areas. The primary objective is to increase the land mobility in land consolidation areas.

On the contrary in Germany (Mecklenbourg-Vorpommern), in land consolidation projects where the land bank (Landgesellschaft Mecklenburg-Vorpommern mbH (LMV)) owns land or manages it on behalf of the state, it participates as any other landowner in the project area. LMV does not acquire additional land in the area to increase land mobility. However, within the frame of the land consolidation project, the landowners may sell their land to the land consolidation authority. The latter then attributes the acquired land to respective public and private persons in accordance with the land consolidation plan. Land banking is also applied in Germany (Mecklenbourg-Vorpommern) to create land pools on the local level (municipal or county level), to facilitate the implementation of ecological compensation measures (Thomas, 2021).

In France, the acquisition of land is often used to support implementation of relevant public policies (e.g., agricultural, environmental, local development) and land demanding projects implemented by the local authorities or agencies. French regional land banks (SAFERs) may also acquire land in a targeted way in upcoming land consolidation areas to increase land mobility.

In the Netherlands, before the decentralization of the land banking functions from central to provincial level in 2015, the core task of the land bank (BBL) was to acquire, temporarily manage and dispose of real estate (land and, where appropriate, buildings) for the realization of government policy objectives in the rural areas, especially with regard to nature, agriculture,

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recreation, water management and landscape (BBL, 2018, p. 7). The accumulated land pool was used to compensate farmers for land taken out of production for the implementation of public initiated projects, e.g., related to nature restoration, or used directly for public purposes, such as the installation of public infrastructure. In the Netherlands, there is a high level of integration of different land management instruments, including land banking and land consolidation and complex development of territories.

The study of land banking practices in the five Western European countries found that acquisition and sale land banking instruments in these countries have a high positive impact on the implementation of a variety of public policies in relation to agricultural and rural development, nature and environment and infrastructure, including on the positive outcome of implementation of land consolidation projects.

### **Facilitation of lease**

Active facilitation of private land lease transactions is applied by French and Spanish (Galician) land banks. The objectives and forms of lease facilitation vary between the two countries. In Spain (Galicia), the key objective, which is addressed through lease facilitation, is to combat land abandonment, which not only negatively impacts agriculture but also increases risks of wild fires. In France this instrument is mostly used to ensure the continuity of existing farms.

In the facilitation of lease, the land bank in Galicia (Spain) (AGADER) acts as an intermediary between the landowners and the potential tenants. Interested landowners are usually those not farming their land and often not living in the area where the land is located. The land bank concludes a contract with the landowner on the inclusion of his/her land into the land bank. The landowner agrees to include the land parcel(s) into the land bank in consideration of the payment by the land bank. Such payment equals to the rent paid by the leaseholder to the land bank minus a small commission fee to cover administrative costs. The information on the land available for lease is published on the internet at the site of the land bank.<sup>2</sup> Farmers interested in leasing such land conclude lease agreements with the land bank. In this way there is no direct lease relationship between the landowners and the tenants. The land bank deals with both sides and takes the risks of any contract violation. Such a mechanism facilitates the transactions and provides lease security to both landowners and tenants.

In general terms, the land bank receives the applications from the landowner(s) and performs a search for potential tenants (usually local farmers). It may also be the opposite, when first the land bank identifies potential demand for land parcels in the area and then searches for land to satisfy this demand. This is done through the publication of the information on parcels available for lease as well as through active search for potential leaseholders via the contacts of the land bank with local authorities, farmers and other stakeholders.

A similar instrument is applied by the French SAFERs, helping landowners to find temporary tenants upon request of the farmer willing to temporarily suspend the activities. For instance, when a retiring landowner wishes that his/her family land was farmed until a descendant could

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<sup>2</sup> <https://sitegal.xunta.gal/>

take over the farm or when a local authority has a stock of land aimed for housing construction and wishes that the land was farmed until the beginning of the project, the landowner addresses SAFER and chooses the rental period (up to 6 years, renewable once). The term of the lease is relatively short, since this instrument is designed to serve only as a temporary solution for the landowner. SAFER guarantees to the landowner the payment of the rent and also takes care of the management issues - it carries out an inventory and finds a tenant for the duration agreed with the landowner. The landowner is guaranteed to recover free and maintained property upon the expiration of the lease agreement. The services of SAFERs are remunerated. In the frame of this instrument two contracts are concluded. An agreement on the transfer into disposition is signed between the landowner and SAFER. On the other hand, a SAFER lease agreement is signed between SAFER and the leaseholder.

### **Management of state owned agricultural land**

In addition to the two key land banking approaches illustrated in Figure 1, the management of state-owned agricultural land was identified as one of the additional functions of the land banks. LMV in Germany (Mecklenburg-Vorpommern) manages all the agricultural land owned by the state of Mecklenburg-Vorpommern. This is performed based on the contract on the administration of farmland between LMV and the Ministry of Agriculture and the Environment of Mecklenburg-Vorpommern. The main management modality is to lease land on medium- or long-term contracts (6-12 years), since the policy of the state is not to sell the land but rather to lease it out. Through such leases, additional land is provided to farmers, who create and maintain jobs in the rural areas, whereas the priority is given to livestock farms (they create more jobs compared to crop farms), small farms, young farmers and organic farms. The study found that the active use of state-owned agricultural land has a high potential to provide access to land to target groups such as young farmers and owners of small family farms.

### **Other measures**

Mechanisms of lease-back and sale-back are also in the toolbox of some of the studied land banks. LMV in Germany (Mecklenburg-Vorpommern) may acquire land on demand of the tenant farmers. This allows the tenant to continue farming the same land, even if he/she is unable to purchase the land when it comes up for sale on the market. In such cases, the decision whether to acquire a specific parcel is made by LMV. The latter checks, *inter alia*, the price of the parcel, the future user and the potential for ultimate sale of the land to the user or other buyers. The LMV may also acquire agricultural land on demand from landowners in difficulty and lease this land back to the same person for a period of up to six years. Upon expiration, the farmer has a priority to re-purchase the land from LMV. If not, LMV may sell the land to a third party. This mechanism helps farmers to overcome economic hardship periods.

Between 1983 and 2002, a similar mechanism was used in the Netherlands to support farmers via the conclusion of long-term leases between the BBL and the farmers. The farmers could apply for such support in three cases. Firstly, in case of succession of agricultural land, the children or grandchildren could request BBL to buy and lease-back the inherited land for a long-term period. Secondly, leaseholders with pre-emption rights to acquire leased land could request BBL to acquire such land on their behalf and then lease it to the initial leaseholder.

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Thirdly, long-term lease contracts could be requested from BBL when a farmer wishes to expand his/her landholding and thus BBL could acquire the land and then lease it to the farmer. Such actions were applied in the frame of land consolidation and land development projects and existed in parallel with the more traditional land banking activities involving acquisition and sale of land.

Land banks may also perform a range of other functions, which may be country-specific, like the facilitation of transfer of farms or ensuring the continuation of land lease agreements in France (FAO, 2021).

### **3.3 Land banking experience in Central Europe**

Land banking is not a completely new instrument in Central Europe. Since 1990, a number of countries have, as part of the transition to market economy and after implementing land reform that either restituted land rights to former owners who lost their land during the collectivization process after WWII or distributed state-owned agricultural land equally to the rural population, taken steps towards the introduction and development of land banking instruments (Hartvigsen, 2013b). However, in most of the countries these efforts have not yet resulted in the application of the concept on a wide scale. This section briefly looks into the experiences of the countries in Central Europe (new EU member countries) based on the analysis provided in the FAO land banking study report under publication (FAO, 2021).

As also indicated in Table 1, Slovenia and the Czech Republic have made the most progress with the introduction of land banking instruments among the countries in Central Europe. The functions of a land bank in Slovenia are performed by the National Farmland and Forest Fund (FFF) established in 1993 as part of the land reform process. Agricultural land from the fund, currently in total around 60 000 hectares, can be sold if requested by private farmers and the tenants have a pre-emptive right to purchase (Hartvigsen, 2015). Since around 2017, the fund has become more active in terms of purchase and sale of agricultural land. The fund is today actively involved in the implementation of land consolidation projects where the main interest of FFF is to consolidate the land owned by the fund and in particular resolve complex problems around co-ownership between private owners and the state. However, the land fund is so far not used to actively increase land mobility in the land consolidation projects.

The functions of a land bank in the Czech Republic are performed by the State Land Office (SLO), established on 1 January 2013 on the basis of the predecessor organization, the Land Fund of the Czech Republic. SLO is authorised to manage property that was previously administered by the Land Fund, including structures serving water management purposes, owned by the state. The tasks of SLO include management and privatization of state-owned agricultural land, land consolidation and settlement of remaining restitution claims. SLO is managing the state land fund to actively contribute to the implementation of different state

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development programmes, in particular through active exchange and purchase, and the total area of it shall not fall below 50 000 hectares. As of March 2021, SLO was the owner of 115 000 hectares of land.<sup>3</sup>

In the Czech Republic, land consolidation is a key tool for rural development, sustainable agriculture, and ecological stability of landscapes, and there is a high level of integration between land consolidation and land banking. In connection with land consolidation project, SLO can purchase land from private landowners to achieve project goals. It can also claim ownership rights to land parcels (or shares thereof) whose owner is unknown.

Besides the Czech Republic and Slovenia, Latvia has also joined the Central European countries applying land banking. Among its other functions, JSC “Development Finance Institution Altum” manages the Land Fund of Latvia and performs land banking activities, such as acquisition and sale of agricultural land for land management purposes, applies lease, buy-back and other mechanisms. In Latvia, land banking is not combined with land consolidation as there is no operational land consolidation instrument.

In Lithuania, as already mentioned in Section 2, the State Land Fund was created in 2010 and since 2016, it has in principle been empowered with certain land banking functions with the objective to improve land holding structures and reduce land abandonment. However, although some related regulatory measures were adopted, the initiative has so far failed. Since 2005 Lithuania has implemented a national land consolidation programme (Hartvigsen, 2015). Agricultural land owned by the State Land Fund may be exchanged in the land consolidation process but may not be privatized.

In Poland, the National Support Centre for Agriculture (KOWR) was established in 2017, replacing the Agricultural Market Agency and the Agricultural Property Agency (APA), whose functions were largely taken over by KOWR. KOWR performs several functions, which are directly related to the management of agricultural land. This includes to improve the land structure of family farms and manage and privatize state-owned agricultural land. KOWR participates in land consolidation projects with the existing land it owns in the project areas as any other landowner and the state land is consolidated.

Hungary and Croatia have largely followed the same path. In both countries, state land funds were established initially with the main objectives to manage the state land but also to support land consolidation instruments. In Hungary, the National Land Fund (NLF) was established in 2002. The key objective was to provide agricultural land for voluntary land exchanges, with the aim of developing a sustainable ownership and farm structure, through the improvement of farm structures, but also providing for the exchange of state land with private land in flood-protected areas (Hartvigsen, 2015). In 2019, NLF was replaced by the National Land Centre,

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<sup>3</sup> [www.spucr.cz](http://www.spucr.cz)

which has the mandate to manage the state-owned agricultural and forest land. It is involved in the privatization of state-owned land, implementing an active land policy, e.g., through i) the abolition of undivided common property, ii) the administration of irrigation systems, iii) administration of forests, and iv) land surveying and GIS. In practice, it means that the aforementioned institution has no mandate to perform land banking.

In Croatia, the Agricultural Land Agency (ALA) was established in 2008. ALA in Croatia was given the right to acquire private agricultural land for the purpose of improving agricultural structures. It was also conferred a pre-emption right to acquire private agricultural land on the land market. In both countries, planned land consolidation instruments never became operational as the political support was lost in the process after change in government (Hartvigsen, 2015). In Croatia, ALA was dismantled in 2018 and the management of state land decentralized to the municipal level. This has so far been the practical end of land banking in Croatia.

As it can be seen from the above, development of land banking instruments in the countries in Central Europe has not been straightforward and it has been difficult to maintain the political support. The most successful examples so far are Slovenia and the Czech Republic, with Latvia also following closely.

## **4. The need for land banking in Eastern Europe and Central Asia**

In this section, we will first provide an overview of the farm structures in the countries in Eastern Europe and Central Asia, with a focus on the aspects of the current situation that calls for the application of land banking instruments such as farm sizes, land fragmentation and land abandonment. The relationship with development of agricultural land markets is highlighted, and finally the problems are illustrated through country cases from some of the countries where FAO is currently providing technical assistance to address the complex of problems.

### **4.1 Farm structures and agricultural land markets in Eastern Europe and Central Asia**

The countries in CEE and CA began a remarkable transition from centrally planned economies towards market economies in 1989 when the Berlin Wall fell. Land reforms with the objective to privatize and/or individualize the state-owned agricultural land managed by large-scale collective and state farms were high on the political agenda in most countries in the region (Hartvigsen, 2013a). In many of the countries, but not all, the farm structures today were determined by the outcome of land reforms in the 1990s.

The two fundamentally different overall approaches to land reform in the CEE countries have been restitution of land rights to former owners and distribution of land rights to the rural

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population. Many and often contradictory factors such as historical background, land ownership situation at the time of collectivization and ethnicity have been important while designing the land reform process in each country (Hartvigsen, 2013b). In the three Baltic countries, the Czech Republic and Slovakia, agricultural land was restituted to the pre-WWII owners and their successors. In Poland and the countries in ex-Yugoslavia, the collectivization had failed and 75-80 percent of the agricultural land remained in private ownership and was used by small family farms during the socialist era and land reforms have had little impact on the farm structures in those countries. In Albania, Moldova, Armenia, Georgia and Azerbaijan, the former state-owned agricultural land was distributed in the 1990s equally to the rural population.

Land administration systems were built up and land rights were formally registered after the land reforms and land markets were supported, including for agricultural land. From the mid-1990s onwards, the World Bank has funded 42 land projects in 24 ECA countries (Törhönen, 2016).

In the Western Balkans, Caucasus and Central Asia, farm structures are dominated today by smallholders and small family farms (FAO, 2020). In countries such as Albania, Armenia, Bosnia and Herzegovina, Georgia, North Macedonia and Kyrgyzstan, the average farm sizes are between one and three hectares and between 95 and 99 percent of all farms are smaller than 5 hectares (FAO, 2020). Small family farms have also become the backbone of the post transition farm structures in Central Asia (Lerman and Sedik, 2018). Other countries such as Serbia, Moldova and Kazakhstan have dualistic farm structures with many small family farms and few large-scale corporate farms.

In addition to small average farm sizes, the farm structures are characterized in many of the countries by fragmentation of both land ownership and land use. The structural problem with excessive land fragmentation and small farm sizes is hampering agriculture and rural development, and hence also most initiatives in support of development (Hartvigsen, 2019). Small-scale agriculture production is ongoing mostly in subsistence and semi-subsistence farms where most of the production is consumed in the household and the farms have weak access to markets and food value chains. The small farms in general have low productivity and low competitiveness.

Land fragmentation and small farm sizes are also among the root causes of out-migration from rural areas and in several countries in the region a main reason for arable agricultural land being abandoned. In Armenia, according to the 2014 Agricultural Census, 33 percent of the land of family farms and 38 percent of the land of corporate farms is abandoned (FAO, 2017). Land abandonment is widespread in most Western Balkan countries. In North Macedonia, also around one-third of all arable agricultural land is unutilized. In Bosnia and Herzegovina, the figure is 45 percent. This has created an unutilized potential for local economic growth by strengthening local food production. This is an issue that has recently gained further importance in consequence of the COVID-19 pandemic.

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The development of formal agricultural land markets are at very different stages in Eastern Europe and Central Asia but a recent assessment conducted by FAO showed that land markets are in general still weak, compared with EU member countries (Hartvigsen and Gorgan, 2020). In all FAO programme countries and territories in the region<sup>4</sup>, except in Belarus, land rights have been established to agricultural land, either through private ownership or use rights to state-owned agricultural land. In the countries in Central Asia, except Kyrgyzstan, formal land rights can be registered but in general there is not a formal agricultural land market, but only the allocation of state land to farmers without further options for land trading. Formal land markets exist in 12 of the 18 countries and territories. Seven of these countries currently have land markets that are assessed to be in a development stage where market activity is still very weak, in particular at the sales market with transactions taking place mainly between relatives and community members (Hartvigsen and Gorgan, 2020). Only five of the countries, Armenia, Moldova, North Macedonia, Serbia and Turkey, are assessed to have reached a land market development stage where land is beginning to be traded between people who do not know each other and where the number of transactions begin to gain speed.

#### **4.2 The need and interest for land banking in Eastern Europe and Central Asia Farm structures**

Land banking instruments in CEE have been promoted just as strongly as land consolidation instruments by FAO, FIG, UNECE WPLA and by the community of land consolidation professionals active in CEE, and land banking has been the specific topic of FAO / LANDNET regional workshops in 2004, 2008 and 2010.<sup>5</sup> However, a study conducted in 2015 on the introduction of land consolidation and land banking in 25 countries in CEE found that while most countries have introduced land consolidation, land banking had largely failed in CEE and the potential remained unused (Hartvigsen, 2015). A general explanation appears to be related to the organization of state land management and land consolidation in the countries. Often different public institutions or units are responsible for the land consolidation programmes and for the management of the state land fund, and efforts are often not coordinated.

This said there is recently in a number of CEE countries clearly a renewed interest to explore the options to develop land management instruments such as land banking and related instruments like facilitation of lease and active management and privatization of state-owned agricultural land. The interest and need for such instruments is driven either by the need to support the introduction of land consolidation and building up fully operational national land

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<sup>4</sup> The 18 FAO programme countries and territories in Europe and Central Asia include Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kosovo\*, Kyrgyzstan, Moldova, Montenegro, North Macedonia, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan.

\* References to Kosovo shall be understood in the context of UN Security Council Resolution 1244 (1999).

<sup>5</sup> <http://www.fao.org/europe/resources/land-tenure-workshops/en/>



consolidation programmes, or by a political wish to combat excessive land abandonment. Some of the countries have both drivers at the same time.

In North Macedonia, where 95 percent of all farms are smaller than 5 hectares, and the average farm size is 1.6 hectare distributed into an average of 7 parcels, FAO has, since 2014, supported the preparation of an operational national land consolidation programme. From 2017 to 2022, FAO is supporting the first round of land consolidation projects under the national programme through the EU and FAO funded MAINLAND project (Hartvigsen, 2019). In North Macedonia, as already mentioned in Section 2, 240,000 hectares of agricultural land remain in state ownership, which is more than 40 percent of all arable agricultural land in the country. It is a lesson learned from the above-mentioned land consolidation projects that the fragmented small state-owned land parcels in the project areas could have a very catalytic effect in the re-allotment planning by increasing land mobility. FAO has in the mentioned project supported the preparation of the amendment of the Law on sale of state-owned agricultural land to allow for the privatization of state land through the land consolidation instrument. Also in North Macedonia, the government has shown interest to address the widespread land abandonment. Adding this to the list of objectives, the North Macedonian policy objectives of improving farm structures by reducing land fragmentation and facilitating farm enlargement, ensuring better management of state land, opening for privatization of state land and addressing land abandonment, all come nicely together with the national land consolidation programme and in the future with active management of the state land / land banking as the main land management instruments to be applied.

In Armenia, where small family farms are also dominating the farm structures and more than one-third of the agricultural land is unutilized, there are many and inter-related drivers of land abandonment, including land fragmentation and small farm sizes making farming unprofitable, dependency on irrigation, problems for small farms to access markets, land degradation and an ageing rural population, all leading to out-migration from rural areas and eventually land abandonment. Addressing this issue is a high priority for the Government. Since 2017, FAO has provided technical assistance to the land reform agenda addressing land abandonment by developing land management instruments such as land banking, facilitation of lease and land consolidation to be applied in an integrated approach.

In Turkey, around 2 million hectares of agricultural land are currently abandoned and Turkey has 3 million agricultural holdings with an average size of around 6 hectares and an average of 11 parcels per holding. To address land fragmentation, Turkey is running the largest national land consolidation programme in ECA. However, despite the huge progress made, the negative trend could not fully be reversed since enlargement of holdings has so far not actively been facilitated in the land consolidation process. The Turkish 11th Development Plan (2019-2023) is envisaging the introduction of arrangements for the establishment of a land banking system in order to enhance the agricultural land markets, in particular bringing unutilized land into

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agricultural production. During 2021 – 2024, FAO will provide technical assistance to the development of land management instruments such as land banking and facilitation of lease and also providing recommendations for improving land consolidation procedures and linking the instruments in an integrated approach.

The above-mentioned ongoing and planned FAO country specific project activities will greatly benefit from the identification of good European practices for land banking through the conducted study (FAO, 2021). Land banking instruments have, together with other related land management instruments such as land consolidation, the potential to strongly contribute to poverty reduction and sustainable agriculture and rural development.

## **5. Policy recommendations for land banking in Eastern Europe and Central Asia**

Among the main constraints for agricultural and rural development in most of the Eastern Europe and Central Asia countries are, as discussed in Section 4, fragmented parcel structures, small farm and parcel sizes and in several countries at the same time widespread land abandonment. Therefore, these countries are in general recommended to consider the introduction of land banking instrument if they i) plan to or already implement land consolidation projects under a national land consolidation programme, ii) wish to address land abandonment and/or, iii) wish to facilitate voluntary holding and farm enlargement including to provide access to land of target groups such as young farmers and small family farms.

It is recommended to introduce land banking in the country applying a two-stage approach. Once the legal framework for land banking is adopted, before scaling up to a fully operational national land banking programme, it is recommended to test the instrument and the adopted legislation in pilot projects. Such pilot projects should involve land banking tools intended to be applied in the country and test their applicability in practice. Following such testing, the legal and institutional framework for land banking may be reviewed and if necessary amended. Once this work is accomplished, the land banking programme can be applied country-wide as needed. Such two-staged approach is based on FAO experience from different countries, where FAO supported the introduction and/or development of various land management instruments.

It is recommended to adopt and apply land banking instruments based on the key policy recommendations provided in Figure 2, which is followed by a more detailed discussion (FAO, 2021).

1. It is recommended to consider applying land banking in the country to support the implementation of the following policy objectives:
  - ✓ agricultural development;
  - ✓ rural development;
  - ✓ implementation of nature, environmental and climate change projects;
  - ✓ implementation of public infrastructure projects;
  - ✓ development of agricultural land markets.
2. Objectives of land banking should be clearly defined and be fully integrated with the overall land policy of the country.
3. When land banking is introduced, it is recommended to conduct a broad awareness raising campaign through a multi-stakeholder consultation, to ensure the full support for land banking in the country.
4. To support the implementation of the defined objectives, it is recommended that the land bank is empowered to perform the following core functions:
  - ✓ Acquisition, intermediary management, eventual improvement and/or restructuring, sale and/or exchange of land on the land market or its use or disposal in the frame of land demanding public purpose projects (e.g. environmental and infrastructure projects), and if feasible supporting the implementation of land consolidation projects.
  - ✓ Facilitation of lease of agricultural land through intermediation between landowners and farmers.
5. To support agricultural and rural development as well as other relevant policy objectives, also to ensure linkages with other land management instruments such as land consolidation, it is recommended to consider conferring to the land bank the following accessory functions:
  - ✓ Active management of existing state-owned agricultural land;
  - ✓ Privatization of the state-owned agricultural land.
6. A “demand driven” approach is the best way to ensure sustainability of successful results. It is recommended to implement any project-based interventions only where there is clear demand from beneficiaries such as local farmers or agencies implementing land-demanding public purpose projects.
7. The land banking instrument should be integrated with eventual programmes for privatization of state owned agricultural land.
8. It is recommended to establish land banking instruments in support of a national land consolidation programme and the implementation of land consolidation projects.
9. Land banking should be performed in a systemic way, securing the defined policy objectives. It should not carry out random interventions in the land market.
10. Land banking is recommended to support specific target groups of stakeholders (e.g. young farmers and owners of small farms) providing them with access to additional agricultural land.
11. It is recommended to assign or establish a public entity (land bank) to perform specific land banking functions.
12. The legal form of the land bank and the relevant operational arrangements should ensure flexibility and the ability to take fast decisions concerning the acquisition, leasing out, sale and/or exchange of land.
13. The supervision of the land bank should be performed at least by the Ministry of Agriculture with the support from the Ministry of Finance. It is recommended to establish an Advisory Board of the land bank with state, civil society, academia and private sector representatives.
14. Land banks should initially be provided with the assets in the form of land and/or funds, to begin land banking operations.
15. In the beginning, the basic costs such as staff, equipment, office costs should be funded from the state budget.
16. The land bank should have a revolving budget with the time perspective of the programme, e.g., five years ahead, which means that the funds received from the land banking activities would be reinvested in land banking
17. It is recommended to implement a broad capacity development campaign, which would ensure the sustainability of land banking knowledge and know-how among the current and future national professionals.

*Figure 2. List of key policy recommendations for land banking in Eastern Europe and Central Asia*

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**Recommendations 1, 2 and 9.** Land banking may only be effective if it is applied in a targeted and systematic way. It should be harmonized with the overall land policy objectives, rather than be limited to scattered actions, without clearly defined objectives and targets. Land banking should not be considered as the random purchase of agricultural land throughout the country and then reselling it for a higher price. It should be fully integrated into the overall land policy of the country and have clearly defined objectives. Otherwise, there is a risk that public funds will be wasted without any desired impact. According to the identified good European practices, land banking could support one or several objectives, including i) agricultural development, ii) rural development, iii) implementation of nature, environmental, water management and climate change projects, iv) implementation of public large infrastructure projects, and v) development of agricultural land markets.

**Recommendation 3.** Based on FAO experience it is recommended to pave the way for the land banking instrument in the country through a broad land banking awareness raising campaign based on multi-stakeholder consultations. The support for the instrument should be ensured on different levels, starting from decision makers to landowners and technical staff applying the instrument in the field. The campaign should be designed in a way that political and administrative support to land banking is sustained even when change in government takes place. If this element is not ensured, the technical efforts to introduce and develop land banking bear a strong risk of failure.

**Recommendation 4.** Land banks support the attainment of the defined objectives performing a range of functions. Some of them appear to be core ones and applied in many European land banks, while other functions are used more rarely. Acquisition and sale of agricultural land has been identified as the most broadly used tool by the land banks to attain the defined objectives. Also, as results from the FAO survey (Section 2) demonstrate, at least four countries use lease facilitation instruments, which could also be identified as one of the two core land banking functions. The two approaches deal with different types of rights, namely, ownership and use rights, which are both important for agricultural development. Countries select the functions which seem most appropriate to their situation. The combination of both approaches may be beneficial and is promoted by FAO in its recent agricultural land management projects<sup>6</sup>.

**Recommendations 11, 12 and 13.** It is recommended to assign or establish a land bank as a separate entity. Countries have chosen different institutional models with land banking functions performed by a state agency under the Ministry of Agriculture (or other relevant Ministry, depending on the land banking objectives) or implemented by a separate legal entity, such as a state enterprise or a stock company, controlled and/or supervised by the state. The choice would depend on the local needs for land banking, the existing institutional infrastructure and the national legal framework. In all cases the legal form of the land bank and the relevant operational arrangements should ensure flexibility and the ability to take rapid

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<sup>6</sup> For example, in the FAO Project in Armenia - Establishment of land management instruments and institutional framework to address land abandonment (01/11/2019 – 30/04/2021, TCP/ARM/3705).

decisions concerning the acquisition, leasing out, sale and/or exchange of land between the land bank and private owners.

The institutional set up for land banking should also ensure the proper supervisory framework, guaranteeing that the process is efficient, transparent and not subject to misuse. Land banking faces several risks such as the possibility of corruption or conflict of interest. Therefore, a robust system of safeguards, including a due supervisory framework should be put in place. This is of even greater importance in countries battling higher levels of corruption, since not only the land banking system may be subject to the relevant risks but also the system of safeguards itself, which also includes courts. The supervision should be performed at least by the Ministry of Agriculture (or other relevant Ministry depending on the objectives of land banking) and the Ministry of Finance. It is also recommended to establish supervisory and/or advisory bodies, such as an Advisory Board, including a range of stakeholders like the state, civil society, academia and private sector representatives. This would contribute to the transparency and efficiency of the work of the land bank.

**Recommendations 5, 7 and 10.** Countries with a large state-owned agricultural land reserve should also consider conferring the land bank with the function of managing at least a part of this land. This land could be used to launch the activities of the land bank as well as to integrate core land banking functions with the state land management policies. Instead of simple lease of state land, the land bank could actively use this land to support a range of public purpose objectives, like supporting young farmers and owners of small farms. However, before attributing the general function of management of state-owned agricultural land to the land bank, it should be assessed if it will not hinder the capability to actively and efficiently perform the core land banking functions. If the land bank is conferred the function to manage all state land, it requires as a precondition the necessary financial and human resources to perform such a function. Without such resources, the efficiency and credibility of the land bank would be compromised and there would be little synergy of the different land management instruments. The state should carefully consider whether land banking should be only one of the functions of a broader land agency.

In countries with a large state-owned land reserve, even if there is no specialized land banking institution in place, the active management of this land may also have high policy impact. Such an approach may support land consolidation and other public purpose projects and objectives, as mentioned in Section 4.2 in the case of North Macedonia.

Also, a number of ECA countries implement programmes of privatization of public-owned agricultural land. Instead of simple privatization through auctions for the highest price, land banking could ensure that such privatization would not only provide funds for the state budget but also actively support agricultural, rural development and other relevant policy objectives, ensuring linkages with other land management instruments such as land consolidation. Land banks should therefore be attributed the right to privatize the state land in the frame of the implemented land related projects.

**Recommendation 6.** To ensure that public funds are not wasted, land banking should be “demand driven”. Before launching any substantial activities, the land bank should assess the situation, perform feasibility studies and define the extent of demand and need for land banking and related activities in the specific project area. The land bank should ensure that there will be persons and/or entities, which will benefit from the respective measures and projects. Such beneficiaries could be farmers willing to launch or expand their activities or the public agencies implementing land demanding projects. Even if land banking and/or land consolidation measures produce areas that are consolidated and prepared for agricultural activities (e.g., cleaned, drained, field roads installed), they may well remain abandoned if there has been no clear engagement and demand from the potential beneficiaries of the project.

**Recommendation 8.** The most advanced land banking systems integrate land banking and land consolidation. Some land banks purchase land parcels before or in the very beginning of the land consolidation projects to increase the land mobility and the re-allotment options. Others only use land they have within the land consolidation project areas and act in the same way as private landowners. There are also cases where the land bank acts as a lead agency for land consolidation. It is therefore recommended to combine these instruments, since land banking can actively facilitate the successful implementation of land consolidation projects.

**Recommendations 14, 15 and 16.** Land banks should be provided by the state with the initial resources, both funds and land (if available), to launch their activities. Subsequently, the financial autonomy of the land bank may increase due to the revenue generating activities. In the initial phase of operations, support from the state should be granted covering at least basic costs such as staff, equipment, and office costs. Earning money should never be a specific objective of land banking.

The funding system and the relevant legal framework should ensure a revolving budget, which would allow the land bank to reinvest funds received from the sale of land into the new acquisitions. There should be no requirement to transfer funds to the state budget by the end of the year. Furthermore, the funding of the land bank should be based on the land banking programme perspective, e.g., five years ahead, and not be dependent on yearly state budget planning.

The land bank should also have a right to use other sources of funding, such as EU funds or funds from International Financial Institutions. The land bank could also generate funds from the provision of land banking services to various state agencies or other bodies implementing land-demanding public purpose projects.

**Recommendation 17.** Land banking will not be successful in the country if the involved professionals do not have sufficient knowledge and capability. Therefore, it is recommended to implement a broad capacity development campaign targeting both professionals already in practice and future professionals. A particular focus should be made to sustain the medium and longer term technical capacity of national experts to perform the work as part of a national programme on land banking.

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