

# Property rights to land and its perception in rural part of central Albania

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Jel classification: Q15

## 1. Introduction

In the beginning of the 1990s, Albania went through political, economic and social transition along with the rest of Central and Eastern Europe (CEE). One of the main reforms that the country attempted to implement in 1991, was that of land reform. Agricultural land was distributed equally per capita throughout the country, disregarding the rights of previous owners, whose land was expropriated at the beginning of the Communist regime in 1945.

From the beginning of this reform, the agricultural land market in Albania was considered instrumental by the policymakers for the consolidation and efficient distribution of land, as well as a device for restructuring the future agricultural sector (Kodderitzsch, 1999; Giovarelli *et al.*, 2001.). The neo-liberal approach underlying the reform aimed at distributing the Agriculture Cooperative and State Farm land by enforcing new, individual, property rights by providing land to farmers through titling and the creation of a common registry for property rights (Bernstein, 2002).

Land registration and titling in Albania was believed to immediately reduce the uncertainty of Albanian farmers regarding investment in land and to create incentives for land mobility, hence reducing the existing extreme land fragmentation.

Despite the distribution of official titles, various researchers have identified property rights insecurity in several areas in Albania. As the privatization process of agricultural land is

## Abstract

The study makes an inquiry into the security of property (land) rights in Albania, making use of focus groups in a case study area of Albania. The paper addresses two types of subjective insecurity. First, we identified a subjective (perceived) insecurity of land owners resulting from the friction between the legal rights accepted by the majority and the ancestral rights of the former owners. Second, we investigated insecurity related to formal institutional failures regarding the enforcement of property rights. This insecurity regarding land rights affects land transactions; therefore, conducting research on the nature, causes and major factors related to this type of insecurity is of high relevance and importance for the agricultural sector in Albania.

**Key words:** Land tenure, Land reform, Albania.

## Résumé

*L'objectif de ce travail est d'évaluer la sécurité des droits de propriété (foncière) en Albanie, en s'appuyant sur une analyse des groupes cibles dans une zone d'étude en Albanie. Deux types d'insécurité subjective sont donc examinés. D'une part, nous avons identifié une insécurité subjective (perçue) des propriétaires fonciers imputable aux différences qui existent entre les droits légaux, désormais acceptés par la majorité des propriétaires, et les droits ancestraux des anciens propriétaires. D'autre part, nous avons mis l'accent sur une deuxième source d'insécurité découlant des faiblesses institutionnelles formelles en ce qui concerne l'application de la loi. Cette foncière freine les transactions, ce qui explique la nécessité et l'importance, pour le secteur agricole de ce pays, d'approfondir les causes et les principaux facteurs de ce type d'insécurité.*

**Mots clés:** Propriété de la terre, réforme agraire, Albanie.

coming to an end, it is very important to observe whether land rights insecurity still exists and how it is perceived by different interest groups in the villages.

The aim of this paper is to investigate how agricultural land rights are perceived by different interest groups in rural Albania and how such rights may hamper land transaction decisions.

The main objectives of the paper are as follows:

- to observe different types of insecurity related to perceptions of land rights;
- to determine which type of perceived insecurity is more prevalent among Albanian farmers;
- to compare the perceptions of land right insecurity

of the main interest groups;

- to explore the impact of insecurity with regard to land rights on land market decisions.

The motivation for this paper is based on theoretical support and evidence from empirical studies based on the economics of property rights. Several scholars studying agricultural land rights have found that well-defined property rights can reduce the risk perception of not receiving future benefits from land use (Deininger and Feder, 1998), creating incentives for short- and long-term investment on land (e.g. productivity enhancing), land transfer (e.g. sale and rental) and crediting (Johnsen, 1986) as well as contributing the re-allocation of land to its «best» economic use (Deininger, 2003).

In this paper, we refer to well-defined property rights as those land rights which are unambiguous and easy to transfer (Dowall, 1993). According to Coloma (2001), the basic components which create a proxy for well-defined property rights are individual ownership of the assets and the associated limitations for land use.

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The paper builds on a descriptive analysis of the evolution of property rights in Albania and an empirical investigation based on 5 focus groups and a small individual survey in the Municipality of Manez.

The paper is organized into six sections in addition to this one. The next section provides a short historical background of land reform in Albania. Section three summarises the theory and the conceptual framework. Section four describes the case study area and the methodology used for the field research. The last section illustrates the results, by scrutinizing different ways of perceiving the security of property rights in the case study area and the impact on land transaction decisions. The main conclusions and recommendations for further research are presented in the final section.

## 2. Land reforms in Albania and the implication on land tenure

At the end of the year 1912, the Ottoman Empire left in Albania a highly unequal land structure dominated by Ciflig (large state ownership given temporarily to military and civil servants based on merit). The remainder was state-owned and land owned by religious institutions- only a small share of land was designated for individual ownership (Korra, 1998). A market-oriented land reform was attempted in 1932 by King Zogu I aimed at re-distributing land to achieve a more equal distribution. However, this reform failed to make major changes in the distribution of land. Between 1932 and 1945 land inequality was reduced primarily due to the fragmentation created by intra-family divisions, as well as from land market pressures (Wheeler *et al*, 2003).

After 1945, the ruling Communist Party imposed a land redistribution reform. Land was redistributed to small owners and the landless. This redistribution was later followed by agriculture land collectivization which was completed in 1976 with the establishment of large agricultural production cooperatives and state farms. Different from other socialist countries in the EEC, the new constitution declared that the state or cooperatives were the sole owners of land except 3% of the land that remained privately owned, with a maximum surface of 1100 m<sup>2</sup> per household (Aliko, 2001).

With the demise of the communist regime in 1991, the Albanian government implemented one of the most radical reforms in the former communist countries of the EEC, with the highest level of de-collectivization and individual privatization, and giving modest attention to the rights of former owners (Cungu *et al*, 1998). Approximately 80% of the agricultural land surface was distributed free of charge, equally per capita, based on the land surfaces of each village, strictly respecting the quality of the land and other indica-

tors of its value. The remaining portion (ca 20%) was distributed following a mixed approach – giving the land per capita, but respecting pre-1945 boundaries or fully respecting the distribution according to pre-1945 boundaries.

The division of land at the last land reform created a high degree of land fragmentation. As a result, family farms are small, with an average surface of 0.3 ha, composed of 3-5 parcels, sometimes located far from each other and from the farm houses (MAFCP, 2003). Land consolidation has been seen by policy makers as a panacea for the low agricultural competitiveness of Albania, and the land market as the main instrument of land consolidation (MAFCP, 2007).

The provision of clear property rights was presumed to give farmers the discretion to invest and/or transact land for profit maximisation. Therefore, the process was accompanied by a registration and titling procedure (Kodderitzsch, 1999) and the creation of a unified system of immovable property, the Immovable Property Registration System (IPRS). The new owners were provided with a land title that certifies the land rights for the family farm, in the name of the head of household. The registration of land titles has been completed in 84.4% of the land up until the year 2006 (MoAFCP, 2007).

Despite the distribution of official titles, since the beginning of the reform, scholars have identified insecurity related to property rights in different areas of Albania. Lemel (1995) found different types of tenure insecurity: formal and subjective insecurity. By «formal» insecurity Lemel (2002) defined the insecurity as stemming from the low availability of documentation, registration discrepancies, inaccurate mapping, etc.

Many land commissions established at the village level for the implementation of the 1991 land reform have not followed all the steps necessary for the documentation of land and the distribution of titles. Abuses related to distribution and overlaps of boundaries have created conflicts between and within villages (MoAFCP 2007, B).

A decade has gone by since the beginning of the reform and the surveys carried out in different parts of Albania still show strong signs of formal insecurity with respect to land rights. A survey carried out in 2001 found out that about 73% of families had only the land title<sup>1</sup> and not the ownership certificate, which is the registration of land titles and the final step of the tenure formalization. Approximately 8 % did not have any documentation to prove ownership. The remaining 19%, a majority in the plain areas, have an ownership certificate (Mathijs, E., 2001). Another survey conducted in 2006 found out that 80% of interviewed households do not have final land titles. The main reasons for this are the lack of information on the existence of these titles, the power of informal institutions over formal institutions for the self-management of land rights within the community, and the presence of corruption in the institutions responsible for the distribution of final land titles (Stahl *et al*, 2007).

By subjective insecurity is understood the owner's perception on the insecurity of his/her property possession. Subjective property insecurity in Albania is affected by the unre-

<sup>1</sup> Land distribution was accompanied by the assignment of a fill-in registry page (Kartela) and finalized with the registration of this page and the distribution of the land ownership certificate. Official figures indicate that at the national level, the Kartela has been assigned for 96.5% of the land, and that the 87.5% of the Kartela has been registered and given as "Ownership Certificate" to the villagers (MoAFCP, 2007).

solved issue of pre-collectivization owners, creating conflict inside rural communities (Lemel, 2000). Different types of subjective insecurity have been identified in Albania:

1. A direct type arising from disputes among those villagers holding land titles from the land reform, and those having inherited land before 1945 (pre-collectivization owners) in the villages (Lemel, 1998; Musabelliu *et al*, 2004; Wheeler *et al*, 2003)

2. An indirect type coming from:

- Type A- People's perception of the changing patterns of policies regarding property rights. This perception has implications on the nationally unresolved issues of restitution and compensation of the land owners of the period preceding 1945. The 1991 reform did not take into consideration pre-1945 land owners, but the pressure from these owners and the intervention of the OSCE forced the government to approve a law for restitution, where possible, and compensation in financial or equivalent land terms in other cases. The process is still unresolved, generating on-going (perceived) property insecurity (OSCE, 2003; World Bank, 2006; IMF, 2006)

- Type B-People's perception of the institutions that manage the property titles and their transfer procedures (i.e. Immovable Property Rights Offices, civil courts and notaries). This is relevant in the context of high levels of corruption (WB, 2007, CRSSD, 2007).

These types of perceptions are strongly linked with each other, and with formal insecurity. The next chapter will discuss the theory and the conceptual framework showing the link between land right insecurity and long-term decisions above land.

### 3. Theoretical and conceptual framework

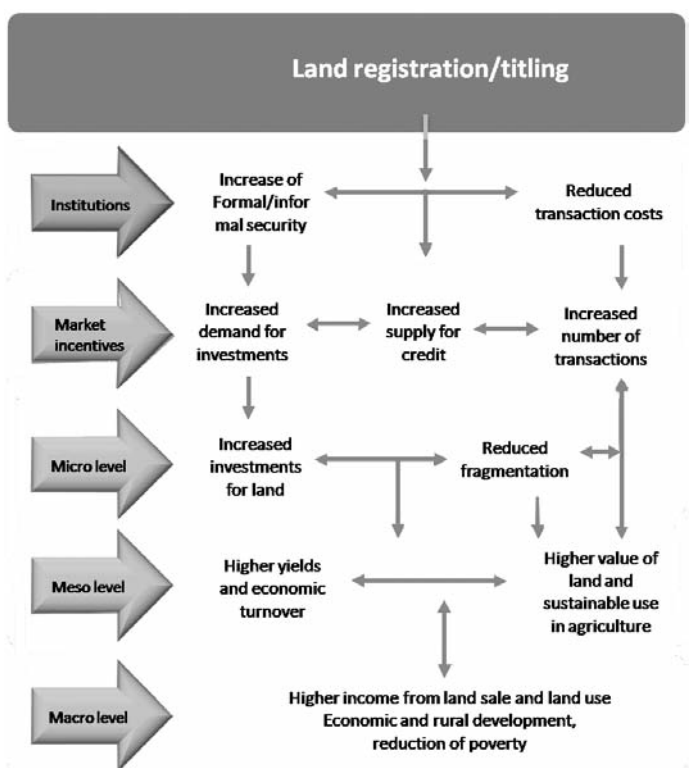
Property rights became a central issue of debate during the 1990 reforms in transition countries. North (1990) perceives institutions (property rights included), during transition path, as factors of great importance in providing certainty and improving the economic performance and efficiency. One of the schools of economics which emphasise the importance of property rights is a later branch of institutionalism, namely the New Institutional Economics (NIE). NIE accepts that free markets have positive transaction costs and assumes that property rights are the main force moving resources toward their optimal use (Pejovich, 1990).

Coase (1960) is the founder of a property rights approach on transaction costs. Other scholars such as Barzel (1997) confirm the relationship between property rights and transaction costs. Barzel assumes that high transaction costs for the determination and transfer of property rights create a situation of incomplete property rights and prevent people from exploiting fruitfully their assets as well as blocking or making difficult the optimal distribution of land to its best use (Barzel 1997). Demsetz (1967) and Alchian (1973) show the importance of property rights in defining the owner's ability in dealing with other people, trying to exclude and prevent them from interfering in his/her actions (Demsetz, 1967; Alchian *et al*, 1973).

To maintain an environment with well-defined property rights, NIE envisions the involvement of more actors than the state itself in the establishment of these rights. NIE considers the (informal) recognition of individuals or firms to be equally important as the (formal/official) recognition by law (O'Driscoll *et al*, 2003). NIE sees the State as a central actor in enforcing property rights and facilitating the transfer of resources to higher value uses (Davis *et al*, 1999).

Insecurity of ownership and the high cost of land transactions created in order to define and enforce the post-transaction land rights impedes the normal functioning of the land market and long-term investments in land (Swinnen *et al*, 2006; Giovarelli *et al*, 2001; FAO, 2002). These concepts are reflected in Scheme 1, in which the agricultural land market is assumed to be supported by an efficient capital market as well as by an accessible market of agricultural inputs and outputs. It also shows the direction of the impact by strata of interventions.

Scheme 1 – Conceptual framework of the impact of property rights on agriculture development.



Source: Own contribution based on Conning *et al*, 2006.

The role of property rights in this scheme is particularly important. Indeed, the correct physical and legal delimitation of the property — including the registration process, titling and enforcement — increases security in property rights (WB, 2003). It facilitates land transactions and has a positive impact on the demand for investments from farmers, and the supply of credit from the banks (because collateral becomes more secure).



The efficient functioning of both capital and land markets, in the context of property security, is assumed to facilitate investments and reduce land fragmentation. Such changes can cause an increase in wealth for both buyers and sellers. Those who buy and use land can increase their production efficiency and as a result their agricultural productivity<sup>2</sup>. Because of the higher land value from secure property rights, and higher demand for consolidation, those who sell land have more financial leverage to shift to off-farm activities<sup>3</sup>. Then sustainable economic development could be generated at the macro level.

#### 4. Property rights and their perception in Albania-A case study in Manez Municipality

The research is carried out in the Municipality of Manez. This case study area was selected to investigate subjective insecurity in the rural population of Albania. This chapter will explain in detail the methodology and the case study area.

##### 4.1. Case study area description

The Municipality of Manez is located in between the most developed urban centers in Albania, Durrës and Tirana (roughly 23 km from both of them), and near the sea (See Figure 1). Manez was selected because its rural community accepted the distribution of land according to the per capita principle, in line with the legal basis of the reform. Another reason for choosing this area was its cooperative agricultural land status during the communist era. This former status gives us a better opportunity to interpret the relations between ownership changes in the 20<sup>th</sup> century, and the impact deriving from them. By contrast, this relationship is lost when examining former state farms and the subjective insecurity is less revealed, due to the fact that they were mainly created on former land of religious institutions, nationalized foreign agricultural enterprises, former large landowners' land or land made productive after continued drainage and desalinisation by the state.

The pre-collectivization land rights were conserved during the communist era<sup>4</sup> and became more evident in the first stages of the land reform. However, the pre-collectivization owners did not have the power to block the reform and consequently accepted the per capita distribution. The reasons were varied:

- the pre-collectivization owners were a minority;
- the biggest pre-collectivization owners were not living in the village from more than 30 years;
- the perception of land ownership was vague and the distribution of land gave higher surfaces in per capita terms to most of the former owners<sup>5</sup> compared with the period before 1945;
- a portion of the former owners had difficulty certifying their land with documentation<sup>6</sup>.

The land reform implemented in Manez in 1991 gave an average surface per capita of 0.35 Ha to each resident, varying from village to village with respect to differences in population and surface area. The newly created farms were small in terms of dimensions (1.2-1.3 Ha) (Figure 2), and composed of 4-5 plots on average (some of them, up to 8 different plots) with a maximum distance of 8 km from the farmhouse.

The Census of Population and Housing (INSTAT, 2001) of 2001 revealed that 50% of the working age residents were employed; 9% were unemployed, while the rest were not considered economically active, but reliant on agricultural activities and remittances.

Agriculture is the main economic activity in this area and generates subsistence for most local families. Field research has revealed that only 15% of farm households sell agricultural products (surpluses) in urban markets. Such sales are generally limited and sporadic. The rest of the farms are (mostly) subsistence farms.

The population of Manez is young: 33% of the population is less than 14 years of age while the working age population constitutes 60% of the total population. Illiteracy is not

<sup>2</sup> I.e. data analysis of LSMS 2005 in Albania shows that 10% increase of land surface available to farms increase with 5% the agricultural production (WB, 2007).

<sup>3</sup> According to some growth theories of structural change (envisioned by Lewis, W.A., 1954) a gradual rural-urban labor migration could be facilitated at the meso-level (if urban areas could afford smooth rural migration or a shift to off-farm activities is stimulated).

<sup>4</sup> Former owners and many of those interviewed recalled when the fields and parcels in cooperatives, although unified, were informally defined using the names of their owners. After de-collectivization many of the elders still knew the boundaries of most of families who had land before the communist regime.

<sup>5</sup> Some of their ancestors did possess a modest surface of land before 1945. Accordingly, with the increase of family members and relatives, claiming the inherited surface would be smaller in per capita terms than the land received from de-collectivization. One of the respondents figuratively stated that, "If my family and relatives retake the same surface we will not even have land for our graves".

<sup>6</sup> Another problem is that some transactions made with the big landowners in the period before 1945 were undertaken based on testimonial agreements, and not in juridical terms. This absence of legal documents reduces bargaining power and makes success possible only in cases where fellow villagers support such rights.

Figure 1 – Location of Manez Municipality, Albania.

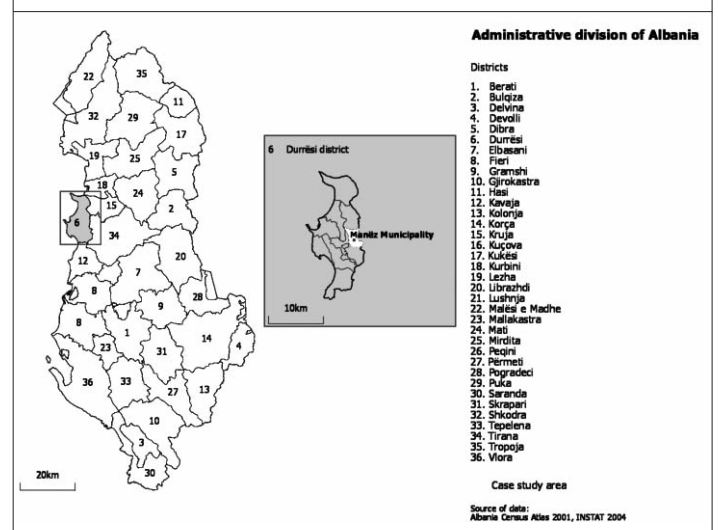
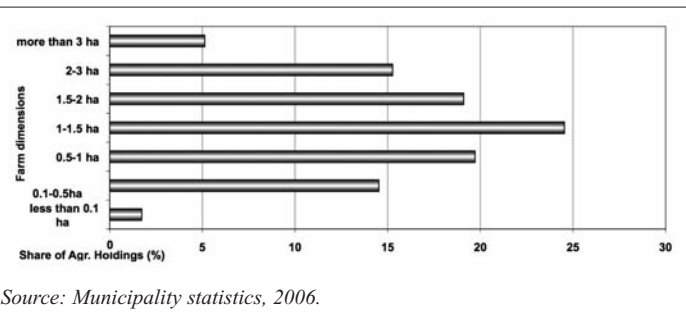


Figure 2 – Farm dimensions in the Manez Municipality.



apparent and more than 58% of the population has accomplished at least 10 years of school education.

After 1991, immigration from the north eastern area of the country and other surrounding villages increased the local population by 45%. In 2001, immigrants accounted for about 30% of the total local population, increasing the demand for land. The migrants came from the vulnerable and mountainous areas of the Northeast part of the country, or from areas that were selected for national strategic uses such as dams, lakes and mining activities. When the distribution of land began they profited from their share equally with the residents.

### 4.2. Methodology

Most of the relevant studies on Albania attempt to find insecurity mostly through the assessment of title possession and the evaluation of the number of disputes, which are used as proxies to assess «insecurity». However, formal insecurity was hard to be identified because of limited access to land registry information in the IPRO (Immovable Property Registration Office). Since the survey undertaken by Lemel (1995) on subjective insecurity, no research has dealt with insecurity through an approach based on the perception of local agents. Pejovich emphasises that property rights have to be translated «as abstract social relations among men» (1990:27). In this study security related to property rights will be scrutinised through the perception of farmers, or what is considered subjective insecurity. Subjective insecurity can yield substantial insights about feelings which go beyond the explicit statements of the respondents.

Differently from the previous studies on land rights security in Albania, this study has applied the notion of property rights security perceptions using a focus group method. The focus group method is used to elicit people’s feelings, beliefs, concerns and attitudes toward land rights. It is a suitable instrument for determining the meaning behind facts, and for giving insights into tendencies (IWOA, 2004). Literature on the focus group method emphasizes the advantages of this method, such as, in particular: the direct interaction with respondents, the opportunity to gather rich information; the fact that the synergistic features of the inquiry impact the respondents, and gives stimulus for responses; the easy understanding of the participants in understanding each other, even those not particularly literate (Kitzinger, 1994; Morgan, 1988;

Krueger, 1988). The focus groups were created following the methodology presented in detail in the Table No. 1.

Different steps were taken in the selection of the indicators, which were followed for the creation of varying group profiles based on diverging interests related to land rights.

The methodology of delineating the focus groups resulted in the organization of 5 focus groups with different profiles: (i) farmers who owned land before 1946; (ii) farmers

Table 1 – Methodology steps taken for the delineation of the focus groups from the study area.

Steps	Actions
1. Listed all the groups in the study area	The complete list of 7 villages
2. Discussed the differences between interest groups in the study area.	Type of farm (semi-subsistence vs. subsistence) Education (elementary vs. secondary school) Residents (immigrants vs. Old residents)
3. Identified the different variables which distinguish communities from each other.	Profession (farm vs. off-farm) Age of farmers (18-39 vs 40-65) Land transactions (autarky-vs. land transactions) Residents (Immigrants vs. Old residents) Pre-communist regime economic status.(no land vs. small-medium land owner) Community participation (present (aldermen/teacher) vs. non-present)
4. Selected one criterion (for each indicator) from some of the variables with which local people would be mostly identified with the land tenure issue.	<b>Land market participation</b>
	Autarky                      Buyers and sellers
	<b>Land ownership by self-identification</b>
	Pre collectivization-                      New land owners
	<b>Residence</b>
Old residents                      Immigrants	
	<b>Community participation</b>
	Aldermen                      Not active
5. Categorized focus groups using this criterion and selecting in cooperation with the aldermen, the participants using the list of names- 1 person from each village for the criterion chosen.	

Source: Authors’ notes.

who became owners of land with the 1991 reform; (iii) aldermen (representatives of the community with legal functions to maintain relations with government institutions); (iv) villagers who undertook agricultural land transactions in the last year; and (v) immigrants who came into the zone before and after 1991. Considering that the groups of autarky, old-residents and the non-active are represented through the attributes of the other focus group members we have decided not to identify them in different focus groups.

Keeping in mind the fact that focus groups are most effective when composed of between six and eight participants, the total number of participants in the focus group together with the invited persons (4 persons selected as substitutes of possible drop-outs) was 40 people. The selection was carried by respecting the attributes identified in the delineation of focus groups, and but at the same time respecting the customary rules of the villages, such as the importance of males and elders, all of whom were heads of households and had farming backgrounds. In addition, we carried out 35 open interviews with other randomly selected people from the villages, in order to better clarify, compare and verify issues that came up frequently during the focus group procedure. The main characteristics of the participants of each focus group as well as the respondents are reported in Table 2.

Table 2 – Some characteristics of the participants for each focus group.

Profile	1.Pre-collectiv.	2.Post-collectiv.	3.New comers	4.Buyers and sellers	5.Aldermen	6.Interviews
Age	50	40	35	40	45	40
Education	Basic	Secondary	Basic	Secondary	Secondary	Basic and secondary
Profession	Farmers	Farmers and part-time farmers	Workers and part-time farmers	Workers and part-time farmers	Farmers and former public service workers	Farmers and workers
Type of farm	Semi-subsistence	Semi-subsistence	Subsistence	Subsistence	Semi-subsistence	Subsistence
Number of participants per group	7	8	6	7	8	35

Source: Authors' notes.

Given the context, formal elicitation of opinions based on quantitative methods was not possible; accordingly, the results are given mainly using a textual approach. However, at the end of each meeting questions were posed that had a quantitative rating identifying roughly the levels of insecurity through an interval from 1 to 4 where: 1-very strong, 2-strong, 3-weak and 4-very weak.

## 5. Results: subjective insecurity regarding land rights

This chapter will answer the research questions provided as objectives at the beginning of the paper, notably:

Which type of perceived insecurity is more prevalent among Albanian farmers?

How does subjective insecurity with regard to property rights vary amongst the main interest groups?

What kind of impact could insecurity regarding land rights have on farmers' decisions with respect to possible land transactions?

In this chapter two types of subjective insecurity will be discussed: 1) a direct type arising from the residents and the disputes of pre-collectivization owners in the villages; 2) an indirect type coming from: a) people's perceptions of the political and constitutional changes regarding property rights, mainly with respect to the nationally unresolved issues of restitution and compensation, as well as; b) people's perceptions of the main institutions which manage property rights, and their credibility among citizens. The first subchapter will summarise the findings of the focus groups and interviews on subjective insecurity and the second subchapter will shed light on some indications of the impact of land rights insecurity on land transactions.

### 5.1. Direct subjective insecurity

Direct subjective insecurity are caused mainly by the disputes between the new land owners (those having received land from the reform) and the villagers who have inherited the same plots of land since the period before 1945- the so called pre-collectivization land owners. The direct subjective insecurity is strong among Group 1 (Pre-collectivization) and Group 2 (Post-collectivization owners) as well in Group 5 (Aldermen

opinions who still respect the ancestral rights). See table 3 for more detail on the perception of property right insecurity for each focus group.

The focus group organised with Group 1 (Pre collectivization owners) placed property rights as the root cause for agricultural inefficiencies and social conflicts. The existence of the pre-collectivization owners in the villages demonstrates direct

Table 3 – The perception of property right insecurity by interest group.

Subjective insecurity toward land rights		1. Pre-collectiv. land owners	2. Post-collectiv. and owners	3. New comers	4. Buyers and sellers	5. Aldermen	Interviews
Direct		Strong	Strong Not strong on youth and educated	Weak	Strong for buyers Weak for sellers	Strong	Not strong
Indirect	Type A.	Weak	Weak	Weak	Weak	Weak	Weak Very weak for youth and educated
	Type B.	Strong	Not strong	Not strong	Strong	Strong	Not strong

Source: Authors' notes.

subjective insecurity for the new owners. Discussions with them and the Group 5-(Aldermen) revealed the frustrating experiences of those possessing disputed land (See Box 1).

Most participants of Group 2 (Post collectivization owners) were aware of their legal rights. Few of them claimed that it is the right of former owners to seek their land, blaming the government for improper handling of this issue. However, young farmers showed weaker awareness of the former owners' dis-

#### Box.1 - I want my land back!

Azem, a representative of the former owners illustrated the problem by describing his case. My father bought the land with gold coins and worked all his life until the communists obligated him to give the land to the cooperatives after naming him as kulak\* and shaming his family. We waited all these years to see the story turn in our favour, but the pluralist governments have acted more harshly than the communists, giving it to others. They returned the land whenever possible in urban areas, but did not do the same in rural areas. I now see people building on my land and selling it. We even feel pressured by those who currently possess my land to be ashamed for our claims. The others respect me and know what properties I had, but they don't like to mention it because the restitutions create fewer or no surfaces for them.

\* Kulak is a Soviet term used by communists for the rich peasants, who had large land and did not accept to enter into the established cooperatives. Using such terms, the Communist Party aimed to demoralize whoever did not accept involvement in cooperatives.

putes. Discussants and representatives of public order explained that land disputes arise sporadically in the community resulting in tension and refreshing the property rights issue.

For those of Group 4- (Buyers and Sellers), direct subjective



insecurity differed between buyers and sellers. Buyers experienced doubts and preferred ancestral rights to reduce insecurity. Sellers declared that the formal rights were secure enough to assure land transactions. Their opinion was that the risk of not finalising the land transaction depended on the former owner's willingness/ insistence to put pressure on the seller (the new land owners) or on the buyer (mainly co-villagers or people from outside villages who have kinship or friendships inside the village) and block the transaction.

As for Group 3 (Newcomers), who «benefited» from the distribution of land or bought it from the local government, they have experienced less direct subjective insecurity. Members of this group told through the discussions that were accused by other villagers of profiting from two distributions, one in the place of origin and the other in the place of residence.

In Manez Municipality indirect subjective insecurity of type A which derives from the low credibility of reform accomplishments regarding policies and constitutional changes was not strongly evident.

The indirect subjective insecurity (Type B) stemming from people's perceptions of the main institutions which manage property rights is more acute and is mostly reported through: Group 1 (Pre-collectivization owners, Group 2 («new» land owners (except youth and educated persons)), Group 4-(in this case only the buyers), and Group 5 (the aldermen) (see Table 3). This type of insecurity is represented through the negative perception of focus group members toward the administrative apparatus, which registers and enforces the land titles, such as IPRO (Immovable Property Registration Office) and the Civil Court. The majority of the participants in the discussions blamed these bodies for mismanagement, abuse, highly bureaucratic procedures, subjectivity and corruption, as was the case in other surveys and studies (WB, 2006) (CRSSD, 2005) (IDRA, 2007). Notaries also seem to contribute to the ongoing specific formal insecurity; reports show low levels of professionalism, ethical problems and illegal conduct (OSCE, 2004).

## 5.2. The impact of subjective insecurity on land transaction

Direct subjective insecurity was found to create low willingness to sell for some parcels which were subject to disputes with former land owners. During discussions with Group 1- the post-collectivization land owners, and Group 5-The aldermen, a low willingness to sell land was raised (See Table 4).

In Group 4-Buyer and Sellers, the insecurity impact was clearly divided into two types of statements. The buyers were more conscious of the former owners' claims, and initiated transactions, only if no serious disputes were present. Potential buyers

Table 4 – *The impact of property right insecurity on transactions by interest groups in the Municipality of Manez.*

Subjective insecurity on willingness to make land transactions	Pre-collectiv. land owners	New land owners	New comers	Buyers and sellers	Aldermen	Interviews
Indirect of Type A	Weak	Weak	Very weak	Very weak	Very weak	Very weak
Indirect of type B	Strong	Strong	Not strong	Strong for buyers	Strong	Not Strong
Direct	Strong	Strong Not strong on youth and educated	Weak	Strong for buyers Weak for sellers	Strong	Strong

*Source: Authors' notes.*

were more willing to buy (or perceived lower property right insecurity on) plots when pre-collectivization owners did not put pressure or «threaten» for any open expression of willingness for transactions. Otherwise, former owners in some cases obtained some money (5-10% of the value of transaction), against their commitment to recognize the new property transfer and rights.

There is also the risk that the price may be reduced because the buyer assumes the emotional costs of facing claims from the pre-collectivization owners. If the disputes are harsh, and if the buyer is not from the village, the transaction is frozen or blocked. A fact expressed by notaries and the municipality was that in the documents required for the transaction, a local government certification – proving that the land was not subject to conflict or a dispute over boundaries — was also required. Investigation on the type of documents required by the IPRO verify these declarations.

The indirect subjective insecurity of type A does not have a significant impact on the long-term decisions with regard to the land. As for the indirect subjective insecurity of type B on the side of land owners, errors in documents about the demarcation of land and the abusive orientation of the IPRO and notaries, in relation to documentation, negatively affected transactions. They were many respondents showing a fear of falsification of documents by notaries or IPRO personnel, or even the complete erasure of folders.

Problems such as these arise not only prior to transactions, but also after the conclusion of transactions. Interviews with the IPRO and notary and real estate agency experts expressed the concern that if the alienation of rights is not registered in IPRO, this can break the chain of titles and make transactions valueless.

As property right theory states, a direct impact of property right insecurity is embodied in transaction costs. These costs exist in order to capture, transfer and enforce the property rights (Barzel, 1997). The discussions with the focus groups and the interviews revealed different types of costs such as the high investigation<sup>7</sup> and negotiation costs of potential sellers, because of numerous land disputes and the lack of transparency related to ownership status. The interviews with real estate agents and farmers who have experienced land transactions pointed out that those who are not members of the community seek intermediaries/witnesses (relatives and friends) to undertake the investigations and negotiations and who in turn kept a percentage of the price (2-3% in most of the cases)<sup>8</sup>. This occurs because the buyers are aware of the conflicts that the purchased land can create,

<sup>7</sup> Investigation costs' in this paper, are understood as the costs of finding the information for the property rights of the seller, the possible disputes, and the potential risks of a given parcel of land. 'Negotiation costs' are the costs of reducing friction with possible parties or finalizing the transaction on the basis of the insecurity and risk that the parcel possesses. The 'post contractual costs' have to do with the enforcement costs, which are the costs of enforcing the new property rights deriving from the transaction.

<sup>8</sup> One member of the group who had made a transaction expressed that: "When you come in Manez you don't buy the home or land, but you "buy" the neighbour, who can be a bad one or a good one".

even by respecting all the formal rules, its use without reflecting the other claimers may affect the stability in their lives and their business in the community<sup>9</sup>.

Another type of transaction costs are the high enforcement costs of property rights received. Interviews with focus group participants and villagers show that to register a transaction, a villager must visit the IPRO on average 15 times, and the procedures can take on average 6 months. The evidence from other surveys demonstrates that the official costs<sup>10</sup> are duplicated by the bribes required from intermediaries or IPRO personnel, as well as distance costs<sup>11</sup> (CRSSD, 2006:21).

## 6. Conclusions

In this research we explored land rights insecurity in Albania created in the last steps of this reform. In order to assess the perception property right security, we investigated the Manez Municipality, located in the central part of Albania.

On the institutional side, the study found and re-identified many types of insecurity with respect to property rights. Similar to previous studies, we found that there exists a strong perception of direct subjective insecurity in Manez Municipality, resulting from the friction between the legal rights accepted by the majority of the local community, and the ancestral rights which the former owners claim to have. Furthermore, there is a strong perception of indirect subjective insecurity, which stems from the failures of the institutions that are responsible for property right transfers and enforcement.

The direct perception of insecurity is strong among former and new land owners, as well as with aldermen who still respect the ancestral rights. Young farmers showed weaker awareness of the former owners' disputes. Regarding those involved in land transactions, buyers expressed doubts and preferred ancestral rights in order to reduce insecurity. Sellers declared that the formal rights were secure enough to assure land transactions, whereas newcomers expressed lower levels of direct subjective insecurity. In Manez Municipality there exists a general lower attention to indirect subjective insecurity of type A which derives from the low credibility of the land reform. The indirect insecurity of type B stems from the perceptions toward the main institutions which manage property rights and is mostly reported by the groups of pre-collectivization owners, the «new» land owners (except young and educated persons), buyers and aldermen.

Insecurity related to land rights has several important impacts: it reduces the willingness to sell or buy, it can reduce the returns from sales (a portion of transaction payment is given to the those pressing through ancestral claims); it may also reduce the price of land, or in the worst case, it can cause an open-ended conflict which can block or render the transaction difficult.

Farmers have difficulties in dealing with and excluding possible third parties (former owners, disputes and pressure of the

community) from interfering in transactions, and buyers have problems in capturing and enforcing the new land rights derived from the transaction. The overall transaction costs increase as the market suffers as investigation, negotiation and enforcement costs are high and added to the contractual costs. Buyers are more oriented towards ancestral rights to reduce these costs, as a more secure attestation of the possession of property.

Therefore, in the context of insecurity of property rights, the State should enhance its central role in the land market. The State should «close the chapter» on the clashes between ancestral rights and formal rights by permanently resolving the question of compensation, and consequently bringing an end to the direct disputes of former owners. Also, formal rights must be enforced by addressing the continuing legal, institutional and administrative inefficiencies.

Resolving agriculture land property rights is a key step in promoting growth in agriculture, investments and efficiency in Albania. Accordingly more attention to this issue from policy-makers, and more research, can contribute to the future of the sector. By identifying priority causes of insecurity, this study hints at potential further areas of research for a more direct support to policy making. In particular, the approaches that appear to be most appropriate for future studies are: a) quantitative analyses on the effects of such insecurity on uncompleted transactions, or on the choice of transaction characteristics; and b) transaction cost-based analyses of land markets related to the connections with the (formal and informal) regulatory framework.

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<sup>9</sup> LSMS 2005 shows that in the Albanian land market the majority of land transactions (63%) are still made within the community and with relatives. A considerable portion of transactions are also made with outsiders.

<sup>10</sup> The normal procedure to complete an agricultural land transaction should last between 2 to 4 weeks and the cost of one exchange transaction is fixed at 70 Euro, from which 35 goes to the notary and 35 to the IPRS services.

<sup>11</sup> The trip from the village to the IPRO costs 1.4 Euro.



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