

CONDITION OF RURAL LAND MARKETS IN AZERBAIJAN

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Geographic location. Azerbaijan Republic is in the Southern Caucasus, between longitudes 44° and 52° East and latitudes 38° and 42° North. Its territory is 86,400 square km. The country has a population of 8,000,000 and borders on the Russian Federation in the North (390 km), the Iran Islamic Republic in the South (765 km), Turkey in the South-west (13 km), Armenia in the West (1,007 km) and the Georgian Republic in the North-west (480 km). Azerbaijan is on the western coast of the Caspian Sea with a coastline of 713 km. and has been an important trade and transport point since the beginning of commerce along the Great Silk Road. Upper Garabakh and the Nakhchivan Autonomous Republic are part of Azerbaijan. Over half of its territory (59.9 percent) is mountains (foothills – 17.5 percent, mountains – 33 percent, and high mountains - 9.4 percent) and the rest (40.1 percent) plains and lowlands. 27 percent of the territory is above 1,000 m, but 18 percent is below the mean level of the World Oceans.

The Major Caucasus, Minor Caucasus and Talish mountain ranges are rich in natural resources, covered with forests and meadows. The Kur-Araz lowland surrounded by these mountain ranges is the main area that provides the population with agricultural products. In addition there are four more plains: Gusar sloping plain on the northern slope of Major Caucasus, Samur-Davachi lowland, Nakhchivan plain along the Araz river, Absheron peninsula and Lankaran lowland in the foothills of Talish mountains.

4,588,703 hectares are cultivable of which 1,437,694 are irrigated. Out of 1,622,129 hectares cultivated land (sown) 1,097,169 are irrigated. Land under perennial crops makes up 173,570 hectares, household plots 247,948 hectares (of which nearly 100,000 ha is irrigated); the rest is fallow, meadow, natural pasture, forest and others.

Erosion damages mountain and foothill lands seriously: 3,610,100 hectares (41.8 percent) of the country has been affected by erosion to a certain extent, including 48.6 percent of cultivated land and 20 percent of forests. A factor limiting crop development is salinity. 37.4 percent of the republic is undeveloped land (salinized, swamp, badly eroded soils, stony riverbed, low and medium mountains etc). Such a situation may cause shortage in water resources, worsening of climate, desertification of arid zones, and break of ecological balance. In recent years soil fertility has been falling because of inappropriate cropping systems. Much crop land is on mountain slopes of 2°-12° even 15°. Therefore, wide ranges of crops are grown in conditions of vertical and horizontal land zonality.

Details of the land resources of Azerbaijan are given below in Table 1.

Table 1 - The land resources of Azerbaijan

Indicators	Land resources, ha	Share in percent
Total area	8,641,506	100.0
Cultivable lands	4,588,703	53.1

Lands that could be irrigated	3,200,000	37.0
Arable land	1,622,129	18.8
-out of which irrigated lands	1,097,169	12.7
Area under perennial crops	207,257	2.4
-out of which irrigated lands	150,071	1.7
*Total irrigated lands	1,437,694	16.6
Land per head(total)	1.08	-
-Including per head arable land	0.20	-
Eroded land of total land resource	3,610,100	41.8
Including- water erosion	2,972,400	34.4
-wind erosion	367,800	4.2
-Irrigation erosion	269,000	3.1
Irrigated lands subjected salinization	611,800	7.1
Including -weak salinization	426,869	4.9
-Moderate salinization	129,997	1.5
-Severe and very severe salinization	54,934	0.64
Arable land destroyed contamination	25,000	0.29
Including:	11,000	0.13
By oil and gas production	5,340	0.06
By building industry	1,800	0.02
By construction and waste disposal	6,000	0.07
By erosion and waterlogging		

* Total irrigated lands also include irrigated meadows, pastures, rested lands and households.

Table 2. The Forms of property in agriculture(as for 01.01.2004)

Content	Unit	Quantity	Specific grav %
Total area of the Republic	Tsnd ha	8642	100
Including:			
Total Area of agricultural products	- « -	4525	52,4
Sowing areas	- « -	1631	18,9
Property for the land			
Lands of the state property	- « -	4914	56,9
Lands given to municipal property	- « -	2033	23,5
Lands of private property	- « -	1695	19,6
Including:			
Individual holding	- « -	300	17,7
Privatized de facto	hectare	1391374	99,7
Families with the right for share	family	871780	100,0
Families which have got the share	- « -	866678	98,1
Subjects having right for share (population)	Thnd.	3432	
Subjects who have got the land share (population)	- « -	3408	99,3
Property of stock			
Property that belongs to reformed agricultural subjects	mln. man	2705075	100
Including :			
State property	- « -	175901	6,5
Given to municipalities	- « -	602419	22,3
Will be given to private property	- « -	1926755	71,2
De facto privatized	- « -	1893700	98,3
Subjects who have right for land share (population)	thnd	840,3	100
Subjects who have got land share (population)	- « -	819,8	97,6

Researches prove that among private subjects of farming the family holdings which are carrying out the activity on the basis of the status of the physical person make advantage. 87 % of the land transferred to a private property, are used in these holdings.

Table 3. The main farming subjects in agriculture(as for 01.01.2004)

Farming subjects	Number	The lands, used by the subjects, ha		
		Total area	including	
			Suitable for agric.	Sown area
State agricultural enterprises	41	134317	93351	25097
Scientific-research & study-test enterpr-s	154	17296	14115	10305

Collective enterprises	1164	46951	41725	31308
Cooperatives of agricultural production	165	4342	4038	3070
Small enterprises	378	6032	5841	5060
Farmer holdings	2598	18980	18692	15790
Agro service enterprises	25	38	8	2
Families functioning with the status of physical persons	623240	1472422	1456542	1287014

1. Land Ownership

In Azerbaijan private ownership of agricultural land is allowed and agricultural land is freely transferable. In the country, land from the former collective and state farms was distributed to farm members or rural citizens free of charge.

2. Land Privatization

In Azerbaijan, most of the state-owned land was distributed to rural residents, including farm members.

The effect was a move toward ruralization, which occurred in the early 1990's as urban residents of rural origin returned to the countryside to exercise their new land rights. The rural population rose from 31% in 1990 to 33% in 2000. The agricultural sector provides livelihood and food security for about 45% of Azeri households and employs one-third of the entire population of Azerbaijan. Based on information from the State Land Committee, as of December 1, 2004 privatization of land in Azerbaijan was 98.2% complete.

The law of the Republic of Azerbaijan "On Land reform" dated July 16, 1996, the law "On State land cadastre, land monitoring and land creation", the Law "On land tenure", the Law "On Land market" together with "Land Code" and other more than 40 laws, decrees and other legal acts has created the substantial base for implementation of land reforms in our Republic.

After the Decree of the President No 534 "On confirmation of some legal acts providing implementation of agrarian reform", signed on January 10, 1997 began the decisive stage of the reforms.

These reforms are the sole reason of the achievement of huge progress in the development of agriculture sector of our country and they had three particularities that have varied them from subsequent reforms in other countries.

First, the lands in Azerbaijan were given to people free of charge. As the result, more than 3,5 million persons became owners of land. It served as the reason for creation of strong owners class, formulation of new agrarian relations and fruitful use of land.

Second, people had received the best lands of former collective farms. Also, the legal and physical entities had gained rights to sale, present, lease, and mortgage the lands under their property.

Third, all the citizens in the country had been granted rights to use and lease land. So, together with 3,5 millions of landowners the rest part of population was included in land property relations and every person gained rights to participate in this process.

Based on satisfactory level of adopted legislation the part of lands that are still under the state control and belong to municipal bodies serves for prosperity of Azerbaijan citizens. The state and municipal lands could be sold, leased and given for use to population. As result, all legislation together with creation of base for the development of agrarian sector in the country serves for prosperity of population.

Also, after the Decree of the President “On additional measures for fostering agrarian reforms” signed on March 22, 1999 the significant progress was achieved in this sphere. Due to mentioned Decree the producers of agrarian products and the citizens who received lands free of charge were exempted from 8 of 9 taxes, billions of debts of former collective and state farms were obliterated. The sale of fuel and lubricants to farmers were done with discount price.

Based on the information for December 1, 2004, 867 773 from eligible 872 855 families have got the land already. The land reform almost has been completed and three forms of land property have been identified. There are 8641506 hectares of land that forms unified land fund in the country and 4913639 hectares are under state, 2032744 hectares under municipal, 1695123 hectares under private property.

We need to mention that land reform is in constant process and consist of various stages that are complement of one another.

Together with transfer of land property rights that is important stage of land reform creation of State Land Cadastre, implementation of land monitoring and land creation have very big importance.

3. State-Owned Land Reserves

Azerbaijan has only a 5% agricultural land reserve because the country's policy was to distribute most of the arable land to rural residents.

4. Farm Restructuring

Azerbaijan has dismantled former collective and state farms, and its agriculture is now based primarily on family farms. A presidential decree established the State Commission on Agrarian Reform. This commission established regional and local bodies throughout the country to assist in the reform process. In total, more than 1.3 million hectares of land have been privatised. In addition, there are over 620,000 household farms, with an average size of 2.8 hectares and 4 family members. As of January 2005 the private sector produced 99,8 % of agricultural goods in Azerbaijan.

5. Land Transactions

a. Purchase and Sale

In Azerbaijan, the Law on Land Markets, which deals with a wide array of different aspects of land markets, specifically states that legal entities and persons of Azerbaijan can participate in the land market as owners, users, mortgage lenders and borrowers, participants of purchase-sale transactions and other transactions like leasing. The law also establishes that there will be

market prices for land rather than fixed prices. The Land Code prohibits foreigners from buying land.

Land market in Azerbaijan came into being as a result of a successfully implemented land reform. The Law of Azerbaijan Republic on “Land reform” as of July 16, 1996 laid the foundation of land market. According to the article 19 of this Law, privatizable municipal reserve lands, land plots owned by citizens and juridical persons of Azerbaijan Republic can be the subject of purchase and sale contracts.

According to the Article 4 of the Presidential Decree on the application of the Law of Azerbaijan Republic on “Land reform” of August 13, 1996, no. 482, “Guidelines on land purchase and sale” has been developed and approved by the Presidential Decree of January 10, 1997, no. 534.

Land owned by citizens of Azerbaijan Republic and juridical persons and privatizable municipal reserve land, as well as less fit and unfit agricultural land can be a subject of different purchase and sale contracts. Purchase and sale operations can be done as of the date of issuing land title. In conformity with the legislation in force, land plots can be sold only to citizens and juridical persons of the Republic of Azerbaijan.

According to the Article 18 of the Law of Azerbaijan Republic on “Land reform” and Article 7 of the “Guidelines on land purchase and sale”, when purchased and sold, mortgaged, inherited, or undergone other operations the price if land is defined basing on market prices, but not being less than normative price.

“Regulation on setting normative prices of land in the Republic of Azerbaijan”, “Normative land price for cadastre price regions and sub regions” and “Ratios applicable to normative price calculation of land belonging to administrative regions of cadastre price regions and sub regions” have been approved by the Resolution of the Cabinet of Ministers on “Setting new normative land prices in the Republic of Azerbaijan” of July 23, 1998, no. 158.

Adoption of the Law of the Republic of Azerbaijan on “Land market” on May 7, 1999 and Presidential Decree on application of this Law dated July 2, 1999, as well as adoption of Land Legislation of the Republic of Azerbaijan on June 25, 1999 and Presidential Decree on application of this Legislation dated August 4, 1999 created overall legal basis for land market formation in the republic.

In such a way, through adoption of foregoing laws, resolutions and other normative-judicial acts legal provision of land purchase and sale was established. At present, according to the actual legislation, individuals and juridical persons of the Republic of Azerbaijan can sell, mortgage, donate and do any other operations with regard to their land plots. State Land and Mapping Committee is the government agency in charge of, to the extent allowed by legislation, facilitation of registration of above operations.

b. Lease

In the rural areas of Azerbaijan, landowners are successfully leasing land and often receive payment in the form of harvested crops. The Law on Lease of Land establishes that state, municipal, and private land can be leased. Citizens and legal entities of Azerbaijan, and foreigners are allowed to lease land. Leases can be for made for short or long term use, and lease fees may be paid in cash or in kind.

According to the requirements of rules for the holding of land auctions related to the renting of land under state and municipality property, lands have been allocated for rent from the state and municipality property and 5961 persons (borrowers) have been given acts about temporary use of land, signed rent contracts were taken to the registration.

6. Mortgage

In Azerbaijan, a law on mortgage was passed in August 1998. However, credit resources are few and the price of credit is very high. After a series of bad lending decisions, the state-owned *Agroprom* Bank is being restructured, and no loans are being granted to the rural sector. *Agroprom* is the only bank with rural branches, and no other banks serve farms and agricultural enterprises. The World Bank is promoting initiatives to develop local financial intermediaries such as credit cooperatives to serve rural areas.

B. Administrative Framework

1. Land Titling and Registration

In Azerbaijan, land titling has been fairly successful. The total number of land titles to be issued is 790,000. As of 2004, 90% of these land titles have already been issued. The Law on Land Cadastre establishes the legal framework for the regulation of the land cadastre, land monitoring, and land development. The state land cadastre serves as the information centre for land use, information on characteristics of land, and economic appraisal of land. Based on this law, there is one single centralized land cadastral documentation system that generates the state land cadastre and legal and technical documents. Through help from the World Bank, the State Land Committee also has plans to develop and implement computerized regional cadastre and land registration systems. There are also expansion plans already underway to create additional services that will include the registration of leases, rights of access and mortgages.

In accordance with the requirements of Law of Azerbaijan “On Land market” and other legislative acts related to the purchase-sale of land, during all these years 11956 land purchase-sale operations have been carried out and relevant juridical documents have been presented to the landowners.

2. Roles of the Public and Private Sectors

Thus, the first stage of land reforms in the country, that is the liquidation of state and collective farms, the formation of state, municipal and private ownership on land, distribution of privatized land to the people have finished. As it is shown above, on this stage about more than 866 thousand families have been transferred into landowners. The preparation, registration and presenting of documents about the right to the property, use and rent are carried out through the regional land registration centers of the State Land and Mapping Committee.

Many state functions have been transferred to the local level in the country.

There are several real estate companies that deal with sale and purchase of agricultural land, leasing of agricultural land, and valuation of property. Unfortunately, very few private firms exist that provide services although several are beginning to develop.