

## **Albania case study**

### **Land fragmentation and land consolidation in Albania**

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### **Introduction**

Land administration systems in terms of recording rights and delineating and demarcating relevant individual and/or communal boundaries represent a vital instrument to secure land tenure regimes and property rights in Albania. Improved access to land strengthens the social and economic position of rural and urban dwellers, enhances the sustainable management of natural resources and leads to increased food security and alleviation of rural poverty. Consequently the formulation of an appropriate land and land administration policy has a crucial influence on the socioeconomic development in Albanian society. This is specifically important in both transition and developing countries where the implementation of land administration systems has largely failed to untie the wealth in land due to a variety of reasons.

In this space of 15 years, Albania has moved from being a predominately rural society to one where the majority of populations now live in urban areas. This population movement fuelled the rapid urban development and at the same time has led to absentee landownership in rural areas. The main objective of the proposed paper is to identify the relationship between land reforms and land tenure in the fragmentarization process and the consolidation activities in Albania during last three years. The paper provides a conceptual framework for understanding the situation of land fragmentation as well as the main achievements in land consolidation process in Albania addressing the complex and dynamic nature of the relationships among the subject matter areas.

### **Current situation in land fragmentation**

Land fragmentation has been identified as one of the main obstacles to the development of the agricultural sector in Albania. Law 7501 was drafted in order to ensure a fair division of land amongst agricultural families. However, one of the ramifications of this policy is highly fragmented land plots. Families own several non-contiguous parcels spread over a wide territory which makes farming at an economic scale next to impossible. Albania has amongst the lowest amount of agricultural land per capita (0.22 hectares) in the region. Only 24% of Albania consists of agricultural land, while 36% is forest, 16% is meadows and pastures, and 24% is unproductive land, as urban land and inland waterways. As a result of the privatization process, over 90% of agricultural land is now in private ownership. On ex-co-operative land, according to Ministry of Agriculture and Food figures of June 2000, 353.718 families

owned 439.139 hectares of land divided up to 1.5 million parcels with over 90% granted via a *tapi*. On ex-state farm land, the figures are 91.000 families owning 123.334 hectares of land divided into 300.000 parcels. On average each family owns 4 parcels of land, sometimes separated quite widely. A nation of family smallholdings has been created. Farmers refused to accept around 130.000 ha of land as it was of a low quality, with limited fertility, without irrigation facilities, or located in the marginal areas. This refused land was given for administration to the forest and pasture state enterprises. Meanwhile, a small part of the land remained in the ownership of the agricultural state institutions, agricultural joint-venture enterprises, etc.

From the point of view of land use management and regulation, it is clearly much more difficult to ensure sustainable land use and preservation of land when dealing with over 450.000 landowning families and 1,8 million parcels of land than when dealing with a small number of large farms, all under the same landowner. The parcels which farmers have received are too small, badly shaped (for instance in their length to width ratio and) and in many cases distant to the homestead. This situation led to uneconomic use of both labor and capital, makes it difficult to implement new production patterns, to utilize machinery and apply appropriate technologies. In addition to other constraints in the production chain land fragmentation restricts farmers to subsistence agriculture and disallows them to participate in commercial production. At the same time, land fragmentation inhibits land market development, restricts investment in land and thus hampers overall improvements in the farming sector.

In recognition of the problems of fragmentation, the World Bank funded a project to consolidate parcels of land but this effort is limited to assisting owners to exchange parcels of land so that owners have all their land in one parcel and assisting families to do likewise so that different branches of a family can co-operate together in managing a larger farm unit. Consolidation in the sense of creating fewer and larger landholdings out of the many smallholdings is not being attempted; presumably because it would be strongly resisted by smallholders, although the same effect could be achieved by smallholders combining together in a company or partnership to farm their land as a large unit.

In the Albania of today land fragmentation remains one of the most significant constraints which impede the development of rural areas in Albania with the agriculture sector most affected. The shift from centrally-planned to a market-oriented economy has profound implications for the prevailing social and economic system and the development of a democratic society in Albania. This is especially true in rural areas. The dismantling of the state and its institutions as exclusive providers of services left large sections of the population, mostly engaged in agriculture and related activities, deprived of their main source of income. During decades of central planning, rural areas have been considered exclusively as a geographic space to allocate industrial conglomerates and large-scale state farms and cooperatives. Social infrastructure was neglected to the benefit of investment in industries and other productive sectors of the economy.

After adopting market economy principles and the withdrawal of the State most of these industries are now facing bankruptcy. The critical economic and social

situations in the countryside require significant efforts by all stakeholders involved with the obligation for governmental entities to assume a leading role in providing the necessary political, institutional and conceptual framework. Moreover cross-sector, inter-institutional approaches are needed since the agricultural development of the country has to be conceptualized and integrated within the broader framework of rural development. In order to improve the situation for the rural population efforts have to be undertaken to strengthen the sustainability of their livelihoods. Livelihood comprises the capabilities, assets and activities, which are required as a means of living and refers basically to the provision of assets in terms of natural, financial, social, human and physical capital including access to land and secure ownership right.

### **The status of land consolidation process in Albania**

Land consolidation schemes do provide methods, mechanisms and instruments which establish the inter-connectivity between agriculture and other sectors of the rural economy and create the link between rural and regional development. Re-allotment, amalgamation and enlargement of plots (and parcels) are important mechanisms to increase in the medium and longer term productivity and hence efficiency in the agriculture sector. However land consolidation is not a single standing issue and is not purely agriculture related. It integrates measures regarding territorial organization, land management, natural resource management, regional development and village renewal. Since the outlined measures rely entirely on the participation of a wide range of stakeholders, especially on the local level land consolidation is one entry point for the development of sustainable rural livelihoods.

During March 2002 and December 2003 four land consolidation pilot projects were implemented in the communes of Fiershegan (Lushnja District), Pojan (Korca District), Suc (Mati District) and in Frakull (Fier District). The main objective of the project was to facilitate and encourage land consolidation by facilitating market transactions in land with a focus on parcel exchanges, rentals and purchase/sales. The specific objectives were:

- a. to respond to the perceived need and expressed desire for consolidation activities by rural residents;
- b. to overcome the information constraint about land consolidation;
- c. to address questions of costs and benefits of a policy intervention;
- d. to create a body of experience, techniques and procedures to guide a national level program and to judge the usefulness of such a program.

The main activities during the implementation of this project have been the following:

- a. Facilitation of transactions through the sponsoring of a participatory process of negotiated exchange and rental;
- b. Subsidies to the transaction costs involved in formal land market transactions;
- c. Public information and educational activity about parcel grouping, formation of associations and land market transactions
- d. Legal assistance when needed.

The project played an important role and had a significant impact both directly for the beneficiaries in the pilot areas and to a lesser extent indirectly on the political level among decision makers. The simple fact that the project was the first of its kind in

Albania had a crucial kick-off effect not only in terms of giving land fragmentation a much higher priority and attention but more notably in providing concrete alternatives to overcome unsustainable farm structures. However by looking at the gradual increase of transactions over the project period it may also indicate that the likely benefits of the consolidation process have started to trickle down and that the adopted methodology is indeed practical, hands-on, simple and efficient and suits the farmers' requirements. Again, given its start-up nature and the difficult cultural and technical circumstances the project had to face and overcome this suggest a rather positive development in the right direction. As in the year 2002 the necessary documentation was uncompleted and the experience was not gained yet, the number of agricultural land transactions was low while in the year 2003 this number was 2.5 times more. Through the transactions made an agricultural land size of 94 ha has been consolidated. From all this land size, 49 ha has been transferred from one owner to the other through sales, exchanges and leasing adding to the initial land size of 45 ha.

Although initially farmers showed reluctance to the whole concept of land consolidation the fears to "lose out" or "give up" became gradually less especially when the first swaps, exchanges and transactions took actually place. All coordinators reported a substantial increase in requests during 2003 and 2004 even after the project has ended. They reported that in cases where amalgamation and farm enlargement occurred farmers were changing to more valuable crops and a marked intensification and specialisation took place. Additionally prices for consolidated plots increased substantially and actually doubled in one location. They also highlighted that with consolidation efforts alone the critical situation in the agriculture sector cannot be improved and they lamented that the project was not in the position to provide additional assistance for instance in marketing, credit, and infrastructure. They specifically mentioned the farmers' precarious financial situation and the lack of access to financial services which impede any investment for instance to buy land. This was also commented by the farmers themselves as the single most important constraint together with the actual very high land price which oscillates between USD 10-12.000 per hectare. Another crucial factor which inhibits more transactions are the implicit cost involved which forces farmers to informal, unregistered arrangements which e.g. puts in peril the security of their ownership. Other reasons for the still prevailing reluctance of farmers to take part in the project relates to a general uncertainty about the future, the lack of other economic alternatives, the likely change in land use from arable land to build-up areas and the absence of a clear and transparent land valuation scheme in order to include more swaps of plots which differ considerably in size.

Both farmers and coordinators in general believe "consolidation" is the right way to go and this not only for the expected financial gains but likewise in the process of accumulating wealth in assets which provides a certain security and could be a heritage for future generations. Farmers explicitly mentioned that the most important assistance consisted in having a trustworthy person (the coordinator) at their side to carry them through the cumbersome and time consuming administrative transaction procedures. Some went even further saying they would have never engaged in this endeavour alone since they would not have trusted "these people" and had fears to be "cheated" in the process.

## **The main achievements**

The findings from the pilot areas in Albania provided reliable evidence that the project has been instrumental to give way and stimulate the following processes:

- The project provided guidance for farmers on how to use the new asset land in a more productive and efficient way and the land consolidation process stimulated land transactions since consolidated farms and parcels present higher market values;
- The land consolidation process contributed to increased awareness among farmers and led to better cooperation and collaboration including in the management of land related disputes and conflicts;
- During the implementation of the pilot projects farmers took active part in decision-making processes which added to trust and confidence building towards local authorities and government institutions;
- It raised awareness and brought the issue of land fragmentation to the attention of decision-makers and other stakeholders and it provided concrete alternatives to current unsustainable agriculture structures;
- It designed and implemented simple, local, hands-on, cost-effective and easy multipliable solutions to overcome land fragmentation;
- It stimulated local land market development, contributed to farm intensification as well as it contributed to trust and confidence building both horizontally between farmers and vertically among farmers and (local) authorities;
- It provided guidance and advice to farmers and landowners on how to use the new asset land and hence contributed to untie the wealth in land. It is worth mentioning that the project produced an operating manual for the land consolidation component which provides farmers and other stakeholders an insight into the concept of land consolidation and clear indications on how to proceed with the relevant transactions.

## **Lessons learned during recent work**

As land fragmentation remains a very important constraint with negative impact in Albanian agriculture, one of the factors which could positively affect the situation is the development of land market. The land fragmentarization is induced by the divisions within the family tree and constructions made in the agricultural lands, as no laws exist to put order on the subject. Results of the interviews brings about the fact that almost 82% of the farmers are willing to consolidate the agricultural land and the fact that the agricultural transactions have been increased 76% in the year 2002 comparing to the year 1999.

The normal procedures to complete an agricultural land transaction last from 2 to 4 weeks and the cost of an exchange transaction is fixed at 8200 Albanian leke (85 USD) from which 4500 Albanian leke are paid to the notary and 3700 Albanian Leke are paid for services rendered by the IPRS. Another serious hindrance for transaction finalization is that adult persons are not always present at the time of land transactions. According to “The Heritage Law”, persons over 18 years of age should be present to sign for transactions or provide a Power of Attorney authorizing other

people to act on their behalf. Mistakes made in the land ownership documentation owned by farmers and the IPRS system impede the process of carrying out of the transactions and artificially increase the cost of a transaction. Critical pre-conditions such as the establishment of an easily understandable and differentiated land valuation scheme for both agriculture land and other land use purposes, clear and transparent land price information systems, restrictions on land sale and land lease, potential land conflicts and disputes, minimum training needs for staff members etc. are the main issues to be considered in the future. It is widely recognized that the current farm structure depicting small farm holdings and scattered parcels does not only affect the agriculture sector but likewise obstruct spatial planning and territorial organisation especially in terms of land administration, land use planning and land resource management. Decision-makers from both the public and private sector are faced with limited possibilities and alternatives to allocate scarce resources. This hampers the implementation of rural regional development policies, strategies, programs and projects aimed to improve rural livelihoods.

In terms of natural resource management and environmental protection those issues cannot be solved at the individual level but need concerted action and joint efforts among and between public and private actors. To make water and forest conservation effective, entire watersheds, river basins or protected areas have to be delineated and demarcated. This requires consolidation and re-allotment of plots and parcels together with clear and transparent ownership rights and, hence, clear and transparent duties and responsibilities.

As for rural-regional development subjects consolidation processes makes it possible to establish or improve communal and other public facilities, including village infrastructure such as roads, motorways and bypasses, pathways, footpaths, public areas, water supply, sewage systems, land fill sites, energy supply, sports facilities and so on. Ideally land consolidation measures should be an integrated part of communal development planning and local land use planning efforts.

Summarizing the above it is clear that any envisaged land consolidation/improved land management policy and strategy in Albania has to be holistic which tackles constraints in the rural labour market, improves rural finance and stimulate land markets, in particular land rental markets. While it is too simplistic to expect the market to solve all problems, a comprehensive rural development strategy focusing on rural infrastructure, creating off-farm rural employment opportunities, reducing labour mobility costs, increasing education and skills in combination with measures regarding land consolidation, better land management and improving the functioning of land markets, in particular the rental markets, may be the best way in addressing the fragmentation problems in Albania today. This cross-sector approach is more likely to contribute successfully to farm consolidation and farm development and in general to an increase in rural household welfare.

### **Concluding comments**

Although Albania is faced with political, economic and social problems, important steps have been achieved. A legal framework for land management has been created since 1991 but it consist of too many “reactive” laws; too many laws dealing with just one issue; laws which do not have a common philosophy. In order to impede the



further fragmentarization of the agricultural land, a review of the existing legislation is required, aiming to marginate parcel borders out of which the division of the parcels would be impeded by law, even in cases when a family member is separated by the family tree. As the tariffs and taxes applied on the transactions and paid to the IPRS and a notary seems pretty high for the economic level of the Albanian farmer, it is recommended their review aiming at a decrease of their level by the interested institutions. The availability of all the family members over 18 years of age in the time when transaction would occur at the notary office has seriously decreased the number of transactions and their timing.

A review of the current legislation is recommended in order to create facilities in this direction. The establishment of a permanent inter-institutional/agency working group including representatives from different line ministries and agencies, local authorities, farmer associations, the private sector and civil society. The already existing working group/task force for the Rural Development Sector could provide a valid platform. The Pilot Consolidation Program was not enough to cover the broad spectrum of the agricultural land consolidation issues. So, it is recommended that other similar initiatives on land consolidation should continue. The basic purpose of this measures is to let the momentum grow; fulfil the beneficiaries' expectations; gather more and indepth experience with different cases and create sufficient empirical evidence for a financial and economic cost/benefit analysis. Referring to the current circumstances, the establishment of small groups and associations participating in the land market development is recommended. The agricultural land consolidation in larger areas could be unrealistic for the moment and needs a very strong financial support to improve rural infrastructure, mechanization, irrigation, agro-processing and marketing. The following issues should be integrated into the long term land consolidation scheme in Albania:

- Give preference and put more emphasis on land exchanges and/or amalgamation of plots, and a cost sharing scheme involving all relevant stakeholders should be elaborated when assistance is provided to increase farm size via leasehold and freehold agreements;
- Review and update the current methodology integrating lessons learned from the pilot sites and best practices from other elsewhere;
- Review the information and awareness campaign material focusing more prominently on the economic and social benefits of land consolidation;
- Inclusion of other actors in the rural space such as local authorities, traders, retailers, commercial banks etc. and prepare appropriate PR material;
- Preparation of training modules and syllabus for land management and organize training and capacity building courses for both trainers (future land consolidators) and beneficiaries;
- Preparation of a financial and economic cost/benefit analysis to determine the economic viability of land consolidation and the preparation of an overall strategy for land consolidation and territorial organization in Albania;
- Amendment to the relevant laws, norms and regulations to ease exchange and amalgamation of properties, lease and freehold agreements, provide incentives and (fiscal) penalties, lower transactions costs etc as far as possible within the existing legal framework;

- Preparation of an appropriate, easy-understandable and differentiated land valuation scheme for both agriculture land and other land use systems;
- Moratorium to prohibit changes in land use in rural areas with immediate effect and the establishment of a clear and transparent land market/land value information system;
- Analyse models and possibilities to ease access to financial services such as mortgage-secured credit schemes using land as collateral and the development of a comprehensive rural- regional development strategy.