

Land and Shelter Challenges in Albania

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What's interesting?

- **Bank Involvement: Evolution of Approaches**
 - First Generation: Community-based upgrading
 - Second Generation: A holistic approach to tackling urbanization challenges
 - Informed by lessons learned from the first generation project and ESWs
- **Albania's Urban Sector**
 - A (surprisingly) success story of informal sector meeting unprecedented demand for land and housing
 - A strive for setting the parameters right for the formal land and housing market, which includes mainstreaming the informal market.
- **Caveat: NOT a story about Tirana**

Albania – the Big Picture

- Population: 3.1 m (42% urban)
- GDP: \$8.38 bn
- GDP growth: 5.5%
- GNI per capita: \$2570
- Unemployment: 15.2%
- Informal sector: 40-45% GDP
- Remittances: 14% GDP (2005 data)



Albania – since the fall of communist regime

Migration/Urbanization

- 1/5 of population emigrated
- Urban population increased: 35%-42%
- 1/3 of HHs receive remittances
- 37% HH used remittances for building/improving houses

Privatization

Land and housing hastily privatized, with conflicting and constantly changing legal framework

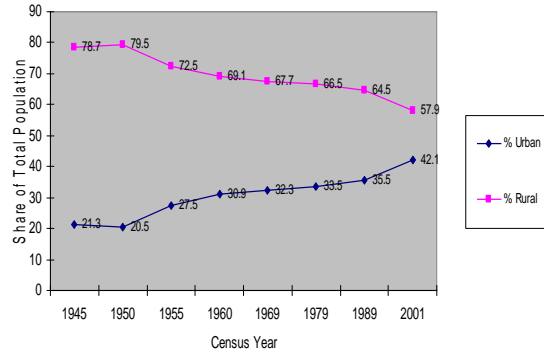
Decentralization (2000)

Asymmetric arrangement: local governments given responsibilities but not adequate resources





Two Parallel System of Land & Housing Markets



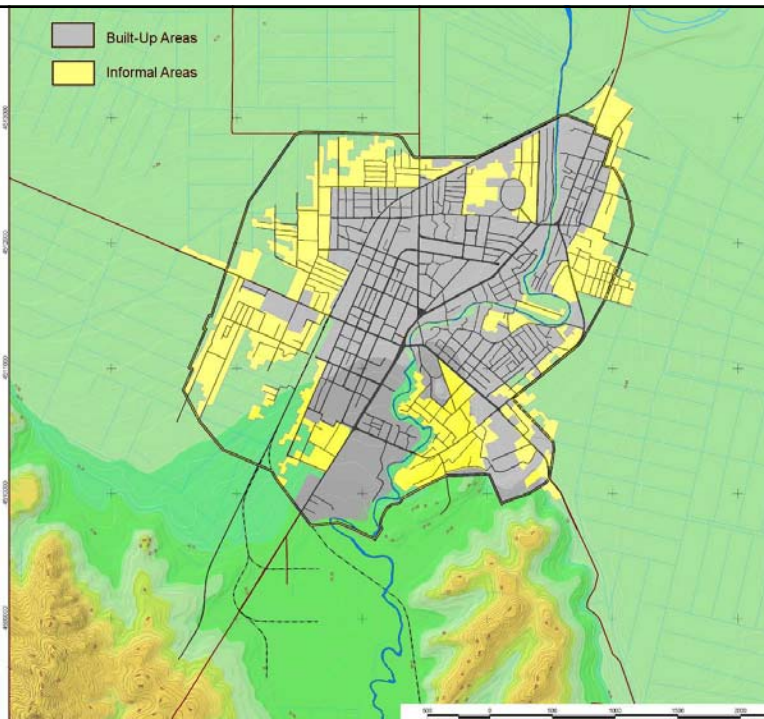
● **A formal market** within the existing institutional framework as they underwent restructuring

● **An informal market** with smaller scale activities operating within networks and processes outside the formal system

Challenges

- Chaotic" urban development: emergence of large informal settlements
- Weak financing capacity, particularly at the local level
- Acute shortage of infrastructure and services

Fier
2005

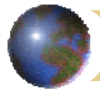




Informal settlement in Durres



Informal settlement in Skodra



Urbanization Trend

- Urbanization has gone through 3 phases since transition:
 - Early '90s – Informal sector as main phenomenon; spontaneous, little gov't intervention
 - Late '90s – Consolidation of informal development and beginnings of a formal real estate market
 - Current – Consolidation of formal sector and regularization of informal sector



Bank Involvement in Albania's Urban Sector – Operations

- **First Generation “Emergency Operation”:** Urban Land Management Project (1995-2005)
 - Focused on providing much needed infrastructure and social services
 - Community participatory upgrading (including capital investment planning)
 - Pilot, enjoyed exempt from restitution to ex-owners
 - informal settlements adjacent to Tirana
- **Assessment and Lessons Learned**
 - Successful in meeting the infrastructure and service needs
 - Moderate Institutional and policy impact (limited local government involvement)
 - Need to scale up and tackle a broader range of issues
 - Security of tenure
 - Country-wide reform in urban planning and management
 - Structural fiscal constraints of the local government



Bank Involvement in Albania's Urban Sector – Studies: Urban Sector Review (2006)

- **Demographic and Economic Dynamics**
 - Demographic and urbanization trends – Albania continues on the move
 - Emerging geography of opportunities
 - Fiscal challenges facing local governments
- **Urban Planning and Land Management**
 - Emerging real estate market – implications for efficiency and welfare
 - Informal settlement
 - Legal framework governing urban development

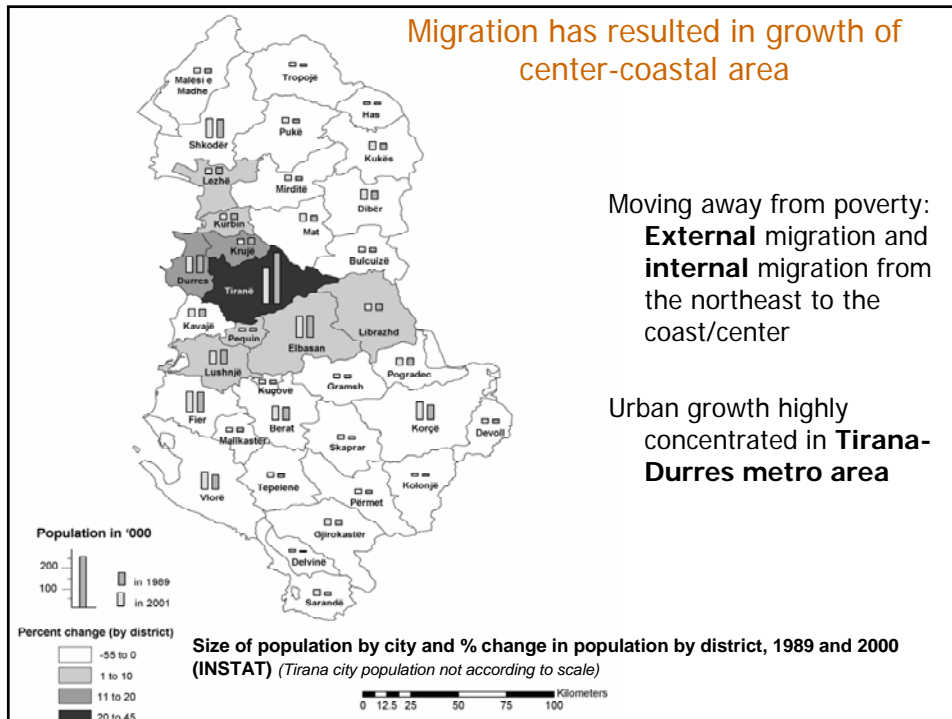


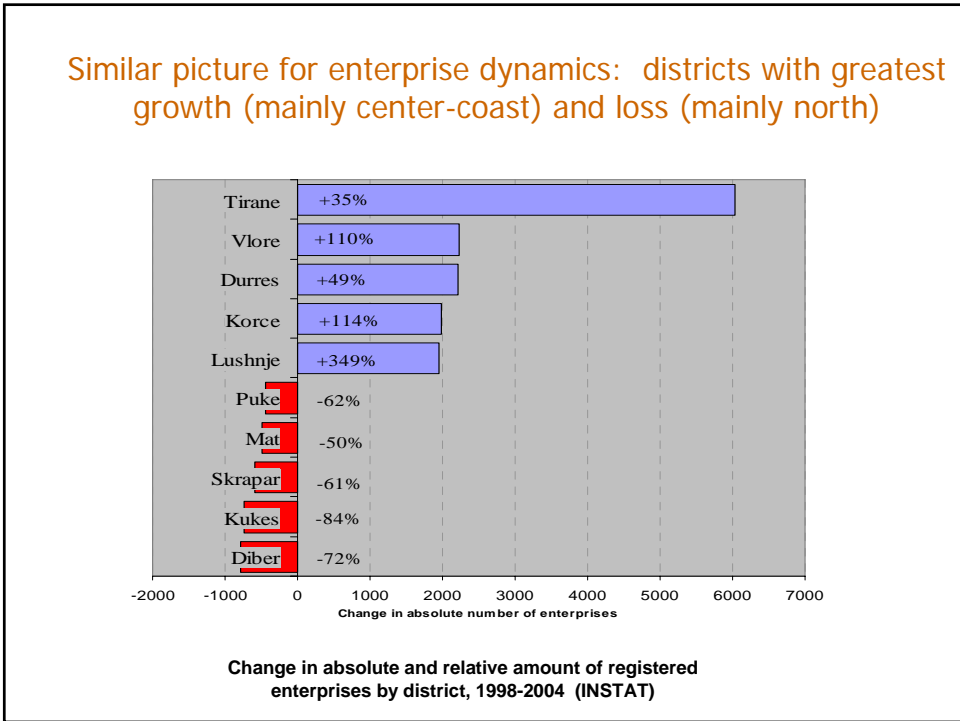
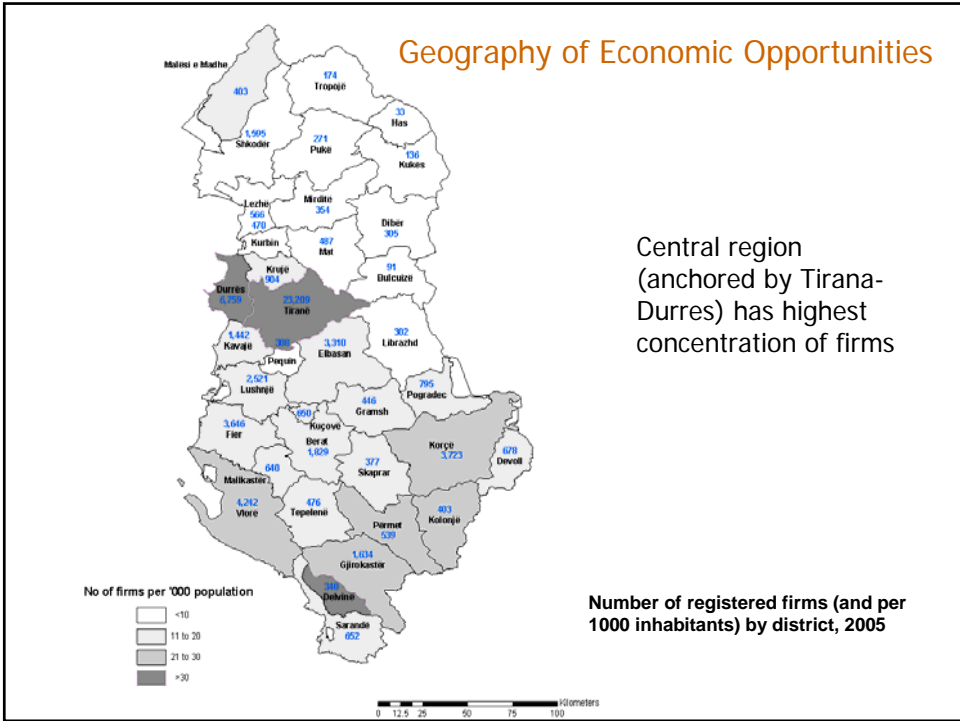
Main Findings of the Urban Sector Review

● Refute Mythical Urban Perceptions and Policies

- Urban development has been chaotic → **Surprisingly good result from the benign negligence of public sector**
 - formation of urban agglomeration
 - largely accommodating the needs of migrants
 - relatively compact and efficient urban form
- Tirana is too big and too crowded – **Tirana-Durres corridor will and should continue to grow to reap the benefit of urban agglomeration**
- Planning = control, control, control – **market-responsive, light handed, enforceable planning and regulation**

● A Framework for Action







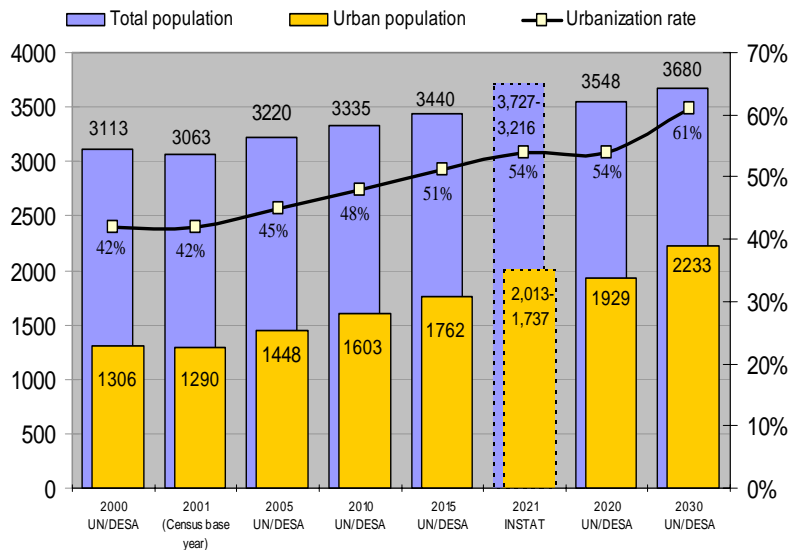
Urbanization shows high potential for poverty reduction

Poverty rates by Region		2002	2005	% change	Inequality *
COAST	Urban	20.2	11.6	-42.6	0.293
	Rural	20.9	19.7	-5.7	
CENTER	Urban	19.3	12.5	-35.2	0.278
	Rural	28.5	25.9	-9.1	
MOUNTAIN	Urban	24.7	17.1	-30.8	0.254
	Rural	49.5	27.7	-44.0	
TIRANA		17.8	8.1	-54.5	0.286
All Urban		19.5	11.2	-42.6	
All Rural		29.6	24.2	-18.2	
National		25.4	18.5	-27.2	

*Gini coefficient, 2005 (higher number implies greater inequality)



Urbanization is certain to continue – not as fast as in 1990s, but at steady pace

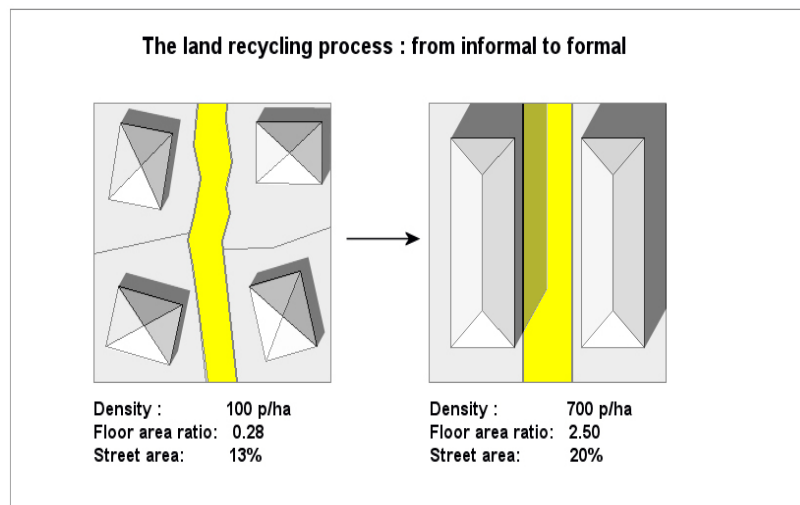




The Real Estate Market: Implications for Efficiency and Welfare

- Current State – surprisingly good, even in absence of planning
 - Informal housing offered rapid access to and subdivision of urban/peri-urban land to new migrants—much quicker than gov't could have done at the time
 - Solid quality, representing major private investment stimulating the economy
 - Floor space per person rose from 5 m² → 20 m² on average
 - Process has been relatively equitable—especially as compared to other countries experiencing rapid urban influx
 - They are densifying (80-120 persons/hectare), representing efficient land use for suburban areas
 - Emerging formal real estate sector is “recycling” informal plots, because of difficulty obtaining vacant land legally

Transforming informal site to multistory apartment through private negotiation, without government intervention



Courtesy of Alain Bertaud



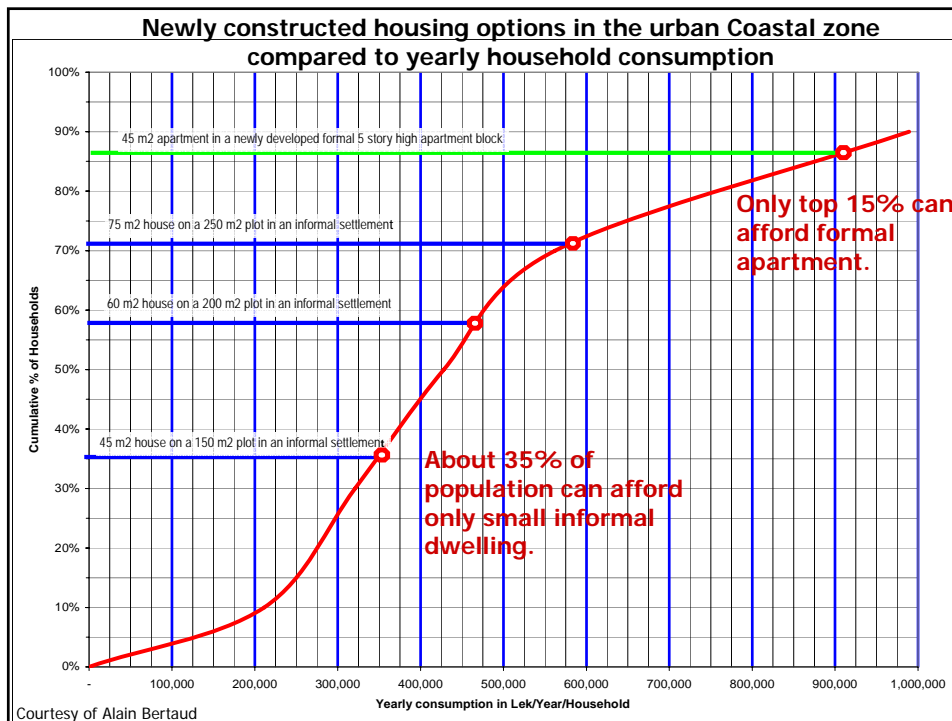
Constraints limiting the formal real estate sector

Supply Side

- **Limited supply of secured land**
 - Administrative barriers
 - Legal complexity and uncertainty
 - Restitution claims
 - Lack of subdivision regulations
- **Absence of Planning:** Deals negotiated individually with officials
 - Existing planning law highly normative and overly standardized
 - Most municipalities rely on communist era “master plans”
 - Existing planning administration highly centralized (anything > 15 acre) and intervention in urban development is currently limited to extreme mechanism (demolition by construction police)
- **Lack of primary infrastructure** (developer has to provide it)
- **Lack of long-term construction financing**

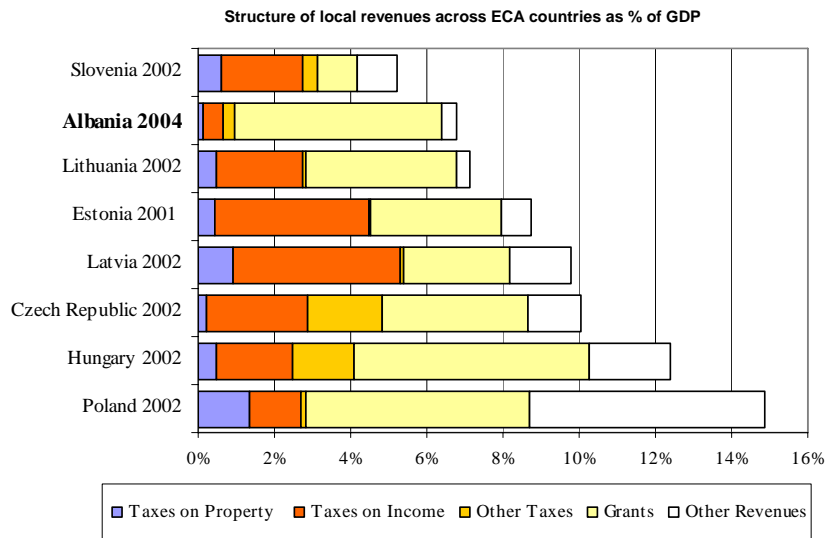
Demand Side

- Lack of stable and decent income to afford formal sector housing amongst majority of the population
- Mortgage financing is still limited and expensive





Fiscal Challenges Facing Local Governments



Towards a Holistic Approach to Tackle Land and Shelter Challenges

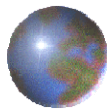
- Informal provision was main solution in the past, but this is not adequate or desirable for the future
- Need to resolve problem of informal settlements in a broader framework
 - retain dynamic market response to demand, while protecting the public interest in public land uses:
 - devise and implement urban planning and regulation that can be as agile as the market requires, and is enforceable and affordable
 - make municipalities more effective managers of cities, with sustainable financing— more responsive provision of infrastructure services, possibly through property taxation
 - ensure security of land/housing



Second Generation of Urban Operations

Project Objective: development of an efficient land and property markets through enhancing tenure security and improving land administration and management

- Component A (\$20m): Security of Tenure and Registration of Immovable Property Rights
- Component B (\$5m): Urban Land Management
 - **Urban Planning:**
 - Legal and regulatory framework: new Spatial Planning Law
 - Regulatory Plans for the biggest 8 municipalities
 - **Property Valuation and Taxation** (pilot + legal and regulatory framework)
- Component C (\$31m): Municipal Investment
 - Competitively awarded to municipalities that fulfill A+B



THANK YOU!

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