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CENTRE FOR EASTERN STUDIES 10.08.2011 www.osw.waw.pl

Towards the introduction of free land trade in Ukraine

On 2 August, President Viktor Yanukovych signed a law introducing a simplified mechanism for the registration of land ownership, and Ukraine's parliament was sent a draft law concerning the market for agricultural land, which will form the basis for the introduction of a free market for agricultural land in Ukraine. Postponed for many years, the reform permitting trade in land is essential for the development of the agricultural sector in Ukraine, whose importance in the Ukrainian economy will rise steadily.

The Cadastral Act provides for the launch in late 2011 of an electronic database of all allotments of land; their records will be completed within the next two to three years. Currently less than 70% of the land has been recorded, which in many cases makes it impossible to determine ownership, and facilitates the illegal acquisition of land. The land market bill will regulate the trade in agricultural land. Only citizens of Ukraine will be entitled to buy land, although foreigners will be allowed to lease it. There would also be constraints hindering speculation (a high sales tax within five years of purchase). Parliament will vote on the project in September, and the chances of it passing seem high.

In Ukraine the sale of agricultural land has been forbidden since independence. Successive governments did not abolish this restriction because the introduction of free trade in land was very unpopular with the public. This time, however, the Ukrainian government seems determined to reform the situation. The introduction of clear rules regarding the ownership and trade of land will legalise the trade in the huge estates that have arisen over the past several years and are controlled by regional oligarchs. It will also facilitate the inflow of capital into the agricultural sector, which is currently severely lacking in investment, even though it offers the best prospects for both domestic and foreign investors. <smat>