

# Ukraine's reform approaches to fight corruption and increase transparency in the sector of land administration



**BVVG**  
Bodenverwertungs- und -verwaltungs GmbH

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**Utrecht, 29.06.2017**

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# About BVVG

## German AgriForest Privatization Agency

# BVVG - The Institution

- The BVVG - a limited company owned by the German Federal Ministry of Finance
  - no civil service
  - headquarter, 4 Regional branches (8 branches until end of 2015)  
Members of staff 419 of which approx. 282 work in the “operative” branches  
(in 2002 in total more than 1200 members of staff)
- Since July 1992 responsible for:
  - the privatisation (lease and sales) of state owned arable land and forests,
  - the privatisation of state owned agricultural enterprises and buildings,
  - the conversion of arable land and forests into development land

# Land Management in Figures (1)

- Portfolio in 1996: approx. 3,2 m ha

Thereof

- 0,22 m ha agricultural and forest land restituted to natural persons
- 1,3 m ha allocated to statutory bodies and regional authorities
- Approx. 1,5 m ha sold
- Approx. 0,06 m ha of nature protection sites transferred without charge
- < 0,2 m ha still managed by BVVG

# Land Management in Figures (2)

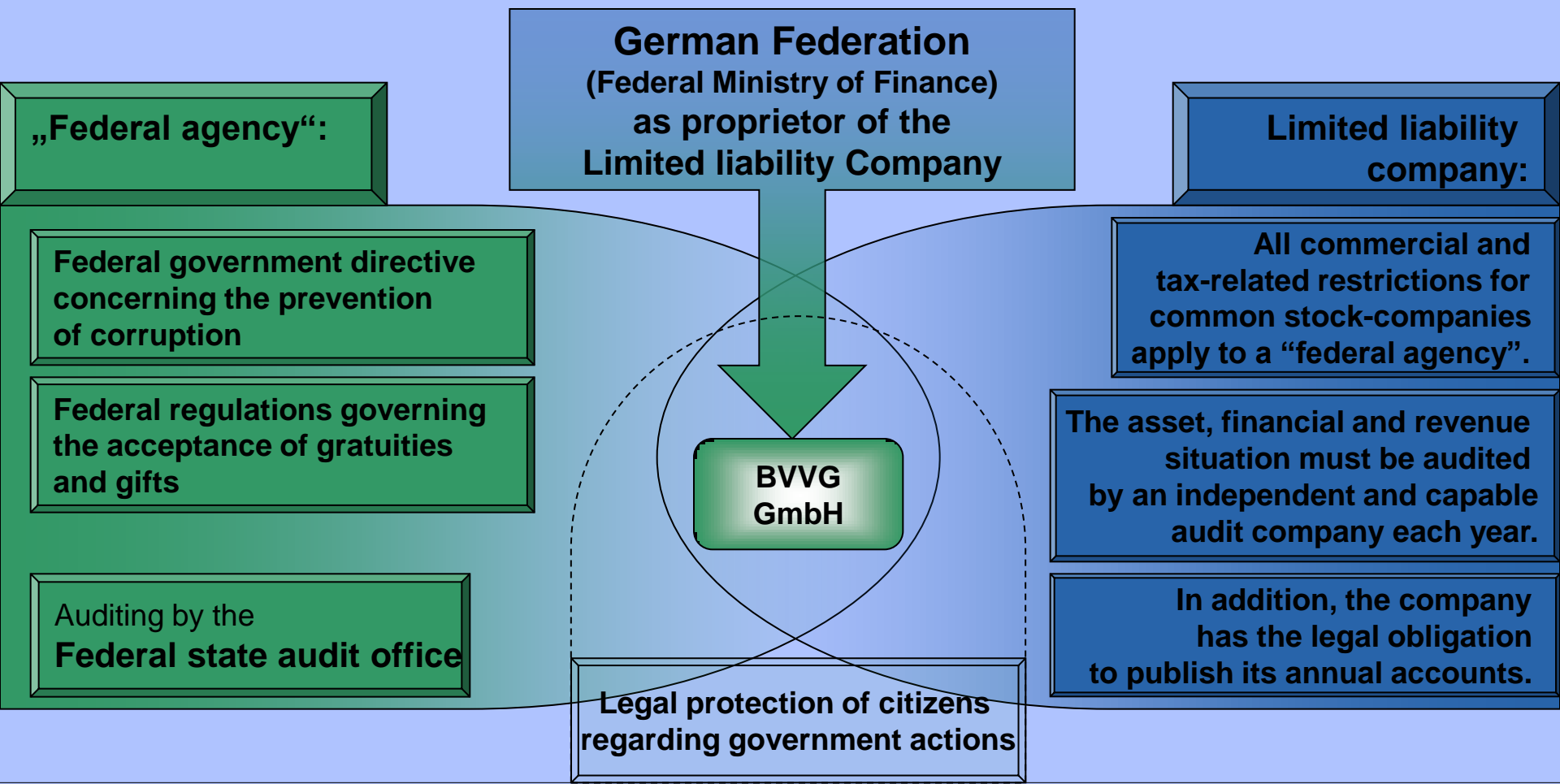
## Portfolio (12/31/2016)

- 140,000 ha agricultural land
- 9,000 ha forest land

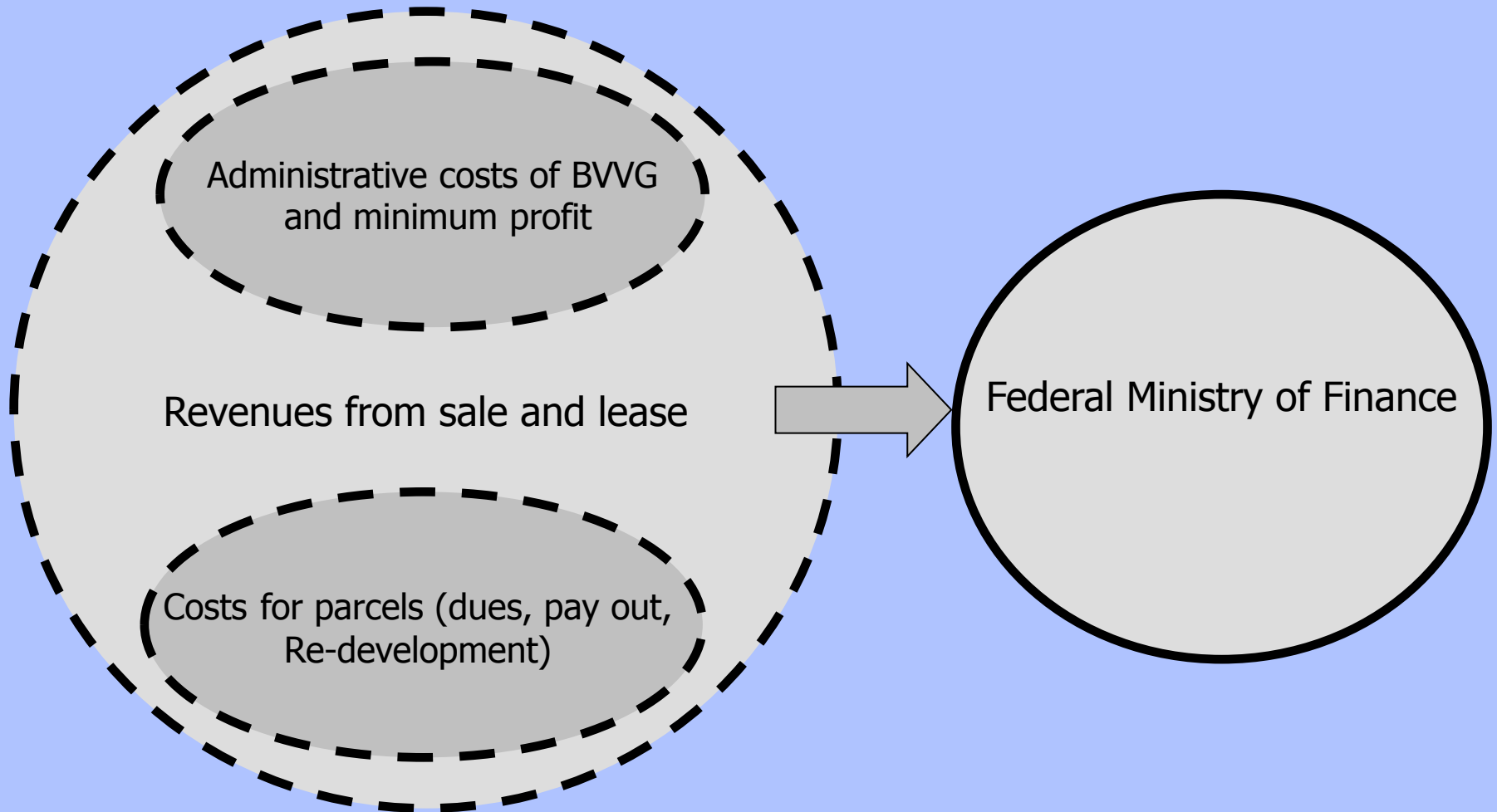
## Sold until now (by 12/31/2016):

- 851,000 ha agricultural land
- 592,000 ha forest land
- 80,000 ha land for investment purposes, incl. building area
- Spin off / liquidation of 406 (out of 415) state farms
- Since 1992: 7.3 billion EUR transferred to the federal budget

# Two Governance Structures

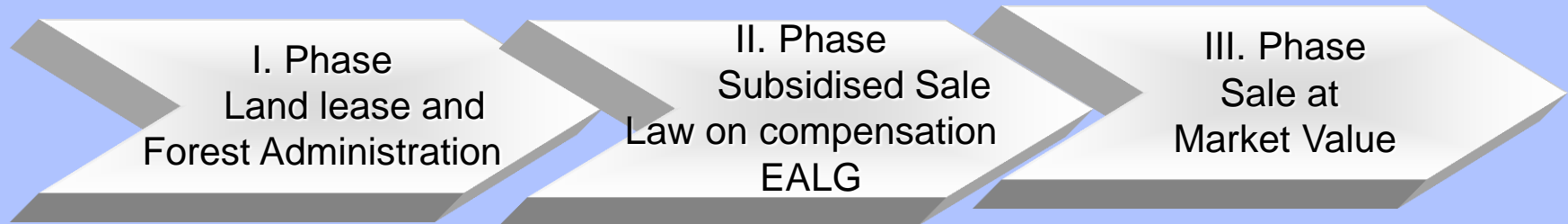


# BVVG - Service Provider for the Federal Ministry of Finance





# The Road towards Privatisation (Lease/Sales) in East Germany



- Stabilisation of transformed former socialist co-operative
- Enabling emerging farmers to acquire land
- Short (1-3 yrs.) and long term (generally 12 yrs.) lease contracts
- Base for future sales
- Securing Forest Property
- 1992 - 1998
- Consolidation of the newly developed agrarian structure
- Sales according the EALG
- Development of a new Forest ownership structure by privatisation
- 1996 – 2010
- sales/lease according to the Privatisation Principles 2010 (PG 2010)
- Max. 10,000 ha sales of arable land per year
- Within a fully developed market
- Sales of the remaining Forests
- 2010 – 2030

# International Consulting Department

Christoph Konrad Gilgen  
Utrecht, 29.06.2017

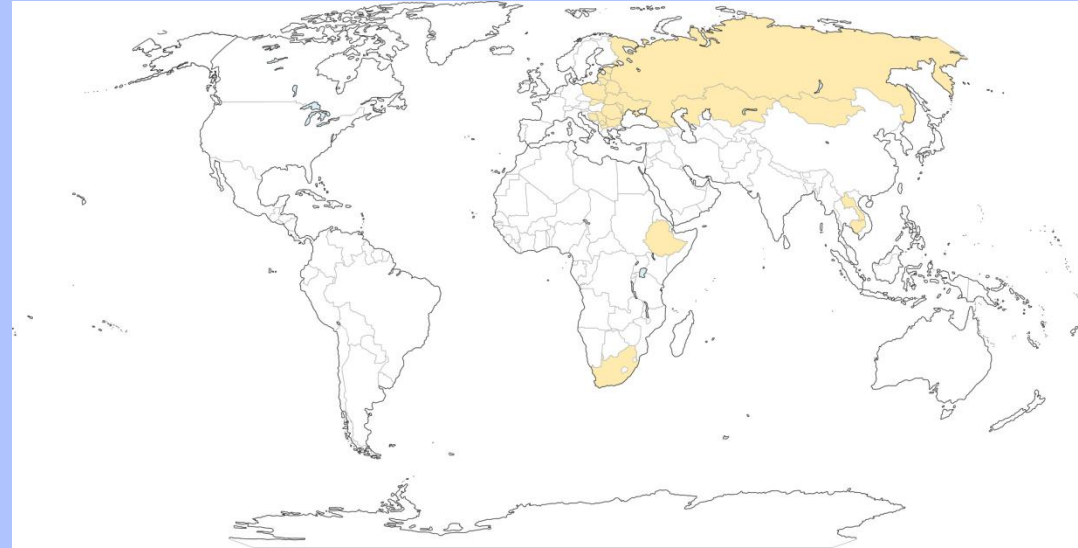
**About BVVG**



# We have successfully developed solutions with the following countries



- Belarus
- Bulgaria
- Bosnia and Hercegovina
- Estonia
- Ethiopia
- Georgia
- Kazakhstan
- Cambodia
- Kosovo
- Laos
- Latvia
- Lithuania
- Macedonia
- Moldova
- Mongolia
- Romania
- Russia
- Poland
- Serbia
- South Africa
- Slovakia
- Ukraine



# PROJECTS IN 2016/2017

## - **Ukraine**

Bilateral Project financed by the German Federal Ministry of Food and Agriculture (since 2002, ongoing)

## - **Croatia**

Bilateral Project financed by the German Federal Ministry of Finance (2013-2016)

## - **Ethiopia**

GIZ-Project, financed by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Union (EU) (2016-2018)

## - **Belarus**

Bilateral Project financed by the German Federal Ministry of Food and Agriculture (2016 - 2017)

# Core Competencies

## Land management

### Land policy consultancy

- Target definition
- Land legislation
- Implementation strategy

### Management of state-owned agricultural and forest land

- Allocation of land use rights (e.g. lease)
- Land sales
- Administrative duties

### Institution building

- Structure and process-organisation
- Information management
- Capacity building

## WE PROVIDE ADVISORY SERVICES IN THE FOLLOWING FIELDS

- Land policy and legislation
- Land reform, securing of ownership titles, restitution
- State land management and privatisation
- Forest management
- IT-supported land management (database design, GIS)
- Land market development
- Valuation of land
- Nature and Environmental protection, brownfield redevelopment
- Land consolidation
- Land use and spatial planning
- Land administration (cadastre and land register)
- Good Governance in land management
- Institution and capacity building
- Training in the field of land management

# Supporting Land Reform in Ukraine

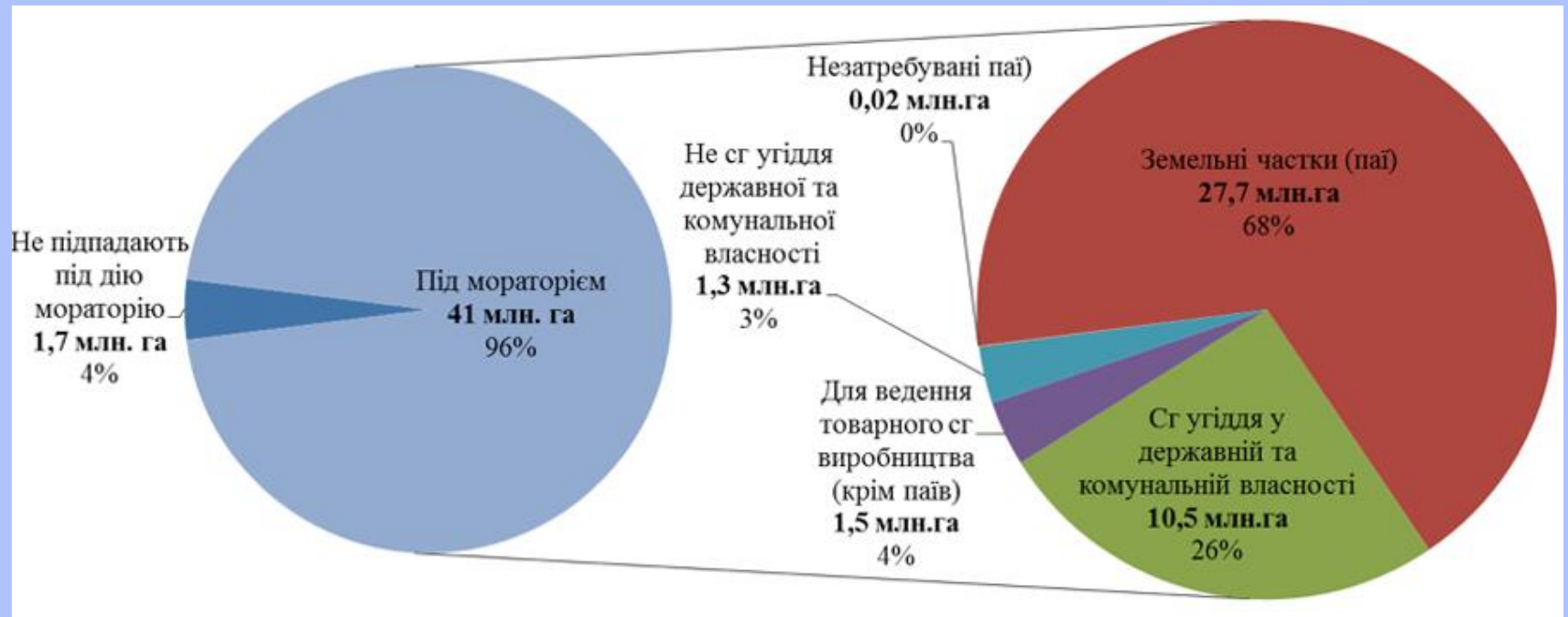
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Ukraine



# Background

- Privatisation of state-owned agricultural land in the 1990's  
Result: 6 – 7 Mio. landowners with approx. 3 – 4 ha / person
- Moratorium on sale of agricultural land





# 1. Reforming the procedure for free privatization of land plots

- Since the beginning of the 1990s, free privatization of state and communal land ownership has become one of the largest sources of corruption in Ukraine
- In theory (Art. 121, Land Code of Ukraine): every citizen can get a land plot free of charge (0.1 ha in a city, 0.15 ha in small towns, 0.25 ha in a village)
- Value of the land plots vary significantly – but formally every citizen will have realized the same right
- The possibility of obtaining land from the state free of charge (as an sometimes attractive alternative to its acquisition on the market) causes distortion of pricing on the secondary real estate market

## 2. Economic regulation of the procedure for changing the purpose or land use

- The Ukrainian system of changing the use of land is outdated and creates enormous opportunities for corruption.
- In most cases: transfer of agricultural land to other categories (housing or public construction)
- Individual decisions often made by the head of local authorities
- Problem especially evident in the interaction with the mechanism of free land privatization
- Result: for each case of land-use change – bribes are set

# 3. Implementation of a (lease) market base for valuation of state and communal land

- One of the most important economic regulators of land relations in Ukraine is the normative monetary valuation of land plots.
- Law of Ukraine „On land valuation“: capitalized rental income from a land plot determined in accordance with established and approved norms.
- Valuation still based on the results of the management of the collective farms and state farms of the Ukrainian SSR of the late 1980s – obsolete economic indicators – not corresponding to modern organizational, economic and technological conditions of agriculture
- Non-market basis for estimation land tax and rent for the use of state and communal land created a wide field for corruption

## 4. Standardization of documentation requirements for regional planning and land valuation

- Extremely high level of corruption during approval, examination and approval of land use documentation, registration of land plots et c.
- Authorized executive authorities have not yet developed standardized requirements for drawing up land management documentation, resulting in unequal practices in the application of land legislation in different regions, the artificial manipulation of requirements for the composition and content of documentation on land management by local officials.

**Thank you for your attention !**