

14 June, 2002
David Stanfield
Land Tenure Center

**FINAL PERFORMANCE REPORT ON THE ALBANIAN LAND MARKET
DEVELOPMENT COOPERATIVE AGREEMENT BETWEEN THE UNIVERSITY OF
WISCONSIN AND THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
No. 182-A-00-94-00031-00
(Originally No. EUR-0049-A-00-4031-00)**

1. THE ALBANIAN LAND MARKET ACTION PLAN: GOAL AND OBJECTIVES

An Action Plan for an Immovable Property Registration System and Other Land Market Activities was developed in 1992 and approved by Government in 1993.

1.1 Origins of the Action Plan in 1992

One of the first steps in the conversion to a market oriented economy in Albania has been the extensive privatization of state property, resulting in the transfer of such property to private owners and in some cases the creation of long term leases by private individuals of publicly owned immovable properties. The privatization of immovable property has been undertaken through a variety of programs and enabling legislation.

The complex and ambitious privatization effort has moved forward rapidly, with the approximate results being shown in the following table.

Table 1: Estimated Number of Family and Individual Owners of Immovable Property, and the Number of Properties Created as of June, 1994.

Type of Real Property	Number of new owners* (%)	Number of new properties (%)
Ex-cooperative land	383,000 (29.7%)	1,900,000 (63.3%)
Ex-state farm land	106,000 (8.2%)	300,000 (10.0%)
Dwelling units and other urban properties including enterprises	800,000 (62.1%)	800,000 (26.7%)
Total	1,289,000 (100%)	3,000,000 (100%)

*Families as well as individuals and companies.

The transition to a market economy includes the creation of markets in immovable property, that is the transfer of rights from one owner to another. For such markets to function, the privatization of rights to land and buildings is necessary, that is the giving of rights to use immovable properties and to transfer such properties to others. But privatization is not sufficient for property markets to function. Potential "buyers" of immovable properties must be able to identify the "true owners", that is the people with the legal right to sell, lease, mortgage, make gifts, give inheritances. In all Western market economies, there is a specific institution for identifying "true owners", but in Albania in 1992 there were only institutions which had recorded the use of land and buildings properties for different ministries and for different purposes. Before 1991, there was no private ownership of land and buildings and there was no institution for recording the rights of such owners.

By 1992, then, the variety of privatization programs and the very large number of newly created owners of properties were overwhelming the existing institutional capacity for recording these new rights and the subsequent transactions as markets emerged. It was clear that a single institution would be useful for the authoritative organization and display of rights which people hold to immovable properties, that is who are the "true owners"?

Dramatic steps were needed to create a unified and efficient immovable property registration institution. But even with a modern immovable property registration system, a land market with economically and socially desirable features will not automatically emerge. It is also necessary to create a legal framework for stimulating and guiding the market so that transactions are easy to carry out, so that all sectors of the population can participate thereby avoiding damaging social polarization, and so that the natural resources affected by market transactions are used and protected so that they are available for future generations. The Action Plan was designed and approved in order to create the IPRS and to assist in the creation of an adequate institutional and legal framework for the emerging markets in immovable properties.

1.2 Action Plan of 1993: Goals and Organization

The general goal of the Action Plan for an Immoveable Property Registration System and Other Land Market Activities, approved by Government in 1993, is to create a fluid, accessible and environmentally sustainable land markets. This Plan has the following objectives:

- 1) Create a modern, unified and comprehensive immovable property registration system to record, display and protect private and public rights to immovable property.
- 2) Develop policy options to support the development of immovable property markets, to guide those markets to induce more productive and sustainable use of real property, and to provide socially acceptable access to those markets.

The Coordinative Working Group for the Action Plan (CWG) was created under Decision No. 81, dated 26.2.1993 in order to develop the system to register the ownership of land. The Chief Registrar acts as the Chairperson for this Group. Its first action was to guide the drafting of the Action Plan for presentation to Government. The Council of Ministers approved the Action Plan by Decree 505 of 26 October, 1993 and authorized the creation of the Project Management Unit for its implementation. The first registration process is managed by the PMU in collaboration with the local Registrars and with the Central Office of the IPRS, under the coordination and with the assistance of the CWG.

The Action Plan is being implemented through several projects, all under the coordination of the Project Management Unit (PMU) for the Immoveable Property Registration System (IPRS). The first component of that Action Plan is to assist with the creation of the IPRS by carrying out the first registration activities necessary for opening Registration Offices authorized in Law 7483 of 13 July, 1994 (Law for the Registration of Immoveable Properties) under the overall authority of the Chief Registrar. In coordination with the Chief Registrar, the PMU contracts with public and private organizations and enterprises for specialized services (aerial photography, topographic, parcel and property mapping, data entry, digitizing of maps, GPS activities, equipment acquisition, policy analysis, management services, training and technical cooperation).

The Government of Albania is providing resources for the implementation of this Plan, with additional assistance from the USAID (through the Land Market Development Cooperative Agreement with the University of Wisconsin-Madison - LMDCA), the European Union, and the World Bank.

1.3 The USAID/UW Cooperative Agreement

The overall goal of the five year Cooperative Agreement for Land Markets in Albania was to assist in the establishment of dynamic and environmentally sustainable land markets in Albania.

The C.A. was to: (1) develop and test institutional and technological arrangements for strengthening land markets; (2) provide the core technical assistance to coordinate various projects in the implementation of the Albanian LMAP; and (3) provide assistance in achieving the following objectives of the Albanian LMAP in two Phases (Phase I for the development of the Land Market Action Plan has been completed):

Phase II: This phase develops pilot activities for the initiation and testing of the institutional arrangements and procedures proposed (18 months).

This phase has the following objectives:

- 1) Create a unified, cost-effective, and accessible Property Registration System (PRS) to record, display, update and legally protect private and public rights to land (with the technical cooperation of the Registry, Survey, Legal, Real Estate, Financial, and Tenure Advisors);
- 2) Create functioning model Property Registry Offices in the three pilot districts (Tirana, Kavaja, and Lushnja);
- 3) Develop policy options for strengthening of property markets as well as for guiding those markets to provide for more equitable access to property, for more productive land use in appropriate areas, for environmental protection, and for the preservation of agricultural land (with the technical cooperation of the Tenure, GIS, Legal, Environmental, Real Estate, Financial and Regional Planning Advisors).
- 4) Establish the conceptual and methodological framework for the evaluation of the LMAP, including meetings every six months between project staff, advisors and AID for the assessment of progress, problems, and lessons learned. Specialists involved in other projects under the Land Market Action Plan will also participate in these semi-annual reviews.
- 5) Train people in the design and implementation of institutional and technological measures required for establishing dynamic and environmentally sustainable land markets and for the development of appropriate land policies.
- 6) Prepare a revised version of the LMAP for Phase III.

Phase III: This phase provides for the extension of the LMAP to the remaining 33 districts of the country and further strengthening of PRS and land policy institutions (42 months), through the following:

- 1) Improve the institutional capabilities for maintaining the PRS over time.
- 2) Assist the establishment of PROs in 33 remaining districts;

- 3) Develop policy options for strengthening of property markets as well as for guiding those markets to provide for more productive land use in appropriate areas, for environmental protection, and for the preservation of agricultural land;
- 4) Train people for the creation and maintenance of the PRS and other land market institutions and the application of the appropriate land policies; and
- 5) Evaluate the effectiveness of the LMAP in achieving the Plan's specific objectives and in terms of the overall impact of the LMAP on the property markets, through empirical data gathering as well as through periodic review meetings involving project staff, advisors and AID staff.

2. Outputs Defined in the Original C.A.

The five year C.A. was originally designed to produce the following outputs:

1. A functioning PRS for Albania, in two phases, with PRO's operational in three districts by June 30, 1995, and in the remainder of the country by December 31, 1998;

Achievements: Functioning Registration Offices in 34 Districts and a Central Office in Tirana.

2. Strengthened land market institutions in Albania, including: (a) capacities for property appraisal, (b) the flow of information about the supply, demand and price of real property (urban and rural), (c) access to property markets by the disadvantaged, (d) legal and land survey services, and (e) basic legislation defining the operations of land markets.

Achievements:

a) Appraisal Capacities:

--Statistics are being produced by the IPRS Central Office on the sales prices of different types of immovable properties.

--A Seminar was conducted in March, 2001, to homogenize the assessment concepts and procedures being used in Albania

--An association of appraisers is functioning as well as an association of real estate professionals, including brokers and appraisers.

--A course curriculum has been designed for real estate economics courses in the University of Tirana.

b) Flow of information

The Central Office assembles information on the number of transactions in urban and rural areas by different types of properties.

c) Access to property markets by the disadvantaged

- The Law on the Transfer of Agricultural Land assures the participation of women in such transactions*
- Fees for the registration of transactions have been kept low*
- Policy options for low cost housing have been developed*

3. Developed land policies described in separate reports and dealing with:

- (a) land use zoning to guide urban and rural development;
- (b) the preservation of agricultural land;
- (c) assuring access to the land market by capital poor families;
- (d) the gradual liberalization of the land market.
- (e) assuring intra-family rights to land and other real property;
- (f) defining environmentally sustainable tenure systems for the management of fragile environments.

Achievements:

a) Land use zoning

“Prospects for Local Land Use Planning in Albania”, Eve Yanda, September, 1995

“Administrative Structure – Municipality of Tirana—for Regulation and Allocation of Immovable Property”, Eve Yanda, December, 1995

“The Guidance of Land Use in Suburban Areas: Three Options for Discussion”, by Eve Yanda and Harvey Jacobs, September, 1995

"Urban Growth and Land Use Changes in Tirana, Albania: With Cases Describing Urban Land Claims," by Herman Felstehausen. August 1999. 19 p. WP 31 Albania series

"Albanian Law on City Planning: Critical Summary of Its Major Provisions," by Harvey M. Jacobs and William Craig. September 1997. 20 p. WP 4. Albania series

b) Preservation of agricultural land

--"Agricultural Land Protection Policy for Albania: Lessons from Western Europe, North America, and Japan," by Harvey Jacobs

“The Illegal Conversion of Agricultural Land at the Urban Fringe in Albania: Results of a Study in Three Urban Districts”, by Drs. Fioreta Luli and Valintina Sulioti, Land Research Institute, Tirana, Albania April 1995

“The Division of Agricultural Land and Urban Areas: Loss of Agricultural Land Fund and Its Relations to the Division of Land into Parcels and to the Movement of the Yellow Line to the Suburban Area”, Dr. Fioreta Luli, Dr. Valentina Sulioti, Land Research Institute, April, 1995

c) Assuring access to land markets by disadvantaged

--Modification of the Law on Transfer of Agricultural Land, to assure the participation of women in transactions

“Recommendations for Changes to the Definition of the Farm Family in Law 8337 and in the Civil Code for Transfers of Ownership”, by Rachel Wheeler, September, 1998

--Who is Housed? The Debate over Access to Housing in North America and Western Europe and its Relevance to Housing Policy in Albania, by Anne T. Kuriakose March 2002

d) Gradual liberalization of land markets

-- Presentation to Parliament of a draft Law for the Registration of Immovable Properties in early 1994, subsequently approved 13 July, 1994, and then development of operational procedures for first registration and for the Registration Offices.

-- Legislative action to facilitate land market operations, including drafts of laws and Council of Minister Decisions have been prepared which typically contain options for the legislators to consider, including the Buying and Selling of Agricultural Land Law, the Conversion of In Use Titles to Ownership Act, the Conversion of In-Use Titles to Leaseholds Act, a Decision for Registering House Plots in Villages, as well as suggested regulations for the Buying and Selling Act.

-- A Council of Minister's Decision to transfer the Ipoteka Offices to the administration of the Chief Registrar;

-- An order by the Chief Registrar for special first registration of immovable properties.

-- Development of a draft law for the creation of a mediation agency for resolving conflicts over land and other immovable properties;

-- Draft laws for the Organization of the Land Surveyor Profession; for the organization of a National Mapping Agency;

-- Procedures for protecting the rights of family members when land transactions occur;

(e) assuring intra-family rights to land and other real property;

--Law on Transfer of Ag. Land

"Past and Present Land Tenure Systems in Albania: Patrilineal, Patriarchal, Family-Centered," by Rachel Wheeler. May 1998

“Rural Tenure Systems in Albania” by Rachel Wheeler, August 1996

(f) defining environmentally sustainable tenure systems for the management of fragile environments.

--Preparation of a draft Action Plan for Land Protection, plus accompanying legislation for soil conservation, and options for regulating the conversion of agricultural land to non-agricultural purposes. The Council of Ministers has created a working group for the development of a Land Protection Action Plan.

"Preparation of Action Plan for Protection of Land in Albania," by James G. Bockheim. September 1997. 24 p. WP 8. Albania series

4. Integrative reports on the following topics:

(a) Institutional and Technological Strategies for the Management of Property Registration Systems.

Product: “Institutional and Technological Strategies for the Management of Immovable Property Registration Systems: Lessons from the Albanian Land Market Action Plan”, by David Stanfield et.al., 2002

(b) Cultural Factors Affecting Differential Access to Real Property: Gender and Ethnicity.

Product: "Gender, Ethnicity, and Landed Property in Albania," by Susana Lastarria-Cornhiel and Rachel Wheeler. September 1998. 48 p. Lastarria and Sabates-Wheeler,

(b) The Cost/Effectiveness of Various Approaches to the Measurement and Representation of Parcel Boundaries.

Product: “Methodology for Cadastral Surveying and Mapping in Albania,” by Grenville Barnes, Bruce Chaplin, and D. David Moyer; with Eric DesRoche, Mark Eckl, and Michael Sartori. August 1998. 106 p

(c) Institutional and Technical Factors Affecting the Use of GIS for the Administration of Land

Product: “Access of Public and Private Agencies to Information Managed by Land Registration Systems”, by Romeo Sherko, J. David Stanfield and Malcolm D. Childress, April 24, 2000

(d) The Evolution of Land Markets and the Transition to a Market Oriented Economy.

Product: "Creation of Land Markets in Transition Countries: Implications for the Institutions of Land Administration," by David Stanfield. May, 1999.

3. Additional Targets in Extension of C.A.

The C.A. was extended in 1998 through 31 December, 2001. In that agreement the following additional indicators were defined

3.4.1 Immovable Property Registration System

The first component of the Action Plan is the creation of an Immovable Property Registration System. Real estate markets built upon a strong base of accurate and legally protected registration of rights to such properties should function efficiently a) to permit dynamic property markets to emerge, b) to stimulate investment in land and buildings, and c) to provide access to capital markets.

The indicators used to measure progress toward the creation of an IPRS to incorporate the 3,046 Cadastral Zones (C.Z.) in 36 Districts are:

Table 1: Quantitative Progress Indicators for the Action Plan.

Objective	Situation As of 31/12/01	Goal to be Completed by 31/12/01	% Completed	Total Task
Production of Completed Registry Index Maps (Agricultural and Urban Land)	2743 CZ	3046 C.Z.	90%	3046 CZ
Preparation of Property Kartelas	3,238,065	2,731,167	119%	3,997,600
Opening of Registry Offices (RO)	34 RO	34 RO	100%	34 RO
Preparation of Registration Office (RO) Space	30 RO	34 RO	100%	34 RO
Training of Registration Office (RO) Staff	28 RO 36	34 RO 36	100%	34 RO 36
Training of Notaries	Districts	Districts	100%	Districts
Finalization of First Registration for Agricultural and Urban Land	2193 CZ	2,300 CZ	95%	3046 CZ
Finalization of Registration—properties	2,054,844	2,071,042	99%	3,997,000
Finalization of forests, pastures, and other lands	0 CZ	300 C.Z	0%	1,500 CZ

The general goal was to finalize the first registration of agricultural and urban use land parcels in 2,300 out of the 3,046 Cadastral Zones and 2,071,041 properties for incorporation into the IPRS by the end of the year 2001. For the remaining Cadastral Zones, the basic mapping and information gathering was to be completed. The targeted Cadastral Zones are areas where the market is more active and land values are higher than in the other C.Z.'s. In the remaining more isolated and rural C.Z.'s, registration can continue updating the base information already gathered, upon request of those who desire the issuance of certificates of ownership from the Registrars. For the parcels which are not finalized in the C.Z.'s which are delivered to the Registrars, the questions which do enable the issuance of certificates of ownership will be resolved by the parties to any conflict, or by the agencies of local government and courts which are authorized and empowered by government for dealing with land issues.

The statistical targets shown in Table 1 were achieved in a mixed pattern. The number of properties estimated to be registered increased by nearly 1 million from the original C.A. Nonetheless, the finalization of registration goal of 2,300 Cadastral Zones was 95% achieved, and the goal of finalized properties was 99% achieved. In terms of the preparation of kartelas, the

project achieved 119% of the original goal of 2,731,000. However, the finalization of index maps in 2,743 Cadastral Zones was 90% of the target, since 10% of the C.Z.'s not done are distant and isolated from the market economy.

One activity that was not satisfactorily completed in a statistical sense was the finalization of the registration of forest, pastures and other lands. No cadastral zone was completed for these lands, although base maps of these lands, have been prepared for 120 C.Z.'s. Most of these lands are publicly owned, and the privatization policies have not been defined, so it would be premature to complete the first registration in this context.

Concerning the accuracy and efficiency of the first registration work, the Working Group established in June, 2001, to assess the PMU methods and results, identified at least 300,000 properties with potential inaccuracies. The auditor in November, 2001, issued a "qualified" report indicating that the PMU management had not provided documents and other information required by the auditor. As of the writing of this report, no action has been taken to correct the potential errors or to replace those responsible for the mismanagement of the PMU with competent managers.

3.4.2 Immovable Property Market Laws, Policies and Programs

In order to deal with the factors which condition or limit the expected benefits of dynamic immovable property markets, an effort is needed to develop specific and well crafted land market support policies and programs.

The second component of the Action Plan is the design of land market policies and programs to improve the dynamism of immovable property markets as well as make such markets function in socially and environmentally sustainable ways. By the end of the project, the following institutional policies and programs will be strengthened or designed:

-- Strengthened land market policies in Albania, including:

a. Basic legislation defining the operations of secure and dynamic land markets.

1) Amendment to Registration Act:

Status: Drafts prepared and given to the Chief Registrar.

2) Regulations for Registration Act, refinements

Status: Drafts prepared and given to the Chief Registrar.

3) Public Ownership and divestiture of public land

Status:

-- A draft law prepared for the Public Ownership of Immovable Property and a draft for the Transfer of Ownership of Public Property to Local Government, and the naming of an interministerial working group to prepare such laws;

--A draft law prepared for the public acquisition of private property;

b. The flow of information about the supply, demand and price of real property (urban and rural);

Finalization of Real Estate Association with mandate to produce real estate market information

Status: Association established; Multiple Listing Service Designed by NLF

c. Legal, notarial and land survey services;

1) Training materials for lawyers and notaries on procedures for property transactions, Annual Courses, plus new curriculum in Law Faculty

Status: NLF prepared a Course on Property Law for Magistrate School prepared, with accompanying materials and Compendium of Laws and Sub-Legal Acts completed through June, 2001.

2) Land Survey Act and Association formed

Status: Geodetic Engineer Association Formed

d. Capacities for property appraisal;

1) Procedures for appraisal of agricultural land

Status: 2001 International Seminar defined Principles for various types of appraisals

2) Course curriculum for U. of Tirana

Status: NLF prepared course on Real Estate Economics for U. of Tirana

e) Evaluation of the impacts of the Action Plan

Status: Proposal prepared but extension of CA to carry out study based on the 1995 baseline study was declined by USAID

2.4.3 Integrative reports

Integrative reports will be prepared on the following topics:

a. Institutional and Technological Strategies for the Management of Immovable Property Registration Systems

Status: Completed, see above.

b. An Assessment of the Albanian Land Market Action Plan

Status: Proposal to extend the C.A. to do the study was declined by USAID

The team prepared a series of recommendations for the continuation and completion of the work originally defined by the 1993 Action Plan as subsequently amended, which can be reviewed in the “Institutional and Technological Strategies...” paper (see above).