

Public and State Land Management in Hungary

ANDRÁS OSSKÓ



WORKING WEEK 2012

May 6-10 2012

ROME, ITALY

CONTENT

1. Introduction
2. Legal and institutional background
3. Activities of the national land fund 2002-2010
4. Legal background of national land fund organization 2010
5. Land market issues

1 , Introduction

- × Land matters have been always played important role economically, emotionally in the Hungarian history
- × Focus on state owned agricultural land management
- × After the World War II the Hungarian state nationalized the large agric estates, industrial properties and at the beginning of 50s. residential and other properties

- × Before the communist era between 1945-49 many of the nationalized agric lands have been allocated to formerly landless agric workers and they became land owners
- × At the end of 1949 the communist party came into power with Soviet pressure and assistant establishing one party dictatorship and command economy
- × Although the majority of agric land became state owned properties, the communist state forced the new, former landless and other small farmers to form large agric co-operatives and they became agric workers again or gave up farming

- × Strong resistance by the rural population
- × State used all of its political and physical power to achieve its aims
- × As the result of collectivization the rate of private ownership on agric land was very small and the situation remained till end of 80s.
- × At the beginning of 90s. political and economic changes, large scale of land and other privatization
- × 77% of agric land became privately owned, 23 % remained state property

2, Legal and institutional background of Public and State Land management

- × During the last 22 years different state organizations were responsible to manage state land and other properties
- × In 1990 National Financial and Holding Company was established to manage different type of state owned assets and the National Holding Board exercised the property rights on all state assets
- × Because of the importance and sensitiveness of agric land matters in Hungary, National Land Fund (NLF) was established by the Act of NLF in June 2002 to manage the part of national assets, consisting of agric and forest lands and lands withdrawn from cultivation but serving the use and cultivation of agric and forest lands

- × The owner's rights belong to the minister in charge of agriculture and rural development through assets manager organization
- × January 1. 2008 new Act on state assets was passed which merged organizations of NLF and National Financial and Holding Co. under the name of Hungarian State Holding Co., legal successor of the former state holding companies
- × In 2010 new government came into power, new Act LXXXVII of 2010 on National Land Fund was passed by the parliament
- × New National Land Fund Management Organization (NLFMO) was established in September 1. 2010

3, The Activities of National Land Fund 2002-2010



Based on the Act on NLF of 2002 considering state land policy directives, parliament passed a resolution in 2002 with detailed land policy directives

Most important directives

- supporting the creation of rational land owner and land lease system
- stimulation and regulation of land market
- promoting the acquisition of agric land needed for stock raising farms
- maintaining the land lease concentration adjusted for competitiveness
- assisting the change of cultivation line
- providing preferential agric land for farms with special destination

3.1 Asset management and utilization

The NLF realized the state intervention, regulation and influence implementing the content of land policy directives according to the following aspects

- a.) NLF sold or leased agric land managed by the organization with the aim of influencing the proportion of the economy, based on landed property and lease
- b.) NLF leased agric lands through tendering or use free of charge
- c.) NLF defined the standpoints of purchase when formed its land assets (priority of land parcels of poor quality, non cultivated parcels inappropriate for economic cultivation)

- d.) NLF defined the rank of standpoints to be forced when selling lands (eg. enlargement of small properties, first land acquisition of career starting farmers, etc.)
- e.) NLF defined the conditions for keeping those land properties cultivated until they are utilized through sale or land use
- f.) NLF provided the contractual compulsory utilization through reservation of the right of repurchase when selling agric land

3.2 Special registration rules of agricultural land managed by NLF

- × The property inventory has to show all the real estate being managed by NLF separately, according to legal categories: agric lands, forests, areas withdrawn from cultivation, protected, reserve areas (Natura 2000)
- × The unified land registry system and land lease registration (direct link) serve as a basis for the property inventory
- × The NLF property inventory in line with the aims of agro statistical analysis should contain the data of the assets (all registered rights, facts, data, name of the user, lease holder or trustee of the land, forest, the starting date and duration of land lease, annual fee of the lease, due time of pay rent, etc.)

4, Legal background and activities of National Land Fund Management Organization (NLFMO) 2010

- × A new organization, National Land Fund Management Organization (NLFMO) was established in 2010 and started the operation from September 1. 2010 based on Act LXXXVII of 2010 on NLFMO and government decrees
- × Supervisory authority Ministry of Rural Development
- × Budgetary organization, responsible to create principles of land policy with legal force

- ✘ The main activities of NLFMO are land leasing, contract of assets management, sale, land swap, involvement in land consolidation and land banking activities (open public tenders or auctions)
- ✘ NLFMO is not authorized to utilize land bigger than 100 ha or the value is more than 100 million HUF (350 thousand EUR)
In this case Land Policy Council (governmental) decides
- ✘ NLFMO is not an authority, representing the Hungarian State in National Land Fund associated relationship subject to Civil Code

4.1 National Land Fund, land assets, figures and facts

Land assets 1,82 million hectares, number of parcels 180 907, 23% of the total agric and forest land in Hungary

Type of cultivation	Area (Ha)	Registered value (billion HUF)
Agric land 49%	880 000	231
Forest land 50%	922 000	365
Non cultivated 1%	21 000	7
Total	1 823 000	603bill. (2,1 bill. EUR)

15 000 contracts of land management (8000 land leasing contracts)

4.2 Purpose of NLFMO, principles of land policy

The income of NLFMO, generated by utilization of state land, must be used for purchasing land and implementation of land policy directives

Purpose of the NLFMO

- ➔ improving land ownership and land leasing system
- ➔ providing land for family farms, animal husbandry
- ➔ influence on land prices and land leasing fees
- ➔ activating the land market (sale and leasing)
- ➔ acting against land speculation (EU derogation)
- ➔ managing agric lands less suitable for cultivation
- ➔ keeping high value plantations in cultivation
- ➔ cultivation of special purpose (research, gene-reserves)
- ➔ land consolidation

4.3 Tools for NLFMO activities

- ✘ There are many tools, legal and professional, available for NLFMO to achieve its goals and implementing state land policies
- ✘ Laws, government decrees support the activities of NLFMO. Voluntary land swap for land consolidation purposes
- ✘ The state has preemption right for purchasing agric land
- ✘ Public tender for land leasing

Professional tools:

land related data

land consolidation

land banking activities

4.4 Data resources

- × Land administration institutions have been fully operational since long time and they can provide reliable, up-to date digital and analogue data and other services
- × Land offices, the institutions of the unified Land Registry system, are the main provider of data (legal, mapping)
- × Land offices are also responsible for the land lease registration , with direct link to the unified system
- × Institute of Geodesy Cartography and remote Sensing
- × Registry of Farming Enterprises
- × NLFMO has its own register
- × Statistical data, data from research institutes

4.5 Other activities

4.5.1 Land consolidation activities in Hungary

- × No general land consolidation law
- × The Land Act, passed in 1994 provides opportunity of voluntary land swap
- × Managed by land offices with state financial support
- × Rural population still has bad memories, concerning land consolidation
- × After the EU derogation on agric land, is over in 2014, a new Land Act is needed to regulate the land market, harmonized with EU laws

4.5.2 Purchasing agric land for life annuity

- × The former National Land Fund organization announced this program in three terms based on governmental resolution in 2004
- × NLF had a special duty of partly social provision to purchase and utilize agric lands owned by old, retired people against life annuity
- × NLF has bought agric land from more than 19 000 owners, 54 000 ha
- × Annuitants' average age was 69,8 years, monthly payment is 31,4 thousand HUF (110 EURO)
- × Total sum of life annuity to be paid 100 billion HUF (350 mill. EURO)
- × In 2007 NLF completed the selling of purchased land (under the program) 53 000 ha have been sold, 22 billion HUF (80 mill. EURO)

5. Land market issues

- ✘ One of the aims of the NLFMO to influence and improve the activities of the agric land market
- ✘ Not so active in Hungary comparing with western EU countries
- ✘ Land Act of 1994, foreign citizens, legal entities are not allowed to buy agric land
- ✘ EU derogation till 2012, extended to May 2014
- ✘ Land ownership and land use frequently separated in Hungary. The land ownership is fragmented but the land use is consolidated
- ✘ Land prices are still very low in Hungary, increasing land prices is expected after EU derogation

5.1 Land market in the near future

- State ownership on land remains and state wants to influence land market, utilizing state owned land
- In mid term the majority of agric land remain in tenancy- stronger competition on land leasing market
- After EU derogation, changes in land policy is expected but land remains national interest and land policy principles stay in effect
- The free land market will force decision makers to issue land consolidation law

- ➔ The food safety, both quality and quantity will be more important issue world wide
- ➔ The agriculture and agricultural product is a growing importance in Hungary politically and economically as well
- ➔ Hungary has excellent growing conditions, increasing home and international demands for Hungarian agric products, resulting a growing contribution of the agriculture to the home GDP

FIG/ UN FAO International Seminar

State Land Management in Transition Countries Issues and Ways Forward

Venue: **Budapest, Hungary**

Date: **20-21 September 2012**

<http://www.fig.net>



