

**Possibilities to Start a City Wide Project in Albania**  
***A report for the Netherlands Habitat Platform***  
*Version 29 February 2000*

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# 1. Introduction

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This report has been commissioned to the Institute for Housing and Urban Development Studies – IHS by the Habitat Platform within the contract framework with HARP. The report was prepared during the month of February 2000 under the responsibility of Claudio Acioly Jr. The facts, knowledge and opinions expressed in the report are based on his recent missions to Albania and derives as well as from the analysis of a series of documents and discussions with several Albanian professionals and local counterparts.

The main objective of the report is to make a preliminary situation auditing in some cities where there is a potential for urban interventions and innovative approaches in urban development management and planning. The elaboration of the report implied a collection of baseline information about international and Netherlands assistance in the urban sector. The report should be looked at as a first attempt to spell out these initiatives.

At first, the report makes an overall analysis of Albania and its process of transition aiming at the highlighting of key aspects that should be considered when deciding about technical and financial assistance to local governments in the country.

The report underlines current efforts to decentralisation and presents a number of features, projects, urban profiles and key information about different projects/cities in the forms of boxes included in the text.

The report develops an overview of the recent Netherlands assistance with particular emphasis to the urban sector and identifies the implementing agencies. Finally, the report develops a set of criteria do assess the viability and suitability of a citywide project to be sponsored by the Habitat Platform.

It suggests a few basic selection criteria via-a-vis the city, its organisational and managerial capacity and the comparative advantages. It is suggested that a further institutional analysis and situation auditing is required before a sound decision can be made.

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## **2. Albania at a glance**

Albania is one of the poorest and smallest countries in Europe, with a population of about 3.4 million inhabitants living in a predominantly mountainous landscape limited by the Adriatic Sea on the west and by Macedonia on the east. It shares its northern borders with Serbia (Kosovo) and Montenegro, and its southern and southeastern borders with Greece. It has fertile lowlands crossed by several rivers that comprise nearly one quarter of the country.

It is estimated that there are about 700,000 Albanians living outside the country and who are responsible for a significant amount of in-flow of capital and hard currencies via regular remittances. Neighbouring countries such as Serbia (Kosovo) and Macedonia are known to have a large indigenous Albanian population as well.

The collapse of the communist regime in 1991 brought the country to a new era of nation building. Albania embarked into process of transition from a centrally planned economy to a free-market based economy implying that radical political, economic and social reforms had to be undertaken. This means basic political and market institutions as well as the administrative, regulatory and policy frameworks required for a market economy and democratic society to function had to be developed from scratch. During the 1990's Albania went through a transformation of its entire economy that changed civil society, ownership structures and the labour market.

Alike other countries in Central and Eastern Europe, Albania's GDP fell drastically as a result of the restructuring of the State and the decrease of public sector involvement in productive and manufacturing sectors. There was a withdrawal of government from several activities in the agro-industrial, manufacturing and construction sectors. As a result of support provided by the international donor community and successful macro-economic reforms and structural adjustment programs undertaken by the Albanian government the GDP started growing at an annual average rate of about 9 percent. Inflation was controlled and reduced from triple digits in 1992 to 6 percent by the end of 1995.

During the first half of the 1990's the Albanian government managed to reduce the domestically financed budget deficit from 44% of GDP to below 7%. It also succeeded in reducing the current deficit of account from 64% to 8 % and in building up its reserves from virtually nothing to up to US\$ 24 million. The share in the GDP of key development sectors shifted dramatically as well. The dismantling of antiquated and unprofitable state-owned enterprises and heavy industries caused a decline of its share from 41% to around 12%. On the other hand, the share of agriculture grew from 35% to 52% with more than half of the population still living in rural areas.

This extraordinary shift caused massive unemployment particularly in urban areas. As in other transitional countries, Albania experienced a mushrooming of self-employment in the informal sector and small commerce and industries. The lack of

formal job opportunities has stimulated a significant emigration of the working and economically active population to neighbouring countries, such as Greece and Italy. This explains the volume of remittances that are regularly sent into the country. The privatisation of collective/state farms opened a window of opportunities for farmers but in reality they are facing serious difficulties to generate sufficient income solely from agricultural activities. Some migrate to the cities. Others rely on secondary sources of income and family members and also on remittances from abroad. The migration to cities is a new phenomenon in the urban development scenario of Albania.

The initial success of the transition period was overshadowed by the social turmoil of 1997 as a consequence of the collapse of the financial pyramid schemes. These were informal investment funds operated by informal market companies that offered interest rates (up to 40% per month) far above the inflation (<20% per year) which generated a fever of financial speculation that was obviously not sustainable. Many people sold their houses and flats to invest in these schemes. The finance of the interest payments depended on the growing pyramid of new deposits. The schemes collapsed early 1997 and resulted in many Albanians losing their life savings. The turmoil, massive social unrest and the breakdown in law and order was inevitable given the anger and frustration of the population. There was a widespread plundering of shops, arms depots and barracks by the civilian population that placed weapons in the hands of a furious population fuelling violence and helping to escalate chaos and social disorder. The rule of law and no one's integrity could be safeguarded in an unprecedented situation that led to the fall of the government. The trust of civil society in its institutions and government was severely damaged. This is an issue that deserves attention when drawing any development program. The current challenge of Albania is to recover the confidence and the mutual trust between the citizenry and the state but one can say that the rule of law and civic obedience are gradually being restored.

The influx of refugees from Kosovo created another wave of migration and placed an additional burden on the Albanian Government's social policies. Nevertheless, inflation has been controlled; the monetary policies and economic stabilisation have been accomplished and the program of privatisation is continuing. Several new laws and decrees are being enacted which creates a sound basis for investment and economic development. Gradually, Albania is recovering the confidence of international investors and is receiving development assistance from several bilateral and multilateral organisations.

### **3. Tirana's urban growth: a mirror of urban problems in Albanian cities**

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This brief description of key urban development aspects of Tirana is an attempt to highlight key features found in the major urban centres in the country. A parallel to Tirana's current urban development challenges helps the reader to assess the potentials, types of dilemmas, the opportunities as well as the threats and weaknesses local governments face in planning and managing an Albanian city. Boxes 1, 2 and 3 highlight some features and illustrate project initiatives.

#### **Population growth patterns**

Tirana, actual capital of Albania, is the largest city in the country and its most important economic and political centre. It has an estimated population of nearly 700,000 inhabitants representing nearly 20% of the total population of the country. The urban growth of the city during the last 10 years shows a dramatic process of change and urban expansion beyond jurisdictional boundaries.

In 1997, preparatory studies and reports produced within the framework of the World Bank's Urban Land Management Program reveal an annual population growth of 7% per annum. This translates into about 30,000 new residents per year or 6,500 new families. In 1990, Tirana had nearly 375,000 inhabitants and 10 years later this figure is practically doubled. By the mid 1990's the population had grown 36% within a short period of time. If there is no change in the current trend of growth Tirana's population is expected to reach more than 1 million inhabitants in the coming decade.

The fall of the communist regime and the lift of the restrictions for population mobility within the country are directly related to the unprecedented growth experienced by the majority of the Albanian cities. The adverse effects from the transition process, recent political turmoil and unrest in the northern borders of the country played a role in stimulating population movement towards the larger cities.

Thousands of farmers have chosen to abandon their villages and settlements and seek opportunities in the larger towns like Tirana. On one hand, the privatisation of land and the restructuring of collective farms opened opportunities for people to start a different life. On the other hand, impoverishment and lack of job opportunities imposed by the process of macro-economic reforms forced people to look for solutions for their social-economic problems without much support from the State. The cities are offering greater economic opportunities with the enterprise restructuring and the reshaping of the urban economy.

#### **Urban growth patterns**

The urban growth process of Tirana reflects similar phenomena known elsewhere in the country. It is based on informal land development processes and illegally subdivided land mostly situated in peripheral areas of the city where new residents undertake illegal constructions. The process of informal land occupation has resulted

in large-scale informal neighbourhoods that are poorly serviced or lacking basic infrastructure and municipal services (see map in the annex). The process is characterised by single family units of significant size built on individual plots but presenting a reasonable quality of building materials.

Studies conducted within the Tirana Land Management Program shows an urban reality containing unplanned, unserviced and sprawling urban development process on the fringes of Tirana. Analysis conducted on the 1994 aerial photographs reveal that there were an estimated 4,500 new houses built in informal settlements situated in the fringe of the city representing nearly 800 ha occupied only in 4 years. The government recognised the problem and launched several initiatives to upgrade informal settlements and improve the living conditions in these areas (see box 2)

One also notices a process of densification and illegal occupation of vacant spaces within the inner city. Available spaces within neighbourhood blocks have been occupied by all sorts of constructions for residential and commercial purposes. There is also another phenomenon of rooftop developments and vertical as well as horizontal extensions of apartment blocks (and social housing blocks) that further deteriorates urban environmental conditions. One may speak of a chaotic process of building activities that violates all existing regulations, norms and bylaws.

### **Land Management**

The mushrooming of informal settlements underlies a total revolution in land ownership and the rise of a dynamic housing and real estate property markets. After 1991 the Albanian government enacted several decrees and laws to privatise land that had been in the hands of the State. Different types of laws regulate the distribution of land to farmers; the restitution to former owners (before 1944); the concession to private entities or sale to investors and the release of land as part of compensations. On top of that, informal land encroachments on the fringe of Tirana have turned the situation intractable creating confusing land ownership problems, disputes and multiple claims involving different actors for one single plot. At times the situation has become chaotic and politically explosive.

There is an active land market in Tirana that disregards any zoning ordinance, planning and regulatory frameworks. The lack of full ownership rights and bottlenecks in land titling and land registration have hindered the use of land as an important asset in economic development. This explains the efforts of the Albanian government towards land registration programs, establishment of notary offices, etc.

### **Housing Supply and Demand**

The withdrawal of the State and the virtual cease of existing systems of government-sponsored housing production has caused extraordinary rise in housing needs not only in Tirana but also in the entire country. All large state building enterprises and producers of specific inputs to the construction process have almost ceased their production a fact that has also caused adverse effects in the labour market. There is an emerging small-scale building enterprise sector actually responsible for the

construction of apartment buildings. Nevertheless, the amount of housing produced by individual overwhelms any other housing production type and private homebuilders demonstrate the entrepreneurial capacity and dynamism of the informal sector. For an idea of the characteristics of the housing stock, see Box 1.

The Albanian government pursues policies to enable housing provision via the market but the lack of appropriate credit and housing loan services hinder comprehensive private sector involvement in housing production and results in the flourishing of an active informal housing market. The current housing stock is overcrowded and there is a noticeable increase in sub-renting practices. According to figures of the World Bank, Albania has only 7.5 m<sup>2</sup> of living space per person, which is half of that of Romania and one quarter, the rate of Hungary. The average household lives crammed into a 30 m<sup>2</sup> flat where four and even six people of multiple generation are crowding into two or three bedrooms (Appraisal Report: Albania Housing Project, World Bank, Washington, 1993).

The 'Preliminary Structure Plan of Greater Tirana' estimates housing demand from population growth alone ranging from 7,000 to 9,000 new units per annum. By the end of 1999, it was estimated that Tirana would have a cumulative housing demand of the order of 42,492 households (4.5 persons/household). This would result in demand for land development ranging between 200 and 262 ha each year (standard gross density of 60 m<sup>2</sup>/person).

The great majority of the state-owned housing stock has been privatised and one the issues that remains unresolved is the management and maintenance of communal spaces and repairs of collective/multi-family structures where the establishment of owners association becomes a must. In this respect, the situation is very similar to what is found in other central and eastern European countries that privatised their previously state-owned housing stock. A National Housing Agency has been created but has difficulties to accomplish its mission due to a great extent a scarcity in financial resources.

### **Box 1: An Inventory of the Housing and Real Estate Properties in Tirana**

A land use survey of Tirana was undertaken within the framework of the project "Immovable Property Registration System jointly sponsored by the Albanian Government, the USAID, EU-Phare and The World Bank. The survey was piloted in Tirana in November and December 1997 and was originally planned to cover remaining six cities namely Durres, Gjirokaster, Lushnje, Korce, Elbasan and Kukes. The survey was designed to collect basic information on structures and their uses in 96 randomly selected blocks in Tirana from which 32 blocks of one-hectare were subsequently selected based on the availability of urban cadastral maps and ownership information. In total, the project team originally assessed that 723 properties (parcels) were to be surveyed but because the cadastral data and maps represented only horizontal properties, it became clear that more than 2,000 properties would be targeted by the survey. In total, 2,146 interviews were conducted from which 1843 were fully valid cases while 303 contained some missing variables, providing information on occupancy relationships, age of the building stock, length of tenure, size and volume of construction, documentation of ownership, etc.

The Project Management Unit of the Immovable Property Registration System (PMU/IPRS) is a coordinating agency established by the Albanian government to implement the 'Land Market Action Plan (LMAP) that was adopted by a 1993 government decision. One of its objectives is to create an information base about the housing and real estate property markets required steering the process of Albania's transition to a market economy. The project primary objective is to develop a new immovable property registration system and to assess legal and policy options based on a systematic research into the evolving land markets.

The principal findings of the pilot survey can be summarised as follows:

- The residential properties use is a predominant feature in the urban landscape primarily in the form of apartment units, representing 70% of the total stock surveyed. Multi-unit buildings represent 75% of all the structures surveyed;
- The majority of the stock has been produced during the period of centrally planned economies but presenting already a significant post-transition constructions;
- There is a growing rental market in the economic use properties (32%) and a significant figure for residential use (nearly 10%);
- Those holding a document of ownership of their properties, the majority dates from the period of transition (72%);
- There is a significant degree of private ownership of property confirming the success of the privatisation program (87%) and the remaining 13% are state-owned properties primarily institutions, roadways and other public goods;
- The total building stock in Tirana is formed predominantly by single and multiple structure properties. More than half is apartments and units but in area/volume they account only 16%. Single and multiple structure properties accounted for a combined 47.5 %.

Source: Caro, et al, 1998; Stanfield, 1988;



## **Box 2 — Evaluating the Breglumasi program (Awarded with the UNCHS Best Practice Award)**

The Breglumasi program in the Lapraka area of Tirana was a three-year social development and neighbourhood improvement program that ended in 1997. It followed the principles of informal settlement upgrading programs where the population, community-based organisations and NGO's played an active role. The program was approved in 1993 and financed by CEBEMO who was involved in its conceptualisation together with an Italian NGO called Aconex and a religious organisation called Don Bosco. The Swiss Charitas organisation was also involved in the program. An evaluation of this program was carried out by IHS and reveals a series of positive points.

The settlement is situated in an expansion area situated in the northern part of Tirana municipality and within the jurisdiction of Lapraka. In 1990, it only 75 households but by 1995 it had nearly five times this figure.

The overall objective of the Breglumasi program was local institution building. Its activities encompassed: infrastructure improvement; the development of various social activities; stimulating educational activities for the young as well as women's activities; promotion of employment, with the help of a credit fund; support to democracy and institution building; and social housing development.

An evaluation carried out of the Breglumasi program in 1997 pointed out that the social and neighbourhood improvement components performed relatively well. The residents generally appreciated project results and other actors involved. The organisational capacity of the residents increased, although the activity committees (women's organisation, youth committee, and infrastructure groups) functioned better than the Breglumasi neighbourhood association, which was not given sufficient formal responsibilities and decision-making authority. Residents learned how to approach the government. Relationships with government bodies have been established, and government policies are taken into account, both in the design and provision of infrastructure. Program activities have contributed to new organisational forms in the heterogeneous Breglumasi I area, supplementing traditional, family-based ties. Neighbourhood improvement activities concentrated on preparing the Breglumasi area for standard upgrading, to be undertaken by the MPW. The program managed to attract small contributions from a variety of different organisations for the implementation of social activities. Without further funding, the project could not continue or even expand its activities.

Source: Nientied, P., Bongwa, A. and Fico, I. (1997). "Evaluation of the Breglumasi Program, Tirana, Albania." Rotterdam: IHS. B. Aliaj, 1996.

## **4. Urban development challenges during the transition**

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### **The end of centrally conceived urban planning**

Albanian cities have undergone rapid growth as a result of rising economic opportunities and rural-urban migration. This phenomenon caught local governments and planning agencies unprepared and the experience of the last 10 years shows that the Government is not able to cope with this growth and play an active role in managing, planning and directing urban development process. Previously, urban plans, land use plans and planning ordinances were prepared by the National Planning Institute and implemented as blueprint plans at the local level by local planning departments. This practice has limited the initiatives at the local government levels that followed command-type of planning decisions. The planning framework dates from pre-transition period. It is obsolete as a tool to guide rapidly changing cities like Tirana and other mid-sized cities. It is divorced from the real financial and material means and does not take into account weak local capacities to carry out local actions. Furthermore, there is lack of a sustainable institutional and organisational embedding required to properly implement citywide plans.

The current policy, regulatory and institutional frameworks that regulate urban planning practices is so complex and time consuming that it acts as additional indirect stimulus to informal land development and illegal constructions. Households and firms are carrying out most of the new construction informally. State agencies lack the resources and the capacity to tackle the phenomenon of informal settlements and do not have modern planning tools and management approaches to intervene positively in the process that would otherwise making available serviced land to guide future growth of Albanian cities. There is a need to shift the role of state agencies from providers to that of enablers and facilitators of urban development meaning that their organisational, human resources and institutional capacities need to be modernised. They need to recognise the important role to be played by non-governmental organisations – NGO and community-based organisations – CBO as well as private sector organisations, and the need to establish partnerships and consensus building. Abandoning blueprint type of planning and the pursuing of more flexible, locally bound and participatory planning approaches seem to be the most critical challenge to be addressed.

### **Weak capacities and intellectual isolation**

Current decentralisation policies intend to empower local governments but in practice local autonomy remains insufficiently exercised. On the one hand, local government is weak—even in the capital Tirana—and does not play an active role in resolving urban management bottlenecks. On the other hand, there are many community-based initiatives to resolve immediate, local problems that result in ad-hoc building and land occupation. Neither local nor central government authorities have experience dealing with informality and working with the communities that are shaping the city. Outdated perceptions still limit the ability of government to respond adequately. There is still a strong belief that repressive measures and control will stop informal settlements from growing and that government sponsored social housing provision is a way to address the acute housing needs of low-income groups and the “homeless” despite the scarce financial resources to do so. Policy makers and the professional cadre working in the public sector still lack exposure to international experiences with informal housing processes and managing the performance of the

housing sector with an economic perspective. Furthermore, there is a shortage of government officials trained to work in informal settlements and within a participatory environment. Strategic planning, action planning and land regularisation approaches are still new themes. This limits the number of innovative approaches to urban development in Albania and further constrains a broader understanding of urban development processes and the monitoring and collection of relevant data. The current challenge is to learn from experiences with urban renewal in Western European countries and citywide informal settlement upgrading programs in Developing countries. Consolidating current innovative practices and approaches undertaken by some NGO's as Co-PLAN and the World Bank's Urban Land Management Project appears to be a good way to disseminate more knowledge and information within policy makers and the professional cadre of the public sector.

#### **The regulatory framework governing land development**

Within the framework of a legal reform program pursued by the Albanian government since 1991 several initiatives have enabled and stimulated private property. Land law 7501 (1991) granted "ownership" rights (inalienable freehold tenure) to former workers and occupants of village co-operatives over agricultural land. In urban areas, law no. 7698 (1993) recognised ownership rights of former owners and returned land and property to them that was nationalised and taken illegally within the yellow (Tirana municipal) line. Law no. 7652 (1992) privatised public housing by enabling occupants of apartments to purchase their units at modest prices. Most of these laws are being reviewed and amended.

Restitution has not been without its inherent difficulties often resulting in multiple claims and ownership conflicts on one single parcel land. There is also a lack of clarity about municipal boundaries and jurisdictions leading to inconsistency between local authorities (urban land) and Ministry of Agriculture (rural land). This is exacerbated as cities continue to expand which fuels rapid transformation of rural land into urban uses takes turning law enforcement dubious and inept. In contrast to private property, public (i.e., state) property is often not respected, as most of the irregular construction now taking place is by means of illegal occupation of State lands. This is being tolerated in fact to maintain political and social stability. Law enforcement and conflict resolution in the housing, land and real estate sectors on tenure rights and ownership questions remain as the greatest challenge during this transition period. This may have a multiplying effect in the development of housing and real estate markets where local governments will play an important role.

## **5. Decentralisation: emerging roles of local governments**

At sub-levels of government, Albania is divided in 37 districts, 44 towns and 316 communes. The institutional and political reforms undertaken within the framework of the transition from centrally planned to a free market economy imply a revision of the

roles, tasks and scope of responsibilities of local governments as well as the administrative and legislative environments that must govern their operation. Local governments were officially created in 1992.

The mayor and municipal councillors are now directly elected but local governments lack the administrative and financial autonomy. They are still subordinated to the Ministry of Local Governments meaning that the communication is often vertical by means of top-down directives. The responsibility of planning, financing and provision of infrastructure still remain a task of the central government via line ministries and public utility companies. This means local problems and local demands are tackled via bottom-up requests to resolve investment requirements, local governments spell out that shortage of personnel, material and logistic needs and other issues. Local budgets are still centrally determined. Local governments at the municipal and commune levels are still ill equipped in terms of truly authority and autonomy, lacking well-trained staff and with a very weak tax base. It is responsible for collection of business and land tax on behalf of the central government but its recurrent and development budgets are entirely funded by the state. The lack of capacity to provide public services and basic infrastructure is notorious. Furthermore, large-scale unemployment and the dismantling of enterprises eroded public revenue generation undermining local governments resources and ability to deliver services.

Horizontal co-ordination and inter-agency co-operation as well as concerted efforts of local governments do not exist and are usually constrained by different political orientation of mayors and councillors. An Association of Albanian mayors has been created and could potentially play a catalyst role in addressing local government priorities and build up national municipal agenda.

On one hand, the challenges of local governments are to build their own capacities and consolidate an institutional and administrative basis that is conducive to an enabling and facilitating role it must play. On the other hand, it must build a know-how of its staff in managing complex urban operations and local economic development plans that extrapolates the traditional physical plans. Local governments are expected to play the bridge between the citizenry and the state keeping the necessary transparency in dealing with public goods and community problems. Therefore, strengthening local governments is a fundamental precondition for a successful transition and sustainable urban development. Though, any initiative in this direction should not neglect their partners from the private, community and NGO sectors.

## **6. International assistance focusing on the urban sector**

Since 1991, the Albanian government has received international assistance provided by several multilateral and bilateral development organisations that focused first on the macro-economic reforms, democracy building, legislation and in the formulation of ordinary laws needed to steer the transition process. When drafting its national constitution for example Albania has obtained important assistance from organisations like the American Bar Association – ABA, German Development Agency-GTZ, United States Agency for Internal Development-USAID and European Union-EU.

The World Bank was supporting the housing sector via a housing reform program aiming at the increase in the supply of urban housing and to facilitate the transition to a market-based housing and urban sector. The Bank has also started and continues to support a large-scale water supply and sewerage project that aims at the rehabilitation of public infrastructure in urban areas. There is also another project focusing on micro-finance mechanisms to assist urban dwellers in the repair of essential infrastructure.

An important urban sector project financed by the Bank and the Albanian government is the 'Urban Land Management Project-ULMP. It is a US\$15.8 million program aiming at the provision of essential urban infrastructure to unserved or neglected areas in Greater Tirana, and to strengthen the institutions responsible for the delivery of urban services at the local local and national levels (see Box 3). The project has many innovative aspects particularly for Albania. It has a demand-driven approach and stimulates the organisation of the beneficiaries who must pay a land development fee in advance as a pre-condition to receive public investments in basic infrastructure channelled via the ULMP. They must be organised via legally and institutionally established community-based organisations. Partnership arrangements must be established between local governments, community associations, NGO's and the project co-ordination unit at the Ministry of Public Works. The project aims at the strengthening of the institutional capacity of local and central government agencies and community associations to deal effectively with informal settlement problems. The ULMP supports the development of capacities in sub-project preparation, project planning and project management and implementation and provides the opportunity to develop strategic infrastructure studies that will produce a knowledge basis about the physical, institutional, financial and management dimensions of the infrastructure sector in Tirana. The experience with implementing the project will be looked at carefully in order to assess replication to other urban centres. The project has recently opened bidding for international consultants and plans to initiate actual implementation by the end of April 2000.

The US Government assistance to Albania is implemented via the USAID-US Agency for International Development focusing in three strategic objectives (1) strengthening democratic institutions, (2) economic restructuring and (3) improving the quality of life with an average of US25 million per annum. The USAID has provided training and

human resources development opportunities via several projects. It has been also instrumental in developing a significant amount of knowledge in the urban sector particularly about the land and real estate sectors via several project initiatives tackling housing privatisation, land property registration, institutional and regulatory reform for the creation of housing and real estate markets. Several reports and a bulk of knowledge have been generated via these projects (see bibliographic references). A Land Registration Project defining land registration processes and implementing a pilot project in Tirana and other cities has received technical assistance from American universities and American consulting firms.

Under the next chapter – focusing on the Netherlands assistance – we will describe a project called ‘Strengthening of Local Government and Citizens’ Participation’ being carried by Novib-SNV-VNG. There are two relevant initiatives that will complement and provide support to this Dutch funded project:

- Public Administration Project (USAID)
- Community Rehabilitation and Recovery Programme (UNDP)

The Public Administration Project (PAPA) is financed by the USAID and provides support to 10 different municipalities (Tirana, Pogadreq, Permet, Kuçova, Leushnje, Durres, Shkodra, Koça, Elbasan, Vlora). The project provides technical and financial assistance to strengthening local government in public administration (finance, budgeting, taxation), economic planning, service delivery and citizens participation. It also provides training in public administration with equipment (computer) made conditional to the training and with a commitment to be used for its purpose; it identifies and implements demonstration projects in service delivery that includes advice in managerial tasks, public awareness development (through ORT) and some seed money.

The Community Rehabilitation and Recovery Programme funded by UNDP supports two districts (Fier and Lezha). The project aims at the regaining of confidence and mutual trust between local government and the local community. It provides technical and financial assistance in developing activities that mobilises civic participation and inter-action between different stakeholders from public, private and community sectors and also inter-agency co-ordination. The project pursues the rehabilitation of social infrastructure, generation of job opportunities, stimulation of economic productivity and income generation as well as the improvement of the capacity of key local government agencies.

The following initiatives are also relevant for the urban sector:

- Private Sector Development and Employment Opportunities Creation (UNDP)
- Development Assistance to Privatised Enterprises (UNDP)
- Establishment of the Institute for Management and Public Administration (UNDP)
- Urban Works and Micro Enterprise pilot project (WB)
- Intensive Works Program (SNV-NOVIB)
- Small Scale Irrigation Rehabilitation project (IFAD)
- Albanian Development Fund (IFAD)

### **Box 3: The Urban Land Management Project – ULMP**

The project is jointly financed by the Albanian Government and the World Bank and has an initial budget of US\$ 15.86 million. The primary objective of the project is to provide essential urban infrastructure to unserved or neglected areas in participating municipalities, including Municipality of Tirana and the District of Tirana (Greater Tirana) and strengthen the institutions responsible for the delivery of urban services at the national and local levels. Investment in roads, water supply, drainage, sewerage, electricity, street lighting and domestic waste collection, and technical assistance to local authorities and participating communities are expected to lead to:

- Enhanced productivity of Greater Tirana, the country's economic growth centre and most rapidly growing urban area;
- Improved environmental living conditions and better health of children;
- Rational use of scarce urban land through the development of active land markets, densification and control of urban sprawl;
- Improved cost recovery for urban services through beneficiary participation in decision-making and project financing.

The project addresses the problem emerged with the rapid informal growth of Tirana. It assesses that by 1997 about 235,000 people or 45% of Tirana's population were living in neighbourhoods with grossly inadequate infrastructure, representing a gross area of about 1,200 hectares or about 57% of the total built-up area of Greater Tirana. The project report states those informal housing construction amounts to US\$40 million/year.

The ULMP project will benefit about 7,500 households through improved access to essential infrastructure such as roads, sewers, water supply and electricity. Participating communities must fulfil the established criteria. A community association must be legally and institutionally established to represent the residents/beneficiaries in agreements with local government and the project implementation unit. It must show willingness to pay for the costs of secondary infrastructure (20% or project costs which would amount to US\$1,000.00 in case of large plots) via the land development fee. Temporary tenure rights will be granted during construction period.

*Source: World Bank report no. 17694-ALB, 1998.*

## 7. The Netherlands support to Albania's transition

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VNG, SNV, IHS, Novib, Bilance, Cebemo and Cordaid are some of the Dutch organisations that have been actively involved in the urban sector in Albania. These organisations have in common the institutional and financial support to an Albanian NGO called Co-PLAN, the Centre for Habitat Development. Particularly Cordaid has provided significant financial support to Co-PLAN's institution building and operational activities. Cordaid can be considered as the driving force behind the founding of CoPLAN.

Since its establishment in 1997, Co-PLAN has specialised in developing pilot projects for community-based neighbourhood improvement in which residents' organisations play an important role. Co-PLAN is the only institution in Albania with an integrated experience in community-based upgrading. It emerged out of a successful social and physical upgrading program in the Breglumasi/Lapraka area of Tirana, which was selected in 1998 as a Habitat (UNCHS) "Best Practice" case. It is currently involved in the planning and improvement of basic social infrastructure in the Bathore/Kamza area of Tirana. Through its project entitled, "*Roads to a Stronger Civil Society*" – financed by Cordaid - which commenced in 1998, Co-PLAN has already been implementing the kind of demand-driven, community empowered and managed approach to basic infrastructure provision which is advocated by the World Bank's Urban Land Management Project. In addition, Co-PLAN has extensive experience with training and capacity building of community representatives and officials from the public sector. A solid understanding of the institutional development requirements in Albania backs up its sound expertise in community-based upgrading. Co-PLAN worked together with SNV in Fieri in assisting and strengthening local authorities to manage the Kosovo refugee crisis and in establishing a managerial basis to provide shelter assistance to refugees, including the improvement of schools and public buildings.

CEBEMO was a pioneer in supporting the Breglumasi Program which not only focuses on the improvement of the living conditions in this informal area of Tirana but also on the clear definition of the communities' and local governments' roles in the upgrading process. It focuses on urban poverty alleviation through participatory infrastructure improvement programs and the replanning of the settlement. The innovative character of this project – for the context of Albania – helped to disseminate a different approach to neglected and unserved neighbourhoods.

The IHS has been supporting the establishment of Co-PLAN – via training of its staff in the Netherlands - in order that it can become an active player in institution building and institutional change in Albania. The collaboration between the two institutions has evolved into a broader-based institutional co-operation allowing both institutions to work together on planning, settlement upgrading, and capacity building and institutional development activities. IHS and Co-PLAN have carried out some training programs to technical cadre of local authorities and the National Planning Institute.



This also involved training of trainers. Out of the core staff of CoPLAN, five have followed short courses and master degree course at IHS. There is a IHS Alumni Association in Albania that has carried out some seminar and public meeting events together with CoPLAN. Currently, there are other 4 Albanians following different training programs in IHS.

The IHS is currently implementing a small-scale project focusing on the development of a housing reform action plan in co-operation with the ministry of public works and financed by the UNDP. The project has an institutional analysis component and a training and human resources development component. It helped to identify the key bottlenecks faced by the housing sector while training a core group of local professionals from different agencies like ministry of local government, ministry of public works, national bank, national saving bank, ministry of social affairs, ministry of justice, ministry of finance. The result will be an action plan where problems, targets, responsibilities and potential financing will be identified. It is intended to mobilise a wide spectrum of stakeholders to participate in coining the plan and its support thereafter. The project is in its final stages.

The VNG has worked together with Co-PLAN on a pilot project in the municipality of Kruja on urban planning, as part of a Netherlands funded project entitled, *Strengthening Local Government and Citizens Participation in Albania (SLGCP)*. In this context, Dutch and Albanian experts and the staff of the municipal of Kruja designed a regulatory plan for the city (see Box 5). A second step was the design of an urban expansion plan for the city (residential area) and a partial plan to preserve the historical centre of Kruja. Co-PLAN has been co-operating with VNG on the design of the city extension area, preparing feasibility studies and appraised technical options for residential developments in which private investors, private landowners and public sector agencies agreed to enter into partnership with one another. It supported VNG's effort acting as facilitator and evaluator of the technical options. As a follow-up of VNG-CoPLAN initiatives, this NGO is currently providing follow-up assistance to the local government in city marketing and in shifting urban policies towards the economic viability of the city and the use of its heritage as source of local revenues. In addition to their co-operation in Kruja, VNG and Co-PLAN have worked together to promote decentralisation and disseminating the advantages and disadvantages of local autonomy via workshops, debates, working meetings and consultations with public officials. In fact, VNG, Co-PLAN and SNV work in a network format to support institutional changes in Albania.

SNV started its operation in Albania in 1993 and has been focusing on local management processes, sustainable regional development and gender issues. It concentrates development assistance to three regions: Fier, Diber and Tirana. The project "Strengthening Local Government and Citizen Participation" is carried out in collaboration with VNG and Novib (see box 4). SNV has a concentration of activities in Fier a city that used to be a major industrial and commercial centre in Albania. The "Fier Environmental Project" focuses on the environmental impacts caused by oil extraction, urban and industrial waste and air pollution. SNV works with local NGO's

and the local government in a strategic environmental analysis of the region. SNV has also a NGO support program to strengthen its organisational, management and project development assistance.

The project “strengthening local government and citizens’ participation” joins VNG, Novib and SNV in an effort targeting four pilot municipalities. The project is financed by DGIS and is expected to provide a basis for the longer-term achievement of effective local governance throughout Albania. The project aims at the establishment of a conducive structure for the development of democratic and decentralised local governance thus addressing issues such as legislation, guidelines and regulations, definition of tasks and responsibilities in decentralised local governance, human resources development, organisational restructuring, budgeting and accounting systems. The backbone of the project strategy will be institution building and manpower development. By focusing on a small number of local governments, the project allows for a larger critical mass of support in each local government and the possibility to create synergy through concentration of activities, in collaboration with other projects.

#### **Box 4: Strengthening Local Government and Citizens’ Participation in Albania**

The Netherlands Ministry of Development Co-operation approved the funding of this program (NLG3.65 million) and commissioned the consortium NOVIB-SNV-VNG to implement the project. The project started in a promising way in November 1996 but was suspended temporarily in March 1997 with the events of social turmoil and disorder caused by the collapse of the financial pyramid schemes. Early 1998 a project review mission was undertaken to redress the project objectives and to attune its strategies to the new conditions.

The underlying overall objective of the project is the *Improvement of the functioning of local government and increased citizens' participation in local government in order to stimulate social and economic development and democratisation in Albania*

The project is not designed to bring about legal, institutional or other changes nation-wide during the three years of its implementation. On the contrary, it is innovative, experimental, and targeted to a small group of local governments. It is expected to provide a basis for the longer-term achievement of democratic local government through Albania.

#### **Immediate Objectives, outputs and activities**

The project’s immediate objectives are as follows:

1. Formulation of policies and enhancement of capacities to undertake and facilitate democratic and participatory local governance;
2. Development of examples of sound, democratic and participatory local governance;
3. Dissemination of examples of successful democratic and participatory local governance:

The outputs and activities identified in this section are essential for the project to achieve its immediate objectives. They are based on the judgement that the key components of sound and democratic local governance are:

- accountable, transparent and forward-looking leadership,
- effective and productive partnership with private sector community,
- effective process of mobilising and using diverse resources in a co-ordinated manner, and
- Cost-effective and efficient development, service delivery and safeguarding environment.

Source: Novib, SNV, VNG, 29/05/1998

The selection of local governments to be included in the project takes into account the social-geographical differentiation (urban vs. rural and lowlands vs. highlands). The project selected the following pilots:

- Dibra district / Peshkopi municipality,
- Fier district / Fier municipality,
- Rreshen municipality, and
- Kruja municipality,

The project activities will be concentrated at first on the districts of Dibra and Fier. The project is however designed in such a way that it allows for flexibility, in allocating the resources to the locations and situations where they are most needed. This flexibility is essential to the achievements of the objectives of the project. The project should devote a major share of its efforts to introduction and development of interactive participation by NGOs and CBOs in affairs of local government. Additional bonus allocations can be used as a reward for interactive participation of NGOs and CBOs in local government by assisting to have access to funds.

Some of the demonstration projects that are expected to be produced through implementing the 'Strengthening Local Governments and Citizens Participation' will address issues like:

- development planning,
- economic development (job generation, income generating activities, and poverty alleviation in particular),
- social development (education, health, and reinforcing the position of women in particular),
- And service delivery (water and environment related in particular).

The project 'Strengthening Local Governments and Citizens Participation' will make use of a series of strategies:

1. information campaigns, seminars and workshops to foster changes in attitude required for unilateral and interactive participation;
2. incentive and compensation system to stimulate innovations;
3. Maximum information dissemination in order to create transparency and reach a wider audience of potential participants.

### **Box 5: A profile of Kruja**

Kruja is located at the edge of the Kruja Mountain that is part of the Scanderbeg mountain range that oversees Tirana. It is situated 32 km from Tirana and 45 km from the port of Dures and 23 km from the only one international airport placed in Tirana. The city is situated only 20 km from the national park of Qafe Shtama where one finds a beautiful natural scenery and spa waters. Kruja is the administrative centre of the district of Kruja and is part of the prefecture of Durres. There are three villages that are part of the administrative boundaries of Kruja. The city has a symbolic and historic value for the establishment of the Albanian nation. It has two museums situated inside the citadel dated from before the middle age. Kruja is known by its architectural and urban heritage.

The total urban population of the district is a bit more than 70,000 inhabitants and the city have nearly 15,500 inhabitants. There are 2,681 residential units from which 1,580 are individual houses of one or two story and 1,101 apartments of former state housing blocks. A shoe factory fuels the urban economy, clothe production, furniture factory, construction companies and tourism related services including two private hotels. These activities provide employment to nearly 2,000 people.

A preparatory study sponsored by the municipality of Kruja and VNG for the regulatory plan of the city identified the following problems and priorities:

- There is a need to assemble land for planning the expansion of the city;
- The housing stock and some areas of the city demands urgent upgrading and rehabilitation;
- The city is not providing sufficient job opportunities for its economically active population leading to people leaving the city;
- The road network and the infrastructure network needs a comprehensive improvement;
- Solid waste and street cleansing is a bottleneck and is not well taken care by the local government;
- There is a lack of recreation facilities and entertainment for the youth population;
- The cultural and historic heritage of the city deserves more attention in view of attracting tourist and foster economic development;

The regulatory plan spelled out an urban development strategy based on the strength of the city related to its peculiar location, its cultural and urban heritage and its surrounding nature. The plan appoints two directions: one densification of existing areas strengthening existing functions related to tourism and heritage and another one towards urban expansion that can offer opportunities for settlement of people and businesses. The proximity with the major cities of Albania e.g. Tirana and Durres implies easy accessibility to the airport, port and an economy of scale. The city needs to profile itself within these parameters.

In practical terms, the plan advocates the following:

- Increasing quantity of tourist sites and make use of the attractiveness of surrounding landscape, parks, spa waters and villages;
- Establishing a service centre to act as a business catalytic;
- Establishment of recreation and entertainment facilities;
- Formulate and implement a small business incubators program;
- The plan also proposes the establishment of a city development agency to co-ordinate the revitalisation of the city.

Kruja - like other small cities in the country - is confronted with emigration and loss of population (the opposite of larger cities like Tirana, Durres) and with the weak capacity of authorities to foster local economic development that meets the needs of the population. Several organizations are supporting them within the framework of decentralization like VNG under the motto of "learning by doing" supported by foreign experts as well as local experts working in close cooperation with municipal staff. With the attempt to implement the plan mentioned above, the municipality is working closely with Co-Plan focusing on city extension, and preservation of the historical and cultural heritage. Currently the local authority and its staff are on the stage of plan implementation mobilizing assistance from different organizations. Some infrastructure projects have been launched with German assistance and other donors and technical assistance are being mobilized. Institutional coordination has already started and needs to be followed up.

Source: Municipality of Kruja and VNG, 1998.

## **8. Prospects for a city-wide initiative and recommendations**

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The previous two chapters delineated a framework of actions that are currently undertaken and/or supported by international agencies including those that involve Dutch organisations. These are important references to be taken into account when designing a citywide project to be financed by the Netherlands Habitat Forum.

In order to define where, how, when and in which theme a citywide initiative could be started, it is necessary to establish a bottom line and spell out some criteria.

### **8.1 The absorption capacity and potentials of local government authorities**

Before assistance is decided it is important to assess whether there is a core competence or a potential basis to carry out innovative approaches. A core technical cadre and human resources basis – even if further on-the-job training is required – and a minimum facility for proper work to be carried out must be taken into account. This is particularly relevant when considering that the proposed assistance implies a close interaction between Netherlands expertise and local staff. In general there is a capable local technical cadre but there is need to get them acquainted with other types of approaches and the bulk of experiences accumulated by Western Europe and several Developing countries.

### **8.2 Transparency and internal discipline with public goods**

An internal discipline and transparency in dealing with public resources and processing the financial, technical and managerial assistance are key issues to be considered as well. It is very important that there is a local practice with basic public finance, budgeting and financial accounting or an incipient capacity to introduce it via the citywide initiative. There is a great need in Albania's local governments but this needs to be developed as a precondition for a pro-active and entrepreneurial local government.

### **8.3 The complement to on going projects**

Cities where there is already some kind of on-going programs and technical assistance provided by international or national organisations are potentially matured for receiving additional support in the form of a city-wide initiative. It is a win-win situation that will facilitate institutional embedding and better chances to institutionalise innovative approaches in a complementary manner. In such a case, it is assumed that there is local will, an articulated demand, motivation and some accumulated experience with urban interventions. That should provide a fertile ground for the citywide project to succeed. Cities like Tirana, Kruja and Fier could qualify for that but one needs to make a situation auditing in the local governments in order to have a better picture than this report is able to make.

### **8.4 Responsiveness and motivation to work in partnership**

Local authorities that are already working together with a local partner e.g. NGO, CBO should in principle have an incipient experience with public-private partnership arrangements in urban development. This is an important asset for the successful transition of Albania. The participation of civil society organisations in local processes and decision making should be strengthened by the city-wide initiative but the responsiveness of a local authority will depend on the existence of a local leadership, an active middle management staff that can mobilise confidence and support from inside the organisations. CoPLAN is actively involved in initiatives with local governments like Kruja and Kamza (Bathore) and these experiences are worth to be taken into account.

### **8.5 Opportunities for a city twinning program**

The strength and local peculiarities must have an added value for a city twinning program through which experiences and urban innovations put into practice by Dutch municipalities can be transferred to Albania. Local problems faced by an Albanian local authority should find a parallel in The Netherlands in order to make assistance and transfer of experience and know-how more explicit and fruitful for Albanian counterparts. A city like Kruja – with its historical and cultural heritage – has the scale, scope and interesting urban revitalisation problems that make it suitable for a citywide intervention. The visibility and multiplying effect will be easier to monitor.

### **8.6 Size of the city and economy of scale**

The size of the city and total amount of beneficiaries – households and firms – are two important elements to consider in the assessment. The value added of the assistance has to be compatible with the economy of scale translated into the total number of families and economic units that benefit for each Guilder invested via the citywide initiative. In order to make a difference and to provide opportunities for replication elsewhere, one must consider the economic viability and sustainability of certain urban agglomerations specially those centrally planned to accommodate national industrial development plans which are today either obsolete or in need of radical revitalisation. In this respect, it is doubtful whether small cities like Peshkopi and Rreshen are the most suitable choice. The city of Kruja is equally small but its proximity to Durres-Tirana corridor gives it a comparative advantage.

If the criteria defined in the subchapters above is accepted as a bottom line to initiate a city-wide initiative and considering the on-going assistance described in chapters 6 and 7, there remains a few options in terms of location (the city) and issues and problems to be addressed. Cities like Tirana and some of the municipalities where there is an on-going Netherlands assistance like Fier and Kruja via the project ‘Strengthening Local Government and Citizens’ Participation’ offer a good basis for the support by the Netherlands Habitat Platform. Nevertheless, it is still required to make a thorough situation auditing which this report cannot provide.

#### **Tirana**

A fast growing city, capital and most important centre, with a weak institutional and human resource basis but with a reasonable experience with the urban land management project does provide a good opportunity and exposure for a city wide

initiative. The dissemination and replication to other centres will be facilitated. The scale and scope of the problems may present difficulties for implementation.

#### Kruja

A small city with a strong cultural and urban heritage, situated in a very peculiar location and facing problems with a stagnated local economy, offer an interesting challenge. The economic use of its heritage, the reprofiling of the city and its peculiarity offer an opportunity for city twinning with small and historic cities in The Netherlands. Another positive aspect is the current partnership between the local government with CoPLAN and the positive attitude of other stakeholders from the private sector. The scale and scope of the problem is manageable. The impact of the citywide may become visible more quickly.

#### Fier

Another small city when compared to Tirana, facing the structural adjustment of its urban economy and reprofiling itself after the withdrawal of the State from several productive activities. It is a former petrochemical industrial centre and has a regional character. The city has experience with city consultations as a result of the Dutch funded project 'Strengthening Local Governments and Citizens' Participation'. There is an active citizenship council, pro-active local leaders and good degree of responsiveness. An SNV staff is posted inside the municipality and working to strengthen the co-operation between the public sector and civil society organisations in the process of strategic planning.

Cities like Korce and Vlore are also agglomerations with a sizeable population and urban economy but unfortunately we do not have sufficient information about them.

In all these three cities, one must combine actual implementation of citywide initiatives with on-the-job assistance, tailor-made training, and internship in Netherlands municipality and implementation arrangements to plan and manage urban interventions. The establishment of basic municipal financial reporting and accounting should be included. Thematic areas such as land policies and land management, urban revitalisation, participatory urban planning and strategic planning as well as community-based action planning and public private partnerships should be considered.

Needless to say that the current report still needs to be double checked since the analysis presented here are based on observations during missions carried out to Albania for other purposes. Reports produced in English and discussions carried out with several IHS alumni also helped to outline an overview of one can expect in a city wide initiative in Albania. There is no doubt that there is a tremendous potential and high need for assistance in the country. The experience of Dutch municipalities and different Dutch organisations are extremely relevant for a country going through the transition process like Albania.

Therefore, it is suggested that before a decision is made to carry out a citywide initiative in Albania the Habitat Platform should pursue the implementation of a thorough institutional analysis of some of these local authorities. That could be done through and by an organisation like Co-PLAN.

This report could form the basis for such an analysis that could reveal in a more accurate form what are the actual human resources and potential technical cadre that exist in these organisations. It could help in revealing what are the current practices in terms of budgeting and financial accountant; what are the logistic/material basis for the staff to work; what are the local priorities and how are these priorities defined? These are some of the issues the Habitat Forum could consider in its final analysis.



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## 9. ANNEXES

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Map of Albania

Map of Tirana with the project sites of the ULMP Project (World Bank, 1998)

Map of Tirana showing recent urban growth areas - informal settlements (PADCO, 1995; Aliaj, 1996)

Map of the Neighbourhood of Bathore in the periphery of Tirana (Aliaj, 1996)

Photographs showing Tirana's periphery before and after informal urbanisation (Aliaj, 1996).

Photographs showing formal and informal neighbourhoods of Tirana (Aliaj, 1996)