

Chapter I

FRAMEWORK FOR

THE HOUSING SECTOR TRANSITION

This chapter is intended to give a general picture of the Albanian housing sector as it has developed over the past decade, against the backdrop of the socio-economic transformation during this period. It will present major demographic changes and their impact on housing developments and policies as well as the consequences of the economic transition and structural reform on the housing sector. This chapter will also address related government policies (or lack thereof) during the transition period, and outline current attempts by policy makers to revise existing housing policies. Some of the issues raised will then be discussed in detail in the relevant chapters.

A. General information

Albania is a country with a total area of 28,748 km² and a total population of 3,087,159. The country has a favourable geographic position on the Adriatic Sea, considerable natural resources and is mostly mountainous (77% of the territory) in the north and the east.

Albania is a parliamentary democracy. A new constitution was approved in November 1998 by referendum. It replaced the interim law which was passed in April 1991 when the communist-era constitution of 1976 was annulled.¹

B. Economy

Macroeconomic indicators

The political change was followed by economic reform. The early results of the tight fiscal and monetary policies during the transition from a State-controlled to a market economy were reflected in the main economic indicators such as the rapid GDP growth rates of 9% a year in 1993-1996 and the reduction of inflation from 226% in 1992 to 7.8 % in 1995. Initially Albania was considered to be a model transition economy, but restricting analyses to indicators alone may not give a full picture of the situation. Macroeconomic indicators would not reflect the undeveloped financial sector and many economists feel that the apparent rise in living standards was due to either remittances from abroad or to illegal activities.

The controversial “pyramid” deposit schemes soared in 1996 as an alternative to the non-existing banking system. An interest rate of 15 to 100% was offered on three-month deposits. Interest to early investors was paid from funds collected from later deposits.² The collapse of the system in 1997 was followed by destructive riots and a political and economic crisis, reflected in the macroeconomic indicators (see table 1).

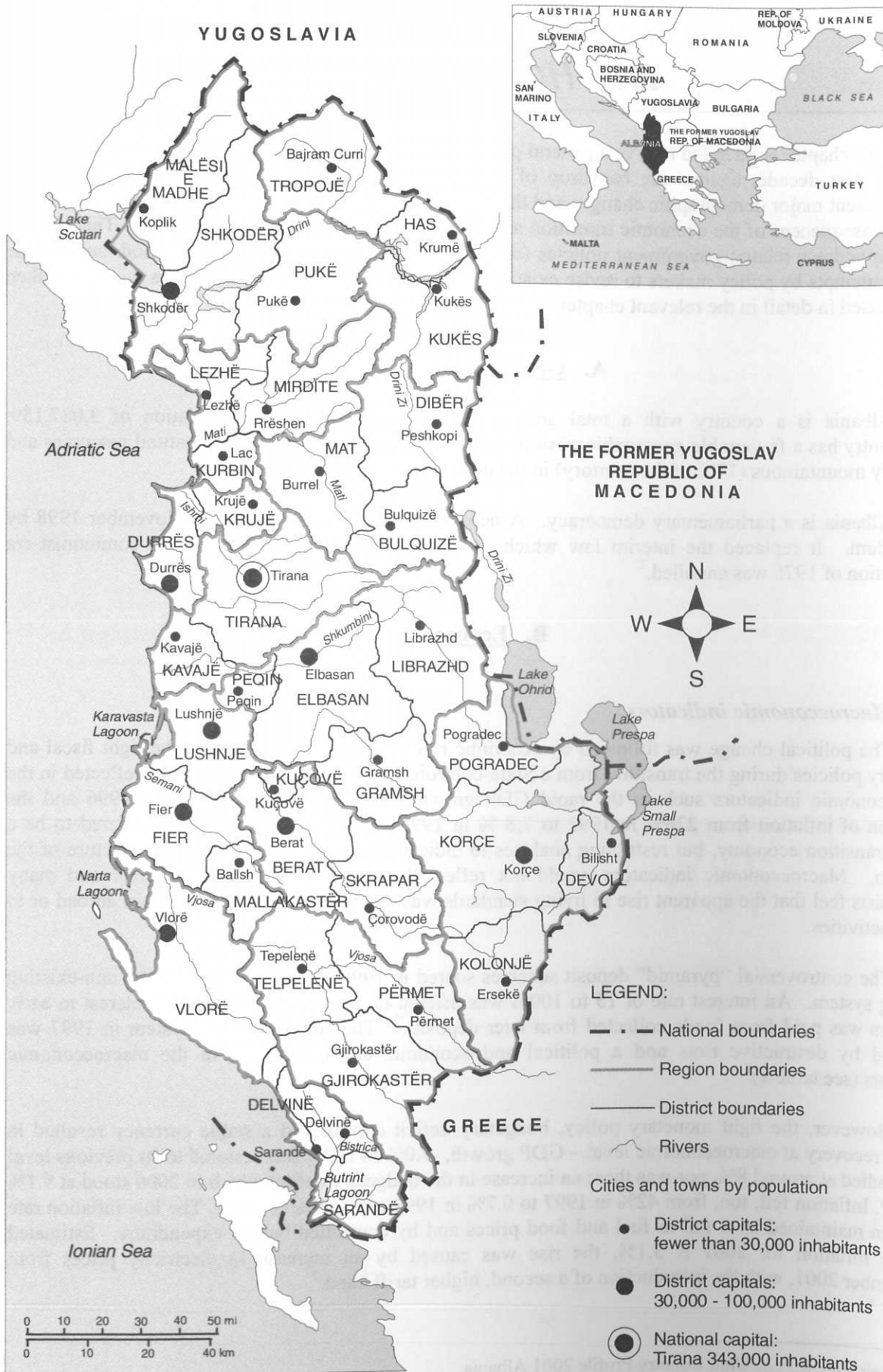
However, the tight monetary policy, budgetary deficit control and a stable currency resulted in a quick recovery at macroeconomic level – GDP growth, -7.0% in 1997, was restored to its previous level and steadied at around 8%, nor was there an increase in the budgetary deficit which in 2000 stood at 9.1% of GDP. Inflation fell, too, from 42% in 1997 to 0.7% in 1999 and to 0% in 2000. The low inflation rate has been maintained by a fall in fuel and food prices and by controlled budget expenditure. Estimated average inflation for 2001 is 3.1%, the rise was caused by an increase in electricity prices from 1 December 2001, with the introduction of a second, higher tariff band.³

¹ Economist Intelligence Unit. Country Profile 2001 Albania.

² Economist Intelligence Unit. Country Profile 2001 Albania.

³ Data: The Economist Intelligence Unit, 2001 and 2002.

Figure I. Map of Albania – administrative boundaries and major cities



The boundaries shown at this map do not imply the official endorsement or acceptance by the United Nations.

In 2000 per capita GDP growth stood at 7.8% and estimates for 2001 show 7.3% real growth.⁴ Nevertheless, in 2000 the unemployment rate remained high (16.8%) and per capita GDP (purchasing power parity in US\$) of \$2,468 indicated that together with Yugoslavia, Albania is among the poorest countries in South-East Europe.

Another challenge to the fragile Albanian economic and political system came with the Kosovo conflict in 1999, when more than 400,000 refugees entered the country. Contrary to expectations, the crisis was accompanied and followed by a growth in economic activity, which in turn boosted a demand for investment.⁵

The value of the local currency, the lek, has continuously depreciated over the past ten years from 25 leks/US\$ in 1991 to 143.48 leks/US\$ in 2001. During 1993-96, when inflation slowed down and GDP grew steadily, the lek was relatively stable. In 1997 it depreciated sharply and has never recovered its former value. However, during the past few years the public has shown more confidence in the lek and in 1999 the exchange rate strengthened considerably.⁶

Table 1. Main macroeconomic indicators 1990 to 2001

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GDP – total (in million leks)	16,813	16,404	50,697	125,334	184,393	229,793	280,998	341,716	460,631	506,205	536,640	590,237
GDP constant prices 1990	16,813	12,105	11,235	12,309	13,331	15,107	16,482	15,325	16,547	17,748	18,605	20,367
Real GDP growth		-28.0	-7.2	9.4	8.3	13.3	9.1	-7.0	8.0	8.0	7.8	6.5
GDP per capita (thousands)	5.1	5.1	15.9	39.6	57.6	70.7	85.6	102.8	137.3	154.7	\$1094.4	\$1332.6
constant prices 1990	5.1	3.7	3.5	3.9	4.2	4.6	5.0	4.6	4.9	5.3		
Avg. monthly wage				3,084	4,778	6,406	8,638	9,558	11,509	12,708	14,963	
Avg. consumer price index		35.5	226	85	22.5	7.8	12.7	42.07	20.6	16.3	0	3.10
Unemployment rate	-		27**	22	18	13	12	14.9	17.7	18.4	16.8	
Lek/US\$	8.9	24	75	102	95	93	105	149	151	138	143.71	143.48
Lek/€										147	132.58	128.27

*EIU estimates.

** Draft strategy on growth and poverty reduction, 2001.

Sources: INSTAT, Albania in Figures 1997, 2000 and 2001; UNDP Human Development Report 2000, EIU Country Profiles and Report 2001 and 2002.

It has to be admitted that much of the positive trend in the economic indicators has been achieved through remittances from Albanians working abroad. The impact of the informal economy is also significant but mainly unaccounted for in assessments of employment rate, income tax, etc. The economy remains agrarian – the majority of the population lives in rural areas and more than half of GDP is generated by agriculture. The level of investment in industry, especially in manufacturing is very low. In 2001 it was 20% of GDP, up 5%.

The bulk of public investment in Albania is provided by foreign aid. The European Union and the World Bank are the main international donors. Italy, the United States of America, Greece and Japan are the main bilateral donors. However the disbursement rate is very low – only 50% per cent of funds received have been spent.

Income and poverty

The economic performance does not have a direct effect on the quality of life of the population. Albania is one of the poorest countries in Europe. The declared average monthly income in 2000 was

⁴ Data: INSTAT, The Economist Intelligence Unit, Albania 2002.

⁵ Economist Intelligence Unit. Country Profile 2001 Albania.

⁶ UNDP. Albanian Human Development Report 2000.

17,000 leks (\$118).⁷ According to official statistics (INSTAT), the average monthly income in the public sector in 2000 was 14,963 leks (\$104). GDP per capita in 1999 was 154,700 leks (\$1,116).

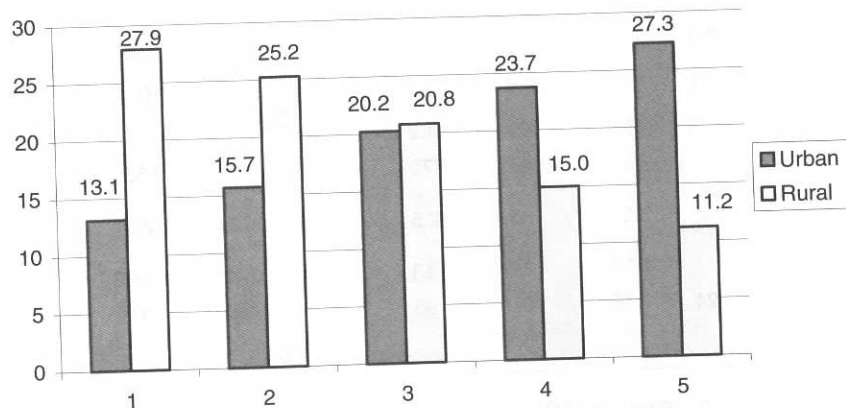
In 1998 the average income per household was 16,620 leks per month. In areas with fewer than 10,000 inhabitants, the income per household falls to 14,250 leks per month, while in areas with more than 10,000 inhabitants, incomes are 21,240 leks per month.⁸ This rural-urban disparity is clearly shown by the income quintiles⁹ for rural and urban areas and it partly explains the trends towards urban migration.

Table 2. Percentage of population in rural and urban areas according to income quintiles in 1998

Quintiles	Urban	Rural	Total
Q ₁	13.1	27.9	22.5
Q ₂	15.7	25.2	21.4
Q ₃	20.2	20.8	20.6
Q ₄	23.7	15.0	18.3
Q ₅	27.3	11.2	13.5
Total	100	100	100

Source: Draft strategy on growth and poverty reduction, 2001.

Figure II. Percentage of population in rural and urban areas according to income quintiles in 1998



Source: Draft strategy on growth and poverty reduction, 2001.

One family in five is said to have a member living abroad. The average amount of the money sent back home is estimated at 10,000 leks per family per month. Some 5.2% of families receive income from property.¹⁰

According to official statistics, 29.6% of Albanians are poor, half of them live in extreme poverty. One in three families is inadequately housed, infant and maternal mortality rates are high, 14% of children under the age of 5 are malnourished, 12% of children under 15 years of age are illiterate.¹¹ Poverty is the highest in the north, in large families, headed by young or poorly educated people. In 1996, 90% of the poor lived in rural areas.¹² Half the poor are self-employed in agriculture; 20% are pensioners. There is a high level of inequality in the nationwide distribution of family income. In 1998,

⁷ UNDP. Albanian Human Development Report 2000.

⁸ INSTAT. Results of Household Living Condition Survey October 1998, Tirana 2001, p. 46.

⁹ Income quintiles measure the average (mean) household income of residents, ranking them from poorest to wealthiest, and then grouping them into 5 income quintiles (1st being poorest and 5th being wealthiest), each quintile containing approximately 20% of the population.

¹⁰ INSTAT. Results of Household Living Condition Survey October 1998, Tirana 2001.

¹¹ Republic of Albania. Council of Ministers. Strategy on Growth and Poverty Reduction. Second draft. Tirana, 24 July 2001.

¹² World Bank. Albania – Country Assistance Strategy – Progress Report 1999; INSTAT. Results of Household Living Condition Survey October 1998, Tirana 2001.

the top 20% of families received 48% of total family income, while the poorest 20% received only 5%.¹³ In Tirana 26% of the population lives on less than a dollar a day, while in Tirana's outskirts 36% do so.¹⁴

Unemployment is one of the main causes of poverty in urban areas, while hidden unemployment is characteristic of rural areas. Unemployment is above average in the towns of Berat, Elbasan, Kurbin, Shkodra, Permet and Kucove.¹⁵ Unemployment in Albania is gender- and age-specific, with 21% of women unemployed and 16% of men. Some 60% of young adults aged 16 to 34 are unemployed and the situation is even worse in the cities: Vlore (86%), Mat (82%), Tirana (66%), Puke (65%) and Shkodra (63%)¹⁶. The social consequences are exacerbated by the fact that two thirds or more of the unemployed are no longer eligible for unemployment benefits.¹⁷ In 2001 unemployment fell to 15% in the third quarter, compared to 16% in the second quarter and 18% in the third quarter of the year 2000. The number of recipients of unemployment benefits has been reduced from 22,000 in December 2000 to 15,000 in September 2001, due to stricter controls on the 'grey' economy. The funds for unemployment benefits fell from 550 million leks (\$3.8 million) in 2001 to 350 million leks (\$2.4 million¹⁸) budgeted for the year 2002. On the positive side, the Government budgeted twice as much for professional training and retraining purposes as the previous year.

C. Population – urbanization

From 1945 to 1990, urbanization in Albania was controlled. Up to 1960 urbanization was encouraged since it was in line with industrialization and building a working class in a socialist country. However, in the 1960s, migration to cities was discouraged by policies promoting the development of smaller towns and forbidding people to settle behind established city boundaries, the so-called yellow lines.¹⁹ Before 1990 only one third of the population was urban.

Table 3. Population

in thousands

	1989	1990	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total	3,182	3,286	3,190	3,167	3,202	3,249	3,283	3,324	3,354	3,373	3,401	3,087
Urban	1,137	1,176	1,165	1,314	1,345	1,381	1,445	1,526	1,543	1,555	1,598	1,300
Rural	2,044	2,080	2,024	1,852	1,857	1,868	1,838	1,798	1,811	1,818	1,802	1,787
Natural growth		63	57	50	54	54	51	44	42	41	34	34
Density (inhabitants / km ²)		114	111	110	111	113	114	114	117	117	118	107

Sources: INSTAT. Albania in Figures 1997, 2000, 2001. Census 2001.

The data for 1989 and 2001 are derived from censuses; the other data are estimates. While the 2001 census data confirm population estimates in the rural areas, the figures in the urban areas are much lower than previously estimated. The explanation for this drop may be the emigration during the period under review. According to the Ministry of Social Affairs and Labour in 1999 there were 500,000 emigrants in Greece and 200,000 in Italy.²⁰ Analyses of census data show a considerable drop in rural and a growth in urban population.

Since 1990, when all the restrictions were lifted, Albania has experienced a large-scale migration to towns of people in search of employment and a better standard of living, lured also by the image of city life shown by the media. This migration was also caused by the loss of homes and land to previous owners, insufficient land plots to support families, and other limitations in the development of the

¹³ INSTAT. Results of Household Living Condition Survey October 1998, Tirana 2001, p. 48.

¹⁴ Kuriakose A. T. Land Tenure Centre, University of Wisconsin-Madison. Who is housed? The debate over access to housing in North America and Western Europe and its relevance to housing policy in Albania. 4May2001.

¹⁵ Republic of Albania. Council of Ministers. Strategy on Growth and Poverty Reduction. Second draft. Tirana, 24 July 2001.

¹⁶ Council of Ministers, 2001:29.

¹⁷ UNECE, 2001b.

¹⁸ Calculated at 2001 exchange rate.

¹⁹ Besnik Aliaj.

²⁰ UNPD. Albanian Human Development Report 2000, p.39.

agricultural sector.²¹ A total of 24% of the population has moved either within the same district or to a different region.²² As a result of this haphazard, rapid and massive population movement, re-urbanization and the overpopulation of cities has become a major problem, resulting in more poverty, unemployment and black market activities and deteriorating living conditions. There are also problems with housing, inadequate infrastructure, shortages in water and electricity supply, and limited access to services such as education and health. This rapid urbanization has also led to the deterioration of the urban environment.

Most people moved to the capital and the coastal regions. Tirana took 61.5% of all migrants, and the coastal regions Lushnje 7.5%, Durres 6%, Fier 4%, Vlore 3.5% and Sarande 2.3%.²³ According to estimates, the annual population increase in the Tirana-Durres region during 1991-1998 was almost 7%, equivalent to 30,000 people or 6,500 households per year.²⁴ About one third of the country's population is concentrated in this area.

The estimated population of the district of Tirana has grown from 374,000 in 1990 to 618,000 in 1999. The figure according to the 2001 census is 523,000. The difference in the figures may be indicative of the scale of emigration in the past decade.

Table 4. Population by selected districts and cities in 1989 and 2001

Population by district				Population by city		
Main districts	1989	2001	2001*	Main cities	1989	2001
Berat	176,398	128,410	163,981	Berat	42,957	40,112
Korce	215,221	143,499	178,243	Korce	63,623	55,130
Fier	245,062	200,154	240,035	Fier	43,086	56,297
Elbasan	241,950	224,974	257,894	Elbasan	80,650	87,797
Shkodra	236,289	185,794	261,744	Shkodra	79,920	82,455
Vlore	176,788	147,267	147,267	Vlore	71,662	77,691
Lushnije	134,280	144,351	144,351	Lushnije	29,821	32,580
Durres	245,499	182,988	182,988	Durres	82,719	99,546
Tirana	368,213	523,150	523,150	Tirana	238,057	343,078
North-eastern districts*				Corresponding towns		
Kukes	101,302	64,054	83,896	Kukes	13,511	16,686
Has		19,842		Krume	2,968	3,218
Tropoje	44,779	28,154	28,154	Bajram Kuri	7,378	6,561
Puke	48,969	34,454	34,454	Puke	3,028	3,253
Diber	149,650	86,144	129,129	Peshkopi	12,320	14,136
Bulquize		42,985		Bulquize	6,493	8,811
Mat	76,674	61,906	61,906	Burrel	10,343	12,139
Mirdite	50,447	37,055	37,055	Rreshen	4,080	5,445

* There were 28 districts in 1998 and 36 in 2001. The figure shown refers to the 1989 administrative borders.

Source: INSTAT, Census 1989 and 2001.

The influx in Tirana and the coastal cities has left rural areas depopulated. There are now some rural areas where 50% of the housing stock is empty.²⁵

Difficult geographic and climatic conditions together with extreme poverty drove the inhabitants from the mountain villages to villages and towns on the hills and plains. Table 4 shows that even when the overall population of a district declined the population of the main town grew. The population is also leaving now declining small industrial towns like Kurbnesh, Memaliaj and Selenica, developed for mining by the previous regime.²⁶

²¹ UNDP. Albanian Human Development Report 2000.

²² INSTAT. Results of Household Living Condition Survey October 1998, Tirana 2001.

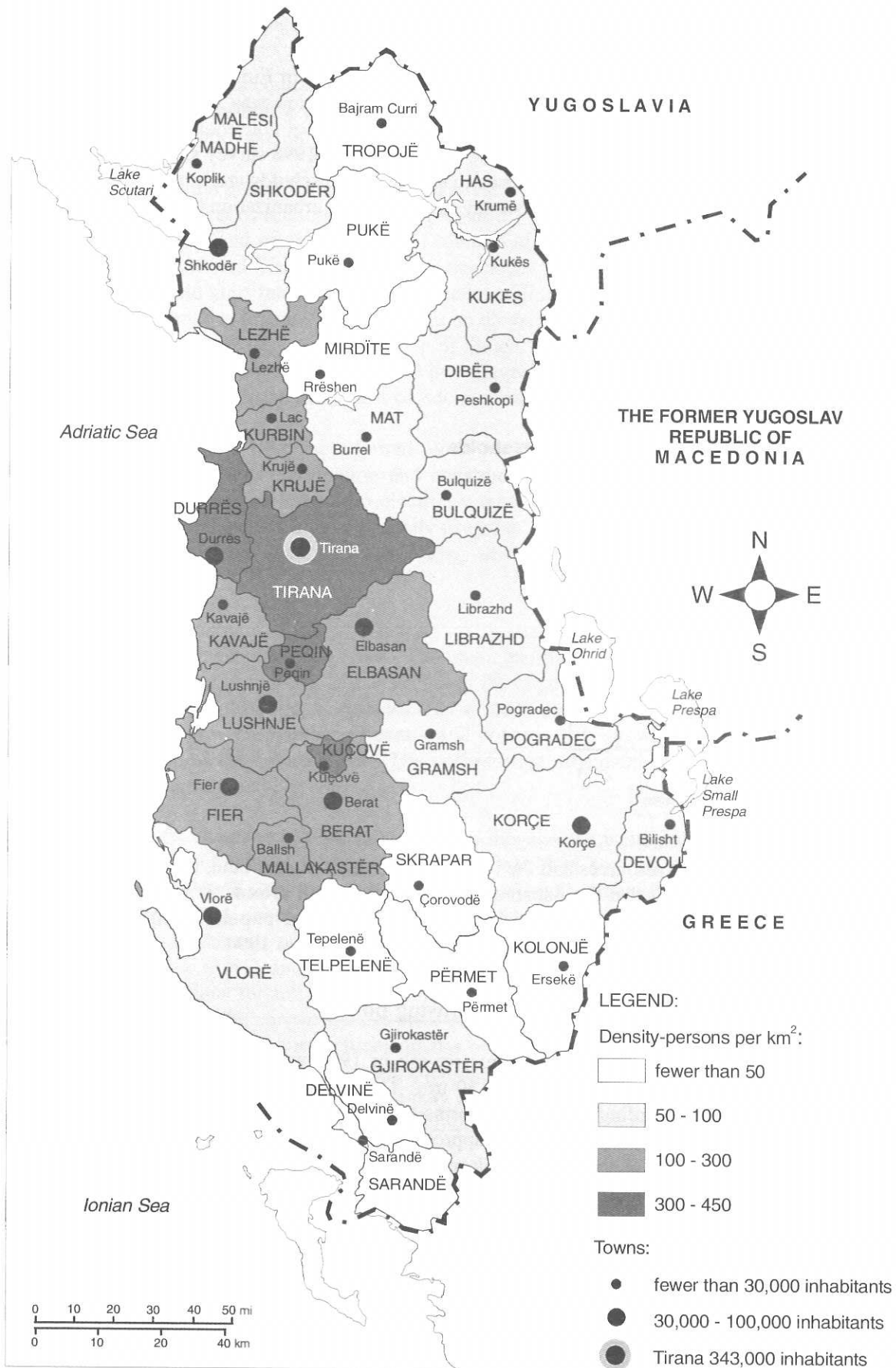
²³ INSTAT. Results of Household Living Condition Survey October 1998, Tirana 2001.

²⁴ World Bank. Project appraisal document on a proposed credit (...) to Albania for the urban land management project. Report no 17694-ALB. 12 April 1998.

²⁵ INSTAT. Preliminary results of the population and housing census – 2001. Tirana, 2001, p. 12.

²⁶ INSTAT. Results of Household Living Condition Survey October 1998, Tirana 2001.

Figure III. Population distribution



The boundaries shown at this map do not imply the official endorsement or acceptance by the United Nations.

According to the UNDP National Human Development Report, life in the cities deteriorated rapidly due to insufficient investment, a shortage of urban studies and projects and the lack of clear strategy on the part of the State and local administrations.

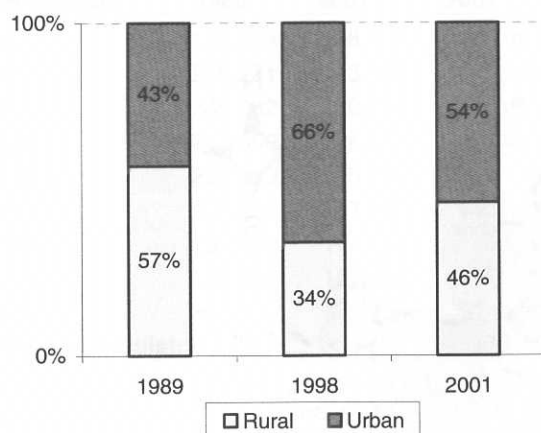
In 1990, nearly 75% of the population was rural, while elsewhere in Europe it was below 30%.²⁷ In 2001 the country was still predominantly rural, but the rural population was less than 60% and the urban population grew to over 40%. For housing provision, the number of households is also important. According to the 1989 census, 57% of households were rural, while the 1998 survey showed a steep drop in rural households to 34%. The 2001 census reveals that 46% of households are rural and 54% urban. Although the census data are not as critical as the survey data, the rapid urbanization trend is clear.

Table 5. Number of households

	1989	1998	2001
Rural	386,227	248,276	331,886
Urban	289,229	484,983	396,755
Total	675,456	733,259	728,641

Sources: INSTAT Census 1989, Survey 1998, Census 2001.

Figure IV. Rural and urban distribution of households



Given the limited financial resources and the lack of government-owned land, the continuation of a rural-to-urban exodus is something that the Albanian Government can ill afford. It would be important for policy makers to be able to monitor and anticipate current and future population migration trends. However, the only available forecasts on population movements date back to 1994.

D. Government housing policy

The housing stock inherited from the previous regime in 1990 was inadequate in quantity and quality.²⁸ The average surface of an urban flat was 30 m². The 1989 government-approved standards were 4-6 m² per person, while according to planning norms the floor space of a dwelling for a family of four should be 61 m². In addition the construction of approximately 12,000 dwellings started in 1989 was not completed.²⁹ Seventy per cent of the urban stock was public rental housing; in rural areas housing was predominantly private. (See chapter II.)

The political change and the radical, fast transition to a market economy in 1990 had important direct consequences for the housing sector. The first change was the lifting of the restrictions on the free movement of people, which resulted in an uncontrolled and massive influx of people into cities and illegal settlements. The second one was the structural reform that included the privatization of the public

²⁷ UNDP. Albanian Human Development Report 2000.

²⁸ Andoni Doris. National housing policy in Albania and the role of the Housing Agency.

²⁹ Andoni Doris. The impact of the housing policy on the poor in Albania. Master thesis, 4 December 2000.

housing stock that had direct repercussions on the Government's housing policy. The third was the restitution of property.

Illegal settlements

The massive and uncontrolled flow of the population resulted in illegal settlements sprawling over the urban areas. The presence of illegal buildings points to the unresolved complexity of conditions of access to urban land and housing in Albania.³⁰

In the 1990s the public administration in cities was not prepared to receive such a mass of people. No serviced plots for construction had been prepared. The result was further overcrowding, the illegal occupation of vacant land on the outskirts of towns and illegal construction. Incoming villagers would occupy a plot of land and first build a wooden structure. As financing – presumably from remittances – came in, they would start building a proper house, adding floors and finishing construction over time. As a result, the attractive hillside called Bathore on the outskirts of Tirana in the municipality of Kamza is becoming a relatively wealthy neighbourhood of illegal three-storey villas with no roads and no sewage, no or illegal connection to electricity, settled by villagers from the north-eastern Kukes area. Those who occupied land first then illegally sell parts of it to newcomers.

Between 1992 and 1996 the informal sector provided 60% of the total number of houses built by the private sector.³¹ Illegal occupation and construction usually means illegal connection and use of electric energy, which in turn leads to electricity cuts. In addition, these illegal houses often occupy agricultural land. Such settlements are usually irregular, and when they have to be legalized one day, the provision of infrastructure such as roads, water, sewerage and electricity may prove to difficult and costly.

Both overcrowding and illegal construction on such a scale cause other problems for the healthy environment and living standards in cities. The municipalities have in practice little influence on building regulations and limited or non-existent control over the ongoing construction. They are unable to manage properly the provision of public services such as waste collection, public transport or access to open and green areas. The growing number of cars – and consequently growing pollution and noise – leads to further degradation of the environment. The uncontrolled urbanization and the overpopulation of cities may endanger their sustainability.

So far the Government has not formulated its illegal settlements policy. However, due to the risks to health and the environment in those settlements inhabited by 45% of the population of the Tirana region, in 1998 the World Bank initiated its Urban Land Management Project (ULMP), which aims at the provision of primary and secondary infrastructure to these settlements with a planned 20% participation by the inhabitants in the cost of the secondary infrastructure. The remaining 80% have been co-financed by the World Bank (70%) and by the Government (10%). Tackling the legal issues has been given priority. The conditions for selling land to illegal occupants and eventual compensation to owners have not been spelled out. The current market price for agricultural land in Kamza is \$4/m² and for serviced land \$15/m². So far none of those settlements has been legalized, although in the first pilot area the work has been completed and the properties have been registered. The desire to legalize is not so clear on both the government's and the settlers' sides. It may also be important to mention here that the collection of the second 10% of the fee, when the works are finished, has run into difficulty.

It may sound paradoxical but many low-income families in Albania build affordable houses of a good standard by themselves – the problem is that they do so illegally. According to local experts it takes four to five years to build a house at a cost of \$5,000 to \$6,000.

Privatization

The private ownership of housing was considered a right that the urban population of Albania had been deprived of for the previous 50 years under the communist regime.

³⁰ Fernandes, 1999.

³¹ Andoni Doris. The impact of the housing policy on the poor in Albania. Master thesis, 4 December 2000.

The housing stock was privatized in 1993 under the Law on the Privatization of State Housing (No. 7652, December 1992). Within one year, 238,700 State-owned flats (99% of the total public housing stock) were privatized.³² Housing that consisted of two rooms and kitchen built prior to December 1965 and housing consisting of one room and a kitchen built prior to December 1970 were transferred as private property to the tenants free of charge. The families of former political prisoners, victims of political persecution and disabled war veterans from the Second World War were also entitled to privatization free of charge. Other housing was transferred at tariffs determined by the Council of Ministers (see chapter II for further details).

The objectives of housing privatization were:

- To improve housing maintenance by transferring responsibility for repairs to the owner-occupiers;
- To improve the use of the housing stock by enabling owners to move freely between dwellings priced at real cost; after privatization the owner could choose to sell his house and buy a different one according to his needs and preferences, paying the real cost of the house;
- To create a market for new dwellings by allowing new owners to cash in the acquired equity and to use it as partial payment for new homes; and
- To enable private individuals and enterprises to construct and manage housing, relieving the Government of such responsibilities.

However, the privatization of public housing was implemented rather hastily and without the structures necessary for the new system to function properly. Many aspects of the management and maintenance of the privatized stock were not taken into consideration. The law on condominiums and the maintenance rules had not been drawn up. New owners often do not realize that being the owner of a flat implies accepting their part of responsibility for the maintenance of the common areas such as staircases, roof, structure, or garden. For most people ownership ends “behind the wallpaper”. Owners also often find themselves unable to pay for the maintenance of their newly acquired property.

Moreover, until the mid-1990s the Government had not adopted a clear and specific policy towards the private sector – the only policy seemed to be that of “laissez-faire”.³³

Subsidized housing

As a result of the privatization of the housing stock, some families lost their homes, which were returned to their former owners. In 1993 the Government committed itself to providing housing for such families. It also committed itself to helping those who had been deprived of housing for political reasons during the previous regime. This policy is reflected in the subsidizing of housing for such families and is related to the Government’s definition of homelessness as specified in the 1993 Decree on Establishing Criteria for Homeless Families (No. 49, 29 January 1993). The main categories of “homeless” households are:

- Citizens who did not have rental contracts with former State housing enterprises under certain conditions (those transferred from other cities and those living in overcrowded flats);
- Citizens living in temporary buildings (schools, hotels), citizens living in underground or unhygienic dwellings; and
- Citizens living in houses belonging to others and in private rental buildings.

The last-mentioned category of “homeless” households is composed of those families that did not have a chance to benefit from the right-to-buy policy because of the restitution of residential buildings to their former owners.

The above definition of homelessness is very wide and quite vague compared to the definition of homelessness in other European countries.³⁴

³² Andoni D. National housing policy in Albania and the role of the Housing Agency, p. viii

³³ Andoni D. The impact of the housing policy on the poor in Albania. Master thesis, 4 December 2000.

³⁴ Homeless persons are perceived as people without regular, private access to conventional housing, i.e. people sleeping rough on pavements, in parks, in public spaces, in doorways or in emergency shelters.

A register of families by family size and housing conditions was created by municipalities/communes in December 1992. There were 45,368 "homeless" families on that register. In 1996 Decree No. 250 prioritized the categories of "homeless" households. The tenants in houses that were returned to their previous owners and former political prisoners and their families were given first priority (category A). The Government would not address other groups before providing housing for people in this category. After the collapse of the pyramid investment schemes, those who lost their flats were also included in the definition of homeless. Initially there were 6,000 of them – a number later reduced to 2,290 families.

The deadline for registering homeless families was June 1998. There were 9,477 category A families registered at that time. Currently, according to the Ministry of Territorial Development and Tourism, there are 5,500 families in this same category. A total of 46,149 "homeless" households have been registered by local authorities. That is nearly 6% of all households.

In 1993 under the World Bank project, the National Housing Agency (NHA – originally established as the National Housing Fund in 1992) was created to provide housing for the families identified by law. Since 1993, 11,000 flats have been built with a loan which the Government received from the World Bank for the completion of unfinished residential buildings. These have been sold on preferential conditions to families on the homeless lists for private ownership. The overwhelming majority of new flats constructed by the NHA have been allocated to households in category A since 1996. (See chapters III and IV for more details on NHA and chapter V for details on State subsidies.)

The NHA does not build any rental housing, as the Government has no social rental housing policy at the moment. The Government does not possess and neither builds nor is trying to acquire any rental housing.

It is clear, from the definition of homeless categories, that the element of affordability is not taken into account in the groups that the Government is committed to assisting. The analyses carried out in 2000 on the samples of families provided with housing either through the NHA or the Savings Bank showed that 90% of those families had above-average incomes for Tirana.³⁵ This shows clearly that the families provided with subsidized housing by the Government are not the ones most in need.

Maintenance

The 1993 World Bank loan was given on condition that the Government adopted a new sector policy including privatization as already described and the formulation of a condominium policy. The Law on Condominiums was passed by Parliament, but never implemented as it was not supported by the necessary regulations and not based on local reality. No formal homeowners' associations have been established although some do exist informally.

There is not much awareness among civil servants, particularly those in the municipalities, of the importance of creating such associations nor of the benefits to be derived from such a system. Neither the local government officials nor the NHA, which is obliged by law to facilitate the establishment of homeowners' associations, feel responsible for initiating this process.

Land registration and restitution

The registration and the restitution of land started in 1993 and are still under way. The process is managed by the 12 regional Restitution Commissions. (See chapters III and IV.) The Committee for the Return of Property and the Compensation of Owners has received some 42,000 applications. In some 30,000 cases the Government has taken a decision; the other 9,000 applications in urban areas and 3,000 in rural areas are still pending. Up to now, 75% of claims to agricultural and urban land have been revised. If the land was not occupied, it was returned to its previous owners. In other cases the owners were eligible for compensation in the form of land elsewhere. Little compensation to the former owners has been paid as yet. However, in some cases private owners were, mistakenly, given back land that had

³⁵ Andoni D. The impact of the housing policy on the poor in Albania. Master thesis, 4 December 2000, p. 56.

a different designation according to urban plans. Currently, local governments are preparing an inventory of public property in order to assess the availability of public land.

Proposals to amend the Law on Restitution and Compensation of Former Property Owners are being prepared. The amendments will allow for compensation in kind in urban areas and tourist areas, while compensation in cash will be paid for industrial areas or in the case of enterprises.

The restitution of land to former owners and the compensation in land elsewhere that currently still remains in public ownership are not being coordinated with the transfer of State property to local governments. Civil servants throughout the public administration do not seem to recognize the importance of keeping some assets such as land in public ownership. Land is an asset which can be a very important tool in the hands of municipalities. Political decisions are urgently needed to resolve these matters.

According to EIU Country Report 2002, 98% of the eligible arable land has been registered, but the final determination of boundaries and ownership has been postponed until the end of 2003. Titles have been distributed to 413,000 owners for 96% of the plots, which average 1.4 ha.

Regional policy

The formulation and the implementation of a regional development policy are important from the point of view of housing policies as it could, to a certain extent, affect migration. There are no migration forecasts available for the coming years, but according to local experts the process has not halted.

Regional policy should be formulated at regional council level. However, there is not enough knowledge within local government on how to approach this issue.

The only example of a regional development study is the study on the so-called Tirana-Durres corridor prepared by the German technical assistance agency GTZ. There are no other regional studies or policies.

E. Recent developments in housing policy

National Housing Strategy

The Government has recently tried to reformulate its housing sector policy. An Action Plan for the Housing Strategy was approved in January 2001 (Decree No. 21, dated 20 January 2001). An attempt was made to involve all the ministries concerned in the formulation of policies. There was also an attempt to establish inter-ministerial working groups for each of the strategy's three programmes. Furthermore, preparation of a new housing law started within the framework foreseen in the action plan.

According to the Action Plan, the main goal of the housing policy will be to establish appropriate legal, financial and institutional conditions and mechanisms for improving access to housing for the poor and vulnerable groups. The document clearly reflects the intention of the Government to reformulate and refocus its policy objectives in the housing sector from the unrealistic direct provision of housing units to the so-called "homeless families" who emerged after privatization of the housing stock. The past 10 years have brought minimal results, and, what is worse, families who benefited often turned out to be from the better-off groups in society, while those in need were given the lowest priority and apparently would never be assisted.

The intention to reflect the policy shift in the Action Plan caused some inconsistencies in the document. Normally, a national housing strategy should address the whole housing sector. This one states that its main goal is to support poor and vulnerable groups. At the same time the document includes programmes that address the housing sector as a whole. The Action Plan has the following three main objectives:

1. The promotion of the construction of low-cost housing;
2. The establishment and improvement of a financial system for housing;

3. Programmes for the modernization and maintenance of the existing housing stock, including illegal settlements.

It would be appropriate, if a national housing strategy were formulated, for it to address the whole housing sector and include a policy for various target groups as a separate chapter.

Further formulations of the policy can be found in the draft *strategy on growth and poverty reduction* dated May 2001. The Government's medium-term goal for urban development is to stop urban degradation, to reduce poverty in urban areas and to create the necessary conditions for long-term development.³⁶

According to the draft strategy on growth and poverty reduction, in the next three years (2002 to 2004) the Government intends to focus on:

1. Strategic urban planning and programming; including the formulation of strategic development plans, investment in infrastructure, especially in areas with rapid urban growth, such as the Tirana-Durres corridor, the Kamza municipality, etc., a revision of the strategic plans for the development of depressed industrial zones;
2. The formulation of urban policies; including the transformation of informal communities into formal communities; the replacement of subsidy policies with cost-recovery policies; the integration of poor communities into regular urban developments through the regulation of landownership, the improvement of physical infrastructure and social services, the commercialization of public services; the completion of land restitution; and the implementation of the Law on Public Real Estate;
3. Improvements in the legal and institutional framework; including urban governance and a role for local government in urban planning; the settlement of landownership problems and the development of the land market; an increase in municipal financial resources and the identification of monitoring indicators to measure urbanization;
4. Improvement of housing policies, including:
 - (i) The creation of adequate, legal, financial and institutional mechanisms and conditions to ensure a better access of the poor and other vulnerable groups to the housing market by applying a government-approved strategy focusing on: (a) the reduction of State financing for housing; (b) the decentralization of housing responsibilities to local government; (c) the effective use of the subsidy funds by targeting poor families in greater need; (d) a better management and maintenance of private dwellings. In the future the State will play the role of a facilitator, rather than a builder of houses for the poor;
 - (ii) Promoting the construction of low-cost homes which poor families can afford;
 - (iii) Improvements in the housing-related financial system to include the following activities: identification of the financial possibilities of low-income families in order to set up credit lines for them; mobilization of private and community savings for housing purposes; the use of State-guaranteed long-term deposits for housing credit.

Neither of the documents addresses rural housing issues, nor is the role of local government in the processes specified satisfactorily in the new documents. In the light of the current decentralization which intends to empower local government to carry out its own functions - housing being one of them - more consideration should be given to the role, responsibilities, resources, financial tools and power relations of local government in relation to other housing sector institutions. At present local authorities have little experience and their urban departments are weak. However, there is the possibility of including housing issues in the training programme being developed for local governments with the assistance of the Council of Europe and UNDP.

The most important of the documents being drafted is the housing act. The provisions of its preliminary draft are in line with the two above-discussed documents. The draft confirms the redefinition

³⁶ Republic of Albania. Council of Ministers. Strategy on growth and poverty reduction (second draft), Tirana, 24 July 2001.

of the target groups based on affordability, the shifting of State responsibility from provider to facilitator. An attempt is being made to differentiate among the forms of State support and to encourage new providers of social housing. The inter-ministerial approach to policy formulation and execution is again being applied; the private sector, NGOs and local governments are all being involved.

It is clear that effective policies require certain fundamental issues in the institutional, legal and financial framework of the housing sector to be resolved. The following chapters of this study will describe this framework.