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FAO Study on European good practices on land banking

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Objectives and Methodology

- **Objectives of the Study** – to provide practical guidance and recommendations on land banking to policy and decision makers, lawyers and land tenure professionals
- **Methodology**
 - Desk research
 - Consultations with key persons in the analyzed countries
 - Detailed analysis performed on *Denmark, France, Germany, the Netherlands, Spain (Galicia)*
 - Short overview performed on *Croatia, Czech Republic, Hungary, Latvia, Lithuania, Poland and Slovenia*
 - Feedback from participants of FAO webinar
 - Finalization
 - Preparation for publication, including integration of survey





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Definition of land banking

Land banking is a set of systematic activities implemented by an institution with public purpose, performing the intermediate purchase, sale, exchange 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, climate change and construction of large-scale infrastructure.



What Land Bank is NOT

For the purposes of this study, land banking should not be understood as a private interest-driven commercial activity. Land banks or land funds are not the institutions dealing with the provision of credit or any other types of commercial or investment banking services. If the contents of land banking are not clearly explained and understood by the farmers, it may raise negative connotations, such as being an instrument for speculation or limiting access to land for the farmers. It may be the case that "land banking" only remains a term used among professionals, while in other communications, more complex and explicative terms, such as the acquisition and sale of agricultural land for public purposes, are used. Furthermore, the notion of a land bank or land fund may vary in different countries and regions, like in Latin America, where land banks (*banco de tierras*) were used as instruments to implement market-based agrarian reforms.

In this study, land banks or land funds (the two terms are sometimes used as synonyms) will be understood as public entities implementing land banking activities to attain public purpose objectives. Although the precise legal form of land banks may vary and their activities may also be of benefit to private stakeholders, this study does not include privately owned land banks set up for private purposes.





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2. LAND BANKING IN SELECTED WESTERN EUROPEAN COUNTRIES

This chapter analyses land banking practices in several Western European countries, either with a long land banking tradition or land banking experience, which may be relevant to countries in Eastern Europe and Central Asia. The countries analysed in detail and presented in this chapter are Denmark, France, Germany, the Netherlands and Spain (Galicia).

2.1 LAND BANKING IN DENMARK

The Danish land banking model is closely linked with the land consolidation instrument, and land banking is almost always applied to support of the implementation of land consolidation projects. The key legal act regulating land banking is the Law on Land Consolidation and Public Purchase and Sale of Rural Property for Agricultural Purposes, etc. (the Land Consolidation Act). In accordance with this law, the functions of the land bank are performed in a centralized manner by the Land Consolidation and Land Banking Unit of the Danish Agricultural Agency (Landkonsoliderings- og Landbankenheden) under the Ministry of Food, Agriculture and Fisheries (Ministeriet for Fødevarer, Landbrug og Fiskeri).

Danish land banking consists of the acquisition of agricultural land, its intermediate management and subsequent sale or exchange, usually in the frame of land consolidation projects. The primary objective is to increase land mobility in land consolidation projects (see Hørbjerg, 2014a). Land owned by the land bank (the Ministry) is state-owned land, and therefore, the land bank is in charge of its active management, facilitating those public projects that the land consolidation projects contribute to. Thus, land banking is only applied together with those public programmes (e.g., wetlands programme and new multi-purpose land consolidation programme) where there is earmarked funding for it to the Ministry land bank in the state budget. However, in very small projects involving few landowners, like the restoration of wetlands, land may be exchanged directly between the land bank and the owners without involving land consolidation. Land banking in Denmark does not include a lease facilitation function.





3. NEED FOR AND EXPERIENCES WITH LAND BANKING IN CENTRAL AND EASTERN EUROPE AND CENTRAL ASIA

Over the past three decades, the professional and policy understanding of land banking and its potential benefits has steadily evolved in Central and Eastern Europe (CEE). Section 3.1 outlines some of the recent experiences of several CEE countries, which have made significant steps towards having operational land banking instruments, even if in certain cases such steps have failed or setbacks have occurred. Section 3.2 analyses the existing needs for land banking in countries in Eastern Europe and Central Asia, taking into consideration FAO project work and experience.

3.1 EXPERIENCES WITH LAND BANKING IN CENTRAL AND EASTERN EUROPE

Land banking is not a completely new instrument in CEE. A number of countries have taken steps towards introducing and developing it in support of land management tools such as land consolidation. This section describes the land banking experiences from Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland and Slovenia.

3.1.1 Croatia

The establishment of the Agricultural Land Agency in Croatia in 2008 began via the support of two international projects. The first project was implemented by Nordic Consulting Group in cooperation with the Ministry of Agriculture, Fisheries and Rural Development from 2006 to 2009 with funding from the Swedish International Development Agency (SIDA) (Hannigsen, 2015). The central components included supporting the establishment of the Agricultural Land Agency and implementing five land consolidation pilot projects in different regions of the country. Subsequently, in 2009-2010, additional support for establishing the Agricultural Land Agency was provided by the Dutch Government Service for Land and Water Management (DLG). The Agricultural Land Agency was set up following the adoption of the new Law on Agricultural



4. GOOD EUROPEAN LAND BANKING PRACTICES

The analysis in Chapters 2 and 3 demonstrated that there exists a variety of European approaches towards land banking and the relevant regulatory and institutional frameworks. Despite these differences, land banking has proven to be an efficient instrument for land management, contributing to a wide array of agricultural, rural development, environmental, infrastructure and other objectives. It must have clear demand-driven objectives, a solid legal framework, and a well-organized and objective-oriented institutional framework. Also, land banking is usually one in a system of instruments, and its efficiency also depends on these related instruments. It is important to take this into account in countries considering introducing such land management tools as land banking and land consolidation.

The diversity of land banking approaches provides for a broader spectrum of objectives. Countries may choose from the land banking models those features that fit the local situation and the relevant government objectives. Given the variety of social, economic and demographic conditions, it would not be feasible to identify one "best" or one-size-fits-all approach to land banking. Different land banking approaches and functions can be applied and/or combined, tailored to solve the local problems and objectives.

This chapter aims to identify a set of good land banking practices that could be useful in CEE and Central Asia. This information could also be useful to countries that already have land banking instruments but would also like to benefit from the experience of other countries. Even the most developed land banking countries have, over time, seen significant changes in policy. The process is dynamic and evolving.





5. POLICY AND PRACTICAL RECOMMENDATIONS FOR LAND BANKING IN EASTERN EUROPE AND CENTRAL ASIA

This study has demonstrated the need for guidance in the application of land banking in the countries of Eastern Europe and Central Asia. The introduction of land banking in several Central European countries (see Section 3.1) remained either a 'dead letter of the law' or turned out to be unsustainable. It was not performed as a fully politically supported, strategically founded process.

In Chapter 4, the analysis identified certain good practices which proved their efficiency and therefore may serve as a basis for the recommendations in this chapter. Some address the overall policy framework, while others are more practical and aimed at ensuring that land banking instruments are operational. Evidently, these recommendations should be adapted to the local situation in the respective country.

Taking into account the definition of a land bank provided for in the FAO Legal Guide on Land Consolidation (Verlinskas et al., 2020, p. 18¹⁰) and the results of this study, the following definition of land banking can be formulated:

Land banking is a set of systematic activities implemented by an institution with public purpose, performing the intermediate purchase, sale, exchange 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, climate change and construction of large-scale infrastructure.

Besides this Chapter 5, the main recommendations stemming from the FAO study on land banking were also presented in Harviquen, Verlinskas and Gonjan, 2021.



Box 5.1 Key recommendations – General policy recommendations

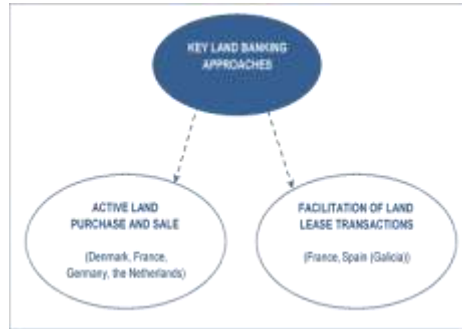
- 5.1.1. It is recommended to consider applying land banking in the country to support the implementation of the following clearly defined objectives:
- i) agricultural development;
 - ii) rural development;
 - iii) implementation of nature, environmental, water management and climate change projects;
 - iv) improving farm structures;
 - v) addressing land abandonment;
 - vi) implementation of public infrastructure projects; and
 - vii) development of agricultural land markets.
- 5.1.2. To support the implementation of the above mentioned objectives, it is recommended that the land bank has the possibility to perform the following core functions:
- i) 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, using land consolidation; and
 - ii) facilitation of lease of agricultural land through intermediation between landowners not using their land and farmers interested in using more land.
- 5.1.3. It is recommended to consider conferring the following additional functions on the land bank:
- i) active management of state-owned agricultural land to support agriculture and rural development as well as other relevant policy objectives; and
 - ii) privatization of state-owned agricultural land to support agriculture and rural development as well as other relevant policy objectives, ensuring linkages with other land management instruments, including land consolidation.





Identified land banking approaches

- Acquisition and sale of land
- Facilitation of lease
- Management of state owned land
- Lease-back; sale-back of land
- Other functions



Land banking experiences in Central Europe

- Central European countries applying land banking (active sale & acquisition of agricultural land) *(marked in blue)*
 - Croatia
 - **Czech Republic**
 - Hungary
 - **Latvia**
 - Lithuania
 - Poland
 - **Slovenia**



Need for land banking in Eastern Europe and Central Asia

- **Renewed interest** for land banking in a number of FAO programme countries (e.g. Armenia, Azerbaijan, North Macedonia, Montenegro and Turkey)
- Two main **drivers of the interest** for land banking – wish to tackle **land abandonment** and/or to **improve farm structures** (reduce land fragmentation and increase farm sizes). Some countries such as Armenia and Turkey have both drivers at the same time



Key recommendations for land banking in Eastern Europe and Central Asia (1)

- Land banking can support the following **policy objectives**:
 - agricultural development;
 - rural development;
 - implementation of nature, environmental, water management and climate change projects;
 - improving farm structures;
 - addressing land abandonment;
 - implementation of public infrastructure projects; and
 - development of agricultural land markets





Key recommendations (2)

- **Core** (acquisition-sale & lease facilitation) and **additional** (state-owned land management & privatization, other functions) land banking **functions**
- After adoption of the legal framework for land banking it is recommended to test the instrument in the **pilot projects** (e.g., as part of the land consolidation projects). **Adapt the legal framework** accordingly, taking into account the pilot project experiences.
- Conduct a broad **awareness raising** campaign through a multi-stakeholder consultation, to ensure the full support for land banking in the country
- Land banking should be performed in a **systemic way**, not random acquisitions
- Land banking should be applied following **“demand driven” approach**



Key recommendations (3)

- **Integration** with programmes for **state-owned land privatization** and **land consolidation** is recommended
- **Support** specific **target groups** of stakeholders (e.g., young farmers and owners of small farms)
- Assign or establish a **public entity (land bank)** to perform specific land banking functions
- **Legal form** of the land bank and the relevant operational arrangements should ensure **flexibility** and the ability to take **fast decisions** concerning land





Key recommendations (4)

- Supervisory system and **safeguards**
- Land banks should initially be provided with the **assets** in the form of land and/or funds, **to begin land banking** operations
- In the beginning, the **basic costs** such as staff, equipment, office costs should be funded from the **state budget**
- **Revolving budget** of a land bank - funds received from the land banking activities would be reinvested in land banking
- 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



Thank you for your attention!

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