

Privatization of Agricultural Land in Eastern Germany



BVVG
Bodenverwertungs- und -verwaltungs GmbH

Transformation of the Agricultural Sector

Historical Background

- Land reform 1945-1949
- Collectivisation (nationalization) after 1949
- Privatization after reunification 1989



Situation of the Agricultural Sector in 1989

- 4.500 Collective Farms
- 515 State Farms
- 2,2 Mio ha of agricultural land in state ownership
(35% of total agricultural land)
- 2,0 Mio ha of forest land in state ownership
(90% of total forest land)

Development since 1989

- Transformation or liquidation of collective and state farms
- Transformation of state property by means of restitution, allocation and privatization
- Development of a new ownership pattern and new farm structures

Institutional Set Up for Privatization of Agricultural Land

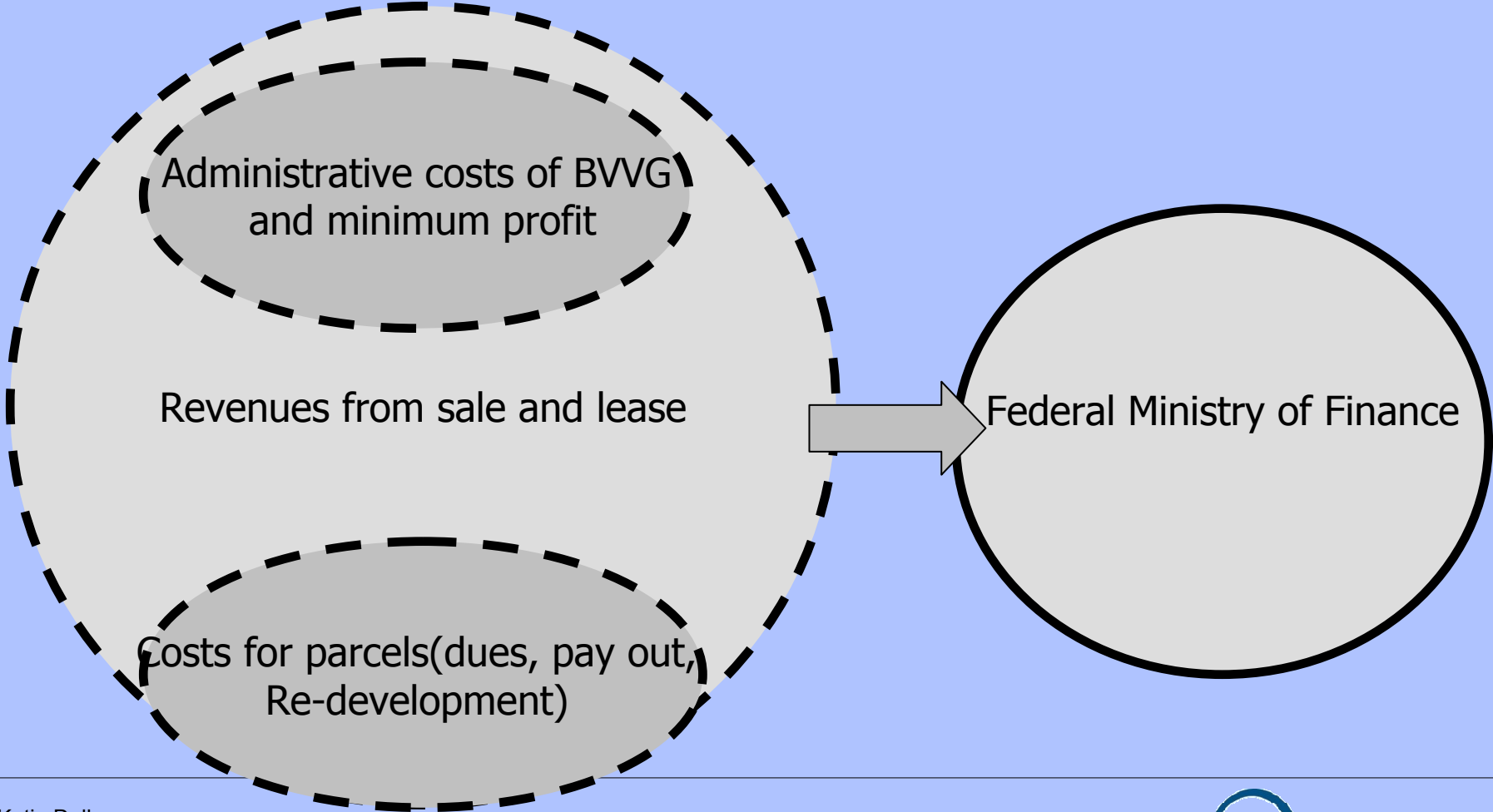
Turning publicly-owned land into private property

- Foundation of the German Trustee Agency (Treuhandanstalt) January 1990
 - Objective: privatization of state-owned property
- Foundation of BVVG - July 1992
 - Goal 1: privatization of state-owned agricultural and forestry land
 - Goal 2: restitution and allocation of ownership on land
- BVVG fulfills a legal mandate
 - Privatization
 - Involvement in restitution of formerly publicly-owned agricultural and forestry land
- Supervision of BVVG through the Federal Ministry of Finance
 - in cooperation with the Federal Ministry of Food, Agriculture and Consumer Protection

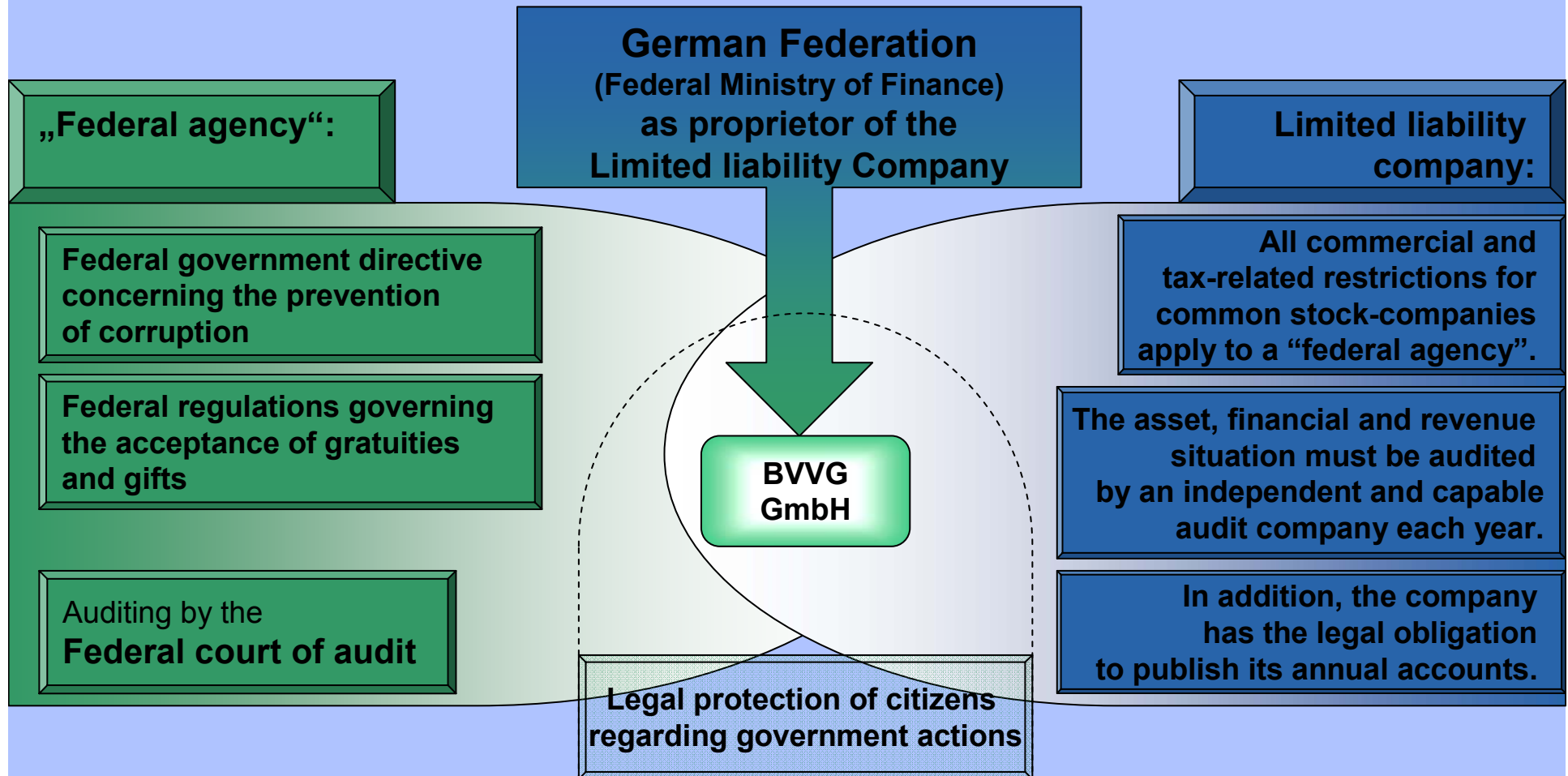
Basic concept of the BVVG

- **Uniform** privatization in all New Federal States of Germany
- **Independent** privatization - as a limited company - comparatively minor influence of daily politics
- **Transparent** privatization and administration - approaches and results publicly available
- **Turnover-oriented** privatization - surpluses of revenues are being transferred directly to the Ministry of Finance
- **Socially responsible** for a balanced development of the rural areas in co-operation with the agrarian administrations and elected bodies

BVVG - service provider for the Federal Ministry of Finance

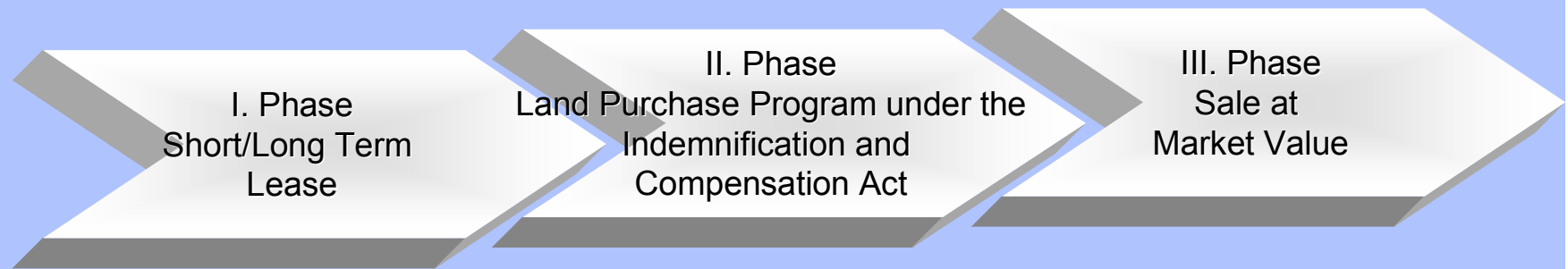


Two governance structures



The Process of Privatizing Agricultural Land in State Ownership

The road towards privatization in East Germany



- Clarification of ownership
 - Stabilizing of emerging farms
 - Basis for future sales
- 1992 - 1996

- Indemnification for lost property
 - Consolidation of the newly developed agrarian structure
- 1996 - 2010

- Selling of agricultural land within the fully developed land market
- Since 2005

Phase I: leasing of agricultural land

- 1990-1993 Short-term lease agreements due to:
 - Unclear property and ownership situation
 - Change of agricultural structure
 - Many emerging or transformed farm businesses
- Starting in 1993: long-term lease contracts with the objectives:
 - Economical consolidation of farm businesses
 - Facilitating investments, subsidies and loans
 - Basis for land purchase at a later stage

Phase II: Land Purchase Program under the Indemnification and Compensation Act

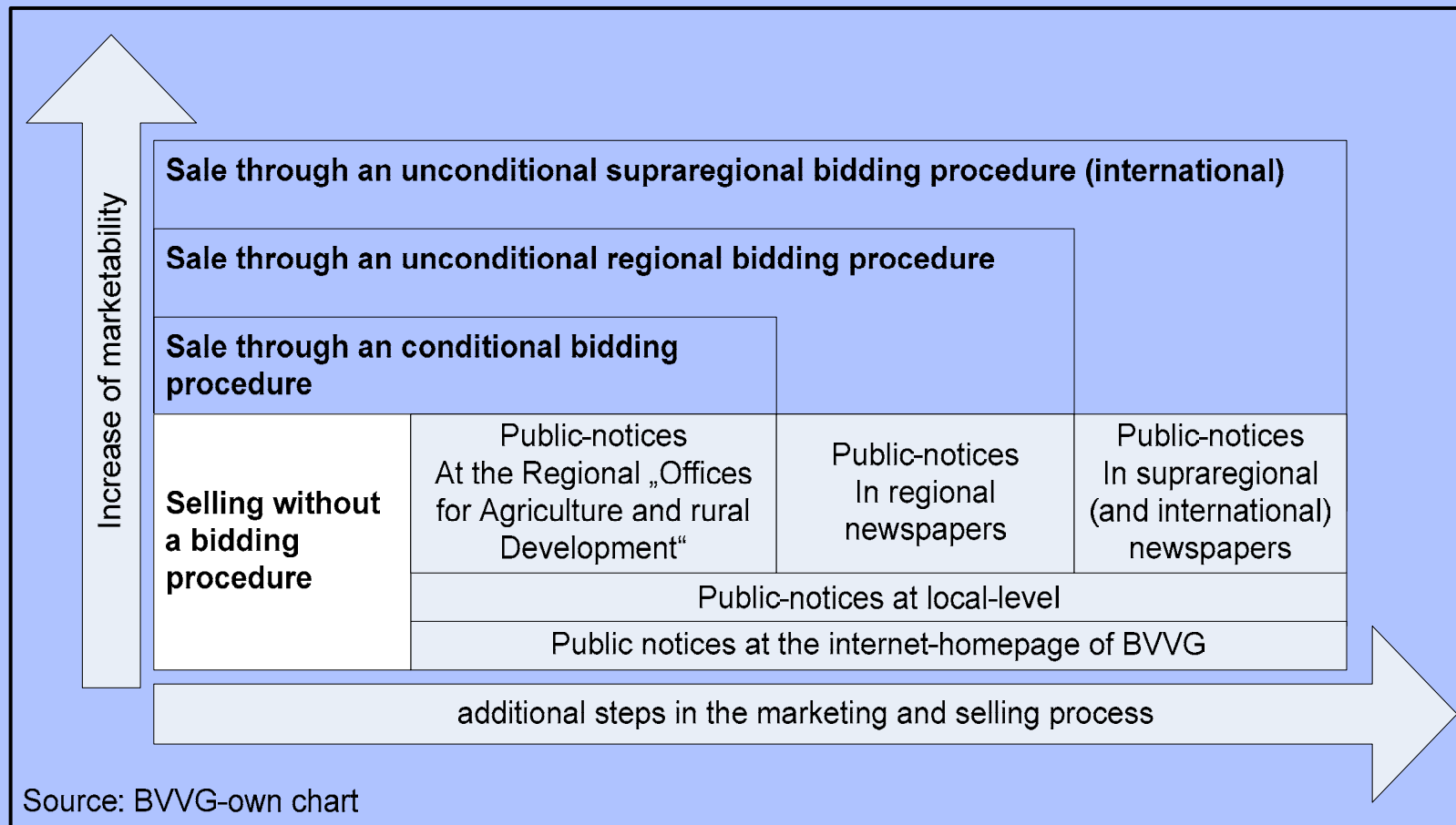
Objective of the Program:

- Indemnification for lost property (no restitution of land expropriated between 1945-1949)
 - Secure existence of farmers originating from East Germany
- Later, because of EU-objections: program open to all farmers holding a long term lease contract with BVVG

Phase II: Land Purchase Program under the Indemnification and Compensation Act (2)

- Special features of the contract
 - Prohibition of reselling for a period of 20 years
 - Comprehensive right of repurchasing by BVVG
 - Following of the operational concept (business plan) for 20 years
 - Sold land earmarked for agriculture – no re-dedication of areas without permission
 - Object of purchase can only be mortgaged to a limited degree

Phase III: selling at market value by tender-ensuring transparency in the sales procedure



Pro's and Cons of the Privatization Process

Pro's:

- Portfolio in 1992: 3,2m ha

Thereof

- 0,3 m ha agricultural and forest land restituted to natural persons
- 1,2 m ha allocated to statutory bodies and regional authorities
- Approx. 1,1 m ha sold
- Approx. 600,000 ha still managed by BVVG

3,3 billion EUR transferred to the federal budget since 1992

Pro's (2)

- Despite reorganization of the ownership structure, land was kept in production through active management
- Three phase privatization has lead to a stable agro-structure with a widespread ownership and farm structure
- Establishment of one state agency managing all state owned agricultural land secured uniform and turn-over oriented privatization independantly from daily politics
- Privatization with IT-support allowed effective management

Con's

- Tedious process of drafting and amending transitional legislation governing privatization and restitution
- Lengthly process of ownership clarification
- Long duration of the Land Purchase Program

Recommendations for Managing State Owned Agricultural Land

Favorable preconditions for the effective management of state-owned agricultural land (SOAL)

- A consistent policy for managing state-owned agricultural land that is embedded in an overall policy for state land management and agro-structural policy
 - Incorporating agro-structural measures.
 - Facilitating maximum revenues for the state budget
- A coherent legal frame
 - Providing transparent provisions with regard to land relations
 - Governing a program for the management of state-owned agricultural land
 - Providing the rule of law.
- A transparent land market
 - Facilitating the lease and sale of state-owned agricultural land.
- A functioning cadastre and land register
 - Facilitating inventory of state-owned land
 - Facilitating ownership registration
 - Providing legal certainty.
- Institution monitoring price developments on the land market and improving valuation standards
 - Collecting lease and purchase prices
 - Making price information accessible to the public
 - Improving valuation standards.

Activities for effective management of state-owned agricultural Land

- Making an inventory of Land
- Set up a management institution/unit with
 - a lean administrative headquarters at the national level
 - Dynamic operational units for practical implementation at the regional or local level
- Set-up an IT system that bundles all necessary management information
- Publishing and tendering of state-owned agricultural land available for lease or sale
- Set up a Dispute Resolution Board
- Implementing of lease and sale contract management
- Facilitate the monitoring and management of contaminated sites

Thank you for your attention!

Contact:

Katja Dells

BVVG

International Consulting
Department

Head of Dept.

Schönhauser Allee 120

D - 10437 Berlin

fon: + 49 -(0)30 - 4432 1033

fax: + 49 -(0)30 - 4432 2229

mail: dells.katja@bvvg.de



Homepage of BVVG: [http:// www.bvvg.de](http://www.bvvg.de)