

Land reform: Opportunities & challenges

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- **Equity:** Land rental & sales prices would move closer to global levels
- **Productivity:** Owners & users confident to invest in higher value added/jobs
- **Financial development:** Land can provide collateral to access rural credit
- **Transparency:** Local government could use public land for public benefit

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- Safeguards to minimize risks
- Combination with financial support instruments
- Transition period until Sept. 2018 for financial institutions to get ready

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There is considerable debate about implementation

- Is the institutional infrastructure ready?
- Will financial institutions extend investment credit from day one?
- Can local institutions be trusted to implement transparently?
- Will there be respect for existing rights & recourse to justice?
- Much progress on each of these issues - to be discussed in detail today

Ensure integrity & completeness of cadaster

Digitization of cadaster for private land

- Coverage & error correction almost complete
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Full back-end integration with registry ongoing

- Will result in unified database with real-time link to minimize fraud potential
- Includes relevant rights & restrictions; new servitudes to be added if needed
- Provides basis for online links to institutions modifying rights (e.g. courts) & public administration (e.g. company registry, tax admin.; SMS warning)
- Transparent public access (independent audits; reporting; blockchain)

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Needs to fully cover public land

- Only 25% of public land registered – challenge for transparency & revenue
- Methodology to identify cult. unreg. land developed for pilots; to be scaled up
- Clarify boundaries to establish territorial units' sphere of responsibility
- A precondition for transferring responsibility to local gov'ts

Facilitate use of land to access finance

Turnover law creates inst. conditions to use of land as collateral

- Allows banks to own land acquired via foreclosure for a limited time (18 months) to ensure credible foreclosure threat
- Mandates public availability of price data for valuation & mortgage market regulation

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But there is need to reduce risk of credit to small & medium producers

- Lending to agric. SMEs can be profitable & banks are interested but risks abound:
 - Lack of credit history & formal records
 - Land prices unknown & foreclosure procedures untested
 - Weather risk (can be covered by taking out crop insurance)
- Partial credit guarantee (PCG) can compensate & ensure SME credit access if
 - Independently managed (ideally PPP, recognized by NBU)
 - Complemented with targeted support to other cost (insurance, interest)
- Global experience: PCG can enhance effectiveness of farm support overall

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Banks' & producers' financial literacy to be enhanced

- Preparing & assessing business plans & investment proposals
- Quantifying & mitigating risk from various sources (price, weather, etc.)
- Exploring ways to pool risk (producers' organizations) & move into value chains

Expand knowledge & ability to exercise rights

Promote knowledge on rights & how to deal with violation

- Educate land owners on land law, prices & future developments
- Train judges & establish network of paralegals
- Use experience to document how to deal with frequent violations

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- Provide free legal aid & services during transition procedures
- Establish & monitor service standards for judicial system
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Regularly publicize land governance monitoring reports

- Building on land governance monitoring resolution
- Document any problems to allow quick reaction & redress
- Allow competent local governments to attract investment
- Ensure interoperability of information betw. gov. institutions
- Provide basis for good land governance to affect land prices

Conclusion

Ukraine can improve agricultural performance (US\$ 1.5 bn/a)

- Realize its opportunity as an regional & global agricultural powerhouse
- Harness potential for rural growth & private investment
- This will have global repercussions but benefit land owners & rural areas

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Considerable progress on law & implementation arrangements

- With support from highest political levels & MoAPF
- Key parameters reflect a sound balance
- If law approved in early 2018, market can start by Sept. 1

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- This workshop should be the first of many events
- To be followed by formal submission & approval of law by spring 2018

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World Bank Group ready to support Government

- A key concern for agricultural growth & rural well-being
- Issue has been discussed at highest level & together with partners
- Build on technical advice to leverage private investment directly & indirectly
- Explore financial support to reform implementation financially if requested