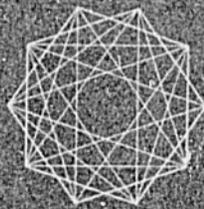


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P A D C O

PLANNING AND DEVELOPMENT COLLABORATIVE INTERNATIONAL, INC.

**PRIVATE SECTOR DEVELOPMENT OF HOUSING
EASTERN EUROPE**

PROPOSAL FOR A

**SHORT-TERM TECHNICAL ASSISTANCE PLAN
FOR THE ALBANIAN HOUSING SECTOR**

Prepared for

**United States Agency for International Development
Bureau for Private Enterprise
Office of Housing and Urban Programs**

June 1993

PROVIDES GOVERNMENTS AND PRIVATE CLIENTS WITH SERVICES IN PLANNING, HOUSING, MANAGEMENT, FINANCE, ECONOMICS, ENVIRONMENT, GEOGRAPHIC AND OTHER INFORMATION SERVICES, AND TRAINING.

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Prepared by

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Albania Technical Assistance Plan

1 Introduction

The Albanian Minister of Construction has requested and USAID has approved a technical assistance program with two major objectives:

- To help the Albanian National Housing Agency (NHA) carry out a housing construction program funded jointly by the World Bank/International Development Association (IDA) and the Albanian National Bank. This program contemplates completion of about 4,900 dwellings in buildings commenced under the former regime, but left unfinished; and the sale of these dwellings to individual households, financed by mortgage loans from the NHA.
- To help the Department of Housing (DOH) plan and implement housing sector reforms that will shift the ownership and operation of housing from the public to the private sector, create an efficient market for selling and renting dwellings, and provide housing assistance for those unable to afford minimum adequate dwellings.

In a series of missions beginning in November 1992, USAID has provided technical support to the World Bank in loan negotiations; and to the Ministry of Construction in housing reform legislation and implementation. The approval of the loan, expected to occur on 8 July 1993, is contingent on continued AID technical assistance as indicated above. The technical assistance program is tentatively budgeted at 75 person-months and \$1.5 million to be spent over a period of 18 months.

1.1 The National Housing Agency

The National Housing Agency is directed by Mr. Sokol Ademi, subject to a governing board of ministerial and Albanian bank appointees. The agency has a small appropriation from the Albanian government (about \$50,000) to begin its work, and will subsequently receive the revenues from housing privatization (see below) for use in its operations. Its central office currently consists of nine persons and is expected to grow to 12 by September 1993. In addition, there are 40 field offices, each now staffed by one person; a second person in each office will be added when the loan is approved. These field offices will solicit bids, monitor contractors and supervise the sale of completed dwellings.

The NHA's main function is administration of the housing construction project funded by loans from the World Bank (\$15 million) and the Albanian National Bank (\$5.8 million). NHA will select partially completed residential buildings for the project, solicit bids on completion work, award contracts, monitor the progress of the work, create a condominium title for each building, and sell the completed dwellings to individual households as condominiums. Qualified buyers will be able to obtain 25-year mortgage financing from NHA.

In addition to the World Bank/IDA program, the NHA currently has \$13 million from the Albanian Savings Bank for a similar program of completing dwellings in buildings begun under the previous regime. This program is already in operation; NHA has let contracts for

the completion of several thousand dwellings and the contractors have already completed several hundred dwellings, now available for sale. Although this program is not subject to World Bank rules about procurement, monitoring work in progress, and selling completed dwellings, the director of NHA has asked for help that is applicable to both programs.

1.2 The Department of Housing

The Department of Housing is directed by Mr. Adem Duka, an appointee of the Minister of Construction, and is sustained by the ministry budget. Its central office staff is about eight persons, and it supervises the activities of State Housing Enterprises (Banesas) in Albania's 26 juridical districts. The Banesas were formerly authorized to contract for the construction of new residential buildings, but are now confined to the operation of buildings containing state-owned residential units. There are about 200,000 state-owned dwellings throughout Albania, the great majority being apartments in multi-unit structures.

Beginning in November 1992, AID consultants helped the Department of Housing to obtain the legislation needed to transform state-owned housing into privately owned condominiums and single-family houses. On 23 December, the Albanian People's Assembly approved a comprehensive housing privatization law enabling the occupants of state-owned dwellings to purchase them at prices roughly amounting to about three months' income for a typical Albanian family. On 17 March, the Assembly approved a condominium law that enables the National Housing Agency, acting for the government of Albania, to convert state-owned residential buildings to condominiums and transfer condominium titles to those occupants who choose to privatize.

The privatization program is now well under way and, according to the director of the DOH, will be completed by the end of 1993. He judges that over 95 percent of all state-owned dwellings will be privatized. No action has yet been taken to form condominiums; the director has requested further assistance from AID to implement the condominium law so that condominium associations can be formed and take over building management. As they do so, it is anticipated that the Banesas will disappear or become privately owned housing management companies.

By the end of 1993, the DOH should be ready to undertake additional reforms, including:

- ***A plan for phasing out rent controls*** on privately owned rental dwellings and increasing rents on the remaining few state-owned dwellings to full-cost levels.
- ***A housing allowance program*** to assist the poorest Albanians with their housing expenses.
- ***A real property mortgage law*** that will encourage mortgage lending by providing better remedies for default.
- ***Legislation on landlord-tenant relationships*** that clarifies the obligations of each party and provides remedies for failure to meet those obligations.

2 The Technical Assistance Plan

As noted earlier, AID is committed to provide technical assistance to both NHA and DOH for the purposes indicated, and has obligated \$1.5 million for this purpose, budgeted for a period of 18 months.¹ For general planning, this budget is taken to be the equivalent of 75 person-months of work on this program; an initial draft plan outlined by the Regional Housing and Urban Development Officer in Warsaw allocated the person-months as follows:

	<u>Person Months</u>
Project manager	18
Senior housing policy advisor	9
Technical advisors, medium term	30
Technical advisors, short term	<u>18</u>
 Total Person Months	 75

2.1 General Proposal

First of all, a minor revision of this plan is recommended—to divide policy-level responsibility between two senior advisors as follows:

	<u>Person Months</u>
Project manager	18
Senior housing policy advisor	6
Senior Legal advisor	6
Technical advisors, medium term	27
Technical advisors, short term	<u>18</u>
 Total Person Months	 75

Second, it is recommended that a resident project manager be contracted as soon as possible. Mission participants have learned that communication between Albania and the United States is slow, difficult, and consequently haphazard. As much as they clearly appreciate AID's help, members of the Albanian government, and particularly second-echelon staff such as the directors of NHA and HOD, cannot keep absent consultants

¹The initial 18-month budget seems to reflect an agency budgeting horizon rather than the estimated duration of need for technical assistance. At least, the housing completion project to be funded by the World Bank and the Albanian National Bank does not pass any major milestone at 18 months, and the schedule of housing reforms undertaken by the DOH doesn't have an 18-month horizon. For purpose of this document, we will use the 18-month calendar period from 1 July 1993 to 31 December 1994 as a planning period during which the average monthly expenditure should be \$83,333 and the average monthly staffing should be 4.17 person-months or 92 person-days.

informed of events that are often critical to the effectiveness of AID's assistance. A resident project manager, with a desk at the Ministry of Construction and good connections with other ministries and the People's Assembly, is required to assist in determining when AID intervention would be appropriate and helpful, to judge what skills are relevant, and to bring qualified consultants to the scene as needed.

Third, the importance of speed in the delivery of competent assistance is emphasized. Both the NHA and the DOH are already launched on their programs, materially aided by AID-supported missions during the period November 1992 - June 1993. It would be most unfortunate if the creation of a funded program caused the flow of technical assistance to stop while the program was being "organized."

2.2 Proposal for the First Six Months

Based on discussions in Tirana with the directors of the NHA and DOH during the week ending 4 June, and later by telephone with the World Bank's Task Manager for the Albanian Housing Loan, it is recommended that 10 general tasks be undertaken during the first six months, as follows:

2.2.1 General

- 1 Project management

2.2.2 Support of NHA Operations

- 2 Construction procurement
- 3 Temporary management information system
- 4 Permanent management information system
- 5 Computer system to support MIS
- 6 Mortgage lending operation

2.2.3 Support of DOH Operations

- 7 Housing policy planning
- 8 Laws and regulations
- 9 Condominium management
- 10 Property management

Subtasks are detailed in **Exhibit 1**, along with the appropriate skills for each task and the number of workdays allocated to it.

Although it is difficult to predict precisely how soon a project manager can be in residence, for present purposes it is assumed that someone will take on the responsibility of that position immediately. Other personnel would be traveling consultants, staying in Albania for periods up to 3.5 months. Altogether, 649 workdays have been allocated to this first six-month period, about 40 percent of the budget of 75 person-months over a period of 18

calendar months. **Exhibit 2** displays level of effort by task and month, July through December 1993.

By September, it is assumed that all tasks will be fully staffed, with a monthly expenditure of 130 to 140 workdays. Most of the tasks will be substantially completed by the end of November; in December, a general conference is proposed to include AID consultants and staffs of NHA and DOH to review what has been accomplished and decide on a work program for the following six months.

Exhibit 1

**STAFFING PLAN FOR AID TECHNICAL ASSISTANCE PROGRAM:
ALBANIAN HOUSING SECTOR, JULY-DECEMBER 1993**

Task Number	Description	Desirable Technical Skills	Number of Days
1.0	Resident project manager: <ul style="list-style-type: none"> Track policy and program development Review TA needs with NHA and DOH Schedule consultant visits, tasks Organize meetings, workshops Interface with AID resident Do AID paperwork 	<ul style="list-style-type: none"> Knowledge of issues Knowledge of country Administrative experience 	124
2.1	Train district officers in procurement: <ul style="list-style-type: none"> Writing job specifications Soliciting and evaluating bids Monitoring contractor performance Forcing corrective action if needed Initiating default proceedings 	<ul style="list-style-type: none"> Knowledge of contract construction business Familiarity with country and institutions 	45
2.2	Install temporary MIS for: <ul style="list-style-type: none"> Monitoring contract progress and approving payments Tracking status of buildings and disposition of apartments Tracking fiscal resources, obligations, and disbursements 	<ul style="list-style-type: none"> Experience with real estate project administration Knowledge of business accounting systems 	32
2.3	Install permanent MIS for: <ul style="list-style-type: none"> Monitoring contract progress and approving payments Tracking status of buildings and disposition of apartments Tracking fiscal resources, obligations, and disbursements Tracking local construction costs as an aid to project budgeting 	<ul style="list-style-type: none"> Experience in designing computer-based MIS Experience with real estate project administration Knowledge of business accounting systems 	75
2.4	Procure and install computer system: <ul style="list-style-type: none"> Appraise NHA needs for computer hardware and software Locate sources of equipment, arrange purchase and shipment Identify local equipment service contractor Install systems in central and field offices as needed Do or hire custom programming if needed Train NHA staff in system use, sources of help 	<ul style="list-style-type: none"> Thorough knowledge of computer hardware and software for business applications Programming skills Experience in training users 	75
2.5	Design mortgage lending operation: <ul style="list-style-type: none"> Design loan application form containing data needed for loan appraisal Prepare manual on credit policy and loan approval procedures Prepare loan servicing manual describing billing and record-keeping procedures, cash management, late-payment and default procedures. 	<ul style="list-style-type: none"> Thorough knowledge of real estate lending practices Experience in training loan officers 	75
3.1	Analyze housing policy issues: <ul style="list-style-type: none"> Help DOH prepare a systematic agenda of housing reform Analyze policies proposed by DOH and develop alternatives Encourage development of statistical system to support policy decisions 	<ul style="list-style-type: none"> Thorough knowledge of housing policy issues Experience with policy and program design Quantitative analytical skills and experience 	70
3.2	Provide legal advice to NHA and DOH: <ul style="list-style-type: none"> Help NHA interpret and comply with World Bank loan agreements Advise NHA mortgage lending department on mortgage contract and pursuit of defaulted borrowers Advise DOH on legal issues connected with foundation of condominiums and sale of condominium units Advise DOH on desirable improvements in Albanian real property law (e.g., forms of tenure, rights of lien holders, rights of landlords and tenants) 	<ul style="list-style-type: none"> Thorough knowledge of Western real estate law Experience with mortgage lending Experience with condominium formation Skill in drafting laws and regulations 	55

Exhibit 1

**STAFFING PLAN FOR AID TECHNICAL ASSISTANCE PROGRAM:
ALBANIAN HOUSING SECTOR, JULY-DECEMBER 1993**

Task Number	Description	Desirable Technical Skills	Number of Days
3.3	Provide training in condo management: <ul style="list-style-type: none">• Prepare model by-laws, financial, and administrative systems for condo associations• Organize training for Albanians who will in turn train officers of condo associations	<ul style="list-style-type: none">• Experience with condominium formation• Skill in drafting laws and regulations• Experience in training others	75
3.4	Provide training in property management: <ul style="list-style-type: none">• Prepare model management contract, trade subcontract, dispatching system, financial records system for private property management firm• Train would-be property managers in the use of model systems	<ul style="list-style-type: none">• Experience in property management• Experience in training others	53

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Exhibit 2

**TENTATIVE SCHEDULE OF ON-SITE TECHNICAL ASSISTANCE:
ALBANIAN HOUSING SECTOR, JULY-DECEMBER 1993**

Task Number	Description	Number of Workdays on Site						
		Jul	Aug	Sep	Oct	Nov	Dec	Total
1.0	Project management	22 xxxxxxxx	22 xxxxxxxx	22 xxxxxxxx	21 xxxxxxxx	22 xxxxxxxx	15 xxxxxx	124
2.1	Construction procurement	15 xxxxxx		10 xxxx		10 xxxx	10 xxxx	45
2.2	Temporary MIS	22 xxxxxxxx	10 xxxx					32
2.3	Permanent MIS			22 xxxxxxxx	21 xxxxxxxx	22 xxxxxxxx	10 xxxx	75
2.4	Computer system for MIS		22 xxxxxxxx	22 xxxxxxxx	21 xxxxxxxx		10 xxxx	75
2.5	Mortgage lending operation			22 xxxxxxxx	21 xxxxxxxx	22 xxxxxxxx	10 xxxx	75
3.1	Housing policy planning		10 xxxx	5 xx	5 xx	10 xxxx	10 xxxx	40
3.2	Laws and regulations	15 xxxxxx	10 xxxx	5 xx	5 xx	10 xxxx	10 xxxx	55
3.3	Condominium operations			22 xxxxxxxx	21 xxxxxxxx	22 xxxxxxxx	10 xxxx	75
3.4	Property Management				21 xxxxxxxx	22 xxxxxxxx	10 xxxx	53
Total workdays on site		74	74	130	136	140	95	649