

# *Chapter III*

## **INSTITUTIONAL FRAMEWORK**

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The housing scene of Albania is full of new actors, who appeared after 1990. These are private owners (after the privatization of the housing stock and State enterprises), commercial banks, property developers and various other agencies dealing with housing matters. The roles of governmental and local public bodies, too, are changing. This chapter describes the role of different organizations at a national level such as parliamentary commissions, governmental or local public structures, private enterprises and corporations, professional, homeowners' associations and other relevant associations and institutions. The main objective is to describe the organizational structure of the housing sector in Albania as well as its viability and sustainability.

### **A. Public institutions**

#### *People's Assembly (Parliament)*

Albania is a parliamentary republic. The head of State is the President, who is elected by the People's Assembly by a majority of two thirds for a five-year mandate, with the right to be re-elected once. The system of government is based on the separation and balance of legislative, executive and judicial powers. Legislative power belongs to the People's Assembly, which consists of 140 members. One hundred of them are elected directly in single-member, approximately equal constituencies. Forty deputies are elected from multi-name lists of parties or party coalitions according to their ranking. Deputies may not exercise any other public office with the exception of that of a member of the Council of Ministers. The Assembly elects standing commissions from its ranks and may also establish special commissions.

There are 13 parliamentary commissions:

The Permanent Commission on Constitutional Issues and Laws;

The Commission on Human Rights and Minorities;

The Commission on Foreign Policy and International Relations,

The Commission on the Economy, Finance and Privatization;

The Commission on Defence,

The Commission on Public Order and the Information Service;

The Commission on Public Information Means;

The Commission on Labour and Social Affairs;

The Commission on Agriculture and Food;

The Commission on Industry, Transport, Public Works and Trade;

The Commission on Education, Culture, Science and Sports;

The Commission on Health and Environmental Protection;

The Commission on Immunities, Mandates and Procedure.

The Commission on Industry, Transport, Public Works and Trade deals with housing. The Commission on Labour and Social Affairs is indirectly linked to housing issues, as it deals with social protection policies, etc. The Commission on the Economy, Finance and Privatization is also involved, since it discusses the budget for all public expenditures, including housing.

#### *Council of Ministers (Government) and other governmental structures*

The Council of Ministers is the highest executive body in the country. The President appoints the Prime Minister, the People's Assembly has to ratify this choice. The appointment may take some time and if the Assembly fails to elect a new Prime Minister, the President dissolves the Assembly. The ministers also are appointed and dismissed by the President on the proposal of the Prime Minister. The Assembly has to ratify these appointments. The Council of Ministers adopts decisions and instructions, which have to be validated by the signature of the Prime Minister and the respective minister.

The new Government was appointed in February 2002 and is composed of 18 ministries. Only a few of them deal with housing matters. Among them are:

**The Ministry of Finance**, responsible for budget allocation for all ministries, including the “construction of housing”. When a draft decree is prepared this Ministry must give its opinion.

**The Ministry of Labour and Social Affairs**, responsible for the social protection and social aid policy, it identifies vulnerable groups and prepares policies that address these groups. The Ministry of Territorial Development and Tourism (former Ministry of Public Works and Tourism) collaborates with this Ministry in the housing of vulnerable groups.

**The Ministry of the Environment**, responsible for the preparation of environmental protection policies and monitoring. There are indirect links to housing matters in terms of housing development, as new constructions occupy new territories, which may hamper sustainable development.

**The Ministry of the Economy** (former Ministry of Economic Cooperation and Trade), responsible for coordinating aid from different donors.

**The Ministry of Agriculture**, responsible for agricultural development policies. There are indirect links with housing issues in terms of housing development, as new constructions on new territories might occupy arable land.

**The Ministry of Defence**, indirectly linked to housing policies for military personnel and transformation of military barracks into housing stock as well as the **Ministry of Public Order**.

**The Ministry of Justice**, responsible for preparing and monitoring policies, the preparation of the legal acts and normative acts concerning the judiciary system, the application of civil and penal decisions, the harmonization and reform of the Albanian legal framework as a whole, etc. When a draft decree of the Council of Ministers is prepared this ministry must give its opinion.

**The Ministry of Territorial Development and Tourism** (formerly Ministry of Public Works and Tourism, and Ministry of Public Works and Transport), plays the central role in the housing sector. The Ministry is responsible for overseeing (including monitoring):

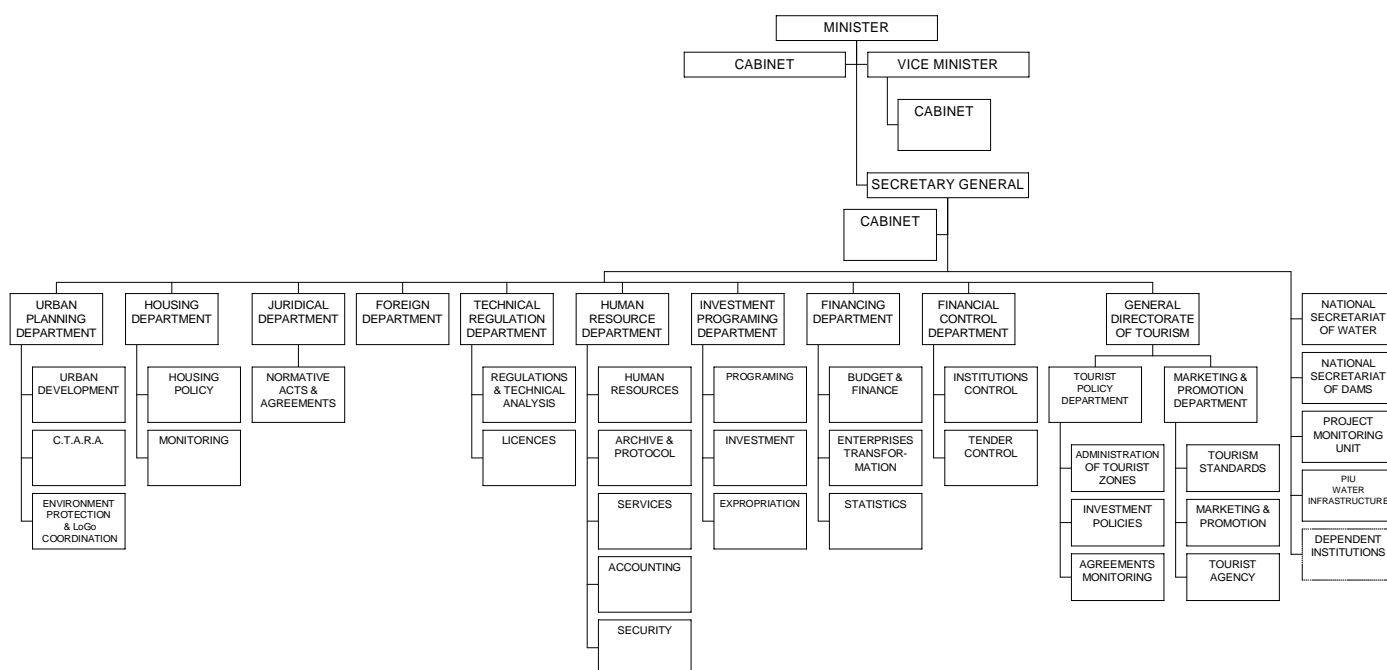
- All budget-financed activities including housing;
- All activities related with housing policy at the national level
- The provision of public services such as water supply, sewerage, rubbish collection and other community facilities; and
- The control of land development over the national territory;
- The preparation of policies for the development of tourism.

The main central government organization for housing, and the main counterpart for this Country Profile, is the Ministry of Territorial Development and Tourism. In recent years it has changed name several times from the Ministry of Public Works and Transport, to the Ministry of Public Works and Tourism and, since February 2002, the Ministry of Territorial Development and Tourism.

Within the Ministry, there is a **Housing Department**. **The mission of the Housing Department** is to create the necessary legal, financial and institutional frameworks

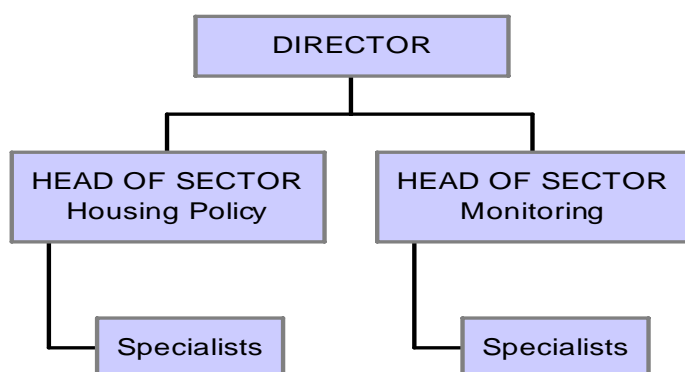
that make it possible for all groups of society to have equal access to adequate housing based on their ability to pay and on their social and health status.

**Figure VII. Ministry of Territorial Development and Tourism**



Source: Ministry of Territorial Development and Tourism, 2002.

**Figure VIII. Housing Department of the Ministry of Territorial Development and Tourism**



Source: Ministry of Territorial Development and Tourism, 2002.

The Housing Department is responsible for:

- Supporting, implementing and adapting the objectives of the government in policies and programmes for housing;
- Improving the performance of the National Housing Agency and local government in the implementation of the housing policy;
- Conducting research on housing development trends, based on a databank;
- Recommending necessary changes to existing housing policy.

*The Housing Department consists of two sections:*

(i) *The Housing Policy Section*

- Prepares housing policy and strategy based on the principal orientations of government policy and on demographic and urban studies, and prepares national and regional plans for housing development;
- Prepares the necessary legal framework for housing policy activities;

- Deals with the housing problems of the urban population at national level, ensures equal access to housing and establishes adequate standards for housing for all, based on the ability of families to pay;
- Ensures the creation, rehabilitation and maintenance of the housing stock;
- Communicates and deals with the population's housing issue claims;
- Maintains and strengthens links with domestic and foreign housing organizations and institutions; identifies the scope of collaboration with these organizations and monitors implementation.

(ii) *The Monitoring Section*

- Supervises and monitors the implementation of the National Housing Agency's national and regional programmes;
- Supervises and monitors the implementation of housing tasks and activities incumbent on local government;
- Collects and prepares information and data on public and private housing;
- Identifies and draws up key housing indicators on which monitoring will be based;
- Based on the available data and information, prepares studies for new trends in housing;
- Keeps in contact and collaborates with the National Institute of Statistics (INSTAT) for data collection.

There are a number of organizations under this Ministry: the National Urban Planning Institute, the Institute for Building Technology and Construction, the Water Supply Institute, the National Housing Agency, and the Construction Police.

***The Ministry of Local Government and Decentralization***, established in 1999 (previously a division in the Ministry of Internal Affairs), has the following responsibilities:

- To prepare the new legal acts and improve the legal framework for the

development of local government activities and for the decentralization of functions;

- To implement the legal provisions concerning local government;
- To increase local government capacities through training, seminars, best practices etc.

There is a special division at the Ministry for dealing with prefects.

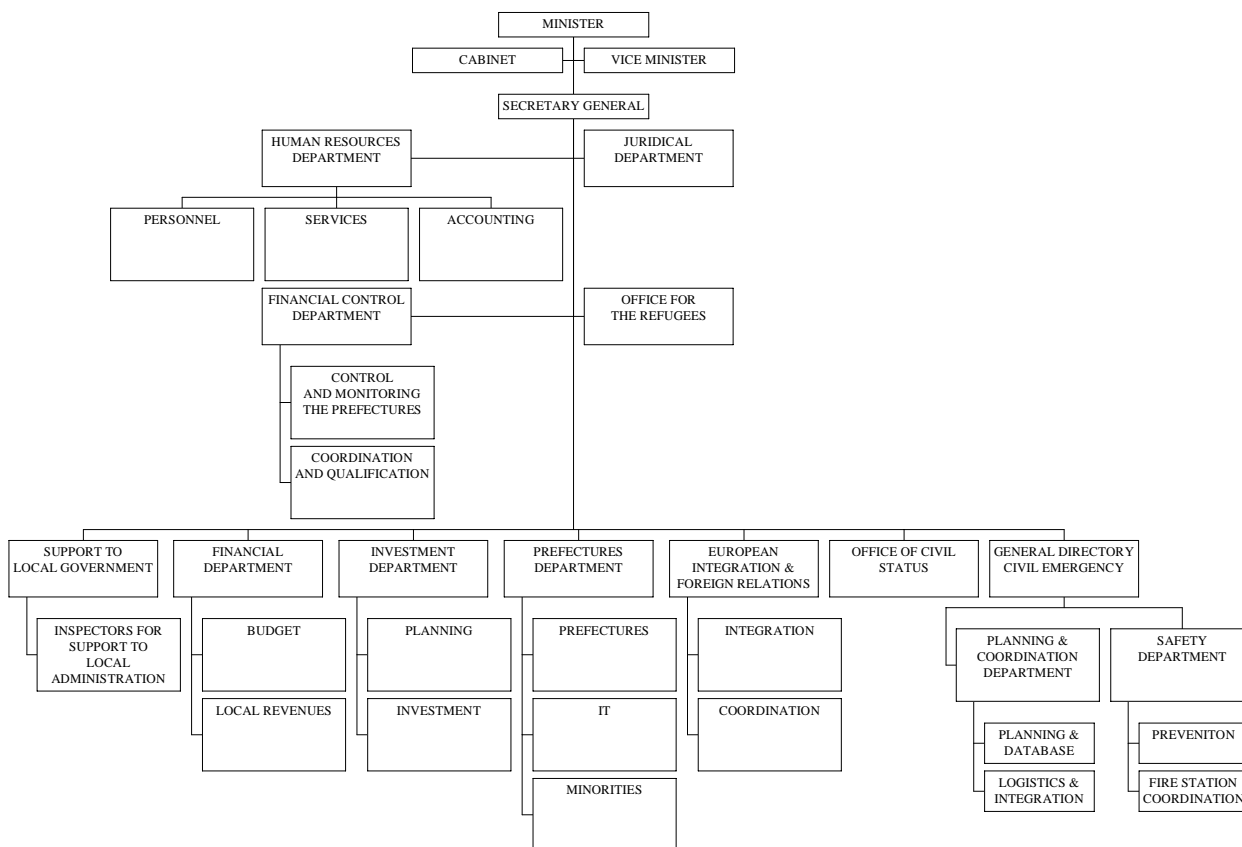
Although this Ministry could have a role in the development of the housing sector, housing issues are not on its list of priorities, nor are they on the list of priorities of local government. Nevertheless, international experts and local government representatives consider this Ministry to be well placed in the institutional framework of the country.

***Prefects*** - Each of Albania's 12 regions has a prefect appointed by the Government as its representative. Although prefects do not have direct responsibilities for housing, they need to be mentioned since they exercise extensive control over local government activities and decisions. The role of the prefect is to ensure that the local authorities operate within the law and to check the legality of their decisions. The Ministry of Local Government and Decentralization is currently preparing the legal framework covering the activity of the prefects.

***The National Urban Planning Institute (ISPU)*** is a State enterprise, established in 1995, 100% financed by the State budget. The Institute has two sections, one for urban and rural development and another for tourist development, and three groups for norms and techniques, for green area studies and projects and for infrastructure. The Institute works under the Ministry of Territorial Development and Tourism. The Institute's experts, who total 41, have been involved in projects for:

- Regional and environmental urban planning studies;
- Master plans;
- General development plans;
- Partial urban planning studies.

Figure IX. Ministry of Local Government and Decentralization

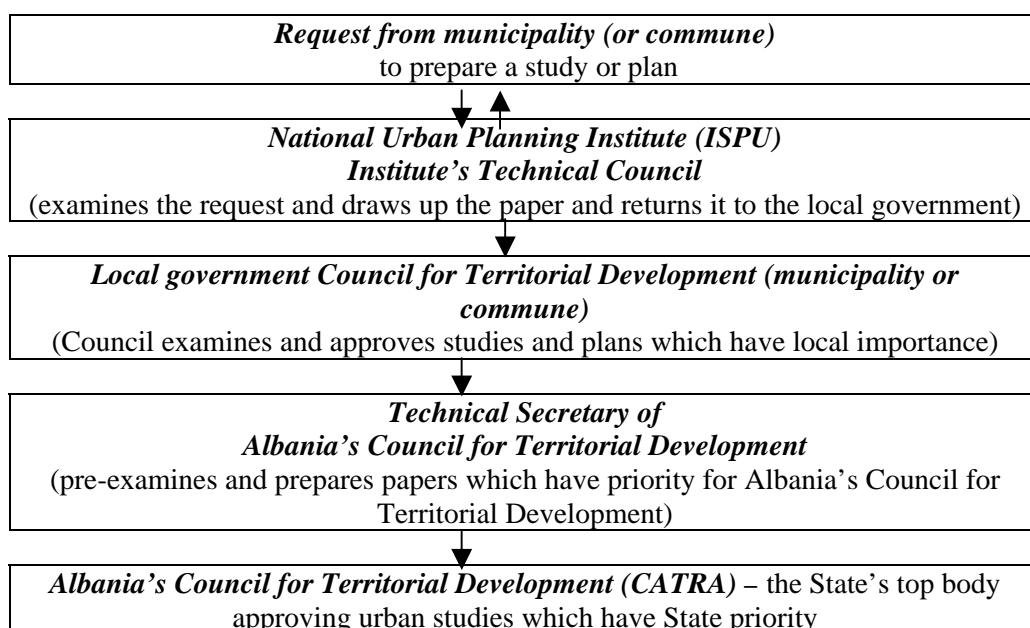


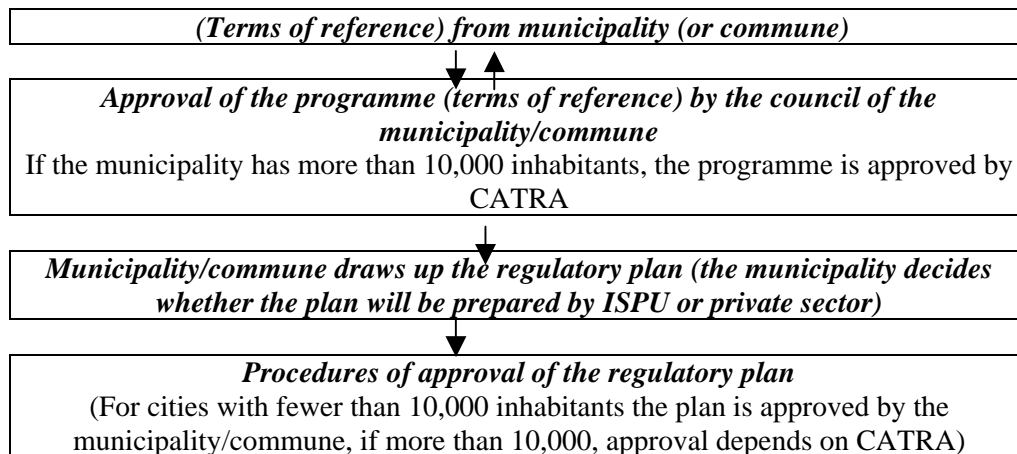
Source: Ministry of Local Government and Decentralization.

It can take from 1.5 to 2 years to prepare a study. The Institute is the only public body in this field of activity. The main beneficiaries of the Institute are central and local government and they get the studies for free. ISPU can prepare regulatory plans for municipalities or communes which want

such work but have no capacity (human or financial) to carry it out.

The procedure for obtaining an approved study (or plan) is the following:



**Activity flow for the approval of a regulatory plan:**

**The National Housing Agency (NHA)** is a State enterprise, established by Government Decree No. 198/1993 under the Law on State Enterprises for the economic reform of the housing sector and for the financing, allocation and administration of certain dwelling houses. The establishment of NHA was related to the housing reform that started in 1992-1993. In the reform process the Albanian Government was assisted by the World Bank, from which it obtained US\$ 15 million for a housing programme. The aim of the programme was: (i) to complete the construction of unfinished public flats and to put them on the market, (ii) to secure long-term repayment of these flats with a mortgage collateral, (iii) to trade in smaller, privatized dwellings against the purchase of larger flats, (iv) to establish the National Housing Agency as an effective agent of reform, and (v) to broaden the role of private sector operators in housing supply (investors, developers, contractors, suppliers, banks and brokers).<sup>56</sup>

The NHA is an administrative unit under the Ministry of Territorial Development and Tourism. According to the final Decree, No. 40/2001, the NHA Board consists of: a representative of the Council of Ministers (the economic counsellor of the Prime Minister), four representatives of the Ministry of Territorial Development and Tourism, one representative of the Ministry of Finance and a representative of the Ministry of Local Government and Decentralization. The representatives of the

Ministry of Territorial Development and Tourism vary from time to time: for the moment the Ministry is represented by the Vice-Minister (who is also the Chairman), the Secretary-General, the Director of the Housing Department and the Director of Water Reservoirs. The Minister of Territorial Development and Tourism appoints the General Manager from among two candidates nominated by the Board. The General Manager has the main executive rights and proposes for election by the Board at least two candidates for the directors of departments of the general directorate, the regional directors and chairmen. The total staff of the NHA is 150, including 50 persons in the central administration. The Agency has six branches in different regions of the country. Its annual accounts must be reviewed and certified by independent auditors and, together with an annual report on financial activity, they are submitted to the Council of Ministers.

At present, the main objective of NHA is to provide new housing by searching for finance for housing construction, providing loans to eligible purchasers, including private individuals, and building dwellings. According to the above-mentioned Decree No. 198/1993 as amended in 2001, NHA should also carry out feasibility studies, prepare plans to meet effective demand, obtain (buy) building sites

<sup>56</sup> Doris Andoni, IHS and Lund University, The Impact of Housing Policy on the Poor in Albania. Rotterdam. 2000, p.52.

based on urban studies, put up projects for tender, supervise their execution, sell and buy housing units on the free market for people on the waiting lists, and rent flats until they are sold. The NHA is authorized by the State to own and sell a property until the full liquidation of any financial obligations that the client may have on the house. The Agency meets these responsibilities. But other provisions are not respected, for instance, acting as the founder of condominiums in housing built with State funds and then representing the State in these associations. No condominiums or homeowners' associations have been established by the NHA.

After nine years of activity, the National Housing Agency's results are not up to expectations owing to various political, legal and structural/organizational problems. It is difficult to get reliable information about its achievements in English, but local experts point to the poor efficiency of NHA in providing housing, and in collecting and generating funds. The poor efficiency is due to the internal organizational and staff efficiency, professionalism and accountability, and also to external political and legal influences, which have transformed the NHA into an agency dependent on the State budget, without initiative and self-reliance in generating and using funds. The legal and financial issues related to housing provided by NHA are dealt with in chapters IV and V.

*The Construction Police*, founded officially in 1998, had been functioning since 1993 as the Department of Building Control and Expertise in the present Ministry of Territorial Development and Tourism. This body, which is 100% financed by the State budget, works under the Ministry of Territorial Development and Tourism; its General Director is appointed directly by the Prime Minister and the Deputy Director by the Minister. About 60% of the fines obtained go to the State budget and 40% remain for Police needs. The total Police staff currently numbers 150 and includes technical and legal offices, groups for demolition and administrative staff. The main responsibilities of the Construction Police are:

- Building control;
- Urban planning control; and
- The demolition of illegal constructions.

If the representatives of the Construction Police during a control discover some irregularities they can apply penalties or resort to demolition. Demolition can be carried out at the request of the Council for Territorial Development. In accordance with the Law on Urban Planning: (i) the expenses of the demolition are charged to the owner, (ii) the execution of decisions by Councils for Territorial Development, Construction Police and fine-charging bodies are not suspended by an appeal in court against them. If the court's final decision is in favour of the accused or the appeal is accepted, the persons affected have the right to demand compensation for the damage done. The Public Police supports the Construction Police in its demolition activity. (For more details about the legal framework for Construction Police activity, see chapter IV.)

The number of demolitions in 2001 in Tirana totalled 1750, but there were no demolitions of illegal houses by the Construction Police in Kamza, near Tirana. One weakness in the activity of this body is the absence of construction quality control from its list of responsibilities.

### ***Property registration***

Albania, like other East European countries in transition, resorted to the privatization of State properties, including land and State-owned flats, and this meant that it was necessary to establish a new system of property registration. In 1993, the Government approved an "Action Plan for Immovable Property Registration and Other Land Market Activities", under the management of the Project Management Unit (PMU), an independent entity chartered by government decision. The PMU is to coordinate the creation of a land market institution, particularly a new system for the registration of all immovable properties (Immovable Property Registration System, IPRS).<sup>57</sup>

<sup>57</sup> David Stanfield, Malcolm Childress, Artan Dervishi, and Lazar Korra. *Emerging Real Estate Markets in Metropolitan Tirana, Albania, 2000*, p.1.

Till 1998 the *Ipoteca office* was responsible for the registration of property rights. The Ipoteca offices situated in the major cities, usually the district capitals, operated prior to 1976 as simple document depositories for deeds of sale and gift, mortgages, and inheritance of urban properties. A registry book was kept in each office, and a copy of the recorded transaction was filed in the *Ipoteca* archives. These *Ipoteca* offices were depositories for transaction contracts and had functioned in most cities until the constitutional provision from 1976 largely eliminated market transactions for State or cooperative ownership of all immovable property. As private rights to urban properties were gradually re-established in 1991, *Ipoteca* offices were reopened to register the privatized property under the Law on Privatization but were closed again in 1998.

In order to establish a more adequate registration institution, Parliament adopted in July 1994 the Law on the Creation and Operation of an *Immovable Property Registration System*. With the approval of the Registration of Immovable Property Law, the country started establishing a new system for the recording and displaying of rights to immovable property. Under the Law's provisions, Albania has been divided into 3086 rural cadastre zones and 134 urban cadastre zones, and 34 registration offices have been created. Each registration office maintains the *kartela* or registry page for all property in its jurisdiction and registers the property manually. About 95% of publicly and privately owned properties in the rural areas and 75% in the urban areas have been recorded in the registration offices. Initial registration is free of charge. The Registration (Cadastre) Office is implementing a project to build an information system, which is financed by the World Bank as technical assistance.

*The Regulatory Agency for Water Supply and Sanitation* was established under Law No. 8102/1996 as a legal entity. A Water Supply Commission has been established within this Agency. The Commission is competent to: issue licences to the companies that provide water supply services; approve prices and tariffs;<sup>58</sup> define procedures and standards for water supply, drainage

and the treatment of waste water; conduct studies for this sector of activity; set administrative and monetary sanctions; formulate regulations to help exercise the competencies and functions indicated by the Law and other related functions. Albania also has a *Regulatory Agency for Energy*.

## B. Local authority institutions

### *General view*

Local government in Albania is based on the decentralization of power, which is exercised according to the principle of local autonomy (Constitution, art. 13). The Constitution establishes two levels of local government, the communes or municipalities and the regions. The commune or municipality is the basic unit of local government, the region is the upper level of local self-government and is composed of several communes and municipalities that have geographic, traditional, economic and social ties. There are 74 cities, 65 of them being municipalities, 309 communes and 12 regions in Albania (see table 16 and figure I, page 2). Each of these units has its own local government, be they regions, municipalities or communes. The units of local government are legal entities and they have an independent budget.

The representative organ of local government is the council elected every three years by general direct elections with a secret ballot; the executive organ of a municipality/commune is the chairperson elected directly by the people in the same way as the council. According to the Constitution, the representative organ of the region is the regional council and the councils of communes and municipalities delegate members to the regional council according to the size of their population. The council has the right to issue orders with obligatory force to the region. The councils of communes, municipalities and regions have the right to administer their income independently; to establish and collect local taxes; to issue directives, decisions and orders. As mentioned above, the Council of Ministers appoints a prefect in each region. The powers of the prefect are defined by a special law.

<sup>58</sup> In accordance with the Law, the Agency shall design the methodology for the tariffs and the public shall be notified and given an opportunity to comment on the way in which the Regulatory Agency defines tariffs. Tariffs can be modified only once a year.

Albanian legislation provides another local government structure called the circle (district), which is in fact a subdivision of a region. There are 36 circles (districts), the responsibilities of which are not clarified, but the Government has given them responsibility for establishing the Councils for Territorial Development.

The Constitution (art. 115) gives the Government the right to dissolve and discharge

elected local government bodies “for serious violations of the Constitution or the laws”. The elected body of a local government has the right to appeal within 15 days to the Constitutional Court and in this case the Government’s decision is suspended. If no appeal is lodged within 15 days, or if the Constitutional Court upholds the decision of the Government, the President of the Republic sets a date for new elections in the respective local unit.

#### **Albanian local government development**

Albanian local government before 1990s was essentially de-concentrated, with limited self-government bodies (elected councils) within the framework of a highly centralized decision-making system in charge of managing the implementation of detailed economic planning. In the 1990s the overall system became more decentralized. ...The reform of 1992 made it possible, for the first time, to establish politically autonomous local government. This must be considered a very important achievement. Some of the services and functions from which the public could benefit directly were passed to the local bodies. Though politically autonomous, they still lacked real administrative and fiscal autonomy.

In the first years of transition, the focus was mainly on central reforms to build the key institutions (parliament, government and judiciary) based on democratic models as well as on basic economic reforms (macroeconomic, banking, privatization, etc.). As a result, less attention was paid to local government reforms. ...Local government is characterized by a mismatch between responsibilities and the authority to act. The formal responsibilities of local government bodies are very large but their actual power is very limited.

*F. Hodaj. Local Government in Albania. Tirana. 2001, p. 2*

**Table 16. Administrative units**

No.	Regions	Municipalities	Communes	Villages in municipalities	Villages in communes	Towns
1.	BERATI	5	20	6	239	5
2.	DIBRA	4	31	15	264	7
3.	DURRESI	6	10	21	85	6
4.	ELBASANI	7	43	16	381	7
5.	FIERI	6	36	19	259	6
6.	GJIROKASTRA	6	26	6	265	6
7.	KUKËSI	3	24	6	179	3
8.	KORÇA	6	31	6	339	6
9.	LEZHA	5	16	32	137	9
10.	SHKODRA	5	29	15	257	6
11.	TIRANA	5	24	15	218	6
12.	VLORA	7	19	22	173	7
Total	12	65	309	179	2796	74

#### **First level local government – communes and municipality councils**

The representative bodies of the communes and municipalities are the councils, which are elected every three years by secret ballot. The mayor is the executive body of the municipality or commune and he is elected directly by the inhabitants by secret ballot. The councils have the right to delegate part of their competence to the executive body, especially in the operation and management of properties.

The first level of local government exercises its functions in drinking water supply, the maintenance of the sewerage and drainage system in inhabited areas, the construction, rehabilitation and maintenance of local roads, pavements and public areas, squares, the lighting of public areas, public transport, the cemetery and the burial services administration, parks administration; collecting, transporting and processing waste, urban planning, land management and housing as laid down in law.

*In terms of housing*, local authorities are responsible for:

- Keeping records of “homelessness” in their jurisdiction and forwarding them regularly to the Ministry of Territorial Development and Tourism for budget planning, and to the NHA and Savings Bank;
- Applying the law in cases of default of payment or when an NHA-built flat is occupied by squatters and substituting a family from the waiting list;
- Offering public land to NHA for housing construction for the “homeless”;
- Approving urban plans and building permits for the private sector;
- Controlling the implementation of building permits.

In accordance with Government Decree No. 204/1998, the local government budget contains: (a) expenditures for carrying out the above duties and functions; (b) revenues which are local taxes, fees, shared taxes, subsidies and loans (total number 13,<sup>59</sup> but there is no property tax, which elsewhere generally constitutes the largest source of municipal revenue); (c) the difference between the expenditures and revenues of the independent local budget, which is financed by the block of non-returnable aid that the central Government transfers to each local government body. Local experts confirm that the local government budgets depend on central government transfers.<sup>60</sup>

### ***Second level local government – regional councils***

The representative body of the region is the regional council. In accordance with article 110 of the Constitution, “Municipalities and communes delegate members to the regional council in

proportion to their population, but in any case at least one member. The mayors of communes and municipalities are always members of the regional council. Other members are elected through proportional lists from among municipal or communal councillors by the respective councils.”

In accordance with the Law on the Organization and Functioning of Local

Government, the functions of the regional councils include:

- The establishment and implementation of regional policies which are harmonized with government policies at the regional level;
- Defining the right to exercise delegated functions from one or more communes or municipalities, with their agreement;
- Defining the right to exercise the authority delegated from the central Government.

The regional council’s competency in housing and land-use planning is still not clear. This does not create the conditions for it to exercise its main functions in preparing and implementing regional planning and housing programmes. The budget basis also remains unclear, since the legislation does not regulate the taxes or that part of them that goes through the regional council budget.

### ***Local government properties***

The Constitution recognizes the right of local governments to own property and to exercise all property rights within the limits of the law. Local government properties are divided into two types: properties in the public and the private domain. Local governments have the right to hold, possess and dispose of private domain property. Public domain property<sup>61</sup> is not disposable and cannot be sold or leased, but the character of the property can be changed.

<sup>59</sup> “The classification of the local taxes is: registration tax, garbage cleaning, collection and treatment tax, hotel tax for foreigners, market stalls tax, municipality tax on receipts of restaurants, cafes, bar-buffets, discotheques, hotels, and confectioneries at a rate of 1% of the turnover; advertisement tax, public signboard tax, newcomers’ registration tax, amateur hunting and fishing permit tax, parking tax, luxury dog tax, building permit tax, butchering tax (slaughter).” F. Hodaj. Local Government in Albania. 2001, p.13.

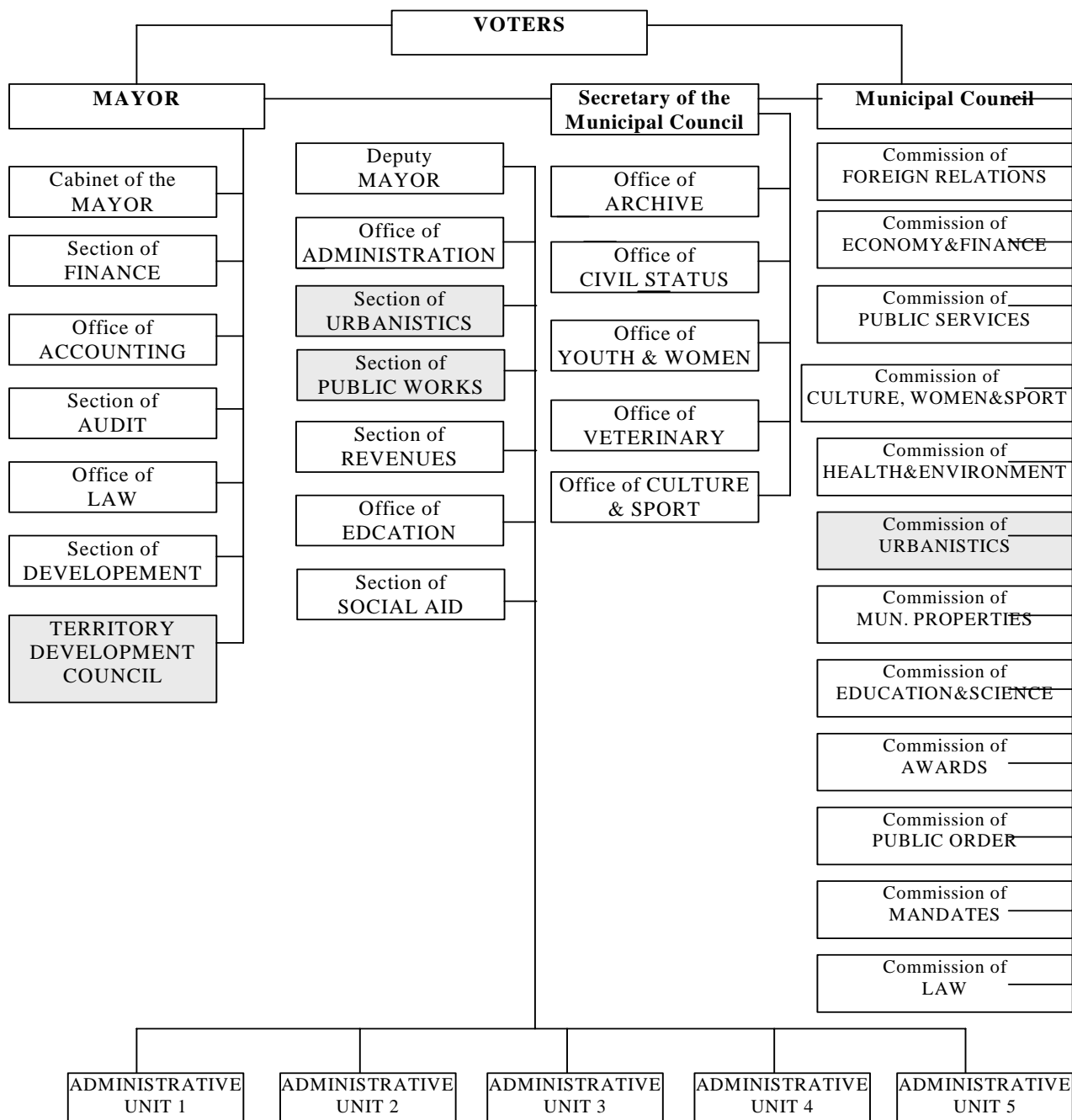
<sup>60</sup> V. Beci. UNDP Report on the local governance program. 2001, p. 2.

<sup>61</sup> Property in the public domain includes the coast, streets, rivers, torrents, administrative buildings, parks, monuments, historical squares, etc.

Local governments may acquire property by purchasing or exchanging it, by establishing enterprises (together with other legal entities on the basis of co-ownership) and through donation. Local governments may also acquire property through special mechanism such as eminent domain for local public purposes (expropriation) and the sequestration of a part of private property.<sup>62</sup>

Shkodra is one of the 12 prefecture centres. This prefecture consists of three districts: Shkodra, Malesiae Madhe and Puka. Shkodra district consists of two municipalities and 15 communes. The city of Shkodra is the administrative, business and cultural centre of the district of Shkodra.

**Figure X. Structure of Shkodra Municipality**



<sup>62</sup> F. Hodaj. Local Government in Albania. Tirana. 2001, p. 12.

In accordance with its declared decentralization principles, the Government prepared a draft law on the transfer of immovable State public properties to local government. It means that State public properties in the settlements will be transferred to the local governments.

However, the local administrations still do not own the property because:

- The property inventory process is complex and requires proper methods and procedures;
- The types of property that will be given to the local authorities are not clearly defined;
- The transfer conditions are not clear;
- The property administration after transfer will require support, as the relevant legislation is outdated.

*The Association of Albanian Municipalities* (AAM) was established in 1993. It was originally called the National Association of Albanian Mayors and then the National Association of Albanian Municipalities. Its present name and statutes were adopted in September 2000. The supreme body of AAM is the general assembly, which convenes once a year. The mayor and the chairman of the council represent each municipality. At general assembly elects its chairman and a steering committee. The steering committee, which guides the Association's activity during the period between two general assemblies, nominates the AAM director, financial officer and general secretary.

The responsibilities/ tasks of AAM are to:

- Defend the common interests of municipalities;
- Establish direct relations with Parliament and the Government;
- Represent municipalities in relations with other bodies;
- Stimulate discussion on common problems with the aim of finding practical solutions;
- Facilitate the establishment of contacts between municipalities and their foreign partners;
- Carry out different services for the municipalities, such as training.<sup>63</sup>

### C. Private sector and non-governmental organizations and associations

The private sector organizations and various other associations play a balancing role in the housing market, complementing the central and local governments. Interaction among them helps to build a healthy civil society.

The private commercial organizations that play a key role in the housing market are:

- Financial institutions providing mortgage and housing loans;
- Construction firms;
- Utility companies;
- Realtors and notaries.

The banking sector and the construction industry are described in chapters V and II respectively.

<sup>63</sup> Republic of Albania. Albanian Association of Municipalities. "Strengthening the European Tendencies of Development in Local Self-Government in Southeastern Europe". Fatos Hodaj.

## Utility companies

“Infrastructure bottlenecks continue to deter growth and poverty alleviation by lowering the marginal productivity of private capital and limiting access by the poor to market opportunities. In Albania, persistent disruptions of power and water also undermine Government credibility with the public.”

World Bank. Albania - Country Assistance Strategy – Progress Report. 2000, p. 8.

### Privatization of utility companies

“A review of current literature on the impacts of recent privatizations of water and sanitation services found that the vast majority of available case studies fail to demonstrate improvements in the quality and coverage of services to vulnerable groups. Indeed, higher costs to and service cut-offs of persons unable to pay higher rates have been more common, especially in developing and transition countries. This review also vindicates the concern that privatizations, while relatively easy to initiate, are extremely difficult to implement where universal coverage with acceptable quality at affordable prices for all is the stated goal of the service. Furthermore, when the population to be served includes low-income groups living in difficult-to-service areas and/or conditions, privatized service providers have generally been reluctant to invest in multiple forms of delivery or to apply cross-subsidies to meet the needs of these groups effectively.”

“(…)Rates of return and healthy cash flows for making repayments may take a much higher priority in project design than will poverty alleviation, or improvement of health and living conditions.”

United Nations, Economic and Social Council, Commission on Human Rights, Economic, Social and Cultural Rights - Report of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, Mr. Miloon Kothari, E/CN.4/2002/59, 1 March 2002.

Since 2001 the *water and sewerage companies* have been managed by the municipal authorities, which coordinate these companies' operational policy. According to the Privatization Strategy, water-supply companies were privatized mainly through managing contracts or concessions<sup>64</sup> and have been converted into joint-stock companies (for example, the Tirana Water Supply and Sewage Company).

The privatization of public utility services is a common trend in many countries, but should be studied carefully and, if introduced, planned and ruled very strictly to avoid faulty advice and unethical, not to say illegal, practices by private providers, as well as consulting firms and other institutions that aggressively promote

privatization.<sup>65</sup> The accountability of private service operators needs careful attention.

The situation at the Tirana Water Supply and Sewage Company can be extended to other companies in the country. The current transitional state of local governance in Albania has made it very difficult, if not impossible, for a peri-urban water supply enterprise to be effective. It lacks the authority to act to address problems, since it can neither turn to the Ministry of Public Works (now the Ministry of Territorial Development and Tourism) for leadership and power, nor depend on a contractual mandate from local government.<sup>66</sup> The water supply and sewerage companies suffer from a general lack of properly trained and motivated staff. Typical public- sector salaries in Albania

<sup>64</sup> The Ministry of Economic Cooperation and Trade. Business in Albania. Country Fact Sheets. 2000, p.10.

<sup>65</sup> United Nations, Economic and Social Council, Commission on Human Rights, Economic, social and cultural rights - Report of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, Mr. Miloon Kothari, E/CN.4/2002/59, 1 March 2002.

<sup>66</sup> PADCO. Urban Land Management Project. Background Studies: Strategic Plan for Greater Tirana. 2002, vol.1, p. 16.

are not sufficient to motivate staff to focus on their work and its timely completion. There is a lack of political will to enforce the responsibility of customers to pay bills and respect the rules of connection. Therefore, the water supply and sewerage companies are operating at a deficit; the tariffs<sup>67</sup> do not cover all expenditures (see table 17). The level of metering is very low, especially in residential buildings. For example, in Tirana 1,800 shops and businesses (51%) have meters, but only 440 individual customers (0.7%).

The Government made important legislative efforts in 1999 for the *power company*. The public electricity company KESH<sup>68</sup> is undergoing operational and financial restructuring.

It is to be divided into two companies, one that generates and transmits energy and the other that distributes it. The small local hydroelectric power plants will also be privatized.

In Albania *there are no central heating systems for housing* and, therefore, there are no central heating companies.

Statistics from 1999 show that electricity, gas and water supply companies constitute only 1.2% of the total number of enterprises active in the industrial sector. These enterprises are considered to be large and produce 23.5% of total production in this sector.

**Table 17. Economic result by economic activity**

*in million leks*

Economic activity	Number of enterprises	Income	Expenditure	Profit or loss
Electricity, gas and water supply	49	15,604	16,941	-1337

Source: INSTAT. General results of annual structural survey of economic enterprises. Year 1999, p. 35.

<sup>67</sup> "The tariff provides a cross-subsidy of 4.4 times from private enterprises to households."-PADCO. Urban Land Management Project. Background Studies: Strategic Plan for Greater Tirana. 2002, vol.1, p. 18.

<sup>68</sup> "KESH, the Albanian national electric power company, cannot deliver adequate services under current conditions. ...At present, it cannot generate those (investment) funds because of its pricing policy: KESH sells the power that it generates at below international market prices, while importing at market prices. As a result, the operations are not financially viable. Viability is further undermined by the lack of sufficient political will to disconnect or legalize unauthorized connections."- PADCO. Urban Land Management Project. Background Studies: Strategic Plan for Greater Tirana. 2002, vol.1, p. 17.

**Waste collection companies** in Albania are private. The management of solid waste entails activities such as the collection, transport, processing and disposal of waste. For example, the Municipality of Tirana contracts two private operators (Austrian and Italian) for solid waste collection. These operators do not collect waste directly from households. The Municipality charges a solid waste management fee from businesses, but not from households, although they generate most waste. Revenue covers only a third of the service costs. This profit loss leads to insufficient and poor-quality services, especially for the housing sector.

### ***Realtors, notaries and related professional services***

A few real estate agencies have been established in Albania, the first in Tirana in 1991. Today, there are approximately ten full-time agencies in the capital, employing a total of 20-25 people, but only two or three can be considered to have a consolidated position on the market. There are reported to be three or four full-time agencies in other cities.

In Tirana, some 30-40 legal practices deal regularly with property transactions and conflicts. For the lawyers, the major difficulties are determining land use and ownership. Restrictions on foreign investments in real estate are also hindering the development of the real property market. The *Bar Association* regulates legal services, but those interviewed consider it to be ineffective.

There are now professionals specializing in the valuation of real estate, largely thanks to a course taught at the Polytechnic University of Tirana on valuation techniques. A ministerial order gives these graduates (who are also members of *Valuation Association*) a monopoly on real estate assessment in the country.<sup>69</sup>

Another important link with property transactions is the *institution of notaries*. In 1994 Parliament passed the Law on the Creation of Private, State-chartered Notaries, to prepare contracts for sales, leases, mortgages and other

immovable property transactions. There are 75 notaries in Tirana and 140 in all of Albania, and the number is growing. Notaries in Albania follow the Austrian and similar legal systems. They are responsible for the full validity of every aspect of a contract which they prepare. The *Chamber of Notaries* has joined the Union of Latin Notaries. The Ministry of Justice, with the Chamber of Notaries, selects the notaries. There is no requirement for the subsequent monitoring of their activities. Notaries are independent agents, nominally under the supervision of the Ministry of Justice and the Chamber of Notaries. The Ministry can revoke their licences in case of misconduct (see also chap. IV).

### ***Non-governmental organizations***

In democratic societies, non-governmental organizations (NGOs) play an important role in defending the public interest. They are new actors not only in the housing services market, they are also new in the developing civil society.

During the transition many NGOs have been established mainly to deal with civil society issues: poverty, democracy, gender equity, environment. Few have been involved in improving illegal settlements or solving housing issues. As there are no policies to support their housing activities, they tend to develop their activities where donor agencies are more interested. The general attitude of the Government towards NGOs is to consider them as a private (non-profit) sector and there have been no attempts to work with them. Where there has been collaboration, it has been imposed by a foreign donor agency.<sup>70</sup>

**Co-PLAN** is a professional non-governmental and non-profit organization founded in 1997. It focuses its activities on supporting the collective welfare of people, especially those most in need. Its general aim is to strengthen civil society and democracy in urban issues. The main activities of the organization are:

- Research studies (analysis of social, economic and cultural problems, identification of strategies and suggestions for habitat development),

<sup>69</sup> David Stanfield, Malcolm Childress, Artan Dervishi, and Lazar Korra. *Emerging Real Estate Markets in Metropolitan Tirana, Albania*, 2000, p.13 and 14.

<sup>70</sup> Doris Andoni, IHS and Lund University, *The Impact of Housing Policy on the Poor in Albania*. Rotterdam. 2000, p.38.

- Training courses and seminars (dissemination of information related to the problems of urban life),
- Practical support for communities, local and central authorities and others,
- Presenting community problems to the Government and the People's Assembly,
- The establishment of relations and the exchange of experience with similar Albanian and foreign organizations.

Co-PLAN has delivered technical assistance and equipment for development, consulting, training and public administration, as well as energy. It has worked through a series of projects in different neighbourhoods in Tirana while keeping the organization's focus on community-based neighbourhood improvements, as well as a more intensive approach to strengthening local government.

*VIS - Volontario Internazionale per lo Sviluppo*, an Italian NGO, was financed by the Netherlands NGO Cebemo (Cordaid) between 1995 and 1997, for the "Breglumasi" programme. Other local and foreign organizations were involved in this programme, too. It focused initially on social aspects, but later it was widened and finally inhabitants were encouraged to promote and create their own community-based organization (CBO), through the creation of women's, youth and children's groups.

*CAFOD Albania*, another NGO, successfully implemented a housing programme and has now undertaken infrastructure improvements, in collaboration with local authorities and CBOs. Two other NGOs, *OXFAM* and *PAPA*, undertook similar action.

NGOs and CBOs reach many low-income households. People are organized in their own CBOs. They are registered officially in court and recognized by the municipal authorities.<sup>71</sup>

NGOs and CBOs have undertaken and are undertaking actions that could not have been taken by the Government or local authorities. However, little information on NGOs and CBOs is available.

### *Owners' and tenants' organizations*

As in other countries in transition, the privatization of Albania's publicly owned housing stock had the single aim of avoiding monopolies in the provision of housing and services. According to local experts, 98% of publicly owned houses were privatized within one or two years.<sup>72</sup>

Immediately after the completion of privatisation, in 1993, Parliament approved the Condominium Law. The Law laid down provisions on housing management by condominium associations in multi-storey blocks of flats for the assessment and collection of fees to pay for building maintenance and operation. The Condominium Law was developed by the Government Decree on the Procedure for the Creation of Condominiums and the Transfer of Privatized State Housing to Private Individuals and to Municipalities, which indicates the procedure for the foundation document and the organization, management and operation of homeowners' association. Unfortunately the procedure was not approved by the Ministry and the Law did not enter into force. The provisions of the Condominium Law were included in the Civil Code, but though the legal framework was in place, even if it needed some adjustments to Albanian reality, there is no single example of the establishment of a homeowners' association.

According to a real estate agency, some informal homeowners' associations have been registered.

Some people do want to be organized in a homeowners' association and are ready to pay a fee for the association's administration. At present they themselves conclude the contracts with water and energy suppliers.

*There are no housing cooperatives in Albania.* Individuals build their flats in multi-storey blocks of flats signing a pre-contract and invest in the construction of the flat, paying the instalments stipulated in the pre-contract.

Following privatisation, the number of publicly owned flats is very low, so there is no real public rental market nor are there public

<sup>71</sup> Besnik Aliaj. NGOs/CBOs and Housing for Low-Income People in Albania. Tirana. 2000, p. 71.

<sup>72</sup> Doris Andoni, IHS and Lund University, The Impact of Housing Policy on the Poor in Albania. Rotterdam. 2000, p. 48.

housing tenants' associations. Private housing tenants' associations, however, do exist.

### ***Professional organizations***

#### ***The Albanian Association of Civil Engineers (AACE)***

The initiative for establishing AACE was first taken in 1994, but at that time the organization failed. AACE is a member of the International Federation of Consulting Engineers (FIDIC) and has 185 members.

The consulting engineers in private firms and those working independently are protected by the Constitution and legislation, but this is something that has to be acknowledged and respected by the representatives of the State. The Association's main goals are to:

- Fight with all democratic and legal instruments for engineers to be considered as important partners for the State;
- Ensure fair competition in tenders between local and international consultants. The abuses that result from unfair competition based on the profit purposes of the State as a client or private clients frequently involve "phantom" consultants or engineers. AACE wishes to play the role of an honest and independent broker;
- Fight for an increase in the rates of pay for consulting engineers and for a change in the legislation that establishes very low rates;
- Try to be involved in the approval of licences for civil engineers, and to ensure that the issuing of licences should not be a matter for the public sector alone;
- Initiate the drafting and support the approval of a law on intellectual property rights in engineering, which are misused by foreigners and often also by the Government;
- Recommend consultants as experts to the Government;
- Urge private firms and engineers to work with the State and become regular taxpayers;
- Work with other associations to promote and stimulate studies and research.

#### ***The Albanian Association of Builders***

The Association was established in October 2001 and is currently developing its organizational structure, recruiting members and setting up branches in major cities. The Association intends to establish institutionalized and collaborative relations with the Ministry of Territorial Development and Tourism. Cooperation with the Ministry of Finance, the Ministry of Social Affairs and Labour, the State Tax Department and the Municipality of Tirana is also planned. The objectives of this Association are twofold:

- (i) Legislation:
  - Legislative initiatives on the procurement of services, Urban Law, taxation law, etc;
  - Introducing amendments to existing acts, in particular the Urban Law and the Law on Public Procurement;
  - Establishing a minimum cost of construction and a minimum sales price for taxation purposes;
- (ii) Institutionalized involvement in existing public structures, in particular:
  - Membership of the Council for Territorial Development;
  - Representation on the National Council of Labour and the Tax Appeal Commission.

#### ***The Albanian Association of Architects***

Despite the considerable amount of construction currently taking place, architectural services are reported to be depressed. There are private architectural offices, but most trained architects (formerly State employees) have now left the profession and neglected their professional association.

Nevertheless, the Association intends to support the development of architecture and its contribution to the public's well-being and to establish the position and role of architects in the housing sector. In this regard the main objectives of the association are:

- (i) Networking
  - To unite on a democratic voluntary basis Albanian architects and urban planners and to strengthen friendship, intellectual, artistic, scientific and

- professional links between all architects and other professionals in areas related to their activity;
- To support collaboration between architects and other disciplines related with construction and planning, bearing in mind the important role of architects and their obligations towards other parties;
  - To establish links between other professional organizations within and outside the country that are related to architecture;
- (ii) Training
- To support contemporary trends in the development of space, material and architectural forms;
- (iii) Professional standards
- To ensure continuity in the cultural and social role of architects which should be acknowledged by the public authorities;
  - To assist in establishing the necessary conditions for training for and exercising the profession;
  - To encourage the continuing education of architects, to facilitate the sharing of experience within and outside the country and to organize symposiums of architects and meetings with researchers;
  - To increase the confidence in architects and their competence, asking the members of the Association to uphold high moral and professional standards.