

## INSTITUTIONAL ENVIRONMENT OF MODERN LAND RELATIONS

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*The expediency of reviewing the development of the institutional environment of modern land relations has been established, as it is the main factor in the formation of a new paradigm of land management development. Institutions that together form the institutional environment of land relations according to the formal approach are proposed and characterized: institute of land ownership, institute of land use law, institute of land use payment, institute of municipality, institute of state control, institute of land accounting, institute of land use for agriculture, institute land use, institute of communication. It is established that long-term dynamic processes of interaction in land relations, revision and improvement of the institutional environment need to be modernized through the implementation of new institutions. It is emphasized that the trends of economic development and productive forces require a review of the balance of economic, environmental and social priorities related to sustainable use, protection and reproduction of land potential, which can be realized through land management measures. It is determined that at the state, regional and local levels the same institutions that affect land relations have different tasks, content and tools for the implementation of their powers in terms of use, protection and reproduction of land potential.*

**Key words:** *institutional environment, land relations, formal institutions, informal institutions, land management.*

**Formulation of the problem.** The rules of the game in society, the restrictive framework, as well as the relationship between people all establish and determine the institutions. The evolution of social institutions, in particular, traditions, morals, law, family, public associations, the state and their influence on the formation of economic behavior of people, studies institutionalism, or institutional economics as a direction of economic theory [1]. Institutional change defines how society evolves over time, which explains the understanding of historical change.

Institutions provide forms of restrictions created by people in order to give a certain structure to social relations. Institutions also create a framework within which people interact with each other. The main role they play in society is to reduce the level of uncertainty by establishing a stable structure of social relations. Institutions are a critical barrier to a transformational economy, as they create challenges and enable driven development. They also create incentives for entrepreneurship and comply with the fundamental principles of a socially oriented market economy, which promotes transparent relations.

Manifestation of the transformation of the institutional environment in the format of land reform is the institutional transformation in the agricultural sector of Ukraine's economy and the reform of agrarian relations. These areas of reform are interrelated. In agriculture, land is the main and indispensable means of production, in contrast to other areas, where it is the territory for the placement of fixed assets of economic entities.

To date, since the beginning of the land reform, almost all the necessary elements for the functioning of a market economy have been formed, the main mechanisms that must ensure compliance with formal norms and rules, distributed and consolidated powers and responsibilities of relevant institutions. Therefore, the institutional environment of land relations needs significant additions and improvements.

**Analysis of recent research and publications.** Theoretical and methodological problems of institutionalization have been studied by both economists and scientists-researchers of the specifics of individual industries related to the formation of their

sectoral institutional environment. Among Ukrainian economists and land surveyors who have studied the institutional environment in their works, it is worth noting scientists: Khvesyk M., Golian V., Tretiak A., Tretiak V., Dorosh I., Dorosh O. and others.

Thus, Khvesyk M. and Golian V. distinguish between institutes of activity (*for the allocation of special activities to perform certain services*), institutes-regulators (*for people to create rules and regulations that serve as restrictions for business entities*) and institutes-institutions (*for streamlining and design of institutional processes and protection of the institutional environment*). Researchers view the institutional environment as "mutually coordinated, complementary activities of public institutions of government, civil society institutions and business institutions" [2].

Tretiak A. interprets the concept of institutionalization as the process of defining and consolidating social rules and norms, roles and statuses, and bringing them into a system capable of acting in the interests of meeting a number of social and social needs approved by a particular social environment and human behavior. According to the scientist, economic institutions should be understood as "stable, socially regulated associations in the field of economic activity, providing a full cycle of production and distribution of social wealth, combining economic life with social" [3].

Dorosh I., Dorosh O. substantiated that "the formation of institutions in the field of land relations takes place at the national, regional and local levels" [4]. At each level, the system of institutions has certain features due to differences between the subjects of relations and their interests, objects and structure of institutions of ownership of land resources. The authors emphasize that today there is a lack of formation of individual institutions, including regional and local levels [4].

In general, in the field of strategic management research in terms of the role of the institutional environment for business operations, institutional theory has become the third largest research perspective (after industry and resource perspectives) [5]. Given that in Ukraine, with the decentralization and the emergence of new actors ("players") in land relations, there is a need to reconsider the direction of

development of the institutional environment. The issue of the structure of the institutional environment at various levels, primarily at the regional and local levels, also remains unsolved.

**The purpose of the research** is to determine the structure of the institutional environment of land relations and to study the features of institutional interaction at different levels of government.

**Materials and methods of scientific research.** The following generally accepted methods of scientific research were used during the research on the institutional environment of modern land relations: theoretical method, monographic method, comparative method and generalization method.

Using the theoretical and monographic method, the scientific works of scientists devoted to the problems of institutionalization were studied. Using a comparative method, formal institutions in the land sphere were identified. Based on the method of generalization, the structure of the institutional environment of land relations was proposed and the conclusions of the research were presented.

**Results of research and discussion.** The hypothesis of our research is that the institutional environment of land relations is a cumulative characteristic of the nature and function of formal and informal institutions for land at different administrative levels.

North D. [1], one of the representatives of neo-institutionalism and the founder of its separate direction, divides the institutional environment into formal and informal institutions. Scott W. [6] complemented his work by arguing that institutions consist of cognitive, normative and regulatory dimensions. Under the regulatory dimension, Scott W. singled out the functions of institutions, which are the formulation, supervision and enforcement of rules, the source of legitimacy of which is the logic of instrumentality and legal sanctions. Under the normative dimension of institutions, Scott W. defined goals and appropriate means to achieve them. The legitimacy of the normative dimension is based on social beliefs and customs. The cognitive dimension of institutions comes from the common beliefs and culture of members of society [9]. Scott W. refers the institutional environment to the legal

systems, public administration, economic and social environment, which are used to create the basis of production, exchange and distribution. Based on this, government regulation, economic development, technological innovation and their perception by society are integral components of the institutional environment.

Thus, the above gives reason to believe that the institutional environment for the possession, use and disposal of land is based on land relations, which under land law are public relations [7].

In essence, public relations regarding land are complex, as the subjects of land relations are citizens, legal entities, local governments and public authorities of different levels of the hierarchy, which must interact with each other. Rules and norms have been or should be institutionalized to regulate social relations between various actors, including land relations. In this context, the combination of different norms and rules and forms an institutional environment that affects public relations and regulates them.

To understand the nature of land relations at the regional and local levels, it is necessary to specify it in the role and functions of specific institutions that affect land relations in terms of land ownership, use and disposal.

We consider that the formal institutions in the land sphere include:

- *institute of land ownership;*
- *institute of land use law;*
- *institute of land accounting;*
- *institute of land use for agriculture;*
- *institute of the municipality;*
- *institute of communication;*
- *institute of land use payment;*
- *institute of state control;*
- *institute of land use planning.*

*Institute of land ownership.* Land ownership is defined in land legislation as the right to own, use and dispose of land. Land in Ukraine is privately, communally and state-owned. Separately, the land legislation specifies the rules and regulations on

land ownership of citizens, legal entities, territorial communities, land ownership of the state and foreign states, joint ownership [7]. Given the provisions of Coase's theorem in the direction of achieving an effective structure of property rights in the process of socio-economic transformations, we propose to distinguish property rights as a separate institution that forms and influences the institutional environment and is the basis of market economy [8].

*Institute of Land Use Law.* Land use law is a separate institution derived from land ownership. By land use we mean the system of economic or other land use under the influence of objective factors or state restrictions on land use. In land legislation, the right of use means the right of permanent use or term [7]. Given the peculiarities of different types of land use, restrictions on land use, the institution of land use law, which affects the institutional environment and, consequently, land relations, we single out.

*Institute of Land Accounting.* Accounting for land and land in Ukraine is carried out according to quantitative and qualitative characteristics, as provided by Article 203 of the Land Code of Ukraine and Article 33 of the Law of Ukraine "On State Land Cadastre" [7]. Land accounting is an integral part of the State Land Cadastre. It is the main information resource for the preservation and accumulation of information about the objects of the State Land Cadastre for landowners and land users.

*Institute of Land Use for Agriculture.* In our opinion, agricultural lands, which are the largest in Ukraine and are of strategic importance for food security and the functioning of the agri-food market, should be singled out among the categories of land. Users of agricultural land are various agricultural producers, which differ both in organizational and legal forms of management, and in the scale of production and the size of the land bank. Each of the business entities needs a separate (individual) approach to the regulation of activities, which also determines the appropriate structure of the institutional environment of land relations. A fundamental feature that determines the allocation of this institution is the use of agricultural land as the main means of production.

*Institute of the municipality.* In foreign public law, a municipality is understood as an autonomous territorial unit as a settlement, its population, as well as local self-government bodies. In the legislation of Ukraine, "municipality" is interpreted more narrowly, usually using the term "local government" instead. However, the term municipality is broader in meaning because it characterizes an administrative-territorial unit and its local self-government. Therefore, the institution of the municipality is singled out as a separate element that affects the institutional environment, especially in the context of reform of the administrative-territorial structure and decentralization of power.

*Institute of Communication.* We consider the establishment of effective communications between the government and society to be a prerequisite for achieving effective results in the implementation of reforms on important issues that will have a decisive impact on socio-economic development. It is through communication that the transmission and perception of the goals and objectives of social development is ensured. An important characteristic of the institute of communication is the publicity of the key stages of the decision-making process regarding land as the main national wealth and the material and financial basis of local self-government. It is also worth noting the importance of communication between the authorities themselves at different levels of government. Therefore, the institution of communication is an important and integral element among others.

*Institute of land use payment.* Land relations are economic in nature free of charge and payment of special use of natural resources for economic activities - is one of the main principles of environmental protection in Ukraine in accordance with domestic law. The Land Code of Ukraine stipulates that "land use in Ukraine is paid, and the object of payment for land is land" [7]. Payment for land is "local property tax, which is carried out in the form of land tax or rent for land plots of state and communal property" [9]. Local self-government bodies, as a municipal institution, may, within the limits of their powers, additionally regulate the rate and benefits for the payment of land fees. At the current stage of development for the implementation of fiscal policy on land is used normative monetary valuation, which is the basis for

the calculation of land payments, taxes, determining the amount of damage and more. Note that some scholars identify a separate institute of monetary valuation of land.

*Institute of State Control.* Its main function is to control the state's compliance with legislation in the field of land relations and nature management. Violation of the legislation on the use and protection of land of all categories and forms of ownership leads to the imposition of sanctions, the requirement to eliminate existing offenses, compensation for damage and more. This institute is important in the conditions of economic modernization, as not all landowners and land users adhere to the conditions of management established by law.

*Institute of Land Use Planning.* Planning the development of the land use system, solving the problems of land degradation, unjustified withdrawal or change of purpose, increasing the level of land productivity, forming value chains, optimizing the structure of land and other land development issues require the formation of long-term plans and their purposeful implementation, which is enshrined in the Concept of National target program of land use and protection. [10].

Formal institutions emerge in the process of transforming and developing previous systems and rules, or by borrowing. Researchers of the institutional environment at the previous stage of the genesis of institutions single them out as "*informal institutions*". Informal institutions include: mentality; habits; belief; traditions; stereotypes; ethnicity, etc. [1, 2, 3, 4, 6]. Informal institutions in the institutional environment of land relations are similarly distinguished. The main difference between formal and informal institutions is the consolidation of the former in regulations. At the same time, informal institutions can have a much greater influence at the regional and local levels. They can both complement and contradict formal institutions.

Given the constant dynamic processes in land relations, the revision and improvement of the institutional environment should take place through the *modernization and emergence of new institutions (including through borrowing)*. By modernization we mean the modernization of a number of measures, which requires a significant number of simultaneous changes in various spheres of public life. The



components of the modernization process are economic, social, political, cultural and other features of a complex of interrelated changes in formal and informal institutions. The economic sign of modernization is in the first place, because it determines the possibility of modernization of social, environmental, cultural and other processes.

The key institution that allows to combine each of these institutions and implement "a set of social, economic, environmental measures aimed at regulating land relations and rational organization of the territory, is land management" [7]. It is an important link between the institutions we propose and the institutional environment that affects land relations.

North D. noted that people create formal and informal institutions to achieve certain goals of sustainable development of society, community and the country as a whole [1]. This is also true of the institutional environment of land relations. It should be understood that the regulatory influence of institutions on the development of land and other relations manifests itself in different ways at the state, regional and local levels, and individual institutions may remain permanent (state control) or almost not involved at all (municipality). At each administrative and managerial level, institutes have different tasks and content. They must complement each other to ensure a comprehensive and full-fledged institutional environment for land relations. Institutions of land use for agriculture, the right of use, and the municipality are less inherent in the state level. Also, each administrative level corresponds to its own components of the institute, for example, the institute of land use planning at the state level is represented by the National Program of Land Use and Protection, and at the regional - regional program, land management scheme and more. At the regional level, the institute of the right of use occupies a more important place. It may already show the specialization of agricultural production, natural and climatic conditions, production infrastructure, access to markets and logistics, which also applies to the institution of the municipality, land categories and others.

Among the institutes of land relations at the local level, the institute of land use law is characterized by the most significant influence, as it is the land user who acts

as an economic entity that directly interacts with land and other natural resources. He is a stakeholder in the most efficient use of land resources and at the same time is "under the influence" of all institutions of land relations, both formal and informal. That is, we consider the local level to be targeted in terms of the regulatory action of a set of institutions in the institutional environment of land relations.

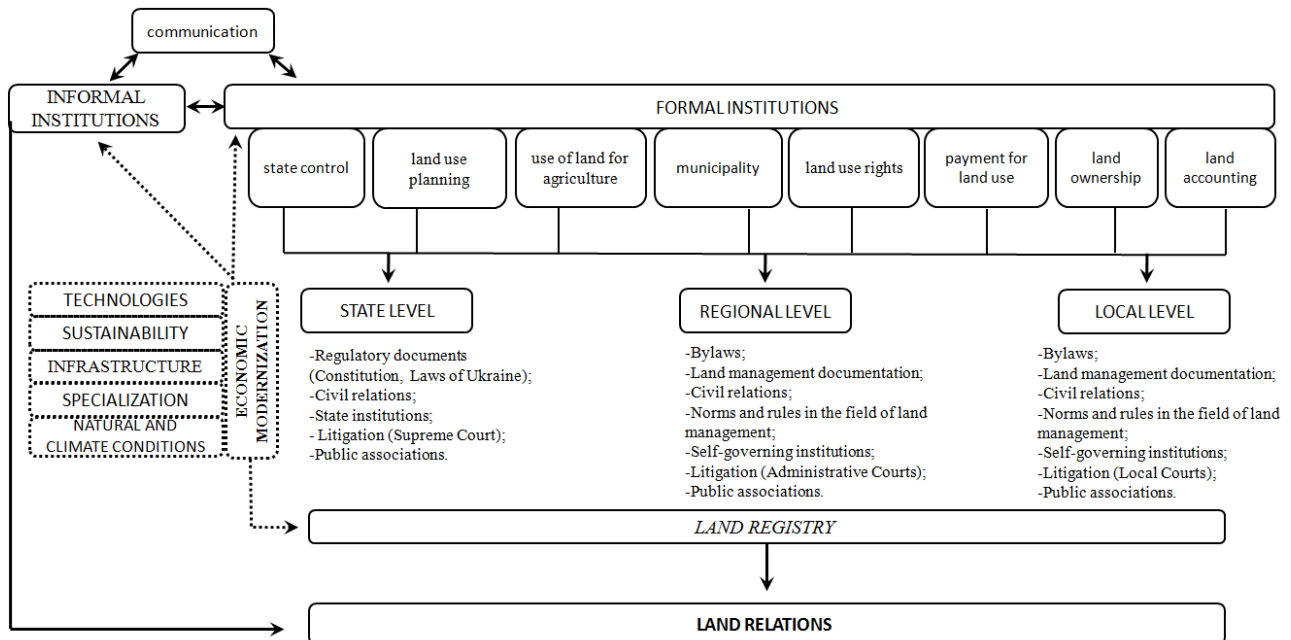


Fig. 1. The structure of the institutional environment of land relations

Regarding the development of institutions, we note that today we see an increase in the role of the municipality in the regulation of land relations, made possible by land deregulation and decentralization of power, where local governments independently decide on land resources within the community. It is important to form an adequate understanding and generalization of territorial management practices, which was not previously typical of local authorities. Land deregulation and decentralization of power strengthen the role of the institution of communication, which will play a significant role in ensuring the relationship between public authorities, local governments and land users. To replace the vertical system of governance "from top to bottom", the reverse system began to function and joined the horizontal management, namely the interaction of territorial communities with each other to pursue common interests and benefit. This situation requires further formation and transformation of the system of institutions of the institutional environment of land relations, especially at the regional and local levels (Fig. 1).

**Conclusions.** The research provides grounds to consider the institutional environment of land relations as a cumulative characteristic of the nature and function of formal and informal institutions for land at different administrative levels. The structure of such an institutional environment and the features of institutional interaction at different levels of government are combined into a system of land management mechanism as a set of social, economic, environmental measures aimed at the rational organization of the territory.

The peculiarities of the functioning of these formal institutions at different administrative levels, internal and external relations, the objects of their regulatory influence, etc. are an integral part of improving the institutional environment of land relations.

In Ukraine, dynamic socio-political processes regarding land, opening of the market of agricultural land, administrative reform necessitate constant revision and optimization of the institutional environment of land relations, as well as directions and tools for land management as a basic internal factor of sustainable functioning of institutions.

An external factor in the transformation of institutions of land relations at all administrative levels is international obligations and agreements of both financial and economic, and environmental, technical and technological nature. This proves the validity of the hypothesis of our research.

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## **ІНСТИТУЦІЙНЕ СЕРЕДОВИЩЕ СУЧАСНИХ ЗЕМЕЛЬНИХ ВІДНОСИН**

*Встановлено доцільність перегляду розвитку інституційного середовища сучасних земельних відносин, оскільки вона є основним чинником у формуванні нової парадигми розвитку землеустрою. Запропоновано та охарактеризовано інституції, які разом формують інституційне середовище земельних відносин за формальним підходом: інститут права власності на землю, інститут права землекористування, інститут платності землекористування, інститут муніципалітету, інститут державного контролю, інститут обліку земель, інститут використання земель для сільського господарства, інститут*

планування землекористування, інститут комунікації. Встановлено, що тривалі динамічні процеси взаємодій у земельних відносинах, перегляду й удосконалення інституційного середовища потребують модернізації шляхом імплементації нових інституцій. Наголошено, що тенденції розвитку економіки і продуктивних сил потребують перегляду співвідношення економічних, екологічних та соціальних пріоритетів, пов'язаних із сталим використанням, охороною і відтворенням потенціалу земель, які можна реалізувати через заходи із землеустрою. Визначено, що на державному, регіональному та місцевих рівнях одні і ті ж інститути, які впливають на земельні відносини, мають різні завдання, зміст та інструментарій реалізації їх повноважень у частині використання, охорони та відтворення потенціалу земель.

**Ключові слова:** інституційне середовище, земельні відносини, формальні інститути, неформальні інститути, землеустрій.