



# PROPERTY RIGHTS ISSUES IN ALBANIA: CHALLENGES AND PERSPECTIVES

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# **Property rights issues in Albania: Challenges and perspectives**

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*This paper represents only the personal  
opinions of its author basing on specified  
references.*

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## Foreword

Clearly defined and enforceable property rights are a basic prerequisite of a functioning market economy. As long as such rights are weak a market economy cannot work efficiently and economic progress is severely impeded. The Albanian experience in this field is not unique: After the fall of communism many Central and Eastern European countries faced similar challenges, including the former German Democratic Republic.

The German experience showed several elements: From a legal viewpoint it seemed logical to return confiscated property to the former owners, and a large majority of the German parliament voted in favour of restitution. At the time the possibility of compensation was associated with a high financial burden.

In practice, the decision of who was the rightful owner of a property proved to be extremely difficult in many cases. The industrial structure of East Germany had changed completely. It was difficult to distinguish between ownership of a company and ownership of real estate, land registers had been neglected by GDR authorities and were incomplete, and in most cases former owners were no longer alive and thus property disputes were also subject to inheritance disputes. As a consequence there were multiple claimants to many properties. As long as ownership rights were not clearly decided potential investors were difficult to attract and enterprises lost investment opportunities and had difficulties in financing their business.

The German Federal Government reacted quickly, already in March 1991, to the severe criticisms of economists, local politician and academics by introducing an additional law to remove the obstacles to the resolution of property issues. The law did not question the principle of restitution in kind but made it better manageable by imposing limitations to its validity.

Another important ingredient to the resolution of restitution issues was the efficiency and level of trust placed in the justice system.

It is a merit of this expertise to present the complicated situation of property rights in Albania, in a short and very comprehensible way. For this reason, it is a good basis of information for further necessary discussions.

Tirana in March 2013

Carola Müller-Holtkemper

*Ambassador of the Federal Republic of Germany*

## **Instead of executive summary**

Property rights issues are still considered today a major concern regarding the general development of the Albanian economy. Real estate market is constantly facing various challenges that in a considerable number originate from the lack of a clear functioning administration system of immovable property rights. Titled properly registered properties and specified property rights help to project in long-term and improve urban planning as well as to develop infrastructure, providing ground to implement state reforms. In order to be efficient, the system of property administration should guarantee property ownership and tenure security, serving to the enhancement of a stable real estate sector, reducing land disputes, facilitating immovable property transactions and supporting good governance. The country's chaotic immovable property market and the stakeholder's concerns about property rights have raised the attention on the importance of effectiveness of reforms and state agencies responsible on these issues.

- State agencies such as IPRO, AKKP and ALUIZNI should enhance their coordination to ensure a fast, well-operating and incontestable property administration system. In the same length of wave should be the cooperation between central and local government.
- Unification of immovable properties database applying the same technical standards and requirements, basing on legal commonly accepted ownership documents compatible to cartographic data is an important process
- More efficient property registration procedures would reduce transaction costs and improve the security of property rights.
- An alternative solution that can contribute in achieving an efficient and effective immovable property administration system is the creation of a single agency dealing with all kinds of property issues.
- Human Resources importance in organizational efficiency should be taken in consideration to optimize the performance of state agencies dealing with property issues as well. Institutional and technological changes in land administration agencies taking place in Albania require a dedicated investment in human capital.

- A different approach on monitoring reforms implementation basing on a wider inclusion of stakeholders and civil society could raise effectiveness of the institutional initiatives taken. Important part of this process could be joint committees of government officials, international experts on immovable property reforms and civil society professionals that will monitor in continuous basis the implementation of reforms and evaluate step by step the contribution of reforming process in the sustainable development of this sector.
- Creating a public discussion platform on property rights issues to exchange information, share experience and co-ordinate among institutional actors, public, academics and civil society will be important to include all stakeholders in the process of reforming property rights system.
- Public debate could support the development and improvement of co-ordination in the process of solving property crucial issues, contributing to further build public confidence in institutions and generate the needed wide inclusion of stakeholders for faster implementing reforms and guaranteeing long-term security of property rights.
- Once the digitalization of all data related to land registrars is properly accomplished, an online based services system could offer an easy access to digital property records for the public and facilitate procedures of property registration.
- To arrange an organized use of the land resources nationwide, authorities could consider a properties mapping not underestimating the effectiveness of property tax as an instrument to induce efficient utilization of the land. A property system of taxation should be put into service to clearly defined social objectives and provide a stable, predictable source of revenue that is transparent in the way that it is calculated and collected.

## Acronyms

AKKP	Agency for Property Restitution and Compensation
ALUIZNI	Agency for the Legalization, Urban Planning, and Integration of Informal Areas/Constructions
BEEPS	Business Environment and Enterprise Performance Survey
EC	European Commission
ECHR	European Convention on Human Rights
ECtHR	European Court of Human Rights
EU	European Union
I PRO	Immovable Property Registration Office
IT	Information Technology
UNECE	United Nations Economic Commission for Europe
WB	World Bank

## 1. Introduction

***Today, property rights issues are still a major concern in Albania...***

Property rights issues are still considered today a major concern regarding the general development of the Albanian economy. Real estate market is constantly facing various challenges that in a considerable number originate from the lack of a clear functioning administration system of immovable property rights. On the other side, many unresolved cases of land property ownership are waiting to be processed from the Albanian judicial authorities, while the number of cases addressed to the European Court of Human Rights is increasing.

Turning back to 1990-s, the change of political system that country experienced in the early 1991 paved the way to a wide national range of privatization process of the state owned and common properties, as those were considered before '90. The new transformation process required the creation of private ownership and subordinate rights on its initial phase, taking as a basic reference the four main categories of land and property use, such as housing properties, agricultural fields, industrial or service buildings and lands, as well as properties being claimed for restitution by their legally documented owners before 1945. In addition to these categories, properties under state and municipal ownership were also at issue of newly amended laws on privatization and land property rights. However, despite the institutional and legal action taken by the authorities to implement land and property rights reform during '90-s, political, economic and demographic changes that took place vitally in these years, created confusion and difficulties in implementing laws and controlling the land.

### ***Internal migration resulting in unauthorized and unregistered properties...***

Along the first years of transition, Albania witnessed a fast internal migration, from mountainous and rural areas towards urban and peri-urban ones, a demographic shift in search of better living conditions and economic opportunities; phenomenon which resulted in numerous buildings without permit and land occupation without legal authorization, mainly situated in periphery of capital or other cities located in western country's' lowland. Consequences of these continuous demographic movements are now the peripheral "informal" urban areas of large cities or occupied seaside territories. A considerable share of today's total of Albanian immovable properties consists in such unauthorized and unregistered land plots and illegal buildings.

### ***Establishment of Immovable Property Registration Office (IPRO)...***

In 1994, was adapted the Law on the Registration of Immovable Property where a new property registration system based on land parcels was introduced. In this light, was established also the Immovable Property Registration Office (IPRO), as the managing authority in charge to administer the process. Facing numerous challenges because of a missing nationwide commitment towards systemic initial registration, until 2010 IPRO estimated that it has records for some 60–70 percent of all properties<sup>1</sup>, having completed initial registration for 83 percent of rural cadastral zones, but only 25 percent of urban cadastral zones.

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<sup>1</sup>“Final Assessment Report on the Situation of Property Rights in Albania.”, - EC EURALIUS Project. 2010

***The three main factors of system's weaknesses...***

In the World Bank Report of 2006, "Status of land reform and property rights in Albania" , it is concluded that the system's weaknesses appear to be result of three main factors.

*The first* of these factors is considered absence of the agreement on what would be the best method to achieve the reform's aims despite the wide accepted goals that land and property reform should have, and because of this several fundamental policy decisions remain unimplemented.

*Second*, the reforms have been applied in a categorical manner—that is, with different legal definitions for agricultural, forest, pasture, urban housing, commercial, industrial and other lands or properties, creating so a highly complex system with many gaps and overlaps.

And *the third factor* is evaluated to be the fragmentation of property units and land parcels requiring in this way the engagement of each owner in multiple subsidiary arrangements to accomplish routine property use. Taken together, these factors have made it difficult to adapt the models of European civil law and market relations within Albanian environment, slowing the progress of reform and letting the system vulnerable to the growth of informal and corrupt practices.

According to the same report, the reform programs creating private property rights, state property inventories and illegal actions have subdivided Albania into 4.5 million land parcels and separately-owned immovable property units. The main categories and the number of properties estimated in each category are shown in the following chart.

**Table1 - Status of Land and Property Holdings by Category, 2005**

Category of Properties	Est. Number of Units	Completed transfer --% all units	Completed registry -- % all units	Comments
<b>Total Units of all Types</b>	4,500,000			
<b>Rural properties</b>	3,300,000			
Agricultural fields	1,900,000 <sup>1</sup>	98%	80%	Restitution claims conflict with 7501 grants in 15-20 zones
Village plots and houses	400,000 <sup>2</sup>	95%	90%	40 rural zones remain with unregistered village centers
State-owned forest, pasture and protected lands	1,000,000 <sup>3</sup>			
-- communal forests, pastures	450,000	30%	05%	Inventory and transfer process under way
-- state forests, pastures	545,000		02%	Large tracts not subdivided
-- private forests, pastures	5,000	50%	25%	Limited restitution claims
<b>Urban properties</b>	900,000 <sup>4</sup>		10%	16 zones completed
Dwelling units (built before 1990)	237,700 <sup>5</sup>	98%	90%	Apartment units entered into IPRS
Individual houses (built before 1990)		100%	10%	16 zones completed
New legal dwelling units (1991-2004)	45,000 <sup>6</sup>	90%	10%	16 zones completed
Non-housing premises			10%	16 zones completed
State owned urban properties	180,000 <sup>7</sup>			
-- Municipal owned urban	150,000 <sup>8</sup>	05%	0%	8 out of 65 municipalities with completed inventory, onewith approved transfer, 3 properties registered
<b>Illegal properties</b>				
-- Illegal properties in informal peri-urban zones	90,000 <sup>9</sup>	0%	0%	54,000 self-declaration forms filed
<b>Property Claims by Former Owners</b>	42,000 <sup>10</sup>	70%	30%	30,000 claims have been decided

<sup>1</sup> Land Market Assistance Project (2001), Final Report, presented to USAID.

<sup>2</sup> UN Economic Commission for Europe (2002) Albania Country Profile, Housing Sector, [www.unece.org](http://www.unece.org).

<sup>3</sup> Ministry of Agriculture and Food (2002) Annual Report.

<sup>4</sup> Estimate by Registry Organizational Improvement Project (USAID).

<sup>5</sup> United Nations Economic Commission for Europe (2002) Albania Country Profile, Housing Sector, [www.unece.org](http://www.unece.org).

<sup>6</sup> Data from 2001 Census of Population and Housing, presented in United Nations Economic Commission for Europe (2002) Albania Country Profile, Housing Sector, [www.unece.org](http://www.unece.org).

<sup>7</sup> Estimate based on results of 16 urban zones -- 20% of all properties; Registration Organizational Improvement Project (USAID).

<sup>8</sup> Estimate based on results reported by State Property Inventory Committee, March 2005.

<sup>9</sup> Estimate of illegal buildings in the "informal" zones, reported to the press by national Territorial Adjustment Committee, March 2005.

<sup>10</sup> Kathrine Kelm; see also Project Management Unit of Ministry of Agriculture and Food, Land Market Action Plan 2002-2005.

## **2. Developments in immovable property rights reforms**

### ***Constructions classified as illegal nationwide are more than 350,000 buildings...***

As a result of rapid internal migration in years and absence of an official mechanism to allocate land for a large number of newcomers, a considerable number of individuals simply occupied the land and built without permits. But, in addition also lack of effective urban planning and construction controls, eased additions and expansions of existing constructions that are now also considered illegal. Thus, today, constructions classified as illegal nationwide reach an estimated number of more than 350,000 buildings which over the years have been subject to numerous informal transactions on selling and acquiring them. These transactions occurred without the proper documentation of property ownership and because of this, the ownership rights are not legally known to the new owner; so, no legal protection adheres fully owners whose properties are informal, from the legal point of view.

### ***A national centralized professional agency to manage the legalization process...***

Aiming to solve this major issue of the real estate sector, legalization process was treated by the authorities as an effective response to the increasing number of urban and economic problematic rising from mass illegal land occupation and settlements. Through this process, Albania's legalization policy tends to formalize illegal constructions, legally transfer ownership of the land on which they were built, and expand urban planning towards informal settlements. For this purpose, a national centralized professional agency was created to manage the legalization process. The Agency for the Legalization, Urban Planning, and Integration of Informal Areas/Constructions (ALUIZNI) was established by the amended Law on Legalization. As a large organization with operating costs covered by the state budget, ALUIZNI is mandated to process legalization applications and coordinate the legalization process in a nationwide level. Basing on aerial photographs taken in 2006, the agency has completed administrative procedures for almost 80% of these buildings which were erected prior to 2006. Legalization permits have been granted for 52 000 properties,

which have also been included into the system of immovable properties registration. Around 100 000 informal properties are in the process of preparing the legal-technical documentation. 127 informal zones and dwellings have been approved by the National Territory Regulation Council, including 120 000 properties<sup>2</sup>. Around 80 000 informal buildings have been approved by the local council of territorial regulation, included as blocks of informal residences or treated as separate buildings and extensions to the legally constructed buildings. The Law on Legalization applies only to buildings constructed before May 2006 and for which legalization applications were submitted by November 15, 2006. The ongoing legalization process leaves out a large number of informally constructed buildings, therefore, in order to prevent construction of other illegal buildings at the present situation, a new legalization campaign focused on illegal buildings after 2006 will need to take place.

### ***On Restitution and Compensation of properties to former owners...***

Another related issue which cannot be viewed isolated from legalization and privatization process is the restitution and compensation of land to former owners. Law number 7698 of April 15, 1993, On Restitution and Compensation to Former Property Owners was the first law to be adapted focusing on restitution and compensation of land. After its adoption, identified as the first phase, many properties were restituted to former owners or their descendants basing on legal documents proving ownership while in the case of agricultural land, the ownership was known to those who worked it. In the second phase of the process, the main issue was compensation of properties, for which the restitution was not possible. In the policy content angle of view, the Law On Restitution and Compensation of Property adopted in 2004 takes a similar approach to that adopted by other countries in Central and Southeastern Europe. However, the requirement to compensate expropriated owners at current market value is difficult to implement due to high fiscal costs.

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<sup>2</sup>“Crosscutting Strategy Reform in the Field of Property Rights 2012 – 2020”, Ministry of Justice, Republic of Albania, June 2012

### ***Property Restitution and Compensation Agency...***

From 2006, Property Restitution and Compensation Agency (AKKP) is the responsible authority for managing the restitution and compensation process in Albania. The restitution and compensation process was delayed initially, as the legal framework contained uncertainties, including on the valuation methodology and role of various government bodies. In 2006, amendments to the Law on Restitution and Compensation of Properties established the AKKP and transferred to it the functions of restitution and compensation previously held by the central government and local committees. These amendments aimed to increase the effectiveness and pace of the process, but these expectations have not been met<sup>3</sup>. AKKP manages also the Physical Compensation Fund and verifies regularly its juridical situation. Until today, are taken more than 25 200 compensation decisions, from which 16 000 giving only the right of compensation for the land known. In total, are known around 55 283 hectares of land, from which 7 333 hectares construction land, 43 100 hectares of agricultural land, 4 000 hectares of forest land, and 850 hectares of combined cases for compensation<sup>2</sup>.

### ***Difficulties in the precise identification of immovable properties...***

Authorities often face difficulties in the precise identification of immovable properties depending on some further processes, such as the process of initial registration, legalization, transfer of state owned property to local government units, completion of the territorial plans, including regulatory plans in coastal zones, as well as digitalization. Consequently, the compensation in kind of expropriated persons has not started yet massively and this is due to the absence of a solid compensation scheme. One of the main challenges the authorities are facing is the poor data quality that depends mainly on the results of the ongoing digitalization process. Improving data quality will significantly facilitate the precise identification of properties and establish the credibility on land registries. Amendments made to the Law on Restitution and Compensation of

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<sup>3</sup>“Governance in the Protection of Immovable Property Rights in Albania: A Continuing Challenge”, World Bank Report No:62519-AL , June 2011

Property, set new criteria for land evaluation and extend the deadline for property restitution and compensation to 2014.

***Court decisions are considered a major concern for property reforms pace ...***

In the latest Progress Report of October 2012<sup>4</sup>, prepared by European Commission for Albania, enforcement of court decisions is considered to be a major concern regarding the developments in the property rights reforms. Enforcement of court decisions remains weak, particularly in cases where state institutions are the defendants. In numerous cases the decisions are not respected and levels of judiciary system are seen as transitional steps towards the Strasbourg Court. On the other side, delays in application and non-compliance with judgments of the European Court of Human Rights, in relation to property rights and the right to a fair trial, continue to be an issue of concern. During the reporting period, the ECtHR delivered judgments on eight applications finding that Albania had violated rights guaranteed by the European Convention on Human Rights (ECHR). A total of 98 new applications have been submitted to the ECtHR since September 2011, bringing the total of pending applications to 379.

***Judgment statistics of Strasbourg Court on Albanian cases...***

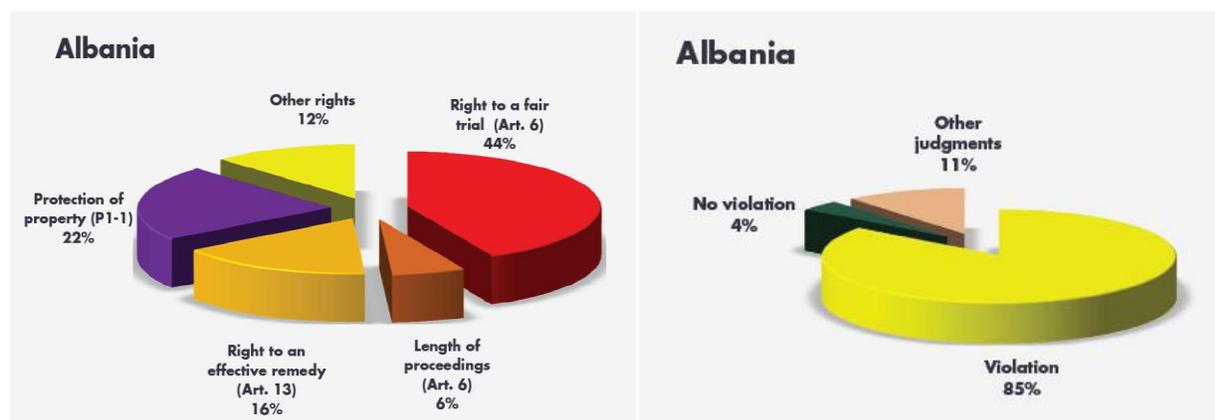
Referring to the judgment statistics of ECtHR until 2010<sup>5</sup>, the Albanian cases judged by the Court that have as a judgment matter the “Protection of property”, constitute 22% of the total while “Right to a fair trial” reach the level of 44% of the total number of judged cases. The Court found violations in 85% of the decisions given, and only 4% of them with no violation.

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<sup>4</sup>“Albania Progress Report”, European Commission Staff Working Report, October 2012

<sup>5</sup>[http://www.echr.coe.int/NR/rdonlyres/E6B7605E-6D3C-4E85-A84D-6DD59C69F212/0/Graphique\\_violation\\_en.pdf](http://www.echr.coe.int/NR/rdonlyres/E6B7605E-6D3C-4E85-A84D-6DD59C69F212/0/Graphique_violation_en.pdf)

**Graph 1: Country judgment statistics from ECtHR 1951 – 2010**



***Some progress was achieved in the area of property rights...***

According to the same EC Report some progress was achieved in the area of property rights, notably through the adaption of a new law on registration of immovable property and through the adaption of a cross-cutting strategy and action plan, but still it is considered that a lot remains to be done in the fields of land registration and of restitution of property to former owners. The process of initial registration of immovable property has not yet been completed. Lack of secure property rights and the weak institutions remain causes for concern and further efforts are required to address these issues. Weaknesses remain in the rule of law, particularly in contract enforcement and property rights, while the executive has yet to communicate a clear timetable for enforcement of ECtHR judgments regarding property rights.

**3. Economic concerns relating to property issues and ease of doing business**

Different economic-development studies<sup>6</sup>, emphasize the importance that property rights have on encouraging investment and incentive growth for an economy. In the case of Albania, weaknesses in rule of law and incomplete reform of immovable

<sup>6</sup>“Land policies for growth and poverty reduction: Key issues and challenges ahead”, OECD Paper, Klaus Deininger (2005)

property rights continue to have a negative effect on the business and economic environment. Ineffectiveness of bureaucratic procedures relating to property rights issues produces a chaotic system where mistakes are often met. Authorities still face difficulties in giving infeasible answers on who owns what, creating in this way an insecure investment climate in the immovable property market.

### ***Considerable concerns stemming from property rights uncertainties...***

Economic concerns stemming from property rights uncertainties are considerable. Illegally constructed buildings, yet not-legalized, and undocumented or unregistered immovable properties remain out from the formal property market because of their unclear legal status. This situation does not allow de-facto owners to use these properties as collateral to access financing, nor to sell them at the real market value, limiting so the contribution of the property market to investment and economic growth. Transactions with these properties may take place informally complicating and making more difficult the work of state authorities. However, transaction costs and uncertainties as well as property conflicts concerning ownership, discourage investments in these immovable properties. As shown in the results of 2008 Business Environment and Enterprise Performance Survey (BEEPS), access to land is increasingly affecting the business environment, with some 43 percent of respondent firms noting it as a problem as compared to 26 percent in 2005<sup>7</sup>.

### ***Doing Business Report 2013, Albania's ranking on registering property drops...***

Slow progress in facilitating procedures for property registration and the issuance of construction permits are damaging Albania's business environment. As shown in Doing Business 2013 report, Albania's ranking dropped between the 2012 and 2013, and on the same path were also other countries in the region. The Report of 2013 shows that property registration encompasses six procedures, which take 33 days to complete, and

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<sup>7</sup>"BEEPS At-A-Glance 2008" Albania report, The World Bank Group, January 2010

that the registration cost is 11.4 percent of the property value. It should be noted that the *Doing Business* approach focuses only on the registration process;

**Table 2: Country's Comparative Performance in Registering a Property**

Country	Registering Property <i>Doing Business</i> 2013				
	Ranking 2013	Ranking 2012	Procedures (number)	Time (days)	Cost (% of property value)
<b>Albania</b>	121	119	6	33	11.4
<b>Bosnia and Herzegovina</b>	93	100	7	25	5.3
<b>Croatia</b>	104	101	5	104	5
<b>Kosovo</b>	76	74	8	33	0.6
<b>Macedonia, FYR</b>	50	50	4	40	3.2
<b>Montenegro</b>	117	112	7	71	3.1
<b>Serbia</b>	41	40	6	11	2.8

Source: *Doing Business* database. Rankings are out of 185 countries *Doing Business* 2013

Apart the delay and not facile procedures in registering a property as shows from the above comparative chart, investors also miss opportunities of investment because of unsolved ownership issues among presumed owners. Lack of clear land titling in numerous cases presents serious problems in solving legal disputes, since courts do not have clear evidence on where to base their decisions, though creating obstacles in using these properties from owners, representing missed opportunities for the investors. Foreign buyers are more concerned about avoiding risk than projecting the optimum of investment, and because of this they tend to buy only registered properties. The market is not functioning as efficiently as it could be, given the lack of urban planning and use approvals, absence of registration of title, and the time, costs, and bureaucratic hurdles that owners face when attempting to regularize their properties.

### ***Obtaining a construction permit has become a major constraint for investors...***

As a consequence, obtaining a construction permit has become a major constraint for investors interested in immovable properties. In absence of an effective territorial planning at the national level the issuance of construction permits is very complicated, but many of implementation problems occur at the municipal level. In difference with

other countries of the region, according to *DB 2013* Albania is the only country in SEE that doesn't have a clear practice on getting a construction permit. Lack of clear urban development strategies; pose considerable difficulties for property developers in obtaining construction permits legally.

**Table 3: Country's Comparative Performance in Dealing with Construction Permits**

Country	Dealing with Construction Permits <i>Doing Business 2013</i>				
	Ranking 2013	Ranking 2012	Procedures (number)	Time (days)	Cost (% of income per capita)
<b>Albania</b>	185	185	no practice	no practice	no practice
<b>Bosnia and Herzegovina</b>	163	159	17	180	1,102.10
<b>Croatia</b>	143	141	12	317	573.3
<b>Kosovo</b>	144	177	16	156	2,986.00
<b>Macedonia, FYR</b>	65	65	10	117	517.8
<b>Montenegro</b>	176	175	16	267	1,169.60
<b>Serbia</b>	179	178	18	269	1,427.20

Source: *Doing Business* database. Rankings are out of 185 countries *Doing Business 2013*

Investors and property developers are important stakeholders for the Albanian economy and their difficulties are mirrored in the market development. From the development of formal immovable property market, other market agents would also benefit to boost their economic activity related to real estate sector.

#### **4. Scenarios on improving property rights administration system**

Property administration is a crucial issue for the general development of a country. This process, based on the fundamental human right of ownership, is tightly related with the economic welfare, market well-functioning, employment and investment potential that a country represents. Titled properties and specified property rights help to project and improve urban planning as well as to develop infrastructure, providing ground to implement state reforms. In order to be efficient, the system of property administration should guarantee property ownership and tenure security, serving to the enhancement

of a stable real estate sector, reducing land disputes, facilitating immovable property transactions and supporting good governance.

Aiming to increase efficiency of state authorities dealing with immovable property rights issues, Albanian government has gone through many reforms. A lot of progress is achieved but what is concluded in different country reports on property rights issues is that there are still many challenges ahead and room for faster progress in solving property rights issues. Related studies and success stories from economies with similar concerns, evidence that effective implementation of reforms is possible, relying on the continuity of a transformation process oriented by the efficiency of state agencies serving to build and consolidate the property administration system<sup>8</sup>.

Some potential scenarios on improving the performance of property rights administration system could be as following:

***First view: More effective and efficient property rights institutions. Single Agency Model***

The country's chaotic immovable property market and the stakeholder's concerns about property rights have raised the attention on the importance of effectiveness of state agencies responsible on these issues. Regardless an adopted and improved legal framework for private ownership during the years, a responsive and accountable system of land administration is needed to support property market developments. In Albania as in other countries of the region, insecure and uncertain property rights continue to be a barrier to a long-term solution of the property issues and as a result, a barrier to investment and a constraint on economic development. State agencies such as IPRO, AKKP and ALUIZNI should enhance their coordination to ensure a fast, well-operating and incontestable property rights administration system. In the same length of wave should be the cooperation between central and local government. Unification of immovable properties database applying the same technical standards and

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<sup>8</sup>Stanley and Adlington (2007) "World Bank Experience in Land Administration in the Transition Economies of Eastern Europe and Central Asia"

requirements, basing on commonly accepted ownership documents compatible to cartographic data is an important process conditioning further developments on property market. More effective land administration system means primarily customer service oriented agencies with the objective of supporting land and property market development. More efficient property registration procedures would reduce transaction costs and enhance the security of property rights. These improvements on the system would benefit to all stakeholders related to property rights issues, building and consolidating trust in authorities.

### ***The alternative of a single agency...***

An alternative solution on achieving an efficient and effective property rights administration system is the creation of a single agency dealing with all kinds of property issues. The UNECE guidelines for land administration<sup>9</sup> recommend that a single agency to be responsible for land administration. Single agency models have certain advantages: they can operate more efficiently and cheaply than multiple agency models; the cadaster and legal data are naturally linked and harmonized; automation is simpler and less costly; and it is easier to be financially self-sustainable. Success stories on solving property rights issues through reforming the system and building a single efficient as well as effective agency dealing with property issues could be found in countries with similar specifics<sup>10</sup>.

In case of Albania, depending on successful finalization of the digitalization process of all cadastral registrars, potential steps towards the creation of a single agency could begin with simplification and combination of procedures basing on same standards, easing the access to land registrars and to conclude in restructuring, linking as unifying different agencies involved in immovable property issues into a single one, A merger of key agencies involved in the regulation of immovable property rights under a combined

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<sup>9</sup>“Land Administration in the UNECE Region. Development trends and main principles “, United Nations Economic Commission for Europe Guidelines (2005)

<sup>10</sup>Georgia and Czech Republic are successful cases of reforms on immovable property administration systems.

mandate would improve coordination of procedures, service quality and reduce operating costs relying on a smaller but more professional and better qualified personnel organic. The aim that citizen is central to the work of land administration agencies requires a change in orientation and service organization. In this light, dedicated service sections could be attributed to citizens, organizations and investors, responding requests linked to immovable property issues in order to facilitate procedures.

### ***Human Resources supporting organizational efficiency...***

The importance of human resources is focal in achieving institutional efficiency and fulfilling the mission of an organization<sup>11</sup>. This potential should be taken in consideration to optimize the performance of state agencies dealing with property issues as well. Institutional and technological changes in land administration agencies taking place in Albania require a dedicated investment in human capital. Trainings and qualification programs focusing on legal and technical procedures, information technology, GIS, management and customer service are required at all levels and in all areas of immovable property administration. These programs could be realized through institutional cooperation or sharing experience with homologue agencies in other countries which could have formerly passed through the phases Albania is today, successfully. In particular, in the changing institutional environment in which the administrations of these agencies operate it is essential to maintain a good professional level of service and operational organization.

### ***Second view: A different approach on monitoring reforms implementation...***

The right pace of reforms implementation determines the level of impact on improving property rights administration system. Many projects funded by government and donor institutions aiming to improve the property rights reality still didn't solve the major concerns on these issues. Progress is slow and the outcome of reforms not as expected. A wider inclusion of stakeholders and civil groups in reforms implementation

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<sup>11</sup>“Strategic Human Resources Management: Aligning with the Mission” , Office of Personnel Management, 1999

would raise effectiveness of the initiatives taken. Important part of this process could be joint committees of government officials, international experts on immovable property reforms and civil society professionals that will monitor in continuous basis the implementation of reforms and evaluate step by step the contribution of reforming process in the sustainable development of this sector.

*Third view: **Building confidence through transparency and easy access to data***

In order to accomplish agencies mission on property rights and develop a sustainable functioning system, along with the harmonization of property rights legislation and consolidation of institutions, a special attention from the authorities should be dedicated to building public confidence in property administration system.

***Public debate fostering institutional consolidation...***

Creating a public discussion platform on property rights issues to exchange information, share experience and co-ordinate among institutional actors, public, academics and civil society will be important to include all stakeholders in the process of reforming property rights system. This platform would serve as a unified source of all agencies to inform and discuss with citizens on the latest decisions, and in the same time to get feedback on potential improvements for faster progress. Public debate would support the development and improvement of co-ordination in the process of solving property rights crucial issues, contributing to further build public confidence in institutions and generate the needed wide inclusion of stakeholders for faster implementing reforms by guaranteeing long-term security of property rights. On the same path, this would enable and strengthen the communication among a wide range of geo data users and producers such as citizens, public authorities and private sector bridging over the present gap between them.

***Online services as a medium of transparency and easy access...***

Still remains a challenge for the country, the development of an efficient and secure property administration system that will guarantee legal security to all stakeholders referring to legal properties historic. As a fundamental requisition to achieve this, can be considered the compatibility and consistency of data maintained and provided from different agencies especially land registry offices, cadaster offices and urban planning authorities. Once the digitalization of all data related to land registrars is properly accomplished, an online based services system could offer an easy access to digital property records for the public and facilitate procedures of property registration. Expanding access to information in the property registry would increase transparency, help owners to be clearly identified, and secure potential buyers for the legal status of the property, reducing thus transaction costs to determine who owns what and whittle down the time consumption for due diligence. Providing legal property information open for the public and investors potentially would diminish property rights pretending paving the way for faster and easier procedures in changing the ownership .For obtaining added benefit from the real estate sector, the role of registrars, notaries, solicitors and agents who participate in the transfer of land rights may positively change and the processes of land transfer may need to be modified to take advantage of information technologies.

***Forth view: Property tax as an instrument to induce efficient use of land***

For an economy, immovable property represents a fundamental asset which plays a determinant role in country's' market functioning. Due to this reason, secure immovable property legal titling is important for improving territorial planning and related strategic decision making. But, in parallel, property rights should be strictly followed by owners' responsibilities for an efficient use of property in compliance also with the territorial regulatory plan. There have been cases when an investor was unable to find available land to invest because of ownership conflicts or neglectful owners. In contradiction, the wasteland extension is still in considerable levels. To arrange an organized use of the

land resources nationwide, authorities could consider a properties mapping not underestimating the effectiveness of property tax as an instrument to induce efficient utilization of the land.

A property system of taxation should be put into service to clearly defined social objectives and provide a stable, predictable source of revenue that is transparent in the way that it is calculated and collected. These measures, mainly under the supervision of local authorities would encourage efficient use of land and property, discouraging land speculation which results in misused resources for Albanian economy. A well-designed tax would recognize public claims on private property while allowing private property development and use optimization.

Achieving these goals require strategic planning and analysis that is often a foreign concept but quite possible to traditionally state funded, output based organizations such as cadaster agencies. Under the scope of inducing efficient use of property use, improving the image and building confidence in property administration system through transparent public information on taxes is essential for an operational framework. Property owners need to be informed and understand the importance of property responsibilities.

### Appendix: Chronology of Immovable property Rights Reforms

- **Law No. 7501 of July 19, 1991**, “On Land”, under which agricultural lands were divided among those working them.
- **Law No. 7652 of December 23, 1992**, “On Privatization of State-Owned Housing” transferred to occupiers ownership of their homes.
- **Law No. 7698 of April 15, 1993**, “On Restitution and Compensation to Former Property Owners” was the basis for further privatization in urban areas. Mid-1990s Civil law reform, particularly under the Civil Code of 1994, provided a legal framework for private property transactions.
- **1995 Law No. 7843 of July 13, 1994**, “On the Immovable Property Registry System”.
- **1998 Constitution adopted**, including provisions guaranteeing immovable property rights.
- **2004 Law No. 9404 of October 29, 2004**, “On Legalization and Urban Planning of Informal Zones” attempts to regularize illegal buildings based on a self-declaration process managed by local authorities.
- **2004 Law No. 9235 of July 29, 2004**, “On Restitution and Compensation of Property” replaces the 1993 law and introduces compensation at current market value.
- **2006 Law No. 9482 of April 3, 2006**, “On Legalization, Urban Planning and Integration of Illegal constructions” replaces the 2004 law and attempts to regularize illegal settlement and buildings constructed before May 2006, subject to a self-declaration process managed by the central Agency for the Legalization, Urban Planning, and Integration of Informal Areas/Constructions (ALUIZNI).
- **2007 Law No. 9780 of July 16, 2007**, “On Construction Inspection” delegates much of the responsibility for dealing with illegal buildings to the local government.
- **2009 Law No. 10119 of April 23, 2009**, “On Territorial Planning” introduces modern concepts of urban planning and control. The secondary regulations were adopted in June 2011. Amendments to the Law on Legalization, adopted in October 2009, give legalization applicants the option of paying for up to 50 percent of the value of the property with otherwise worthless privatization vouchers from the 1990s.
- **2012 Law No. 33/2012** “For the registration of immovable properties.”
- **2012 Law No. 55/2012** “For some additions and changes in the Law No: 9235, date 29.7.2004 on the Restitution and Compensation of Property, changed”

Source: World Bank Report, Center of Official Publications

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