

ECONOMIC INSTRUMENTS TO PROMOTE SUSTAINABLE USE OF SOIL IN ALBANIA (DRAFT)

Project: “Developing the capacities of Albania for an effective engagement with the Green Climate Fund”

Urban Research Institute

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TABLE OF CONTENT

<i>List of acronyms</i>	2
<i>PROJECT SYNOPSIS</i>	3
<i>1. BACKGROUND</i>	1
1.1 Introduction	1
1.2 Project objectives and expected results	1
<i>2. Policy instruments for sustainable land management</i>	1
2.1 Introduction and brief overview on the main EU policy tools	1
2.2 Description of main economic tools and incentives for SLM in EU policy and MSs best practices	3
2.3 Development of Incentives in Agriculture and Rural Development in Albania for SLM	7
<i>3. Conclusion and Recommendation</i>	12
<i>References and sources</i>	14

LIST OF ACRONYMS

Abbreviation	
CAP	Common Agricultural Policy
CM	Council of Ministers
DCM	Decisions of the Council of Ministers
DID	Directorate of Irrigation and Drainage
EU	European Union
GEF	Global Environmental Facility
GLP	General Local Plan
GoA	Government of Albania
IDD	Irrigation and Drainage Directorate
IMCCE	Inter-Ministerial Committee for Civil Emergencies
LAPD	Land Administration and Protection Directorate
LAPS	Land Administration and Protection Section
LGU	Local Government Units
LMPO	Land Management and Protection Office
LPC	Land Protection Committee
LPI	Land Protection Inspectorate
LPSC	Land Protection State Committee
LPSI	Land Protection State Inspectorate
LULUCF	Land Use, Land-Use Change and Forestry
MARD	Ministry of Agriculture and Rural Development
MIE	Ministry of Infrastructure and Energy
MMR	Mechanism for Monitoring and Reporting
MTE	Ministry of Tourism and Environment
MTR	Mid-Term Review
NAP	National Action Program
NCSDLG	National Crosscutting Strategy for Decentralization and Local Governance
NEA	National Environment Agency
NRC	National Regulatory Commission
NTC	National Territorial Council
NTPA	National Territorial Planning Agency
NWC	National Water Council
PES	Payment for Ecosystem Services
RC	Regional Councils
REA	Regional Environmental Agency
RoA	Republic of Albania
SLM	Sustainable Land Management
SFM	Sustainable Forests Management
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change

PROJECT SYNOPSIS

PROJECT INFORMATION	
Project Name	<i>Developing the capacities of Albania for an effective engagement with the Green Climate Fund</i>
Project ID	----
Project Duration	<i>4 Months</i>
Project End Date	<i>May 2020</i>
Project Partner(s):	<i>Ministry of Environment, UN Environment Europe Office</i>
Focal Area	<i>Climate Change</i>
PROJECT DESCRIPTION / SUMMARY	
Overall Objective	<i>To work closely with the NFP and its coordination team, in the Ministry of Tourism and Environment, providing guidance and support on strategic priority areas for engagement with the Fund, facilitating a multi-stakeholder engagement processes. The consultants are expected to transfer knowledge and skills to the staff of the Ministry of Tourism and Environment through on-job trainings and daily interactions.</i>

1. BACKGROUND

1.1 Introduction

Further to the complex reform process undertaken by the Country and the granting of candidate status for EU membership, Albania has included environmental protection among its high priorities.

Important Strategies and legislation were adopted in the past years to establish a solid and effective environmental policy.

The **Law on Environmental Protection** (2013) is the framework law providing the legal basis for the adoption of strategies, plans and implementing legislation in several environmental sectors including the protection of soil.

The **Law on the Protection of Agricultural Land (2004)** provides the legal basis for creation and function of a new inspectorate on land protection and land rehabilitation. The law also provides the basis for the establishment of the Inter-ministerial State Committee on Land Protection and identified its mandate as the coordination of work and activities between the Ministry of Agriculture and Rural Development (MARD), Ministry of Tourism and Environment (MTE), other institutions and local government.

The **Law on Forestry and Forest Services** provides a wide range of management tools to protect and preserve forest resources and prevent deforestation, while the **Law on Pasture and Grazing Land** gives the legal framework for the pasture and meadows management.

Several strategies and sectorial action plans have been developed and executed since 1992 to address obligations under the UNCCD and EU Acquis. The **National Strategy for Development and Integration (NSDI) 2016-2020**, identifies key environmental challenges in Albania that include: (i) contamination of water resources (ii) soil erosion as a result of unsustainable forestry, agricultural and pastoral practices (iii) land contamination from abandoned industrial installations, mining enterprises and waste dumps; and (iv) waste management which constitutes to be a major source of pollution. The **National Strategy for the Environment (2016-2020)** is currently in the process of being updated. The document will be the basis for national planning on objectives related to land protection. Further objectives pertaining to rural development are addressed by the National Strategy for Rural Development (2014-2020), which focuses extensively also on soil erosion.

2. POLICY INSTRUMENTS FOR SUSTAINABLE LAND MANAGEMENT

2.1 Introduction and brief overview on the main EU policy tools

The "Report on legislative gap analysis and recommendations for revision" prepared in the first phase of the project provides a detailed description of the main international and EU policies regulating the sustainable use of land resources.

The assessment framework has thus considered several key elements of the main EU policies related to SLM:

- [1] The policy **objectives**: strategic goals and targets that an intervention is seeking to achieve, and which seek to address one or more economic, social or environmental needs.
- [2] The policy **instruments**: EU funding, legal acts and strategic documents, investments programs, etc.
- [3] The **links** between EU policies.

The key elements referred above have been investigated for the following policy sectors:

#	Sector	SDG Ref.	Main EU /international ref. docs /Initiatives
A. With regards to the land resources:			
1.	Soil	N°15 <i>Life on Land</i>	<ul style="list-style-type: none"> - Sludge Directive 86/278/EEC - Soil thematic strategy 2006¹; - "Data stem from Eurostat's Land Use and Cover Area frame Survey (LUCAS)"²;

¹ <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0231:FIN:EN:PDF>

² <https://esdac.jrc.ec.europa.eu>

#	Sector	SDG Ref.	Main EU /international ref. docs /Initiatives
			<ul style="list-style-type: none"> - Copernicus, the EU's Earth Observation and Monitoring Programme³; - Cohesion Policy⁴; - Commission Working Document for soil sealing (2012)⁵
2.	Water resources	<i>N° 6 Clean Water and Sanitation and N° 14 Life below water</i>	<ul style="list-style-type: none"> - WFD 2000/60/EC; - Flood Directive 2007/60/EC; - Nitrates Directive 91/676/EEC;
3.	Biodiversity	<i>N°14 Life below water and N° 15 Life on Land</i>	<ul style="list-style-type: none"> - Birds and Habitats Directives⁶ - EU Biodiversity Strategy⁷
B. Regarding the use of the land resources /human activities (Land Use):			
4.	Forestry	<i>N° 13 Climate Action and N° 15 Life on Land</i>	<ul style="list-style-type: none"> - EU Forestry Strategy⁸ - LULUCF decisions; - <i>United Nations Strategic Plan for Forests 2017- 2030</i>
5.	Agriculture	<i>N° 2 Zero Hunger</i>	<ul style="list-style-type: none"> - Common Agricultural Policy (CAP); - Nitrates Directive 91/676/EEC; - Sludge Directive 86/278/EEC
6.	Industry (including Environmental Liability)	<i>N° 11 Sustainable cities and communities</i>	<ul style="list-style-type: none"> - Seveso Directive 2012/18/EU - Industrial Emission Directive 2010/75/EU; - Environmental Liability Directive 2004/35/EU - Waste Framework Directive 2008/98/EC - Landfill Directive 1999/31/EC
7.	Spatial planning	<i>N° 11 Sustainable cities and communities</i>	<ul style="list-style-type: none"> - EU Sustainable Development Strategy⁹ - EU Territorial Agenda 2020¹⁰
C. Climate			
8.	Climate Change	<i>N° 13 Take urgent action to combat climate change and its impacts</i>	<u>Climate Package for the aspects relevant to Albania as Non-Annex I Country to the UNFCCC</u>
D. Assessment procedures			
9.	EIA / SEA (Assessment)	ALL	Environmental Impact Assessment Directive; Strategic Environmental Assessment Directive

Table 1 - Overview on the main EU SLM policy tools

As synthesized in the table above there are a number of policy documents available that can support the adoption and implementation of sustainable land management. Policy documents are prescribing / promoting the adoption and use of economic instruments as well, e.g.:

- Banning / restricting the use of products harmful for the environment or public health, (e.g.: pesticides);

³ https://ec.europa.eu/growth/sectors/space/copernicus_it

⁴ Sustainable development in the European Union MONITORING REPORT ON PROGRESSTOWARDS THE SDGS IN AN EU CONTEXT - Edition 2018

⁵ http://ec.europa.eu/environment/soil/pdf/guidelines/pub/soil_en.pdf

⁶ Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7)

Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7)

⁷ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0244&from=EN> and

http://ec.europa.eu/environment/nature/legislation/fitness_check/docs/nature_fitness_check.pdf

⁸ Council Resolution of 15 December 1998 on a forestry strategy for the EU

⁹ The Leipzig Charter on Sustainable European Cities - https://ec.europa.eu/regional_policy/archive/themes/urban/leipzig_charter.pdf

¹⁰ Territorial Agenda 2020 - Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions -

https://ec.europa.eu/regional_policy/sources/policy/what/territorial-cohesion/territorial_agenda_2020.pdf

- Conservation banks function to offset adverse impacts to the environment: it aims at compensating for environmental damage caused by land development;
- Financial provision aiming at the establishment of a source of funding for liabilities under environmental law or an environmental permit, licence or other authorisation.
- Contract farmland set-asides: Land-owners abandon the right to use parts or all of their farmland to foster the delivery of environmental benefits, and receive a payment in return.
- Eco-labels and certification: Eco-labels are a form of sustainability measurement for food and consumer products with the aim to facilitate the purchase of eco-sensitive commodities. Eco-labels result from a standardised certification process controlled by bodies such as the International Organization for Standardization (ISO)
- Payments for conservation investments: Certain investments into sustainable land management are financially rewarded by the government.
- Payments for ecosystem services (PES): PES is an economic, market-based approach for sustainability. PES schemes try to change the structural economic conditions in a certain area in such a way that the local resources users are incentivized to alter their resource use to maintain or restore certain ecosystem services. Landowners are rewarded for the provision of certain ecosystem services by the beneficiaries of these services.
- Environmental Taxes: meant as a tax whose tax base is a physical unit (or a proxy of it) that has a proven specific negative impact on the environment' (OECD 1997 and EC 1997a).
- Trading of emission reductions: A pollution goal or allowance is set and pollution permits are distributed which can thereafter be traded. Several emissions trading schemes have been established globally (e.g., EU Emissions Trading System), yet with limited success so far.
- Transferable development rights: These allow for the development of a certain area of land on the condition that land of a comparable type and quality is restored as a compensation measure.
- Voluntary carbon offsets: On a voluntary basis, individuals, governments or companies can purchase carbon offsets to compensate for greenhouse gas emissions caused by electricity use or transportation (e.g., personal air travel).

2.2 Description of main economic tools and incentives for SLM in EU policy and MSs best practices

Regulation remains an important driver for the achievement of environmental objectives, however the effectiveness of the regulatory framework can be enhanced with administrative and economic incentives to facilitate and encourage the compliance with the legal provisions, e.g.:

- Supporting the use of relevant sector guidance elaborated under the EU's eco-management and audit scheme (EMAS)¹¹: Reduce the frequency of the inspections and extending the duration of the permits for those companies adopting an environmental management systems;
- Economic reward, for companies that exceed minimum environmental performance standards, for example reduced charges based on good environmental performance or certification to a certain standard, access to subsidies and public funding, lower insurance premiums, etc.

The following paragraphs are providing references to economic and administrative incentives prescribed by the EU and MS policies applicable to SLM, with specific focus on agriculture and spatial planning (use of land).

2.2.1 Agricultural sector

In order to limit the impact of agriculture on the natural resources (i.e.: pollution of soil, water and air, fragmentation of habitats, loss of wildlife) the following priority areas have been identified by the **Common Agricultural Policy (CAP)**:

- biodiversity and the preservation and development of 'natural' farming and forestry systems, and traditional agricultural landscapes

¹¹ https://ec.europa.eu/environment/emas/index_en.htm

- water management and use
- dealing with climate change

The CAP ensures that its rules are compatible with environmental requirements and that CAP measures promote the development of agricultural practices preserving the environment and safeguarding the countryside. Farmers are encouraged to continue playing a positive role in the maintenance of the countryside and the environment.

The Direct payments (DP) is a support schemes for farmers provided by the European Agricultural Guarantee Fund, commonly referred to as 'Pillar 1' of the CAP. They primarily aim to provide income support for farmers, but should also contribute to achieving other objectives related to land use, such as soil protection, biodiversity enhancement and climate change mitigation. There is a national budgetary ceiling for each Member State.

This is achieved by:

- targeting aid at rural development measures promoting environmentally sustainable farming practices, like agri-environment schemes
- enhancing compliance with environmental laws by sanctioning the non-respect for these laws by farmers through a reduction in support payments from the CAP¹²

The following EU laws are regulating the Pollution owing to agricultural activities:

- using sewage sludge in farming *Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture*
- fighting water pollution from nitrates *Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources* (with codes of good agricultural practice and action programmes)
- Safe and effective fertilisers on the EU market *Regulation (EC) No 2003/2003 relating to fertilisers (as amended)*
- *Chemicals.*

Regarding the **Basic Payment Scheme (BPS)**, as defined in the EU legal framework of the 2013 CAP, aims to provide basic income support for farmers and to protect them from high volatility of market prices for their products and thus help to stabilize their income.

However, the payment of support is conditional to comply with minimum maintenance standards to ensure the good agricultural and environmental conditions of the land and have to respect certain obligations regarding food safety, animal and plant health and animal welfare for their farm (cross-compliance). This should contribute to achieve other general CAP objectives related to land use, such as soil protection, biodiversity and climate change mitigation.

The eligibility to BPS payment is a precondition to have access to other EU funds, including **Green Payment or Greening**, which is a new type of direct payment introduced with the 2013 CAP reform to attempt to limit the adverse impact of agricultural activities on the environment.

It is the only direct payment whose main stated objective is 'green', namely to enhance the CAP's environmental performance. Greening is not an optional scheme. All farmers participating in CAP direct payment schemes (such as the Basic Payment Scheme) must also apply for the green payment. Besides crop diversification and the maintenance of permanent grassland, greening requires farmers to reserve 5% of their arable land for ecological focus areas (EFAs). EFA types are stated in Article 46(2) of Regulation (EU) No 1307/2013 and further specified in Article 45 of Commission Delegated Regulation (EU) 639/2014¹³.

Apart from greening, the CAP has two other important tools for pursuing environmental and climate objectives:

1. **Cross-compliance**¹⁴ is a mechanism linking most CAP payments to a set of basic **standards** to ensure the **good agricultural and environmental condition of land (GAEC)** and certain **obligations**, known as **statutory management requirements (SMRs)**. SMRs are defined in the respective EU legislation on the environment, climate change, public, animal and plant health, and

¹² https://ec.europa.eu/agriculture/envir_en

¹³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0639&from=en> SECTION 4 - Ecological focus area, Article 45 Further criteria for the types of ecological focus area

¹⁴ The Legal basis is European Parliament and Council Regulation (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy (CAP), in particular TITLE VI CROSS-COMPLIANCE - CHAPTER I - Scope, Articles 91-95 <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0549:0607:en:PDF>

animal welfare. Farmers who do not meet these standards and requirements risk incurring a penalty reducing all their direct payments, usually by 1 % to 5 %.

Annex II of the EU Regulation No 1306/2013 describe the rules of cross-compliance, as defined in the EU legislation, in particular regarding Environment, climate change, good agricultural condition of land:

AREA	MAIN ISSUE	REQUIREMENTS AND STANDARDS	
Environment, climate change, good agricultural condition of land	Water	SMR1	Directive 91/676/EEC of 12 December 1991, concerning the protection of waters against pollution caused by nitrates from agricultural sources, articles 4 and 5
		GAEC1	Establishment of buffer strips along water courses
		GAEC2	Where use of water for irrigation is subject to authorisation, compliance with authorisation procedures
		GAEC3	Protection of ground water against pollution: prohibition of direct discharge into groundwater and measures to prevent indirect pollution of groundwater through discharge on the ground and percolation through the soil of dangerous substances
	Soil and carbon stock	GAEC4	Minimum soil cover
		GAEC5	Minimum land management reflecting site specific conditions to limit erosion
		GAEC6	Maintenance of soil organic matter level through appropriate practices including ban on burning arable stubble, except for plant health reasons
	Biodiversity	SMR2	Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds, Article 3 par. 1, Article 3 par. 2, lett. (b), Article 4 par.1, 2 and 4
		SMR3	Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild flora and fauna, Article 6 par. 1 and 2

Table 2 - Cross compliance rules for environment and climate

The following links are providing examples of Statutory Management Requirements in EU MS

- IRELAND - Explanatory Handbook for Cross Compliance Requirements – Department of Agriculture Food and Marine, 2016: <https://www.agriculture.gov.ie/media/migration/farmingschemesandpayments/crosscompliance/CrossComplianceHandbook130916.pdf>
- ITALY – Decree of the Ministry of agriculture, food and forestry policies 25 January 2017 – Regulation of the cross compliance pursuant to regulation (EU) no. 1306/2013 <https://www.reterurale.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/16795>

2. **Environmental measures** under rural development (CAP’s Pillar II) – such as the **agri-environment-climate measure** – are like the green payment in that they reward farmers for certain practices that benefit the environment and climate. Unlike greening, however, these measures are contractual, based on voluntary commitments by farmers. The premiums paid to farmers reflect the additional costs and income loss resulting from such commitments.¹⁵

2.2.2 Recovering degraded areas in urban environment

EU does not have a specific competence regarding Spatial Planning, as it lies mainly with the national Government of the MSs, however several EU legal acts and guidelines, provide specific rules aiming at achieving EU’s objectives and goals.

The below table provides an overview on EU policy measures having an impact on spatial planning in Europe:

¹⁵ From Special Report from the EU court of auditors N° 21/2017 Greening: a more complex income support scheme, not yet environmentally effective

EU COMPETENCIES AND ACTIVITIES INFLUENCING SPATIAL AND URBAN PLANNING			
Legislation	Incentives	EU Agenda(s)	Spatial planning policies Urban policies
SEA Directive EIA Directive Birds/Habitat Directives WFD Floods Directive Environmental Noise Directive SEVESO III Directive Waste FD Landfill Directive Renewable Energy Directive Energy Efficiency Directive Regulation on Guidelines for trans-European energy infrastructure Marine Spatial Planning Directive Marine Strategy Framework Directive	Cohesion Policy ¹⁶ ESI Funds (EFRE, ESF) CLLD ITI Rural development policy EAFRD LEADER Transport policy TEN networks	Reports on Urban Europe, Urban Audit, State of cities report Cohesion report European Environment – state and outlook Country Specific Recommendations (CSR) EU Urban Agenda 2016	European Spatial Development Perspective (ESDP) Territorial Agenda of the EU (TAEU) 2007 Territorial Agenda of the EU 2020 (TA2020)

Table 3 - EU Policy measures on Spatial Planning. Source: *Spatial planning and governance within EU policies and legislation and their relevance to the New Urban Agenda - E. Dallhammer, R. Gaugitsch, W. Neugebauer (ÖIR GmbH), K. Böhme (Spatial Foresight GmbH)*¹⁷

The EU Urban agenda initiative includes a Sustainable Use of Land and Nature-based Solutions Agenda (SUL_NBS), its main aim is "to ensure the efficient and sustainable use of land and natural resources to help create compact, livable and inclusive European cities for everyone".

This general aim is underpinned by two objectives: 1) to promote the livable compactness city model and 2) to mainstream and promote nature-based solutions as a tool to build sustainable and livable urban spaces.¹⁸

The EU Urban Agenda is fully aligned with the New Urban Agenda (Habitat III)¹⁹ of the UN and the UN Sustainable Development Goals.

The main objective of the EU Communication on the Thematic Strategy for Soil Protection (2006) and Report on the implementation of the soil thematic strategy and on-going activities (COM2012/046) is the protection and sustainable use of soil, based on the following guiding principles:

- Preventing further soil degradation and preserving its functions
- Restoring degraded soils to a level of functionality consistent at least with current and intended use, considering the cost implications

The Strategy is based on four main pillars:

1. Establishment of framework legislation
- 2. Integration of soil protection in the national and Community policies;**
3. Promoting Community and national research programmes;
4. Increasing public awareness

Regarding Pillar No. 2 MSs should integrate the principles of the Strategy and other relevant EU technical guidelines for the protection of soil, with the national spatial and urban planning, facilitating and simplifying the procedures for the use of soil through recovery and development of abandoned areas.

Recovering degraded areas in **urban environment** is essential for the protection of soil, to prevent large areas already urbanized from being abandoned, as well as to boost living conditions of the population, in fact abandoned areas represent a problem for the territory from a social, economic and safety point of view.

¹⁶ Under the 2007-13 Cohesion Policy, about € 3.5 billion are available for investments in the rehabilitation of industrial sites and contaminated land (SEC(2010) 360)

¹⁷ <https://cor.europa.eu/en/engage/studies/Documents/Spatial-planning-new-urban-agenda.pdf>

¹⁸ https://ec.europa.eu/futurium/en/system/files/ged/final_draft_action_plan_27-07-2018v3.pdf

¹⁹ <http://habitat3.org/wp-content/uploads/NUA-English.pdf>

In Italy, in order to achieve these objectives and in the absence of a national legislation, some regions adopted their own regulations providing incentives for the recovery and re-use of abandoned buildings in urban areas.

The Law of Lombardy Region N. 31/2014 concerning "*Provisions for the reduction of the soil consumption and for the requalification of the degraded soil*", defines the soil a common good and a non-renewable resource, and it outlines a multi-level competence system, at regional, provincial and municipal level.

At the regional level, the article 2 paragraph 2 of the Regional Law 31/14, states that the regional plan "shall specify the methods for determining and quantifying the indexes that measure land consumption, valid for the whole regional territory, defining the consequent criteria, technical guidelines to be applied to reduce soil consumption". In accordance with the Law the regional plan identifies criteria and technical guidelines to:

- Limit the consumption of land, taking into account the characteristics of the territory, the qualitative characteristics of the soils, the state of the territorial planning (urban planning and landscape) infrastructural forecasts, the extension of already built-up areas, the housing needs and development needs;
- Indicate criteria for drawing up the Charter of land consumption;
- Initiate a monitoring system applicable to all planning levels, to define priorities in the implementation of the planned activities, including infrastructural development.

Furthermore, it states that the Regional Plan shall identify a monitoring system for abandoned industrial areas in which part of the settlement can be located.

At the level of provincial planning, the Provincial Plan:

- Incorporates the criteria, technical guidelines to limit land consumption;
- Establishes methods for estimating the overall development objectives, to be included within the general plan, coherently with the provincial plan;
- Indicates the criteria for assessing the compatibility of municipal plan, with reference also to the municipal threshold for land consumption and the contents of the regional plan.

Municipalities, in developing their planning tools, shall take into account the criteria and technical guidelines adopted at regional and provincial level.

The Law, defining the structure and contents of the Regional planning documents, identifies, among other things, the areas in which urban and territorial regeneration processes should be initiated, by providing specific **methodology and adequate incentive measures**, with the aim of guaranteeing functional reintegration within the urban system and increasing its environmental and ecological performance, landscape and energy.

Furthermore the Region is providing technical support to the local authorities through ad hoc trainings, studies and guidelines focused primarily on the feasibility of land use changes (taking into account accessibility and sustainability), the analysis of costs, the investigation of available European funds, research of investors interested in re-qualifying the areas identified, etc..

Incentives are provided for the remediation of contaminated sites. The incentives concern the development of Characterization Plans and their execution, feasibility studies, as necessary and preliminary step for the remediation of the contaminated areas.

The Regional Law of Veneto No 14/2017 on "Provisions for the reduction of land consumption" as well is: 1. prescribing the development of general criteria for the reduction of soil consumption, to be applied at regional and municipal level, with binding effects for municipal planning. 2. **Providing legal tools and incentives** to encourage the requalification of building as well as the recovery of urban areas, through specific long-term programs.

Beyond these two examples, in the absence of a national standard, the framework of regional legislation is rather heterogeneous, and in some regions the definition of soil consumption still needs to be aligned with the EU policy (*Zero land take objective*); currently a draft law at national level has been prepared in order to define common standards and rules to be applicable to the whole national territory.

2.3 Development of Incentives in Agriculture and Rural Development in Albania for SLM

Economic Instruments for stimulating land productivity are coordinated mainly through the Ministry of Agriculture and Rural Development.

Law No. 9817 "On Agriculture and Rural Development" sets out the objectives, measures and programming of agricultural rural development policies, public agricultural services, research and

vocational training, as well as the database and policy information in the agricultural and rural development sectors.

Objectives of agricultural and rural development policies under this law are to undertake measures for the implementation of agricultural policies and rural development are intended to achieve the following general objectives:

- Increasing incomes for the rural population, increasing their well-being by improving their working and living conditions, and creating equal opportunities for men and women;
- Increasing production by promoting competitiveness and technical progress, as well as ensuring optimum use of production factors and in particular labour;
- Market stability, ensuring sustainability in agricultural production;
- Food quality and safety, ensuring that the food chain is of a sustainable quality and does not cause harmful effects on human health;
- Protecting and preserving the environment by ensuring that agriculture preserves natural resources;
- Poverty reduction, which aims to reduce disparities between levels of development in different regions, as well as the backwardness of less-favoured rural areas, by developing alternative and complementary employment-generating activities with a view to slowing down employment removing the population from the villages as well as empowering small and medium-sized businesses.

This law also sets **a program, which aims to support the development of agriculture in the country, to gradually guarantee the effectiveness of agricultural policy and rural development measures, paying attention to the needs, project implementation planning and support measures.**

The financial resources of the program are provided by:

- State Budget;
- International donors, in accordance with relevant agreements;
- Budget of the municipalities;

The agriculture and rural development program is permanent and administered by the ministry through the Paying Agency.

Also law 139/2015 "On local Self-Government" provides that LGU's have the responsibility for the creation and administration of local agriculture and rural development grant schemes, funded by the local budget and / or co-financed by third parties, ensuring balanced gender equality access. In this regard there is no evidence that LGU's allocate any funds for these responsibilities.

The Council of Ministers adopted DCM No. 709, dated 29.10.2014, "For the approval of the Cross-Sectorial Strategy for Rural and Agricultural Development 2014-2020". The Inter Sectorial Agricultural and Rural Development Strategy (ISARDS) is designed according to the "Europe 2020" strategic framework for a rapid, sustainable and inclusive growth and the general strategic objective of Albania for EU membership, and in line with the EU strategic planning approach for the Common Agriculture Policy (CAP) 2014-2020, at the same time focusing on the specific needs for the development of agriculture, agro-processing and rural areas in Albania.

The main objective of ISARDS is to define the strategic framework to treat the challenges faced by the agriculture and agro-processing sector, as well as the development of rural areas in a sustainable economic, environmental and social manner, proposing similar policy instruments to the CAP, paying a special attention to the preparation of the sectors, policy instruments and institutional approximation for EU membership, to achieve a sustainable improvement of competition in Albania.

Albania, as a candidate country for EU membership, is struggling to fulfil its long-term strategic objectives and align with the requirements derived from Europe 2020 strategy. Since 2014, the year in which the candidate status was awarded, Government of Albania is making efforts to formulate compliant agriculture and rural development policy as well as update the legal and institutional base for alignment to Common Agriculture Policy (CAP). The agriculture policy is of multi-dimensional importance, from meeting the EU standards related to food security and agricultural practices to preparing the agricultural sector to withstand the competitive pressures of the upcoming membership in the single market. That implies that the Albania's agricultural policy should comply with the EU's CAP in order to achieve economically viable farming, improved food security and sustainable rural livelihood. As such, this emerging political set-up requires a new vision for policymaking as well as a new approach for designing the budgetary support measures for the agricultural sector.

National support schemes providing incentives are determined by an annual budgeting program and enforced by the decisions of the Council of Ministers. The main financial resource of the programme for agriculture and rural development are EU funds through IPARD II Programme.

Albania is eligible for assistance under the IPA II Regulation. On 16 April 2015 a framework agreement was concluded between Albania and the Commission on the arrangements for implementation of Union financial assistance to Albania under IPA II (hereinafter referred to as the "FWA").

A sectorial agreement between the government of the republic of Albania and the European Commission have been agreed for setting out the management and implementation of union financial assistance to the Republic of Albania under the instrument for pre-accession assistance in the policy area 'agriculture and rural development' (IPARD)

Rural development programmes are to be implemented by Albania on the basis of indirect management in accordance with Article 58(1) (c) of Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council and they have to indicate the actions to be financed with IPA II assistance. The selected types of actions have to be of a nature similar to those provided for under Regulation (EU) No 1305/2013 of the European Parliament and of the Council.

The European Commission and Albania ensure consistency and co-ordination of assistance within and between the IPARD II programme, the other policy area actions under the IPA II Regulation and assistance from the European Investment Bank and other international financial instruments, at the levels of planning, programming and implementation. The first step of ISARD consists of starting the IPARD II Programme, is progressing. The IPARD II Programme has been adopted by the Government of Albania (GoA) and approved by the European Commission (EC) in July 2015 and ratified by the Albanian Parliament in March 2016. At this stage, the IPARD Operating Structure (Managing Authority) and the Agricultural and Rural Development Agency (ARDA; the Paying Agency) is subject to accreditation process. Other activities stated by ISARD 2014-2020(MARDWA, 2016a) are under continuous review in terms of implementation. Some of the measures are partly accomplished and left for implementation during the period 2016-2018 and other measures are planned to be applied

The budgetary support to agriculture in Albania is modest when compared to the agriculture sector's size, needs and contribution to the national economy as well as the support given in other Western Balkan countries and the EU for this sector (Volk et al. (eds) 2014). Although the budgetary support is higher than in previous years.

The entire funding for structural and rural development measures is oriented to improve the competitiveness of the agro-food sector. **No funds are intended to support rural economy and population or preserving of environment and ecosystems.**

Among structural and rural development support measures the largest share of funds belongs to financing of drainage, irrigation and other water resource management infrastructure (in 2010-2015, 60% on average).

The on farm investment support has witnessed a decrease that started from 2010. This decreasing trend is caused mainly by the reduction in support to permanent crop plantations (especially olives). Higher importance was given to technology improvement (drop irrigation, wells and biomass heating), plantation of medicinal herbs, expansion of greenhouses and modernization of farms (new equipment, buildings and light constructions). The food processing industry support started gaining importance especially in 2014 with the introduction of two main measures: the support that covers 50% of the value of investments in storage, post-harvest and processing infrastructure and support covering 70% of interest rates for new investments in agro-food industry sector. General support measures consist of support to agriculture research and development, advisory and extension services for agriculture, public financing of measures in the field of food safety and food quality and other measures of a general character (mostly technical assistance). In 2015, budgeting for general support measures decreased considerably compared with 2014. This reduction was mainly a consequence of reduced international funds relating to food safety and technical assistance.

The direct producer support measures in the country continue to be very modest, however, in recent years this support has been increasing constantly. The major part of direct payments goes for supporting the livestock sector, mainly in the form of head age payments for small ruminants.

The enforcement of measures has been characterized by frequent changes along the years due to a "leakage of funds" in the past.

Decoupled payments do not exist, although they are core concept of CAP 2020. Basic elements such as Farm Register and LPIS system required as a fundamental step for the establishment of IACS (Integrated Administration and Control System) are not ready yet. Therefore, decoupled payments will be missing in the near future (optimistic scenario to be implemented in 2020). The

recent two years witnessed an increase indirect payments based on output, a measure initiated to intensify and formalize vertical relations in the value chains. In the past direct payment based on output was used to consolidate the supply for extra virgin olive oil which was exempted in 2013. In 2013-2014 output related payments were being used for supporting the collection and delivery of forestry fruits, while lately a price premium was granted for the milk delivered to dairy industry as well as for fruits and vegetables destined to collection and processing points.

Major agriculture subsectors are characterized by high informality due to weak registration and low fiscal control during the recent two decades. Moreover, vertical coordination is very weak due to low contracting activity and weak cooperation (Imami et al.2016; Gerdoci et al.2016).

Expanded role of IPARD Programme II is planned which provides a financial benefit from the EU funds of EUR 71 million till 2020, while the national budget funding will increase from EUR 20 million in 2014 to EUR 23 million in 2020. In the implementation there are no strong disparities between ISARD planned and realised expenditures in terms of support to agriculture and rural development. The difference averages at not more than 5% during the recent three years. In case there is less demand for a part of the schemes in the first six months of the year, than the funds are allocated to remaining schemes during the second half of the year. Concerns exist on the gap between the policy formulation and policy implementation especially with regards to national support schemes. Assuring coherence and coordination between ISARD 2014-2020, IPARD II and yearly action plan with the schemes of national support to agriculture and rural development should be a priority for Albanian policymaking and executive institutions.

The number of support schemes is still deemed too high (10 measures with 17 sub-measures) despite they are reduced in number. Number of measures is changing frequently, with no solid links to policy vision. Schemes are not always based on in-depth ex-ante evaluation which has led to the one-time/year appearance of some schemes (such as meat or skin delivery to the slaughterhouses). Moreover, some schemes survive for some years and then vanish and are not repeated during the next budgetary program. It seems that also ex-post evaluation in terms of efficiency and impact are rare (so far only one study available, see Shkreli et al.2015). Frequent changes and short term orientation do not provide reliable incentives and orientation to the supported sectors. Moreover, **there are few schemes deemed to be compatible with CAP.** Despite the commitment of MARD expressed through the master action plan where one of the objectives is to achieve compatibility between CAP and national scheme of support, there exist various legal weaknesses that hampered the introduction of the CAP-like schemes on time. In order to schematize the analysis a framework of measures is tabulated below, where in left side of the table the major measures of agriculture and rural development support gaps are ranked and in the right side the institutional and legislative reasons and time targets are provided).

2.3.1 Support measures and relation to Master Action Plan activities by status of achievement

Support measure	Action plan activities	Time	Status of achievement
Investments in physical assets of agricultural holdings, processing and marketing of agricultural and fishery products and farm diversification and business development	National scheme and IPARD II	2016	To be implemented under 1st package of the IPARD measures, 2017
Schemes complementing IPARD II measures for small farmers producing for the market	Carried out with donor's support (GIZ-DANIDA; EUR 13.1 million of which EUR 6.5 for investment grants).	2014	Achieved
Agro-environment and organic farming schemes	Organic farming and quality policy to be designed.	2016	Not achieved yet, although some preparations are done by FAO projects
Quality policy support scheme for agricultural products and foodstuff	Quality policy legislation and enforcement and implementing structures for the alignment of the legislation with Acquis and its enforcement	2016	Not achieved yet
Supporting the cooperation of farmers and associations	Establishment of producer groups and associations of agriculture cooperation	2016	Not achieved yet and not included in IPARD II programme as previously planned
Establishment and protection of forests	Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry.	2017	Not achieved yet and not included in IPARD II programme as previously planned
Preparation and implementation of local rural development strategies - Leader approach.		2017	Not achieved yet
Public investments in rural areas development and infrastructures	MARDWA investments carried in water and drainage.	2017	Still ongoing since Regional Development Fund allocates competing grants for municipalities
Improve training and strengthen capacities of advisory services	Being carried through capacity building projects (donor support)	2017	Territorial development strategy and institutional changes are still to be considered
Review/amend Law for Agriculture and Rural development to provide for compulsory registration of farmers to be eligible for support	Registration of farmers in the farm register and other relevant registers (animal register, LPIS, etc.)	2016	Not achieved yet, which is hampering area based support measures
Develop measures for access to credit	Support for the establishment of the Rural Credit Guarantee Fund under the IPA 2012 Project.	2016	Achieved (to be activated within 2016)
Actions to support transfer of land and land consolidation	Legislation and pilot project prepared by FAO	2016	Not achieved yet

These measures accompanied by technical assistance are designed and ready to be implemented after accreditation of the implementing structure. However except this part of first package other activities planned are still not solved. For instance, **issues such as strengthening of collective actions among farmers and other stakeholders, achieving land consolidation, supporting quality schemes for agriculture products, enhancing agro-environment-climate measures and supporting organic farming are not yet accomplished.**

A second group of measures is related to support of advisory services, preparation and implementation of local rural development strategies which has undergone subsequent changes due to the territorial reform. Territorial restructuring is accompanied with a vast number of changes halting the reforms on veterinary service, advisory services, water and irrigation management as well as land and forestry management. **One of the main problems for implementing this second group of measures is the lack of coordination between central and local institutions.**

3. CONCLUSION AND RECOMMENDATION

In general:

- According to the European Environmental Agency²⁰ between 2000 and 2018 Land take during those 18 years was particularly high in Albania, especially along the coastal area and around the capital region. In eighteen years, a 56% increase in artificial surfaces was registered.
- The environmental taxation and fiscal system should be effectively regulated. The national environmental fund should be established, and / or a state budget line for an environment-related purpose should be identified.
- The fiscal decentralization has not been implemented yet. Local governments lack appropriate financial resources or local revenues to implement their environmental competences²¹.
- Several recommendations to improve the current legal framework and to adopt economic instruments to support the establishment of a sustainable land management system have been provided in the Legal Assessment report prepared within the framework of Task 1.1.1.
- Existing incentives mechanisms for agricultural development should be strengthened and oriented towards SLM, and additional financing tools should be added e.g. microcredit to support farmers in the adoption of SLM practices.
- SLM technologies should be incentivized, in general investments and incentives for sustainable land use and for prevention of land and soil degradation are presently inadequate and would need to be substantially increased.
- The use of PES schemes for the conservation of standing forests or wildlife habitat to combat land degradation shall be promoted.

In particular regarding Agriculture and rural development

Despite the agriculture policy properly addresses the agriculture and rural development challenges its implementation is still lagging behind the schedule. Overall funding for agriculture and rural development has increased but is still far from what government has targeted for 2020.

Structural and rural development measures (second pillar) have expanded, gaining 60% of the overall support funds. This policy does properly meet the structural needs of the agriculture sector. It supports the restructuring and increase of competitiveness of the farms, reduces their structural vulnerability and promotes the vertical and horizontal farm integration by supporting the investments in postharvest and processing.

Despite the expansion of this pillar, again no funds are oriented to the support of rural economy and population and forestry. The structural support provided to rural development in Albania is focused only on the improvement of the competitiveness of agricultural sector.

Direct support measures are also increasing with the majority of funding going to livestock sector. Other measures such as support of cooperation, land consolidation, strengthen of advisory services and schemes of quality support are also not developed.

Moreover, the institutional coordination should be fine-tuned so that MARD can exploit the reforms being carried out in other sectors.

LGU's should have a clear pattern on how to comply with national policies as defined by central institutions in order to fulfil their role as the nearest institution to the farmers in terms of land protection, forestry, irrigation and drainage etc.

The introduction of decoupled payments is still not possible due to legal and institutional bottlenecks.

Moreover, gaps remain in the agriculture information system for farmers, such as Market Information Systems, as well as other monitoring tools such as Farm Accountancy Data Network, which are emerging due to the slow progress in establishing systematic farm surveys and endorsement of the Census of Agriculture 2012 results (MARDWA 2016c).

²⁰ COPERNICUS LAND MONITORING SERVICE - CORINE LAND COVER INITIATIVE [HTTPS://WWW.EEA.EUROPA.EU/DATA-AND-MAPS/INDICATORS/LAND-TAKE-3/ASSESSMENT](https://www.eea.europa.eu/data-and-maps/indicators/land-take-3/assessment)

²¹ United Nations Economic Commission for Europe (UNECE) Environmental Performance Reviews Series No. 47

Donor coordination is very much required in order to keep the momentum for speeding up the necessary institutional reforms.

Other country recent reforms, such as forests reforms and territorial reforms as well as the existing institutional fragmentation have delayed the process of resolving these bottlenecks.

An approximation of national legislation and policy instruments to the EU Acquis and further development of the institutions for its enforcement is therefore the main challenge.

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