

# Public and State Land Management in Hungary

András OSSKÓ, Hungary

**Key words:** Public and State Land management, National Land Fund, land banking, land consolidation

## SUMMARY

Land matters have been always played important role in the Hungarian history not economically only but emotionally as well.

After the World War II the majority of agricultural land and other properties have been nationalized and during the communist period between 1950-1990 the state remained the main owner. Concerning agricultural land the communist state forced individual farmers to form large scale co-operatives and also established big state owned farms.

At the beginning of 1990s, after political changes, large scale of land privatization was achieved. As the result of land privatization, 77% of agric land became private but 23% is still state property.

A state organization the National Land Fund (NLF) was established in 2002 aiming to manage and utilize the state owned agricultural land achieving the national land policy as well.

The operation of NLF based on Act on NLF and other government decrees. Although there were some institutional and legal changes during the last ten years, the role and activities of NLF organization have been practically the same.

Main activities of the National Land Fund: providing land for family farms, improving land leasing system, activating the land market, managing agricultural land, land consolidation, land banking.

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## 1. INTRODUCTION

Land matters have been always played important role in the Hungarian history not economically only but emotionally as well therefore this paper mainly focus on state owned agricultural land management.

After the World War II the Hungarian state nationalized the large agric estates and the large industrial, commercial properties and at the beginning of 50s. residential and other properties. Before the communist era, between 1945- 1949, many of the 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 assistance, establishing the one party dictatorship and the command economy. Although the majority of agric land became state owned properties the communist state forced the new, formerly landless and other small farmers to form co-operatives and establishing large farms as well. There was a strong resistance by the rural population but the state used all of his political and physical power to achieve his aims. As the result of collectivization the rate of private ownership on agric land was very small and the situation remained till end of 80 s. At the beginning of 90s, after the political and economic changes a large scale of land and other properties privatization have been achieved. As the result of land privatization 77% of agricultural land became privately owned but 23% still remained state property.

## 2. LEGAL AND INSTITUTIONAL BACKGROUND

During the last 22 years different state organizations were responsible to manage the state and public land and other properties.

In 1990 the National Financial and Holding Company (ÁPV Zrt.) was established to manage different type of state owned assets and the National Holding Board exercised the property rights on all state assets according to law.

Because of the importance and sensitiveness of agricultural land matters in Hungary, National Land Fund (NLF), a new organization was established by the Act on National Land Fund in January 1 2002. to manage the part of the national assets consisting of agricultural and forest land and land withdrawn from cultivation but serving the use and cultivation of agricultural and forest land. The owner's rights belong to the minister in charge of agriculture and rural development, through assets manager organization.

With effect of January 1, 2008, a new Act on state assets was passed, which merged the Organization of National Land Fund and the National Financial and Holding Company under the name Hungarian State Holding Company (MNV Zrt.). This organization was the legal

successor of the former state holding companies and the different type of state owned assets-groups managed by one state holding company.

In 2010 a new government came into power and the parliament passed a new Act LXXXVII of 2010. A new National Land Fund Management Organization (NLFMO) was established from September 1, 2010. The new NLFMO is a budgetary organization, not a legal successor, but legal successor of the Hungarian State Holding Company (MNV Zrt.) for the rights and liabilities associated with the former National Land Fund.

### **3, THE ACTIVITIES of NATIONAL LAND FUND 2002-2010**

Based on the Act on National Land Fund of 2002 and considering the state land policy directives, the Parliament passed a resolution in 2002 with detailed land policy directives.

The most important directives were the follows:

- supporting the creation of rational land owner and land lease system
- stimulation and regulation of the land market
- promoting the acquisition of agricultural land needed for stock-raising farms
- maintaining the land lease concentration adjusted for competitiveness
- assisting the change of cultivation line
- providing preferential agricultural land for farms with special destination (education, research or for penal authorities)

#### **3.1 Asset management and utilization by the National Land Fund**

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

a, NLF sold or leased agricultural land managed by the organization with the aim of influencing the proportion of the economy based on landed property and lease.

b, NLF leased agricultural lands through tendering or gave them into use free of charge or with certain support, depending on type of utilization

c, NLF defined the standpoints of purchase when forming its land assets (priority to purchasing land parcels of poor quality, priority to buying non cultivated parcels or those inappropriate for economic cultivation because of their size and location, speeding up of cancelling or closing down of existing lease contracts)

d, NLF defined the standpoints to be forced when selling lands (e.g. enlargement of small properties or reaching the economically justified upper limit of the size in the case of a large property or helping the first land acquisition of career starting farmers)

e, NLF defined the conditions for keeping those landed properties cultivated or just sustaining their cultivated status 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 agricultural 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: agricultural lands, forests, and areas withdrawn from cultivation too. It is essential to keep protected, reserve areas and also areas planned to be protected and the area of Natura 2000 within the inventory.
- The unified land registry system and land lease registration ( with direct link to the unified land registry) serve as a basis for the property inventory in case of forests, the land registration system and the database of the National Forest Data Archives serve the same role.
- The NLF property inventory, in line with the aims of agro-statistical analysis, should contain the data of the assets as a whole and within that detailed data of the land parcels as well. Among others: all registered rights, facts data of land parcels registered in the unified land registry-name of the user, leaseholder or trustee of the land, forest- the starting date and duration of the land lease, use- the annual fee of the lease, due time of payment and date of its fulfillment-economic information for helping utilization( e.g. melioration, value added investment, etc.)- proposal concerning utilization-property price according to book- restrictions to the ownership rights in land or its use because of protection or any other reason.

#### **4. LEGAL BACKGROUND and ACTIVITIES of NATIONAL LAND FUND MANAGEMENT ORGANIZATION (NLFMO) 2010-**

A new organization National Land Fund Management Organization was established in 2010 and started the operation from September 1 2010. based on the Act LXXXVII of 2010 on National Land Fund and government decrees. The supervisory authority is the Ministry of Rural Development. The NLFMO is a 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 and also involvement in land consolidation and land banking activities. The main rules of utilization (sale, leasing, etc.) based on open public tenders or auction.

The NLFMO is not authorized to utilize (sale, lease, etc.) land bigger then 100 ha or the value is more then 100 million HUF( 350 thousand EUR). In this case the Land Policy Council (governmental) decides about the utilization of land.

The important government decrees:

- on land assets register and land management of NLF
- on land program for social purpose
- on state pre-emption right

NLFMO is not an authority, representing the Hungarian State in National Land Fund associated relationships subject to Civil Code.

#### **4.1 National Land Fund, Land assets, some figures and facts**

Currently the area of the land assets is 1,82 million hectares, number of parcels 180 907, 23% of the total agricultural and forest land in Hungary.

Type of cultivation		area	registered value (billion HUF)
Agricultural land	49%	880 000 ha	250
Forest land	50%	922 000 ha	346
non cultivated	1%	21 000 ha	7

Total 100 % 1 823 000 ha 603 billion HUF (3 billion EUR)

There are 15 000 contracts of land management including about 8000 land leasing contracts.

## 4.2 Purpose of National Land Fund, 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.

There are many purpose of the NLF

- providing land for family farms, animal husbandry
- improving land ownership and land leasing system
- influence on land prices and land leasing fees
- activating the land market (sale and leasing)
- acting against land speculation (EU derogation)
- managing agricultural land 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 implement state land policy.

Many laws, government decrees support the activities of NLFMO. Voluntary land swap for land consolidation purposes is possible based on the Land Act. The state has pre-emption right for purchasing agricultural land . Public tender for land leasing is needed not for cultivated land only but also land, less suitable for cultivation.

There are many professional tools, including land related data as well, supporting the achievement of the state land policy. Although there is no land consolidation law in Hungary, small scale land consolidation is possible, like land swap, land merging, etc., according to Land Act of 1994.

Land banking activities for land consolidation and land market purposes are also important professional tools of NLFMO .

### 4.3.1 Data resources

Using reliable, up-to date land related legal and mapping data for NLFMO activities is essential. The Land administration institutions are fully operational since long time and they can provide 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. They provide the legal (ownership, mortgage, restrictions, easements, etc) and digital cadastral map data. Land offices are also responsible for the land lease registration including the name of land users and other information. Land lease registration has direct link to the unified land registry with the unique identifier (parcel number). Land lease information are also essential for NLFMO activities.

The other important data source is the Institute of Geodesy Cartography and Remote Sensing (FÖMI). Besides of digital cadastral map information, FÖMI is the supplier of topographic map, GIS data and different productions of remote sensing.

The NLFMO also use the data of Registry of Farming Enterprises (legal and non legal entities/corporate farms, family farmers, other farmers).

NFLMO has its own assets-register of National Land Fund including land tenure contracts and financial data.

Statistical data, data from research institutes are also useful and help for NFLMO activities.

## **4.4 Other activities**

### 4.4.1 Land consolidation activities in Hungary

There is no general land consolidation law in the current Hungarian legislation. The Land Act passed in 1994, however provides the opportunity of voluntary land swap, with state support, aiming land consolidation. These activities have been managed by the territorially competent district land offices institutions of the Unified Land Registry System in Hungary. Few years ago there were some hundred applications annually with state financial support but because of the economic crisis and other reasons there is a less interest in land consolidation.

Rural population has still bad memories concerning land consolidation due to the collectivization of agricultural land, called land consolidation, in the communist era.

From the year 2008, considering the EU rules, every owner is entitled to financial support of purchasing agricultural land for merging scattered land parcels, a special ministerial decree specifies its conditions and legal procedures.

After the EU derogation on agricultural land is over in 2014, a new Land Act is needed to regulate the land market harmonizing with EU laws. The current government plans to issue a new Land Act before 2014. A new general land consolidation law is also a need to improve the activity of land market but I don't think that it will be in the government program before 2015.

### 4.4.2 Purchasing agricultural land for life annuity

The former National Land Fund organization announced this program in three turns, based on a governmental resolution in 2004. NLF had a special duty of partly social provision, to purchase and utilize agricultural lands owned by old, retired people, against life annuity within the framework of the program called "Purchasing agricultural land for life annuity". NLF has bought agricultural land from more than 19 000 owners covering more than 54 000 hectares. The annuitants' average age was 69.8 years and the average sum of the monthly

payment is 31,4 thousand HUF (120 EURO). According to calculations the total sum of life annuity to be paid to the beneficiaries is about 100 billion HUF (350 million EUR). The NLF advertised the purchased land for sale through tendering and auctions. In 2007 NLF completed the selling from which they financed the payments for life annuity. About 53 000 hectares have been sold resulting in an income of 22 billion HUF (80 million EUR).

## **5. LAND MARKET ISSUE**

One of the aims of the National Land Fund Management Organization to influence and improve the activities of the agricultural land market. Currently the land market is not so active in Hungary comparing to western EU countries. According to Land Act 1994, neither foreign citizens, nor legal entities are not allowed to buy agricultural land . This restriction is against EU laws, but at the EU accession in 2004, Hungary received derogation till 2012 and now extended to May 2014.

Land ownership and land use frequently separated in Hungary. The land ownership is fragmented but the land use is consolidated. Majority of the land are cultivated under leasing contracts (private, state) and there is a considerable difference between private and state land leasing fees on market. Land prices are still very low in Hungary , increasing land prices is expected after EU derogation.

### **5.1 Land market in the near future in Hungary**

State ownership on land remains the same especially on forest and national game reserves and the state also wants to influence land market, utilizing state owned land. In mid term the majority of agricultural land remain in tenancy but there will be stronger competition on land leasing market.

After EU derogation, because of the sensitiveness of land matters, changes in land policy is expected but land remains national interest and land policy principles stay in effect. I am sure a new land law will regulate the land purchase conditions of foreign citizens.

The free land market will force decision makers to issue a land consolidation law in order to accelerate land market and increase land prices as well.

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

## **REFERENCES**

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## **BIOGRAPHICAL NOTES**

Academic experience: Land Surveyor MSc. Budapest Technical University

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TS02I - State Land Management

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FIG Working Week 2012

Knowing to manage the territory, protect the environment, evaluate the cultural heritage

Rome, Italy, 6-10 May 2012

Dipl. Certified Engineer, Budapest Technical University

Current position: Advisor. Institute of Geodesy Cartography and Remote Sensing

Practical experience: Cadastral surveying and mapping, international expert in Cadastre and land administration matters

International experience: Expert Nigeria 1977-79, 1982-86  
Consultant, Cadastral Project Moldova 2007-2009

Activities in home and International relations: Member Hungarian Society of Surveying Mapping and Remote Sensing (MFTTT) 1971-  
Member Chamber of Judicial Experts 1996-  
Hungarian delegate to FIG Commission 7 1995-  
Chair FIG Comm. 7 Working group on Land markets 1998-2002  
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