



EVALUATION OF THE ALBANIA LAND MARKET PROJECT

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Evaluation of the Albania Land Market Project

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ACRONYMS

CA	Cooperative Agreement
CZ	Cadastral Zones
EU/PHARE	European Union/Poland and Hungary Assistance for Economic Restructuring Programme
GIS	Geographic Information System
IPRS	Immovable Property Registration System
LMAP	Land Market Action Plan
LTC	Land Tenure Center for the University of Wisconsin
NGO	Nongovernmental Organization
PMU	Project Management Unit
USAID	United States Agency for International Development

SECTION I. INTRODUCTION

In November 1993, the Council of Ministers of Albania approved a Land Market Action Plan (LMAP) describing activities and reforms to be undertaken in order to stimulate the development of active real estate markets in Albania. The LMAP's original goals were (1) to create a new system for the registration of rights to immovable properties; and (2) to establish the legal framework for dynamic, accessible and environmentally sustainable immovable property markets. A Project Management Unit (PMU) was created to assist in the implementation of the LMAP.

In 1999, the Land Market Action Plan was extended and the goals were restated. The general goal of the extended LMAP is "to create the institutional bases for dynamic, equitable, and sustainable immovable property markets that support the effective transition to a market economy." The specific goals of the extended LMAP are to:

- create a unified, cost-effective and accessible immovable property registration system (IPRS) to record, display, update and legally protect private and public rights to immovable property; and
- develop policy options to support immovable property market development and to guide immovable property markets to induce more productive and sustainable use of real property as well as socially acceptable access to immovable property markets.

The extended LMAP also includes twelve operational objectives that support these two specific goals.

USAID/Albania has provided assistance to the Government of Albania in carrying out the activities in the LMAP pursuant to a Land Market Project Cooperative Agreement (CA) with the University of Wisconsin, first signed on April 24, 1994. To date, USAID has committed over \$13 million to land market development activities in Albania. EU/PHARE has committed approximately the same amount to support mapping and surveying activities conducted under the LMAP as part of the effort to create the registration system. The CA terminates at the end of December 2001.

USAID/Albania asked the authors to conduct an evaluation of the Albania Land Market Project in order to provide USAID with an assessment of the progress made by the University of Wisconsin's Land Tenure Center in achieving the goals and objectives established in the CA and LMAP. More specifically, the assessment was requested to:

1. evaluate the work completed under the Albania Land Market Project CA;
2. evaluate the current capacity of the IPRS and other associated offices to assume responsibility for immovable property registration and assess long-term sustainability of the IPRS;

3. develop a transition plan for phasing out donor support to initial immovable property registration activities over the period leading up to December 2001, and the integration of critical functions and capabilities of the PMU into the IPRS; and
4. outline next steps in land market development strategy, with suggested priorities for programming.

The authors conducted the evaluation during a visit to Albania from October 22 to November 8, 2000. During the visit, we met with representatives of the IPRS, PMU, University of Wisconsin, the Ministry of Agriculture, and members of Parliament. We also met with private sector market participants, including local nongovernmental organizations (NGOs), real estate brokers, bankers, and notaries, and with international donor organizations, including USAID, EU/PHARE and the World Bank.¹ A complete list of people interviewed is attached as *Appendix 1*.

This report is organized into five sections. The second section describes the status of the Albania Land Market Project. The third contains our recommendations on priority activities to be conducted between now and the end of 2001 in order to best assure accomplishment of the overall goals of the CA and the LMAP. The fourth section contains recommendations on future programming options to be considered by USAID. The recommendations contained in sections III and IV are restated in list form in the Conclusion (Section V).

¹ Time did not permit formal interviewing of users of the IPRS (i.e., people whose property had been first registered or who were endeavoring to have their transactions registered). Some anecdotal information was collected based on informal interviews.

SECTION II. PROJECT STATUS PURSUANT TO LAND MARKET PROJECT CA AND LMAP

This section describes the status of the Albania Land Market Project in relation to the outputs and objectives set out in the CA and LMAP. The discussion of project status is organized according to the twelve operational objectives contained in the LMAP. Where CA outputs are not expressly addressed by the LMAP objectives, the CA outputs have been mentioned within the appropriate LMAP objective.

A. Objective 1: Prepare Immovable Property Registration Offices

All 34 planned district registration offices are open. The authors visited registration offices in Tirana, Durres, Lushnje, Lac, Lezhe and Shkoder and found them all to be functioning — transactions are being registered. Some offices lack appropriate amounts of space, and some were deficient in user service amenities and systems. For example, in some offices, public signage/information posting was inadequate, waiting areas were cramped and crowded, service windows were uninviting and isolated customers from IPRS staff, there was no customer queuing system, and some reception/service areas were difficult to locate and reach. In short, some registration offices do not create a customer-service-oriented environment. Others were adequate (but not exemplary) in this regard.

Registration office staff seemed generally adequate in number and training to conduct registration of subsequent transactions (those transactions occurring after the first registration of a property). All offices included staff members (in addition to the registrar) that covered reception/counter service, cashier/finance, registration processing (clerks, lawyer, and cartographer/engineer), and archiving.

Conclusion: All planned district registration offices are open. Inadequate or inappropriate space is a problem in some offices. Staffing seems adequate. Transactions are being registered.

B. Objective 2: Acquire Base Maps for Remaining Cadastral Zones

Base mapping is not yet complete. For urban areas, about three to four percent remains to be finished. For agricultural/village areas, about 18 percent remains to be finished. Original estimates put total agricultural land to be mapped at about 840,000 hectares. Actual amounts are about 5 percent higher. Some remote cadastral zones (CZ) have not been mapped because PMU mapping staff has not been able to obtain secure access. Several trained and qualified PMU staff members with specialized mapping expertise have been lost to foreign employers. The PMU cartography department head estimates that an additional €3.2 million will be needed (beyond funds already committed) to complete the base mapping, map servitudes on existing maps (which was not a part of the original plan), and obtain equipment and automobiles. A request for this additional funding, which would be spent in the latter half of 2001 and first part of 2002, is now being prepared.

Conclusion: Base mapping could be nearly complete (excluding some remote or insecure areas) by December 2001.

C. Objective 3: Conduct First Registration for Agricultural and Urban Land

Measured in terms of the number of CZs for which first registration records have been completed and turned over to the registration offices, first registration is about 50 percent complete. About 1,440 CZs out of 3,046 have been delivered. Delivery of each CZ requires draft *kartela* preparation, public posting and comment, resolution of conflicts and claims (though some conflicts may remain unresolved), final *kartela* preparation, final index map preparation and delivery of bound *kartelas*. About 1,000 additional CZs are in the first registration process. Completion of these CZs would bring completion to 79 percent.

Measured in terms of the total number of properties to be registered (estimated by the PMU to be approximately 3,000,000), first registration is about 44 percent complete, with the *kartelas* for about 1,321,600 properties having been delivered. Many additional properties are in the first registration process (within the 1,000 additional CZs). Assuming that the average number of properties per delivered CZ was to remain constant, completion of the properties within the 1,000 underway CZs would bring the completion total to 75 percent.

Early efforts at first registration focused upon agricultural land, where title documents were substantially clear and available for processing. Attention was next turned to apartments within urban CZs (or portions of CZs). Again, title documents for apartments have been relatively clear and available.

Difficult properties exist in districts having significant numbers of nonagricultural, non-apartment, or non-state parcels (that is, stand-alone residences or commercial parcels). Many of these difficult properties await first registration. The characteristics that make these properties difficult to register include:

1. the need to organize and review a large number of *hipoteka* documents;
2. the unavailability of Restitution Commission and Privatization Agency documents;
3. the existence of Restitution Commission decisions that cloud titles because of a failure to join interested third parties or to conform to registration system parcel determinations;
4. the existence of court decisions that cloud titles because of a failure to join interested third parties or to conform to registration system parcel determinations; and
5. a complete lack of documents that establish title.

Several approaches are being used to resolve the first registration of difficult properties. Where relatively simple but time-consuming culling and parsing of *hipoteka* documents is

required to establish title, the first registration staff has been so engaged. Rather than systematically working through the properties by CZ, however, the process has frequently been prompted by an attempt to register a transaction before first registration has occurred. That is, presentation of purchase and sale documentation for registration has prompted first registration of some properties and has provided staff with information to allow them to sort through the *hipoteka* documents and create a chain of title.

Where Restitution Commission or Privatization Agency documents have been unavailable, first registration staff have begun (and, in some cases, successfully completed) negotiations for access to those documents. Where attempts to obtain documents have been unsuccessful, the registration of properties in the corresponding CZs has been blocked. In some cases, the local commissions or agencies want money in exchange for making the documents available.

Where Restitution Commission or court decisions have clouded title or not conformed to PMU parcel demarcation, properties have been preliminarily registered in the name of one of the parties and flagged to indicate a problem. Here, subsequent court action may be required to render clear title.

Where there are no ownership documents at all for a parcel, property occupants can attempt to establish title by way of declaration and providing supporting documentation. If this process fails or if no occupier comes forward to establish title, the property is registered in the name of the state. About 30 percent of all properties registered within the system are registered to state ownership. This total includes both the properties having unclear title and actual state properties (including schools, roads, buildings, and plots). An inventory of state properties is planned as a future activity. For many of the “state properties” that are in fact possessed and occupied by private entities, it is expected that title will be resolved at the time of any subsequent transaction.

In the districts visited, the number and severity of difficult properties varied. In one district, two CZs have been blocked from registration because of an inability to obtain documents from local agencies. About a quarter of this district’s urban CZ parcels are non-apartment properties that will be difficult to register. Also in this district, an estimated 15 to 20 percent of all privately occupied properties will be registered in the name of the state because privatization documents do not exist. In another district, about 20 percent of all properties have been blocked from first registration because restitution and privatization documents have not been made available. In this same district, about 30 percent of the rural properties have a conflict between the *tapi* holder and another claimant, and some properties are blocked from first registration because PMU first registration staff cannot obtain access to the properties for survey and measurement. In a third district, there are about 15,000 non-apartment properties within nine urban CZs that will require time-consuming first registration efforts. In a fourth district’s urban CZs, there are about 17,000 *hipoteka* documents (related to subsequent transactions of privatized properties) to be parsed as a part of first registration. Assuming that perhaps 13,000 properties might be represented by these documents and about 300 work days from November 2000 through December 2001, about 43 first registrations will need to be completed each day to complete first registration for the 13,000 properties.

At current rates of completion, first registration of many of the difficult properties will likely remain unfinished by December 2001. As the effort and amount of coordination required to register difficult properties increases (by virtue of the easier cases being cleared first), completing first registration of the final properties will become marginally more costly. In any event, there is probably a lack of sufficient PMU staff in district offices to complete first registration by December 2001.

Conclusion: First registration of many of the difficult properties will likely remain unfinished by December 2001. A rough estimate would put the number of unregistered properties between 20 and 35 percent of all properties at the end of 2001. It is important to note, however, that even if the PMU meets its objectives, 10 to 20 percent of the properties will not be first registered. (This percentage is included in the 20-35 percent of all properties not registered by December 2001.)

D. Objective 4: Regularize Rights Where Documentation is Lacking

In some 600 villages, property was privatized by way of restitution rather than allocation, and the local Land Commissions did not issue *tapis* or other ownership documents to landholders. In some of these areas PMU field teams have compiled property occupation data and have prepared parcel maps. The information has been entered into parcel books and the books have been provided to local government officials in an attempt to encourage them to issue ownership documents. Ownership documents have not yet been issued by these local entities.

Conclusion: Some of the ownership information has been gathered and made available to local governments. Since local government agencies have failed to issue ownership documents, these properties will probably not be registered by December 2001.

E. Objective 5: Finalize First Registration

The status of first registration is discussed under Objective 3 above.

Objective 5 contemplated the establishment of verification commissions to assist in the monitoring of the public display and other first registration activities. The commissions were to include: the elder of the village or town, representatives from the commune or municipality, the cadastre office, and the *urbanistic* office, the District Registrar and the PMU District Coordinator. No verification commissions have been established. When necessary, PMU staff, in cooperation with local representatives, has verified and corrected posted first registration information.

Conclusion: First registration of many properties will likely remain unfinished by December 2001.

F. Objective 6: Create Digital Archives

Approximately 30 percent of the index maps have been digitized. Despite the loss of trained and qualified PMU staff, PMU management believes that digitization of substantially all

index maps will be complete by December 2001. Some of the final corrections resulting from public display and verification have not been entered into the digitized maps. Also, it is seen as troubling by PMU mapping staff that IPRS staff has no capability or interest in updating the digitized maps to reflect subsequent property transactions. The digitized maps will quickly be out of date as corrections continue and transactions (partitions, for example) increase.

All initially prepared *kartelas* have been entered into the database (by virtue of preparing the property lists for public display). Again, some of the final corrections resulting from public display and verification have not been entered into the *kartela* database. The *kartela* database is not delivered to the IPRS when the final first registration *kartelas* are delivered to the IPRS. Therefore, the *kartela* database will quickly be out of date as corrections continue and transactions increase.

Integration of the digitized maps and the *kartela* database has begun for some of the rural CZs, although little overall progress has been made because neither all the base maps nor all the *kartelas* have been entered into the database.

Conclusion: The PMU estimates that all digitization and data entry of maps and *kartela* will be complete by December 2001, to the extent that the maps and *kartela* are complete. Digitized maps will quickly become outdated (although hardcopies will likely be updated to some extent by IPRS). The *kartela* database will also become outdated as transactions continue.

G. Objective 7: Conduct First Registration of Forest, Pasture and Waste Land and Other Immovable Properties in Public and Private Ownership

The base mapping of 1,121 CZs has been completed, and the gross designation of plots has been added to these maps. The total number of forest, pasture, waste and other land parcels is unknown. Some estimate of the total is needed to determine progress. In any event, some resolution of administrative boundaries will be required to complete the mapping and parcel designation.

Conclusion: First registration of many of these properties will likely remain unfinished by December 2001.

H. Objective 8: Tirana and Durres First Registration

Measured in terms of the number of CZs delivered to registration offices, first registration of Tirana/Durres is about 63 percent complete. Another 86 CZs in Tirana/Durres are in the first registration process. Completion of these CZs would bring completion to approximately 97 percent.

Many of the CZs underway but not complete or not yet underway within the Tirana/Durres corridor contain difficult properties. This reality was recognized by the LMAP when it noted that these properties, “combined with the difficulties in coordinating and enforcing urban

regulation, have created an environment which will require particular attention and procedures to complete first registration.” With this reality in mind, the LMAP put forth a number of activities under this objective. They included:

- the identification of potentially valid claims of ownership and other interests in immovable property;
- development of the necessary institutional CAs to ensure that ownership documents would be made available to the PMU;
- development for “parcelizing” all of the records;
- priority PMU support (directly and through contract staff) to the Tirana and Durres district registration offices for first registration;
- development, in cooperation with all relevant agencies, of the legal and regulatory basis for documentation of public property rights; and
- development, in cooperation with the Ministry of Justice, of standardized adjudication procedures for resolving competing claims.

Some of these activities have not yet been undertaken. Accomplishing these activities would probably help speed first registration in the Tirana/Durres CZs. For example, having express institutional CAs in place would, in fact, make it easier to obtain documents that establish immovable property rights. As another example, having a standardized adjudication process in place by which controversies are heard and resolved would make dispatching with competing claims quicker and less costly and would yield more standardized results.

Conclusion: First registration of many of the difficult properties within the Tirana/Durres CZs will likely remain unfinished by December 2001, although the majority of legal properties will have undergone first registration. Illegal constructions have not been addressed during the first registration process.

I. Objective 9: Public Information and Institutional Linkages

The slated public information events have occurred as scheduled. Although many property owners have not come forward with ownership documentation, those property owners undertaking a transaction subsequent to privatization seem to be generally aware of the IPRS requirements and process. The volume of transactions conducted within the district registration offices indicates that there is significant familiarity with the registration requirements.

Cross-institutional links with other public entities appear to be weak in some places, despite an avowed knowledge by most public ministries and agencies of the existence, importance and function of the IPRS. Evidence of the weaknesses is shown by the failure of the various ministries to coordinate their activities with the IPRS. Additional signs of weakness are shown by the Restitution Commission and court decisions that conflict with the principles of registration, the inability to obtain documentation from the Restitution Commissions and Privatization Agency, controversies with the Ministry of Defense over base map ownership, and with the Ministry of Transport over property takings that do not comport with IPRS parcel designations.

The cross-institutional link with the Chamber of Notaries appears to be strong, with the notaries being informed about IPRS procedures and requirements. PMU staff members have forged some strong connections to NGOs. The Foundation for Conflict Resolution and Reconciliation of Disputes, and the Center for Habitat Development (Co-Plan) are examples.

Conclusion: The outputs required under this objective have been delivered. The required number of contacts with other public institutions was probably insufficient; cross-institutional links are weak. Some links with other institutions have been forged.

J. Objective 10: PMU and IPRS Staff Training

Training of district PMU and IPRS staff has occurred as planned, as has management training for the registrars. Training of IPRS staff on database updating and financial management has not occurred. Training for professional groups (notaries, lawyers, bank employees, and local government personnel) has not occurred as planned. Training abroad has occurred to the extent planned. A testing program has been developed and used once. The nominal contents of a registration manual have largely been created in the preparation of Regulation No. 184: Regulation for the Work of Immovable Property Registration Office (April 1999, amended January 2000), Instructions on First Registration in Urban Zones (June 1999) and Manual for First Registration of Forests and Pastures (August 1999).

Variation in both first and subsequent registration procedures and practices was noted during visits to district registration offices, although not to an extent to prevent substantially accurate first registration or registration of subsequent transactions. PMU and IPRS staff, for the most part, seem basically trained in the rudiments of the existing procedures and processes.

Conclusion: Training has been performed in general conformance with the required outputs and has generally delivered the requisite level of knowledge and expertise.

K. Objective 11: Monitor and Provide Technical Assistance by the PMU and Registration Office Staff to Field Teams and Coordinators Doing First Registration Work

This objective provided for the support of the PMU first registration field teams and included assistance in mapping, *kartela* preparation, financial management, identification and resolution of constraints, organizational and procedural advice, and organization of the overall work.

Conclusion: Central PMU and IPRS staff has monitored and helped the field teams and coordinators within the districts.

L. Objective 12: Develop Legal and Institutional Options for the Improvement and Sustainable Progress of Immovable Property Markets

PMU, LTC, University of Wisconsin authors and others have prepared a variety of studies and commentary over the life of the project. These materials address the Albanian land registration system, land tenure situation, land administration, land protection, and property market. These publications have provided valuable perspectives and have contributed to the body of literature related to these subjects.

A variety of draft and final laws, regulations, and procedures have also been created over the life of the project. These include (but are not limited to) the Law on Registration of Immovable Property, and the Law for the Transfer of Ownership of Agricultural Land, Meadows, Pastures and Forests.

The CA generally calls for the strengthening of Albanian land market institutions, including:

- capacities for property appraisal,
- flow of real property demand and supply information,
- access by the disadvantaged to property markets,
- legal and land survey services, and
- basic land market legislation.

Of the above, some property appraisal standardization and training has been done, a flow of demand and supply information has been created within the IPRS (although it is not yet being systematically gathered and dispersed), private land survey service capacities have been created, and basic land market legislation has been enacted. Private real estate brokerage firms have also developed computerized listing services that are good sources of real property demand and supply information. Individual firms have not yet linked their systems with other firms to form a more extensive listing service, but such a system is being discussed. There was no evidence that there has been any increase in access by the disadvantaged to property markets.

The CA also calls for land policies dealing with:

- land use zoning,
- preservation of agricultural land,
- assuring access to the land market by capital-poor families,
- gradual liberalization of the land market,
- assuring intra-family rights to real property, and
- environmentally sustainable tenure systems for the management of fragile environments.

Of the above, land policies related to the gradual liberalization of the land market have been developed (registration, transfer, partition, lease, and others). The Land Market Project has not been as successful at creating land policies dealing with the other topics.

It is notable that real estate markets in urban and peri-urban areas have been and continue to be very active. Markets seem to have been self-starting to some extent, especially in peri-urban areas where illegal occupation and construction have been quite common, and where agricultural land is being converted into urban use. Market activity has also been stimulated by privatization, the enactment of several vital land-related laws, and the subsequent (and ongoing) registration of properties. By contrast, the agricultural land market is sluggish because of a lack of demand for agricultural land caused in part by very low demand for locally produced agricultural products. Local agricultural products continue to be more expensive than products from neighboring countries. Fragmentation of agricultural land resulting from the privatization of State and collective farms is also blamed by some for decreasing agricultural production, and, therefore, creating a low demand for agricultural land. The desire to consolidate agricultural parcels ought to increase agricultural land market activity in the future.

Conclusion: The drafting of vital land legislation and the implementation of the immovable property registration system have helped to stimulate Albanian land market activity. Urban and peri-urban land markets are active; agricultural land markets are less active.

SECTION III. RECOMMENDATIONS FOR NOVEMBER 2000 THROUGH DECEMBER 2001

Our principal recommendation regarding activities during the remaining fourteen months of the project is that the IPRS, PMU and LTC technical assistance team should focus on a narrow set of objectives rather than pursuing all of the activities described in the LTC CA and the Land Market Action Plan. In our view, the highest priority objectives are the following:

- strengthening the IPRS,
- integrating PMU skills,
- finishing first registration,
- improving public service and refining registration procedures, and
- streamlining transaction procedures.

Achievement of these objectives will yield the best results in terms of ensuring the long-term viability of the registration system, and stimulating real estate markets in Albania. Each of the objectives is discussed in more detail below.

For the PMU, IPRS and LTC technical assistance team to achieve these objectives, they are going to need the support and cooperation of the government and various ministries. During the early years of the project, the Coordinative Working Group provided much of this support, and served as a means of coordinating the activities of the different ministries represented in the Group. The Group has ceased functioning in recent years leading to a severe lack of cooperation among government agencies. We discussed this issue with almost every one we met during our visit, including the Chief Registrar, the Minister of Agriculture, the Managing Director of the PMU and members of Parliament. All agreed that reinvigoration of the Working Group, or a similar coordinating body, should be a top priority. The Minister of Agriculture said he would initiate a meeting of the Group. If the Minister of Agriculture has not already convened the Group, steps should be taken immediately to do so. The Group should recommence regular meetings and should report its findings to the government so that actions necessary to facilitate the work of the PMU and IPRS will be taken.

In addition to the support of the Coordinative Working Group, successful achievement of these objectives may require the international donor agencies to play a more active role in bringing key issues to the attention of government. Donor intervention may be particularly important in addressing issues such as institutional strengthening of the IPRS and relocation of the Tirana I registration office. The LTC team will play a key role in stimulating action on these objectives and seeking donor support when necessary. The LTC team may have to take the lead on some of these issues if the IPRS and PMU do not have the personnel to do so themselves.

A. Strengthen the IPRS

The IPRS is a relatively new institution that in the short run will depend on government support and oversight. The long run goal, however, is for the IPRS to become self-financing

and self-managing. In order for that goal to be achieved, it is important for the IPRS and technical assistance team to concentrate on the following issues over the remaining life of the LTC CA:

- elevate the position of the IPRS in government;
- improve the IPRS's accounting systems;
- prepare and submit a financial plan to the government proposing a timeline and specific steps to be taken for the IPRS to become self-financing and self-managing;
- prepare an operational plan so as to improve and formalize administration of the IPRS central office, and management of the district offices²; and
- integrate skills from PMU to the fullest extent possible.

1. Elevate Position of IPRS in Government

One of the reoccurring themes we heard during our meetings in Albania was that the IPRS lacks the institutional strength and status to function effectively within the government structure. The IPRS is a government "agency" that reports directly to the Council of Ministers. Since it is neither a ministry, nor subordinate to a ministry, it has become increasingly isolated from other government agencies, which has greatly diminished its effectiveness. In some cases the IPRS's nonministerial status has resulted in a lack of cooperation from other government agencies. In other cases, government agencies have actively blocked the IPRS's proposals to government. Formal clarification and elevation of the IPRS's status within the government structure is crucial to increasing its effectiveness and ensuring long-term sustainability.

There are several ways to strengthen the IPRS's standing within government, including elevating it to ministerial status, incorporating it into an existing ministry, or making specific changes to the IPRS to bolster its standing relative to other government agencies. We discussed these three alternatives with many government officials and nongovernment participants in real estate markets. The overwhelming majority favored altering the IPRS but not making it into its own ministry, or integrating it into an existing ministry.

Most people rejected the idea of elevating the IPRS to ministerial status because they felt that the IPRS's narrow mandate (i.e., registration of real estate transactions) was not sufficiently important to justify its being a stand-alone ministry. In the context of recent economic reforms, the IPRS has had a relatively high-profile role. This role will naturally diminish over time as privatization, compensation, and first registration issues are resolved, and the IPRS settles into the largely routine, administrative task of registering real estate transactions. Given that the IPRS's role in policy-making is likely to diminish over time, and is unlikely to be equivalent to that of other ministries, we agree with those who oppose elevating the IPRS to ministerial status.

² The financial and operational plans are closely related and though we propose two separate documents, they could also be combined into one document.

Most people also rejected the idea of making the IPRS part of an existing ministry. They feared that moving it into another ministry would diminish its independence and impartiality and make it captive to the broader goals of whichever ministry into which it was moved. From a substantive perspective, most people felt there was no particular ministry into which the IPRS would conveniently fit. For example, the Ministry of Agriculture has jurisdiction over agricultural issues, but the registration system includes both agricultural and nonagricultural properties. Conversely, the Ministry of Public Works has jurisdiction over urban properties, but not agricultural areas. The Ministry of Finance was also mentioned as a possibility, but was not favored because of the fear that, if the IPRS were part of the Ministry of Finance, the public would avoid using it because of the perception that registration would be tied too directly to taxation. The only other Ministry that was mentioned as a possibility was the Ministry of Justice. Many countries have avoided putting their registration systems in the Ministry of Justice because of the perceived conflict of interest presented by the Ministry of Justice's roles in law enforcement and supervision of the notaries and courts. Again, we agree with those who oppose moving the IPRS into an existing ministry.

Given the overwhelming support for preserving the IPRS as an independent agency, we recommend taking steps necessary to remedy its current difficulties and to bolster its standing within government.

A difficulty for the IPRS that should be addressed is its inability to present legislation directly to the Parliament. Because the IPRS is not a ministry, and the Chief Registrar is not a member of the Council of Ministers, the IPRS cannot make legislative proposals directly to Parliament. Proposals must be channeled through either the Council of Ministers or a particular line ministry. This process has meant that IPRS proposals for important legislative changes have been delayed, or, in some cases, blocked. There are other nonministerial agencies such as the Central Bank that have the authority to present legislation directly to Parliament. We support the idea of giving similar authority to the IPRS.

Another comment we heard frequently is that the IPRS is too susceptible to external political pressures. One reason for this is that the Prime Minister currently appoints the Chief Registrar. Thus, changes in the government are likely to result in replacement of the Chief Registrar, creating an impression of instability and political influence. Some members of Parliament suggested that the Chief Registrar could be insulated to some extent from political changes if he or she were appointed by the President and confirmed by Parliament. We do not know Albanian constitutional law or precedents in other government agencies well enough to know whether this is a viable option, but we support steps to insulate the Chief Registrar and the IPRS from political influence. In the long run this will increase the credibility of the Chief Registrar and the IPRS, which should increase people's confidence in and willingness to use the system.

The issue of strengthening the IPRS is one that should be among the first to be discussed by the Coordinative Working Group when it reconvenes. The Group should consider the options described above, as well as others, and should submit a list of recommendations to the government. Without the support of the Group, it is unlikely that the IPRS on its own will be able to convince government to implement such changes.

2. Improve Accounting Systems

Based on our limited discussions of financial issues at the district and central offices, we believe the IPRS could benefit significantly from an effort to upgrade its accounting systems. John Manthorpe, a consultant who reviewed the IPRS's financial and accounting systems during two visits to Albania in February and October 1999, concluded that the IPRS uses sound bookkeeping, accounting, and audit procedures capable of tracking actual and budgeted revenues and expenses.³ He also concluded that IPRS staff possesses the skills and are capable of forming "an effective nucleus to administer the IPRS as a self-financing institution." Although we concur with Manthorpe, we found many of the IPRS's financial reports to be very difficult to interpret. In some cases they contained obvious inaccuracies and internal inconsistencies. In addition, it was very cumbersome to generate monthly financial data because the only way to arrive at monthly figures was to subtract the prior month's cumulative data from the current month's cumulative data.

If the IPRS is to make a credible argument to government that it should be granted increased financial and administrative autonomy, it must be capable of producing detailed financial reports that are accurate and easy to understand. Given that the IPRS is going to be faced with a significant reduction in technical assistance at the end of next year, improvement of the accounting systems is a high priority. Therefore, we recommend that LTC bring in a consultant as soon as possible to work exclusively with the IPRS for between two and four months on refining the IPRS's accounting systems and financial reporting capabilities. The consultant would also help prepare the financial and operational plans described in the following section.

3. Financial Plan and Submission to the Government

The Chief Registrar, PMU and LTC team must use the next fourteen months to develop a financial plan describing how the IPRS will generate or receive adequate funding from the government to continue to carry out its activities. The plan should be the centerpiece of a submission to the government advocating increased fiscal and managerial autonomy for the IPRS in order to allow the IPRS to attain self-financing status over a period of years. Ideally, the IPRS would initiate the preparation of the plan and would receive guidance and support from the Coordinative Working Group and the technical assistance team. Given the importance of getting the process started, however, it is recommended that the LTC technical assistance team take an active role in initiating and supporting the process. In addition, it is recommended that USAID and the other donors send a clear message to the government regarding the importance of the plan given the significant reduction of financial support scheduled to occur at the end of 2001.

The IPRS currently operates at a significant deficit, and its budget is subject to many legislative constraints as well as approval by the Ministry of Finance. In other words, the IPRS is a long way from being self-financing or self-managing. Under current arrangements,

³ Manthorpe, October 1999

the IPRS is permitted to retain 60 percent of the total fee income it collects.⁴ (This does not include the “transfer tax” that each district office collects for every transaction, the entire amount of which the IPRS provides to the government.) In 1999, the IPRS collected fee income of 75 million Lek, 45 million of which it was permitted to retain. During the same period, the IPRS had expenditures (not including capital improvements) of 122 million Lek. The government financed the 77 million Lek deficit from the national budget.

Some work has been done on analyzing the IPRS’s finances and preparing a plan for moving it towards self-financing status. Manthorpe, in his October 1999 report, described a plan whereby the IPRS could become self-financing if it were allowed to retain 100 percent of the fees it collects rather than 60 percent and if it raised fees by approximately 63 percent over the next five years. Like Manthorpe, we believe substantial additional work must be done on preparing a submission to the government outlining the changes that would need to be made in order for the IPRS to become self-financing. The submission would have to be based on specific and realistic projections, and would have to be supported by arguments about why the proposed changes should be desirable to the government.

To assist the IPRS in developing its submission to government, we recommend that the consultant described in the previous section work with the IPRS on developing a comprehensive financial plan that would include the following:

- detailed estimates of revenues and expenses for the IPRS for the next five years based on projected numbers of transactions, fees collected, and proposed staffing levels for the central and district offices;
- proposals for gradually adjusting fees as necessary to enable the IPRS to become self-financing (or as close as possible), bearing in mind the public’s ability and willingness to absorb fee increases;
- proposals for adjusting staffing levels and duties in the central and district offices in order for the IPRS to become self-financing as closely as possible; (This would include job descriptions for IPRS employees, and would account for the fact that smaller district offices should have fewer employees than larger offices, and that, in the smaller offices, the employees might have to perform a broader range of responsibilities.)
- a proposal to the government to allow the IPRS to move towards financial and administrative autonomy by gradually increasing the percentage of fees it is allowed to retain; (The proposal would include the arguments in support of allowing the IPRS increased financial autonomy. The proposal would also include steps the IPRS would take to ensure that revenues would be used to support the system.) and
- a proposal to the government to allow the IPRS to reclassify its employees (i.e., increase salaries) over time in order to be able to attract and retain qualified specialists.

⁴ There are specific legal constraints on how the IPRS may use the 60 percent of fee income it is allowed to retain. Half of the 60 percent may be used for “operations,” 30 percent for “investment,” and 20 percent for “bonuses” to supplement staff salaries. Any part of the 60 percent that is unused is returned to the government.

4. Operational Plan

In addition to the financial plan, we believe it is important for the LTC consultant and the IPRS to prepare an operational plan that would guide the IPRS's current and future administrative activities. The operational plan should address management and operation of the central office and the district offices.

With respect to the central office, we found that the staff we met was well trained and capable of fulfilling their duties. The problems they faced related primarily to a lack of formal administrative structure within the central office and a shortage of staff. In his October 1999 report, Manthorpe presented proposals for organizing and managing the central office. The proposals included dividing the central office into three directorates: registration; policy and development; and administration. Manthorpe developed fairly detailed descriptions of the duties and staffing of each directorate. We believe Manthorpe's recommendations form a good starting point for development of an organizational structure for the central office. His ideas should be refined based on careful consideration by the Chief Registrar and his staff, with the assistance of the LTC consultant, and should be implemented as quickly as possible.

In addition, the Chief Registrar should attempt to hire additional staff for the central office. Although we caution against a disproportionate expansion of the central office relative to the overall size of the IPRS, it appears to us that the central office could use some additional employees, particularly lawyers and trainers. Currently, the one lawyer in the central office is responsible for responding to inquiries from the district offices, preparing regulations and other legislation, and conducting much of the training of district office staff. We understand that the IPRS budget contemplates the hiring of additional staff and we encourage the Chief Registrar to do so, even if it means squeezing more people into existing office space.

The operational plan should also describe the relationship between the central office and the district offices. The decentralized network of 34 district registration offices creates significant management challenges that are exacerbated by the remoteness of some of the offices, and poor transportation and communication links. Given these challenges and the inexperience of some of the district offices, it is particularly important for the Chief Registrar to develop a formal system whereby the central office will communicate regularly with district offices for purposes of supporting and monitoring their activities. One suggestion that has been made is that the district offices be organized into five or six regional groups that would meet twice a year with the Chief Registrar and other central office staff. This suggestion, as well as other possible approaches, should be considered carefully, and a formal plan should be adopted and implemented. Such a plan will help ensure competency and consistency among the district offices.

The operational plan should also describe guidelines for hiring of staff, suggested staffing levels for district offices of varying sizes, formal job descriptions, and training programs both for initial and ongoing staff training. The IPRS would be well served to move to a more transparent system of hiring, whereby jobs were announced publicly and candidates were evaluated on the basis of clearly stated objective criteria. District offices should strive to hire the most qualified and well-trained staff possible. During our field visits we observed that some district offices are obviously overstaffed. Adjustments may need to be made in districts

with relatively low transaction levels. Staff in smaller offices may need to perform a broader range of activities to compensate for the smaller number of employees. All employees should be well trained, and, although training so far has been impressive, a formal program needs to be developed to ensure that all employees receive adequate initial and ongoing training.

Although this may not necessarily be a part of the operational plan, we suggest that the Chief Registrar and the technical assistance team produce a comprehensive registration manual to be distributed to each of the district offices. We observed that most district offices had copies of the registration regulations; registrars and other employees consulted them regularly. The regulations contain much of the material for a manual, but there are gaps that still need to be covered. Ideally, the manual would be organized and user friendly and less legalistic than the regulations.

5. Integration of PMU Skills

One of the early successes of the project was the establishment of the PMU to conduct first registration, and, once first registration is completed, to work with the IPRS on the establishment and ongoing operation of the system. Because the PMU was created several years before the IPRS, staff at the PMU generally have received more training and have more experience than their counterparts at the IPRS. It is important to the ongoing success of the project that the expertise at the PMU be transferred to the fullest extent possible to the IPRS, whether through cooperation and communication between the two institutions, or gradual integration of PMU staff into the IPRS.

Although integration of PMU staff into the IPRS has occurred in some of the district offices, it is unlikely to occur at the central office level because of the significant difference in salaries paid by the PMU and the IPRS. PMU staff almost universally rejected the idea of going to work for the IPRS at a lower salary even though the IPRS might offer more stable long-term employment. As stated above, we believe that as part of the financial plan the IPRS should make a case to government for raising its salaries, both to attract qualified people from the private sector and to attempt to retain some of the specialists at the PMU. Without an increase in salaries, very few if any of the central office PMU staff are likely to move over to the IPRS.

Given that the integration of staff from the PMU into the IPRS may not occur, it is particularly important over the next fourteen months that the skills developed at the PMU be transferred to the IPRS staff to the fullest extent possible. The ideal way to maximize interaction between the PMU and IPRS staffs would be to locate the PMU in the same building as the IPRS. The IPRS has proposed renovating the floors above the IPRS office in the Tirana using World Bank funds and then moving the PMU to those floors. Though we support locating the PMU with the IPRS, we have reservations about the IPRS's proposal for two reasons. First, as discussed in more detail below, we strongly oppose any plan that includes keeping the Tirana I district registration office in its current location. Second, it is highly unlikely that the World Bank funds will be available for the renovations to be completed much before the end of 2001 (when USAID funding to the PMU is scheduled to end). Moving the PMU must occur much more quickly if it is to be of any use. We therefore urge the IPRS, PMU and the international donors to explore options, including new space for

the Tirana I office, that would allow the PMU to co-locate with the IPRS as quickly as possible.

Given that the relocation of the PMU is unlikely to occur in the next two or three months, IPRS and PMU management should develop mechanisms to increase cooperation and communication between the two agencies. Ideas to be explored include: conducting regular meetings during which issues of interest to staff from both agencies could be discussed, creating committees with representatives from both agencies to address particular problems, and seconding PMU staff to the IPRS to assist on particular projects. None of these things will happen without leadership from the Chief Registrar, the Managing Director of the PMU, and members of the LTC technical assistance team. Increased cooperation and more regular communication among all parties are essential to facilitating the transfer of skills from the PMU to the IPRS.

The physical separation of the two agencies is further complicated by the fact that the PMU is not clearly subordinated to the IPRS or to any other single government agency. On one hand, the PMU answers to the Ministry of Agriculture because the projects managed by the PMU are technically agricultural projects, and because the Minister of Agriculture appoints the Managing Director of the PMU. On the other hand, the PMU is responsible to the IPRS for conducting first registration. Occasional strained relations or disagreements between the Ministry of Agriculture and the IPRS have left the PMU stuck in the middle without clear direction. From a purely institutional perspective, it would be helpful to reposition the PMU under the IPRS. We understand that such a move may not be practical in the remaining time of the project, but we think it is worth considering.

One argument against subordinating the PMU to the IPRS is that the PMU's mandate under the Land Market Action Plan includes a range of land reform and land market activities that are outside the institutional authority of the IPRS. Although this is technically true, the reality is that the PMU long ago ceased working on land reform issues and is now focusing entirely on first registration. Moreover, the subordination of the PMU to the Ministry of Agriculture has become less logical as first registration activities have shifted from rural to urban properties.

Though it may not be practical to reposition the PMU under the IPRS, donor agencies should be aware that continued funding of the PMU through the Ministry of Agriculture is likely to inhibit efforts to integrate the PMU and IPRS. For future projects that relate specifically to registration, the IPRS should be the sole government counterpart.

B. Finish First Registration

The Law on Registration of Immovable Property gives the PMU the authority to conduct first registration (i.e., the process of systematically preparing registration index maps and *kartelas* for a group of properties, and verifying the accuracy of ownership information by inspecting documents and conducting a public display). Once the PMU completes first registration for all the properties within a CZ, or for a group of properties within a zone, it delivers the index maps and *kartelas* for the completed properties to the appropriate IPRS district office. A

notation is made on the *kartela* for any property that is the subject of conflicting claims, or for which there is insufficient documentation to determine ownership. Once a property is turned over to the IPRS office, that office becomes responsible for processing any transactions that occur after first registration.

The PMU's goal over the next fourteen months is to complete first registration for approximately 80 to 90 percent of the properties in the country, leaving unfinished only properties in remote regions and properties for which privatization documents have not been issued. As described in Section I, the PMU has currently completed first registration for approximately 1,440 of the 3,046 CZs in the country. An additional 1,000 zones are at different stages of the first registration process. The pace of first registration has slowed somewhat as the PMU has shifted its focus from agricultural to urban properties. The PMU began its work in urban areas by focusing on apartments, and is now moving to such non-apartment properties as single-family homes and commercial and industrial properties. The first registration of apartments appears to be relatively straightforward and is proceeding rapidly.

For IPRS to meet its first registration goals and to plan for the IPRS to have the ability to complete any uncompleted first registration, we recommend that the PMU and LTC technical assistance team focus on the following three areas over the next fourteen months:

1. Ownership documents — obtaining ownership documents from other agencies, helping other agencies issue ownership documents in cases when they have not been issued, and developing procedures for addressing cases in which ownership do not exist.
2. Refine first registration procedures — streamlining first registration procedures, especially for non-apartment urban properties.
3. Post-project first registration plan — developing a plan for the IPRS to continue first registration once the PMU completes its activities.

1. Ownership documents

There are two categories of cases in which the inability of the PMU to obtain ownership documents has inhibited the first registration process. The first category consists of cases in which other agencies are withholding documents from the PMU despite the clear legal obligation of those agencies to provide these documents to the PMU. The PMU needs to take steps immediately to pressure all uncooperative agencies to provide access to the documents in accordance with the law. To do this most effectively, we suggest that the PMU make all requests for documents in writing. Requests that are not honored should be repeated on a weekly basis until they are honored. The PMU should maintain a chart showing all requests that have been made and the status of those requests. The PMU should provide a copy of that chart every week to the members of the Coordinative Working Group, if that group again becomes active, or directly to the government. Resolving this issue is largely a matter of enforcing existing legislation and making sure that noncomplying agencies become the focus of political and legal pressure.

The second category of cases in which the PMU is having difficulties obtaining documents consists of properties for which documents do not exist. This category of cases contains three types of properties: (1) agricultural land in villages in which the local land commissions have not yet issued *tapis* to eligible recipients, (2) old urban properties for which documents never existed, and (3) properties that have been occupied without any legal authorization.

As mentioned in Section I, it is our understanding that there are approximately 600 villages (distributed across 87 CZs) in which local authorities have not yet issued *tapis*. In many of these villages, the delays have been due to political and sometimes legal issues that are not within the PMU's ability to control or resolve. Again, we believe the PMU should develop a systematic way of identifying and charting these areas, and should use the Coordinative Working Group, or the government directly, to bring pressure to bear on these localities to issue *tapis* in accordance with their legal obligations. The PMU might also explore legislative and institutional options for withdrawing the right and obligation for these dilatory local entities to issue the *tapis* and develop a plan for bestowing the authority upon another (less ineffectual) entity or level of government.

As the PMU has shifted its efforts from first registration of agricultural properties to urban properties, it has increasingly encountered the problem of trying to verify ownership of old houses and other urban properties for which ownership documents never existed. We understand that the PMU has developed proposed legislation that would enable it to confirm ownership through a process of collecting affidavits and interviewing neighbors. Adoption of this legislation should be a priority, and should be brought to the attention of the Coordinative Working Group and the government.

The final type of property for which the absence of documents has caused the PMU difficulties consists of properties that have been illegally occupied. Illegal occupation is a widespread problem throughout the country, especially in large urban areas like Tirana and Durres and the corridor between them. Illegal occupation is so pervasive that it is probably not possible to completely address the issue in the short run. Questions of illegal occupation will ultimately require comprehensive consideration by local governments, planning authorities, and national policy-makers. The best the PMU can hope for in the short run is guidance on how the PMU should handle illegal occupation in the context of first registration. We understand the PMU has prepared proposed legislation addressing this issue. Again, the PMU should bring its proposed legislation to the attention of the Coordinative Working Group and the government.

2. Refine First Registration Procedures

If the PMU is going to meet its goal of finishing first registration of 80 to 90 percent of the properties in the country, it is going to have to take measures to accelerate first registration and conduct it more efficiently. This is especially true for non-apartment urban properties, which are presenting the PMU with a variety of new issues that had not previously been encountered. First registration teams in some areas have just begun to wade through *hipoteka* documents and prepare draft *kartelas*. The PMU has difficulty predicting whether this process can be completed by December 2001 because PMU coordinators in the districts do

not have a clear sense of the number of non-apartment properties in their CZs; nor are they able to gauge how long it will take to review the *hipoteka* documents and prepare *kartelas*.

The PMU has recently advocated shortening the public display period from 90 to 45 days as a way of expediting the first registration process. Though we are not opposed to that proposal, it creates a risk that the public review will not be as effective as it should be. The PMU's proposal may not be politically popular because of the perception of unfairness if some areas of the country have a 90-day comment period whereas other areas have only 45 days. Another way to expedite first registration would be to accept a lower degree of certainty with respect to ownership information prior to the public display period. In other words, first registration teams would apply a lower standard of certainty when preparing draft *kartelas* and ownership lists for public display, and would rely more heavily on the public review to verify the ownership information. This approach would have to be accompanied by a corresponding effort to increase the effectiveness of the public display period by intensifying public notice and public education and making the public displays more accessible.

Another way of reducing the time that PMU first registration teams spend trying to resolve cases of unclear ownership would be to refer those cases at an early stage to outside mediators. The PMU could attempt to establish a more formal relationship with a group such as the Foundation for Conflict Resolution & Reconciliation of Disputes that could make its national network of mediators available to help resolve difficult cases. The PMU would have to provide training to these mediators, but the investment of time in training should pay off in terms of reduction of time PMU field teams have to spend trying to resolve unclear cases.

Whatever methods are adopted to accelerate first registration, the PMU should conduct a concentrated follow-on training program over the next four months to ensure that all PMU coordinators understand revised procedures and apply them consistently. PMU coordinators have already received considerable training, but new training would focus on how to resolve difficult situations such as old properties that lack documentation, illegal occupations, and cases in which there are conflicting legal documents issued by different agencies such as the National Privatization Agency and the local Restitution Commissions.

3. Post Project First Registration Plan

Over the next six months, the IPRS should closely monitor the PMU's progress on first registration because the IPRS will have to develop a plan for handling first registration after December 2001 if the PMU fails to complete it. The IPRS itself does not have the capacity to carry on with any significant first registration activities. It is probably inappropriate for the IPRS to gear up to conduct large-scale first registration since, once first registration is completed, the staff would no longer be needed. Therefore, the IPRS will either have to be prepared to retain PMU field teams in certain areas that are not completed by the end of 2001 (which would mean having to find funding for those teams) or to have an orderly procedure for discontinuing first registration activities.

Even if the PMU succeeds in finishing first registration for 80 to 90 percent of the properties in the country, some properties will remain unfinished, including groups of properties for which privatization documents have not been issued, and individual "problem" properties. It

appears that the IPRS district offices have the institutional capacity to handle the first registration of these properties once documentation is made available or problems are resolved. All these properties should be within areas covered by registration index maps delivered to the IPRS by the PMU. Production of new index maps will not be necessary. Any boundary modifications or parcel mergers or subdivisions should be within the routine competency of the IPRS staff. The IPRS staff should be able to enter onto the *kartela* the court decision or other documentation indicating the resolution of the problem. There appears to be an adequate supply of private sector surveyors and other experts to the extent they are needed to address individual cases in the future.

It is important to note that the Law for the Transfer of Ownership of Agricultural Land, Meadows, Pastures, and Forests prohibits the transfer of ownership of agricultural land until first registration of the land has been completed. Unless first registration of land is undertaken during the course of mass first registration, as conducted by the PMU, the owner must pay for a costly “special” first registration procedure. The high cost of the procedure essentially prevents special first registration of single parcels not registered during mass registration efforts. Therefore, it is important that mass first registration of substantially all agricultural properties be completed so as to permit an active agricultural land market.

C. Improve Public Service and Refine Registration Procedures

Most the district registration offices we visited were functioning relatively smoothly, with the notable exception of the Tirana I office, which is discussed in more detail below. Offices varied greatly in size and design, but were clean and user-friendly relative to other Albanian government agencies. Notwithstanding that the offices are functioning well, there are some improvements that should be considered, especially to make them more responsive to servicing the public. Minor, inexpensive improvements to the offices would dramatically improve their appearance and enhance their image with the public.

One such improvement would be to install additional information signs in the public areas of the offices. During our site visits, the only information we saw posted in the public areas of the offices were lists of the tariffs for different registration services printed on A4 paper and glued to the wall, sometimes in areas that were hard to see. Lists of tariffs should be printed on larger paper, and should be posted in more prominent locations in the offices. In addition, every office should have signs indicating hours of operation, and the documents that are necessary to process different types of transactions. As resources permit, posters containing important sections of the Registration Law or other relevant legislation or schematic diagrams that show the process through which a IPRS user must pass would be informative and would help enhance the credibility of the registration office in the eyes of the public.

In addition to more signs, registration offices could be made more user-friendly by making simple changes such as enlarging transactions windows (or removing barriers altogether), and allowing fees to be paid at the same window at which applications are submitted, rather than making people wait in separate queues for cashiers. We understand that changes of this kind would make the registration offices unique among government offices in Albania, but the

IPRS is a new institution that should be setting an example of being accessible and responsive to citizens who use its services.

1. Tirana I Registration Office

Of all the registration offices we visited, the Tirana I office was most in need of improvements to make it better able to serve the public. The office is located in a shoe factory that is tucked behind other buildings off the main road, making it very hard to find. There are one or two directional signs pointing the way to the office, but they are very small and inconspicuous. More importantly, the office is on the fourth floor of the building, which makes it very difficult to reach, especially for elderly citizens. During our visit, the weather was relatively cool, but the trip to the fourth floor would be even more difficult during the summer when temperatures often exceed 40° C.

Given that the Tirana I office is responsible for processing approximately 30 percent of the transactions in the entire country, we believe it should be moved to a more accessible location that would be easier to find. The office should be relocated as soon as possible before additional funds are invested in renovating or expanding the office. The longer the move is delayed, the more difficult it will be to find suitable space. We urge USAID, the World Bank and the EU to assist the IPRS in its efforts to obtain a new location from the government. Further, the World Bank should condition funding of its proposed Agricultural Services Project, approximately \$1 million of which is to be used to renovate the IPRS Tirana office, on identification of a new location for the Tirana I office. The Tirana I office, as the busiest and most important office in the country, should be the most accessible and efficient office in the system.

In addition to being inaccessible, we found the Tirana I office to be unacceptable from the standpoint of public service.⁵ We visited the office three times during our stay in Tirana, and each time there were between 50 and 100 people jammed into the reception area. Because there was no organized queuing system, people were pushing each other and jockeying for position to try to gain access to the two small transaction windows. The chaotic scene forces visitors to the office to think that the only way to obtain service is by working around the system, which creates a perception of corruption even if it is not present. There is no reason that the flagship office of the new registration system cannot be better run. International donors should condition future assistance on simple improvements like installation of a numbering and queuing system, more transaction windows, more signs to inform the public, and the other public service improvements described in the preceding section. All of these improvements should be required along with a new location.

2. Plan for Continued Employee Training

Though we found most district registration offices to be functioning relatively smoothly, the IPRS should develop a plan for continued training of employees. The training plan should be part of the operational plan described above. We mention it separately here only to

⁵ Our findings are consistent with those of all the other international consultants who have visited the Tirana I office. See Manthorpe, June 1998, February 1999, and October 1999; Schutan, November 1999; and Ford.

emphasize that the IPRS needs to be diligent about ongoing training of its employees even after they have received initial training. The central office needs to ensure that district employees receive the benefit of experience gained from other offices, and that procedures are applied uniformly throughout the system. Training is particularly important for former *hipoteka* employees who have years of experience working in the old system, and may find it more difficult to adjust to new procedures.

3. Develop Strategy for Digitizing and Updating of Maps

As reported in the discussion of Objective 6 in Section I, approximately 30 percent of the index maps have been digitized, and digitization of the remaining index maps is proceeding despite the loss of trained staff. PMU staff believes that the digitization of substantially all index maps will be completed by December 2001. Despite the PMU's optimistic projection, a strategy should be developed to ensure that the most important maps (i.e., those covering the areas in which markets are most active) are digitized on a priority basis in case there is insufficient funding to complete digitization of all maps. Such a strategy may already exist, but it appeared that maps were being digitized on a first come, first served basis rather than being prioritized.

The digitization strategy should also include a procedure for capturing final corrections resulting from public display and verification. According to PMU personnel, some maps being digitized do not include these corrections, which means they are inaccurate as soon as they are created.

PMU personnel were also troubled by the lack of the necessary expertise at the IPRS to update digitized maps to reflect boundary changes or parcel divisions or mergers that occur after first registration. It is unrealistic to expect each district office to have the equipment and capabilities to revise digital maps. The capacity for updating digitized maps will either have to be developed in the central office, or, if resources permit, on a regional basis. In any event, the IPRS should develop a procedure whereby map revisions are communicated to the central or a regional office and then regularly entered onto the digital versions. If such a procedure is not implemented, the digital maps will quickly become inaccurate and may have to be redone completely at some future date.

4. Plan for Automating and Networking District Offices

IPRS district offices are currently operating a paper-based registration system. They register transactions by making changes on the paper *kartelas* kept in the district offices. District offices are not equipped to update the computer records created during first registration — they lack computers, reliable power supplies, and trained staff. From a legal standpoint this is not a problem because under the Registration Law the paper *kartela* constitutes the legally binding record of title. The Law does not require any updating of the digital records. From a practical standpoint, however, the failure to update the digital records means that the digital information generated during first registration process will quickly become inaccurate. This situation may be unavoidable in the short run given the absence of computers and reliable electricity in most district offices.

The World Bank's proposed Agricultural Services Project includes funds to support future automation of the registration system. The automation component of the project is a proposed three-year program to be implemented in four phases:

Phase I: rehabilitation of the Tirana I registration office, procurement of basic technology to automate the district IPRS offices, and training in the use of technology;

Phase II: design and development of a model for a fully automated IPRS;

Phase III: implementation and testing of a model for data sharing between two test sites via a wide area network or the Internet; and

Phase IV: a rollout of the system in all districts, including procurement of networking technology, implementation of the network, and training.

Given the World Bank's proposed project, we advise against devoting a significant portion of USAID project resources to automation of the system. Project resources should be concentrated on achieving the priority objectives described above, particularly completion of first registration. Rather than taking the lead role on automation, the PMU, IPRS, and LTC staff should assist in developing the World Bank's project to ensure that it is consistent with the paper-based system, and takes into account practical considerations like unreliable power supplies and a fragile communication infrastructure in and between district registration offices.

D. Streamline Transaction Procedures

Real estate markets are clearly becoming more active throughout Albania, despite the fact that existing legislation makes transactions unnecessarily complicated, time-consuming and expensive. The existing legislation is based largely on historical procedures and should be re-examined and streamlined to eliminate unnecessary requirements that do not provide any benefit to the public.

As an example, existing procedures require a seller to provide the notary with a certificate of ownership or certified copy of the *kartela* proving ownership before the notary will draw up a contract of purchase and sale. The stated reason for this requirement is to allow the notary to "verify" ownership before notarizing the agreement. This verification by the notary is unnecessary because the registration office will also be verifying ownership before registering the sale of the property to the buyer. Existing procedures also require the seller to obtain a certified copy of the registration index map and, in the case of agricultural property, a topographical sketch of the parcel, whether or not the transaction involves a change of boundaries. Similarly, requiring these documents serves no particular purpose and simply slows the process down and makes it more difficult and expensive.

The net result of all these requirements is that a person wishing to engage in a real estate transaction must visit the registration office at least twice and pay two sets of fees in order to engage in a transaction. A seller of agricultural land must also hire a surveyor. Though we

did not conduct a study of all of the costs associated with a transaction, we were told repeatedly that the time and expense involved are causing people to engage in informal transactions rather than having them registered in the registration system. This appears to be especially true for agricultural properties where land values do not justify such high transaction costs. It appears that some of the requirements imposed by law could be eliminated and the procedures could be streamlined so that processing transactions would be easier and cheaper. The IPRS, PMU, and LTC staff should lobby for these kinds of changes in order to remove barriers to real estate markets.

SECTION IV. RECOMMENDATIONS FOR 2002 AND BEYOND

Two types of recommendations relating to Albanian land markets are discussed below. Primary recommended activities are those deemed to be of higher importance and most worthy of funding priority. Secondary recommended activities are of lower importance and should be given lower funding priority. All of the activities reflect the authors' opinions and expertise, as well as the information gathered during our interviews and review of documents. It should be noted that most of the recommended activities would not directly stimulate land markets, but rather relate to state revenue generation or land market and land use regularization now that land markets have begun to function in Albania.

A. Primary Activities

Primary Activity No. 1: Real Property Taxation

Objective: Assist in design and implementation of real property tax system

A number of interviewees (including USAID representatives, PMU staff, IPRS staff, the director of the Soil Science Institute, two members of parliament, a former Minister of Agriculture, and USAID technical assistance providers) stressed the need for and inevitability of a real property tax. Legislative efforts to devolve a variety of rights and responsibilities (including land use planning and zoning, and taxation) to local governments are underway. The ability of local governments to obtain tax revenue will be critical as they are called upon to provide a broader range of services. In addition, real property taxes are sometimes viewed as a way of pushing properties to their best (or better) uses. Though real property taxes are not likely to stimulate land markets, implementation of an ill conceived or unfairly administered system is likely to inhibit them. For these reasons, a real property taxation activity is recommended and could include the following elements:

1. Assess local revenue needs in light of actual and anticipated devolution of governmental and administrative rights and responsibilities. Explore possible limitations on tax rates and use of tax revenues. Examine administrative approaches to land taxation (valuation, levying, collection, enforcement, and others). Evaluate payer abilities to bear tax burdens.
2. Provide comparative international information and assist with legislative and regulatory drafting. Support parliamentary lobbying and education of both national and local government actors.
3. Aid in designing, planning, and implementing a structure separate from IPRS to administer, enforce, and collect land tax.
4. Establish valuation standards for use in setting real property tax.
5. Assist in training of tax assessors.

6. Design and conduct extensive public awareness and education campaigns to communicate the details of the system and to convey the notion that real property taxation is a method of funding local services and improvements that will increase the livability of the tax payer's local community and add order and predictability to land use decisions and market transactions.

It should be noted that USAID has recently awarded a contract to the Urban Institute to undertake certain activities in support of local governments. Any future project relating to real property taxation should be carefully coordinated with the Urban Institute project to avoid overlap.

Primary Activity No. 2: Real Property Law

Objective: Strengthen real property law and resolve problematic property issues

There remains a need for a variety of discrete tasks designed generally to support land tenure security and land market regularization. The following tasks are suggested:

1. Support and help broker a legislative resolution to the land compensation dilemma. Commitments to compensate ex-owners need to be resolved to eliminate tenure and ownership insecurity. This issue will require financial, administrative, institutional, and political creativity and will. Some broad but focused assistance would be helpful in identifying and bridging the varied interests and identifying possible solutions.
2. Clarify the jurisdiction over and responsibilities related to public land. Determine the degree to which this jurisdiction will be devolved to local governments. Link this effort with real property taxation tasks.
3. Mortgage lending is in its infancy in Albania, but will take on increasing importance as a source of funding for purchase and sale of real estate, and for farm and business inputs. Some banks are making mortgage loans for the purchase of urban real property, and such loans are becoming more common. Banks do not yet have experience with foreclosure or other methods of enforcing mortgages. Several activities could be undertaken to stimulate and regularize mortgage lending. First, the Civil Code provisions governing mortgage should be reviewed to determine their sufficiency as regards priorities, notice of default, cure, redemption, foreclosure, subsequent sale, and satisfaction. Second, interviews should be conducted with representatives from the banking, real property brokerage, notary, and agricultural, and residential and commercial land owner populations. Third, suitable amendments should be proposed (if necessary) to the Civil Code or a draft law on mortgage should be prepared. Finally, public and professional education should be done to familiarize potential creditors, debtors and other transactional participants with the rights, obligations and procedures related to mortgage lending.

4. Create a legal real property curriculum for the law school and for continuing legal education. In countries with widespread private ownership of real property, real property law is a significant part of overall legal education. Opportunities for further legal specialization in real property law are also offered in other countries and should be offered in Albania. Topics could include general property law, contracts, taxation, bequest and inheritance, and land use and environmental law. Course materials could include code and case law foundations, legal drafting, transactional practicum, preparation of standard form instruments, comparative law information, advocacy and others topics.
5. Judicial and mediator training in real property law. Connected to the foregoing task, materials could be prepared to train judges and mediators to be better prepared to hear land-related disputes. Such issues as joining necessary parties, pleadings, evidence, damages and other remedies should be addressed.
6. Public education on real property law. Ongoing, basic public education in the many areas of real property law that affect the lives and transactions of real property owners (contracts, dispute resolution, credit, financing, land use, environmental rights and responsibilities, and others) would be beneficial.

Primary Activity No. 3: Land Use Planning and Zoning

Objective: Improve the capacity of local government agencies for land use planning and zoning

Construction and development are rampant in most urban and peri-urban areas, especially in Tirana and Durrës and the Tirana-Durrës corridor. This construction, which is sometimes illegal, is already threatening to overwhelm existing roads, utility systems and other necessary infrastructure. It is also contributing to significant degradation of soil, water and other resources, and a loss of parks and other valuable open space. Given the pace of development, it has been almost impossible for local governments to prepare new land use plans, or enforce existing regulations.

There is almost universal agreement that local government land use planning and zoning capabilities, both regulatory and enforcement, are critically in need of support. The challenge will be to regulate and control development appropriately without stifling future development and investment in real estate. A planning and zoning activity could include the following activities:

1. Determine the appropriate level of land use and zoning control, given the limited resources of local governments, the need to avoid stifling the current willingness to invest in development, the need to regularize illegal construction, and the need to extend and expand public service infrastructure (sewer, water, power, and roads). In short, care must be taken to adopt a level of planning and zoning that is reasonable and can be implemented.

2. Assist in development of legislation to enable and require local administrations to prepare and enforce land use plans and zoning regulations. Link this effort with real property taxation activities.
3. Develop model plans and zoning legislation and work with selected municipalities on tailoring them for specific use. Initially implement the models only within those locales that embrace the need and show the willingness to undertake them with vigor and determination.
4. Ensure that IPRS index maps retain status as “first layer” for any geographic information systems that might evolve from or be required for planning or zoning efforts.

Because there is such universal agreement about the need for assistance in the area of land use planning and zoning, it is likely that other donors will undertake programs in this area. EU/PHARE is funding approximately €1 million to the Land Research Institute for development of GIS capabilities. USAID’s project with the Urban Institute may touch on land use planning and zoning issues. A team from France is also looking at funding activities related to land use planning and zoning. Finally, the World Bank’s Urban Land Management Project, which is focused mainly on bringing infrastructure into illegal communities in the Tirana area, includes funding for technical assistance related to land use planning and zoning. Any future USAID project will have to be coordinated carefully with these other programs.

B. Secondary Activities

Secondary Activity No. 1: IPRS Integrity and Sustainability

Objective: Protect investment in IPRS by monitoring and coordinating ongoing operation

Significant donor funding has been directed toward real property registration and the creation of related legislation and institutions. While further funding simply for the sake of registering any remaining “difficult” properties may not be justified, it may be advisable to fund first registration of batches or blocks of properties that become available for first registration because the obstacle preventing first registration has been removed. This would be the case, for example, if a local government were to issue *tapis* for a large group of properties for which *tapis* had not previously been issued. Limited additional funding of registration-related activities may also be justified if it becomes clear that the IPRS is in need of specific support and that the support will assist the IPRS in becoming self-sustaining. Any such support should be narrowly defined and limited. Accordingly, the following activities might be funded:

1. Assist in conducting first registration of any blocks of properties that become unfrozen or for which documentation is created or obtained. The Chief Registrar should serve as the contact through which the opportunity for such first registration would become known.

2. Periodically conduct performance audits of selected district registration offices and activities to determine whether administrative, financial, transactional, staffing, training, service, and accuracy standards and improvements are being sustained. An outside consultant, having IPRS approval and support, could conduct several of these audits in the course of several weeks.
3. Sustain the public education program related to IPRS activities, procedures, and requirements. Link this task to the general public education task included under Primary Activity No. 2, above.
4. Make specific recommendations and plans for rectifying flaws or making improvements. Monitor implementation. IPRS implementation of corrective measures could be tied to some moderate funding for continued first registration, capital funding improvements, or equipment acquisition.

Secondary Activity No. 2: Strengthen Land-Related Environmental Laws, Regulations, and Procedures

Objective: Strengthen legal framework for land-related environmental law

Many interviewees also stressed (and the many obvious signs of environmental degradation exemplified) the need for the enforcement of existing environmental regulations and the creation of additional regulations. Development of enforcement capacity is paramount. Again, given the pace of development, the influx of development capital, and the degree of individual initiative, the challenge will be one of appropriately regulating environmental degradation while still nurturing the willingness to invest and develop real property. Externalities can be internalized only with care and foresight as to the effects. An environmental project could include the following activities:

1. Review and amend as appropriate environmental regulations that address past and current land contamination, pollution, or degradation. Pay particular attention to developing enforcement capacity. Link this activity to tasks related to devolution to local governments. Retain some national or regional oversight and enforcement capability.
2. Assist in the development of legislation to enable and require regional and local administrations to monitor (at a basic level) and enforce environmental regulations.
3. Develop model monitoring and enforcement plans and work with selected regional administrations on tailoring them for specific locales. Connect local embrace and implementation to obtaining the right to tax real property, to the benefits of owning and regulating public property, or to some other tangible reward or right.

SECTION V. CONCLUSIONS

This section summarizes the recommendations for two periods: (1) November 2000 through December 2001 (close of the Albania Land Market Project), and (2) 2002 and beyond. Refer to Section III for a fuller description of the recommendations for the first period; refer to Section IV for a fuller description of the recommendations for the second period.

A. Summary of Recommendations for November 2000 through December 2001

The highest priority objectives for this period are:

1. Strengthening the IPRS.
2. Finish first registration.
3. Improve public service and refining registration procedures.
4. Streamline transaction procedures.

In support of all of these objectives, two underlying but critical actions need to occur:

- reconvene a functional, representative, and responsive Coordinative Working Group; and
- prompt the international donor agencies (USAID, World Bank, and EU/PHARE) selectively to play a more active role in bringing key issues to the attention of Government of Albania.

1. Strengthen the IPRS

IPRS and technical assistance team should concentrate on the following issues over the remaining life of the CA:

- elevate the position of the IPRS in government;
- improve the IPRS's accounting systems;
- prepare and submit a financial plan to government proposing a timeline and specific steps to be taken for the IPRS to become self-financing and self-managing;
- prepare an operational plan so as to improve and formalize administration of the IPRS central office, and management of the district offices; and
- integrate skills from PMU to the fullest extent possible.

2. Finish First Registration

The PMU's goal over the next fourteen months is to complete first registration for approximately 80 to 90 percent of the properties in the country, leaving unfinished only properties in remote regions and properties for which privatization documents have not been issued. For IPRS to meet its first registration goals and to plan for the IPRS to have the ability to complete any uncompleted first registration, the PMU and LTC technical assistance team should focus on the following three areas over the next fourteen months:

- ownership documents — obtaining ownership documents from other agencies, helping other agencies issue ownership documents in cases when they have not been issued, and developing procedures for addressing cases in which ownership do not exist;
- refine first registration procedures — streamlining first registration procedures, especially for non-apartment urban properties; and
- post-project first registration plan — developing a plan for the IPRS to continue first registration once the PMU completes its activities.

3. Improve Public Service and Refine Operational Procedures

To improve the levels of public service and refine several important operational procedures, the following actions should be undertaken:

- make minor, inexpensive improvements (install signage, enlarge transaction windows, remove barriers, implement queuing systems) to the district offices so as to dramatically improve their appearance, enhance their image with the public, and improve their functionality;
- move the Tirana I office as soon as possible to a location that would be easier to find and more accessible, and improve the office's public service capacities;
- plan for continued employee training;
- develop a strategy for ongoing digitizing and updating of maps; and
- plan for automating and networking the district offices.

4. Streamline Transaction Procedures

Registration procedures should be re-examined and streamlined to eliminate unnecessary requirements that do not provide any benefit to the public. Examples include (but are not limited to):

- eliminate the requirement that the seller provide the notary with a certificate of ownership or certified copy of the *kartela* proving ownership before the notary will draw up a contract of purchase and sale;
- eliminate the requirement that the seller obtain a certified copy of the registration index map and, in the case of agricultural property, a topographical sketch of the parcel, whether or not the transaction involves a change of boundaries; and
- eliminate any other unnecessary procedural requirements and fees.

B. Summary of Recommendations for 2002 and Beyond

Two types of recommendations relating to Albanian land markets were discussed in Section IV. Primary recommended activities are those deemed to be of higher importance and most worthy of funding priority. Secondary recommended activities are of lower importance and should be given lower funding priority.

Primary Activity No. 1: Real Property Taxation

A real property taxation activity is recommended and could include the following elements:

- Assess local revenue needs in light of actual and anticipated devolution of governmental and administrative rights and responsibilities. Explore possible limitations on tax rates and use of tax revenues. Examine administrative approaches to land taxation. Evaluate payer abilities to bear tax burdens.
- Provide comparative international information and assist with legislative and regulatory drafting. Support parliamentary lobbying and education of both national and local government actors.
- Aid in designing, planning, and implementing a structure separate from IPRS to administer, enforce, and collect land tax.
- Establish valuation standards for use in setting real property tax.
- Assist in training of tax assessors.
- Design and conduct extensive public awareness and education campaigns to communicate the details of the system and to convey the notion that real property taxation is a method of funding local services and improvements that will increase the livability of the tax payer's local community and add order and predictability to land use decisions and market transactions.

Primary Activity No. 2: Real Property Law

There remains a need for a variety of discrete tasks designed generally to support land tenure security and land market regularization. The following tasks are suggested:

- Support and help broker a legislative resolution to the land compensation dilemma.
- Clarify the jurisdiction over and responsibilities related to public land. Determine the degree to which this jurisdiction will be devolved to local governments. Link this effort with real property taxation tasks.
- Undertake an appropriate mortgage lending activity.
- Create a legal real property curriculum for the law school and for continuing legal education.
- Undertake judicial and mediator training in real property law.
- Continue public education on real property law.

Primary Activity No. 3: Land Use Planning and Zoning

Undertake a planning and zoning activity that includes the following components:

- Determine the appropriate level of land use and zoning control, given the limited resources of local governments, the need to avoid stifling the current willingness to invest in development, the need to regularize illegal construction, and the need to extend and expand public service infrastructure.
- Assist in development of legislation to enable and require local administrations to prepare and enforce land use plans and zoning regulations. Link this effort with real property taxation activities.
- Develop model plans and zoning legislation and work with selected municipalities on tailoring them for specific use. Initially implement the models only within those locales that embrace the need and show the willingness to undertake with vigor and determination.
- Ensure that IPRS index maps retain status as “first layer” for any geographic information systems that might evolve from or be required for planning or zoning efforts.

Secondary Activity No. 1: IPRS Integrity and Sustainability

The following activities might be funded:

- Assist in conducting first registration of any blocks of properties that become unfrozen or for which documentation is created or obtained.
- Periodically conduct performance audits of selected district registration offices and activities to determine whether administrative, financial, transactional, staffing, training, service, and accuracy standards and improvements are being sustained.
- Sustain the public education program related to IPRS activities, procedures, and requirements.
- Make specific recommendations and plans for rectifying flaws or making improvements. Monitor implementation.

Secondary Activity No. 2: Strengthen Land-Related Environmental Laws, Regulations, and Procedures

An environmental project could include the following activities:

- Review and amend as appropriate environmental regulations that address past and current land contamination, pollution, or degradation. Pay particular attention to developing enforcement capacity. Link this activity to tasks related to devolution to local governments. Retain some national or regional oversight and enforcement capability.
- Assist in development of legislation to enable and require regional and local administrations to monitor (at a basic level) and enforce environmental regulations.
- Develop model monitoring and enforcement plans and work with selected regional administrations on tailoring them for specific locales. Connect local embrace and implementation to obtaining the right to tax real property, to the benefits of owning and regulating public property, or to some other tangible reward or right.

APPENDIX 1 LIST OF INTERVIEWEES

Listed below are most⁶ of the people interviewed during the authors' evaluation in Albania. The list is ordered in the order of the interviews. The names of the District Registrars, District Coordinators, and other IPRS staff interviewed during visits to registration offices in Tirana, Durres, Lushnje, Lac, Lezhe, and Shkoder are not listed below.

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⁶ Missing are the interviewees from the Restitution Commission, Urban Institute Urban Land Project, and Legal Department of IPRS Central Registration Office. Also missing are the ex-General Manager of the PMU and the ex-Head Statistician of the PMU.

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