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**Review of the implementation of the programmes of work 2022 and 2023:
Country profiles on urban development, housing and land management**

Draft country profile on urban development, housing and land management of Albania: summary of findings

Note by the Secretariat

Summary

This document includes a draft summary of findings and policy recommendations of the Country Profile on urban development, housing and land management of Albania developed at the request of the country government. The Country Profile key findings and policy recommendations will be presented at the 84th session of the UNECE Committee on Urban Development, Housing and Land Management (4-6 October 2023).

The Committee is invited to take note of the finalization of the country profile of Albania and approve it as a publication in digital and print formats.

I. Introduction

A candidate for accession to the European Union, Albania has been implementing comprehensive reforms to bring its housing, urban development and land management sectors up to the requirements of the European Union acquis as well as internationally recognized standards and best practices, with a view to improve the quality of life of its population.

To support the government in addressing the above challenges, UNECE developed the Country Profile on Housing, Urban Development and Land Management for Albania. The Country Profile reviews the following main areas: housing sector and housing policy; land administration and governance; urban and regional development and planning; and financing affordable housing.

II. Summary of findings

Albania has made significant progress since the previous Country Profile of 2002. That previous publication was prepared when the need for new policies for sustainable housing and urban development became very urgent. The initial period of post-socialist transition in the 1990s, which was a “shock therapy” approach to introducing the market economy and structural adjustment reforms, had considerably undermined the capacities of the public sector to safeguard public interests with respect to housing policy, land use and building control, assisting people in needs, and pursuing sustainable urban development. This resulted in long-term damages for society and the environment, including a dramatic increase in social and spatial inequalities, mass outmigration, the rise of illicit economies, informal squatter settlements, and environmental problems. While mitigating those legacies of the early transition period still represent a significant challenge, Albania has established strong mechanisms towards that end.

The process of EU accession gave a significant impetus to the reforms. A number of new important laws and mechanisms have been introduced in Albania over the past few years, including the 2016-2025 Social Housing Strategy, the 2018 Law on Social Housing, the 2014 Law on Territorial Planning and Development, the General National Spatial Plan for 2015-2030, the 2020 Law on Regional Development and Cohesion, and others.

The country did experience a number of new challenges over the past few years too. The earthquake in November 2019 placed a significant burden on the Government’s financial resources to restore damages and resettle victims. Over 200,000 people were affected by the disaster directly or indirectly, a total of 11,490 housing units needed to be rebuilt. The COVID-19 pandemic further complicated the situation, leading to a loss of 3.3% of GDP. Nevertheless, the economy did rebound in 2021 and 2022 with a GDP growth of 8.9% and 4.8% respectively.

Housing policy

In Albania, article 59 of the Constitution recognizes the right to adequate and affordable housing as one of the social objectives of the Albanian State and article 18 on equality ensures the protection of different social groups against any form of discrimination. However, following the mass privatisation and informal constructions in the 1990s, the housing sector in Albania is dominated by private homeownership, with many new self-build homes and other buildings originally constructed illegally and in squatter areas. The social rental housing sector (whether public, private or mixed) in Albania is very small, representing about 0.1% of the total inhabited dwellings. This sector cannot compete with the private market.

The mortgage market is also just emerging (the share of homeowners who are paying a mortgage is less than 1 per cent). This is partly due to the significant role of the informal and self-built sector where

building activity is done through cash and remittances. Organised formal developments target high-price housing segments. As much as 32 per cent of residential and commercial properties sold in the first half of 2021 were purchased by non-residents; money laundering has possibly been a contributing factor to price increases in Tirana and coastal areas. Tirana is among seven main European cities with high levels of housing unaffordability. Against this background, legacy multiapartment buildings from the socialist era suffer from underinvestment and lack of maintenance. The overcrowding rate for the total population is more than 58 per cent, which is highest in Europe, except Montenegro. These structural imbalances in the housing markets make it unaffordable for low-income groups to access housing.

The provision of safe, affordable and adequate housing has been the key concern for the national housing policy. The Ministry of Finance and Economy (MoFE) has been in charge of housing policies since 2017. The Housing Directorate of MoFE is responsible for creating the legal, financial, and institutional policy framework for housing.

The National Housing Agency (NHA) is a principal vehicle for achievement affordable housing. NHA builds low-cost homes and sells them on a cost-recovery basis with subsidised mortgage loans. NHA works closely with municipalities for delivering its mission. In 2004, new legislation request that the State funds only support local authorities to exercise their function in housing, rather than directly. As a result, the capacities of NHA were for long time considerably limited. The housebuilding activities of NHA rely on cooperation with municipalities, especially donation of land for its projects. However, this has been challenging in high-demand areas as municipalities see limited political and policy incentives in making affordable homes. In addition, NHA is also limited in its ability to produce and provide houses in the most deprived or rural areas, since the market prices in these areas are often below the cost of construction.

The Law 22/2018 on Social Housing was a considerable step in addressing housing needs. The housing need was redefined as the inability of families to afford homes at market prices. Therefore, the social programmes for housing aim to address problems with housing affordability, including social rental housing, low-cost housing (affordable housing) and land development for housing. The Law has expanded the possibilities of addressing the need for housing for the most disadvantaged strata and groups of society. It has also established an annual quota of not lower than 5 per cent for the Roma and Egyptian minority families that will benefit annually from housing programmes. The Law on Social Housing has included six main programmes as key mechanisms for delivering social housing:

- Social housing for rent (BSQ) – including rent subsidies and the formation of public rental housing. Rent subsidy can only be used if there is a registered social landlord;
- Improvement of inadequate housing and neighbourhoods for poor and vulnerable communities;
- Low-cost housing (BKU) – including mortgage loan interest rate subsidies and downpayment grants for buying a home;
- Development of the area for housing purposes;
- Temporary housing;
- Specialized housing.

With the approval of the amendments to Law No. 22/2018 in June 2023, NHA can now perform any of the six programmes, subject to the available funding from the state budget or other sources.

However, the majority of assistance remains in the form of subsidized mortgage loans and homes sold at cost-level prices. The subsidized loans programme is the most requested programme by citizens. In 2013, this programme was suspended due to carrying a debt of over ALL 300 million to the bank with which this programme was implemented. In 2019, it was reopened, due to a drop in interest rates. Between 2020 and 2022, 1,121 new families entered the programme as beneficiaries (in addition to 4,300 beneficiaries by 2019) and another 1,500 families are currently in the process, but the process has slowed down due to difficulties in finding housing at affordable prices in the market.

Law no. 22/2018 also stipulates that all new constructions for residential buildings with more than 2,000 m² of surface area should provide at least 3 per cent of functional surface area for the purpose of social rental housing. In practice, this means that part of the building is transferred under the ownership of municipalities.

Albania is still behind many other economies in transition in Eastern Europe with respect to the formation of a workable institution for condominium management and maintenance, especially for the older multi-apartment buildings (MABs) inherited from the socialist era. Although only a quarter of the households live in MABs, this type of housing is concentrated in urban areas and defines their the current and future aesthetics, safety and, essentially, liveability in cities.

The country has yet to complete the development of a strategy for cost-effective investments in renovating its building stock, including with respect to energy efficiency. Some initiatives are already in place to support the transition to green energy in the private residential and building sector, including loans from the international donors. The municipality of Tirana provides an incentive for citizens (condominium assemblies) to invest in energy efficiency, co-financing up to 50 per cent of the investment. While there is legal provision for municipalities to support energy efficiency regeneration of condominiums, there is no national programme targeting this field. Furthermore, there is a high proportion of housing stock in individual family houses that were built informally, making their technical conditions and connection to infrastructure problematic. There are government programmes addressing the most prominent structural and health issues in such homes, however there is no comprehensive and long-term strategy for their refurbishment, including with regard to energy efficiency and building safety (including with regard to fire and seismic protection).

Overall, housing policy still remains largely “residualised” in government priorities and agendas at all levels. Greater political visibility is needed for housing policy as a central component as a key component in making places of sustainable and liveable cities.

Land administration

The right to own immovable property in Albania is granted by article 41 of the Constitution and is further provided in the Civil Code, along with additional property-specific laws and government decisions. Property rights and registration were a focus of the Albanian National Strategy for Development and Integration (NSDI II) 2015-2020. NSDI II identified the need for improvements in land management, security and protection of property rights, as well as developing a modern registration of property rights and ensuring gender equity in property ownership and registration. Albania has received significant support from international donors for its property rights and land administration development. The new National Strategy for Development and European Integration (NSDEI) 2022-2030 seeks to further strengthen the area.

The Law on Cadaster (Law No. 111/2018) came into effect in 2019. It established the national State Cadastre Agency (ASHK) and is the main legislation governing real property registration. Any ownership rights to land and other real property, including usufruct, must be registered, along with the sales contract and transfer of property from one owner to another.

There are still concerns related to the weakness of protections for ownership, conflicts in the enforcement of related policies and lack of effective coordination between the various institutions involved, particularly in property rights and land management-related information. One example is in agricultural land, where land reforms and historical privatization starting in the 1990s have resulted in significant land fragmentation, limiting the size of lots and agricultural productivity. The 2016 National Land consolidation Strategy was designed to address this situation by envisioning zoning and other reconciliation strategies; however, it was championed by the Ministry of Agriculture and Rural Development (then the Ministry of Agriculture, Rural Development and Water Administration), separately from other land governance bodies.

Further, laws related to agricultural property have continued to perpetuate a preference for male ownership by listing property solely under the name of the “head of household”. This raises several concerns about the resulting ownership inequality for women in cases of divorce, inheritance, sale of property and the movement of women between “agricultural families” as defined under Albanian law.

Reforms on property rights, land use regulation and legalisation have helped revert the growth of informal settlements and integrate them into the urban fabric. However, municipalities still struggle to address homes and other properties with incomplete documentation, which prevents the properties being rented or sold formally, leading to continuing informality or even abandonment.

There are still many areas in land government requiring increased transparency and better organizational process. In particular, accurate and up to date reporting of administrative processes should create accountability measures and help agencies benchmark their performance and deter any potential abuses of processes. The ASHK website provides some statistics, but there is currently a lack of specific information on the performance of land administration measures, leading to a lack of clarity regarding agency performance and stakeholder outcomes.

Urban and regional development and planning

Albania is one of the most rapidly urbanising countries in Europe. The share of its urban population has increased from 35.5% in 1989 to estimated 64% in 2023 and is expected to reach 70% shortly after 2030. Most of this growth has concentrated in Tirana. Significant regional economic inequalities persist between Tirana-Durres, plus a number of coastal areas, on the one hand, and the rest of the country, on the other. For example, in 2020, the County of Tirana produced 43 per cent of the country’s GDP, which was way above its 32 per cent share of the estimated total population. The difference in GDP per capita between the highest-ranking Tirana and the lowest-ranking, Kukës is more than twice. Tirana Municipality alone receives 36 per cent of the total budget of 61 municipalities. It is crucial to channel the ongoing urbanisation into a more polycentric and sustainable format.

In 2014, local government was reorganized into 12 counties (qarks) and 61 municipalities, reducing the number of municipalities, out of 373 local units (including 308 komuna responsible for managing rural areas and 65 bashki, responsible for managing urban areas). However, the majority of municipalities still remain weak, whereas qarks lack constructional power and representative legitimacy to serve as strong regions.

Improvement in the quality of public administration and scrutiny by international donors and EU assisted the significant progress of Albania with regional, urban and land development. The Government changed the planning system from “urban planning” to the new European spatial/territorial planning framework, leading to the 2009 Law on Territorial Planning (Law No. 10119). It served as the basis for the more recent Law 107/2014 on Territorial Planning and Development, which lays out the basic principles, responsibilities and regulations for planning and development. The key areas that the law aims to address include: sustainable development, balanced regional development, natural resource and cultural heritage preservation, national and local planning activities and the right to use and develop property in accordance with planning regulations, as well as “creating suitable conditions, equal opportunities and rights for housing, economic and social activity for all social categories, economic and social cohesion and enjoyment of property rights”.

Following this Law, the General National Spatial Plan for 2015-2030 (GNP) was adopted. It promotes the development of polycentrism to replace monocentric development and high concentration of population and economic activities in Tirana, as well as strong economic regions that complement each other to overcome the depopulation of the eastern part of the territory.

Under Law No. 107/2014 and the introduction of GNP, all 61 municipalities are required to introduce their local general plans. As of the end of 2022, 56 of these municipalities had adopted their general

local plans while the rest were being finalized. The entire country is now covered by local planning documents, for the first time in the history of Albania after 1990.

Furthermore, strong procedures have been established for development and building control. The system of compliance with the building permit has become more stringent. There are now national and local inspection authorities that monitor construction work. Recent changes have significantly reduced the incentives to build informally.

Important policy concerns such as addressing climate change, environmental protection, and disaster resilience have become common issues of attention in urban and regional development and planning documents. Important infrastructural projects support economic development, improve the quality of life, and strengthen the nation.

The implementation of Law 102/2020 on Regional Development and Cohesion is currently in progress and will be another important mechanism. Polycentric and balanced territorial development is the key direction declared in territorial planning and regional development. However, this field is where progress has been much limited. The country remains economically polarised with the majority of parks and municipalities suffering underinvestment and underdevelopment. Work towards regional equality requires fundamental and systematic shifts in how state finance and investments are oriented, sourced, sustained and executed, as well persistent collective action, leadership and coordination at all levels.

Investments in infrastructural development and urban regeneration do bring certain improvements in more peripheral regions. Albanian Development Fund coordinates many projects with respect to urban and regional development and regeneration. It is important to make this work more systematic, regenerate urban areas and their housing conditions and make cities and towns attractive for residents and human talent, which is the key to territorial development and economic competitiveness. Housing should be the central part of urban regeneration as it is what “glues” everything together and makes the social foundation of any urban economy.

Further areas of attention include: limited human resources in the public sector including in planning; under-funding of affordable housing sector programmes – both in economic heartland and periphery; inter-institutional fragmentation with considerable donor-dependency leading to certain “institutional intermittence”; limited public participation; high levels of corruption and informalities; and weaknesses with respect to the actual implementation of good policies and laws that have already been enacted. Talent drain and lack of human resource has been the most repeated problem in our fact-finding mission.

II. Key policy recommendations

The key recommendations of the Country Profile for Albania include the following.

Overall recommendations:

- Create a Parliamentary Committee on urban development and housing to ensure the political commitments to this sector and that the complex aspects of urban development and housing are considered from the cross-sectoral perspective.
- Consolidate competencies and functions associated with territorial development (housing, territorial planning, regional and urban development) by bringing responsible agencies under a single organisational umbrella.
- Improve vertical and horizontal coordination in the field of housing and urban development. Make a tighter cooperation between National Housing Agency, national government and local communities and develop long-term capacity building mechanisms at both national and local levels.
- Develop better data for evidence-building, monitoring and evaluation of related policies.

In the field of housing:

- Develop an action plan in implementation of Albania’s international commitments, in particular the UN Geneva Charter on Sustainable Housing, and the Sustainable Development Goal target 11.1 “Safe and affordable housing”.
- Introduce a state housing development fund as a financial institution of the long-term financing of social rental housing sector.
- Establish special incentives and mechanisms for non-for-profit or public organisations that develop and run social permanently rental housing. Establishing a national legal entity that coordinates non-profit rental housing foundations would improve the capabilities of the sector.
- Revise the functions of the National Housing Agency and increase its capacity. The Government is recommended to make NHA as the main developer of the public rental housing stock, as well as the manager of that stock on behalf of the municipalities.
- Establish a national guarantee instrument and delegate a financial institution to mobilise private finance for affordable homeownership (such as subsidised mortgage loans).
- Introduce intermediary social rental agencies to mobilize private housing for social purposes.
- Improve the condominium management and maintenance system. The Condominium Assemblies should be required in all multiapartment buildings and registered as full legal entities.
- Establish professional accreditation and training programmes for the property management providers. This should cover not only technical skills but also skills for social management.
- Introduce a national programme and financial incentives for refurbishment and energy efficiency regeneration of the housing stock.

In the field of land administration:

- Increase transparency of land registry data to prevent abuses, systemic inequality, and international criminal programs, such as money laundering through real estate.
- Review laws related to property with a view towards identifying and correcting any gender discrimination. Particular attention should be given to a gender review with respect to co-ownership provisions of the agricultural family.
- Provide adequate resources to complete land formalization procedures for informal settlements and prevent future informality.

In the field of urban and territorial development and planning:

- Ensure that the provisions for affordable housing are mandatory in all new and revised national, regional and local plans on regional development and cohesion, general territorial plans, and other territorial development instruments.
- Establish a national strategy for urban regeneration in order to achieve a more polycentric and balanced territorial development. The strategy should be supported by a long-term, comprehensive and systematic investment package. The strategy should outline key targets, taking into consideration the differentiated needs of municipalities.
- Introduce national-level guidance for urban design and placemaking in order to improve the liveability of settlements, make them comfortable and attractive for residents and promote green, socially inclusive, and walkable neighbourhoods.
- Introduce planning mechanisms which would identify high-demand zones where a mandatory share of affordable housing in each new development project should be provided.
- Strengthen construction and refurbishment standards, particularly for energy performance, structural building safety (including earthquake resilience) and for fire safety.