

Land Market Development and Small Farms' Access to Land in the Pre-Accession Countries" (LMSF-AC)

Interim meeting

May 10th, 2018
Durrës, Albania

**ANALYSIS OF LAND MARKET
DEVELOPMENT AND SMALL FARMS'
ACCESS TO LAND IN THE PRE-ACCESSION
COUNTRIES-THE CASE OF ALBANIA**

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Purpose of the presentation

1. To bring key messages from the focus group analysis
2. **Main content:**
 - Information about rental and sale land markets in Albania
 - Information about the land market policy and regulations in Albania
 - Factors affecting the functioning of land markets and small farms' access to land in Albania
 - Agri-policy measures related to land market;
 - Agricultural credit market;

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State of rental and sales market in Albania

- Overall rental and sales market is still underdeveloped.
- Main obstacles:
 - Unclear property rights,
 - ineffective legal enforcement,
 - lack of land titles
 - Autarchic behaviours
- From 2011-2015, about 3150 land transactions have been registered in average per year covering an area of 750 hectares.

Rental market – state-owned land

- State-owned land rental transactions are very limited
- In 2017, 10 state-owned land rental transactions have taken place covering an area of 155.06 ha (IPRO, 2017).
- Land rent price depends on land bonity
- Duration depends on crops:
 - Up to 10 years for field crops
 - Up to 30 years for vineyards, fruit-trees, greenhouses
 - Up to 99 years for olive grooves
- No restrictions on who can rent land!

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Rental market – private owned land

- Privately-owned land rental market is still largely informal and covers 19% of utilized land area (INSTAT, 2014).
- Estimates show about 10-15% of farmers have been involved in land rental transactions per year (Deininger et al., 2013; Qineti et al., 2014).
- About 90% of these transactions are informal (FG)
- The main transacting parties are relatives and neighbors
 - Duration is commonly one year (no need to be registered at the IPRO (FG)
 - Land is mostly used for fodder for livestock (FG)
- No restriction who rents land!
 - For land rents over 6 years, registration at IPRO is required

Sales market

- State-owned land sales are not allowed until the pre-1945 land owners have been compensated
- Privately-owned land sales are allowed with no limitation on surface, but on land use
- No restriction for Albanian citizens or companies to buy agricultural land
- Foreign physical or juridical persons are not allowed for a period up to 7 years from entry into force of the SAA between Albania and EU
- In case a foreigner is a shareholder in an Albanian-based company, no restriction for land purchase

Factors affecting land market access for small farmers

- Unclear property rights
- Lack of land titles
- Lack of credit access
- Social norms
- Land fragmentation

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Key institutional actors

- Immovable Properties Registration Office (IPRO)
- Ministry of Agriculture and Rural Development
- Land Administration and Protection –
- ALUIZNI
- Agency for Treatment of Property
- Civil Courts
- Governmental Commission on Land

Institutional framework

○ Laws

- Law 7501 “On Land” of 1991 – distribution of agricultural land
 - Between 1991 and 2008, Law No. 7501 was revised more than five times
- Law No. 171/2014 “On completion of legal procedures for transferring the ownership of agricultural land of State Farms to beneficiaries.
- Law No. 133/2015 “On ownership treatment and completion of the property compensation process”

○ By-laws:

- DCM No. 253, 6.3.2013 “On determination of procedures for completion of land ownership titles for families residing in villages of former agricultural cooperatives”.
- DCM No. 337, dated 22.4.2015 “On the determination of the procedures for transferring the ownership of agricultural land of former state farms to beneficiaries (members of state farms).
- DCM No. 994, dated 9.12.2015 “On the procedures for registration of land ownership titles”.

Institutional framework (cont)

- The key legislation regulating the land transfers, rental and sales market:
 - Law No .7983, dated 27.7.1995 “On sales of agricultural land, pastures and meadows”
 - Law No. 8318, dated 1.4.1998 “On rental of agricultural land, forests, pastures and meadows owned by the state”, amended
 - And respective by-laws
- Unresolved issues:
 - still pertain to compensation and restitution of agricultural land to former owners Law 7698, 15.4.1993
- Law No. 133/2015 “On ownership treatment and completion of the property compensation process” to address this issue.

Land Market Policy in Albania

- Land consolidation policy is viewed as the key mechanism to increase the farm size and reduce land fragmentation
 - Albanian National Land Consolidation Strategy, developed through FAO's technical assistance project "Support to the Preparation of a National Land Consolidation Strategy and a Land Consolidation Pilot Project", adopted by DCM no 700, dated on 12.10.2016
 - Another important policy - "AGRO 100 and AGRO 10 Initiative – Encouragement of Investments and Partnership in Agriculture".
 - The program's objective is to support investors with fiscal facilitations, institutional and infrastructure support.

Land Market Policy in Albania

- Intersectoral Strategy for Agricultural and Rural Development 2014-2020 aims at improving farm structure by increasing the average farm size
 - Farm size target is about 2.5 ha for avg farm size and 3.5 ha for market-oriented farms.
 - The program “Sustainable management of the agriculture land”, financed by MARD, has created a Land Information System (LIS).
 - The program “Strengthening of Albanian Payments Agency (AZHBR) for allocation of agriculture payments” aims at establishing the (LPIS) and farms’ register as part of the establishment and functioning of the IACS system.

Other land market support measures

- Incentives to equip farmers with land titles are being provided (Law no. 710 has determined 31.12.2018) (costs 28 Euro per plot)
- Agriculture land transactions decreased (with 50%) if land never registered (from 6000 ALL to zero ALL per registration but 3500 ALL for issuing Title)
- Agriculture land tax exempted if investments has been carried (aprox: save at 2 Euro per year per plot)
- Land sale fiscal incentives: Tax exemption of 15% for farms sold for agriculture use (e.g. Save in average 400 Euro/Ha sold)

Agricultural policy measure

- Special incentives are given in 2018 in terms of
 - farm subsidies for farm sizes of 5 ha (measures related to competitiveness), and premium of 25% if 10 Ha or 50% of 10-20 ha
 - groups of farmers renovation of fruit blocks (minimum 1 ha) or
 - individual investments planting perennial crops, improving irrigation and drainage systems, establishing greenhouses (minimum 0.5 Ha or expansion of 0.3 Ha if renovated).
 - Cooperatives 5 Ha

Expected impact

- The support measures for the modernization of the farm and increase of farm investments
 - has fostered the land rental market.
- Moreover the requests for land in blocks of minimal size of 0.5 ha (during 2011-2014 was even reduced to 0.2 ha) might have reduced the propensity of farmers to subdivide land (currently 317.8 ths farms) .
- New measures oriented for land larger than 5 Ha may motivate the purchases of land from farmers and non-farming communities (Legal entities 6 ths farms).
- Measure of 1 Ha (renovating fruit blocks in group) may revitalise cooperation (currently 10 ths farms are joint HH)

Agricultural credit market

- The share of overall credit in Agriculture is 5.2 Million Euro or 1.2% of the overall credit volume
 - and even this small share is declining with the years
 - it was 2% to 2.5% in the first half of the decade 2000-2010
- In 2016 the gross fixed capital formation in agriculture amounted to only EUR 60.4 million or less than 4% of GVA.
- A gap of approximately €600 Million in financing is estimated for the sector to generate adequate growth.

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Agricultural credit market

- There are 16 banking and 28 Non-Banking Institutions in Albania.
- In rural and agriculture production areas banks are much less present (but ... expanding).
- Non-banking financial institutions are more spread.
- Non banking financial institutions are more important on providing credit to agriculture sector.
- The shared portfolio for agricultural crediting in these institutions is 13.6%.
- A part of it the microfinance industry is estimated to reach about 2.4% of the population and roughly 80% of country.

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Thank You!