



## USAID COUNTRY PROFILE

### PROPERTY RIGHTS AND RESOURCE GOVERNANCE

## ALBANIA

### OVERVIEW

Albania has significant natural resources, including fertile agricultural land, an Adriatic/Ionian coastline, abundant water resources with hydropower potential and valuable mineral deposits. Since the fall of communism in 1991, the country has made significant progress toward establishing a multi-party democracy and has implemented numerous economic reforms. Albania's economy is one of the fastest growing in Europe (averaging 5.5% in the 2006 – 2009 period) and the percentage of the population living in poverty fell from 25% in 2002 to 12% in 2008.

However, despite its progress Albania remains one of the poorest countries in Europe. Per capita income was US \$4,070 in 2009. Of its labor force of about 2 million people, an estimated 1.2 million work abroad; remittances are responsible for an estimated 30-40% of GDP. The country faces high unemployment (13% in 2010), low foreign direct investment, poor infrastructure and rising trade deficits. Albania applied for European Union membership in April 2009. In November 2010, the European Commission's assessment recognized the progress that Albania has made but concluded that Albania's democratic institutions have not yet achieved the effectiveness and stability required for membership.

One area called out by the European Commission in its assessment was Albania's persistent land tenure insecurity. Land reforms implemented after the fall of communism provided hundreds of thousands of people with smallholdings and urban residences but failed to address the rights of pre-1945 landowners. The estimated 41,000 claims to restitution and compensation remain largely unresolved and undermine tenure security and the development of functioning formal land markets. Almost 70% of all civil cases pending in Albanian courts involve land disputes. The courts suffer from an inadequate legal framework, inefficiencies, and corruption. Albanian citizens have resorted to bringing property claims against the Government of Albania (GOA) before the European Court for Human Rights (EctHR) – where initial decisions are going against the GOA. The GOA is taking steps to strengthen property rights, including continuing a national project to register all property and to regularize the significant number of informal landholdings in urban and peri-urban areas. Creating a plan to address the claims for restitution and compensation from pre-1945 landowners is proving most challenging.

The GOA is also targeting the agricultural and mining sectors with initiatives designed to promote growth and good governance of natural resources. Albania's agricultural sector, which accounts for over half of employment but only about one-fifth of GDP, is limited primarily to small family operations and subsistence farming. GOA strategies to improve agricultural performance will require support for modern equipment and extension services, sufficient high-quality inputs, continued rehabilitation of irrigation infrastructure, and the development of farmer associations and a functioning rental market for agricultural land. In the mining sector, the GOA is in the process of revising the legal framework and developing systems to support its candidacy for an Extractive Industries Transparency Initiative county.

### KEY ISSUES AND OPPORTUNITIES FOR INTERVENTIONS

- **Address pre-1945 restitution and compensation claims.** The European Commission has called for the GOA to develop a national action plan on property rights that includes a strategy to address the pre-1945 landowner claims for restitution and compensation that takes the emerging EctHR case law into account and includes a broad stakeholder consultation process. *USAID and other donors could provide technical assistance to the GOA design a stakeholder consultation process work with the Property Restitution and Compensation Fund to develop processes*

that utilize the pool of assets already identified by the GOA, as well as assist in identifying possible new assets, to continue resolving claims.

- **Enhance dispute resolution mechanisms for land conflicts.** Land conflicts remain a significant obstacle to secure land tenure and property rights because of real and perceived corruption and lack of capacity within an overwhelmed court system. In addition, although there is evidence that village elders, municipal officers and other local leaders are called upon frequently to mediate disputes, a formal system of mediation does not exist and the law does not authorize judges to transfer cases from the courts to mediation. *USAID is beginning a five-year Justice Sector Strengthening Project to assist the GOA in increasing court transparency, fairness, and efficiency and strengthening the judiciary and legal profession. In conjunction with this project, USAID and other donors could create a component focusing specifically on the backlog of land dispute cases, including developing appropriate mechanisms and institutions to help resolve pending cases and build capacity within the judiciary and informal and alternative dispute resolution tribunals on land rights.*
- **Address informal settlements in urban and peri-urban areas.** Approximately 25% of the urban population lives in informal settlements and the settlements constitute 40% or more of urban construction. The GOA has struggled with methods of managing the illegal settlements and at times has resorted to demolishing residences in order to avoid recognizing informal rights and thus creating parallel land tenure systems. In 2006, the GOA created the Agency for the Legalization, Urbanization and Integration of Informal Areas/Construction (ALUIZNI) to spearhead the regularization of rights in informal settlements and the integration of those settlements into urban planning. *USAID and other donors could support the efforts with technical assistance to help create a comprehensive legal framework that integrates the process of formalization with resolution of competing claims and development of urban plans and zoning regulations that address needs for affordable housing needs.*
- **Develop initiatives to improve productivity of smallholdings.** Smallholders dominate rural agriculture and their productivity is constrained by limited use of modern inputs, outdated technology, and poor infrastructure. The rural land market (rental and sale) is weak. Some observers also identify the relatively small size of farms and a number of plots as inhibiting efficiencies. *USAID and other donors could build upon current EU analysis of how Albania will fit into the Common Agricultural Policy and support initiatives that promote rural economic stability and growth. Donors could help to develop appropriate policies, mechanisms and institutions that will help small farmers improve productivity and develop linkages with local and regional markets.*
- **Strengthen local management of natural resources.** Poor management of water and forest resources have compromised water quality and resulted in overexploitation of forests for fuelwood and grazing. The legal framework provides the foundation for community-based natural resource management, and USAID and other donors have played significant roles in helping the GOA develop institutions and capacity for local management of natural resources. The GOA contemplates devolving more authority over natural resources to local governments and communities, including ownership rights to forestland. *USAID and other donors could help local government and communities prepare for increased authority by reviewing existing legal frameworks and identifying areas for strengthening and amendment; evaluating the performance of local governments and users groups and collecting and disseminating best practices and lessons learned; and creating pilot projects to develop experience managing new levels of authority and rights.*

FOR MORE RECENT LITERATURE:

<http://usaidlandtenure.net/albania>

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## SUMMARY

Prior to 1944, landholdings in Albania were highly concentrated. When the communist government came to power in 1944, the state confiscated and nationalized all land and formed large-scale cooperatives and state farms. When communism collapsed 46 years later, the post-communist government introduced a system of individual property rights. In an effort to avoid re-empowering pre-1945 landowners and returning to a feudal system, the government passed legislation allocating the land held by agricultural cooperatives on an equal per capita basis to cooperative members. Land was allocated without reference to the pre-1945 boundaries and landowners. In addition, land held by state farms was distributed to the workers and urban residents were given ownership of the apartments and individual houses they occupied and a minimal amount of land around the dwelling.

In much of the north and mountainous and hilly areas, the legislation was ignored and land was distributed to former pre-1945 owners based on the former boundaries. In the other areas, including fertile lowlands, farm families received ownership rights to smallholdings, usually split among several parcels. Since the 1990's, the average farm size has slowly risen to about 1.2 hectares per family.

The initial land distributions were followed by legislation recognizing the rights of pre-1945 landowners to restitution of their land or compensation. However, much of the land claimed by pre-1945 landowners had already been granted to new owners, creating disputes over ownership rights and undermining tenure security. Efforts to compensate landowners for the value of the land they lost (estimated at US\$ 5 billion in 2010) have been stalled by the lack of adequate funds.

Internal migration from the northern and mountainous regions of the country to urban and peri-urban areas has been steady, which has strained urban water and sewage systems and caused to health and environmental problems. Approximately 25% of the urban population lives in informal settlements. Residents of these settlements often lack secure tenure and are subject to eviction.

Under formal law, women have rights equal to those of men, including the right to own property. However, during privatization agricultural land was primarily titled to men as heads-of-households, even when women were heading the household in practice, reflecting a continuing dominance of men over productive assets. Customary law (the *Kanun*), which continues to govern issues of personal law and land rights in many areas, supports paternalistic practices. Under customary law land is considered owned by the extended family rather than by individuals, but male family members tend to make decisions regarding the land and its production, and land commonly passes to male heirs. Women obtain access to land through their husbands.

### BOX 1. MACRO INDICATORS

|   | Year | Score                |
|---|------|----------------------|
| Population, total   | 2008 | 3,143,291            |
| Population ages 0-14: 15-64: 65+ (% of total)   | 2008 | 24.2: 66.5: 9.3      |
| Population growth (annual %)  | 2008 | 0.3                  |
| Rural population (% of total population)  | 2008 | 53.3                 |
| Population density (people per sq. km)  | 2008 | 114.7                |
| Literacy rate, adult total (% of people ages 15 and above)  | 2007 | 99.0                 |
| Land area: Surface area (sq. km)  | 2008 | 27,400: 28,750       |
| Arable land (% of land area)  | 2005 | 21                   |
| Agricultural land (% of land area)  | 2005 | 41.0                 |
| Permanent cropland (% of land area)   | 2005 | 4.5                  |
| Irrigated land (% of cropland)  | 2003 | 50.5                 |
| Forest area (% of land area)  | 2005 | 29.0                 |
| Nationally protected areas (% of total land area)   | 2008 | 8                    |
| Renewable internal freshwater resources per capita (cubic meters)                                 | 2007 | 8,587.5              |
| Annual freshwater withdrawals, agriculture: domestic: industry (% of total freshwater withdrawal) | 2007 | 62.2: 26.9: 11.1     |
| Crop production index (1999-2001 = 100)   | 2005 | 98.8                 |
| Livestock production index (1999-2001 = 100)  | 2005 | 114.4                |
| GDP (current US\$)  | 2008 | 12,294,892,535       |
| GDP growth (annual %)   | 2008 | 6.0                  |
| Agriculture: industry: manufacturing*: services, value added (% of GDP)                           | 2008 | 21: 19.7: 12.3: 59.3 |
| Ores and metals exports: imports (% of merchandise exports: imports)                              | 2007 | 13.6: 2.9            |
| Aid (% of GNI)  | 2007 | 2.7                  |

\*Manufacturing as % GDP is 2003 value.

Source: World Bank, 2009

Albania is rich in water, forest and mineral resources. Despite its water abundance, Albania has significant problems with reliable household access to water and contamination of water sources. Agriculture relies on irrigation during dry months, and local government and water user groups face challenges to repair and build infrastructure and provide access to water on a sustainable basis.

About 28% of total land in Albania is classified as state-owned forest land. The state is devolving responsibility for the use and management of forestland to local governments (communes), which in turn enter into use agreements with local communities. The state contemplates an eventual transfer of ownership rights to forests to local governments. The current legal framework does not adequately address local use rights to forest products, including timber.

The mining sector, which accounted for a high percentage of total exports in the communist era, suffered a sharp decline in the decade that followed. The country has significant reserves of chromite, copper, and iron and is home to Europe's largest on-shore oil fields. The GOA recognizes the role that the sector can play in stimulating the economy; the Ministry of Economy, Trade and Energy has drafted a new mining law, which is under internal review, and is consolidating mineral rights holdings to encourage new investment. Albania is an Extractive Industries Transparency Initiative candidate country.

## I. LAND

### LAND USE

Albania is a mountainous country covering 27,400 square kilometers on the western edge of the Balkan Peninsula. The country has three main ecosystems: coastal plains; a hilly transition zone; and a mountain zone. The landscape is a diverse mix of grasslands, marshland, fertile cropland, hundreds of rivers and lakes, coastal lagoons, sand dunes, high plateaus and rocky mountains (NACFP 2007; Shundi 2006).

Albania had a population of 3.1 million (2008), 98% of whom are ethnic Albanian. The majority of the population is rural (53% in 2008). Internal migration from the northern interior and mountainous regions to the cities -- especially the greater Tirana area -- is steady, and the urban population is growing at an annual rate of 2%. In 2008, GDP was US \$12.3 billion, of which 21% was from agriculture, 20% from industry and 59% from services. Of the 2 million people in the labor force, and estimated 1.2 million work abroad and remittances constitute between 30% - 40% of GDP. Agriculture and related sectors employed roughly 38% of the labor force in 2008. An estimated 30% of livestock and crop production is market-oriented, while the remaining 70% is intended for home consumption. Ninety-one percent of farm households keep livestock, usually a mix of dairy cows, sheep, goats, and chickens. Livestock is responsible for roughly 47% of agricultural production (World Bank 2009a; World Bank 2011a; Shundi 2006; World Bank 2007d; USDOS 2010a; USDOS 2010b).

Albania is a low middle-income country, with per capita income at \$4,070 in 2009. Albania averaged 5.5% economic growth between 2006 and 2009, making it one of the fastest growing economies in Europe. The number of people living in poverty is declining: between 2002 – 2005, urban poverty fell 43% and rural poverty fell 18%. Nonetheless, with about 11% of urban residents and 24% of rural residents living below the national poverty line, Albania continues to be one of the poorer European countries. Poverty is highest in the mountain areas and among female-headed households (World Bank 2007c; USDOS 2010a).

Approximately 41% of Albania's land is classified as agricultural land, including the 15% of total land classified as pasture. The amount of arable land has increased from 21% in 2007 to an estimated 24% in 2010. Agricultural land is primarily concentrated in the coastal plains of the west, river valleys and high plateaus. About 60% of pastureland is in the highlands, hills and mountains and is used for summer grazing; 40% of pastureland is in lowlands and used during the winter months. Fifty-one percent of cropland irrigated (World Bank 2007a; World Bank 2009a; Shundi 2006; World Bank 2011a).

Agricultural land must be used only for agricultural purposes. In rural areas, a statutory "yellow line" on zoning plans defines a village settlement, and construction of dwellings and buildings for non-agricultural purposes outside of the line are prohibited. Sanctions, including fines and withdrawal of rights to land, can be levied for violating these provisions. Nonetheless, violations are common, in part because families traditionally build houses on their fields rather than in the village (World Bank 2006c).

Internal migration from Albania's less prosperous mountainous areas and the northern region of the country to urban and peri-urban areas has strained housing supplies and urban water and sewage systems, leading to health and environmental problems. Approximately 25% of the urban population lives in informal settlements with substandard housing, limited services and the threat of eviction and wholesale destruction of settlements (USAID 2005; Tsenkova 2009; World Bank 2010a).

Forests cover an estimated 29% of total land area in Albania. In the 2000 - 2005 period, the country gained forestland at an annual rate of 0.6%. The amount of nationally-protected land has increased from an estimated 8% of total land in 2008 to 13% of total land in 2010. The mountainous terrain, heavy autumn and winter rains, overgrazing and deforestation make the country's soil vulnerable to erosion. Lowlands are subject to flooding during rainy periods, and with limited waste water treatment facilities operating, surface and groundwater have become contaminated by industrial and domestic effluents (World Bank 2009a; World Bank 2003a; Zdruli and Lushaj 2001; GOA 2010a).

## LAND DISTRIBUTION

Prior to collectivization during the communist era, land ownership in Albania was highly concentrated. When land privatization began in the early 1990s, policymakers were concerned that returning land to the original owners would recreate feudal structures. Between 1990 and 1994, agricultural land from collective farms was distributed to member families. In about half the rural areas, distribution followed the legislative requirement of equal per capita shares. The head of household received the land and was responsible for distributing shares to family members. In the other half of Albania's rural areas (primarily the north and hilly and mountainous areas in the central part of the country), local leaders distributed former cooperative farmland based in large measure on pre-1945 landholdings, or "old boundaries." These distributions recognized the ancestral land rights that enjoyed high levels of social legitimacy and while they were not necessarily consistent with the formula in the formal law, do not appear to have been challenged (Frangakis et al. 2008; World Bank 2006c; Kola 2007).

In the fertile lowlands and coastal areas, pre-1945 landowners were initially excluded from consideration for land distributions. In 1993, legislation granted the pre-1945 landowners rights to claim or be compensated for non-agricultural land, as well as agricultural land in holdings up to 100 hectares. The legislation and the granted rights have been subject to numerous amendments, abrogation, and revision with each shift in political power. The resulting ambiguity in rights, coupled with limitations in the extent of land and amount of funds available for restitution and compensation, have combined to leave the majority of original landowners uncompensated (Frangakis et al. 2008; World Bank 2006c).

The distribution of agricultural land created a system of small, fragmented landholdings. Albania has between 354,000 and 375,000 household farms on 700,250 hectares of land. Thirty-six percent of households hold between 1-2 hectares of land; 10% hold more than 2 hectares. The average farm size has been increasing slightly to about 1.2 hectares, made up of between 2-4 separate parcels. These separate small parcels were allotted when farmers refused initial allocations of larger parcels land that were of poor quality or without irrigation facilities and are often located far from each other. Researchers note that numerous small parcels can create production inefficiencies and discourage investment, although multiple plots can also allow farmers the opportunity to develop different crops and spread the risk of environmental shocks (Frangakis et al. 2008; World Bank 2006c; World Bank 2007d; Kola 2007; Hristov 2009).

The state owns about 26,780 hectares of agricultural land that has not been distributed. Most of the land is in mountainous areas, remote regions, or is of poor quality and was refused by farmers. The state must hold the land until all restitution claims have been determined because the land may be granted as restitution or as an alternative land grant (World Bank 2006c; Frangakis et al. 2008).

Eighty-seven percent of urban housing is privately owned. In 1992, urban households received ownership rights to 237,700 residential units. Despite successful privatization of urban housing, demand for urban housing – fueled by steady internal migration to urban areas – has overwhelmed supply. Between 1991 and 2004, only 45,000 legal residential units were constructed. The slow rate of construction of formal residences has caused housing shortages and growth of informal settlements, most of which are on public land (Sallaku and Tota 2006; World Bank 2006c; World Bank 2007a; Frangakis et al. 2008).

## LEGAL FRAMEWORK

The Constitution of 1998 guarantees the right to private property and provides that property rights cannot be infringed without due process. The 1991 Law on Constitutional Principles (No. 7491) committed the state to developing economic relations based on market principles and private land ownership (GOA Constitution 1998; World Bank 2006c).

Albania's 1994 Civil Code is the principle legislation governing land ownership, leaseholds, and rights of possession and use. The system of property ownership depends upon whether it is private, state or municipal land, with each category of land having its own regime for ownership, possession and other rights (World Bank 2006c).

Land reform started with three laws in the early 1990s, which formed the legal basis for distribution of state land:

1. *The Law on Land (No. 7501)(1991)* transferred ownership rights to collective farmlands to member families living in the rural area at the time of the distribution.
2. *The Law on Privatization of State-Owned Housing (No. 7652)* granted urban families ownership of the apartments and individual houses they occupied.
3. *The Law on Sanctioning and Protecting Private Property (No. 7512)* recognized private property and allowed the ownership and leasing of urban land (World Bank 2006c).

### BOX 2. LAND TENURE INDICATORS

|  | Score |
|--|-------|
| <u>Millennium Challenge Corporation Scorebook, 2009</u>  |       |
| — Land Rights and Access (Range 0–1; 1=best)   | 0.812 |
| <u>International Property Rights Index, 2009</u>   |       |
| — Physical Property Rights Score (Range: 0–10; 0=worst)  | 4.8   |
| <u>World Economic Forum's Global Competitiveness Index, 2008-2009</u>                              |       |
| — Property Rights (Range: 1–7; 1=poorly defined/not protected by law)                              | 3.2   |
| <u>World Economic Forum's Global Competitiveness Index</u>   |       |
| — Ease of Access to Loans (Range: 1–7; 1=impossible)   | 3.3   |
| <u>International Fund for Agricultural Development, Rural Poverty Report, 2001</u>                 |       |
| — Gini Concentration of Holdings, 1981-1990 (Range: 0–1; 0=equal distribution)                     | ...   |
| <u>International Fund for Agricultural Development, Rural Sector Performance Assessment, 2007</u>  |       |
| — Access to Land, 2007 (Range: 1-6; 1=unsatisfactory access)                                       | 4.4   |
| <u>Food and Agricultural Organization: Holdings by Tenure of Holdings</u>                          |       |
| — Total Number of all Agricultural Holdings, Year  | ...   |
| — Total Area (hectares) of all Agricultural Holdings, Year   | ...   |
| — Total Number of Holdings Owned by Holder; Year   | ...   |
| — Total Area (hectares) of Holdings Owned by Holder; Year  | ...   |
| — Total Number of Holdings Rented from Another; Year   | ...   |
| — Total Area (hectares) of Holdings Rented from Another; Year                                      | ...   |
| <u>World Bank Group, Doing Business Survey, 2009</u>   |       |
| — Registering Property-Overall World Ranking (Range: 1–181; 1=Best)                                | 86    |
| <u>World Bank Group, World Development Indicators, 2009</u>  |       |
| — Registering Property-Number of Procedures  | 6     |
| — Registering Property-Days Required   | 42    |
| <u>World Bank Group, World Development Indicators, 1998</u>  |       |
| — Percentage of Population with Secure Tenure  | ...   |
| <u>Heritage Foundation and Wall Street Journal, 2009</u>   |       |
| — Index of Economic Freedom-Property Rights (Range 0-100; 0=no private property)                   | 30    |
| <u>Economic Freedom of the World Index, 2008 (2006 data)</u>                                       |       |
| — Legal Structure and Security of Property Rights (Range 0-10;0=lowest degree of economic freedom) | 4.94  |
| — Protection of Property Rights (Range 0-10; 0=lowest degree of protection)                        | 3.54  |
| — Regulatory Restrictions of Sale of Real Property (Range 0-10;0=highest amount of restrictions)   | 7.96  |

The 1993 Law on Restitution and Compensation of Properties to Former Owners (No. 7698), which was revised most recently in 2004, allows pre-1945 landowners to claim non-agricultural land and agricultural land up to 100 hectares. However, most of this land was already distributed to collective farm workers under the 1991 and 1992 laws. Compensation in lieu of restitution can take one or more of the following forms: state land of equal value; land in tourism development zone; shares in companies with state capital; the value of objects, such as farming equipment, subject to privatization; and money exempt from fees or taxes. The revised law (2004) established a State Committee on Restitution and Compensation of Property (World Bank 2006c; Frangakis, et al. 2008).

The 1995 Law on Pasture and Grazing Land (No.7917) provides for devolution over rights to manage and use state-owned pastureland to local governments. Communes can establish ten-year lease contracts with pasture-users (Shundi 2006).

The 2004 Law on Legalization & Urban Planning of Informal Zones (No. 9304) was designed to address the widespread problem of illegal occupation of urban land through formalization of rights. The Law

created a system of self-declaration applications, by which occupiers could apply to pay the market price to acquire ownership of their land from the state (World Bank 2006c).

Albania's codes of customary law, or *Kanun*, were primary sources of law in most of the country up through the 20th century. Customary law continues to govern matters of land use and inheritance in some parts of Albania, particularly in the north and remote regions. In those regions, customary law is enforced by traditional leaders and adjudicatory bodies. Albania's formal legal system does not recognize the *Kanun* (Clarke 1999; Wheeler 1998).

## TENURE TYPES

Under Albania's Civil Code, land may be privately owned or owned by the state. Land that is privately owned may be freely bought, sold or leased, and landowners have the right to exclusive possession and use of the land. Over 568,000 hectares of agricultural land have been privatized, and privately owned land constitutes over 80% of agricultural land. Through the process of restitution and compensation, some pastureland has also come under private ownership. Between 73% and 86% of urban land is privately owned (Frangakis et al. 2008; World Bank 2006c).

The state owns almost all of the country's forest, pastureland and protected lands. The state also owns about 27,000 hectares of agricultural land and an estimated 16,000 parcels (19%) of urban land. State land can be leased to private individuals and communities and authority to manage and use the land devolved to local governments. State agricultural land can be leased for periods of up to 10 years for most crops; up to 30 years for livestock. Low forest, and protected land; and up to 99 years for tourism development, fruit trees, and high forest. Communes hold use rights to approximately 244,000 hectares of state pastureland (World Bank 2006c; Kola 2007).

Under the *Kanun* and traditional practice, land is owned by the extended family rather than by individuals. According to customary law, land and immovable property belong to the family as a unit. The head of household, usually a man, is considered to be the household representative. Although all family members are deemed to be owners of family land, the representative owner generally has sole right to decide on land transactions, has the final decision on how land should be used (even though other family members may be active in the decision-making process) and represents the family's property interests in the public sphere. His name alone appears on property or transfer deeds (Wheeler 1998).

## SECURING LAND RIGHTS

Albania's formal law allows people to access to land through inheritance, purchase, gift, and government land allocations. Most landholders obtain their land rights through: government land distributions; inheritance; purchase or lease on the informal market; occupation of plots in informal settlements; or use rights granted by local governments. Foreigners can purchase private residential land and commercial land, so long as the proposed investment is at least three times the value of the land. Foreigners are prohibited from buying agricultural land but can obtain 99-year leases (GOA Constitution 1998; Kola 2007; World Bank 2006c; USDOS 2010b).

A land title document known as a *tapi* is considered proof of land ownership. After the fall of communism, the GOA passed legislation requiring land registration and developed institutions of land administration that supported systematic (government-initiated) and sporadic (individually-initiated) land registration. The process for systematic registration (also known as "first registration") involves the following steps: a subcontractor assembles source documents; teams visit the field to map the property; legal experts document the historic chain of transactions; the registrar displays the draft Registry Index for a cadastre zone in a public place for 90 days; and the registrar binds the pages into the Registry Volume. If there are no ownership documents for a parcel, the occupants can attempt to establish title by providing supporting documents. If none of these conditions can be met, the land is registered in the name of the state. In 2010, registering a property transaction for previously registered property (sporadic registration) required 6 procedures, 42 days, and payment of 3.4% of the property's value in fees. The registration process has been plagued by complexity, inaccuracies, and corruption (World Bank 2007a; World Bank 2011c; World Bank 2006c; Gaynor and Bledsoe 2000).

As of December 2008, 86% of Albania's land has been registered, although international observers have reported serious problems with the first registration process, mainly relating to disputed claims to land and inaccuracies. In addition, many owners with registered land do not have title documents. According to 2006 estimates about 600,000 urban and 300,000 rural parcels remain to be registered. Much of the land that remains to be registered is

in valuable urban and Ionian coastal areas. The slow pace of resolving restitution and compensation claims of pre-1945 owners has undermined tenure security and a robust formal land market. The Land Administration Management Project (LAMP), which has a revised goal to register 400,000 properties by 2013, and the more recently initiated Organization for Security and Cooperation in Europe (OSCE) project to register land in four Ionian coastal communes, both seek to improve tenure security and certainty in land rights. Holders of pre-1945 rights in the Lukova and Himare municipalities have been protesting any registration that does not recognize pre-1945 rights (Frangakis et al. 2008; Stahl et al. 2007; World Bank 2007b; OSCE 2010; SManalysis 2010).

Although the percentage of registered property is high, the vast majority of subsequent property transactions and transfers are informal and are not registered. Reasons for avoiding the official registration system include poor quality service, high notary fees, multiple demands for informal payments and the registry office's collection of a property transfer tax (World Bank 2006c; World Bank 2007b).

About 14% of Albania's land does not have documented ownership or has unresolved restitution claims and is classified as restricted. Transactions of restricted land are prohibited until the rights are adjudicated or otherwise resolved. However, most owners of restricted property ignore the restriction and engage in informal transactions (World Bank 2006c; World Bank 2007b).

Illegal occupants of state land may be able to seek regularization of their rights under the formal law, unless the occupied land is municipal land or designated for tourism development. In some cases, land developers negotiate with land occupiers for development the land in exchange for giving the occupants formal rights to 35% of the final floor space. If the land is legally owned by a private party the illegal occupier may negotiate an agreement to purchase or lease the land. If no agreement is possible, the state may buy out the legal owner at a price based on pre-urbanization value, and then sell the land to the occupier at current urbanized market value. The occupier would also have to pay for technical work, surveys and administrative fees (World Bank 2006c; World Bank 2007c).

#### INTRA-HOUSEHOLD RIGHTS TO LAND AND GENDER DIFFERENCES

Under the formal law, Albanian women and men have equal rights to access and hold land. The Constitution mandates the equality of men and women and prohibits discrimination on the basis of sex. The Civil Code of 1994 provides a definition of joint property and grants identical rights to all parties in terms of the transfer and administration of such property. The Civil Code also gives men and women equal rights to inherit property. Succession law provides that a surviving spouse retains at least half of any joint property held by the deceased. In addition, if a spouse dies without a will, the surviving spouse inherits at least 50% of the deceased's separate property. Individuals are also allowed to bequeath all of their separate property by will (Wheeler 1998; OECD n.d.; GOA Constitution 1998; GOA Gender Law 2004).

Under customary law, which continues to govern women's access and rights to land in many areas, women's rights are generally not equal to men's rights. Particularly in the northern and remote mountainous regions, land is generally considered owned by the family as a whole; family members have rights of access and use and to receive the production from the land. The head of household, which is usually a man, serves as representative of the family's interest in the land. While in theory family members have equal interests in the family land and despite formal law granting equal property rights to women and men, Albania has a patriarchal tradition and property is passed down the male line. During privatization, the vast majority of agricultural cooperative land was titled in the name of men, even when women were serving as the heads of household (Lastarria-Cornhiel and Wheeler 1998; OECD n.d.; Wheeler 1998).

| BOX 3. LAND AND GENDER INDICATORS  |  | Score |
|--|--|-------|
| OECD: Measuring Gender In(Equality)—Ownership Rights, 2006                           |  |       |
| — Women's Access to Land (to acquire and own land) (Range: 0-1; 0=no discrimination) |  | 0.5   |
| — Women's Access to Property other than Land (Range: 0-1; 0=no discrimination)       |  | 0.2   |
| — Women's Access to Bank Loans (Range: 0-1; 0=no discrimination)                     |  | 0.5   |
| FAO: Holders of Land Classified by Sex, 1993   |  |       |
| — Percentage of Female Holders of Agricultural Land                                  |  | ...   |

Women gain access to land through their relationship with their fathers or husbands and usually relinquish their claims to their family's land when they marry (at which time women usually move to their husbands' family homes). In the event of the death of a spouse, according to the *Kanun*, widows may manage land until their sons



are of age, after which their sons will become the decision-makers; the widows may retain use rights to the land. If the widow has no children, the property reverts to the deceased husband's relatives and the widow returns to her parents' house. In general, Albanian women rarely inherit land despite their right to do so under formal law (Lastarria-Cornhiel and Wheeler 1998; OECD n.d.; Wheeler 1998).

In the southern region of Albania, the *Kanun* is influenced by Muslim law, and attitudes toward women's rights to land tend to be more flexible. Consistent with Islamic principles, women may inherit a share of family land and be considered equal owners of their marital property. Customary law also carries less influence in urban areas, where women and men are more likely to be aware of the formal law (Wheeler 1998; OECD n.d.; Lastarria-Cornhiel and Wheeler 1998).

## LAND ADMINISTRATION AND INSTITUTIONS

The primary agency of land administration is the Immovable Property Registration Local Office (IPRO). The IPRO is the successor agency to the original Immovable Property Registration System (IPRS), which initiated systematic land title registration in the 1990's. The IPRO, which is under the Ministry of Justice, is responsible for land titling and registration, maintenance of records and oversight of surveying and mapping. The IPRO operates from a central office in Tirana and in 12 prefectures (*quarks*). At the commune level, local administrations are responsible for land appraisal, tax administration, and land use monitoring (Stahl et al. 2007; Stanfield and Jazo 2008; World Bank 2006c; Stanfield 2004).

The Agency for the Legalization, Urbanization and Integration of Informal Areas/Construction (ALUIZNI) is under the Ministry of Public Works, Transport and Telecommunications. ALUIZI is responsible for managing the formalization of rights to urban and peri-urban land, and the integration of informal settlements into urban planning and development (ALUIZI 2011).

The Ministry of Environment, Forest and Water Administration (MEFWA) includes the Directorate of Forests and Pastures, which has jurisdiction over forest and pastureland. The Ministry also administers the Law on Environmental Protection, assisted by the National Environmental Council. The Ministry of Agriculture, Food and Consumer Protection (MAFCP) consults on access to and the inventory process for undistributed state farmland. The Ministry of Interior manages decentralization of authority over land use and management to local government and supervises the State Commission for Inventory and Transfer of Public Properties and the Inter-Ministerial National Committee on Decentralization (World Bank 2006c; GOA 2010a).

Territorial Adjustment Committees (TAC) (operating at national, regional and local levels) have authority over land for housing, trade, industry and services within village boundaries. All cities are required to have a General Adjustment Plan prepared by the national TAC, which sets the "yellow line" designating urban centers for a 15-year period. In practice, the TAC have limited capacity and few plans have been developed (World Bank 2006c).

Albania has experienced significant political turmoil and disruption since Independence and as a result, local government is weak in many regions, affecting its power and ability to conduct land administration duties effectively. In many areas, local government lacks the capacity, power, and social legitimacy to resolve land conflicts and manage land use planning. However, in terms of the issuance of land taxes, monitoring land use changes and general dealings with local government, observers report relatively high levels of transparency and low levels of corruption. Although traditional village leadership does not have any authority over land matters under formal law, elders often continue to exercise considerable influence on how agricultural land is distributed and managed, especially in remote and mountainous areas (Stahl et al. 2007; World Bank 2006c).

## LAND MARKETS AND INVESTMENTS

Albania's formal land markets are most active in urban, peri-urban, and coastal areas. The urban land market has been fuelled by dual demands for higher quality and newer properties -- the first by investors and new businesses and the second by tourists and buyers of second homes. Land for urban development is limited; most vacant land surrounding cities is either encumbered by disputes or is state land. In order to develop state land, investors must navigate a lengthy and expensive permission process that often ends with receipt of ambiguous rights. Prices for properties in desirable areas surged more than 300% from 1996 to 2006, but overall rates remain among the

lowest in Europe. Despite its growth, the development of the formal urban land market is constrained by: unresolved rights of pre-1945 landowners; complexity of ownership patterns in urban areas; lack of awareness of the value of land registration; and complexity and corruption in the land development and registration process (Gaynor and Bledsoe 2000; World Bank 2006c; World Bank 2007c).

A formal market in rural land (sale and rental) has not yet fully developed in Albania. As of 2007, less than 2% of rural households had sold land on the formal market since privatization, and only 3.6% rented their land. However, there is evidence that the informal market in rural land is more active. An estimated 6% of households farm leased land and total farm size has been slowly increasing, suggesting that landowners are transacting land among themselves. Factors constraining the development of a formal rural land market include the perception of land as a social safety net; unresolved and conflicting claims to land; perception of land registration as time consuming and costly; and weak credit markets. Because land titles are perceived as insecure, banks often refuse to accept title as collateral for land purchases (Gaynor and Bledsoe 2000; World Bank 2007a; World Bank 2006c; Stahl et al. 2007).

#### **COMPULSORY ACQUISITION OF PRIVATE PROPERTY RIGHTS BY GOVERNMENT**

Article 41 of the 1998 Constitution protects private property from expropriation; the state can expropriate land only when the taking is in the public interest and fair compensation is paid to the landholder. Landholders have the right to contest the amount of compensation paid. The 1999 Law on Expropriations and Temporary Takings of Private Property for a Public Interest (No. 8561) defines public interest to include: public projects and investments; protection of historical, archaeological and cultural monuments; and protection of public health and safety. If the project for which the expropriation was made does not commence within three months of the expropriation, the expropriation is deemed invalid and the land returned to the landholder. In that event, the landholder must return any compensation paid (GOA Constitution 1998; GOA Expropriation Law 1999).

#### **LAND DISPUTES AND CONFLICTS**

Land conflicts are frequent in Albania and constitute about half of all cases in civil courts. Conflicts are generally of two types. The first type relates to overlapping claims to a piece of land, boundary disputes or conflicts about road access. In these cases, parties generally try to resolve their disputes on a personal level (e.g., through the mediation of relatives, village elders, municipal officers and local leaders) before turning to official channels of conflict resolution. If conflict resolution at the personal level fails, the next step is to file a complaint at the communes' or mayors' offices. The parties usually try to avoid the court system, which is perceived as corrupt (World Bank 2006c; Stahl et al. 2007).

For land disputes that linger, legal assistance is costly and difficult to find in rural areas. While local authorities may be accountable to local communities, they possess little expertise in legal matters. Courts have a legal mandate to resolve land disputes, but judicial proceedings can be quite lengthy, complex and problematic in terms of inconsistencies of rulings. The process is compromised by inadequacies in judicial training, large backlogs of cases, a dearth of administrative and expert support made available to the judges, and allegations of widespread corruption (Sikor 2008).

The second type of conflict involves restitution and compensation claims of former owners. By some estimates, there are 41,000 outstanding claims. The issue of restitution and compensation for pre-1945 landowners is largely unresolved in Albania and prevents many citizens from feeling that their land and property ownership is fully secure. In 2001, 80% of farmers said that part of their land was claimed by a third party. Albanian citizens have resorted to bringing property claims against the Government of Albania (GOA) before the European Court for Human Rights (EctHR) – where initial decisions are going against the GOA. The Restitution and Compensation Agency has started to register restitution and compensation claims in an electronic database, and a 2009 law extended the period for review of claims to December 2011. In 2005, a Property Compensation Fund was instituted to pay compensation to pre-1945 owners. The money available, however, is not nearly enough to compensate the number of people who have restitution claims, which claimants estimate at US\$ 5 billion. A lottery was organized and in 2007 and 2008, the GOA distributed a total of \$10 million for financial compensation. In 2009 \$6.5 million was budgeted, which is still considered inadequate given the large number of compensation requests (Lastarria-Cornhiel and Wheeler 1998; Frangakis et al. 2008; World Bank 2007b; USDOS 2010b).

There have been incidences of social unrest and violence related to land conflicts. For example, in March 2005 violent protests erupted in the Nivica/Kakome Bay area as government forces attempted to evict villagers so that Club Med could build a large resort in the area (World Bank 2006c; Frangakis et al. 2008; Campbell 2005).

The Albanian Foundation for Conflict Resolution established formal mediation centers and is working with local elders and religious leaders to mediate small-scale disputes. In addition, the Citizens' Advocacy Office (CAO) in Tirana offers legal assistance on land rights. With support from international donors, the CAO provides legal assistance for land conflicts, raises public awareness of legal rights and offers legal assistance and advocacy on national policy-making. The potential in alternative dispute resolution has not yet been fully realized because courts have not had the authority to direct cases to mediation and few commercial transactions have mediation clauses (Sikor 2008; World Bank 2006c).

## **KEY LAND ISSUES AND GOVERNMENT INTERVENTIONS**

The GOA faces the continuing challenge of how to: resolve conflicting claims to land made by former owners (pre-1945) and current occupants; formalize informal settlements in urban and peri-urban areas; and improve agricultural productivity. The Government has taken steps to address each of these issues, including creating a Property Compensation Fund and Committee and establishing the agency, ALUIZNI, which is focused on the regularization of rights in informal settlements and integration of those settlements into urban planning. The GOA continues to support efforts to formalize landholdings with new and revised legislation, including a Territorial Planning Law. The first stage of submissions of self-declaration requests for legalization is completed. The government approved 127 informal areas and 80,000 informal constructions have been identified and approved for legalization (ALUIZNI 2011; USDOS 2010a; World Bank 2010a).

The GOA's 2007-2013 Agriculture and Food Sector Strategy focuses on increasing agricultural and agro-processing production. According to the Strategy, the GOA plans to combat inefficiencies arising from small plots by supporting the development of farmer associations, improving irrigation infrastructure and strengthening water resource governing bodies, supporting modernization of equipment and distribution of high-quality inputs and investing in the development of agricultural knowledge and skills. Other planned activities through 2013 include: improvements to the laws on land use and transfer; institutional strengthening of land management; and improvement of integrated land management (GOA 2007).

Albania applied for membership in the European Union in 2009. In November 2010, the European Commission's assessment concluded that while Albania has made substantial progress since 1991, its democratic institutions are not sufficiently stable to support EU membership. The European Commission identified several areas for attention, including the creation of a comprehensive strategy to address property rights, including issues of tenure security, land disputes, and restitution and compensation claims. The EC advised that the process of devising the strategy should include broad consultation with stakeholders and analysis of decisions of the European Court for Human Rights (EC 2010).

## **DONOR INTERVENTIONS**

Since the early 1990's, numerous agencies and donors (including USAID, the World Bank, the European Union, the government of Germany, and many others) have helped the GOA develop its legal framework governing land rights and design and develop a land administration system. Primary vehicles for the work included the EU/PHARE and USAID-funded First Registration Program (1993-2001), the Registration Organizational Improvement Project (2002-2004, focusing on 62 economic priority rural zones, 16 urban zones, and 58 rural zones), the World Bank funded Agricultural Services project and the follow-on Land Administration and Management Project (LAMP). In general, the projects have been designed to help the GOA develop efficient land and property markets through enhancing tenure security, improving urban planning, land management and development control, supporting property valuation and taxation, and financing investments in urban infrastructure and services. The current project, LAMP, began in 2007 and will be implemented in three phases. The project is in the first phase of the program, the ending date of which was extended to 2013. The first phase is focused on helping the GOA improve service delivery, efficiency and transparency of the Immovable Property

Registration Office and complete most of the first registration of immovable property rights. The project anticipates that the GOA will register 400,000 plots by 2013. Other project components include plans to help the GOA strengthen the capacity of municipalities in urban land management and enable proactive urban growth management and urban land market efficiency by prioritizing and implementing selected infrastructure investments and services. Other projects include EU and German government-funded support for the Ministry of Agriculture, Food and Consumer Protection's development of a National Rural Development Program and operating strategy (World Bank 2007b; World Bank 2006c; ARD 2004; GTZ 2009; World Bank 2010c; World Bank 2008).

From 2001 to 2007, the World Bank funded a pilot Land Consolidation Project as a component of the Agricultural Services Project. The project encouraged land consolidation in selected pilot communes by subsidizing transaction costs and technical assistance to facilitate market-based land transactions and conducting a policy study on land consolidation. Progress was hampered by the lack of a law on land consolidation, repeated leadership changes at the IPRS, high transaction costs, and a high rate of error in land ownership information (and mismatch between graphical survey information and verbal title information) generated by the First Registration Program. The project nonetheless supported 189 land transactions resulting in a consolidated land mass of 94 hectares. The project did not identify any impact of consolidation on land productivity. The project results included a finding that in the absence of a complementary law on land consolidation, an exclusively market-driven approach to land consolidation as was adopted by the project was unlikely to succeed in promoting land consolidation (World Bank 2008).

With support from the European Union and the Danish government, the Albanian Foundation for Conflict Resolution established land rights mediation centers. Civil society groups are increasingly advocating for public sector reform, oversight of central government and increased involvement in economic and political decision making, including issues regarding land (World Bank 2006c; USAID 2005).

In 2010, USAID launched its 5-year Albanian Justice Sector Strengthening Project. The Justice Project will help the GOA strengthen its court system and provide support for the legal profession (USAID 2010).

## **2. FRESHWATER (LAKES, RIVERS, GROUNDWATER)**

### **RESOURCE QUANTITY, QUALITY, USE AND DISTRIBUTION**

Albania is a water-abundant country, with 362 kilometers of coastline and coastal wetlands, 247 lakes and hundreds of lagoons. Albania shares four natural lakes with Greece, Macedonia, and Montenegro, including Lake Skadar, which is the largest lake in the Balkan Peninsula, and Lake Ohrid, which is the deepest. The country has 721 kilometers of rivers, the most significant of which are the Drin in the north and the Shkumbin and Seman in the south (World Bank 2003b; Beddies et al. 2004; NACFP 2007).

With 41.7 billion cubic meters of annual renewable water resources, Albania's water resources exceed its consumption needs. However, the country suffers from shortages of water for drinking and irrigation. Annual rainfall averages 1485 mm but it is unevenly distributed over time and space: the country's hills receive an average of 800 mm of precipitation annually while its coastal plains and mountain regions regularly receive 2,000 mm per year. Eighty percent of rain falls in the winter months, flooding cropland, while summer and perennial crops are dependent on irrigation. As much as 2/3 of the country's water resources is lost during transportation and distribution because infrastructure is outdated and in disrepair. Efforts to rehabilitate and rebuild the irrigation systems have been ongoing since the 1990s. In 2007, about 340,000 hectares had irrigation infrastructure; roughly two-thirds was functioning (World Bank 2003a; World Bank 2007a; Sallaku et al. 2003; Beddies et al. 2004; World Bank 2010a).

An estimated 78% of households countrywide have some access to piped drinking water but service is intermittent and water quality low. The average urban household has water only 6 to 13 hours a day. In rural areas, access is less reliable and many households dig their own wells. In the early 2000s, 73% of such wells were contaminated by bacteria. Gastrointestinal illnesses caused by contaminated water are very common (World Bank 2003a; World Bank 2010a).

Albania has over 600 reservoir dams for irrigation and power generation. Ninety percent of the country's energy is supplied by hydropower, and demand has outstripped supply since 1998. The country has numerous of aquifers but many are vulnerable to the intrusion of saline water or pollution. Albania has very limited wastewater treatment facilities and both ground and surface water is often contaminated by human and industrial and agricultural waste (Sallaku et al. 2003; World Bank 2006a; Zdruli and Lushaj 2001; World Bank 2010a).

## LEGAL FRAMEWORK

Albania's 1996 Law on Water Resources (No. 8093) (Water Law) is the primary legislation governing the country's inland, maritime, surface, and groundwater and is intended to ensure the protection, development, and sustainable use of the country's water and provide for its proper distribution. The Water Law addresses water rights, water use, and governance of water resources. A new law on water management has been drafted and was being circulated internally for review in 2010 (GOA Water Law 1996; GOA Draft Water Law 2010b).

The 1999 Law on Irrigation and Drainage (No. 8518) established the structure for Water User Associations (WUAs), which are private groups that manage water irrigation infrastructure at and below the secondary canal level. Federations of WUAs manage the primary canal networks. The government maintains ownership of the infrastructure (Sallaku et al. 2003).

The Law on Organization and Functioning of Local Government (No. 8652) (2000) transferred responsibility of water supply and management of water utilities to local government (communes and municipalities) (Rohde et al. 2004).

The 2008 Law on the Regulatory Framework in the Sector of Water Supply and Waste Water Administration (No. 9915) and 2009 Ministerial Order No. 66 provide authority for the establishment of an inter-ministerial working group for the evaluation of projects and issues related to drinking water supply and sewage sector in Albania. The working group is led by the Minister of Public Works (REC 2010; World Bank 2010a).

## TENURE ISSUES

Under the 1996 Water Law, the state owns all water resources in Albania. The Water Law provides that surface water may be used freely for drinking and other domestic uses, such as livestock watering, so long as the use is limited to individual and household needs. Water use is also subject to administrative controls imposed by water authorities. Water authorities may restrict free use of water during periods of water shortages or in the event of contamination. The draft Law of Water Management circulating in 2010 retains these provisions (GOA Water Law 1996; GOA Draft Water Law 2010b).

Under the 1996 Water Law, non-domestic water users, and users of groundwater for domestic purposes must obtain permission, authorization, a concession, or a license from the appropriate water authority, subject the following conditions:

- 1. Permission.** Water authorities may grant administrative permission for the use of underground water for any purpose, water supplied by permanent installations, and water used for irrigation, livestock, aquaculture, and industry. Permission is also required for planting of trees and crops on river beds and the removal of solid material from river banks. Permissions are granted to WUAs for 10-year periods and 5 years for all other users.
- 2. Authorization.** Authorizations for water use necessary for research, exploration, and study of surface and groundwater are available for periods up to 2 years.
- 3. Concession.** Water authorities may grant concessions for the use of surface and groundwater for public purposes, including hydropower stations, supply of potable water, and irrigation by agricultural enterprises. Concessions are available for initial terms of 30 years with a potential 10-year extension.
- 4. License.** Commercial well drillers must obtain a license and separate permission for every well drilled.

(GOA Water Law 1996).

The draft Water Management Law circulating in 2010 maintains the system of water rights set forth in the 1996 Water Law. In addition, the draft law adopts a national water strategy and establishes river basin districts and a river basin-level management structure (GOA Draft Water Law 2010b).

#### **GOVERNMENT ADMINISTRATION AND INSTITUTIONS**

The National Water Council, which is under Albania's Council of Ministers, is the primary authority responsible for water resources management. The National Water Council has responsibility for: proposing legislation; managing the drainage basin plan; approving any water management plans relating to agricultural, urban planning, industrial development or other projects; establishing necessary agencies and organizational units; and approving water concessions. The Technical Secretariat is the executive agency of the National Water Council and has responsibility for: implementing national water policy and the legal framework; creating an inventory of water resources; issuing permissions and authorizations for water use; and promoting research and development. The General Directorate of Water Supply and Wastewater (GDWW) is a public institution established by the Council of Ministers specializing in water infrastructure. The GDWW is responsible for providing technical support to the water and wastewater policies and creating the strategic framework of the water and wastewater sector (GOA Water Law 1996; REC 2010).

Responsibility for municipal water utilities was devolved to Albania's local governments (municipalities and communes) under the Law on Organization and Functioning of Local Government (2000). Local governments have four areas of authority: administrative, investment, maintenance, and regulatory. Tariffs are based on the principle of cost recovery under the discretion of local government and within general national policies. Actual transfer of responsibility for water resource governance to local governments was a slow process that took place over several years. Most local governments were ill-prepared to take on responsibility for water distribution; they did not have sufficient human and financial capacity to create and rehabilitate infrastructure or manage the utilities effectively. Water utilities tend to have high losses, low revenues and low collection rates. Illegal connections, especially by poor households, are common (World Bank 2006a; World Bank 2003b; Beddies et al. 2004; World Bank 2010a).

Water User Associations (WUAs) can be established at local levels to manage water resources. WUAs are designed to be financially independent entities that create water schedules and distribution plans, maintain water distribution infrastructure, set and collect fees, and resolve conflicts. As of 2007, 489 WUAs had been established (covering 280,000 hectares), of which 316 (about 65%) were fully functional. A national union of WUAs has been established to represent the interests of WUAs at various institutional levels. Some observers have attributed improved irrigation system management, reductions in farmer disputes and increases in farm production in some areas to the work of WUAs. However, despite some positive outcomes, overall, WUAs have suffered from low membership numbers, poor collection rates and low cost recovery. In many areas WUAs have been unable to maintain infrastructure for the distribution of water or to manage conflicts between different water users effectively (Sallaku et al. 2003; World Bank 2007a).

#### **GOVERNMENT REFORMS, INTERVENTIONS AND INVESTMENTS**

The GOA adopted a Water Supply and Sanitation Strategy in 2003. The strategy included a short-term priority reform and investment program (2003-2006) and medium-term reform and investment program (2007-2012) to stabilize and improve water supply and sanitation services. The long term objective of the strategy for the water supply and sanitation sector is to achieve sustainable water supply and sanitation services at the EU Standards in urban and rural areas. Implementation of the ambitious strategy was slow, but by 2008, ownership of the utilities had been transferred from the government to local authorities. The utilities are not yet financially self-sustaining. With support from the World Bank, the GDWW provides technical assistance to local government and water supply and sewage companies, including helping the water supply and sewage companies prepare five-year business plans and developing a phased program on the reduction of subsidies covering the gap between tariffs and total cost, with a goal of eliminating subsidies by 2012 (REC 2010).

With support from the Japanese Government, the GDWW prepared a study designed to support the regionalization of water supply and sewage utilities. In addition, the water companies serving Berat and Kucova

were successfully merged and infrastructure constructed and rehabilitated with a grant by the German Government (REC 2010).

The European Union, Government of Germany, and other donors are supporting the GOA's effort to prepare an updated National Water Strategy, which is contemplated as part of a new Draft Water Management Law under internal consideration. Other government projects include participation in the Albania-Montenegro Lake Shkoder Integrated Ecosystem Management Global Environment Facility, which is establishing a Bilateral Lake Management framework for the shared water resource (World Bank 2010a; REC 2010; GOA Draft Water Law 2010).

### **DONOR INTERVENTIONS AND INVESTMENTS**

The World Bank funded a series of projects designed to support the rebuilding of irrigation and drainage works and the organization of WUAs. The Water Resources Management Project (2004-2009, US\$ 16 million) helped increase agricultural production through the provision of reliable irrigation services; increase the financial viability of irrigation and drainage schemes through institutional strengthening; and reduce the risk of dam failures and floods through infrastructure repairs. The Municipal Water Project (2003 – 2009, US\$ 16 million) improved water supply and sanitation facilities for an estimated 400,000 people in 4 towns. The project also helped improve the financial viability of 4 utilities, but the utilities did not achieve the goal of financial independence (World Bank 2010a; World Bank 2009b).

The World Bank-funded Integrated Water and Ecosystems Management Project (2004-2009, US\$ 5 million) aimed to improve municipal wastewater services for three important tourist areas that depend heavily on a healthy coastal environment: the cities of Durres, Lezha and Saranda. The project involved building man-made wetlands for wastewater treatment and improving management of the Kune-Vain protected marshland. Project outcomes suffered from poor understanding by both the general population and many within the government about environmental management practices. The World Bank's on-going US\$ 38 million Integrated Coastal Zone Management and Clean-up Project (2005-2012) includes support for water supply and sanitation projects. The project, which has the goal of reducing coastal degradation, includes activities to address soil and groundwater contamination in the former chemical plant at Porto Romano; upgrade water supply and sanitation facilities and service in two coastal municipalities; construct an EU-compliant solid waste landfill; and develop a management plan for Albania's most important Ramsar 4 site. As of June 2010, the project had begun clean-up of the contaminated chemical plant site and construction of water supply and improvement subprojects ((World Bank 2009b; World Bank 2010b).

## **3. TREES AND FORESTS**

### **RESOURCE QUANTITY, QUALITY, USE AND DISTRIBUTION**

Estimates of the amount of forestland in Albania range from 28% to 36% of total land area, with the lower estimates recorded by FAO, the World Bank, and international forest organizations (based on 2005 – 2007 surveys) and the higher estimate reported by the GOA (based on a 2004 National Forest Inventory). The difference in the estimates may be attributed to inconsistencies and ambiguity in definitions of forestland, conversion of forest to agricultural land and reclamation of degraded forestland. Using the more recent and conservative estimates, Albania has at least 776,000 hectares of forest, including alpine and sub alpine mountain ecosystems with Mediterranean fir and pines, oak woodlands and beech forests, and expanses of Mediterranean shrub. About 11% of forestland is classified as primary forest, 77% is other naturally regenerated forest, and 12% plantation. Approximately 90% of Albania's forestlands are state-owned; the balance is private land. Local governments have use and management rights to an estimated 284,000 hectares of state forestland (Dida 2003; World Bank 2009a; Mongabay 2010; NACFP 2007; FAO 2005).

About 79% of Albania's forests are classified as production forests. The forests supply the population with timber and forest vegetation used for construction, fuelwood, grazing and agricultural land, wild aromatic and medicinal plants, and food. Forests are also used for tourism, recreation, and hunting. The country's forests protect habitat, promote biodiversity, and protect soil against erosion and degradation. Estimates of the extent of Albania's

protected areas vary from 0.7 (World Development Indicators) to 2.3% (Earthtrends) to 13% (GOA) of total land area (World Bank 2009a; NACFP 2007; GOA 2009a; Mongabay 2010; Earthtrends 2003).

During the communist era (1944 -1 990) and through the decade of transition that followed, Albania's forests were threatened by deforestation from illegal logging, uncontrolled grazing, and the steady expansion of agricultural land. Since 2000, use of the forests for fuelwood, timber, and forest products continued but interventions have slowed the overall rate of deforestation. In the 2000-2005 period, Albania added forestland at an annual rate of 0.6% (World Bank 2009a; NACFP 2007; Nabolli 2009).

Albania is a globally significant producer of wild herbs and spices, including rose hips, sage, raspberry leaf, nettle, chamomile, thyme, oregano, and licorice. Historically, the country exported most of the products in their raw form. In early 2000's, with the support of USAID, the country began production of essential oils to international markets (USAID 2007; USFS 2010).

## **LEGAL FRAMEWORK**

The Law on Forests and Forestry Service (No. 9385) (2005) (Forest Law) superseded the 1992 Law on Forests and Forest Service Police (No. 7263) and governs the administration, protection, and use of forests. The Forest Law addresses forestland tenure and forest use rights, including community-based forest management, and establishes forest governance bodies. The Forest Law is supported by various regulations setting stumpage and other forest fees, guidelines for auctions of standing wood, instructions for protection against forest fires, the principles for the selection and establishment of protected areas, and the use of forests for recreational purposes (GOA Forest Law 2005).

Law No. 8302 for the Management of Revenues Generated from the State Forest and Pastures (1998) allocates income from state forests and pastureland for management by the Director General of Forest and Pasture (DGFP) (70%) and the central government (30%). Regulation No. 308, entitled On the Transfer of Forests and Pastures in Use to Communes (1996), governs the process of decentralization to community-based forestry management (World Bank 2006c; Shundi 2006; Mine 2002).

The Law on Protected Areas (No. 8906) (2002) sets out a six-level grading system for levels of protection and restrictions imposed, such as the width of buffer zones. Forest areas within protected zones are separately classified and protected; environmental permits are required for any activity not explicitly permitted or prohibited under the law. Private forest areas within designated protected areas can only be used in accordance with an approved management plan (Kola 2007).

## **TENURE ISSUES**

Under the Forest Law, Albania's forests are either owned by the state (90%) or by private individuals (10%). State forests include forests subject to forest management or use agreements between the state and local government bodies (communes and municipalities). Local government bodies are responsible for: drafting forest management plans; establishing the technical and administrative bodies to conduct forest inventories; and create plans to fund investment in forests (GOA Forest Law 2005).

Prior to the communist era every Albanian village had its own forest and pasture areas, which were owned communally or divided among families. Village elders governed forest access and use. During the communist era, all forest and pasture areas were nationalized, and central-level forestry enterprises managed forest uses. The forest laws retain a degree of government authority over forest access and use. The government designates the trees available for harvesting and issues permits for logging. Individuals must also obtain permission to gather secondary forest products and access to forests for recreation, health, and general occupation also require permission. Enforcement of the laws is, however, limited by lack of capacity within the forest department and local governments (GOA Forest Law 2005; NACFP 2007; Kola 2007).

The GOA has designated about 40% of state forestland as eligible for use and management by local government authorities. Use rights are granted for 10-year, renewable terms and require a management plan that is entered into



between the Forest Directorate and the commune. The commune is responsible for managing local community use of the forest in a manner consistent with the management plan. In some areas, Forest User Associations are organized and have subordinate rights of use for activities such as grazing and harvesting firewood and herbal plants, as negotiated. Families can be granted use rights to certain areas, as agreed to between the Forest Directorate and the commune and between the commune and forest user. Use rights do not include the right to sell timber and none of the legislation explicitly grants communes the right to sell forest products, leaving the issue for negotiation with the forest department (World Bank 2006c; TWA 2003; NACFP 2007; Kola 2007).

Albania began transferring use and management rights to local governments in 1996. The World Bank-supported Communal Forests and Pasture Management Program helped draft forest management plans and establish Forest User Associations and Village Forestry Commissions. Most communes and Forests User Associations have required support and capacity building in order to undertake management of forestland. The transfer of management and use rights have created some confusion in areas where local communities have longstanding and ongoing patterns of forest access and use that conflict with management agreements (World Bank 2006c; Clarke 1999; NACFP 2007).

### **GOVERNMENT ADMINISTRATION AND INSTITUTIONS**

The Ministry of Environment, Forests and Water Administration, which includes the General Directorate of Forests, has primary authority over Albania's forestland. Within the General Directorate are the Directorate of Forests and Pastures, the Directorate of Forest Service Police, the Directorate of Communal Forests and Pastures and Extension and the Directorate of Protected Areas and Hunting, which includes the National Parks Administration (World Bank 2006c).

In response to increased illegal logging in the 1990's, in 2000 the GOA convened an interministerial task force for the protection of the forest estate. The Task Force Commission for Forest Resource Protection involves 11 ministries, including the Ministry of Public Economy and Privatization, the Ministry of Local Government, the Tourism Development Committee, the Ministry of Environment, the Directorate for State Police within the Ministry of Public Order, the Directorates of Taxes and General Customs within the Ministry of Finance, and the Ministry of Justice. The task force was created in order to support local, intersectoral collaboration to address illegal logging in the field. The impact of the task force has not been reported; the GOA points to a combination of interventions – including the implementation of community-based forest management and various forest programs – as responsible for a reduction in deforestation (World Bank 2006d; REC 2010).

### **GOVERNMENT REFORMS, INTERVENTIONS AND INVESTMENTS**

As part of a central government decentralization effort and in recognition of the role forests play in rural livelihoods, GOA forestry reform is focused on transferring management of state forests to local government units. The program called for a transfer of 40% of state forest areas to communes and the GOA has expressed a desire to transfer ownership rights to local governments in the future. As of 2005, the Albania Forestry Project transferred management responsibility for an estimated 356,000 hectares of forest to 138 communes serving 1290 villages and 724,230 inhabitants (Dida 2003; World Bank 2006c; World Bank 2009b; Savcor 2005).

Albania has joined the United National Framework Convention on Climate Change (UNFCCC) as well as the Kyoto Protocol. The GOA has taken steps toward the implementation of the UNFCCC and has compiled the National Action Plan (NAP) to address climate change with UNDP/GEF support (UNDP 2005).

### **DONOR INTERVENTIONS AND INVESTMENTS**

USAID provided early support to the development of community-based forest management in Albania, beginning with its Private Forestry Development Program in 1995. The goal of the program was to increase rural household income and reduce forest degradation by supporting development of sustainable private sector forestry management on private and communal forests. The program helped communities establish forest user groups, prepare forest management plans, and improve the health of the forest. The 6-year Albania Forestry Project (1997-2002), which was funded by the IDA/World Bank, FAO, and the Italian and Swiss governments provided continued support for the transfer of forestlands management to local government. The project helped: bring about 250,000 hectares of forestland under local management; create the Directorate for Communal Pastures and

Forests; establish forest user groups; and rehabilitate degraded forestland. The World Bank's 2005-2011, US\$ 5-million Natural Resource Development Project has focused on developing sustainable income-generating activities and as of mid-2010 reported: a 25% increase in income earned from forest activities in communal forest and pastureland; reduction in erosion; reorganization of forest extension services; and separation of the control and management functions for forests and pastures (Chemonics 2000; World Bank 2006c; World Bank 2003c; World Bank 2010b).

Between 2005 and 2007, UNDP supported the Sustainable Land Management Initiative to combat desertification and land degradation and strengthen the enabling environment in rural Albania. The project helped the GOA develop its public and private sector capacities to access carbon finance in Albania by: (1) creating a legal and institutional framework for carbon finance; and (2) building in-country capacities for identification, implementation of and resource mobilization for the greenhouse gas reduction projects eligible for Clean Development Mechanism and other carbon market mechanisms (UNDP 2010).

## **4. MINERALS**

### **RESOURCE QUANTITY, QUALITY, USE AND DISTRIBUTION**

Albania has substantial deposits of good quality chromium and copper in the northern region of the country and nickeliferous iron ore, which is mined in the eastern-central region. The country also has reserves of gold, zinc, titanium, and platinum, and intermittently mines dolomite, gypsum, kaolin, marble and phosphate rock. In 2006, petroleum reserves were estimated at 1.96 billion barrels. The Patos-Marinza oilfield in south-central Albania, which began production in 1930, is the biggest on-shore oil field in Europe and is currently operated by the Canadian company, Bankers Petroleum, Ltd. Other large foreign investors in the mining sector are Turkish, Chinese, and Australian companies (Brininstool 2010; World Bank 2009; Steblez 2006).

Mining for precious metals has taken place on the Balkan Peninsula since the 5th century BC. Albania's minerals sector was developed and steadily expanded during the communist era. Albania was among the top three producers of chromite in the world, and in 1989, chrome, copper, and nickel accounted for 80% of the country's total exports (by value). The sector all but collapsed in the early 1990s as a result of political instability and economic decline. Investment in existing mining operations ceased and assets were stripped from facilities. As part of its efforts to restructure and revive the sector, the GOA divided large, integrated mining operations into smaller parts and granted licenses to medium and small enterprises, many of which lacked the necessary capital and expertise. In the early 2000's the sector was operating at about 10% of capacity, and the GOA has begun the make reforms designed to increase sectoral performance. Exploration for minerals rose between 2002 and 2007 and some existing operations were rehabilitated and expanded. The global recession took a toll on progress, but industry experts predict operations will rebound within 3 – 5 years (World Bank 2009c)

### **LEGAL FRAMEWORK**

The 1994 Mining Law, amended in 2004, governs Albania's mining sector in Albania. Under the Mining Law, the state owns all minerals. The state may grant mineral rights to individuals and entities through prospecting permits, exploration concessions and mining concessions. A mining concession may be granted for 20 years, with four renewals of five years each, upon payment to the state of an annual rental fee plus royalties. Foreign and domestic companies enjoy the same rights under the Mining Law (Steblez 2006; GOA 2009b; Brininstool 2010).

The General Mining Directorate can levy fines for mining violations. If violations are repeated or the company reduces the level of work in the mine for 180 consecutive days, the mining permit is subject to cancellation (Brininstool 2010; GOA 2009b).

### **TENURE ISSUES**

The 1994 Mining Law has been considered by industry experts to be progressive legislation because it includes a comprehensive licensing framework and attention to environmental issues. However, the law has been poorly implemented and license holders have not been held to the conditions of the grants. In addition, observers note that the sector's recovery was inhibited by the break-up of large operations and transfer of licenses to under-capitalized speculators. Large investors were less interested in the fragmented operations, which lacked economies of scale necessary for efficient and profitable operations (World Bank 2009c).

In the event of a land claim, the licensed investor must negotiate with the alleged land owner. If the parties are unable to reach an agreement, the conflict is decided by the court (GOA n.d.).

#### **GOVERNMENT ADMINISTRATION AND INSTITUTIONS**

The Ministry of Economy, Trade and Energy (METE) includes the National Agency of Natural Resources, which supervises mining and post-mining activities, negotiates mining contracts and develops and implements policies on mining. The agency is responsible for implementing legislation, promoting the mineral sector, evaluating projects, promoting safe mining and closing unused mines. The METE has been hampered in performing its responsibilities by economic decline, lack of technical expertise within the ministry and some mining operations, and corruption. The METE has been responsible for drafting the new mining law and updating the national mining strategy. In 2009 METE reported the successful consolidation of numerous small mining licenses for transfer to large, international investors (GOA n.d.; World Bank 2009c).

#### **GOVERNMENT REFORMS, INTERVENTIONS AND INVESTMENTS**

The GOA recognizes the role that a revival of the mineral sector can play in stimulating the economy. The mineral sector can promote infrastructure development, create jobs, stimulate the transfer of technology and knowledge, and generate foreign exchange earnings. The GOA has drafted a new mining law, which is being reviewed internally. The draft law includes a transparent licensing system, includes clear and consistent standards governing relations between holders of mineral rights and land rights, and includes a flexible system for rights of exploration and exploitation. Gaps noted in the World Bank's evaluation of the draft law include the lack of a national minerals policy and updated sector strategy. In addition, the draft law does not impose adequate environmental and social obligations on license holders (GOA 2009b; World Bank 2009c).

Albania is an Extractive Industries Transparency Initiative (EITI) candidate country. The EITI is a global initiative that helps governments account for the proceeds from extractive industries in a transparent fashion and promotes investment of proceeds in local and national development. The Prime Minister issued an order (No. 156 dated 27.12.2008) establishing an inter-institutional working group consisting of representatives from several state institutions, industry representatives and civil society. The group has been established, and efforts are underway to extend the involvement of industry and civil society groups. Albania has until 14 May 2011 to complete the EITI validation process (EITI 2011).

#### **DONOR INTERVENTIONS AND INVESTMENTS**

The International Finance Corporation (IFC) is supporting the further privatization of the Patos Marinza oilfield in southern Albania to help revive the industry and promote the reduction of pollution in the area. Patos Marinza is severely polluted following decades of ownership by the state-owned operator, Albpetrol. With a US\$110-million long-term loan agreement from IFC and the European Bank for Reconstruction, the Canadian company, Bankers Petroleum Ltd., will clean up existing wells inherited from Albpetrol and take action designed to reduce pollution and oilfield-contamination risks as their operations expand (IFC 2009).

The World Bank has a two-year (2010 – 2011), US\$280,000 project to support the GOA's participation in the Extractive Industries Transparency Initiative. The World Bank also conducted a comprehensive review of Albania's mining sector, which included an analysis of the legal framework and proposed new mining law. The Bank's 2009 report makes recommendations regarding the improvement of sector governance and regulatory effectiveness; strengthening of technical capacities; and the need to update the geological database and address environmental and social issues, including community benefit sharing (World Bank 2011b; World Bank 2009c).

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