

# **Land Consolidation in Hungary, dream or reality**

**Enikő KOVÁCS and András OSSKÓ**  
**Hungary**

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## **SUMMARY**

After the change of the political and economic system in Hungary at the beginning of 90s, Hungary introduced a wide range of agricultural land privatisation using compensation procedure.

As a result of these activities over 5.1 million ha. of agricultural land and forest have been privatised forming about 2.6 million new parcels, allocated for an estimated 1.8 million new owners. All the new parcels and owners have been registered in the land registry and on the cadastral maps and new boundaries have been set up on the field. Apart from the fact that the land privatisation have been implemented successfully, the result of compensation procedures created some negative impact on the agriculture, bad farm structure, fragmentation of land.

To solve above problems comprehensive land consolidation procedure is needed requires definite political wish, legal and institutional framework, sufficient financial sources and finally consensus with farmer society.

In order to to start the comprehensive land consolidation activities a German- Hungarian pilot project was implemented between 1993-2000 and a new pilot was started in 2002 under Dutch-Hungarian co-operation.

After analysing experiences it was found that carrying out land consolidation needs a very intensive preparatory phase, a very close co-operation between authorities and the rural society.

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## 1. HISTORICAL BACKGROUND

After 50 years of socialist regime, in 1989 Hungary changed its political and economic system introducing the multi party system and the market economy.

One of the most important tasks of the newly elected parliament and government was to start and implement privatisation procedures in every field of the economy.

Regarding the agriculture, the majority of land have been owned by the state and co-operatives during the socialist period and the privatisation process in the early 90's using compensation policy as privatisation tool. This method seemed to be more effective than a slow, conflict-full restitution procedures, however resulted some disadvantages too. The compensation process resulted an extensive sub-division, fragmentation of land parcels. But due to this process Hungary has managed to change the ownership situation in the agriculture within few years.

Hungary has a population of just over 10 million people in an area of 93,000 km<sup>2</sup>. The agricultural area is about 7.900 000 ha in Hungary, its division by the main cultivation type is represented on Fig. 1. There are 7 regions, 19 counties, over 200 voluntarily formed Micro-Regions (small regions) and more than 3200 municipalities

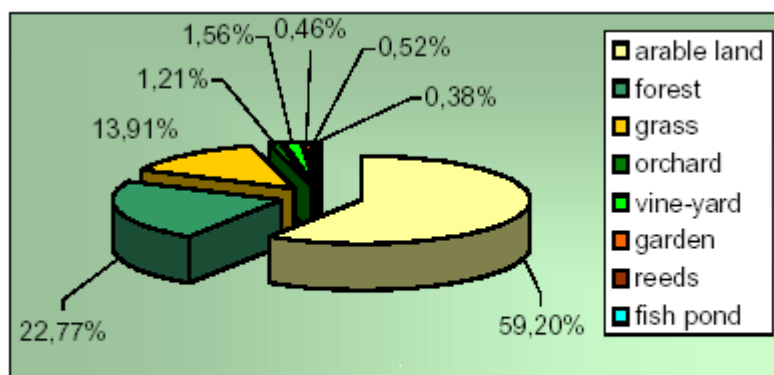
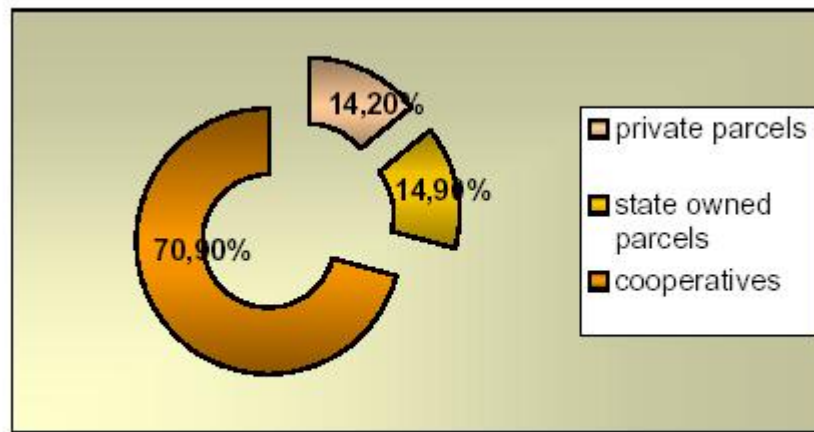


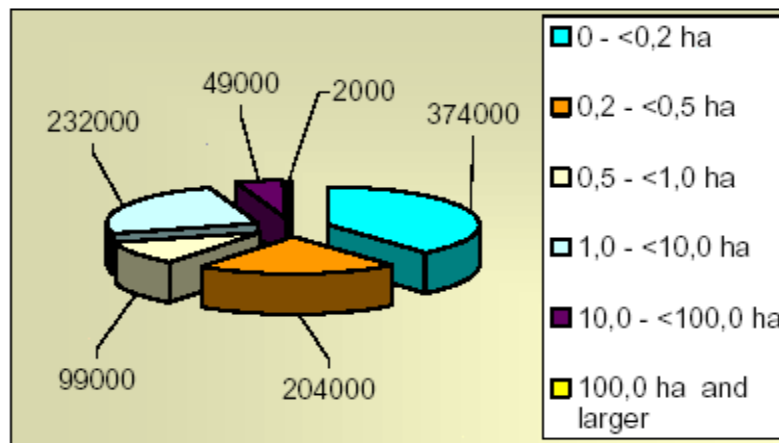
Fig. 1: Division of the agricultural area

In 1989, before changes, about 14,2 % of the agricultural land owned by private owners, 14.9 % by the state, and 70.9 % (ca. 5.7 mill. ha.) was owned by co-operatives (See Fig.2).



**Fig.2:** Division of agricultural land by sectors in 1989

After the political changes in the 90's over 5.1 mill. ha. of arable land and forest has been privatised, creating about 2.6 mill. new parcels and an estimated number of 1.8 million new owners. There are about 2.5 mill. private land owners, 80 % of them own one or more parcels of land, which are less than 1 ha. The privatisation of agricultural land rather aimed to compensate passed injustice. There are only about 50,000 farmers in Hungary with enough acreage for crop farming.



**Fig. 3:** Average size of parcels in 2000

Also the structure of the agricultural sector has been changed in the past years. In 2000 the agricultural sector included nearly 960 000 private holdings and more than 8200 enterprises engaged in agricultural activities. Many of the landowners don't want to be active farmer because they live in cities, leaving their land abandoned or leasing out for land user(s).

## **2. IMPACT OF THE LAND-RELATED COMPENSATION AND OTHER LAND PRIVATISATION PROCESSES**

The land-related compensation and other land privatisation process - besides its advantages - resulted a lot of disadvantages, many negative impacts. A great deal of parcels has inadequate size and shape. These small parcels are often badly shaped, for instance in their length to width ratio, which makes them difficult to farm. The parcels are often badly situated, too, which means that many of the new land-owners who owns more parcels, do not own parcels of land which are adjacent to each other, many of them are not even situated in the same area - within their own municipality -, or in the neighbouring municipalities or even in the same county. These negative impacts don't support the viable family farming and the competitiveness and don't fulfil the the overall EU requirements. Since May 2004 Hungary has become the member of EU we have to follow EU requirements because of our own interest. The Hungarian Ministry of Agriculture estimates that there are only about 50,000 farmers in Hungary as a whole who have big enough acreage for crop farming.

The very bad structure of agricultural lands results a lot of negative effect on the economy, infrastructure, regional development and the environment, too. This structure will not encourage the establishment of new firms dealing with agricultural activities. The number of people employed in agriculture is decreasing continuously, no sufficient financial investment and there is not enough structural agricultural planning or individual advice available. The municipalities often own very small areas of land at their disposal and find it very difficult to plan and structure even the basic areas of housing and infrastructure. Ecological planning (protection of the environment, maintenance of forests and other agricultural areas, etc.) are frequently neglected, even it's required by regional development law.

Hungary became a member of EU in May 2004 and this fact increases the importance of implementation of land consolidation, rural development to fulfil the EU requirements. According to EU requirements the Hungarian agricultural system:

- q should be productive and effective,
- q should demonstrate a high level of flexibility and quality management,
- q should be profitable,
- q should be able to organise production requirements
- q should be able to maintain the necessary balance between the ecological and farming demands.

For the implementation of rural development, the following preconditions are needed in Hungary:

- q clear structural agricultural planning
- q clearly planned regional development
- q a focused village development programme
- q a well operational agricultural land market with less restriction
- q an acceptable land valuation process for agricultural and forest land

The development of a modern agricultural structure is not fully supported by the law at the moment. The necessity of a country-wide land consolidation program is clear, it is recognised by the political decision makers but still in delay due to the lack of land consolidation law and financial sources. Concerning the other parties, farmers, rural population, the recognition of the

importance of land consolidation is not yet clear. Farmers must be convinced, without comprehensive land consolidation the quality of rural life can't be improved.

### **3. ALTERNATIVES OF LAND CONSOLIDATION**

Usually, two types of land consolidation are defined: simple and complex (integrated). Their common feature is that both of them focus on the spatial restructuring of ownership and/or user rights on the base of legal procedures regarding to land administration (registration and cadaster).

The simple land consolidation includes principally the exchange and reallocation of parcels in order to optimize conditions in the agricultural sector. This is a quicker, simpler and easier way, the result of this method helps farmers in their activities.

The complex land consolidation is an integrated method which enlarges the possibilities besides agricultural purpose, like elements of rural development, land use planning and management in order to improve the quality of rural life.

### **4. THE TAMA PROJECT**

In 1993 a computer-aided land consolidation project called "TAMA" started which was finished in 2000 with a final workshop. This project was carried out in a Hungarian-German co-operation between the Federal Ministry for Agriculture, Bonn (BML) and the Ministry of Agriculture and Rural Development, Hungary (MoARD).

The project's aim was to develop a method for computer-aided land consolidation. At the beginning the object of the project seemed to be the exchange, concentration of parcels to ensure more economical agricultural production (simple type of land consolidation). The German partner organised courses introducing more elements in the project, e.g. village development, a new system of land division and ecological planning, village melioration projects etc., which included a "framework" for a complex village renewal and provided methodical conditions for rural development. The final, overriding goal of the project was to improve the living conditions in the rural areas (complex type of land consolidation).

The project involved 16 settlements. Four of the 19 Hungarian counties has been selected and pilot project has been carried out in 4-4 settlements from each county.

The main aspects of the selection were the differences in interest, localisation, natural endowments, agricultural cultivation and structure of parcels. In 1998 a small region with six villages from Veszprém county joined the project. In this region the elements of the project have been slightly different comparing with other pilot project.

During the preparations of the project the TAMA specialists informed the mayors about the possibilities, tried to convince them to support the project and become partners. In each settlement village-meetings were organised where the citizens got information about the aim of the project, the expecting results, benefits and they have been informed about program schedule. Citizens had also opportunity expressing their opinions, view about the scheduled program.

A very important step was the analysis of the experiences resulted village meetings. Many of the potential participants, land owners agreed with the aim of the project but they found few problems, difficulties in it. One of the main problems was, for instance the principle of the project itself, which was the exchange of land on voluntary base. The land owners found difficulties to make arrangement with each other without an existing law. Another problem was the method of

valuation of land which is a basic element in land consolidation (they used the so called Golden Crown which is a figure, determining the value and the quality of agricultural land), but citizens wished other elements to take into account in the valuation process, like the distance of the land from the settlement, from roads, the condition of melioration etc.

Working teams have been established in each project village. They had to guarantee the cooperation between professionals and the citizens. They were responsible to organise village-meetings and circulating questionnaires for surveying the demands by project participants.

A series of meetings, open days were held on every level, where the TAMA team collected all applications, demands from farmers. Land Offices, land registry institutions, in the selected counties, have been participated as well in the implementation of pilot projects. All of the participating Land Offices have been equipped with GIS workstations and software, training and education have been organised for the Land Office staff.

In the pilot area they prepared digital maps for valuation of lands. Content of maps: cultivation of land, soil types, slope categories, subsoil water. The map also contained territories which needed protection, cultivation restore. As a result of analyses of maps, together with the direct field check, so called „land protection plans” have been prepared.

Draft land consolidation plan was prepared for each village. Besides the survey of the demands this was the most complicated phase in the whole process. The main reason was the lack of special land consolidation law. The Land Law (Act LV.(1994) on Agricultural Lands suggested the possibilities of land consolidation on a voluntary base by the regulations of a Land Consolidation Law. Unfortunately this law has not been passed yet by the parliament. Practically, without Land Consolidation Law, very few land consolidation was implemented on voluntary base. The current legal and institutional framework gives partial solution and local land consolidation in case of agreement between land owners.

## **5. RESULTS OF THE PROJECT IN THE 16 PILOT SETTLEMENTS**

- q Baranya County: The program was the most successful in this county. The work of the project team was successful in two villages, the citizens accepted the land consolidation plans, they fulfilled the voluntary exchange of land. In the other two villages land owners did not accept land consolidation plans due to lack of their interest, but they continued the reconciliation and after a long personal negotiation finally most of the farmers accepted the plans.
- q Békés County: Land consolidation pilot project was totally unsuccessful, land owners were not interested in the program because the majority of them leased out their land. The reallocation of former co-operative land was not completed raising some difficulties as well.
- q Pest County: This county is situated around the capital, Budapest, land owners are the most homogenous in composition and interest. The neighbourhood of the capital is a determining fact. On the one hand a lot of Budapest citizens own land property in Pest County but they use it for hobby garden, or for investment and not for agriculture. On the other hand the main occupation, main activity of the local population does not connect to land, they mostly work in the capital and they weren't interested in land consolidation. Finally in the 4 selected settlements only 15 owners on 26 ha was involved in the project. However, all of the villages were interested in preparation of landscape development plan.

- q Somogy County: The county of lake Balaton, the "Hungarian sea". Balaton and its surroundings the most popular resort and there are very famous vine producing areas. These facts particularly influenced the intention of land owners, farmers. On the one hand the number of approval participating in land consolidation was the highest, on the other hand also the disapproval was the strongest in this county. Partial land consolidation was fulfilled only in one village (24 owners, 56 ha), but all of the villages were interested in preparation of landscape development plan.

## **6. PLANNING OF RURAL DEVELOPMENT, VILLAGE RENEWAL AND LAND CONSOLIDATION IN THE "THREE BROOKS" SMALL REGION**

In 1998 a small region was created with six villages from Veszprém county, called "Three brooks" small region and joined the project. All of the villages in the created region are small, the number of inhabitants is between 100 and 500 and they are employed in agriculture. In this region a bottom up initiative opened possibility for the fulfilment of a complex land consolidation.

The TAMA project in this region can serve as a model for rural development programs initiated by small regions. The aim of the project was the same as in the 16 pilot villages but there were some difference. In this region - with a bottom up initiative - the primary objective was to start the economical, social, cultural development in the small region, to improve the quality of life through the implementation of a land consolidation, taking into account the harmonised requirements of the sustainable agricultural development, landscape and environmental protection. The project in this region proved that in the frame of land consolidation changing of lands for agricultural purpose is not enough there is a very strong need to solve the complex task of landscape development, village renewal, rural development, which is the interest of the rural population.

## **7. ANALYSING THE EXPERIENCE OF THE TAMA PROJECT**

The TAMA project has contributed a lot to the awareness of the possibilities of land consolidation. The need of land consolidation was recognised but its outcome was not as expected. What was the reason of above and why was the land consolidation process positive in the "Three brooks" small region?

Some of the most important experiences are the following:

- q Although the size and shape of the land parcels was not suitable for viable and marketable farming, the schedule of land consolidation was untimely. After 50 years of collectivisation and bad memory of „socialist land consolidation” the new land owners did not show too much interest in the project. Land consolidation can be implemented on voluntary base only.
- q One of the main problems was the lack of land consolidation law. The participants of the projects have seen difficulties to make arrangement with each other without existing law. The Land Law contains some land consolidation elements, changing of land parcels on voluntary base, but this is unsuitable for comprehensive, concentrated land consolidation. The progress in this field could be accelerated by the new Land Consolidation Law and the newly established National Land Fund.
- q The determination of the exchange-value is very important. Neither the market price nor the Golden Crown values are suitable for exchange-value. The land owners wanted to increase

this value by taking into account other elements, like the distance of the land from the settlement, main roads, the state of melioration etc.

- q The land consolidation is an expensive procedure, land owners can't pay the cost. The state must be the major financer of land consolidation projects.
- q To support a successful land consolidation the establishment of state owned land fund is recommended in each municipality.
- q The project proved that in frame of land consolidation the exchange of land parcels is not enough, rural population would require complex solution like landscape development, village renewal and rural development.
- q Technical tools, infrastructure, technology, professional knowledge are available to implement land consolidation process.
- q The land consolidation project, program are long term and time consuming process, continuous and efficient reconciliation is needed for the preparation and implementation of projects.
- q The bottom up initiative can lead to a simpler and quicker implementation. The close cooperation between authorities and the civil participants is very important. Interactive planning of land consolidation is a precondition for a good solution.

## **8. NEW DEVELOPMENTS**

Summarising the experience till now we can say that the most important legal and institutional framework for successful land consolidation is existing in Hungary but a comprehensive, special Land Consolidation Law is needed. To start wide range program the government has taken measures to improve conditions for land consolidation.

### **Dutch-Hungarian co-operation**

The Ministry of Agriculture and Rural Development, Hungary through its departments is responsible for co-ordinating land related activities including land consolidation matters. The ministry has launched a new project „Technical Assistance on Land Consolidation in Hungary”, TALC, in 2002 under umbrella of Dutch-Hungarian co-operation.

The aim of this project to implement a land consolidation process as it's determined in the Munich statement „the application of land consolidation should be seen in the framework of an overall agricultural and rural development policy, and as an essential tool within a range of instruments to achieve sustainable rural development”

In this project land consolidation should be a project-wise tool for improvement of the lay out, agricultural structure, infrastructure and landscape of rural areas by exchange and concentration of scattered lands, by constructing, improving roads, biking paths and watercourses, by enlarging nature areas, designing and planning more beautiful landscape.

This project suggests at least three way of possible realisation of land consolidation. The main stakeholders should decide which one to apply.



**they are:**

- q small scale, voluntary land exchange with a dominant agricultural objective,
- q Exchange/concentrations of lands on and within the properties of the National Land Fund, by purchasing scattered lands and by selling larger, concentrated plots, based on the existing Land Fund Act
- q Large scale, integrated, legal land consolidation project, based on the future Land Consolidation Act (can be used after the Act comes into force in a couple of years).

Before starting the program of land consolidation a lot of measures are planned to be taken.

**Some of them are:**

- q The politicians should agree which organisation(s) on national, county and local level will be primary responsible for managing the project.
- q Before starting the project a training program should be developed and the main stakeholders should decide which organisation(s) will be trained in land consolidation management.
- q Co-financing the land consolidation project will have a major importance. On one hand it could be co-financed by the budget of the Ministry of Agriculture and Rural Development and county and local budgets. On the other hand there are European funds available to cofinance the Hungarian land consolidation project if Hungary applies for it.

It seemed in the TAMA project, the land consolidation was not very popular among the farmers. Land consolidation process carried out by authorities didn't bring result. Based on this experience, authorities have to convince the rural population, farmers and describe the advantages of land consolidation, to prove that this is one of the main tools for the rural development and improvement the quality of life.

## **National Land Fund**

A new governmental institution was established at the end of 2001. They administer, manage state owned agricultural land and they can act as an owner on behalf of the state. The state owned lands can play a very important role in land consolidation as reserve lands.

The National Land Fund launched a program „Life-annuity for land”.

The aim of this program to buy agricultural land from elderly land owners who don't want to be active farmers. The state buys the land for life annuity or cash. The other aim of this program to buy low quality land or lands from flood area.

The National Land Fund can be a very important player in the land consolidation program.

## **CONCLUSION**

Land consolidation is not only a task itself, but a starting point for the implementation of sustainable rural development, which means the improvement the life quality of the rural population.

The question: land consolidation dream or reality in Hungary? The answer is a definite reality because all of the conditions are available. Of course further steps must be taken to start comprehensive land consolidation program.

Hungary will continue to develop a suitable structure of agricultural land in harmonisation with the requirements of the European Union and in the interest of the sustainable development.

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## BIOGRAPHICAL NOTES

### **Enikő Kovács**

*Academic experience:* Msc. in Civil Engineering, Msc. In Automatisation of Geodesy (Technical University of Budapest, 1970, 1976)

*Practical experience:* land surveying, participation in numerous national and international R+D projects.

*Recent position:* Head of Department, Institute of Geodesy Cartography and Remote Sensing, Hungary.

## CONTACT

Enikő Kovács  
Institute of Geodesy, Cartography and Remote Sensing, Hungary  
H-1149 Budapest,  
Bosnyák tér 5.  
HUNGARY  
Tel. + 36 1 222 5101  
Fax + 36 1 222 5106  
E-mail: [eniko.kovacs@fomigate.fomi.hu](mailto:eniko.kovacs@fomigate.fomi.hu)

## BIOGRAPHICAL NOTES

Name: András OSSKÓ

Academic experience: Dipl. Ing. Land Surveyor MSc. Budapest Technical University  
Dipl. Certified Engineer Budapest Technical University

Professional experience: Head of Survey dep. Budapest Land Office 1971-77, 1987

International expert in Nigeria 1977-79, 1982-86

Practical experience: cadastral surveying and mapping  
International expert on cadastre, land registry matters

Activities in home and  
International relation : member Hungarian Society of Surveying and Remote Sensing  
Member Chamber of Juridical Experts 1996-  
FIG Commission 7 Hungarian delegate 1995-  
Chairman FIG Comm. 7 Working group 3. on Land Markets  
1998-2002  
Chairman FIG Comm. 7 Working group 1. Creation Land  
Administration in formal and informal environment 2002-  
Commission 7 chair elect 2006-2010

## **CONTACTS**

András OSSKÓ  
Budapest Land Office  
1051. Sas u 19  
Budapest  
HUNGARY  
Tel. + 36 1 354 2967  
Fax. + 36 1 354 2952  
Email: [foldmeresv@foldhiv.hu](mailto:foldmeresv@foldhiv.hu)