Albania is one of the fastest urbanizing countries in Europe, grappling with a set of unique challenges. The capital city, Tirana, is experiencing an excessive concentration of urban growth, while peripheral areas are witnessing a severe population decline. This pattern of geographical development has led to specific challenges, including a lack of affordable housing in high-growth areas and widespread deprivations in declining areas.

Following the mass privatisation and informal constructions in the 1990s, the housing sector of Albania is predominantly characterised by private homeownership. Many of the new self-build homes were originally constructed illegally and in informal settlements.

As a candidate for accession to the European Union, Albania has recently implemented a comprehensive reform package in the housing, planning, regional development, and land management sectors to align with internationally recognised standards. The country has made significant progress in building and development control, and curbing the growth of informal settlements. Albania aspires to achieve a more balanced and polycentric territorial development and to address the housing needs of its most vulnerable population groups.

To further support Albania in addressing these challenges, the United Nations Economic Commission for Europe (UNECE) developed this Country Profile on Urban Development, Housing and Land Management of Albania. The Country Profile underscores the urgent need for increased political visibility to prioritise housing policy as a central component in making cities and communities sustainable and liveable. It also calls for re-balancing the country’s regional development and regenerating cities through sustainable and long-term investments.

Find out more about the work of the UNECE on urban development, housing and land management at www.unece.org/housing.
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The “Country Profiles on Urban Development, Housing and Land Management” are designed to assist governments in improving the performance of their housing, urban development and land management sectors, while concurrently advocating for sustainable development. The Country Profiles analyse trends and policy developments, offering a holistic assessment of the political, economic and social framework of these sectors within a specific country. This initiative was initiated by the United Nations Economic Commission for Europe (UNECE) Committee on Housing and Land Management in the early 1990s, in response to requests from UNECE member States.

These studies are requested by member States and carried out by international teams of experts, collaborating with government bodies, other international organizations, non-governmental organizations (NGOs), local authorities and the private sector. Through an extensive consultation process, the experts conduct a comprehensive review of the housing, urban development and land management sectors, formulating recommendations to assist policymakers in devising strategies and programmes.

The Country Profile on Urban Development, Housing and Land Management of Albania was developed in response to a request from the Government of Albania through the Ministry of Finance and Economy. The development of this profile was spearheaded by the Housing and Land Management Unit of the United Nations Economic Commission for Europe (UNECE) Division of Forests, Land and Housing, in close collaboration with stakeholders, including experts from the national and local governments. The review process started in December 2022 with a preparatory mission by the UNECE secretariat, during which the final structure of the Country Profile was established. A fact-finding mission, involving a stakeholder consultation workshop led by the international team of experts, was carried out in June 2023.

The project received funding from the Regional Programme for Technical Cooperation and, to some extent, from the Office of the United Nations Resident Coordinator in Albania. The Government of Albania contributed by making national experts available for the study. The successful completion of the project was made possible by this generous support.

Other UNECE housing-related publications that could be beneficial to Albania and other transitioning countries include: (a) #Housing2030: Effective Policies for affordable housing in the UNECE region (ECE/HBP/204, 2021); (b) Habitat III Regional Report on Housing and Urban Development (CIS Cities: Towards Sustainable Future); (c) Social Housing in the UNECE region: Models, trends, and challenges (ECE/HBP/182, 2015); (d) Good practices for Energy-Efficient Housing in the UNECE Region (ECE/HBP/175, 2013); (e) Climate Neutral Cities: How to make cities less energy and carbon intensive and more resilient to climatic challenges (ECE/HBP/168, 2011); (f) Green Homes: Towards energy-efficient housing in the United Nations Economic Commission for Europe region (ECE/HBP/159, 2009); (g) Self-Made Cities: In search of sustainable solutions for informal settlements in the United Nations Economic Commission for Europe region (ECE/HBP/155, 2009); (h) Guidelines on social housing: principles and examples (ECE/HBP/137, 2006); (i) Housing finance systems for countries in transition: principles and examples (ECE/HBP/138, 2005); and (j) Guidelines on condominium ownership of housing for countries in transition (ECE/HBP/123, 2003).

In addition, the fundamental documents approved by UNECE member States, such as the Geneva UN Charter on Sustainable Housing and Place and Life in the ECE – A Regional Action Plan 2030, could serve as a framework for developing sustainable policies in housing, urban development, and land administration and management.

This Country Profile and other related publications are available on the UNECE website (https://unece.org/housing).
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- Bank of Albania
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- Co-PLAN
- Institute of Statistics
- Ministry of Infrastructure and Energy
- Ministry of Finance and Economy
- Ministry of Health and Social Protection
- Ministry of Interior
- Municipality of Berat
- Municipality of Elbasan
- Municipality of Korce
- Municipality of Elbasan
- National Agency for Territorial Planning
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While effort has been made to name all contributors, the secretariat regrets if any individual or organization has been overlooked.
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## ACRONYMS AND ABBREVIATIONS

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<tr>
<td>ADF</td>
<td>Albanian Development Fund</td>
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<tr>
<td>ALL</td>
<td>Albanian lek</td>
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<tr>
<td>AKPT</td>
<td>Agjencia Kombëtare e Planifikimit të Territorit / National Agency for Territorial Planning</td>
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<tr>
<td>ALUIZNI</td>
<td>Agjensia e Legalizimeve, Urbanizimit, Integrimittë Zonave Informale / Agency for Legalization, Urbanization and Integration of Informal Areas and Buildings</td>
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<tr>
<td>ASHK</td>
<td>Agjencia Shtetërore e Kadastrës / National State Cadastre Agency</td>
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<tr>
<td>ASIG</td>
<td>Autoriteti Shtetëror për Informacionin Gjeohapësinor / State Authority for Geospatial Information</td>
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<td>AZHT</td>
<td>Agjencia e Zhvillimit të Territorit / Territorial Development Agency</td>
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<tr>
<td>BKU</td>
<td>banesë me kosto të ulët / low-cost housing</td>
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<tr>
<td>BSQ</td>
<td>banesave sociale me qira / social housing for rent</td>
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<tr>
<td>CCA</td>
<td>Council of Condominium Assembly</td>
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<td>CEB</td>
<td>Council of Europe Development Bank</td>
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<td>COVID-19</td>
<td>coronavirus disease</td>
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<td>DCM</td>
<td>Decision of the Council of Ministers</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>Enti Kombëtar i Banesave / National Housing Agency</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>GEFF</td>
<td>Green Economy Financing Facility</td>
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<td>GNSP</td>
<td>General National Spatial Plan</td>
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<td>Integrated Cross-Sectoral Plan</td>
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<td>Institute of Statistics</td>
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<td>KPIs for SSC</td>
<td>Key Performance Indicators for Smart Sustainable Cities</td>
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<td>MABs</td>
<td>multiapartment buildings</td>
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<td>MoFE</td>
<td>Ministry of Finance and Economy</td>
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<td>ND-GAIN</td>
<td>Notre Dame Global Initiative</td>
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<td>NECP</td>
<td>National Energy and Climate Plan</td>
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<td>NHA</td>
<td>National Housing Agency</td>
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<tr>
<td>NSDEI</td>
<td>National Strategy for Development and European Integration</td>
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NSDI . . . . . . . . National Strategy for Development and Integration
NSDI . . . . . . . . National Spatial Data Infrastructure
NTC . . . . . . . . National Territory Council
NUTS . . . . . . . . Nomenclature des Unités territoriales statistiques / Nomenclature of Territorial Units for Statistics
PPP . . . . . . . . purchasing power parity
SASPAC . . . . . . State Agency for Strategic Programming and Assistance Coordination
SDGs . . . . . . . . Sustainable Development Goals
UNDP . . . . . . . . United Nations Development Programme
UNECE . . . . . . United Nations Economic Commission for Europe
UNESCO . . . . . United Nations Educational, Scientific and Cultural Organization
USD . . . . . . . . Unite States dollars
ZRPP . . . . . . . . Zyrat e Regjistrimit të Pasurive të Paluajtshme / Real Estate Registration Office

Units of measurement
km . . . . . . . . kilometre
m² . . . . . . . . square metre
ha . . . . . . . . hectare

Data cut-off date: October 2023
EXECUTIVE SUMMARY

Albania, a candidate for accession to the European Union (EU), has been implementing comprehensive reforms in the housing, urban development and land management sectors. These reforms aim to meet EU requirements and internationally recognized standards and best practices, with a view to improve the quality of life of its citizens.

To support Albania in addressing these challenges, the United Nations Economic Commission for Europe (UNECE) developed the Country Profile on Urban Development, Housing and Land Management of Albania at the request of the Government of Albania through its Ministry of Finance and Economy. The Country Profile focuses on several key areas, including housing policy and the housing sector in general, land administration and governance, urban and regional development and planning, and financing affordable housing.

Findings

Albania has made significant progress since the previous Country Profile of 2002. During the initial post-socialist transition period of the 1990s, the introduction of a market economy and structural adjustment reforms in a ‘shock therapy’ manner weakened the public sector’s capacity to manage housing policy, land use and building control, and safeguard public interest. This resulted in damaging long-term effects on society and the environment, including a dramatic increase in social and spatial inequalities, mass outmigration, illicit economies, informal squatter settlements and environmental problems.

Despite these challenges, Albania has established robust mechanisms to mitigate the negative legacies of the transition period. The process of EU accession has been a driving force behind the reforms. In recent years, the country has introduced several new laws and mechanisms, including the 2016-2025 Social Housing Strategy, the 2018 Law on Social Housing, the 2014 Law on Territorial Planning and Development, the General National Spatial Plan for 2015-2030, the 2020 Law on Regional Development and Cohesion, among others.

The country has also faced new challenges in recent years. The earthquake in November 2019 had a significant impact on the country’s financial resources, with over 200,000 people affected by the disaster directly or indirectly and necessitating the reconstruction of 11,490 housing units. The COVID-19 pandemic further complicated the situation, leading to a GDP loss of 3.3 per cent in 2020. Nevertheless, the economy bounced back in 2021 and 2022, with a GDP growth of 8.9 per cent and 4.8 per cent, respectively.
Housing policy and housing markets

Article 59 of the Albanian Constitution recognizes the right to adequate and affordable housing as one of the social objectives of the Albanian State. Additionally, Article 18 on equality ensures the protection of different social groups against any form of discrimination.

Following the mass privatisation and informal constructions in the 1990s, the housing sector in Albania has been dominated by private homeownership, with many new self-build homes and other buildings originally constructed illegally and in squatter areas. The social rental housing sector (whether public, private or mixed) represents only about 0.1 per cent of the total inhabited dwellings and cannot compete with private market.

The mortgage market is also just emerging, with less than 1 per cent of homeowners currently paying a mortgage. This is partly due to the significant role of the informal and self-built sector, where construction activities are primarily financed through cash and remittances. Organized formal developments target the high-price housing segments in high-demand areas and are unaffordable to the majority of the population.

While Albania features some of the highest housing vacancy rates in Europe, the overcrowding rate for the population exceeds 58 per cent, the highest in Europe, with the exception of Montenegro. These structural imbalances result from the increased levels of social and spatial inequalities. Vacancies have emerged from mass outmigration from poorer and rural areas, on the one hand, resulting in numerous deserted properties. On the other hand, the wealthier groups have been investing in new properties as a “safe haven”, often leaving these properties uninhabited. This only generates further demand and price rise in high-demand areas. Money laundering has been another contributing factor to the surge in housing prices in Tirana as well as in coastal areas of Albania. Combined with low median household disposable incomes, making acquiring a new home in desirable locations unaffordable for the majority. This has led to high overcrowding rates, particularly among low-income groups. Tirana is one of the seven main European cities with the highest levels of housing unaffordability.

The provision of safe, affordable and adequate housing has been the key concern for the national housing policy. From 2017-2024, the Ministry of Finance and Economy (MoFE) was in charge of housing policies. The Housing Directorate of MoFE has been responsible for establishing the legal, financial, and institutional policy framework for housing.
The National Housing Agency (NHA) is a principal vehicle for achieving affordable housing in Albania. NHA builds low-cost homes and sells them on a cost-recovery basis, supplemented by subsidized mortgage loans. NHA works closely with municipalities to fulfil its mission. However, the capacities of NHA were considerably limited for a long time due to legislation enacted in 2004 that cut off its state subsidies. The legislation stipulated that State funds could only support local authorities in exercising their housing functions, rather than funding housing projects directly. As a result, the housebuilding activities of NHA have relied on its own resources, recovery of its investments, non-state donors and cooperation with municipalities, especially through the donation of land for its projects. This has been challenging in high-demand areas, as municipalities often see limited political and policy incentives to create affordable homes. In addition, NHA faces limitations in the most deprived or rural areas, where market prices are often below the cost of construction.

Law No. 22/2018 “On Social Housing” was a considerable step towards addressing housing needs in Albania. It redefined housing needs as the inability of families to afford homes at market prices. As a result, the social housing programmes address issues with housing affordability through social rental housing, low-cost housing and land development for housing. The Law has expanded the scope for addressing the housing needs of the most disadvantaged strata and groups in society. It has also established an annual quota of not less than 5 per cent for the Roma and Egyptian minority families who will benefit annually from housing programmes. The Law on Social Housing has introduced six main programmes as mechanisms for delivering social housing:

- Social housing for rent (BSQ), including rent subsidies and the formation of social rental housing which can only be used in conjunction with a registered social landlord
- Improvement of inadequate housing and neighbourhoods for poor and vulnerable communities
- Low-cost housing (BKU), including mortgage interest rate subsidies and grants for downpayment for home purchases
- Development of the area for housing purposes
- Temporary housing
- Specialized housing.

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

The majority of housing assistance in Albania remains in the form of subsidized mortgage loans. The subsidized loans programme, which was suspended in 2013 due to a debt exceeding ALL 300 million to the implementing bank, has been particularly popular among citizens. However, the programme was reinstated in 2019 following a decrease in interest rates. From 2020 to 2022, the programme welcomed 1,121 new families as beneficiaries, adding to the 4,300 beneficiaries from 2019. Despite this, the delivery of assistance has been slowed down due to difficulties in finding affordably priced housing in the market. Currently, 1,500 new families are in the process of receiving assistance from the programme.

According to Law No. 22/2018, all new constructions of residential buildings with a surface area exceeding 2,000 m² must allocate at least 3 per cent of the construction area for social rental housing. This implies that a portion of the building is transferred to municipal ownership. However, the construction of new residential buildings of this size is confined to a few locations, thereby limiting the overall impact of this mechanism.

Albania is behind many economies in transition in Eastern Europe in establishing a functional institution for condominium management and maintenance, especially for older multi-apartment buildings (MABs) inherited from the socialist era. These buildings suffer from underinvestment and lack of maintenance. While only a quarter of households live in MABs, they are predominantly located in urban areas and significantly influence the current and future aesthetics, safety and overall liveability of cities.
The country is still in the process of developing a strategy for cost-effective investments to renovate its building stock, including for energy efficiency. Several initiatives are in place to support the transition to green energy in the private residential and building sector, with loans from international donors being one of them. Additionally, the municipality of Tirana encourages citizens and condominium assemblies to invest in energy efficiency by co-financing up to 50 per cent of the investment. However, the absence of a national programme targeting this field, despite legal provisions for municipalities to support energy efficiency regeneration of condominiums, remains a concern.

A high proportion of the housing stock consists of individual family houses built informally, resulting in problematic technical conditions and infrastructure connections. While the government has launched programmes to address the most prominent structural and health issues in such homes, a comprehensive and long-term strategy for their refurbishment, including improvements in energy efficiency and building safety (such as fire and seismic protection), is yet to be formulated.

Overall, housing policy still plays a relatively marginal role in governmental agendas at all levels. There is an urgent need for greater political visibility to prioritize housing policy as a central component in making cities and communities sustainable and liveable.
Land administration

Article 41 of the Albanian Constitution grants citizens the right to own immovable property, which is further regulated by the Civil Code and other relevant legislation. Key strategic documents, such as the Albanian National Strategy for Development and Integration (NSDI II) 2015-2020, have underscored the need for improved land management, security and protection of property rights, development of a modern property rights registration system, as well as assurance of gender equity in property ownership and registration. Albania has consequently received substantial support from international donors in its pursuit of property rights and land administration development. The new National Strategy for Development and European Integration (NSDEI) 2022-2030 aims to further strengthen this area.

In 2019, Law No. 111/2018 "On Cadaster" came into effect and is currently the primary legislation governing real property registration. It established the National State Cadastre Agency (ASHK). The law stipulates that all ownership rights to land and other real property, including usufruct, must be registered. This includes the sales contract and the transfer of property from one owner to another.

Despite these developments, there remains some concerns related to the weak protection of property rights, conflicts in policy enforcement and ineffective coordination between various institutions involved, especially those related to property rights and land management information. An example of this is agricultural land, which has undergone fragmentation due to land reforms and privatization in the 1990s. This has resulted in small sizes of lots and reduced agricultural productivity. To address the situation, the 2016 National Land Consolidation Strategy was introduced, envisioning zoning and other reconciliation strategies. However, the strategy was championed by the Ministry of Agriculture and Rural Development (formerly the Ministry of Agriculture, Rural Development and Water Administration), operating independently from other land governance bodies, which has consequently produced only limited results.

The current legal framework related to agricultural property in Albania exhibits a bias towards male ownership, as property is solely listed under the name of the "head of household". This practice raises concerns about the resulting ownership inequality for women, particularly in cases of divorce, inheritance, sale of property and the movement of women between "agricultural families" as defined by Albanian law.

Reforms on property rights, land use regulation and legalisation have helped reverse the growth of informal settlements and integrate them into the urban fabric. However, municipalities still struggle in dealing with properties with incomplete documentation. This issue prevents the formal renting or selling of such properties, leading to continuing informality and occasionally abandonment.

It is essential to ensure increased transparency and efficiency in land governance processes. This includes the introduction of accurate and up-to-date reporting of administrative processes to establish accountability measures, help agencies in benchmarking their performance and prevent any potential process abuses. Despite the availability of statistics on the ASHK website, a lack of specific information on the performance of land administration measures remains, resulting in a lack of clarity regarding agency performance and stakeholder outcomes.
Urban and regional development and planning

Albania is among the countries in Europe that is currently experiencing rapid urbanization. The share of its urban population has surged from 35.5 per cent in 1989 to an estimated 64 per cent in 2023. This trend is projected to continue, with the urban population expected to reach 70 per cent shortly after 2030.

Most of this growth is concentrated in Tirana, leading to significant regional disparities between the area of the Tirana-Durres corridor and coastal areas and the rest of the country. For instance, despite accounting for only 32 per cent of estimated total population, the County of Tirana contributed 43 per cent of the country’s GDP in 2020. Moreover, the difference in GDP per capita between the highest-ranking Tirana and the lowest-ranking Kukës is more than twofold. It is crucial to structure the ongoing urbanization process in a sustainable and polycentric manner to ensure more even distribution of economic growth across the country and to reduce regional economic disparities.

In 2014, the Albanian local government underwent a significant reorganization, resulting in the establishment of 12 counties (qarks), which are further divided into 61 municipalities. This was a marked reduction from the previous 373 local units, which included 308 komuna responsible for managing rural areas and 65 bashki responsible for managing urban areas. However, the majority of municipalities remain economically weak, while qarks lack constitutional powers to effectively serve as strong regions.

Albania has significantly progressed in regional, urban and planning development due in part to improvements in the quality of public administration and scrutiny by EU and international donors. The Albanian government changed the focus of the planning system from “urban planning” to the new European spatial/territorial planning framework. This initiative has led to the creation of Law No. 10119 “On Territorial Planning” of 2009, which served as the basis for the more recent Law No. 107/2014 “On Territorial Planning and Development”. The law aims to address key areas, including sustainable development, balanced regional development, natural resources and cultural heritage preservation, national and local planning activities and the right to use and develop property in accordance with planning regulations. Moreover, it aims to create “suitable conditions, equal opportunities and rights for housing, economic and social activity for all social categories, economic and social cohesion and enjoyment of property rights”.

Following the enactment of Law No. 107/2014, the General National Spatial Plan for 2015-2030 (GNP) was adopted. One of the key emphases of GNP is on promoting polycentrism to replace monocentric development and reducing the concentration of population and economic activities in Tirana, as well as creating strong economic regions that complement each other to counteract the depopulation of the eastern part of the country. Important policy concerns such as addressing climate change, environmental protection and disaster resilience have increasingly garnered wide attention.

Under Law No. 107/2014 and GNP, the 61 municipalities of Albania are mandated to develop their local general plans. As of the end of 2022, 56 municipalities had already adopted their general local plans, with the remaining local plans close to finalization. This achievement is a milestone for Albania, marking the first time in its history that the entire country is covered by local planning documents.

Recognizing the importance of local planning and strategies, municipalities have taken the initiative to develop additional important documents. For instance, the Municipality of Shkodra, leading the way in Albania, published its Voluntary Local Review of SDG implementation in 2021.

The government has also established strong measures for ensuring building and development control. Compliance with the building permit system has become more stringent and national and local inspection authorities now monitor construction work. These recent changes have significantly reduced the incentives to build informally.
Significant infrastructural projects are underway to support economic development, improve the quality of life and strengthen the nation. These initiatives, which include infrastructural development and urban regeneration projects, have already brought about improvements in peripheral regions. The Albanian Development Fund plays a pivotal role in coordinating numerous projects related to urban and regional development and regeneration. Another notable step that Albania has taken towards polycentric development and balanced regional development is the introduction of Law No. 102/2020 “On Regional Development and Cohesion”.

For regional development efforts to be effective, they need to be systematic and extend beyond infrastructural development to also encompass the regeneration of urban areas, particularly housing conditions. This approach is crucial to making cities and towns appealing to residents and attracting human talent, which is key to territorial development and economic competitiveness. The country remains economically polarised, with the majority of qarks and municipalities suffering from underdevelopment and underinvestment. Achieving regional equality necessitates a more fundamental and systematic shift in how state finance and investments are oriented, sourced, sustained and executed, as well as persistent collective action, leadership and coordination at all levels. Housing should be given more prominence in urban and regional regeneration efforts, as it serves as a binding force that integrates various aspects and forms the social foundation of any local economy.

Some critical areas needing further attention include:

- Limited human resources in the public sector, including in planning
- Under-funding of affordable housing sector programmes – both in economic heartland and periphery
- Inter-institutional fragmentation with considerable donor-dependency leading to certain “institutional intermittence”
- Limited public participation
- Corruption and informalities
- Weaknesses with respect to the actual implementation of good policies and laws that have already been enacted.
Key policy recommendations

Overall recommendations:

• Create a Parliamentary Committee on urban development and housing to ensure political commitment to this sector and a cross-sectoral perspective.

• Consolidate competencies and functions by bringing agencies responsible for housing, territorial planning, and regional and urban development under a single organizational umbrella.

• Improve vertical and horizontal coordination in housing and urban development. Tighten cooperation between the National Housing Agency, national government and local communities and develop long-term capacity-building mechanisms both at national and local levels.

• Develop better data for evidence-building, monitoring and evaluation of related policies.
In the field of housing:

• Develop an action plan for the implementation of international commitments of Albania, in particular the Geneva UN Charter on Sustainable Housing, and Sustainable Development Goal target 11.1 “Safe and affordable housing”.

• Introduce a state housing development fund as a financial institution for long-term financing of the social rental housing sector.

• Provide incentives and mechanisms for non-for-profit or public organizations that develop and manage permanent social housing, protected from privatisation. Establish a national legal entity to coordinate these foundations and to improve the capabilities of the sector.

• Revise the functions of the National Housing Agency and increase its capacity. The Government should consider making NHA the main developer and manager of the public rental housing stock.

• Establish a national guarantee instrument and delegate a financial institution to mobilise private finance for affordable homeownership (such as subsidised mortgage loans).

• Introduce intermediary social rental agencies to mobilize private housing for social rental purposes.

• Improve the condominium management and maintenance system by requiring Condominium Assemblies to be established in all multi-apartment buildings and registering them as full legal entities.

• Introduce professional accreditation and training programmes for property management providers, which should cover both technical and social management skills.

• Introduce a national programme and financial incentives for the refurbishment and energy efficiency regeneration of the housing stock.

In the field of land administration:

• Increase transparency of land registry data to prevent abuses, systemic inequality, and international criminal activities such as money laundering through real estate.

• Review property-related laws to identify and correct any gender discrimination. Special attention should be given to co-ownership provisions of agricultural families.

• Provide adequate resources to complete land formalization procedures for informal settlements and prevent future informality.

In the field of urban and territorial development and planning:

• Ensure that the provisions for affordable housing are mandatory in all new and revised national, regional and local plans on regional development and cohesion, general territorial plans and other territorial development instruments.

• Establish a national strategy for urban regeneration to achieve a more polycentric and balanced territorial development. The strategy should be supported by a comprehensive, systematic and long-term investment package and outline key targets, taking into consideration the different needs of municipalities.

• Introduce national-level guidance for urban design and placemaking to improve the liveability of settlements. This should aim to create comfortable, attractive, green, socially inclusive and walkable neighbourhoods.

• Introduce planning mechanisms which would identify high-demand zones, where a mandatory share of affordable housing should be provided in each new development project.

• Strengthen construction and refurbishment standards, with a focus on energy performance, structural building safety (including earthquake resilience) and fire safety.
Chapter I. GENERAL OVERVIEW

1. Location

Albania is situated on the Balkan peninsula in southern Europe. The western part of the country has a long coastline along the Adriatic and Ionian Seas. Albania is mostly mountainous, with 75 per cent of the territory being covered by mountains. It also has several lakes and rivers, including the second largest in South Europe, Shkondra Lake, and the highest tectonic lake in the Balkan peninsula, Prespa. The Drini River is longest river system in the country, spanning a length of 282 km.

The total area of Albania is 28,728 km², with 18 per cent designated as protected areas, totalling 5,136 km². There are 801 protected areas in the country, which include four UNESCO Natural Heritage sites (UNESCO, n.d.), the Ohrid-Prespa Transboundary Biosphere Reserve, two scientific nature reserves, 14 national parks, 23 natural reserves, and six protected landscapes (UNDP, 2019).

The climate of Albania varies based on region and topography. The western and southwestern coastal plain and hills have a Mediterranean-subtropical climate, while the high mountains in the north, east and south have temperate conditions. Summers are hot and dry, while winters are humid and mild. The average annual rainfall in the country is 1,400 mm, but it varies regionally. The coastal and plateau areas receive an average annual rainfall of 1,000 mm, while the mountainous areas can reach up to 3,000 mm. Climate change is causing more unstable climatic conditions and extreme weather patterns such as heat waves (Dhimitër and Qiriazi, 2022).

2. Governance structure

Albania is a parliamentary constitutional republic with Tirana as its capital city. The President is the Head of State but mostly performs ceremonial duties and is appointed by the Parliament. The Prime Minister, the Head of Government, is appointed by the President based on the proposal of the party or coalition of parties that holds the majority of seats in the Parliament after each election. This multi-party system of government is based on the separation of legislative, executive and judicial powers.

The Parliament of Albania is the legislative branch and exercises the power to pass laws, call for a referendum, adopt the State budget, supervise and censure the Government, and approve the Cabinet. It is a unicameral body and is composed of 140 members who are elected every four years. The Parliament is headed by a Speaker and operates according to the regulations set up by its members.

The executive power is exercised by the Council of Ministers, which is composed of the Prime Minister, Deputy Prime Minister, and ministers heading specific ministries.

The judiciary branch of government is responsible for adjudicating, interpreting and applying the laws of Albania. It is governed by the High Council of Justice. The judiciary is composed of a Constitutional Court, Supreme Court, and Appellate and District Courts.
Key organizations for urban development, housing and land management

- The **National Housing Agency (EKB)** is a self-financing institution formed in 1993 with a mission to provide affordable housing. It is a key vehicle for producing affordable housing in Albania, which works closely with municipalities to deliver its mission.

- The **National Agency for Territorial Planning (Agjencia Kombëtare e Planifikimit të Territorit (AKPT))** is under the Ministry of Infrastructure and Energy. It is the key national institution for designing general national territorial plans and supporting the development of local planning.

- The **Territorial Development Agency (Agjencia e Zhvillimit të Territorit (AZHT))** was established in 2016 to serve as a one-stop-shop for inter-organizational coordination and issuance of development and construction permits for large-scale national investment projects. As the Secretariat for the National Territory Council (NTC), the Agency plays a crucial role in approving the local (general) plans of municipalities, as well as developments that involve significant impact or investment.

- The **State Cadastre Agency (ASHK)** addresses the issues of legalization and registration of housing and all immovable properties. The agency was formed in 2019 by merging the Agency for Legalization, Urbanization and Integration of Informal Buildings (ALUIZNI), the Real Estate Registration Office (ZRPP) and the Agency for the Inventory and Transfer of State Properties.

- The **Property Treatment Agency** (previously Agency for the Restitution and Compensation of Properties) deals with restitution issues. It is responsible for examining claims of expropriated persons, the treatment of property for which no decision has been made and the review of the assessment of compensation claims.

- The **Agency for Support to Local Government** is under the Ministry of Interior. It was established as a successor to the Agency for the Implementation of Territorial Reform (2014-2018) to assist with the decentralization processes in accordance with the principles of the European Charter for Local Self-Government. The agency also plays a role in coordinating projects financed by foreign donors and the Albanian government at the local level.

- The **Albanian Development Fund (ADF)** is the main lever of regional and urban development. It has the legal status of an NGO (non-governmental organization), but with public interest and is supposed to implement central government policies. It is governed by a Steering Committee chaired by the Deputy Prime Minister. ADF acts as the **National Agency for Regional Development**. ADF manages a large portfolio of projects, including road infrastructure, water supply and sewerage, urbanization, and tourism development through studies and intervention plans at regional and national levels.

Several other national agencies hold competencies relevant to urban development, housing and land management, including:

- Ministry of Finance and Economy
- Ministry of Infrastructure and Energy (with subordinate National Agency of Natural Resources, National Agency for Territorial Planning and Agency for Energy Efficiency)
- Ministry of Tourism and Environment (with subordinate National Environment Agency and National Agency for Protected Areas)
- Ministry of Culture
- Ministry of Agriculture and Rural Development
- State Agency for Strategic Programming and Assistance Coordination (SASPAC).

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1 In Albanian: **Fondi Shqiptar i Zhvillimit** ([https://www.albaniandf.org/en/](https://www.albaniandf.org/en/))
3. Administrative territorial structure

The Constitution of the Republic of Albania, adopted in 1998 and subsequently amended several times, establishes the principle of decentralization of power and local autonomy for the local government in Albania (Article 13). Municipalities (bashki/bashkitë) and counties (qark/qarku)² are the two tiers of local government.

According to Article 108 of the Constitution, municipalities and communes³ are considered as the basic units of local government and have both representative authority - municipal councils (këshilli bashkiak) - and executive authority – a mayor/head (kryebashkiak/kryebashkiaku) – elected every four years. These local representatives exercise various functions such as territorial planning, urban development, public infrastructure and housing for their administrative territory.

Counties are not fully self-governing entities since they are not directly elected by universal suffrage. They emanate from their constituent municipalities. Article 110 of the Constitution stipulates that counties consist of “several basic units of local government with traditional, economic and social ties and joint interests”. They are responsible for formulating and implementing regional policies and aligning them with national policies. The county council (këshilli i qarkut) is the representative organ of the county, with municipalities delegating members to the county council in proportion to their population. The mayors of municipalities are always members of the county councils, and other members can be elected from the councillors of each municipal council.

Compared to municipalities, counties have fewer competencies. Their main function is to coordinate and harmonise national policies with municipalities, although they do not have hierarchical power over the municipalities. Counties can also provide services delegated by the central government and municipalities, based on mutual agreement (OECD/UCLG, 2022).

The Prime Minister and the Council of Ministers appoint a prefect (Prefekt) for each county to serve as the State’s representative to the Prefecture (Prefektura). Prefects are tasked with implementing the regional policy of the State. This structure runs parallel to the county councils; prefectures have their budget and are accountable to the national government rather than to the county councils. Various regional representations of the state ministries and agencies are typically located in the administrative centres of the counties (see table 1.1).

While counties are constitutionally part of the local government system, their functions are a blend of national and local functions. They are often regarded as de facto “regional level” entities in Albania.

In 2014, the Parliament reorganized the local government into 12 counties (qarks) and 61 municipalities, reducing the number of municipalities.⁴ The role of local governance is further defined in Law No. 139/2015 “On Local Self-Governance” and Law No. 68/2017 “On the Finances of Local Self-Governance”. Municipalities may be comprised of administrative units directed by appointed administrators, towns (qytete) and villages (fshatra). The 61 municipalities encompass 369 administrative units, 58 towns and 2,998 villages. Neighbourhoods and villages are subdivisions within the municipality, created in urban territories with over 15,000 inhabitants and rural territories with over 200 inhabitants, respectively.

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² “Qarks” has a varyingly translation into English - counties, districts, or regions. They are, however, part of the local government.
³ Communes were abolished during a reorganization of the local government in 2014.
⁴ Law No. 115/2014 “On the Administrative-Territorial Division of the Local Government Units in the Republic of Albania”
Tirana is the capital city, but neither the Municipality of Tirana nor the Tirana County has any special status since the repeal of Law No. 8654/2000 “On the organisation and functioning of the municipality of Tirana” in 2015.

For statistical purposes, the counties (qarks) correspond to the NUTS3\(^5\) level, but they are assembled into three larger statistical regions of NUTS2: North, Centre and South.

\(^5\) Nomenclature of Territorial Units for Statistics/Nomenclature des Unités territoriales statistiques (NUTS) is a geocode standard for subdividing the economic territory of the European Union into regions at three different levels for statistical purposes.
### Table 1.1 Main government functions at the subnational levels

<table>
<thead>
<tr>
<th>Function</th>
<th>Central Government</th>
<th>Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governance</strong></td>
<td>Regional Directorates: Appointed by Ministries</td>
<td>Prefects: Appointed by the Council of Ministers of Albania</td>
</tr>
<tr>
<td><strong>General public services</strong></td>
<td>Regional Tax Directorate</td>
<td>Coordination and control over the implementation of national legislation and policies</td>
</tr>
<tr>
<td><strong>Public order and safety</strong></td>
<td>Regional Directorate of Police</td>
<td>Management of the government functions in case of civil emergencies</td>
</tr>
<tr>
<td><strong>Economic affairs</strong></td>
<td>Regional Directorate of Agriculture</td>
<td>Sectoral Plans</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>Regional Directorate of Road Transport</td>
<td>Sectoral Plans</td>
</tr>
<tr>
<td><strong>Environmental protection</strong></td>
<td>Regional Directorate of Environment</td>
<td>Sectoral Plans</td>
</tr>
<tr>
<td><strong>Housing and community amenities</strong></td>
<td>Regional Directorate of Health</td>
<td>Sectoral Plans</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td>Regional Directorate of Health</td>
<td>Construction and management of primary healthcare facilities</td>
</tr>
<tr>
<td><strong>Culture and recreation</strong></td>
<td>Regional Directorate of Cultural Heritage</td>
<td>Sectoral Plans</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>Regional Education Body</td>
<td></td>
</tr>
<tr>
<td><strong>Social welfare</strong></td>
<td>Regional Directorate of Social Affairs; Regional Directorate of Employment</td>
<td></td>
</tr>
</tbody>
</table>

Source: Modified from OECD/UCLG, 2022.
4. Population and demography

The Institute of Statistics (INSTAT) is responsible for estimating population data in Albania when a new population census is not available. At the time of the preparation of the Country Profile, the latest census available was the Population and Housing Census 2011. The next census is scheduled to begin in September 2023. As of 1 January 2023, the estimated population of Albania was 2,761,785, which is lower than the data recorded in the 2011 Census data, which reported 2,821,977 inhabitants. The population of Albania has been decreasing since the early 1990s attributed to both outmigration and declining natural increase rates (see figure 1.1). In 2021, there was a negative natural population increase (i.e. deaths exceeded births) for the first time, resulting in a decrease of 3,296 inhabitants (see figure 1.2).

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In 2021, the life expectancy at birth for Albania was 76.5 years, with men having a life expectancy of 74.4 years and women having a life expectancy of 78.7 years. However, there was a significant difference of more than 7 years between counties. The highest difference in life expectancy for men was between Kukës (77.4 years) and Gjirokastër (70.0 years), and for women between Tirana (81.6 years) and Gjirokastër (74.2 years). The counties that fell below the country’s average for both male and female life expectancy were Berat, Fier, Gjirokastër, Korçë; Lezhë, Shkodër; Vlorë. While the female life expectancy of Dibër was below the average, this was not the case for the male life expectancy.\(^8\)

The median age of the population was 38.8 years old. Both the male and female populations are declining and ageing. More women above 40 years old and more men below the 40-year-old age group resulted in gender imbalances. This indicates that the women’s population is ageing more rapidly than the men’s population.\(^9\)

The share of the urban population continues to increase, with 63 per cent of the total population living in urban areas in 2021. The urban population has been higher than the rural population since 2008 (see figure 1.3). Tirana County has the largest population, estimated at 925,000, which is equivalent to a third (33.5 per cent) of the total population of Albania (see table 1.2 and figure 1.4).

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\(^8\) Institute of Statistics, "Figure 1.3 Life expectancy in years at birth by sex and prefecture, 2021", Regional Statistics Yearbook, 2022. Available at https://www.instat.gov.al/media/11124/regional-statistical-yearbook-2022_04.pdf

\(^9\) A population pyramid in the report of INSTAT on the population of Albania as of 1 January 2023 (Fig. 2: Population pyramid on 1st January 2011 and 2023) provides a clearer picture of the population age trend of Albania (INSTAT, 2023a, p. 2).
Figure 1.3  Urban and rural population trends, 1960-2021

Source: World Bank, Data.

Table 1.2  Population, by county, by sex, 2018 and 2023 (on 1 January)

<table>
<thead>
<tr>
<th>County (Qarku)</th>
<th>2018</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Berat</td>
<td>64,271</td>
<td>63,160</td>
</tr>
<tr>
<td>Dibër</td>
<td>63,083</td>
<td>57,895</td>
</tr>
<tr>
<td>Durrës</td>
<td>146,979</td>
<td>142,649</td>
</tr>
<tr>
<td>Elbasan</td>
<td>140,096</td>
<td>138,451</td>
</tr>
<tr>
<td>Fier</td>
<td>151,735</td>
<td>146,409</td>
</tr>
<tr>
<td>Korçë</td>
<td>105,080</td>
<td>105,098</td>
</tr>
<tr>
<td>Kukës</td>
<td>39,677</td>
<td>37,717</td>
</tr>
<tr>
<td>Lezhë</td>
<td>63,600</td>
<td>63,200</td>
</tr>
<tr>
<td>Shkodër</td>
<td>100,857</td>
<td>104,137</td>
</tr>
<tr>
<td>Tiranë</td>
<td>436,917</td>
<td>447,079</td>
</tr>
<tr>
<td>Vlorë</td>
<td>95,205</td>
<td>94,077</td>
</tr>
<tr>
<td>Albania</td>
<td>1,438,609</td>
<td>1,431,715</td>
</tr>
</tbody>
</table>

Source: INSTAT; see https://www.instat.gov.al/media/9831/tab2.xlsx.
Figure 1.4 Distribution of total population, by county, 1 January 2023

- Tiranë: 33.5%
- Vlorë: 6.6%
- Berat: 4.0%
- Dibër: 3.9%
- Durrës: 10.5%
- Elbasan: 9.2%
- Fier: 9.8%
- Gjirokastër: 1.9%
- Shkodër: 1.9%
- Lezhë: 1.9%
- Kukës: 1.9%
- Korçë: 1.9%

Source: INSTAT; see https://www.instat.gov.al/media/9831/tab2.xlsx.
5. Economic development

Albania has made great strides in transitioning to a market economy and has been recognized by the World Bank (WB) as an upper-middle-income economy. However, when measured in gross domestic product (GDP) per capita at purchasing power parity (PPP), it still falls behind ex-socialist UNECE member States and is below the world and EU averages (see figure 1.5). The country experienced significant growth in 1993-1996 and 1998-2008, with a rebound effect due to previous declines in 1990-1992 and 1997. The pandemic also caused a significant drop in the economy in 2020 (see figure 1.6). According to WB data, the economy of Albania experienced growth of 8.9 per cent in 2021 and 4.8 per cent in 2022 (from USD 15.2 billion in 2020 to USD 18.9 billion in 2022), which has brought the economy back from the COVID-19 pandemic and the effects of the 2019 earthquake. The tourism and constructions sectors have seen strong rebound, with the tourism sector contributing USD 3.1 billion to the economy in 2021, an increase of 81 per cent from the previous year. Although this was still below the pre-pandemic level of USD 3.4 billion, it is a positive sign. In terms of number of international arrivals, Albania experienced a two-fold increase from 2.6 million in 2020 to 5.6 million in 2021 (WTTC, 2022).

The services sector dominates the economy of Albania, accounting for about 48 per cent of the total GDP in 2020-2021. Agriculture is also an important sector, contributing about 18 per cent to GDP and 34 per cent of employment in 2022. The sector focuses on the cultivation of wheat, maize, grapes, potatoes, and the breeding of hogs, cattle and sheep. However, compared to neighbouring and EU countries, a larger portion of the national economy is employed in agriculture, forestry and fishing (INSTAT, 2022d, figure III.10). High dependence on labour-intensive and low value-added activities for employment, such as agriculture, indicates structural weakness.

Women play an important role in agriculture and rural development in Albania, making up 40 per cent of the agriculture workforce, although in many cases these jobs are informal. INSTAT (2022c) showed that women are less likely to participate in the labour market than men, with respective participation rate of 61.4 per cent and 77.3 per cent. The employment rate for the population aged 15-64 is 68.2 per cent for men and 53.8 per cent for women.

Unemployment and poverty rates in Albania are high, despite improvement in the labour market as more than 10 per cent remain unemployed (see figure 1.7). Women have a higher unemployment rate compared to men, and the youth unemployment rate is much higher than any other group. According to the INSTAT Labour Force Surveys, the unemployment rate among youth is also much higher than any other age group. In 2021, youth unemployment was 27 per cent which is more than twice the average for the total labour force. Furthermore, almost a quarter (23 per cent) of Albanians were at risk of poverty in 2019, a slight decrease of 0.7 percentage points from the 2017 rate (INSTAT, 2021).

Between counties, there is a notable unbalanced economic development, with the GDP per capita of Tirana exceeding way over the national average (see figure 1.8 and chapter 4).
Figure 1.5  Gross domestic product (GDP) per capita in purchasing power parity (PPP), 2022 (Current United States dollar)

Source: Based on data by the World Bank, 2022; see https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD

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Figure 1.6  Albania: Annual gross domestic product (GDP) growth rates, 1992-2021

Source: Based on data by the World Bank, 2023; see https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG.
Chapter I. GENERAL OVERVIEW

Figure 1.7  Unemployment rates, 2010-2021

Source: INSTAT Albania.

Figure 1.8  GDP per capita in counties compared to the national average, 2021
(Thousands of Albanian lek)

Source: INSTAT, 2022b.
6. **Environmental risks and climate change**

Albania faces a number of environmental risks due to its mountainous topography and unique geological conditions, exacerbated by climate change. The Notre Dame Global Initiative (ND-GAIN) Index (ND-GAIN, 2023) ranks the country 80th among 185 countries in terms of climate change vulnerability and ability to mitigate risks. Extreme weather conditions, such as floods and wildfires, have become extremely common in Albania. Changes in temperature and precipitation patterns, attributed to climate change, are disrupting agricultural growing seasons and water availability. This poses risks to livelihoods, especially since the economy of Albania is heavily reliant on agriculture.

Since the 1960s, the annual mean temperature of Albania has risen by 1°C (see figure 1.9). Projections indicate a further increase of an average 1.3°C by 2040 and 4.4°C from the current level by the end of the century. In addition, heatwaves have intensified, with their frequency increasing six to eight-fold in recent years and their duration lasting longer (Besim, Bruci and Kamberi, 2021). These climate changes have profound implications for agriculture, affecting crop growth, soil moisture and increasing the risk of fires. They also impact irrigation and water availability for crops and livestock. Furthermore, warmer temperatures can drive pests to migrate to regions previously free from them, thereby expanding the range of pests and diseases. This could pose additional risks to the agriculture sector of Albania.

Another environmental challenge in Albania is the shift in water channels and drainage in river systems, which hinders economic development in several regions. The rise in stream beds, caused by silt deposits, can change water flow leading to the formation of new channels on lower plains, while old channels become barriers to proper drainage and create swamps or marshlands. Changing patterns of precipitation and intensity of droughts, such as severe dry spells, heatwaves that cause snow and glacier to melt, and sudden heavy downpours, can also lead to flash floods and erosions along embankments and mountainous regions (United Nations publication, 2002b).

![Figure 1.9](https://climateknowledgetoolkit.worldbank.org/country/albania/climate-data-historical)
Chapter I. GENERAL OVERVIEW

Figure 1.10 Areas affected by the 2019 earthquake in Albania

Macroseismic Intensity Map USGS
ShakeMap: 15km WSW of Mamurras, Albania
Nov 26, 2019 02:54:12 UTC M6.4 N41.51 E19.53 Depth: 22.0km ID:us70006d0m

Albania is located in an area of intense microseismic activity, where earthquakes measuring less than magnitude 4 are common, while strong earthquakes are rare (Konomi and Hoxha, 2004). The 2019 earthquake, with a magnitude of 6.4, underscored the severe risk that needs to be considered in land management and construction. This earthquake affected the most urbanized region in the country, with the epicentre located 30 km from Tirana (see figure 1.10). Since damaging earthquakes do not happen frequently in Albania, there may be potential lapses in associated policies and legislation and in the implementation of zoning and construction. In 2023, the Albanian Government has adopted a new National Disaster Risk Reduction Strategy and Action Plan (2023-2030) (UNDP, 2023), which, together with the National Risk Assessment, will be crucial to mitigating, preventing, and responding to disaster risks in Albania.
Chapter II. HOUSING SECTOR AND HOUSING POLICY

1. Introduction

Housing is one of the basic social conditions that determine the quality of life and welfare of people, communities and even entire nations. The location, design and integration of homes into the social, cultural, economic and environmental fabric of communities have a significant impact on daily lives, health, safety and overall welfare. Given the long life of dwellings as physical structures, these conditions affect both the present and future generations (Golubchikov and Badyina, 2012). Therefore, sustainable development cannot be achieved without ensuring access for all to adequate, safe and affordable housing and basic services. This is recognised by target 11.1 of the United Nations Sustainable Development Goals (SDGs).

Housing affordability is an important element of the right to adequate housing but is often a challenge, especially for vulnerable groups of the population (United Nations publication, 2021).

In Albania, article 59 of the Constitution recognizes the right to adequate and affordable housing as one of the social objectives of the Albanian State and article 18 on equality ensures the protection of different social groups against any form of discrimination. These articles of the Constitution are the foundation of housing legislation and policies in Albania. The country has also adopted the Geneva UN Charter on Sustainable Housing (https://unece.org/housing/charter), a non-legally binding document which aims to support member States in seeking to ensure access to decent, adequate, affordable and healthy housing for all.

Following the mass privatisation and informal constructions in the 1990s, private homeownership dominates the housing sector in Albania, with many self-build homes originally constructed illegally in squatter areas. Albania faces many housing challenges, such as informal constructions, underinvestment in and deterioration of multi-apartment buildings (MABs) inherited from the socialist era and limited social rental housing. The mortgage market in Albania is just beginning. Organized development projects target high-price housing segments in top locations. Although being legalized, informal settlement areas require upgrades and infrastructural provision to be considered safe and adequate. The social rental housing sector (whether public, private or mixed) is marginal and cannot compete with the private market. These structural imbalances in the housing markets make it unaffordable for low-income groups to access housing.

This chapter further reviews the state of the housing sector in Albania, as well as the key institutions involved and the role and objectives of housing policy. The introduction of several laws and mechanisms in recent years, such as the 2016-2025 Social Housing Strategy and the 2018 Law on Social Housing, have made a considerable contribution to the establishment of more progressive housing policy in the country. These developments have shaped the main focus of the Albanian housing policy, which is structured on the concept of "social housing" or "housing for social purpose". This concept is broadly defined to include public or not-for-profit rental housing, low-cost homes for homeownership and other programmes and financial and urban instruments. It follows the idea of a continuum from temporary shelters to low-cost housing. The National Housing Agency (NHA) represents a good practice that could be scaled up, both in Albania and internationally.
The Ministry of Finance and Economy (MoFE) was in charge of housing policies from 2017 to January 2024.\textsuperscript{10} The Housing Directorate of MoFE has been responsible for creating the legal, financial, and institutional policy framework for housing. It drafts the 10-year national strategy for housing, updates its action plan based on local government programmes, plans yearly budget for housing policy and collects information on housing needs at the local level. It also maintains a housing database at the national level, which holds information collected from municipalities on housing requests/needs and other information foreseen in article 72 of Law No. 22/2018. The Housing Directorate will be able to get information in real time with the introduction of an online system. Furthermore, the Ministry defines the annual average building cost for social housing, determines the distribution of funds and manages the implementation of investments.

2. The National Housing Agency

The National Housing Agency (NHA), also known as EKB in Albanian, is one of the most long-term instruments for realising affordable housing in Albania. NHA acts as a state-owned and financially self-funded enterprise. It focuses on financing, procurement and distribution of affordable houses to those in priority categories at the local level. The NHA central office had 36 employees and the 12 regional offices had 34 professional staff.

NHA was established in 1993 and originally played an active role in housing privatization. At that time, it was responsible for the pre-calculation of privatization prices, preparation of the transfer agreement and actual transfers, collection of income from the privatization and the establishment of condominiums in the former state-owned residential houses (United Nations publication, 2022a, chap. 4). Supported by a USD 15 million World Bank loan in 1993-1995 with zero interest rate and 40-year maturity, NHA completed 6,000-7,000 unfinished apartments from the socialist era, which were then sold under favourable conditions, that is, at cost and with mortgage, to people on the housing waiting lists. This role has consequently evolved into the provision of social or affordable housing.

From 1995 to 2007, the activities of NHA were dictated by Law No. 8030/1995 “On State support for homeless families”. During this time, the Government provided NHA with public land and funds for residential purposes. In selling houses, NHA was able to operate a revolving fund from mortgage paybacks. However, the policy was criticized for lacking transparency in the distribution of public funds (United Nations publication, 2002a, p.51).

Law no. 8652/2000 “On the organization and functioning of the local self-government” defined housing as the function of local self-governance. In 2004, a new law, Law no. 9232/2004 “On social programmes for housing” reformed the funding model of NHA, although it allowed the completion of existing programmes within three years. According to new legislation, State funds can only support local authorities to exercise their function in housing, rather than directly intervening. As a result, NHA no longer received direct State funding for housing programmes and operated based on financial autonomy. NHA has been using its own funds to pursue its mission and, by law, it should generate funds from external sources, mainly through banks or donors.

The housing need was also redefined by the new legislation. The housing need now refers to the inability of families to afford homes at market prices. Therefore, the social programmes for housing aim to address problems with housing affordability, including social rental housing, low-cost housing and land development for housing. However, the majority of assistance provided by NHA comes in the form of subsidized mortgage loans and homes sold at cost-level prices. A buyer of an NHA apartment should be able to afford the monthly repayments. Buyers can pay NHA either from a part of a mortgage loan negotiated with a bank with which NHA has an agreement or in monthly instalments under a signed contract with NHA. The latter requires a 10 per cent downpayment and the balance is typically paid in 15 years with 3 per cent interest. In special cases, such as for families faced with financial difficulties, the payment period can be extended to 20-25 years.

\textsuperscript{10} In 2024, a newly established Ministry of Economy, Culture and Innovation took over the responsibility for housing matters from MoFE (DCM No. 30 of 17 January 2024).
The beneficiaries of NHA housing are selected by municipalities based on several criteria outlined by NHA regarding income. They should not already own a house and should not have benefited from previous housing subsidies. The housebuilding activities of NHA rely on cooperation with municipalities, especially the provision (usually donation) of land for its projects. However, this has been challenging in high-demand areas. For this reason, NHA has not performed any construction activities in Tirana for the last two decades. The main barrier for NHA to realise its functions is, therefore, the willingness of municipalities to cooperate with NHA for the completion of affordable homes. Municipalities remain more interested in using land for private development projects and see limited political and policy incentives in making affordable homes. In addition, NHA is also limited in its ability to produce and provide houses in the most deprived or rural areas, since the market prices in these areas are often below the cost of construction. This situation considerably reduces feasible options for poorer residents in these areas to improve their housing conditions.

In 2015, NHA introduced energy efficiency standards for its housing projects, which have become a model following the legislation on energy efficiency in buildings. From 2012 to 2022, NHA built a total of 821 dwellings, all outside of Tirana (see table 2.1) and has committed to finalising another 800 apartments.

A significant new development for NHA has come with the most recent legal reforms (amendment to the social housing law in 2023) that have opened up the possibility of broadening the scope of activity of NHA as an agency implementing government housing policies. Potentially, its responsibilities will include developing and managing social rental housing. This development will be further discussed in the succeeding sections of this chapter.

Table 2.1  Number of dwellings built by the National Housing Agency, 2012-2022

<table>
<thead>
<tr>
<th>Location</th>
<th>Year of completion</th>
<th>Number of dwellings built (number of apartments)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kavaje</td>
<td>2013</td>
<td>35</td>
</tr>
<tr>
<td>Shkoder</td>
<td>2013</td>
<td>35</td>
</tr>
<tr>
<td>Korče</td>
<td>2012</td>
<td>35</td>
</tr>
<tr>
<td>Fieri</td>
<td>2013</td>
<td>35</td>
</tr>
<tr>
<td>Fieri</td>
<td>2015</td>
<td>40</td>
</tr>
<tr>
<td>Lushnje</td>
<td>2016</td>
<td>38</td>
</tr>
<tr>
<td>Berat</td>
<td>2016</td>
<td>35</td>
</tr>
<tr>
<td>Librazhd</td>
<td>2017</td>
<td>35</td>
</tr>
<tr>
<td>Korče</td>
<td>2018</td>
<td>18</td>
</tr>
<tr>
<td>Korče</td>
<td>2019</td>
<td>56</td>
</tr>
<tr>
<td>Durres</td>
<td>2019</td>
<td>36</td>
</tr>
<tr>
<td>Puke</td>
<td>2020</td>
<td>24 two-floor houses</td>
</tr>
<tr>
<td>Gramsh</td>
<td>2020</td>
<td>40</td>
</tr>
<tr>
<td>Kukës</td>
<td>2022</td>
<td>70</td>
</tr>
<tr>
<td>Tropoje</td>
<td>2023</td>
<td>25</td>
</tr>
<tr>
<td>Has</td>
<td>2023</td>
<td>35</td>
</tr>
<tr>
<td>Vlora</td>
<td>2021</td>
<td>75</td>
</tr>
<tr>
<td>Vlora</td>
<td>2023</td>
<td>75</td>
</tr>
<tr>
<td>Burrel</td>
<td>2023</td>
<td>25</td>
</tr>
<tr>
<td>Delvine</td>
<td>2023</td>
<td>29</td>
</tr>
<tr>
<td>Maliq</td>
<td>2022</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>821</strong></td>
</tr>
</tbody>
</table>

Source: NHA, 2023
3. **National Strategy for Social Housing 2016-2025**

Albania has made important milestones in the development of its housing policy. One of these milestones was the adoption of the *National Strategy for Social Housing for the period 2016-2025*, which was based on the long-term development priorities of the country established in the National Strategy for Development and Integration (NSDI) 2015-2020. As part of the implementation of the National Strategy, *Law No. 22/2018 on “Social Housing”* was adopted.

The National Strategy was implemented by the Ministry of Urban Development until its dissolution in 2017, after which, the Directorate of Housing of the Ministry of Finance and Economy took over. The main goal of the National Housing Strategy is to provide low- and middle-income households who cannot afford a house in the open market, particularly, households with vulnerability indicators, with available, accessible, affordable and quality housing solutions. The Strategy considers social housing as a solution that can take the form of either a rental or home-ownership tenure provided by the local government or the private sector to low- and middle-income households that cannot afford a house in the market and/or unable to access the housing market because of their vulnerability and exclusion. However, the Strategy identified a number of challenges for social housing policy and its implementation, including poor evidence about social housing and local capacities; inadequate legal, institutional and regulatory framework; limited financial instruments for disadvantaged groups; and limited reach of social housing programmes among the poorest segments of the population.

The objectives of the Strategy are categorized under four strategic lines of action:

- Securing evidence about social housing and local capacities
- Improving the legal, institutional and regulatory frameworks
- Enhancing financial instruments for disadvantaged groups
- Expanding and re-orientating the social housing programmes.

A comprehensive mid-term assessment of the Strategy was carried out in 2020, in partnership with UNDP, which evaluated its effectiveness and relevance and further, in light of new major challenges, especially the earthquake of November 2019 and the COVID-19 pandemic. The assessment has noted the lack of coordination between social housing policy and territorial planning. One of the takeaways of the assessment is: “A clear linkage should be established between spatial (territorial) planning and social housing. The latter should be streamlined in the territorial plans as a key policy for the implementation of the territorial plans. This should happen at national and local level plans. The territorial plans should encompass the implementable social housing programs for each municipality, and vice-versa, the 5-year social housing local programmes should make reference to definitions stemming from the local territorial plans.”

4. **Law 22/2018 “On Social Housing”**

Law No. 22 “On Social Housing” was adopted in 2018 to provide a legal definition of social housing tenure, target groups, subsidies, and eligibility. The Law introduces the concepts of affordable and adequate housing by referring to the following definitions:

- Affordable housing (in article 3) – one whose expenses do not exceed 25 per cent of income for medium-income families, 20 per cent of income for low-income families and 15 per cent of income for very low-income families.

- Adequate housing (in article 4) – one that provides privacy, and a safe, peaceful and dignified life for an individual or a family. It should provide sufficient living area, basic services within the house, safety and resistance, access to public services, access to employment, social, health, educational and community services appropriate access to persons with disabilities, the elderly and children by avoiding social segregation.

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It is generally the responsibility of the municipalities to address the provision of affordable and adequate housing.

The selection of beneficiaries is based on their living conditions as well as their social and economic circumstances. Two groups are the main focus of social policies: low-income households and vulnerable groups, and middle-income households who are active in the labour market and need further support. To benefit from social housing programmes, one must be aged 18 and above and the household must be registered with the local civil registry office. In addition, the applicant, at the time of application, should meet at least one of the following conditions:

- The applicant lives in a dwelling that does not meet basic housing norms (as defined in Decision of the Council of Ministers No. 301/2020) or does not own the dwelling.
- The applicant became homeless due to a natural disaster, demolition of dwellings not qualified as housing, eviction because of public work, eviction from a dwelling excluded from the legalisation processes, or eviction resulting from administrative acts and court decisions.
- The applicant lives in an old dwelling at risk of being demolished.

The Law has expanded the possibilities of addressing the need for housing for the most disadvantaged strata and groups of society. It has also established an annual quota of not lower than 5 per cent for the Roma and Egyptian minority families that will benefit annually from housing programmes.

The Law on Social Housing has included six main programmes as key mechanisms for delivering social housing, each with its own fiscal/financial instruments to support the implementation. These programmes can be provided in different forms such as new construction, acquisition from the market by public bodies, PPPs, etc. The six programmes are:

1) Social housing for rent (BSQ) - including rent subsidies and the formation of public rental housing;
2) Improvement of inadequate housing and neighbourhoods for poor and vulnerable communities;
3) Low-cost housing (BKU) - including mortgage loan interest rate subsidies and downpayment grants for buying a home and the formation of low-cost housing stock;
4) Development of the area for housing purposes;
5) Temporary housing;
6) Specialized housing.

In addition, the Law provides a range of financial instruments for each of these programmes. For example, the BSQ programme offers rent subsidies for rental housing, including to those housed in public social housing and those who rent from the open private market. The rent subsidy can only be used if there is a registered "social owner"/social landlord. The BKU programme offers mortgage interest rate subsidies for buying low-cost housing in the market and lump-sum downpayment grants for certain categories of the population. Annex 1 provides details of the objectives, target groups and funding for each of these six programmes.

Further support schemes for housing affordability have also been introduced, including rent subsidies to support families affected by the 2019 earthquake. Table 2.2 details the number of beneficiaries from central government funding going into these programmes while table 2.3 presents data broken down by categories of beneficiaries, referring to all programmes for which the information is available. Noteworthy, the NHA operation is also now covered under these programmes. However, until 2023, NHA had only provided low-cost housing (i.e. BKU) through investing in the construction of new buildings and then selling apartments in them with subsidised mortgage interest rates. With the approval of the amendments to Law No. 22/2018 in June 2023 (see below), NHA can now only perform any of the six programmes, subject to the available funding from the state budget or other sources.

The subsidized loans programme is the most requested programme by citizens. In 2013, this programme was suspended due to carrying a debt of over ALL 300 million to the bank with which this programme was implemented. In 2019, it was reopened, due to a drop in interest rates.

All banks in Albania are private and they offer mortgage loans. The Government currently has agreements with three banks for the interest rate subsidy (as part of the BKU programme). The agreement sets the conditions for interest rates (e.g. equal to the Treasury Bond rate with Raiffeisen Bank or Treasury Bond rate +0.5 per cent with Intesa Sanpaolo Bank). The beneficiary pays back the main body of the mortgage and 3 per cent interest. The difference between the negotiated interest with banks and 3 per cent is subsidized by the central budget.

Between 2020 and 2022, 1,121 new families entered the programme as beneficiaries (in addition to 4,300 beneficiaries by 2019) and another 1,500 families are currently in the process, but the process has slowed down due to difficulties in finding housing at affordable prices in the market.

Law no. 22/2018 also stipulates that all new constructions for residential buildings with more than 2,000 m² of surface area should provide at least 3 per cent of functional surface area for the purpose of social rental housing. In practice, this means that part of the building is transferred under the ownership of municipalities. There are, however, not many projects outside Tirana which exceed this building size threshold.

Table 2.2 Number of beneficiaries funded by the central government, 2019-2022

<table>
<thead>
<tr>
<th>Subsidy</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent subsidy</td>
<td>674</td>
<td>1,274</td>
<td>1,475</td>
<td>1,784</td>
</tr>
<tr>
<td>Subsidized mortgage loans (interest rate subsidy)</td>
<td>4,300</td>
<td>4,450</td>
<td>5,180</td>
<td>5,421</td>
</tr>
<tr>
<td>Downpayment grant for low-cost housing</td>
<td>25</td>
<td>1</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>Improvement of living conditions</td>
<td>857</td>
<td>468</td>
<td>381</td>
<td>675</td>
</tr>
<tr>
<td>Adaptation of municipal-owned (ex-state-owned) premises for social housing</td>
<td>61</td>
<td>89</td>
<td>54</td>
<td>91</td>
</tr>
<tr>
<td>Improvement of infrastructure mainly for informal areas</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>214</td>
</tr>
<tr>
<td>Rent subsidy for families affected by the earthquake (in the emergency declared zones)</td>
<td>–</td>
<td>13,900</td>
<td>13,200</td>
<td>11,300</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and Economy.

Note: The numbers indicate the number of beneficiaries registered on a respective programme in a given year. Depending on the programme, the same beneficiaries can stay on the programme and be funded over a period of time (e.g. subsidized mortgage loans).
According to the housing legislation, social housing can also be obtained by adapting non-housing buildings that are owned by the State and whose ownership is transferred to the local authorities. Funds from the state budget are used to adapt these buildings into housing stock after procedures for changing their current purposes are followed by local authorities.

Table 2.3  Number of beneficiaries funded by the central government, by category, 2019-2022

<table>
<thead>
<tr>
<th>Category</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single parent families</td>
<td>53</td>
<td>183</td>
<td>191</td>
<td>239</td>
</tr>
<tr>
<td>Elderly</td>
<td>22</td>
<td>137</td>
<td>204</td>
<td>225</td>
</tr>
<tr>
<td>Families with more than 4 children</td>
<td>3</td>
<td>31</td>
<td>60</td>
<td>43</td>
</tr>
<tr>
<td>Young couples</td>
<td>3</td>
<td>23</td>
<td>288</td>
<td>73</td>
</tr>
<tr>
<td>Disabled</td>
<td>235</td>
<td>348</td>
<td>368</td>
<td>447</td>
</tr>
<tr>
<td>Orphans</td>
<td>8</td>
<td>19</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>Tenants in former private property</td>
<td>-</td>
<td>8</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Returned migrants</td>
<td>-</td>
<td>34</td>
<td>10</td>
<td>41</td>
</tr>
<tr>
<td>Victims of domestic violence</td>
<td>5</td>
<td>14</td>
<td>13</td>
<td>62</td>
</tr>
<tr>
<td>Members of Roma minority</td>
<td>204</td>
<td>144</td>
<td>114</td>
<td>130</td>
</tr>
<tr>
<td>Members of Egyptian minority</td>
<td>364</td>
<td>267</td>
<td>219</td>
<td>292</td>
</tr>
<tr>
<td>Non-adult mothers</td>
<td>1</td>
<td>–</td>
<td>11</td>
<td>21</td>
</tr>
<tr>
<td>Families affected by the earthquake (outside the emergency zones)</td>
<td>–</td>
<td>–</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td>Women heads of households</td>
<td>64</td>
<td>66</td>
<td>183</td>
<td>41</td>
</tr>
<tr>
<td>Low-income families and with economic assistance</td>
<td>768</td>
<td>722</td>
<td>1,067</td>
<td>1,299</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and Economy.

Note: Families that benefited from subsidized loans through the interest rate subsidy scheme are not included in the table as they are not divided into categories. Similarly, recipients of the “rent subsidy for families affected by the earthquake (in the emergency declared zones)” were also excluded from this table for the same reason.
Amendments to Law No. 22/2018 “On Social Housing”

In 2023, the Parliament adopted amendments to Law No. 22/2018 that ensure:

- Simplification of procedures for vulnerable and needy groups, including Roma and Egyptian minority groups and families with no income who have faced difficulties in completing basic documents
- Inclusion of the category of employees in public administration as a category that requires special policy attention to provide them with a secure future in the country
- Use of competitive grants for housing improvements to stimulate the supply from social landlords
- Approval of by-laws for defining the roles of users of the online housing system
- Redefining the term “new family” to reflect demographic changes and include “young people” as a priority category
- Adaptation of SDG terminology to national conditions
- Stipulation of rules for rent setting for different forms of social housing provision.

The amendments put emphasis on the importance of digitalization, which is already one of the priorities of the Government. The Political Programme of the Government for 2021-2025 highlights that modernizing the services and digital infrastructure is critical to fight corruption and improve the quality of public services. The e-Albania portal, which offers up to 1,227 online public services, currently hosts about 95 per cent of all public services of the Albanian State. Digitalizing the housing system benefits not only the citizens but also the local and central administration. Digitalization will make the housing application process simpler for citizens and the selection procedure more transparent. Although it may be burdensome for the local administration, digitalization will reduce time and appeal procedures in the medium term and ease the generation of data and information. On the other hand, the online system provides the central administration with real-time data that is critical for policymaking. To strengthen the data collection system, the capacities of the Local Government Units (LGUs) must be enhanced to develop effective policies that respond to local needs.
Furthermore, the Government Political Program 2021-2025 aims to address the housing needs of young families and create more opportunities and security for young people to build their future in the country. The proposed changes include the addition of a new chapter to the Law that supports public administration employees with soft loans for housing. It was also proposed to reformulate the category “young couple” into “young families” and change the age limit to reflect the trend of new families being created at an older age than before.

5. **Role of the local governments**

Besides central level institutions, in the context of the decentralization of competencies for housing to the local level, local authorities are responsible for urban planning, land management and housing, while using their own funds, the state budget, donor funds, and public-private partnerships for social housing programmes, low-cost housing or land infrastructure. Law No. 22/2018 mandates municipalities to develop five-year plans for social housing and allocate resources for the same.

Several municipalities have developed local housing plans between 2021 and 2022 with the technical assistance of UNDP. For example, the “5-year Social Housing Municipal Plan of Vau i Deje Municipality” (UNDP, 2021) was developed to help assess social housing needs of the most vulnerable in its territory and the human, technical, financial, and organizational capacities to address those needs. The Plan should also include concrete actions and budget estimates for implementation.

The Tirana Municipality has adopted its 5-year social housing programme according to Decision of the Municipal Council No. 90 of 19 October 2022. The municipality has implemented the two instruments under the BSQ scheme (social housing for rent) - rent subsidy in the private market, and public rental housing. The scheme was assisted by a loan from the Council of Europe Development Bank and municipality’s own funds. As of 2023, 358 families were housed in public rental housing in the Shkoza area. The municipality has additionally subsidized rents for 2,169 families from 2016 to 2023. In addition, the Tirana Municipality has provided affordable homeownership through the financial instrument of mortgage interest rate subsidy. Banks offer subsidized interest rates for mortgage loans in cooperation with the municipality (for the part of the programme financed by its own funds) and MoFE (for the programme financed by the state budget), jointly supporting 3,651 households.

Elbasan is one of the eight municipalities that have implemented a social housing programme through a loan from the Council of Europe Development Bank, co-financed by the state budget and its own funds. The Social Rental Housing (BSQ) project in Elbasan has provided 96 public housing units owned by the municipality. The BSQ programme also leverages the private rental market, using rent subsidies. In 2019, the BSQ project beneficiaries were 64 of 115 applications, 117 of 120 applications in 2020, and 179 of 190 applications in 2021. In 2021, more than half of the programme’s fund benefited the Egyptian community. Among the main beneficiaries of the BSQ programme are single-parent families and persons with disabilities. The Municipality of Elbasan aims to support 250 families per year from 2023 to 2026 through the “social owner” (social landlord) scheme, including through awareness campaigns.

Since 2018, Elbasan has been utilizing the Low-Cost Housing Programme (BKU), which subsidizes mortgage interest rates to facilitate buying a house in the market. This initiative has benefited 170 families from 2018 to 2020. In 2021, there were 1152 applications received but only 151 families benefited from the mortgage loan interest subsidy. The programme aims to support families transitioning from the rent subsidy to homeownership and attract low to middle-income applicants who are unable to secure housing ownership in the free market. The municipality has identified a land plot for the construction of residential buildings for this programme. The Elbasan municipality has also invested in sewage infrastructure and infrastructural regeneration, especially in rural areas, to improve inadequate housing and neighbourhoods. In 2020, a total of 85 people applied for the programme and 79 families were able to benefit from it. In 2021, 24 of 44 applicants became beneficiaries. Furthermore, the municipality has identified an area where public properties can be re-adapted into a social rental housing stock, creating an opportunity to potentially produce 40-50 new apartments.
The state budget supports municipalities based on their income per capita, and part of the Minister of Finance Guidance No. 31/2019 “On standard application procedures and criteria for receiving funds from the state budget for housing programs” shows the maximum amount that the state budget can support for each project (see table 2.4). Loan interest rate subsidy, however, is totally financed by the state budget. If municipalities have fiscal capacities and willingness to do so, they can sign agreements with banks without the central government for additional beneficiaries (this was the case in Tirana).

Table 2.4 Levels of co-financing from the state budget

<table>
<thead>
<tr>
<th>Income per capita of local self-government unit (thousands of Albanian lek)</th>
<th>Amount of co-financing (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower than 2,000</td>
<td>up to 100</td>
</tr>
<tr>
<td>2,001–4,000</td>
<td>up to 80</td>
</tr>
<tr>
<td>4,001–6,000</td>
<td>up to 70</td>
</tr>
<tr>
<td>6,001–8,000</td>
<td>up to 60</td>
</tr>
<tr>
<td>Over 8,001</td>
<td>up to 50</td>
</tr>
</tbody>
</table>

Note: Income refers to own revenues generated by the municipality, excluding the conditional and unconditional revenues from the national budget.

6. Data for evidence-based housing policy

There has been significant progress in data collection since the establishment of the national statistical body INSTAT. However, there is still a need for more data from local authorities to effectively monitor policy implementation. The Albanian Population and Housing Census remains the primary source of housing data and household characteristics (Jorgoni, 2019). As of the preparation of this Country Profile, the most recent data from INSTAT was from the 2011 Census. The 2023 Population and Housing Census is the 12th Census since Albania became an independent nation in 1912. It aims to comply with the recommendations of UNECE for the 2020 round of censuses and the latest EU regulations for implementing population and housing censuses. Furthermore, INSTAT has been conducting the Survey on Income and Living Conditions in Albania every year since 2017. The data gathered can be compared with other European countries using the EU-Statistics on Income and Living Conditions (EU-SILC) data from Eurostat. INSTAT also provides indicators on an annual basis to monitor the SDGs in Albania. One such indicator, “Proportion of urban population living in slums, informal settlements or inadequate housing,” has been decreasing continuously since 2006 and is used to monitor SDG 11 on Sustainable Cities and Communities.

The National Housing Strategy for 2016-2025 has a subsidiary objective of creating an electronic system for collecting housing data from municipalities. This online system has been set up and most municipalities have established their connection to it. Applicants can submit their application directly online or with assistance from municipalities. At the central level, the Housing Directorate receives information on the total number of applicants by city, by category and by housing programme.
The mid-term review of the social housing strategy has identified the lack of data at the local level as one of the main pitfalls in social housing governance and implementation of the Strategy. The data that municipalities have are not unified (in time and format), are scattered, are not always in electronic format and are not held in integrated databases. The electronic register will help in this regard, but it will not solve the problem if supplied with information only by applicants at the time of the application. There are several other types of information on social housing aspects that should be entered into the system by the municipalities.

The law on social housing implementation monitoring has shown a lack of consistent data collection on the number of women survivors of violence that benefit from the law. It is important to systematize and collect regular data to understand how women are benefitting from the law (Mandro-Balili and Rusi, 2021). The Strategy could emphasize the need for an integrated system by promoting its actions and including relevant activities of capacity-building support to help municipalities establish local databases.

7. Housing stock and ownership

INSTAT published a compendium of data related to housing from the 2011 Census in 2014 (INSTAT, 2014). According to the data, the issue of vacant housing stands out. The total housing stock at the time of the Census was 1,012,400 dwellings, out of which 1,008,243 were conventional dwellings. Of the conventional dwellings, 706,046 were inhabited, 83,493 were used for secondary purposes or seasonal use and 218,514 were vacant dwellings. This means that over 21 per cent of the housing stock was considered uninhabited at the time of the Census. Even the municipality of Tirana featured almost a 20 per cent vacancy rate. This is a significantly higher percentage when compared to other countries for which the information is available (see figure 2.1). The number of uninhabited dwellings was relatively higher in rural areas, with 114,911 vacant out of a total of 465,858. In urban areas, there were 103,603 empty homes out of a total of 542,385.
In Albania, there were a total of 598,267 buildings for residential purposes, out of which 500,912 were detached houses, 56,411 were semi-detached houses, 18,773 were row/terraced houses and 22,171 were apartment buildings. Tirana, Durres and Vlore had a higher average number of dwellings per building, indicating more apartment buildings than individual or medium-sized buildings. This is another indicator of a changing residential pattern and urbanization progress in Albania (INSTAT, 2014). The trend of constructing MABs is increasing in the country, particularly in major cities and coastal areas (Gelashvili, 2022).

According to the Household Budget Survey 2020, 74 per cent of households lived in individual homes; the rest lived in apartment buildings (see table 2.5). According to the same survey, the most typical tenure type is homeownership, at 94 per cent in 2020 (see table 2.6). Compared to other countries in Europe, Albania shows an outstanding rate of homeownership and an under-developed rental sector (see figure 2.2). The rental market is bigger in cities but operates mostly unregistered or undeclared.

Table 2.5  Percentage of households, by dwelling type

<table>
<thead>
<tr>
<th>Dwelling type</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual house</td>
<td>71.2</td>
<td>72.7</td>
<td>74.1</td>
</tr>
<tr>
<td>Dwelling in a building with up to 15 apartments</td>
<td>16.9</td>
<td>15.2</td>
<td>14.1</td>
</tr>
<tr>
<td>Dwelling in a building with more than 15 apartments</td>
<td>11.6</td>
<td>12.0</td>
<td>11.5</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
<td>0.1</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source: INSTAT, 2022a.

Table 2.6  Percentage of dwellings, by ownership status

<table>
<thead>
<tr>
<th>Ownership status</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner or becoming owner (with a mortgage on dwelling or waiting for the legalization)</td>
<td>92.5</td>
<td>93.1</td>
<td>93.7</td>
</tr>
<tr>
<td>Rented (from a private individual or from the state)</td>
<td>6.0</td>
<td>5.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Live for free/in use/other</td>
<td>1.5</td>
<td>1.7</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: INSTAT, 2022a.
According to Eurostat data, Albania has a low percentage of owners who are paying a mortgage or housing loan at less than 1 per cent) as shown in figure 2.3.

This is partly due to the legacy of the public housing stock built in the socialist era, which underwent mass privatization in 1992-1993 (Shehu, 2020), as well as the significant role of the informal and self-built sector where building activity is done through cash and other sources of investment such as remittances, the grey economy and money laundering. Furthermore, housing prices have been increasing faster than wages, affecting the demand for mortgages and hindering access to homeownership (see section 9 of this chapter). Although wages are increasing and interest rates are declining, these could not compensate for rising housing prices.
The social rented housing sector in Albania is very small and the housing units are mainly in eight municipalities representing about 0.1 per cent of the total inhabited dwellings (figure 2.4). The development of social housing policy in the country has only recently started, following the almost complete privatization of public housing, and it includes the provision of low-cost housing for homeownership, rent subsidies and rented units by municipalities. The partnership models implemented in this regard may require strong non-profit institutions to partner with municipalities and take on the role of a social housing provider. Local banks can perform the role of international financial institutions by creating syndicated loans, but this requires more robust institutions and adequate demand-based support for social housing. In an interview conducted with CEB, the Bank14 also confirmed that increased capacity and improved institutional framework at the local level can help with faster implementation of tasks such as procurement and monitoring, as well as allocation of housing units.

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14 Interview on 25 January 2023.
Figure 2.4  Percentage of social rental housing in European countries, 2020

8. Housing conditions

In 2021, the majority of Albanian households (54 per cent) lived in dwellings ranging from 51m2 to 90 m2 (see figure 2.5). Figure 2.6 shows that Albania has more overcrowded homes than most countries in the region, except Montenegro. According to SILC data, the overcrowding rate for the total population is more than 58 per cent and about 66 per cent for those with low incomes. Overcrowding rate is defined as the percentage of the population living in an overcrowded household. A household is considered overcrowded if it does not have at its disposal a minimum number of rooms equal to:15

- One room for the household
- One room per couple in the household
- One room for each single person aged 18 or more
- One room per pair of single people of the same gender between 12 and 17 years of age
- One room for each single person between 12 and 17 years of age and not included in the previous category
- One room per pair of children under 12 years of age.

The SILC data also provides useful information on “housing deprivation”. Information includes living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or the floor; the share of the total population lacking a bath or shower within their dwelling; the share of the total population without an indoor flushing toilet exclusively for their household; and share of the total population who perceive their dwellings as too dark. As shown in table 2.7, Albania scored worse than the EU average for most of these items. However, all items registered an improvement since 2017, the year when the survey on income and living conditions was first carried out in Albania.

According to the Housing Directorate of MoFE, the Ministry has supported municipalities to implement three projects aimed at enhancing housing and living conditions focused on:

1) Improving living conditions for poor and vulnerable groups;
2) Improving infrastructure mostly in informal areas;
3) Adapting abandoned municipal-owned buildings for social housing.

The first programme envisages measures to improve living conditions for at least 6,000 families by 2026 (as a cumulative target for 2019-2023 and 2024-2026). The measures further aim to reduce the number of families with deteriorated housing in need of new accommodations, while keeping families in the same neighbourhood and community to maintain stability and social cohesion. The programme offers grants for improving housing conditions, including insulation, hydro-isolation, infrastructure and similar measures. Funds are allocated based on competition between local authorities. Local authorities must comply with established standards by law. For example, they should establish housing departments, provide information to MoFE, co-finance the programme through their own funds according to income/capital generated the previous year in a municipality. The programme started in 2017, and by 2019, 2,000 families had already improved their living conditions.

The “Albania’s First Biennial Update Report” (Islami, 2019) lists the legislation in force that affects housing design:

- DCM No. 626 of 15 July 2015 “On the approval of Norms for Housing Design”
- DCM No. 1503 of 19 November 2008 “On the approval of the regulation “For the use of spaces from people with disabilities”
- DCM No. 957 of 25 November 2015 “On the approval of the regulations on Reference Levels of Indoor Radon Concentration and other Radionuclides Concentrations in commodities with public protection effect”

### Figure 2.5  Percentage distribution of households, by residential living areas, by county, 2021

<table>
<thead>
<tr>
<th>County</th>
<th>51-90 m²</th>
<th>91-130 m²</th>
<th>LESS THAN 50 m²</th>
<th>OVER 130 m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gjirokastër</td>
<td>77.8</td>
<td>18.5</td>
<td>4.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Dibër</td>
<td>76.1</td>
<td>18.7</td>
<td>4.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Kukës</td>
<td>70.8</td>
<td>21.1</td>
<td>8.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Vlorë</td>
<td>56.8</td>
<td>34.8</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Korçë</td>
<td>55.3</td>
<td>28.8</td>
<td>9.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Albania</td>
<td>54.1</td>
<td>34.8</td>
<td>4.9</td>
<td>6.2</td>
</tr>
<tr>
<td>Tiranë</td>
<td>54</td>
<td>35.5</td>
<td>4.3</td>
<td>6.2</td>
</tr>
<tr>
<td>Fier</td>
<td>53.7</td>
<td>36.4</td>
<td>5.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Berat</td>
<td>52.4</td>
<td>37.6</td>
<td>9.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Lezhë</td>
<td>51</td>
<td>32.1</td>
<td>8.7</td>
<td>8.2</td>
</tr>
<tr>
<td>Shkodër</td>
<td>50.1</td>
<td>35.5</td>
<td>5.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Elbasan</td>
<td>48.9</td>
<td>41.7</td>
<td>12.7</td>
<td>7.7</td>
</tr>
<tr>
<td>Durrës</td>
<td>43.8</td>
<td>42</td>
<td>3.8</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Source: INSTAT, 2022d, p. 100.
Figure 2.6  Overcrowding rates, by poverty status, 2020


Table 2.7  Percentage of population living in dwellings with items of deprivation, 2020

<table>
<thead>
<tr>
<th>Country</th>
<th>Not having indoor flushing toilet</th>
<th>Having neither a bath, nor a shower in their dwelling</th>
<th>With a leaking roof, damp walls, floors or foundation, or rot in window frames of floor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montenegro</td>
<td>0.9</td>
<td>1.1</td>
<td>22.4</td>
</tr>
<tr>
<td>Albania</td>
<td>3.2</td>
<td>4.7</td>
<td>22.0</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.1</td>
<td>0.1</td>
<td>20.8</td>
</tr>
<tr>
<td>EU-27 countries</td>
<td>1.8</td>
<td>1.7</td>
<td>14.8</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>3.2</td>
<td>1.8</td>
<td>13.0</td>
</tr>
<tr>
<td>Greece</td>
<td>0.3</td>
<td>0.2</td>
<td>12.5</td>
</tr>
<tr>
<td>Serbia</td>
<td>1.8</td>
<td>1.7</td>
<td>11.4</td>
</tr>
<tr>
<td>Croatia</td>
<td>1.4</td>
<td>0.9</td>
<td>9.4</td>
</tr>
</tbody>
</table>

9. Housing market and access to affordable housing

According to data in table 2.8, there has been a record-high increase in new residential building constructions in Albania after 2020, which is evenly distributed among different building types (see figure 2.7). However, MABs have seen a greater number of housing units. The Albanian housing market has experienced considerable growth since 2013, with prices increasing at a faster rate than in the EU (Kote, 2023). The growth has been attributed to various factors, such as the consolidation of economic growth, remittances of migrants, positive dynamics of economic indicators in the real estate sector and continuous improvements in national legislation benefiting the business climate (Kote, 2023). A recent study on the Albanian housing market supports the finding that interest rates on mortgage loans, exchange rates, GDP per capita and remittances are among the main factors affecting Albanian housing prices (Shosha, Anamali and Zisi, 2021).

Construction and real estate development made a significant contribution to GDP growth (8.9 per cent) in 2021. However, around 32 per cent of residential and commercial properties sold in the first half of 2021 were purchased by non-residents (39 per cent of which are EU residents), and money laundering has possibly been a contributing factor to price increases in Tirana and coastal areas (Maho, 2023).

When it comes to affordability, Albania is among the countries with a low share of the population “overburdened” by housing costs (see figure 2.8), according to the EU “Social Scoreboard” headline indicators. Eurostat regularly updates the “housing cost overburden rate” indicator which refers to “the percentage of the population living in households where the total housing costs (net of housing allowances) represent more than 40 per cent of disposable income (net of housing allowances)”. Housing costs include rent and mortgage interest rates, as well as the cost of utilities. This indicator has been part of the EU “Social Scoreboard” headline indicators since 2021 and is used by EU Member States to assess progress in enhancing housing affordability for their citizens. However, this data only reflects the structure of the Albania housing market where the dominant majority live in owner-occupied homes and do not have a mortgage to repay, so the whole picture of affordability in the housing market may not be fully captured.

Experts from the Bank of Albania (Shehu, 2020) have pointed out both positive and negative factors affecting affordability in the country. On the positive side, Albania has experienced favourable but volatile economic growth, a steady decline in the unemployment rate, subdued inflationary pressures, and accommodative monetary policies that have led to declining market interest rates. However, despite the rise in wages and the decline in interest rates, house prices have been increasing faster, affecting negatively those who are willing to access the housing market (such as potential first-time buyers), especially in cities.

Further, excessive availability of housing investment can drive up prices, leading to further borrowing, housing unaffordability, credit bubbles and housing busts (Bezemer and others, 2018). Thus, a harmful “feedback cycle” operates between housing and finance which undermines housing affordability (Ryan-Collins, 2019).

According to the “Mid-Term Evaluation Report for the Social Housing Strategy” (MetroPOLIS, Shpk. and Co-PLAN, 2020), prepared with the support of UNDP, Tirana is among the seven main European cities with high levels of housing unaffordability, making it difficult for the poor, disadvantaged groups and middle class to access affordable access, especially in the capital where the largest flow of internal migration is directed.

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17 International Monetary Fund, “Albania: 2022 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Albania”, IMF Country Reports, No. 22/362, p. 32.
Table 2.8  Indicators of building permits issued, 2017-2022

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of building permits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential buildings (total)</td>
<td>524</td>
<td>770</td>
<td>741</td>
<td>660</td>
<td>1,063</td>
<td>1,113</td>
</tr>
<tr>
<td>a. With one dwelling</td>
<td>199</td>
<td>290</td>
<td>192</td>
<td>226</td>
<td>424</td>
<td>439</td>
</tr>
<tr>
<td>b. With two dwellings</td>
<td>192</td>
<td>338</td>
<td>381</td>
<td>279</td>
<td>389</td>
<td>395</td>
</tr>
<tr>
<td>c. With three or more dwellings</td>
<td>129</td>
<td>132</td>
<td>147</td>
<td>143</td>
<td>219</td>
<td>227</td>
</tr>
<tr>
<td>d. Residences for communities</td>
<td>4</td>
<td>10</td>
<td>21</td>
<td>12</td>
<td>31</td>
<td>52</td>
</tr>
<tr>
<td><strong>Total area (thousands m²)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential buildings (total)</td>
<td>533</td>
<td>910</td>
<td>1,241</td>
<td>1,189</td>
<td>1,761</td>
<td>2,071</td>
</tr>
<tr>
<td>a. With one dwelling</td>
<td>26</td>
<td>37</td>
<td>26</td>
<td>37</td>
<td>48</td>
<td>51</td>
</tr>
<tr>
<td>b. With two dwellings</td>
<td>49</td>
<td>82</td>
<td>149</td>
<td>96</td>
<td>97</td>
<td>98</td>
</tr>
<tr>
<td>c. With three or more dwellings</td>
<td>440</td>
<td>725</td>
<td>904</td>
<td>991</td>
<td>1,367</td>
<td>1,322</td>
</tr>
<tr>
<td>d. Residences for communities</td>
<td>18</td>
<td>66</td>
<td>162</td>
<td>65</td>
<td>249</td>
<td>600</td>
</tr>
<tr>
<td><strong>Approximate value (millions of Albanian lek)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential buildings (total)</td>
<td>26,009</td>
<td>29,324</td>
<td>44,569</td>
<td>41,498</td>
<td>61,163</td>
<td>72,788</td>
</tr>
<tr>
<td>a. With one dwelling</td>
<td>2,259</td>
<td>1,515</td>
<td>1,238</td>
<td>1,650</td>
<td>2,150</td>
<td>2,083</td>
</tr>
<tr>
<td>b. With two dwellings</td>
<td>2,333</td>
<td>3,214</td>
<td>3,313</td>
<td>4,016</td>
<td>3,618</td>
<td>3,816</td>
</tr>
<tr>
<td>c. With three or more dwellings</td>
<td>20,690</td>
<td>21,899</td>
<td>33,544</td>
<td>33,518</td>
<td>46,879</td>
<td>46,179</td>
</tr>
<tr>
<td>d. Residences for communities</td>
<td>727</td>
<td>2,696</td>
<td>6,474</td>
<td>2,314</td>
<td>8,516</td>
<td>20,710</td>
</tr>
</tbody>
</table>

To improve access to affordable housing, the Government has introduced the “Affordable Housing Loans” programme for young people and first-time homebuyers, in addition to the measures outlined in the previous sections of this chapter. This programme, which is part of the BKU scheme, offers subsidies on interest rates and is being implemented in cooperation with three banks which offered the best loan term, allowing the target groups to receive subsidies on parts of their interest rates. The first phase of the programme provided 4,700 soft loans between 2009 and 2013, and the second phase, which began in 2020, is expected to provide 2,500 soft loans.¹⁸

Figure 2.8  Housing cost overburden rate, 2020

10. **Management and maintenance of housing condominiums**

A condominium system is crucial for the management and maintenance of MABs. Unlike some other countries like Hungary and Poland, Albania did not require the creation of condominium associations before housing privatization in MABs. The original law of Albania on condominiums was adopted in 1993 but was later abolished because the Civil Code includes some articles on condominiums as a form of ownership and on their management. This has reduced the visibility and applicability of the provision (Andoni, 2000). In 2009, Law No. 10112/2009 "On the administration of co-ownership in residential buildings" was approved to address this issue.

According to the law, all condominium owners are expected to form the Condominium Assembly (Asambleja e Bashkëpronarëve) as the highest decision-making body. The Council (Kryesia) of the Condominium Assembly is the elected board of directors, composed of one or more owners of individual properties in a condominium, responsible for overseeing the administration, maintenance and repairs of the common areas and structures within the condominium, on behalf of the Assembly. Maintenance and repair works include overseeing tasks such as cleaning, painting, maintaining elevators, repairing common infrastructure, and other necessary upkeep.

The Civil Code does not require the Assembly to be registered as a legal person. This creates problems concerning the capability to sign contracts and collect necessary fees. To address this issue, Law No. 10112/2009 stipulates that the board of directors (the Council of the Condominium Assembly) be registered with the municipality. Once they are registered, they become acknowledged as a "quasi" legal entity.

Individual units in MABs are considered to be condominiums even if the buildings do not have a condominium assembly established and/or registered. Law 10112/2009 also provides for some role of local governments in assisting condominium owners to establish the assembly, elect the board and register it in the book of condominiums, and establish a list of registered administrators (property managers) and assist the Council to select one. Except for Tirana, there is no evidence that the other municipalities have established a municipal department dealing with condominiums (as this is not a requirement of the law) or implemented projects to assist with the establishment of condominium assemblies.

The ownership of the land plot of the building belongs to the condominium owners, as per their share. In case of any repairs or reconstruction required, the owners can come together to make a joint decision. As per article 40 of Law No. 10112/2009, the municipality can co-fund the condominiums, also known as Condominium Assemblies, to restore or reconstruct damaged buildings. The municipality has the power to design an incentive programme to encourage the restoration or reconstruction process. The Condominium Assemblies that meet at least one of the following criteria can be preferred for this programme:

- Paid the real estate tax in full
- Require adaptation of entrances and stairs for persons with disabilities
- Require intervention to maintain energy efficiency, as per EU directives
- The facade of the building is on the main road and is in a damaged condition that spoils the image of the city/neighbourhood
- The implementation of that project is valuable for improving the life of the community.
Although it is not clear whether the other municipalities are using this instrument, the Municipality of Tirana has established a Community Fund to promote effective cooperation among citizens for improving the infrastructure of residential blocks and preserving jointly owned premises. The municipality funds up to 50 per cent of the costs involved and also undertakes the payment of the investment on behalf of some categories of vulnerable families. To be eligible for the fund, the building must be registered with the State Cadastre Agency, the condominium assembly must have a titled registration in the “Registry of Co-ownership” with the Municipality of Tirana, and there must be a contract with an administrator (property manager) registered in the “Book of Administrators” kept by the Municipality of Tirana.19

The Municipality of Tirana provided the following data in June 2023 (see also figure 2.9):

• Number of registered Councils of Condominium Assembly (CCA) – 3,780
• Number of administrators (property managers) registered in the Book of Administrators – 1,065
• Number of management contracts with registered CCA – 1,296
• Number of buildings financed by the “Community Fund” programme – 65 buildings.

The Community Fund programme is a good opportunity to turn the citizen into an essential part of the decision-making process. The programme contributes to their awareness by giving owners more responsibility in the management of funds and the maintenance of common facilities. The Condominium Assembly decides on the amount of the administration fee for housing management and maintenance through a negotiation process. The manager contracted either stipulates services that they can cover with this fee amount or sets the fee and the services on which the assembly can agree.

In most new MABs, Condominium Assemblies have been established (see figure 2.9). Initially, the developer takes charge of managing the condominium. However, in many cases, the obligation to pay and the levels of the fee lead to surprises for apartment buyers who lack prior experience with this institution. The associated fees can be relatively high by Albanian standards. Furthermore, despite having the right to change management, condominium owners often feel powerless in practice. Disputes typically follow the legal route through the court system, as stipulated by the Civil Code. While Law No. 10112/2009 has provided some measures to address disputes, but their applicability in practice remains unverified.

In older estates, inherited from the socialist era, the establishment of Condominium Assemblies is still uncommon, so they have no management and maintenance services. Residents are organized informally and only pay for cleaning, or cleaning may be undertaken by owners themselves. Often, owners are not aware of their responsibilities to form a condominium assembly and believe that a housing administrator will be assigned by the municipality (Pojani and Baar, 2016). This also raises questions about what will happen when the building requires reconstruction or becomes uninhabitable. The Government is working on a decree about testing the stability of buildings built more than 50 years ago. The draft decree stipulates that if the building is not stable and in need of improvements the cost of which exceeds 75 per cent of the cost of new construction, it will be demolished. It is yet to be determined how this will affect the condominium owners.

19 For more details on how to apply for the Community Fund, including the documents required, see https://tirana.al/sherbimi/bashkepronesia.
Figure 2.9 Registered Councils of Condominium Assembly in Tirana

Source: The information is provided by the Municipality of Tirana.

Note: Purple-coloured contours indicate Councils of Condominium Assemblies (CCAs) in new buildings. Green-coloured contours indicate CCAs mainly in old buildings. Filled-in contours indicate recipients of the Community Fund. No colour indicates buildings without a registered CCA.
Picture 1  Multi-apartment buildings in Tirana

Photo: Oleg Golubchikov
11. Energy efficiency and climate neutrality

Households in Albania consume a significant portion of the country’s energy, second to transportation (see figure 2.10). Information according to data from the 2011 Census on the type of energy used by households for heating is presented in table 2.9. Data shows the majority of households in Albania use separate heating equipment such as stoves (owned by 63 per cent of the households), air conditioners, or electric heaters, with only 3.2 per cent using central heating systems. Firewood remains the primary source of heating, but solar panels have gained popularity in urban areas.

The draft National Energy and Climate Plan for Albania (NECP) aims to reduce energy consumption by 2030, but the country has yet to complete the development of a strategy for cost-effective investments in renovating its building stock. The strategy includes mobilizing investments in the renovation of buildings in line with the requirements of article 2a – Long-term renovation strategy - of Directive 2010/31/EU “On the energy performance of buildings”.

Some initiatives are already in place to support the transition to green energy in the private residential and building sector in Albania, including loans from EBRD. EBRD provided a EUR 6 million loan to the Union Bank of Albania and EUR 85 million to a funding mechanism Besa Fund, under the Western Balkans Green Economy Financing Facility (GEFF). The municipality of Tirana also provides an incentive for citizens (condominium assemblies) to invest in energy efficiency, co-financing up to 50 per cent of the investment.

Figure 2.10 Albania: energy consumption by different sectors, 2020
(Kilotonnes of oil equivalent)

Source: National Agency of Natural Resources.
Table 2.9  Percentage of private households by type of energy used for heating, by urban and rural area, Census 2001 and Census 2011

<table>
<thead>
<tr>
<th>Main type of energy used for heating</th>
<th>Census 2001</th>
<th>Census 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Urban</td>
</tr>
<tr>
<td>Wood</td>
<td>65.6</td>
<td>35.7</td>
</tr>
<tr>
<td>Electricity from the grid</td>
<td>31.3</td>
<td>51.5</td>
</tr>
<tr>
<td>Gas</td>
<td>17.7</td>
<td>29.1</td>
</tr>
<tr>
<td>Solar panel</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other type (coal, oil, other)</td>
<td>1.5</td>
<td>2.2</td>
</tr>
<tr>
<td>No heating</td>
<td>4.0</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: Institute of Statistics Albania.

While laws have been put in place to improve energy efficiency in buildings, such as Law No. 124/2015 “On Energy Efficiency” and Law No. 116/2016 “On the Energy Performance in Buildings”, their effectiveness is questionable due to secondary legislation not fully in place. For example, Law No. 116/2016, transposition of EU Directive 2010/31/EU, aims to create the legal framework for improving the energy performance of buildings taking into account the local and climatic conditions of the country, interior comfort of buildings and cost-effectiveness. Furthermore, article 9 of this Law requires all new buildings to comply with the Near Zero Energy Building indicators from 31 December 2020. This means new buildings must have a well-insulated thermal envelope and should apply measures for energy efficiency. For buildings requiring major renovation, they have to fulfil the minimum requirements of energy performance. During the mission of the Country Profile team to Albania, the experts found no evidence that the near-zero energy standards were applied. Furthermore, the legislation does not refer directly to social housing (MetroPOLIS, Shpk. and Co-PLAN, 2020).
12. **Recommendations**

(1) **Increase the visibility of housing challenges at the national political level**

Housing policy still remains relatively low in government priorities and agendas at all levels. The Government should strengthen the capacities of national bodies that are responsible for housing policy and ensure that housing is given more importance as a key component of sustainable and liveable cities.

One recommendation is to create a Parliamentary Committee on urban development and housing to ensure that the political commitments to this sector are upheld and that urban development and housing are considered from a cross-sectoral perspective. This will help address the complex challenges associated with housing and urban development.

(2) **Make clear links to the international commitments of Albania in strategic policy documents**

There is increasing evidence that the application of a “free market” neoliberal ideology in housing policy only worsens the housing challenges worldwide. Several policy documents endorsed and adopted at the United Nations and EU levels call for a change and the need to act differently. Countries and cities that have made a long-term commitment to active housing policy have achieved the most balanced outcomes in terms of affordability and accessibility of housing, with minimal disruptions and social consequences, serving as internationally recognized best practices for housing policy. For instance, the UNECE study #Housing2030: Effective Policies for Affordable Housing in the UNECE region provides evidence and recommendations for policymaking.

To promote access to safe and affordable housing for all Albanians by 2030, the Government needs to prioritize its adherence to the principles adopted by the United Nations and EU. This can be achieved by integrating these principles into its strategic documents and decisions related to housing and urban development policies.

The Government must also develop an action plan to implement the UN Geneva Charter on Sustainable Housing and to achieve the Sustainable Development Goal target 11.1 “Safe and affordable housing: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums”.

By demonstrating its commitment to these principles, Albania can achieve balanced outcomes in terms of affordability and accessibility of housing, and become an internationally recognized best practice for housing policy.

(3) **Improve vertical and horizontal coordination in the field of housing and urban development**

Housing policy in Albania is quite fragmented, with different responsibilities divided among various entities such as ministries, NHA and municipalities. Each governance level plays a different role in ensuring affordable housing for its citizens. NHA is typically responsible for implementing affordable housing programmes, while social housing and housing allowances are often provided by the central government and municipalities within their respective territories.

To improve coordination between the responsible ministries and agencies in housing and urban development, the Government is recommended to implement the following measures:

(a) Strengthen cooperation and harmonize housing-related activities among responsible ministries and agencies. Regular meetings, information sharing and mutual learning can help improve the development of plans and proposals. Establishing inter-institutional steering groups is important to facilitate the implementation, evaluation and identification of lessons learned.

(b) There should be tighter cooperation between NHA, national government and local communities, especially municipalities and local stakeholders, on housing matters. Cooperation is important as municipalities have different levels of institutional capacity.

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20 The Charter is available in different languages [here](https://unece.org/housing/charter).
Capacity-building is crucial for effective policy implementation. Often, municipalities lack funding and staff for social housing planning, implementation and monitoring. Thus, the Government should ensure proper support to the municipalities to address local housing issues. To achieve this, the Government should provide long-term capacity-building both at the national and local levels. The Government should organise regular meetings with representatives of local authorities about the local needs and support them in developing their approaches and capacities on identifying needs. This will also facilitate the work of the national government.

As an example of some good practice internationally, the Liaison Centre in Czechia provides methodological support and thematic expertise is provided to municipalities to ensure the long-term sustainability of projects.

Concentrate on public, permanently rental housing

Housing policy needs to be innovative and new niches in housing markets need to be created, such as more stable public rental and not-for-profit rental housing, so that there is more competition between different types of tenure.

Most of the social housing projects implemented in Albania support owner-occupancy, only a small fragment is focused on public rental housing. This is in line with expectations, aspirations, and preferences of the population regarding housing – preference of ownership. However, in the long run this approach does not ensure stable affordable housing stock. There is too much reliance on the market, which fails to provide this. Furthermore, there are rather complex relationships between the national level and municipalities in delivering social rental housing.

To address these problems, the Government should take the following measures:

Extending the mandate and activities of NHA regarding social rental housing. NHA should also be allowed to receive public funds to expand its developer role and public rental units. Special incentives and mechanisms could also be established for not-for-profit or public organizations that will run social rental housing.

The law on social housing currently requires a 3 per cent contribution to social rental housing from projects over 2,000 m². Most of the projects of this size are in Tirana. To extend the provision outside a handful of locations and capitalize on the construction demand in locations profitable for investors, it is recommended that the threshold of 2,000 m² is reduced.

Introduce the concept of intermediary social rental agencies

Set against high level of housing overcrowding across the total population in Albania is a significant amount of vacant housing stock. However, private landlords have shown limited interest in utilizing it for social rental purposes. To address this, municipalities can create local intermediary social rental agencies that can mobilize private housing for social purposes in coordination with the social landlord policy. Information on this concept is available in chapter V.

Establish a municipal housing network

To enhance the efficiency of social housing design implementation, municipalities offering public rental housing can create a “municipal network” where feedback on what works and what does not can be organized and where eligibility criteria can be harmonized. The network can also serve as a reference point for consultation with the national level. KOVA in Finland is an example of such a network (see box 1).

Urban housing strategies should be developed in collaboration with stakeholders, especially grassroots organizations that possess extensive knowledge on the ground. This collaboration will save the municipality time and money in the long run.

Furthermore, local government personnel should be more involved in conceiving urban and housing programmes to explore, develop and test how projects might work in practice. National funding bids should be shaped by local knowledge and perspectives. Establishing channels to share these experiences can help build capacity and professional learning networks necessary for sound implementation.
Box 1    KOVA in Finland

The Finnish Affordable Housing Companies Federation KOVA was established in 2013 as a national umbrella association for non-profit rental housing companies and foundations in Finland. The association’s primary objective is to bring together all non-profit rental housing companies and foundations in Finland. The 21 members of KOVA own, build and maintain reasonably priced and state-subsidized rental houses throughout Finland. KOVA members are municipal and rental housing companies and foundations, as well as other non-profit companies and foundations owning rental housing.21

To claim financial sustainability, owning and managing a minimum of 1,000 dwellings is ideal for a housing organization. In Albania, the implementation of the CEB project (1,100 units), as well as the projects implemented in the last 10 years by the NHA (843 units), can lead to financial sustainability. By creating a legal entity to coordinate the Albanian municipal stock, the country can become a viable player in implementing projects with EIB, CEB and other international financial institutions.

(8) Improve the condominium management and maintenance system

Although only a quarter of the households live in MABs, this type of housing is concentrated in urban areas and defines the current and future aesthetics, safety and, essentially, liveability in cities. To ensure the timely maintenance and regeneration of MABs, the proper organization of condominium owners, a transparent, competitive and skilled property management sector, and the collection of administration fees and reserve funds for property maintenance are needed. The Government is recommended to take additional measures for the development of the condominium system, such as:

(a) Implementing legal changes to require the establishment of Condominium Assemblies in all MABs and registering them as full legal entities;

(b) Clarifying the legal relationships between condominium assemblies, management companies (administrative companies), and the system of collection, deposit and use of management fees;

(c) Upscaling the experience of the Municipality of Tirana for co-founding Condominium Assemblies for reconstruction work and similar mechanisms for comprehensive housing regeneration;

(d) Establishing professional accreditation and training programmes for property management providers covering not only technical skills but also skills for social management. Albania could follow a programme in Slovakia, requiring property management firms to pass professional tests to be eligible to offer services for managing residential properties;

(e) Organizing public awareness campaigns about the need to preserve the housing stock and the responsibilities of owners.

(7) Develop better data for evidence-building, monitoring and evaluation

It is important to have consistent, reliable and up-to-date data on housing at the local level to inform policymaking, which is currently lacking. The Government is recommended to:

(a) Improve data collection in the area of housing policy.

(b) Keep a reliable register of tenants and beneficiaries of public housing programmes.

(c) Classify collected data in a way that allows for the identification of households’ characteristics and assessment of gender balance.

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21 For more information on KOVA, see https://www.kovary.fi/kova-in-brief/
(9) Upscale the refurbishment and energy efficiency measures of existing housing

While there is legal provision for municipalities to support energy efficiency regeneration of condominiums and some municipalities, such as Tirana, have taken important steps in this direction, there is no national programme targeting this field. It is also important to raise awareness about refurbishment, energy efficiency and safety among owners of MABs. Additionally, the legal framework could benefit from reassessment and more strict and detailed stipulations.

The Government is recommended to implement the following measures related to condominiums:

(a) Develop informational campaigns and legal arrangements in this field.

(b) Introduce a national programme for refurbishment and energy efficiency regeneration in MABs, which includes financing provisions, possible ways of de-risking commercial lending, subsidy schemes and technical indicators. To prepare and run successfully such a programme, a technical assessment should be completed before it starts. This assessment should include:

- A survey and completion of the registers of MABs
- A technical assessment of the conditions of the MAB including fire and structural safety
- Typical technical conditions for the refurbishment of MAB originally built using standardized industrialized technologies
- Preparing a registry of activities necessary to have during refurbishment (e.g. insulation, internal pipes and electrical cables, gas, water, sewage, new elevators, fire safety and structural safety improvements).

Furthermore, there is a high proportion of housing stock in individual family houses that were built informally, making their technical conditions and connection to infrastructure problematic. There are government programmes addressing the most prominent structural and health issues in such homes, however, there is no comprehensive and long-term strategy for their refurbishment, including about energy efficiency and building safety (including fire).

The Government is recommended to consider introducing a comprehensive and long-term strategy for the refurbishment of such homes, including energy efficiency and building safety (including fire). This programme should address the specific needs of the complex refurbishment of family houses, including their urban context, and harmonize and strengthen existing partial sectoral activities, ensuring the structural, health and energy aspects of activities are carried out at the same time.
Chapter III. LAND ADMINISTRATION AND GOVERNANCE

1. Introduction

Land administration and governance encompasses a range of governance regulations, processes and functions. It plays a crucial role in facilitating and protecting property rights/tenure and transfers, regulating land use decisions and planning to promote development, social equity, conservation, and economic growth, managing property-related records and information, and facilitating property valuation and taxation.

When combined with a strong rule of law, well-designed land administration practices can contribute to the cohesive and productive development of both built and natural environments, including urban growth, rural progression and an appropriate evolution along the peri-urban continuum. In contrast, weak land administration, especially when paired with a weak rule of law, leads to insecurity of tenure and the development of informal systems of land use and transfer. In addition to supporting formality, fair and effective land administration also has far-reaching effects on various social and economic issues, such as market functionality, investment, access to credit, women’s rights, educational attainment, food security, agricultural productivity, sustainability, habitat fragmentation, and other important development concerns.

This chapter will examine the institutional systems for land administration and governance in Albania and assess their role in supporting the country’s economic and social development, as well as its urban and housing development.

2. Legal and policy development

The right to own immovable property in Albania is granted by article 41 of the Constitution and is further provided in title 2 of the Civil Code, along with additional property-specific laws and government decisions. Both the public sector and private individuals or entities may own immovable property in Albania and ownership rights include possession and the right to protect the property.

Any ownership rights to land and other real property, including usufruct, must be registered, as along with the sales contract and transfer of property from one owner to another. Leasehold rights that extend beyond nine years and certain types of lawsuits must also be registered. The rights to the underlying land can be held and registered separately from buildings and other immovable structures.

Table 3.1 outlines the primary legislation that enables immovable property ownership and registration in Albania. However, the list is not exhaustive as there are several supplementary laws related to ownership, transfer, registration, and taxation of immovable property that also exist.
### Table 3.1 Key enabling legislation for property ownership and registration

<table>
<thead>
<tr>
<th>LEGISLATION</th>
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</thead>
<tbody>
<tr>
<td><strong>Constitution of the Republic of Albania</strong></td>
<td></td>
</tr>
<tr>
<td>Article 41</td>
<td>Provides the right to private property, which cannot be expropriated except for public purposes and with just compensation</td>
</tr>
<tr>
<td><strong>Civil Code</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Part 1 – Title 3: Legal Transaction</strong></td>
<td></td>
</tr>
<tr>
<td>Article 83</td>
<td>The legal transaction made for the transfer of ownership of immovable assets and of the real rights over them, must be notarized and registered, otherwise it is not valid</td>
</tr>
<tr>
<td><strong>Part II – Titles 1 and 2: Things and Ownership</strong></td>
<td></td>
</tr>
<tr>
<td>Article 142</td>
<td>Defines immovable property</td>
</tr>
<tr>
<td>Article 144</td>
<td>Establishes that immovable things and real rights over them are recorded in the real estate registers</td>
</tr>
<tr>
<td>Chapter 2</td>
<td><strong>Acquisition and Loss of Ownership</strong></td>
</tr>
<tr>
<td>Article 170</td>
<td>Adverse possession of immovable property</td>
</tr>
<tr>
<td>Article 190</td>
<td>Allows for a public appropriation of property with fair compensation for a public purpose</td>
</tr>
<tr>
<td>Article 191</td>
<td>Sale or other renunciation of ownership of immovable property is only valid with a notarial act and registration</td>
</tr>
<tr>
<td>Chapter 3</td>
<td><strong>Registration of Immovable Property</strong></td>
</tr>
<tr>
<td>Article 192</td>
<td>Mandates that immovable property and relevant facts about the property will be recorded in the real estate registry</td>
</tr>
<tr>
<td>Articles 193 and 197</td>
<td>Specify what types of information must be registered</td>
</tr>
<tr>
<td>Article 570</td>
<td>States that mortgages on the immovable property must be registered</td>
</tr>
<tr>
<td><strong>Law on Cadaster (Law No. 111/2018)</strong></td>
<td></td>
</tr>
<tr>
<td>Article 13</td>
<td>Describes information to be recorded for each property on both a property card and on the cadastral map, which must exist both in hard-copy and digitally</td>
</tr>
<tr>
<td>Article 14</td>
<td>Governs registration areas and cadastral areas</td>
</tr>
<tr>
<td>Article 15</td>
<td>Defines property details to be included in the Cadastral map</td>
</tr>
<tr>
<td>Article 16</td>
<td>Describes how errors in cadastral data are corrected</td>
</tr>
<tr>
<td>Article 17</td>
<td>Establishes that an ownership certificate is the unique unrepeatable document which proves the ownership title, the legal status and the property borders.</td>
</tr>
<tr>
<td>Article 29</td>
<td>Mandates that all requests for cadastral services must be addressed within 15 days from the day of the submission and not later than 21 calendar days</td>
</tr>
</tbody>
</table>
The Law on Cadaster (Law No. 111/2018) came into effect in 2019 and replaced the Law on Registration of Immovable Properties (Law No. 33/2012) (KPMG, 2019; Deloitte, 2019). It established the State Cadastre Agency and is the main legislation governing real property registration. In 2020, the Law on Cadaster was supplemented by the Law on the Finalisation of Transitional Ownership Processes (Law No. 20/2020), which addresses cadastral actions in the context of completing the first registration of certain agricultural properties, informally settled properties and publicly owned land, among other obligations (EC, 2021c; Deloitte, 2020).

Other important laws related to land administration and governance in Albania are:

- Law for the Organization and Operation of the National Infrastructure of Geospatial Information in the Republic of Albania (Law No. 72/2012) that established the State Authority for Geospatial Information
- Law on Territorial Planning and Development (Law No. 107/2014) that established the National Territorial Planning Agency
- Law on the Protection of Agricultural Land (Law No. 9244/2004) and the Law on Agricultural and Rural Development (Law No. 9817/2007) which are guiding regulations for the Ministry of Agriculture and Rural Development
- Law on Regional Development and Cohesion (Law No. 102/2020) which aims to coordinate regional planning and development to achieve cohesive outcomes through the establishment of four newly designated regional development areas and various supporting institutions, as supplemented by various Decisions of the Council of Ministers (COE, 2021; Zotaj, 2022).
The framework for private immovable property ownership exists in Albania, however, the European Commission (as part of a EUR 5.7 million assistance project related to immovable property rights in Albania in 2014-2020) has noted several concerns related to the weakness of protection of ownership rights, conflicts in the enforcement of related policies and lack of effective coordination between the various institutions involved, particularly in property rights and land management-related information (EC, 2021d). One example of this lack of effective coordination is seen in agricultural land, where land reforms and privatization starting in the 1990s have resulted in significant land fragmentation, limiting the size of lots and agricultural productivity (EC, 2016; Lushaj, Strati and Muharemaj, 2019). The 2016 National Land Consolidation Strategy was designed to address this situation by envisioning zoning and other reconciliation strategies; however, it was championed by the Ministry of Agriculture and Rural Development (then the Ministry of Agriculture, Rural Development and Water Administration), separately from other land governance bodies.22

Laws related to agricultural property have continued to perpetrate a preference for male ownership by listing property solely under the name of the “head of household”. This raises several concerns about the resulting ownership inequality for women in cases of, for example, divorce, inheritance, sale of property and the movement of women between “agricultural families” as defined under Albanian law.23 Property rights and registration were a focus of the Albanian National Strategy for Development and Integration (NSDI II) 2015-2020. NSDI II has been the main strategic framework of the country, outlining plans for the “sustainable social and economic development of the country, ensuring the fulfilment of standards and progress in the European integration process” (Albania, 2016). One of the six priorities of NSDI II emphasized improving good governance and the rule of law, which are critical components of immovable property rights. NSDI II identified the need for improvements in land management, security and protection of property rights, as well as developing a modern registration of property rights and ensuring gender equity in property ownership and registration.

Albania has received significant support for its property rights and land administration development. Some of the significant recent projects include the following:

- USD 41.2 million (2007–2014) - World Bank Land Administration and Management project24
- EUR 1.5 million (2011) - European Union and OSCE funding for the first registration of immovable properties and road signage in the coastal areas25
- USD 17.58 million (2012 – 2019) - USAID Planning and Local Governance Project (USAID, n.d.) to assist territorial (land) planning capacity-building and plan development
- EUR 5.7 million (2014 – 2020): EU Pre-Accession Assistance for Albania Property Rights project (EC, 2021d) for improvements in land management, institutional framework reform, and strengthening property rights


25 This OSCE-implemented project aimed to complete the first property registration and update existing registration for 60,000 properties in coastal areas. The project included the installation of road signs at EUR 103,000 (https://www.osce.org/albania/81123).
Chapter III. LAND ADMINISTRATION AND GOVERNANCE

- EUR 3.3 million (2018 – 2020) SIDA: Building Market Value Based Property Tax in Albania (van Gerwen, Bingen and Rusi, 2022), including capacity-building for property registration and digitization
- EUR 64.9 million (2021 – 2027) - EU Pre-Accession Assistance for Albania, a portion of which is allocated for the Property Rights Phase II project, “to strengthen the protection of the right to physical property and capacity to guarantee in practice the right to ownership” (EC, 2021b).

According to the new National Strategy for Development and European Integration (NSDEI) 2022-2030, the following objectives will be key priorities in the field of properties:

- The regulation and fair compensation of property rights issues that arose from expropriations, nationalizations or confiscations through the completion of the property compensation process in accordance with the legal framework
- Strengthening and protecting the right to property and ensuring that a regulated and harmonized real estate registration system is in place to provide clear titles and correct ownership and support the dynamic development of the land and real estate market
- The development of a modern central system of integrated land management, digitalization and unification of all cadastral data to make it easy and efficient for all users to use and update.
3. Organizational responsibilities

Land administration and governance in Albania involve multiple agencies, primarily the State Cadastre Agency, the State Authority for Geospatial Information, and the National Territorial Planning Agency. Other institutions, such as the Ministry of Agriculture and Rural Development or the Property Handling Agency, have specific responsibilities within the land administration. The Property Handling Agency, for example, is responsible for addressing property restitution or compensation issues and digitizing cartographic information on final decisions.

The State Cadastre Agency
The State Cadastre Agency (Agjencia Shtetërore e Kadastres - ASHK) is responsible for keeping records and registering immovable properties. This national agency or ASHK was formed in 2019 by merging several other agencies, namely, the Agency for Legalization, Urbanization and Integration of Informal Buildings (ALUIZNI), the Real Estate Registration Office (ZRPP), and the Agency for the Inventory and Transfer of State Properties. ASHK is an independent agency reporting to the office of the Prime Minister (CEE, 2021) and its current organizational structure is outlined in figure 3.

In the previous Country Profile of Albania in 2002, the country was divided into 3,086 rural and 134 urban cadaster zones, with a property registration rate of 95 per cent in rural areas and 75 per cent in urban areas. At that time, there were 34 registration offices. Currently, there are a total of 3,074 cadastral areas and 24 regional Registrars for different administrative zones - North Tirana, South Tirana, Rural Tirana 1, Rural Tirana 2, Kamez-Vore, Agreed Areas, Berat, Diber, Durres, Elbasan, Fier, Gjirokaster, Korce, Kruje, Kukës, Kavaje, Lezhe, Lushnje, Pogradec, Shkoder, Sarande, Tepelene, and Vlore.


Note: State Cadastre Agency is Agjencia Shtetërore e Kadastres (ASHK) in Albanian.
State Authority for Geospatial Information

Working in parallel with the Cadaster is the State Authority for Geospatial Information (Autoriteti Shtetëror për Informacionin Gjeohapësinor - ASIG). ASIG has two main technical divisions, one supporting geodesy and cartography and the other responsible for the country’s GIS and geoportal.

The main task of ASIG (ASIG, n.d.-a) is to develop a National Spatial Data Infrastructure (NSDI) (ASIG, n.d.-b) by creating a geodetic framework, which includes standards, controls, naming conventions, base map imagery, and a digital terrain model. ASIG also maintains the National Geoportal where GIS information is made publicly available. While ASHK is responsible for creating and defining cadastral parcels, ASIG is responsible for including the maps as part of the national spatial data collection.

National Territorial Planning Agency

Land use planning and permitting in Albania are the responsibility of the National Territorial Planning Agency (Agjenci a Kombëtare e Planifikimit Të Territorit - AKPT). The mission of AKPT is to utilize land planning and land use tools to support government goals, including sustainable development, environmental and natural resource preservation, promoting social equity and managing economic growth (AKPT, n.d.-d). AKPT manages national plans, detailed area plans for areas of national importance and general local plans for 61 municipalities to fulfil its mission (AKPT, n.d.-d). The General National Spatial Plan, also known as “Albania 2030” (Shqipëria 2030) envisages general land use, buffer zones, infrastructure needs and regional connectivity (see also chapter 4) (Republic of Albania, MoUD and NTPA, 2017a). However, AKPT is not liable for any errors in cadastral maps as per article 16 of Law No. 111/2018 “On Cadaster”.

4. Property rights transfers and registration

All immovable properties must be registered in the state cadastral database in both hard copy and digital format. This registration is done through the assignment of a property card (or cadastral card) and an entry on the cadastral map. The property card must contain the following information:

- Geographic position of the property
- Surface of the property
- Type of immovable property (building, land, field, pasture, etc.)
- Identification of the property owner
- Act from which the ownership title on the property was born
- Rights of third parties on the property and the acts from which they originate
- Value of the property
- Any other act that changes the legal regime of the property or creates rights or obligations on the property
- Other data determined by the decision of the Council of Ministers.

While instructions for various types of requests are available on the cadastral e-services portal, these instructions only pertain to the request itself and do not address the time or process necessary for preparing the materials to be submitted as part of the request. According to the Law on Cadaster (Law No. 111/2018), requests for cadastral services must be addressed within 15 days from the day of the submission and not later than 21 calendar days. However, there are no published metrics on compliance or actual performance rates.
According to the World Bank’s Doing Business report of 2020, transferring property in Albania involves more than five steps and takes longer to complete than the reported 19 days, with the additional sub-steps to comply with. For example, a sales contract to transfer ownership of a property must be notarized to support the legal process. A longer notarial process could impact the overall sales timeline. The transfer costs 8.9 per cent of the property value (WBG, 2020).

In addition to the administrative fees listed on the cadastral e-services portal, there are other costs associated with transferring property.

Upon registration, an ownership certificate, “the unique unrepeatable document which proves the ownership title, the legal status and the property borders”, is issued. According to the cadastral services portal, the time to receive an answer on an ownership certificate request is 5 days; however, it is unclear if this timeframe includes the issuance of the certificate itself or only pertains to receiving a response to the request (e-Albania, n.d.).

Anecdotal evidence suggests that the actual process of immovable property ownership transfer and registration is opaque and lengthy. Research on Albanian housing solutions, for example, suggests that costs and conflicting land administration practices remain a barrier to mitigating informal behaviours (Kacani, 2021).

Resolving boundary disputes is governed by article 16 of the Law on Cadaster and article 157 of the Civil Code. The local cadaster office is responsible for correcting registration data in its jurisdiction, at no charge to property owners. While property owners are entitled by law to notify the cadaster office of any errors, which the cadaster office should investigate and correct, the actual resolution process is unclear.

There is no published information on the accuracy of parcels included in the cadastral map. External sources suggest that only 50 per cent of certificates of ownership have been issued for agricultural land as of 2021, which represents approximately 24 per cent of Albanian land use. This situation has “incentivized an informal rental market among undocumented farmers” (Lushaj, 2021). Given the importance of the agriculture sector in Albania, this lack of documentation combined with the previously mentioned fragmentation of agricultural land is concerning.

Legalizing informally built or acquired property remains an important reform for Albania. The process is governed by the Law on the Finalization of Transitional Ownership Processes (Law No. 20/2020). As of October 2021, external sources (EC, 2021a) indicate that out of an estimated 4 million properties that were never previously registered, a total of 3.54 million properties (equivalent to 88.5 per cent) had undergone a first registration. As of April 2021, approximately 1.783 million files had been digitized.

However, according to stakeholder input during the Country Profile team mission in Albania, municipalities struggle to address issues with homes and other properties lacking documentation. This prevents the properties from being rented or sold and often leads to abandonment and/or increasing informality within the jurisdiction.

In 2020, the Council of Ministers approved Decision No. 1179 which determines the method, administration and storage of cadastral data. The Decision also defined the list of institutions that have the right to access the digital cadastral system (see table 3.2), which will also allow access to the public (LPA, 2021).
### Table 3.2  Agencies with direct access to the state cadastral database

<table>
<thead>
<tr>
<th></th>
<th>Agency Name</th>
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<tbody>
<tr>
<td>1</td>
<td>Ministries</td>
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<tr>
<td>2</td>
<td>Municipalities</td>
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<tr>
<td>3</td>
<td>Courts</td>
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<tr>
<td>4</td>
<td>Prosecution Office</td>
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<tr>
<td>5</td>
<td>State Police</td>
</tr>
<tr>
<td>6</td>
<td>Bodies exercising transitional re-evaluation of judges and prosecutors</td>
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<tr>
<td>7</td>
<td>Bodies exercising transitional re-evaluation of State Police</td>
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<tr>
<td>8</td>
<td>Judicial bodies</td>
</tr>
<tr>
<td>9</td>
<td>General Directorate for the Prevention of Money Laundering</td>
</tr>
<tr>
<td>10</td>
<td>High Inspectorate on Declaration and Audit of Assets and Conflict of Interest</td>
</tr>
<tr>
<td>11</td>
<td>Agency for the Administration of Sequestrated or Confiscated Assets</td>
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<tr>
<td>12</td>
<td>State Advocacy</td>
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<tr>
<td>13</td>
<td>Territorial Development Agency</td>
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<td>14</td>
<td>National Agency on Territorial Planning</td>
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<tr>
<td>15</td>
<td>General Directorate of Taxation</td>
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<td>16</td>
<td>General Directorate of Customs</td>
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<tr>
<td>17</td>
<td>National Business Center</td>
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<td>18</td>
<td>State Agency for Geospatial Information (ASIG)</td>
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<tr>
<td>19</td>
<td>General Directorate of State Bailiffs</td>
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<tr>
<td>20</td>
<td>Albanian Investment Development Agency (AIDA)</td>
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<tr>
<td>21</td>
<td>National Environment Agency</td>
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<td>22</td>
<td>Credit Processing Agency</td>
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<td>23</td>
<td>Notaries</td>
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<td>24</td>
<td>People’s Advocate</td>
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<td>25</td>
<td>State Expropriation Agency</td>
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<td>26</td>
<td>Property Treatment Agency</td>
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<td>27</td>
<td>Water Resources Management Agency</td>
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<td>28</td>
<td>National Coastal Agency</td>
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<td>29</td>
<td>Albanian Road Authority</td>
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<td>30</td>
<td>State Social Service</td>
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<td>31</td>
<td>Public Property Management Directorate</td>
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<tr>
<td>32</td>
<td>Electricity Distribution Operator</td>
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<tr>
<td>33</td>
<td>Water Supply and Sewerage</td>
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<tr>
<td>34</td>
<td>National Housing Authority</td>
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<tr>
<td>35</td>
<td>The Administration of Borrowing Companies</td>
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<tr>
<td>36</td>
<td>National Institute of Cultural Heritage</td>
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<tr>
<td>37</td>
<td>National Institute of Cultural Heritage Registration</td>
</tr>
<tr>
<td>38</td>
<td>National Forest Agency</td>
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<tr>
<td>39</td>
<td>National Agency of Protected Areas</td>
</tr>
</tbody>
</table>
5. **Real estate taxation**

Ownership of immovable property is subject to an annual tax based on the cadastral value of real estate, which is the assessed market value. The tax rate is based on the assessed market value depending on the property’s category (Lloyds Bank, 2023):

- Residential buildings – 0.05 per cent of the value
- Commercial buildings – 0.2 per cent of the value
- Agricultural land – from ALL 700 to ALL 5,600 per hectare, depending on location
- Urban land – from ALL 120,000 to ALL 200,000 per hectare, depending on location and purpose
- Properties under construction - 30 per cent of the tax rate applicable to this type of property.

The transfer of property ownership in Albania is subject to various transaction changes, including notary fees, local property transfer taxes and personal income tax associated with the capital gain in the sale.

The notary fees are determined by the Order of the Ministry of Justice no. 279, dated 14 June 2012 and are based on the property value at the following rates:

- ALL 100,000 – ALL 6,000,000 - 0.35 per cent
- ALL 6,000,001 – ALL 15,000,000 - 0.3 per cent
- ALL 15,000,001 – ALL 50,000,000 - 0.28 per cent
- ALL 50,000,001 – ALL 100,000,000 - 0.25 per cent
- Over ALL 100,000,001 - 0.23 per cent.

In addition to corporate income tax, legal entities are also subject to a local tax imposed on the transfer of immovable properties. The tax on the transfer of commercial properties varies, ranging from ALL 100 to ALL 2,000 per m². For all other types of properties, the transfer tax is set at 2 per cent of the sale price (Lloyds Bank, 2023).

The capital gains tax is charged at 15 per cent on the difference between the current transaction value of the immovable property and its registered cadastral value. The cadastral value is based on the previous transaction value or the updated cadastral value of the property, whichever is more recent. To get an updated cadastral value, the owner incurs a fee, reportedly 1 per cent of this value. The transaction value must not be lower than the registered cadastral value to avoid under-reporting of sale prices. Anecdotal evidence suggests that the cadastral value is commonly reported as the sale price instead of the actual sale price, to avoid paying capital gains tax.

At the time of the project mission, the frequency of revaluation activities for determining cadastral values was not clear. Typically, revaluations are carried out at the time of sale upon the seller’s (property owner’s) request. The timing of these revaluations in the market is influenced by arbitrary “tax sales”, where the government offers to reduce the gains tax on property sales to as low as 3 per cent.

Capital gains taxes in Albania are only applied to the transfer of real property. This applies to both investment properties and sale of personal residences. A report highlighted that *Albania has one the highest tax rates on the gains from property out of regional comparators* and that with such high rates “there is a risk that sales prices are under-reported to avoid a large liability” (IMF, 2022). Other forms of transfer, such as expropriation, rely on different valuation and pricing models, which have been subject to critical feedback for inaccurate outcomes and methodological shortcomings.

New development projects are subject to a one-time infrastructure impact tax to the local government. The rates of this tax vary based on the local jurisdiction, typically ranging from 2 to 4 per cent and are calculated based on the investment value (WBG, 2020). However, there are exceptions to this rule. For example, four or five-star hotels with special status and agrotourism entities are exempted from the real estate tax on their construction projects (Lloyds Bank, 2023).
6. **Land use planning and zoning**

Land and associated structures in Albania are divided into different categories (see table 3.3), with the majority falling under the natural system zone, while 24 per cent is classified as agricultural land (Lushaj, 2021). The urban and agricultural zones are designed as inherently mixed-use. The planning documents specify the allowable number of floors and height of the building, the permissible floor area ratio for lot coverage, and the allowed percentage for different uses, such as residential and commercial services on a parcel.

The Law on Territorial Planning and Development (Law No. 107/2014) authorizes different levels of planning documents including the general national plan, national sectoral plans, regional sectoral plans, municipal-level plans, and local plans (see chapter 4). The development of planning documents, as well as changes to them, is determined by the individual by-laws of the relevant authorities at each respective level. However, the law does not make clear under what conditions, or how, landowners or developers can request changes to zoning, nor how long the process might take.

It is crucial to note that other institutions are also involved in planning and development decision-making across Albania, each with its own substantial authority, instruments, processes and supporting regulations. These institutions include the Ministry of Agriculture and Rural Development and the Albania Development Fund. Various external reports evaluating planning progress of Albania including a 2022 European Commission report (EC, 2022), noted that increased coordination is needed in planning efforts, not only between institutions, but also with respect to decentralization between central and regional/local levels.

AKPT provides general manuals and instructions to obtain development permits, demolition permits and construction permits. Although the law specifies certain nationally applicable timeframes, for instance, relevant authorities will render a decision on construction permits within 60 days of the application, it defers to the various jurisdictions for specific processes. However, according to the World Bank’s Doing Business report, obtaining a construction permit in Albania takes 324 days, which is twice as long as the regional average and longer than other western Balkan states (WBG, 2020). Complex procedures and lengthy approvals related to zoning changes and construction permits can disincentivize participation and contribute to the continuation of informal solutions and loss of tax revenue.

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26 The AKPT e-Harta (e-Map) portal is a WebGIS with data from the General Local Plans (Planet e Përgjithshme Vendore - PPP) and Detailed Local Plans (Planet e Detajuara Vendore - PDV) of municipalities (https://akpt.maps.arcgis.com/apps/webappviewer/index.html?id=ff270e99f5b4d9f13e7b7a1e3e618b27). Accessed on 11 May 2023.

27 Find out more about the Albanian Development Fund on their website (https://www.albaniandf.org/en/profil).
### Table 3.3 Categories of land use defined in Albanian law

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<tbody>
<tr>
<td></td>
<td>• Housing</td>
<td>• Transportation infrastructure (roads)</td>
<td>• Agricultural land</td>
<td>• Forest</td>
<td>• Lake</td>
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<td></td>
<td>• Services (uses related to accommodation, trade, and business services)</td>
<td>• Energy infrastructure</td>
<td>• Agricultural infrastructure</td>
<td>• Pasture</td>
<td>• River</td>
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<tr>
<td></td>
<td>• Industry economy</td>
<td>• Telecommunication infrastructure</td>
<td>• Agricultural economy</td>
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<td></td>
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<tr>
<td></td>
<td>• Institutions (public, private, religious)</td>
<td>• Water infrastructure and sewage</td>
<td>• Residential agriculture</td>
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<td></td>
<td>• Education</td>
<td>• Waste management infrastructure</td>
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<td></td>
<td>• Health (hospital)</td>
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<td></td>
<td>• Social activities (public spaces, cultural activities, sports)</td>
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<td></td>
<td>• Monuments (culture)</td>
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### 7. Land information portals

The main websites related to land administration in Albania are the ASHK website, an online cadastral services portal, the geospatial portal on the ASIG website, and the e-Harta website of AKPT.

**Cadastral**

Regarding cadastral services, the ASHK website (ashk.gov.al) has historically been difficult to use and unloadable for long periods. However, at the time of writing this report, it was functioning correctly. The website contains news updates, public announcements about various decisions taken and relevant laws and regulations. It also includes a repository of historical annual reports, the most recent of which is from 2019. Additionally, the website has a “Transparency” section with work plans, some budgetary and financial reports, as well as other relevant information. The website also provides certain data and statistics, such as information on the legalization of buildings abandoned by the original builders or those that were completed without proper permitting.

The online portal e-albania.al coordinates various cadastral services (and other services) for the users. This portal provides users the ability to submit various administrative requests, including:

- Requesting a copy of the property card or cadastral map sheet
- Requesting a revaluation of property
- Request corrections of errors in property records
- Requesting a construction permit
- Registering various property-related documents, such as purchase contracts, mortgages, inheritance deeds and boundary agreements
- Applying for the initial registration of property

All cadastral cards and maps are required by law to be digitized. According to the ASHK website, 301,000 property cards were digitized in 2020, although the total number of digital cards available in that same year was not provided (ASHK, n.d.-a). ASHK claims that the digitization process of cadastral maps has been completed in 2,748 out of 3,057 cadastral areas, but it does not specify the types of properties or percentage of coverage completed in these areas (ASHK, n.d.-b).
8. Recommendations

Albania has made considerable progress in land administration since its first UNECE Country Profile was completed in 2002. However, there are still certain areas that could benefit from increased transparency and better organizational process. As outlined above, having a functional, fair and effective land administration and governance system is crucial for sustainable development. It impacts a wide range of issues from women's rights to the functionality of the agricultural market. In light of this, the following recommendations are provided to address the current weaknesses.

(1) Improve transparency in cadaster operations

Accurate and up-to-date reporting of administrative processes creates accountability measures that help agencies benchmark their performance and deter any potential abuses of processes. The ASHK website provides some statistics, but there is currently a lack of specific information on the performance of land administration measures, leading to a lack of clarity regarding agency performance and stakeholder outcomes. To address this issue, the Government is recommended to implement the following actions:

(a) Expand the current reporting of cadastral services and track and publish registration and cost-related performance metrics for processes related to cadastral services. Any tracking needs to account for complete timelines mandated by regulation, including the time needed to satisfy pre-conditions, and unintended consequences, such as incentivization of request denials in order to meet timelines.

(b) Conduct an independent report to survey user experience for completing cadastral processes such as title transfer and registration under different circumstances and identify areas for procedural refinement. Such a report can be supplemented by community workshops or charettes and should also consider all real costs required to comply with cadastral processes, such as notarial costs, in addition to service costs charged by the cadaster.
Give further consideration to increasing transparency of registry data, while balancing the legitimate protection of personal information against the need for transparency to prevent abuses, systemic inequality and international criminal programmes, such as money laundering through real estate. This is especially important in the context of the aspiration of Albania to join EU as it is directly related to one of the findings in the European Commission report of 11 March 2022.\(^2\) Greater transparency should be developed around overall statistics and other data regarding the number of titles and types of property.

(2) Clarify cadaster-related web-based interfaces

Internet portals, websites and other e-governance and online mechanisms play a vital role in how agencies serve and communicate with their stakeholders. It is critical to ensure that these resources are functional and clear to avoid confusion among stakeholders and facilitate efficient and timely outcomes across a broad range of processes. Within the Albanian system, there are several opportunities for improvement in this regard:

(a) The ASHK website (ashk.gov.al) is not easy to use as it appears to be unloadable for extended periods. It is essential to remedy this issue and undertake any future updates in a way that does not remove the original website until the new website is ready for deployment. Not having a reliable cadaster website prevents stakeholders from accessing basic information about the cadaster’s structure and functions.

(b) The e-Albania services portal should be checked for accuracy and updated as necessary.

(c) There is a need to evaluate and coordinate the various mapping resources, such as e-Harta and geoportal, with respect to each other and registry data. While separate mapping systems can serve different functions, duplication or discrepancy can create unnecessary confusion and may affect stakeholder outcomes. The Spanish coordination model used by the Spanish Cadastre and Land Registry is an example of best practices for information sharing related to this type of coordination despite differences in the national legal and institutional framework.

(3) Coordinate government functions and outcomes

Albania has made significant progress in building capacity for its land administration institutions and enhancing its regulations. However, the evolution of the regulatory environment and the consolidation of institutions can present some operational challenges. To address these measures, several measures need to be taken:

(a) Relevant land administrative and governance agencies and their processes should be coordinated, particularly between central and regional and/or local levels. A process tracking exercise can be carried out to identify any legacy issues resulting from the merger of ASHK predecessor entities. Similarly, it is unclear if formal inter-agency agreements are in place to guide cooperation between agencies with related land administrative functions, such as ASHK, AKPT, ASIG and the Ministry of Agriculture and Rural Development. Therefore, evaluation exercises could be carried out to identify areas for coordination and any necessary agreements be updated or created. Further, coordination between AKPT, existing jurisdictions at the local level and the new regions and bodies established through the Law on Regional Development and Cohesion (Law No. 102/2020) requires deliberate monitoring to ensure the desired planning and economic development outcomes are achieved and not jeopardized by overlapping authority, conflict of process or divergent goal setting. With the evolving processes, regulations and Decisions of the Council of Ministers, coordination will be particularly important.

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(b) A policy framework check could be considered to review any conflict between various regulations in practice or actuality. For example, the e-Albania services portal still refers to the requirements of the Law on Registration of Immovable Properties (Law No. 33/2012) in multiple places, even though the Law on Cadaster (Law No. 111/2018) is the dominant regulation for many processes.

(c) Approvals related to zoning and construction permits should be reviewed for efficiency and mechanisms for improvement should be implemented, including allocation of funding for capacity-building at the local levels. The approval timeline to receive construction permits in Albania is lagging noticeably behind regional peers. Delays, costly fees and long or prohibitive processes for approvals can contribute to the continuation of informal solutions and loss of tax revenue for local governments.

(4) **Review legal instruments and outcomes**

It is important to evaluate the outcomes of land administration and governance-related legal instruments of Albania, whether newly developed or old, to ensure that they are achieving their intended goals. In instances where improvement in the legal framework is needed, new policies, procedures or regulations can be implemented. In this regard:

(a) The laws related to property transfer, registration, and ownership should be reviewed to ensure that they do not discriminate against any gender, whether in law or in practice. The co-ownership provisions of the agricultural family should be reviewed through a gender lens.

(b) Resources should be allocated to complete projects under the Law on the Finalisation of Transitional Ownership Processes (Law No. 20/2020). Municipalities should also be supported to prevent informality resulting from properties with incomplete documentation or lack of enforcement of current documentation.

(c) It is important to review the laws that impact the registration and fragmentation of agricultural land and evaluate the progress in practice, including formalization and digitization of agricultural property records. Additionally, better coordination and cooperation among relevant entities, such as the Ministry of Agriculture and Rural Development, ASHK and AKPT, should be prioritized and formalized by agreement to ensure government-wide support for results.
Chapter IV. URBAN AND REGIONAL DEVELOPMENT AND PLANNING

1. Introduction

Albania has a relatively high urbanization rate, with around 63 per cent of the population living in urban areas in 2021 and 62 per cent in 2020. These are still lower than the rate of urban population in the UNECE region at 75 per cent (United Nations publication, 2020, p. 8) and most European countries. Most cities/towns (qytetet) in Albania are also relatively small (see table 4.1). However, the country has undergone significant urbanization in recent years, with rapid transformation in the extent, nature and character of urban settlements.

The communist regime in Albania was self-isolationist and rigid, making it distinct from other East European nations. However, Albania shared many commonalities with the relationships between urbanization and society in the other socialist countries regarding spatial ideology. The collapse of the communist systems in the early 1990s across all post-socialist nations led to a radical change in urbanization (Golubchikov, 2017). In Albania, this shift removed barriers for people to migrate, while rapid economic liberalization and restructuring have radically changed the economic and social geography of the nation. As a result, Tirana has strengthened its economic centrality in Albania, while many peripheral towns and the countryside have suffered impoverishment and the loss of purpose. With many people migrating to Tirana, the capital city has significantly grown and informal/squatter settlements have emerged since early 1990s, due to the lapse of workable building control.

In the past decade, Albania has re-established institutions of urban and regional development and planning for a more adequate, forward-looking system. Reforms on property rights, land use regulation and legalisation have helped revert the growth of informal settlements and integrate them into a "civilized" urban fabric. The process of EU accession has given an impetus to the new policy on regional development, as well as the work on making planning more respected in decision-making. Investments in infrastructural development and urban regeneration have brought improvements in more peripheral regions. Improvement in the quality of public administration and scrutiny by international donors and EU bureaucracy assisted the significant progress of Albania with regional, urban and land development. This chapter will review and evaluate these processes and identify remaining problems and ways to address them.

29 Enver Hoxha cut ties with Yugoslavia in 1949, with the Soviet Union in 1961 and China in 1978.
Table 4.1  Largest cities of Albania

<table>
<thead>
<tr>
<th>City</th>
<th>Municipality</th>
<th>County</th>
<th>Census 2011</th>
<th>Percentage change 1989-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tirana</td>
<td>Tirana</td>
<td>Tirana</td>
<td>418,495</td>
<td>75.8</td>
</tr>
<tr>
<td>Durrës</td>
<td>Durrës</td>
<td>Durrës</td>
<td>113,249</td>
<td>36.9</td>
</tr>
<tr>
<td>Vlorë</td>
<td>Vlorë</td>
<td>Vlorë</td>
<td>79,513</td>
<td>11.0</td>
</tr>
<tr>
<td>Elbasan</td>
<td>Elbasan</td>
<td>Elbasan</td>
<td>78,703</td>
<td>-2.4</td>
</tr>
<tr>
<td>Shkodër</td>
<td>Shkodër</td>
<td>Shkodër</td>
<td>77,075</td>
<td>-3.6</td>
</tr>
<tr>
<td>Kamëz</td>
<td>Kamëz</td>
<td>Tirana</td>
<td>66,841</td>
<td>1,129.4</td>
</tr>
<tr>
<td>Fier</td>
<td>Fier</td>
<td>Fier</td>
<td>55,845</td>
<td>29.6</td>
</tr>
<tr>
<td>Korçë</td>
<td>Korçë</td>
<td>Korçë</td>
<td>51,152</td>
<td>-19.6</td>
</tr>
<tr>
<td>Berat</td>
<td>Berat</td>
<td>Berat</td>
<td>36,496</td>
<td>-15.0</td>
</tr>
<tr>
<td>Lushnjë</td>
<td>Lushnjë</td>
<td>Fier</td>
<td>31,105</td>
<td>4.3</td>
</tr>
<tr>
<td>Pogradec</td>
<td>Pogradec</td>
<td>Korçë</td>
<td>20,848</td>
<td>8.2</td>
</tr>
<tr>
<td>Kavajë</td>
<td>Kavajë</td>
<td>Tirana</td>
<td>20,192</td>
<td>-19.7</td>
</tr>
<tr>
<td>Gjirokastër</td>
<td>Gjirokastër</td>
<td>Gjirokastër</td>
<td>19,836</td>
<td>-18.0</td>
</tr>
</tbody>
</table>


2. Key urban and regional trends

Historically, urban settlements played an important role in spatial organization and economic development, despite the majority of the Albanian population remaining rural until the first decade of the 2000s. Many historic towns, including ports, have continued to be important heritage or play notable role for the modern economy.

After gaining independence in 1912, especially during the Zog regime, Albania accomplished several infrastructural projects, such as road and bridge development and sewage networks in urban settlements. Some of the important urban planning documents were designed in this period, before the war and during the Italian occupation in 1939-1944.

In the post-World War II (WWII) period, with the experiences from state socialism and then the post-socialist transition, urban development in Albania was shaped by different factors, creating distinctive periods of urbanization, summarized as follows:

Period 1945-1960 (industrialization by urbanization)

The communist government’s rule in Albania from 1945 to the 1960s encouraged urbanization as part of the effort to rapidly industrialise the country and reconstruct it from the significant damages of the war. Industrialisation was considered a prime engine of economic development and a mechanism to build a strong proletariat class that will serve as principal bearer of the communist reforms (Naim Frasheri, 1964). In turn, housing and associated social infrastructure were recognised as a central part in the organization of labour for industrialisation and national economic development, as well as for the development of a more egalitarian society prescribed by communist ideology. Housing construction, particularly in larger cities and towns, was prioritised among other welfare-oriented solutions, with significant levels of investment (Naim Frasheri, 1964). However, there was no explicit urban development strategy in this period.
Period 1960-1991 (polycentric urbanization)

During the period between 1960 and 1991, there was a shift in the policy towards containing the growth of large cities and towns and encouraging the development of smaller towns and the countryside. This was dictated by concern over urban sprawl in large cities associated with economic and public transport inefficiencies, loss of productive agricultural land around cities, and overstretching ecological limits, and the realization of the importance of developing key second- and third-tier cities and towns as central nodes “holding up” the national settlement system as a whole and overcoming regional disparities, including “the opposites between the town and the countryside” (Golubchikov, Badyina and Makhrova, 2014). These secondary urban nodes were to supply key administrative and social services to their broader “catchment areas”. Urban areas in Albania were delimited by so-called ‘yellow lines’, behind which housing construction was restricted. Although the rate of urbanization during this period only increased from 31 per cent to 37 per cent, the total population of Albania grew rapidly from 1.6 million to 3.3 million, with the urban population growing from 0.5 million to 1.2 million.

Period 1991-2010 (monocentric urbanization)

From the collapse of the communist system in 1991 to mid-2010s, Albania experienced a rapid and largely haphazard “neoliberal” urbanization, combined with the “great migration” of Albanians internally to western lowlands and externally, that is, to other countries. The urban population exceeded the rural population for the first time around 2008 and Census 2011 results showed the Albanian population as 54 per cent urban, while estimates for 2021 put the urban population at 63 per cent. The country’s population declined significantly from 3.3 million in 1991 to an estimated 2.9 million in 2020 (World Bank, 2023). The demographic loss was mainly due to decline in natural growth rates (see figure 1.3) and significant outmigration, predominantly to Greece and Italy. Outmigration in Albania tends to be underestimated since Eurostat reporting over 0.8 million Albanians with residence permit in the EU in 2020 suggests fewer people reside in Albania (Eurostat, 2023). Despite the declining population, urban population continued to grow from 1.2 million to 1.8 million between 1991 and 2021 due to internal migration from rural and mountainous areas to urban areas, mostly Tirana.
The post-socialist government’s decision to liberalize the economy and remove the majority of welfare state provisions in the spirit of laissez-faire or “provide-for-yourself” ideology led to the end of public housing construction. Mass privatization of the existing housing stock, land restitution and land privatization, as well as the emergence of large areas of informal settlements within and around major cities, characterized this period.

Building and land use control was removed in the early 1990s, leading to informal land occupation and construction outside the existing “yellow lines” funded by remittances. The government neglected the growth of squatter settlements, as it was perceived as a mechanism for coping with the reforms and self-provision by the population, while the view from the ground was “there is no state, there is no law” (ska shtet, ska ligj) (Waal, 2004) and this has contributed to infrastructural and land pressures and other problems of the growing cities.

The informal areas were yet understood as a problem, with several waves of re-regularization and legalization efforts which started in the 2000s. However, this has also left precarious property rights conditions for many, exposing people to potential abuse and corruption. Overall, urban development mainly took place without taking into account the effect on existing infrastructure and the environment (Albania, 2008).

In parallel, the land reform resulted in high levels of land fragmentation, which continues. Fragmented agricultural parcels are often further divided among the heirs when the registered head of the family passes away. Without legal provisions like the establishment of a minimum parcel size, this fragmentation is expected to continue.

**Period from 2010 (institutional consolidation)**

The EU accession process has significantly impacted different areas of the national economy and legislation of Albania. The Stabilisation and Association Agreement with Albania was signed in 2006 and came into force in 2009. Albania formally applied for EU membership in April 2009 and was granted the EU candidate status in June 2014. The accession process has played a vital role in the revitalization of spatial planning mechanisms, efforts to formalize informal settlements and prevent new illegal constructions, and the establishment of new local and regional government systems. The Government changed the planning system from “urban planning” to the new European spatial/territorial planning framework, leading to the 2009 Law on Territorial Planning (Law No. 10119), which served as the basis for a more recent development and the current law that came into force in 2014 (Allkja, 2019).

During this period, some significant highlights include:

- 2014-2015 administrative territorial reform
- Law No. 107/2014 “On Territorial Planning and Development”
- Adoption of the General National Spatial Plan (GNP) for 2015-2030
- Adoption of local general spatial plans for the majority of municipalities
- Law No. 102/2022 on Regional Development and Cohesion.

The 2019 earthquake caused serious damage and destruction across the country, particularly in its most populous parts. It was another wake-up call for the re-establishment of order in the system of building control and planning to overcome the institutional deficit that characterised the earlier post-socialist period.

### 3. Regional disparities

Albania has emerged from the transition turmoil with the population concentrated largely in central regions, particularly around Tirana and the coastal plains. Neighbouring counties Tirana and Durres form a single metropolitan area, colloquially known as “Durana”, where at least 45 per cent of the Albanian population lives (see figure 1.4). The economic performance of the country’s different regions varies considerably based on several “primary” factors, including the advantages of the Tirana-Durres metropolitan area, location relative to central areas including transport connectivity with them, and the structure of local economies. Urban regeneration and large regional infrastructure projects are “secondary” factors that further shape regional performance.
In 2020, Tirana County produced 43 per cent of the country’s GDP, which notably exceeded its 32 per cent share of the estimated total population (see table 4.2 and figure 4.1). Although Fier and Durrës rank next to Tirana in terms of GDP, they each contributed only 10-11 per cent to the national GDP. On the other hand, Kukës, Gjirokastër, Dibër and Lezhë were weaker contributors, each accounting for 3 per cent or less to the national economy (INSTAT, 2022b, p. 2).

When considering GDP per capita, which takes into account population size, a more nuanced comparison of regional wealth emerges. Gjirokastër, with a small population, ranks third behind Tirana and Fier but ahead of Durrës in GDP per capita. Meanwhile, Kukës, Lezhë, Dibër remain at the lower end of the ranking, now joined by Elbasan. The difference in GDP per capita between the highest-ranking Tirana and the lowest-ranking, Kukës is more than twofold (see table 4.2). It is noteworthy that there is a strong correlation between absolute and relative (per capita) GDP performance among counties (except for Gjirokastër and Elbasan), suggesting the influence of the agglomeration effect.

In 2021, the disparity in average wages across different counties was less pronounced (see figure 4.2). For instance, the wages in Tirana were 11.8 per cent higher than the national average, while wages in Lezhë were 19 per cent below (INSTAT, 2022d, p. 80). However, these reported wages might not accurately represent the actual wage differences, given that 36.7 per cent of labour is employed in the informal sector (ILO, 2020).

Regional differences are also evident in internal migration patterns (see figure 4.3). In 2021, only Tirana and Durrës experienced positive crude internal migration rates, with rates of 23.7 and 15.0 respectively. Meanwhile, Dibër, Gjirokastër, Kukës, and Berat experienced the most rapid population decline due to outmigration.

30 Crude net internal migration rate shows the impact of internal movements on the population of the counties.
**Table 4.2  Main indicators of GDP per capita, by county, 2019 and 2020**

<table>
<thead>
<tr>
<th>Prefecture</th>
<th>GDP current price (millions of Albanian lek)</th>
<th>Population (number of inhabitants)</th>
<th>GDP per capita (thousands of Albanian lek)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020*</td>
<td>2019</td>
</tr>
<tr>
<td>Berat</td>
<td>57,883</td>
<td>57,217</td>
<td>123,578</td>
</tr>
<tr>
<td>Dibër</td>
<td>51,112</td>
<td>48,267</td>
<td>117,409</td>
</tr>
<tr>
<td>Durrës</td>
<td>171,576</td>
<td>164,087</td>
<td>290,409</td>
</tr>
<tr>
<td>Elbasan</td>
<td>111,830</td>
<td>112,244</td>
<td>272,526</td>
</tr>
<tr>
<td>Fier</td>
<td>188,442</td>
<td>178,185</td>
<td>292,317</td>
</tr>
<tr>
<td>Gjirokastër</td>
<td>37,087</td>
<td>36,046</td>
<td>60,395</td>
</tr>
<tr>
<td>Korçë</td>
<td>90,725</td>
<td>88,307</td>
<td>206,364</td>
</tr>
<tr>
<td>Kukës</td>
<td>27,362</td>
<td>27,309</td>
<td>76,011</td>
</tr>
<tr>
<td>Lezhë</td>
<td>53,262</td>
<td>50,203</td>
<td>123,593</td>
</tr>
<tr>
<td>Shkodër</td>
<td>86,017</td>
<td>82,652</td>
<td>201,452</td>
</tr>
<tr>
<td>Tirana</td>
<td>723,294</td>
<td>706,559</td>
<td>900,661</td>
</tr>
<tr>
<td>Vlorë</td>
<td>93,312</td>
<td>93,003</td>
<td>189,116</td>
</tr>
<tr>
<td><strong>Albania</strong></td>
<td>1,691,903</td>
<td>1,644,077</td>
<td>2,854,191</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prefecture</th>
<th>GDP nominal growth rate per capita at current prices (percentage)</th>
<th>GDP structure per capita to the national average (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020*</td>
</tr>
<tr>
<td>Berat</td>
<td>1.04</td>
<td>1.18</td>
</tr>
<tr>
<td>Dibër</td>
<td>0.23</td>
<td>-3.39</td>
</tr>
<tr>
<td>Durrës</td>
<td>5.47</td>
<td>-4.68</td>
</tr>
<tr>
<td>Elbasan</td>
<td>2.89</td>
<td>2.00</td>
</tr>
<tr>
<td>Fier</td>
<td>7.14</td>
<td>-4.01</td>
</tr>
<tr>
<td>Gjirokastër</td>
<td>7.36</td>
<td>-0.01</td>
</tr>
<tr>
<td>Korçë</td>
<td>4.63</td>
<td>-1.30</td>
</tr>
<tr>
<td>Kukës</td>
<td>-0.79</td>
<td>1.27</td>
</tr>
<tr>
<td>Lezhë</td>
<td>6.22</td>
<td>-3.99</td>
</tr>
<tr>
<td>Shkodër</td>
<td>4.14</td>
<td>-2.53</td>
</tr>
<tr>
<td>Tirana</td>
<td>2.50</td>
<td>-3.23</td>
</tr>
<tr>
<td>Vlorë</td>
<td>1.45</td>
<td>0.10</td>
</tr>
<tr>
<td><strong>Albania</strong></td>
<td>3.81</td>
<td>-2.27</td>
</tr>
</tbody>
</table>

Figure 4.1 GDP in current price, by county, 2020

Source: Based on data from INSTAT, 2022d.
Figure 4.2  Average gross monthly wage, by county, 2021

Source: INSTAT, 2022d, p. 81.
Chapter IV. URBAN AND REGIONAL DEVELOPMENT AND PLANNING

Inter-municipal divergence

Overall, the Tirana-Durres axis is considered to be the most developed and economically advanced area in Albania, far ahead of the rest of the country. Some people refer to this area as the Tirana-Durres-Laç triangle. Tirana is where both the economic and political powers of the nation are concentrated, with the municipality receiving 36 per cent of the total budget of 61 municipalities (see figure 4.4).

Cities where sea resorts are located, such as Durrës, Vlorë, and Saranda, have achieved relative success due to the tourism industry. However, they still face financial issues and heavily rely on strategic investments and investors. A majority of other cities, towns and even ports in Albania are experiencing economic difficulties and a population exodus (see box 2).

The majority of municipalities in Albania are small in terms of population and weak in terms budget capacities (see figure 4.5). For example, the total revenues from own sources and unconditional central budget transfers of all 61 municipalities (including Tirana) represented only 12 per cent of the total public revenues of the General Government sector and around 3 per cent of GDP in 2021 (INSTAT, 2022d, p. 245). This indicates that the central government has a significant role in controlling the levers of local and regional development.

Despite these challenges, there are some success stories where towns, even those relatively remote from the core areas, have managed to maintain or reinvent themselves, especially in the tourism sector. The following are some of these success stories:

- Korçë was once known as the “little Paris” of Albania for its historic character, well-organized and well-maintained built environment. It manufactures some unique goods such as special measurement instruments, has a leather factory and is involved in food production and textile manufacturing. Although it experienced considerable shrinkage in the earlier stages of post-socialist reform, it has managed to return to its successful pathway because of its proximity to Greece, foreign investments and tourist potential.

- Berat was designated as a UNESCO World Heritage Site in 2008 has since benefited from Urban Renaissance funding and infrastructure improvements. Like Korce, the town has maintained its traditional character and experienced little negative impact from the chaotic post-socialist rebuilding. The upgraded regional roads have also improved its connectivity to Tirana.

Sections 8 and 9 of this chapter provide case studies of the role of spatial context in the cities of Tirana and Elbasan.
Figure 4.4 Total budget of municipalities and the share of Tirana, 2020 and 2021 (Millions of Albanian lek)

Source: INSTAT, 2022d, p.243

Figure 4.5 Budget revenues by municipality, excluding Tirana, 2021 (Millions of Albanian lek)

Source: Based on INSTAT, 2022d, pp.254-255.

Note: The revenues exclude conditional transfers.
Box 2  Kukës

Kukës is an important commercial and cultural centre located near the Kosovo border. It is also the administrative centre of the Kukës County. The population of the Kukës municipality in 2023 was estimated to be 60,310, of which 25,968 lived in the city. The municipality is mostly comprised of mountainous areas that are prone to seismic activity.

The construction of the Fierza Hydroelectric Power Station in the 1970s brought prominence to the town. The new town was set up nearby as the old Kukës was submerged beneath the new Fierza Reservoir. The socialist government invested in infrastructure projects, such as schools, hospitals and roads. The metallurgy industry was one of the main employers and a significant part of the population worked in the extraction and processing of chrome in Kalimash, a copper mine in Gjegan, and other mining sites. The region was also famous for the quality of its sheep meat and wool products. However, the structure of employment in the broader regions remained largely agricultural. In 1979, an earthquake damaged and destroyed many structures of Kukës.

Kukës has struggled with poverty since the post-socialist transition, and the closure of many state-owned enterprises led to high levels of unemployment. The town was also affected by the 1999 Kosovo War, which made it a major refugee centre and placed a further strain on its resources and infrastructure. The population decline led to a large diaspora in the United Kingdom of Great Britain and Northern Ireland. The skills shortage and the quality of public services have also been affected. Drug abuse has been a common problem, and in 2021, the per capita GDP of the Kukës County was 60 per cent of the national average, ranking it the lowest among the 12 counties of Albania.
Box 2  Kukës (continued)

Efforts to improve the economic conditions in Kukës and other districts of northeastern Albania include road upgrades, the development of telecommunication networks and initiatives to attract foreign investment and establish new businesses. Besides the agricultural sector, which remains the main employer for the population of the municipality, Kukës also has textile and building materials production. It plays a role in the export of minerals to Kosovo. Kukës hopes to attract more tourists because of its attractive natural surroundings, proximity to the Albanian alps and the new national infrastructure.

The completion of the highway A1 Autostrada Durres-Kukës, built from 2006 to 2009, cost over a billion euros and is one of the major interventions that will shape the city’s future. It forms part of a larger transport corridor connecting the Albanian Adriatic coast, Kosovo and Pan-European Corridor X. This has greatly improved the relative location of the city, making it possible to reach Tirana in two hours.

Another significant addition is the Kukës International Airport, which was built on a former refugee campsite as a gift from the Government of the United Arab Emirates in 2003-2005. However, it was not operational as it did not have permission for international flights. In 2016, the Government decided to open a second international airport. Investment to fulfil the requirements for an international airport allowed the airport to be inaugurated as international in 2021. It now serves as an alternative low-cost airport to Tirana as well as to Pristina in neighbouring Kosovo. The Government believes that this second international airport of Albania will open the gates to the economic development of Kukës. However, the airport’s operation remains seasonal and does not operate at all in the winter, which limits the establishment of a permanent and full business cluster around it. Moreover, the complex terrain and weather conditions make the airport’s operation unstable (SeeNews, 2023).

Improving the quality of housing is one of the objectives of the territorial development strategy of the municipality. Affordable and decent housing is also considered an important measure to retain the population. NHA has completed a low-cost housing project in Kukës, following its model of a loan subsidy. The downpayment is 10 per cent and the balance is paid in 15 years with a 3 per cent interest. The price charged for a typical two-bedroom and a living room apartment (2+1) was ALL 3.7 million, which is below USD 40,000.
4. Regional and urban development policies

Key programmes and policies

At the national level, various institutions are involved in policymaking related to urban and regional development, spatial planning and associated issues. In response to the acquisition of an EU candidate status for Albania in 2014, as well as the National Strategy for Development and Integration 2015-2020 (NSDI II) (Republic of Albania, 2016), several new institutions and mechanisms were established. However, the institutional system has been characterized by the changing competencies of different agencies and dependence on international donors over the past decade.

The chapter on regional policy (known as Chapter 22) within the framework of the **EU Acquis Communautaire** aims to reduce socio-economic disparities between EU Member States and prepare candidate states for EU accession. This policy includes the establishment of institutional and administrative structures and regulations related to the EU Structural Funds and Cohesion Fund. The process of accession, therefore, serves as an important stimulus for creating territorial development policies.

The work of urban and regional development and planning policy in Albania began with the introduction of the National Strategy for Development and Integration 2007-2013 (NSDI I) (Albania, 2008). The Strategy emphasized the importance of preventing uneven development, an obstacle to national growth. It promised to establish an effective, participatory planning and building permit system, and a single policy framework for the socio-economic development of counties, taking into account their specific development needs, with particular support for disadvantaged areas.

In 2014, the Law on Territorial Planning and Development (Law No. 107/2014) and the administrative-territorial reform were both adopted. Concurrently, the work on the national territorial plan was initiated.

Succeeding NSDI I in 2016, NSDI II emphasized the preparation of this national plan, the introduction of local plans across the country, the completion of the legalization processes in informal settlements, and balancing development across regions and within municipalities. This included balancing development between urban and rural areas, as well as between coastal and peripheral mountainous areas.

Earlier institutions have laid a strong foundation for the emerging system of local and regional development. The Ministry of Urban Development, which functioned between 2013 and 2017, coordinated the Urban Renaissance (Urban Renewal) programme through the Regional Development Fund. The programme aimed to renew local towns and public squares across Albania, after years of neglect in the post-socialist era. The projects ranged from a simple regeneration of facades to a more complex regeneration of infrastructure in inner cities. Over 70 towns received these funds for urban redevelopment, co-financed with municipalities and international patrons.31 Although there was no formal evaluation of the programme found during the Country Profile team mission in Albania, the programme was, for example, recognized as a success story in the country’s Voluntary National Review on Sustainable Development Goals.32 In a more recent assessment, the Urban Renaissance programme was identified as one of the government initiatives with the most impact on businesses in Albania.33

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31 The Balkan Investigative Reporting Network in Albania (BIRN Albania) compiled a database (with photos and documents) of local projects of the Fund for the Development of Regions under the Albania’s Urban Renaissance programme, focusing on urban requalification, facades, education, green projects and innovation (http://rilindjaurbane.reporter.al/en).

32 Also see pp. 62-65 in https://sustainabledevelopment.un.org/content/documents/20257ALBANIA_VNR_2018_FINAL2.pdf.

In 2018, ADF absorbed several regional development agencies established in 2015 and currently coordinates the regional development. ADF was initially founded in 1993 with the mission of alleviating poverty in rural areas. It has the legal status of a non-governmental organization (NGO) with public interest and is supposed to implement central government policies. ADF has gradually transformed into the main lever of regional and urban development, with the responsibility for managing projects funded by the Albanian Government and international donors.

Currently, the Regional Development Programme Albania (RDPA), co-funded by the Swiss Agency for Development and Cooperation (SDC) and the Austrian Development Agency (ADA), is a flagship programme. The primary goal of RDPA is to reduce disparities in Albania by supporting the development of regions so they can advance their potential and provide better social and economic conditions for their citizens.34

NSDI II was extended to 2022 before the new National Strategy for Development and European Integration 2022-2030 (NSDEI) was introduced in 2023. NSDEI currently defines a basic vision for the field of territorial development, planning and housing (see box 3).

Box 3  Policy goals of the National Strategy for Development and European Integration 2022-2030

In the field of territorial planning, sustainable urban and regional development

Vision: The regions of Albania will be a better place to live, as a result of an increased standard and quality of life through the creation of a socio-economic and institutional framework that will increase the possibilities for the realization of ambitions and opportunities of sub-regional and local regions and communities. The regions of Albania will be stronger economically, more integrated with respect to their economic, social and spatial aspects, as well as more autonomous as a result of the decentralisation process and the wider application of the principle of partnership and subsidiarity.

Strategic goal: Improving the socio-economic situation and the quality of life of the inhabitants of all regions of Albania through the efficient mobilisation of specific regional and territorial potentials and more balanced and sustainable regional development.

Policy goals:
1. People – Improving human resources in the regions of Albania through an approach based on the specific needs of their citizens in terms of employment and income;
2. Country – Improving the environment in which people live, work and rest in order to encourage investment, economic activity and the stability of the skilled workforce;
3. Productive Capacity – Creation of new jobs in accordance with the specific needs and potentials of specific regions, especially promoting green economic activities.

In the field of housing

Vision: Access for all to adequate, safe and affordable housing and basic services, and upgrading of inadequate settlements.

Policy aims:
1. To ensure access to suitable and affordable housing, and the improvement of housing and residences for social groups in disadvantaged positions and their social and spatial integration, so that no one is left behind;
2. To expand the digitization of the housing system and data collection for the drafting or review of policies;
3. Support for housing co-owners to improve energy efficiency in existing housing.
Law “On Regional Development and Cohesion”

The Law on Regional Development and Cohesion (Ligji për Zhvillimin Rajonal dhe Kohezionin) No. 102/2020 was approved in September 2020. At the time of the Country Profile team mission to Albania, it was not fully functional as several by-laws were still being developed. However, it has brought the discussion of regional development to a new level.

Article 5 of Law No. 102/2020 identified the following goals for regional development:

- Balanced social and economic, and sustainable development as well as territorial cohesion in Albania
- Reduction of disparities in development among and within the regions and improvement of quality of life for all citizens
- Increasing the competitiveness of regions by enhancing their innovative capacities, making maximal use of and evaluating their natural resources, human resources and economic features
- Conservation and strengthening of the specific identity of the development region
- Support to local self-government units on cross-local, cross-regional and cross-border cooperation on social and economic development of development regions.

The Law identifies four development regions in Albania, which are not administrative units but rather the areas for which the Regional Development and Cohesion Policy is to be developed by the National Committee of the Regional Development and Cohesion upon its establishment.

The Law also stipulates that the Regional Policy will be implemented through various planning and development documents, coordinated between the central government bodies and local self-government units:

(a) National Policy for Regional Development and Cohesion;

(b) National Plan on Regional Development and Cohesion – a seven-year document that guides the implementation of the national policy on regional development and cohesion;

(c) Regional Plans on Regional Development and Cohesion;

(d) Operational programme of regional development and cohesion – which will define further instruments through which these plans become applicable throughout the timeline.

While the Law is a progressive step towards framing the regional development goals and responsible institutions, it has not defined the role of housing, including affordable homes or social housing, in regional development. This despite the ideology stressing improved quality of life for all citizens, where the concept of (sustainable) housing is critical (UN-Habitat, 2012). However, article 6c of Law No. 102/2020 specifies: “the full commitment of the Regional Policy on achieving the Objectives of Sustainable Development of the Republic of Albania”. Future policy processes in the development of this Law should take into account Sustainable Development Goals, including SDG 11, which addresses housing.

Following the adoption of Law No. 102/2020, ADF has been working on the completion of the by-laws and their implementation (EC, 2022). Currently, Decisions of the Council of Ministers have been approved for defining the four development regions, each of them consisting of three counties (DCM No. 459 of 30 July 2021) and defining the composition of the National Committee for Regional Development and Cohesion (DCM No. 497 of 29 July 2022). DCMs on the following are underway:

- Monitoring Boards of Regional Development and Cohesion
- Structure and procedures for drafting the National Plan and Regional Plans for Regional Development and Cohesion
- Operational programme
- Establishment of the managing authority and intermediate bodies
- Financing mechanisms
- Database and monitoring systems.

Inter-regional and urban infrastructure

The Ministry of Infrastructure and Energy, home to the National Agency of Territorial Planning and other relevant bodies, have coordinated the implementation of main infrastructural development projects. The Ministry’s priorities focused on the following:

Administering tenders for the construction of new airports in Saranda and Vlore

- Developing new seaports, including a commercial port in Durrës at Porto Romano and constructing yacht and tourist ports in other locations such as Vlora Triport, Sarandë and Shëngjin in Lezhe
- Reconstruction of the Tirana-Durres railway link, co-funded by an EBRD loan and an EU grant
- Feasibility studies for the rehabilitation of old railways and the construction of new ones, particularly in connecting Albania and Montenegro via the Vore-Hani i Hotit Railway Line, and new connections with North Macedonia, Greece and Kosovo (seen to open new opportunities particularly for freight transportation as a more economical and green way of transportation and reaching pan-European corridors)
- Interregional and international motorway corridors, as well as bypasses for cities, with the majority of road infrastructure projects concentrated on the East-West corridor (TEN Corridor 8) running between Tirana and the Macedonia border, and on the North-South corridor (Adriatic-Ionian Corridor) running between Tirana through Shkodra to the Montenegro border. The Albanian part of the Adriatic-Ionian Corridor is 300-km long and divided into 13 road sections. Most of these are now either under preparation, under construction or complete. These investments were accompanied by additional donor-financed projects rehabilitating other sections of the primary and secondary road network and community-based improvements on the tertiary or local road network.
- Energy-generating facilities and interconnection lines: Most electric power in Albania is produced by hydrocarbon plants, making the country vulnerable to hydrological conditions and insufficient to meet its needs, as Albania imports 20-30 per cent of its electricity demand. To make the country self-sufficient and make energy affordable for consumers, the Government plans to diversify its energy sources and invest in solar PV, wind farms, small hydro plants and gas-fired power plants.

The Ministry is also responsible for coordinating policy for energy efficiency. Law No. 124/2015 “On energy efficiency” aims to create and implement national policies for the public and private sectors, including large consumers, to promote and improve the efficient use of energy. Law No. 116/2016 “On the energy performance of buildings”, designed in accordance with EU Directive 2010/31/EU, regulates the energy performance improvement of buildings, considering local climatic conditions, the levels of internal comfort of a building and the cost-effectiveness of the construction of new buildings and renovation of existing ones. The Council of Ministers has approved a series of implementing regulations under this Law that further specify the measures and procedures for improving the energy performance of buildings (Republic of Albania, CoM, 2023).
5. Spatial planning and development control

Law on Territorial Planning and Development

Law No. 107/2014 “On Territorial Planning and Development” of Albania lays out the basic principles, responsibilities and regulations for planning and development. The purpose of the law is stated in article 1, which highlights the 13 different areas that the law aims to address, including sustainable development, balanced regional development, natural resource and cultural heritage preservation, national and local planning activities and the right to use and develop property in accordance with planning regulations—and “creating suitable conditions, equal opportunities and rights for housing, economic and social activity for all social categories, economic and social cohesion and enjoyment of property rights”.

The Law distinguishes between territorial planning and territorial development and divides planning responsibilities between central, regional and local levels. At the central level, the Council of Ministers, the National Territory Council (NTC), and the ministry responsible for territorial planning and development are responsible for planning. At the local level, the county council, municipal council and mayor are responsible for planning.

Article 15 of the Law outlines various planning documents to be used at both central and local levels. At the central level, planning is carried out through:

- The General National Territorial Plan (GNTP) for the entire territory of the Republic of Albania
- Sectoral national plans for all or part of the territory
- Detailed plans for areas of national importance.

At the local level, planning is carried out through:

- Sectoral plans at the county level
- General Local Territorial Plans (GLTP)
- Detailed local plans.

Both GNTPs and GLTPs are required to include three main documents: the Territorial Development Strategy, the Territorial Plan, and the Regulation of Development.

The introduction of the Law, combined with the political recognition of the importance of planning, has led to significant progress in the field of planning and development in Albania.

General National Spatial Plan 2015-2030

The national municipal reform and the Law “On Territorial Planning and Development” have been instrumental in advancing territorial planning across Albania. The GNP for 2015-2030 (Shqipëria 2030) was developed by NTPA and approved by the Council of Ministers in December 2016 serving as a blueprint for the development of the country as a whole and a key platform for regions and municipalities to draft their regional and local plans.

GNP outlines a vision for the development of the country - “Albania, an integrated centre in the European economic and infrastructural system, a diverse and competitive economy within the Balkans, a state aiming at equality of access to infrastructure, economy and knowledge, ensuring the protection of natural, historical and cultural heritage, with the aim of being an authentic destination” (Republic of Albania, MoUD and NTPA, 2017a, p. 34). This vision encompasses a territorial vision that includes infrastructural, environmental, economic, agricultural and urban systems. GNP is a significant step towards a more sustainable and inclusive spatial development and includes metabolic analysis of the territory for five main systems - water, food, infrastructure, urban and natural systems (Qorri and Fagu, n.d.).

GNP promotes the development of polycentrism to replace monocentric development and high concentration of population and economic activities in Tirana, as well as strong economic regions that complement each other to overcome the depopulation of the eastern part of the territory.

Regarding urban and territorial development, GNP identifies the following main principles (Republic of Albania, MoUD and NTPA, 2017a, p. 62):

- Strengthening the critical mass of port cities such as Shkodra, Lezha, Kukës, Durres, Vlora and Gjirokastra-Saranda is crucial given the polycentric development of the territory and the supporting role these cities for balanced national economic growth.
• Identifying several strategic hubs which will support and be supported by port cities and will connect large surrounding areas. The hubs identified are Rrogozhina, Vora, Bajze, Koplik, Laç, Has, Fushe Kruja, Lushnja, Porto Romano, Roskovec, Patos, Ballsh, Orïkum, Pëtrullë, Maliq, Përrenjas, Xarra and Himara.

• Recognizing the importance of consolidating large peripheral and central urban areas in the national territory to ensure a balanced territorial development. These cities will be the focal centres that will enhance the ties with their surrounding rural areas.

• Proposing consolidating, reinforcing, regenerating, cooperating and empowering interventions for urban centres.

GNSP recognizes housing as one of the systems for territorial development but its status in the plan is relatively small compared to other systems. For instance, in the English version of GNSP (Republic of Albania, MoUD and NTPA, 2017a), housing was mentioned only 23 times in the whole document and social housing and equivalent keywords are not even found. Table 4.3 lists the frequency of some keywords in GNSP. This is a good indication to illustrate that national spatial imaginaries do not associate housing (including affordable or social housing) with the top national priorities. Housing issues are seen as more of a matter for planning at the lower levels (see the discussion on the Integrated Cross-Sectoral Plan for Tirana-Durres that follows) or as one of the ‘contextual’ market conditions. This relative lack of priority sends a wrong signal to other national government programmes and initiatives.

**Integrated Cross-Sectoral Plan for Tirana-Durres Area**

GNSP has identified the Tirana-Durres area as one of the most important economic areas in the country. To ensure a sustainable territorial and urban development of the area, the Integrated Cross-Sectoral Plan (ICSP) was prepared, which was also led by NTPA. The ICSP Tirana-Durres aims to guide the development of the territory through a vision that will function as a common denominator for local government units (LGUs). ICSP should also serve as a guide for LGUs to coordinate local policies and plans, as well as for vertical coordination and cooperation. ICSP covers the territory of Tirana, Durres, Kamza, Vora, Shijak and Kruja (AKPT, n.d.-c). The plan defines four key strategic objectives with their consequent policies and targets for 2030 (see box 4). ICSP also suggests the spatial distribution of various developments to achieve those targets. However, many of these targets appear to be too ambitious to be attainable within the proposed timeframes.

Regarding urban development policies, like GNSP, this plan advocates polycentrism and “balanced polycentric development to ensure prosperity in the region”, which is combined with the hierarchization policy of the centres to promote their specialization and complementary relationships with one another (see figure 4.6).

Compared to GNSP, ICSP provides much more attention to urban regeneration (rehabilitation) and housing, including social housing, as one of its targets for 2030 (see table 4.3). For example, it recommends that 10-15 per cent of the development of collective (condominium) housing be used for marginalized groups, or new families depending on local needs.
Table 4.3  Frequency of keyword use in the General National Spatial Plan and Integrated Inter-Sectoral Plan for Tirana-Durres area

<table>
<thead>
<tr>
<th>Keyword</th>
<th>GNSP</th>
<th>ICSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>482</td>
<td>201</td>
</tr>
<tr>
<td>Agriculture (for agriculture or agricultural)</td>
<td>300</td>
<td>424</td>
</tr>
<tr>
<td>Energy</td>
<td>235</td>
<td>116</td>
</tr>
<tr>
<td>Transport</td>
<td>225</td>
<td>318</td>
</tr>
<tr>
<td>Tourism (for tourism, tourist etc)</td>
<td>218</td>
<td>448</td>
</tr>
<tr>
<td>Industry (for industry, industrial etc)</td>
<td>115</td>
<td>182</td>
</tr>
<tr>
<td>Climate</td>
<td>71</td>
<td>75</td>
</tr>
<tr>
<td>Airport</td>
<td>63</td>
<td>38</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Keyword</th>
<th>GNSP</th>
<th>ICSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste</td>
<td>57</td>
<td>84</td>
</tr>
<tr>
<td>Housing</td>
<td>23</td>
<td>99</td>
</tr>
<tr>
<td>Residential</td>
<td>19</td>
<td>43</td>
</tr>
<tr>
<td>Recycle (for recycle, recycling)</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Affordable</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Gender</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Homes</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Social housing</td>
<td>0</td>
<td>17</td>
</tr>
</tbody>
</table>

Note: GNSP – General National Spatial Plan; ICSP – Integrated Inter-Sectoral Plan.

Box 4  Objectives and targets of the Integrated Cross-Sectoral Plan for Tirana-Durres area

**Sustainable economic development**

1. Increasing GDP in the region by 10 per cent;
2. Reducing youth unemployment by 5 per cent;
3. Reducing overall unemployment by 8 per cent;
4. Increasing investments in technology by 10 per cent;
5. Establishing four specialized economic clusters;
6. Launching four economic development incubators.

**Improve the quality of life in urban and rural centres**

1. Improving energy efficiency in the existing house stock by 50 per cent;
2. Increasing the social housing stock by 30 per cent;
3. Improving infrastructure and integrating informal areas to a level of 80 per cent;
4. Regenerating urban poles at 50 per cent of the territory;
5. Regenerating the rural centres by 50 per cent;
6. Regenerating the agricultural irrigation infrastructure by 80 per cent;
7. Developing the five regional centres for trading of agricultural products.
Box 4  Objectives and targets of the Integrated Cross-Sectoral Plan for Tirana-Durres area (continued)

Improve infrastructure, transport and mobility in the region
1. Completing the regeneration of the railway line Tirana-Durres and connection to the airport;
2. Reducing the use of individual cars by 30 per cent;
3. Constructing 100 km of bicycle lanes;
4. Developing the agricultural road infrastructure by 60 per cent;
5. At least 30 per cent of public transport with non-polluting energy (electricity/biomass, etc.).

Protect and improve the quality of the natural environment
1. Increasing the protected areas fund in the region by 30 per cent;
2. Reducing the pollution in the rivers of Erzen and Ishem by 40 per cent;
3. Improving the quality of water on the beaches on the Adriatic Sea by 40 per cent;
4. Interrupting the discharge of wastewater into rivers, lakes and seas by 80 per cent;
5. Reducing harmful emissions (CO – carbon monoxide) by 25 per cent.

Figure 4.6  Urban development policies proposed by the Integrated Cross-Sectoral Plan for Tirana-Durres area

Other sectoral plans

The Integrated Cross-Sectoral Plan for the Coast (ICSP Coast) is a comprehensive guide that directs sectoral developments in areas of national importance such as tourism, environment, transport, energy, agriculture and culture. The ICSP Coast also plays a crucial role in regulating urban development in territories administered by municipalities. One of its primary objectives is to achieve a balance between private investments and sustainable territorial development to protect and preserve natural areas and historical and cultural heritage, and prevent investments that could have detrimental effects (AKPT, n.d.-b).

The National Tourism Development Strategy is another important plan that aims to promote the growth of tourism in Albania. This strategy focuses on enhancing infrastructure, attracting investments and improving the overall tourism experience in the country.

The National Waste Management Strategy, on the other hand, is designed to ensure the proper management and disposal of waste in the country, including waste reduction, recycling, and environmentally sustainable practices. This plan aims to improve waste management systems and reduce the environmental impact of waste in Albania.

The National Maritime Strategy encompasses various aspects of maritime development, including maritime transportation, port infrastructure, maritime safety and security, and maritime environmental protection. The primary objective of this plan is to enhance the contribution of the maritime sector to the economy of Albania while ensuring sustainable maritime practices.

General local territorial plans

Albania has progressed in terms of local planning documents. The local general plan has a 15-year lifespan and it determines land use, strategic development, general policy and regulation for the whole territory of the municipality. Under Law No. 107/2014 and the introduction of GNSP, all 61 municipalities are required to introduce their local general plans. As of the end of 2022, 56 of these municipalities had adopted their general local plans while the rest were being finalized. The entire country is now covered by local planning documents for the first time in the history of Albania, because even in the socialist period, the planning system focused mainly on key settlements, such as urban nuclei, not the whole territory.

The Ministry of Urban Development and Tourism was responsible for initiating the mass planning process, which has been taken over by NTPA under the Ministry of Infrastructure and Energy. NTPA coordinates the development of the plans and ensures the necessary steps are taken, including compliance with public hearing format, consultations with relevant stakeholders and ensuring urban standards. A local coordination planning forum is an instrument to coordinate between local and national actors, including neighbouring municipalities and transboundary actors. NTPA also coordinates updating and revising processes for the local general plans, including recalibrating the resources for the post-2019 earthquake recovery.

While the rapid progress with local general plans is commendable, there are issues with actual implementation. The speed of the development of the plans and the outsourced processes, coupled with the low quality of information used for their preparation, have resulted in plans that the municipality have little ownership of or with significant gaps. To draft local general plans, municipalities usually outsource the work to architectural companies, which can be contracted by several neighbouring municipalities. As municipalities must issue building permits in accordance with a local general plan, they now have to initiate the process of revising their local general plans, correcting mistakes and addressing the gaps.

Realising the importance of local planning and local strategies, municipalities develop further important documents. The Municipality of Shkodra, for example, was the first in Albania to publish its Voluntary Local Review of SDG implementation in 2021.36
Building/development control

The system of development permit application and issuance has been significantly improved following the adoption of Law No. 107/2014 “On Territorial Planning and Development”. The Law specifies several types of development control documents:

- Development permit - sets out the conditions for the development of a land plot, that is, a project concept, serving as the basis for obtaining building permits.

- Building (construction) permit - is a document required for any new construction, renovation, restoration or demolition of existing buildings or temporary constructions. Construction permits approved in violation of the law and planning documents in force are considered invalid.

- Preliminary declaration for construction works - is a self-declaration submitted to the relevant planning authority to report the performance of construction works that do not require the issuance of a construction permit. However, the responsible authority may object to the preliminary declaration if it finds that the conditions and legal requirements are not respected.

- Certificate of use - is issued by the planning authority at the end of the development process and certifies the completion of the works in accordance with the terms of the construction permit, as well as the implementation of the planning and development control documentation criteria.

The relevant authorities responsible for issuing these permits are NTC and the mayors. While the mayors decide on the majority of planning and development control documents, NTC approves development permits and building permits for complex development types as defined in the development regulations and for those related to issues, areas, objects of national importance or strategic investments for the interests of the country.

A new procedure introduced by the new law includes the application for construction permits through the portal of the Integrated Register of the Territory, based on the “one-stop shop” principle. The relevant authority must decide on the permit within 60 days of submission of the application form. The permit should be delivered to the applicant within 15 days thereafter (in case it has to go through mayoral approval) or 30 days thereafter (if it goes via NTC). In case of mayoral approval, if the permit is not issued within the specified timeframes, the applicant is entitled to “Tacit Approval” which means they can proceed with the development, works or use buildings without the approval of the planning authority.

The Territory Development Agency (AZHT), established in 2016 with the support of the World Bank, serves as the one-stop shop prescribed in the Law and as the Secretary to NTC. This represents a good practice, both nationally and internationally. AZHT coordinates the issuance of development permits and construction permits for major projects (e.g. infrastructure and strategic investment) and projects affecting protected areas (e.g. coastal areas), as well as the approval of local general plans prepared by the municipalities. The system is assisted by the digitalization of relevant services and an online portal. Applicants only need to apply once for a development or building permit and prior to this, the applicant must have received the required approvals from other entities, for example, from the Environmental Agency or cultural authorities. Upon receipt of an online application, AZHT coordinates the consultations with all responsible government bodies, municipalities and other bodies. AZHT prepares a report for the consideration of NTC, which makes the final decision. Following this, AZHT issues a building or development permit. On average, there are 30 approvals every month.

The new system has made decision-making processes more efficient, transparent and less prone to corruption. It has also improved the protection of areas of special significance. This system allows deviations from existing plans only when proposed developments are considered to be in the national or local public interest (e.g. the development of agritourism or industry in lagging areas). A similar practice has also been in use by municipalities, since 2016, in their remit.
The system of compliance with the building permit has also become more stringent. There are now national and local inspection authorities that monitor construction work. Builders have to declare the start of construction work to the authorities and report the construction progress to a building supervisor every 45 to 60 days (a future system will allow this to be done online). Non-compliance with the building permit results in the denial of the certificate of use, which is required to register the new property. Furthermore, the law on confiscation comes into force if the development exceeds 2 per cent of what was allowed (calculated in m²). If non-compliance is between 2 per cent and 10 per cent, the part of the building above the permitted 2 per cent is confiscated. If it is over 10 per cent, the whole building is confiscated. Depending on the nature of the violation, there may be an opportunity for the developer to buy back the confiscated part or, subject to government decision, the part is requested by the government to be demolished. By the end of 2022, 15 decisions on confiscation were approved by NTC for projects which had violated the permitted level of development (11 projects were over 10 per cent of the allowed level of development and four exceeded 2 per cent but less than 10 per cent the allowed level).
6. Informal settlements

Since the 1990s, informal settlements have been a significant challenge in Albania, with the majority of them being closely linked to urban expansion. Originally, informal constructions emerged as self-built, low-cost solutions to the housing crisis in the early 1990s, occupying abandoned agricultural lands around Tirana and other towns receiving migrants. As remittances and tourism increased in the late 1990s, the phenomenon grew, encompassing the whole spectrum of construction types, from shacks to luxurious villas and seaside hotels. Even religious institutions such as mosques and churches were constructed without building approvals. Most constructions, however, used sound materials and techniques and, except for the lack of public infrastructure, are not necessarily “slum areas” in the traditional sense (see picture 3). In addition, apartment owners from the socialist-era extended or expanded their housing estates without permission. Informal construction is typically financed by cash, and in some ways, informal housing has served as an alternative to a mortgage system (which is still limited in Albania) as people invest incrementally, for example, floor by floor when money is available.

Estimates suggest that, by the end of the 2000s, informal settlements made up to one-quarter of the population and 40 per cent of the built-up area of major cities in which they are located (World Bank, 2007, p. ix). As they are built without land-use planning and building permits, informal settlements lack adequate social and infrastructure services, including proper sanitation and drainage. Many occupy risk-prone or polluted areas and create environmental damage in terms of water resource use and waste.

Attempts to legalize informal development intensified in 2004-2006, especially with the adoption of Law No. 9482 of 2006 “On legalization, urbanization, and integration of the unlawful constructions”. The Law established a framework for the legalization of constructions built without permissions in informal zones; the transfer of ownership for these properties; the improvements and provision of services to informal zones and their integration in the territorial and infrastructural development; the procedures for legalization; and the establishment of responsible state structures. The Law was applicable regardless of the constructions' purpose and function (UNEP, 2006). Under the law, ownership titles were provided for land and buildings. According to the original formulation of the law, squatters had to pay legalization fees based on fixed land values.

However, this Law (and several of its subsequent amendments) was perceived on the ground as creating an alternative system to building permits because it was popularly perceived as post-factum legalization based on self-declaration. This initially provoked further informal constructions (Kacani, 2023). Despite this, only 10 per cent of self-declared properties had been issued legalization permit by 2015 (Andoni, 2015). The undefined status of legalized properties from the perspective of the property registration system (as legalization was not recognised as one of the means to create a property) was a barrier. Additionally, in many cases, there were already owners holding the title to the land (e.g. government) and a property cannot be registered above someone else's property.

In 2013, the Government declared legalization to be in the public interest, which provided a constitutional basis for the expropriation of the land from the original owners. Thus, before legalization, the Government was concluding the expropriation process at its own cost.

Recent changes have also significantly reduced the incentives to build informally. The demand to occupy land has dried up in the last decade as people who were willing to grab land have already done so, while the supply of land in more attractive places has been used up. Furthermore, the construction boom abated during the financial crisis of 2008 (the crisis had a negative impact on several indicators, including remittances (Sherifi and Turan, 2018)). The Government has also taken a stronger position on this issue and demolished many houses and hotels, including in highly advertised cases with much media attention. This has led to a change in mentality. People are no longer interested to build informally and would rather get their property legalized because of the greater security of their ownership. Lacking a legal title, in case, for example, of expropriation of land for public needs in Tirana, people are compensated only according to standard housing norms per person and not for the full space they have built. In many cases, informal constructions have been demolished without any compensation. A title to a property is also more valued in the real estate market and is important for inheritance.

Barriers to the integration of informal settlements still exist. One of the issues is the requirement for the municipalities to provide public services, despite not having the capacity to deliver them. It is the national level where decisions are made about which areas should be legalized or not, not the municipalities.
7. Climate change and disaster risk preparedness

There are various climate-related (WBG, 2021) and natural disaster risks in Albania, including earthquakes, floods, mudflows, landslides, forest fires, hailstorms, droughts and pest and disease outbreaks. Albania is exposed to one of the highest levels of disaster risk in Europe (WB, GFDRR, 2022). The Government has taken several initiatives to improve risk planning and response to disasters, especially after the 2019 earthquake (see box 5). Key policies and initiatives related to climate change and natural disaster risk preparation and response include:

- The Earthquake Recovery Plan (adopted in 2020) described the government’s response to the November 2019 earthquake that devastated Albania. The plan involved the provision of housing, health care and education to help with the rehabilitation and rebuilding of damaged areas.

- The National Disaster Risk Reduction Strategy and Action Plan (2023-2030) aims to establish early warning systems, strengthen emergency response and recovery systems, prevent and respond to disasters, improve building standards and land use planning, support critical needs for DRR infrastructure and enhance community participation in disaster risk reduction (United Nations Albania, 2023). The strategy includes the gender dimension as a general cross-cutting principle, as well as a specific section related to vulnerable groups.

- The National Strategy for Climate Change (NSCC) aims to decrease greenhouse gas emissions and strengthen the resilience of Albania to the effects of climate change. The strategy includes efforts to encourage renewable energy, energy efficiency and sustainable transportation.

The Albanian government has prioritised the following areas (WBG, 2021):

- Improving the early warning system is essential for mitigating the effects of natural disasters. The Government invests in updating and extending its early warning systems, using technology and community participation.

- Improved emergency management, which is crucial for reacting to and mitigating the effects of natural disasters. The Government invests in bolstering the capabilities of emergency services and strengthening coordination and communication among the many players in emergency management.

- Communities are frequently the first line of defence against natural disasters. It is important to foster their resilience. The Government invests in strengthening the ability of communities to prepare for and react to natural catastrophes, particularly via education, training, and access to resources.
Box 5  The 2019 earthquake in Albania

On 26 November 2019, Albania was struck by a 6.3 magnitude earthquake, the strongest in 40 years. The epicentre was 22 km from Durrës and 30 km from Tirana, in the convergent boundary between the Eurasian Plate and the Adriatic Plate. It caused extensive damage in 11 municipalities, including the two most populous municipalities of Tirana and Durrës. The worst-affected municipalities were Shijak, Durrës, Kruja, Tirana, Kamza, Kavaja, Kurbin and Lezha (see picture 4).

The earthquake caused 51 fatalities and injured at least 913 people. Over 200,000 were affected by the disaster directly or indirectly, with up to 17,000 people being displaced. Communal and physical infrastructure were damaged, as well as many businesses. A total of 11,490 housing units need to be rebuilt because they were fully destroyed or demolished. An additional 83,745 housing units were either partially or lightly damaged, needing repair and refitting. Overall, 18 per cent of total housing units have been affected. The damage was most extensive among old unreinforced masonry houses made with adobe or clay brick or concrete block walls, demonstrating the high vulnerability of unreinforced masonry buildings.

The Government implemented several measures to compensate the victims and restore their homes. The Reconstruction Programme was adopted by the Council of Ministers in 2020 and there was a compulsory local planning for the rehabilitation or reconstruction of the affected areas.

Housing rent subsidies (“earthquake bonuses”) were provided to those who were temporarily displaced after their homes were damaged until their houses have been rehabilitated or reconstructed. Residents whose houses had to be rebuilt received new homes free of charge. In many cases, new homes are offered in a different area and the size of the new home is based on standardised social norms rather than the size of the lost dwelling. For instance, 2-member families were given apartments with an indicated size of 60-70 m², while 2-4-member families were given 70-80 m², and families with more than 5 members were given apartments that were no less than 90 m². This sometimes caused tension over the damage assessment decision that determined whether the building should be repaired or demolished. Courts regularly revoke municipalities’ decisions for demolishing.

During the reconstruction and housing distribution process, women faced discriminatory practices when it came to their property rights. As they were usually not registered as co-owners, men remained the owners of the family houses, which were often inherited from one generation to another. Patriarchal mentality continued to negatively influence women and girls, preventing them from claiming and enjoying their property rights, especially during crises.


38 DCM No. 5 dated 6 January 2020 “On the definition of rules and procedures for the beneficiaries from the Reconstruction Grant Program and the Model Projects”.

39 Findings of UN Women Albania project on property rights of women. The project was implemented with the partner organization CLCI.
8. The capital city of Tirana

Tirana, the capital and largest city of Albania, has a lot of significance in the country as it serves as the political, economic, and cultural hub. The Municipality of Tirana, which is a local government unit, is part of the County of Tirana. The present municipality was formed in 2015 by the merger of former smaller municipalities following a national territorial and administrative reform. Administratively, the status of Tirana County is equal to the other 11 counties but dominates the country. According to statistical estimates, Tirana County has 33 per cent of the national population and produced 43 per cent of the country’s GDP in 2020. As of 2021, the population of Tirana Municipality is estimated at 864,000 (Tirana Municipality Open Data, n.d.). The city has a diverse economy that includes tourism, technology, banking, and construction, among others. More than half of the cumulative area of all new construction permits in Albania has been issued in the Tirana Municipality (see figure 4.7).

Tirana has a rich history that dates back to the 20th century. In 1920, Tirana was declared the “temporary capital” of Albania, (when it had a population of 17,000) and it was confirmed as the permanent capital in 1925. The city underwent significant development during this time, with the construction of a boulevard lined with government buildings being a part of the expansion plan. During the Italian occupation in 1939-1944, the city saw the realisation of various modernist projects. A new general plan was prepared for Tirana in 1925-1926, which further extended the boulevard and provided new residential, military and industrial zones, as well as ring roads (Pojani, 2010).

Source: INSTAT, 2023b.

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**Figure 4.7** Total area of new building permits issued by municipalities, 2016-2022
(Millions of square metres)

[Graph showing the total area of new building permits issued by municipalities in Albania, Tirana Prefecture, and Tirana Municipality from 2016 to 2022.]

Source: INSTAT, 2023b.

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40 Developed by the Italian architects Gherardo Bosio and Fernando Poggi.
During the socialist period, public investments in industrialisation contributed to the expansion of metalworking, food processing, textile manufacturing, pharmaceuticals and cosmetics as some of the primary industries of Tirana (Britannica, 2023). The development of the city was guided by planning and investment in mass housing construction, public infrastructure, and green and public spaces. The central part of Tirana also featured ideologically charged projects such as the rebuilding of the Skanderbeg Square with the Palace of Culture which was completed in 1963 (replacing the old bazaar and a historic mosque); the closed-off Blloku neighbourhood for the government elite; and the Pyramid of Tirana Museum built in the 1980s in memory of Enver Hoxha, the socialist-era leader of Albania. The use of cars was restricted and urban mobility was dominated by buses, cycling and walking. Tirana was effectively car-free and green but suffered from overcrowded housing (with the population increasing to almost 300,000 by the end of the 1980s) and poor heating systems.

After the fall of the communist regime in the 1990s, Tirana experienced a significant influx of new residents and metropolitan expansion. This resulted in the occupation of vacant and agricultural land, leading to informal constructions and putting considerable strain on existing infrastructure. The opportunities the city offered attracted the Albanian population, at the expense of depopulating peripheral areas in the country. This has created further agglomerative advantages for Tirana and strengthened its economic centrality in Albania. However, Tirana suffered from congestion, air and water pollution, waste management issues and deforestation.

While urban growth was unplanned in the 1990s, the focus of urban regeneration efforts in the 2000s was on demolishing illegally constructed buildings in the city, mainly along the Lana River, through the “Clean and Green” programme. During this period, many main roads, including Unaza, Rruga e Kavajës and the main boulevard, underwent reconstruction. The facades of several buildings were painted with bright multi-coloured pastels as part of the “Return to Identity” programme from 2002–2005 (Pojani, 2010) (see picture 5). Since the city government imposed a moratorium on construction in the centre, the Blloku area became the focus of development activity, transforming into an alternative centre with trendy nightlife, cafes, restaurants and shops. The residential construction industry became one of the most dynamic sectors of the city’s economy, employing substantial numbers of people. However, without a city master plan, the urban developments were still guided by uncoordinated “partial plans” that were negotiated on a case-by-case basis, leading to rampant corruption (Pojani, 2010).

Picture 5 A mural painted on a socialist-era residential building in Tirana

Photo: Oleg Golubchikov.
While urban growth was previously unplanned, the current mayor of Tirana, who took office in 2015, has been focused on transforming the city into a long-term sustainable city. In 2017, Skanderbeg Square was pedestrianised and the current General Local Plan “Tirana 2030” was adopted. The Plan was contracted to an international consortium41 and envisages densification, especially along the New Boulevard, and a polycentric development to prevent further urban sprawl. This is also to recognise the physical limits for the expansion of the city, which for the most part is surrounded by mountainous and undevelopable land. The Plan also emphasizes green infrastructure, such as planting an “orbital forest”, two green rings inside the central area and “a natural oasis” near the Farka Lake. Annex 2 provides an assessment of the forestry plans of Tirana through the UNECE Trees for Resilient Green Cities: Strategic Screening and Action Toolkit.

Subsequent to the General Local Plan, the city has also implemented a number of action plans, including the Sustainable Development Strategy of Tirana Municipality 2018-2022, the Green City Action Plan approved in 2018 and the Sustainable Urban Mobility Plan approved in 2020 (Tirana Municipality, 2020), with the assistance of international partners.

Currently, the city is prioritising infrastructure development, including major investments in improving key access points to the city, constructing a new outer ring road and upgrading the wastewater infrastructure. The Municipality has accomplished several key urban projects over the past decade, and some are still ongoing or planned (see table 4.4).

Table 4.4  Key urban projects funded by Tirana Municipality

<table>
<thead>
<tr>
<th>Completed projects</th>
<th>Planned projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Skanderbeg Square</td>
<td>• New World Park (located in the New Boulevard of Tirana)</td>
</tr>
<tr>
<td>• New Bazaar of Tirana</td>
<td>• MOMA museum of modern art</td>
</tr>
<tr>
<td>• Pyramid of Tirana / TÜMO Center</td>
<td>• “Selman Stermasi” Stadium</td>
</tr>
<tr>
<td>• New National Stadium ‘Qemal Stafa’</td>
<td>• Museum of Tirana</td>
</tr>
<tr>
<td>• The Masterplan of the New Boulevard of Tirana 9 Reconstruction areas (to accommodate the inhabitants affected by the earthquake of 2019)</td>
<td>• Center of Convention and Exhibition</td>
</tr>
<tr>
<td>• Zoo Park</td>
<td>• Center of Fairs (part of one of the new “epicenters” of Tirana)</td>
</tr>
<tr>
<td>• Tirana Olympic Park</td>
<td>• National Museum</td>
</tr>
<tr>
<td>• East Mobility Terminal</td>
<td>• University Complex / Student City</td>
</tr>
<tr>
<td>• Planting of 1 million frees (part of the implementation of Orbital Forest)</td>
<td>• TEDA – Technology and Economic Development Areas</td>
</tr>
<tr>
<td>• Implementation of the 5th Ring</td>
<td>• Hand Games stadium</td>
</tr>
<tr>
<td>• Implementation of the 4th Ring</td>
<td>• Botanical Garden</td>
</tr>
<tr>
<td>• Grand Park of Tirana (Artificial Lake)</td>
<td>• West Mobility Terminal</td>
</tr>
<tr>
<td>• Farka Lake Park (partial development)</td>
<td></td>
</tr>
<tr>
<td>• Implementation of Bicycle Lanes</td>
<td></td>
</tr>
<tr>
<td>• Agro food Market</td>
<td></td>
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</tbody>
</table>

Source: Municipality of Tirana.

41 Led by Stefano Boeri, an Italian architect.
The city’s skyline has been changing rapidly due to the implementation of the new General Local Plan and the densification of the built environment, which has led to the construction of numerous high-rise tower developments (see picture 6). Such large developments in the city centre are considered strategic investments and require permission from the central government.

New developments may also require the demolition of buildings with architectural or historical value, which can be met with opposition from the local community. A prime example of this was the National Theatre of Albania, which was demolished in 2020 to make way for a new national theatre (Pompejano and Macchioni, 2022).

The implementation of the Tirana Riverside Plan and the construction of the new outer ring road have led to the demolition of many informal developments, causing tensions among existing tenants regarding issues of legalisation, expropriation and compensation. This situation has been witnessed in areas like 5 Maji and Kombinat. In addition, the city had to accommodate the inhabitants affected by the 2019 Earthquake, leading to the realisation of the reconstruction areas.

Apart from illegal land occupation and informal settlements, the city has struggled with land ownership fragmentation produced by the restitution regime. Most former owners were compensated in kind rather than cash, resulting in a complexity of landownership patches in central city areas. This has made buying back/expropriating such lands for public needs difficult. For instance, if the land is subject to legalisation, the city needs to compensate the legal owner to complete the legalisation process and then expropriate and compensate the new owner once their title is legalised.

The rise in real estate prices is a growing concern in Tirana, as it is exacerbating the housing affordability issue. Despite the pandemic-induced shrinkage of GDP in 2020, property prices in Tirana continue to rise year on year (Bloomber, 2021). The lack of maintenance of the common areas in old housing estates due to problems with condominium management institutions, coupled with the loss of social and community relationships between neighbours, is contributing to the problem. Homelessness remains a problem, with many migrants or Roma and Egyptian minorities being affected. However, these communities are receiving special assistance from the municipalities through various programmes.

42 Designed by Stefano Boeri, an Italian architect.
According to the 2011 Census, around 84 per cent of families in the Municipality of Tirana were owners or about to become owners of the apartments where they live. This was lower than the national rate of 90 per cent during the same period. Tirana alone hosts about 46 per cent of tenant households in Albania, while the percentage of empty apartments in the city is 20 per cent.

The Tirana Municipality aims to improve housing quality, ensure access to affordable housing and increase the housing supply, which are among the top housing policy objectives. It is also responsible for implementing the national government’s ‘social housing’ programmes, including rent subsidy scheme, mortgage interest subsidies, rent subsidies for those whose houses were damaged by the 2019 earthquake (earthquake bonus), and to a lesser extent, social housing for rent. The social housing stock of the city stood at 384 apartments by the end of 2022, which was provided by a project initiated by the national government with the support of the Council of Europe Development Bank (CEB) between 2009 and 2011. Additionally, the Municipality participates in a donor programme that targets the Roma community.

Tirana has implemented land value capture mechanisms to finance public infrastructure, including an 8 per cent infrastructure impact tax levied on new constructions based on the market value of development. This tax must be paid at the approval of the permit, according to Law No. 107/2014). In 2022, this mechanism contributed to 42 per cent of the Municipality’s own-source income. Another mechanism is a 3 per cent social housing tax on developments within residential construction areas over 2,000 m², as per Law No. 22/2018. This tax benefits Tirana the most as it is home to the largest housing projects in the country. The Decision of the Municipal Council No. 105, dated 25 October 2019 permits the tax in monetary form if the physical contribution is not enough to provide an apartment for social housing.

The city is also working on a floor-area-ratio (FAR) bonus mechanism that will allow more than the allowed construction in exchange for a percentage of the project to be dedicated to social housing.

To manage municipal property funding, investment and holding, Tirana has established the Tirana Development Corporation (Tirana DC), which is responsible for developing properties on behalf of the city that will enter into an affordable housing programme. The main objectives of Tirana DC are the design, reconstruction, construction, implementation, approval of all types of buildings. Its mission is to efficiently use immovable assets transferred from the Municipality of Tirana to the company, or other immovable assets contracted according to the forms provided by the legislation in force, to promote economic development through investment projects with state capital and/or cooperation with the local or foreign private sector. The company is an entity of the Municipality of Tirana, with legal and operational autonomy, and aims to identify, prepare and execute investment projects, revitalise assets and mobilise private capital for this purpose.

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43 Draft Local Housing Plan of Tirana Municipality, 2021.

44 “On the contribution of the private sector in creating a fund of social housing that passes into the ownership of the Municipality of Tirana from new construction.”
9. The industrial city of Elbasan

The city of Elbasan is a significant urban centre in Albania, located in the central part of the country. It is one of the five most populous cities in Albania and serves as the seat of both Elbasan Municipality and Elbasan County, the fourth largest county in Albania. Situated along the Shkumbin River, a cultural watershed, the city is at a cultural crossroads that divides the northern and southern regions of the country. This division is reflected in the cultural traditions and dialects spoken in the area, namely Gheg and Tosk. The city is also intersected by several other rivers, including Manasdere, Papër, Gostrima, and Zaranika.

Elbasan has a rich industrial history and was once home to a thriving metallurgical area that stretched along the Shkumbin valley. In 2014, an administrative-territorial reform was implemented, which expanded the area of Elbasan municipality. As a result, 12 other administrative units joined the old municipality of Elbasan, increasing the municipality’s area 110 times, from 7.9 km$^2$ to 872 km$^2$, encompassing both urban and rural territories. This expansion has created new challenges for the integration of infrastructure, administration and public services with adjacent areas. However, it has also brought positive changes to smaller and peripheral areas that previously had limited budget capacities. With the merged municipality, there are stronger capacities to lobby for its interest and secure resources from the national government and international donors.

The territory of Elbasan includes 925.8 ha of areas of national importance and protected natural and cultural areas, which are subject to special sectoral legislation and the law on planning and development of the territory.

During the 1990s and early 2000s, Elbasan Municipality saw an increase in informal areas, which lacked public infrastructure and were built on agricultural land. The built-up area of the municipality increased by 20 per cent from 1990 to 2007, with most of the growth concentrated in the cities of Elbasan and Bradashesh. To address the issue, the municipality is now investing in improving informal settlements by providing support for necessities such as water supply, sewage and roads.

The economy of Elbasan is largely dominated by its industrial legacy, which includes metallurgy and metal processing. Over 20 per cent of the population is employed in the industry sector. The city gained prominence in the 1970s after the construction of the Steel of the Party metallurgical complex with Chinese assistance. The construction brought in workers, including highly-skilled professionals and their families. At the end of the 1980s, a ferrochrome smelter was also built in the city. However, after the collapse of the communist system, production declined and many facilities were left to ruin, resulting in numerous social problems and unemployment in the city. The state factories were yet to be divided and privatised and were controlled by various industrial groups and foreign capital. Turkish Kurum introduced a significant steel recycling facility in 1999, and the building materials industry also has a significant presence in the area, including iron, cement and bricks. Key industrial plants are concentrated on the site of the former steel mill in Bradashesh.

The industrial legacy is both a boon and a bane for the future of Elbasan. On one hand, it still provides revenue and employment opportunities. On the other hand, the concentration of heavy industry makes Elbasan one of the most polluted cities in Albania. Additionally, heavy industry occupies a considerable area of the city, which requires brownfield redevelopment. The low-carbon transition also makes the heavy industry vulnerable to new pressures. Another significant challenge is population shrinkage, which drains human capital.

The economic development policy of Elbasan County focuses on creating a suitable climate for business development, particularly in key sectors such as industry, agriculture and tourism. This includes measures for improving the business environment, adapting the workforce to the labour market, attracting investors and improving infrastructure. The industrial area of the city of Elbasan offers significant potential for development, and there is also a free economic zone in central areas of the municipality, where former wood processing was located. Favourable conditions are created for local and foreign investors.
The General Local Plan of Elbasan was approved in 2016 and revised twice, in 2021 and 2023. The plan aims to improve the quality of urbanism, and together with the Territory Development Strategy, focuses on spatial development trajectories for the municipality, including environmental protection, land use, infrastructure, economic development, local governance and finance.

Some of the main current projects affecting urban spatial and economic development include:

- Preparing infrastructure for the development of an F1 track, named “AutoMoto Park of Elbasan”. This is not only to bring tourism and create a new positive image to the city but also to bring new services, skills and businesses. The idea came during planning proposals for a new public space reclaimed from the river lowland, which coincided with the national government looking for a suitable site for the F1. The plan includes high-speed racing and a riverside public area.

- Road and railway were upgraded as part of the Pan-European Corridor VIII, including the construction of the bypass of Elbasan (for which a feasibility study has been conducted). Improved connectivity with Tirana is expected to bring new development opportunities, including concerning back offices and warehouses. The bypass will help avoid heavy traffic in transit.

- The development of a youth cultural centre and sports facilities, already a hub for the young generation, for start-up training, cultural and creative activities.

- The “Green Wall” project around the Metallurgical zone, will plant resistible high-rise trees for these specific industrial zones to create a natural barrier against air and soil pollution. This project is implemented in collaboration with companies providing activities in the metallurgic zone, as well as banks. This project will last for the time needed for the growth of trees and will involve continuing planting, maintaining and collaborating between the companies, workers and local residents.

Regeneration of building facades for the architectural heritage of mainly communist-era buildings due to their technical and physical conditions. This is in the context of dilapidating residential buildings, where condominium assemblies are not taking care of their buildings (see picture 7).

Revitalisation of the historical area of Elbasan Castle (kalaja). This involves tourist and economic regeneration of this neighbourhood while keeping its cultural and historic identity.

The municipality has also started a project for energy efficiency regeneration in housing, where the municipality would co-fund energy efficiency rehabilitation initiatives, based on the national law for energy efficiency.

Participatory budgeting involves collaboration with communities. Each neighbourhood has the opportunity to request and vote for a public project they want to implement in the next years. Examples include schools, road improvements, maintaining buildings. Many technical projects come from those requests revising the annual budget of the municipality, but also requesting for donors or partners related to the typology of investment.

Elbasan also takes part in the EU Mission for 100 climate-neutral and smart cities by 2030. The European Commission included 112 cities in the Mission, 100 from the 27 EU countries and 12 from associated countries to Horizon Europe (Net-Zero Cities, n.d.). As part of the network, Elbasan has pledged to become climate neutral and smart cities by 2030. The project is expected to raise the visibility of the involved cities and attract knowledge, investment and skilled workers.

As discussed in section 5 of chapter II, Elbasan is actively involved in social housing programmes. However, one of the major challenges faced by the municipality is expanding such initiatives, especially when it comes to managing the costs and administration of maintaining social rental housing.

Picture 7   Regenerated facades on a street in Elbasan

Photo: Oleg Golubchikov.
10. The future outlook for territorial development in Albania

There is currently a push from the European Union to implement regional development policy outlined above as part of Chapter 22 negotiations (EC, 2022). All those mechanisms stress the importance of a more balanced development at the regional level, territorial cohesion and accommodating lagging places into a more productive and inclusive national economic fabric. It is essential to have a strong deliberative process of collective action to identify how such a spatial development policy should look like and work in practice. There is no magical solution that could automatically make “weak” cities and regions economically stronger and more attractive for residents and businesses (Pike, Rodriguez-Pose and Tomaney, 2017). Finding a balance between efficiency (boosting regional competitiveness) and equity (overcoming regional disparities) is one of the hardest political dilemmas to resolve.

One of the advantages that Albania has is that it does not have the same levels of place-based social disenfranchisement that characterise many “left-behind” old industrial regions in Western Europe and North America. These regions have experienced waves of deindustrialisation, unemployment and loss of social aspiration (Rodriguez-Pose, 2018). Despite the loss of human capital to outmigration and soaring income inequality, the population of Albania remains fairly entrepreneurial and highly mobile. Due to the egalitarian socialist legacy, the population is also psychosocially more uniform than in many Western countries ridden with centuries-engrained class divisions and social and spatial segregation. That means lower cultural barriers for people to socialise with each other and engage with economic opportunities when they reveal themselves.

Western experiences in this respect also suggest the importance of avoiding the situation when territorial peripheralization eventually becomes an inter-generational issue leading to stigmatisation and psychosocial pathologies so much ingrained in localities that these pathologies in their own right become a key factor for territorial development (or rather lack of the same) and disparities (as part of places’ “social capital”) (Iammarino, Rodriguez-Pose and Storper, 2019).

Activating internal potential

It is worth noting how the policies guiding the location of manufacturing capacities and determining local investments, jobs, productivity and incomes have evolved. While national redistributive policies were the norm in the post-war period, the current paradigm emphasizes the importance of endogenous potential and assets specific to the locality. To unlock these potential and competitive advantages, policies stress the need for improved governance, provision of resources, training, retraining, talent retention and attraction, local and start-up businesses support, and infrastructure investment.

Regional innovation features strongly in these policies. One of the key strategies for a place-based approach is the “Smart Specialisation Strategy” (S3) (S3 Albania, n.d.), advocated not only by EU but also by foreign donors for Albania (Republic of Albania, DPM Office and ADF, 2020). This strategy involves the identification of strategic areas for intervention based both on the analysis of the economy’s potential and an entrepreneurial discovery process involving various stakeholders. It has a broad view of innovation, including technology-driven approaches, and aims to create “competitive regions” (European Commission, n.d.-a).

However, the effectiveness of these mechanisms in many urban municipalities and regions in Albania, particularly those already disadvantaged, is limited due to their small size and capacities. While tourism, including agrotourism, has been promoted as a key endogenous resource in Albania, it is unlikely to be a generic panacea across the nation. Tourism development programmes have attracted much investment, including from intentional donors (World Bank, 2016), the sector has limited supply chains, multiplier effects and innovation components compared to high-value-added industries and productive sectors (Tapper and Font, 2004).
Therefore, a more targeted and comprehensive approach to local economic development is required. This approach should strike a balance between activating endogenous capacities, attracting exogenous resources, and providing stable, predictable and significant redistributive fiscal mechanisms and public investment tailored to local conditions. Municipalities’ diversity and distinctiveness should be taken into account, with a focus on overcoming path dependencies of disadvantaged local economies and developing a new critical mass in areas of strategic intervention.

Re-industrialisation by re-urbanization

The current mono-centric model of the space economy of Albania centred on Tirana has limitations, and territorial development and planning documents and policies now advocate a shift towards a more balanced urban system that embraces polycentrism. However, polycentricty requires the creation of a more distributed economic base across the country, which has so far been limitedly successful, especially in more peripheral regions. This absorbs the principles of the EU spatial policies, as outlined in the European Spatial Development Perspective (ESDP) (European Communities, 1999) and the Territorial Agenda 2030 (Territorial Agenda, 2020). The promise of polycentrism now shapes planning at different scales as reflected, for example, in the GNP, Tirana-Durres integrated cross-sectoral plan, and even in the new general plan for Tirana.

Experience has shown that industrialisation played a vital role in establishing the economic basis for polycentric development in the socialist period. This highlights the potential benefits of re-industrialisation efforts in towns across the country to replicate the same success, with a focus on innovative and high-value industries, including those involved in processing local and regional agricultural products. However, these industries require high-quality human capital, which tends to favour agglomeration and the quality of life. This has led to a vicious cycle of increasing polarity between the centre and the periphery, with larger cities providing a better quality of life.

To attract and retain human capital to more peripheral places, it is crucial to improve the density of connectivity across the country. This can be achieved by creating new inter-regional networks and clusters (spatially, Albania is not large), “externalising” the agglomerative advantages of central places and offering a superior quality of life, with high-quality urban environments and housing conditions. The government needs to invest in urban and housing regeneration and the production of new people-smart urbanism (United Nations, ECE, 2020).

Post-war economic growth was achieved through industrialisation by urbanization. Therefore, for future-looking polycentricty, re-industrialisation by re-urbanization is necessary. Reurbanization entails improving the quality of life in urban places, with a strong focus on urban regeneration, housing development and regeneration, and creating attractive places for living and doing business (see box 6).

Achieving such ambitious visions would require serious attention to sustainable urban development at the national level. Some countries with comparable history to Albania have adopted a national urban policy to frame sustainable urban development. For instance, Poland has had several modifications of such policies before the current National Urban Policy 2030 was adopted in 2022 (Republic of Albania, MDRP, n.d.).
In the European Union, 14 action plans were designed to implement the Urban Agenda for the EU (European Commission, n.d.-b), which include housing and other areas such as air quality; urban poverty; circular economy; jobs and skills; climate adaptation; energy transition; sustainable land use; urban mobility; digital transition; public procurement; security in public spaces; culture/cultural heritage; and inclusion of migrants and refugees. Albania could benefit from these action plans to create a multi-level urban policy.

In terms of the urban scale, cities need to take comprehensive measures that address not only competitiveness but also environmental, social and economic sustainability. Sustainable development emphasizes the importance of social and material infrastructure that supports everyday life and public and collective goods and services such as housing, physical infrastructure, retail banking, schools, food supply and health services. Traditional ways of measuring the competitive economy, which focus on innovation, export, technology and GDP, overlook the contribution of the “foundational economy” of places to regional development and render it invisible. However, the foundational economy supplies goods and services critical to rising living standards and social well-being, making a difference in the quality of life of people and the localisation and achievement of the SDGs (United Nations, ECE, 2020, p. 25). This further indicates the importance of investing in urban regeneration and the liveability of places regardless of their location (Beer and others, 2020).
Box 6  Factors behind turn-around urban economies?

Comparative urban studies suggest that some cities have successfully managed to reverse their downward trajectories, which can offer insights into place-based policy. The experiences of six “turn-around” cities across OECD countries - Lille (France), Newcastle (Australia); Bilbao (Spain), Pittsburgh (USA), Dortmund, Duisburg and Leipzig (Germany) and Windsor (Canada) – have identified six common themes (Venables, 2023):

- Urban redevelopment and economic development strategies are complementary. The appeal of a place for living is as important as it is for business investment.
- Effective redevelopment strategies need to be comprehensive and not piecemeal or ad hoc in nature.
- Successful strategies build upon a region’s or a city’s strengths.
- Local and regional leadership, rather than central government-led policies, are crucial for turnarounds, with the central government playing a supporting role.
- Long-term, significant and stable funding is necessary to create local capacities and a long-term vision rather than a multitude of piecemeal projects.
- The engagement of various actors and a sense of collaboration for the common good play a vital role in designing and implementing strategies and policies.

A comparative study (Haase, 2021) of regrowth cities - Leipzig (Germany) and Liverpool (United Kingdom) – compared to demographically shrinking cities - Lodz (Poland) and Ostrava (Czechia) – also demonstrates the role of sustained external support and public investment. The following factors were identified as important for the recovery of Leipzig and Liverpool:

- External public investment in growth-supporting infrastructure, including internal and inter-regional transportation improvements, urban regeneration, housing, social, educational, training and cultural enhancements, as well as ecological revitalisation. These programmes had a multiplier effect in stimulating inward private investment, either in collaboration with the public sector or, as time progressed, independent of the public sector.
- Revitalisation of the central and inner city. With help from external sources, both cities have strategically invested in a comprehensive regeneration and revitalisation of their inner cities, including investments in public transport, public realm improvements, the retail sector, culture, leisure and tourism facilities. Furthermore, former industrial and commercial space was repurposed for housing development, providing a housing supply close to city centre employment and amenities.
- Control of suburbanization combined with strong inward-oriented planning policies. General economic regeneration, central area revitalisation and inner urban housing investment was supported by strategic planning policies aimed at re-using existing urban space and creating a more compact city.
- Sustained and coordinated public-sector leadership. Both Liverpool and Leipzig show evidence of sustained and coordinated public-sector leadership and management of the regeneration and planning processes that have led to population regrowth.
11. Recommendations

Albania has made significant progress in the institutions of urban and regional development and spatial planning, over the past decade. However, there are still several areas of concern, such as the actual implementation of spatial plans and related documents, which often seem to have more of a “performative” role rather than guiding actual agendas. For polycentric territorial development to be successful, there needs to be fundamental and systematic shifts in how state finance and investments are oriented, sourced, sustained and executed, as well collective action, leadership and coordination at all levels. While decent and affordable housing is a key and foundational sector of society, it appears to have low visibility in central government policy. Furthermore, although comprehensive place-based initiatives like the Urban Renaissance programme are launched, they are not sustained as a long-run, predictable and transparent investment mechanism for urban and regional regeneration. Other areas that require attention include limited human resources in the public sector, including in planning; under-funding of affordable housing sector programmes in both the economic heartland and periphery; inter-institutional fragmentation with considerable donor-dependency leading to certain “institutional intermittence”; limited public participation; high levels of corruption and informalities; and weaknesses with respect to the actual implementation of good policies and laws that have already been enacted.

To further strengthen the progress of Albania towards sustainable and balanced development, the Government is recommended to consider the following actions:

(1) Mainstream housing in the field of urban and regional development and planning

Housing is not given due consideration in national territorial development and strategies for urban and regional development and cohesion. Housing is often viewed as a sectoral rather than a territorial strategy, which can result in it being overlooked in important development plans, such as the General National Spatial Plan, and institutions. However, housing is central to the social and spatial organization of communities and decent and affordable housing is essential for creating liveable, prosperous and equitable regions and places. It is important that housing is made one of the pillars in both regional development strategies and spatial plans, as recognised in UNECE and EU guidelines and policies.\(^\text{46}\)

To achieve this, the Government is recommended to take the following measures:

(a) At the national level, social housing should be made a mandatory and significant part of all national and regional plans on regional development and cohesion, future revisions of the General National Territorial Plan, as well as in any other national territorial development instruments.

(b) At the municipal level, social housing should be made a mandatory and significant part of all new and revised general local territorial plans.

(c) Specify the targeted obligations for the development of social housing across municipalities (see box 7).

(d) Develop mechanisms to encourage private developers to invest in social housing in line with those obligations.

(e) Include housing policy stakeholders in drafting and reviewing any legislative provisions in the fields of regional development and territorial planning.

\(^{46}\) For example, the EU New Leipzig Charter on urban policies recognised that “the provision of safe, healthy, affordable, well-designed and adequate housing is essential for all urban policies”.
Box 7  Spatial planning tools for affordable housing and social mix

Austria, Ireland, the United Kingdom and France have all taken steps to ensure that private developers include social/affordable housing in new developments or to prescribe a minimum percentage of social housing in their territories.

- In France, cities above a certain size need to reach a target of 25 per cent social housing in their areas following the introduction of the “Equality and citizenship” legislation in 2016 (France, 2021).

- In Ireland, “Part V” of the Planning and Development Acts 2000 to 2021 (Housing Agency, 2021) requires local authorities to acquire 20 per cent of its land for social and affordable housing. This helps to encourage integrated development and reduce housing segregation.

- In the United Kingdom, the obligation to build affordable housing in new developments is outlined in section 106 of the 1990 Town and Country Planning Act (McCabe, 2022). It includes a “viability test” to assess the economic feasibility of the building.

- In Austria, the requirement to build affordable/social housing is mainly implemented through zoning regulations. For example, when a local authority rezones an area for housing development, they can demand a certain percentage of “subsidised housing”. This regulation exists in some regions in Austria.

- Vienna introduced the “Subsidised Housing” zoning category in 2018 in the amended Building Code, which mandates that two-thirds of the usable floor space built for housing purposes on plots classified under this category must be taken up by subsidised dwellings. This approach caps rents and guarantees that affordable dwellings will continue to be built throughout the city while also ensuring a social mix. The “Subsidised Housing” category only applies to plots that could accommodate more than 5,000 m² of housing space. Furthermore, this zoning category is linked to a sales ban for the subsidised housing units constructed on such plots. This means that the City of Vienna must authorize the sale of these subsidised flats, and the sales ban applies for the entire period of the subsidy granted (City of Vienna, n.d.). For the share that is “subsidised”, a housing developer gets a low-interest loan from the regional government and the regulations of the regional housing subsidy laws apply, which includes a maximum rent. While most “subsidised housing” is built by social housing associations, it is also possible for-profit developers to do so.

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47 This is essentially a decision taken by the municipality. The zoning category “subsidised housing” can be used both for public and private land. It informs private landowners that if they would like to sell land for housing development, they cannot make windfall profits at the expense of housing affordability. This has led to private developers seeking cooperation with housing associations.
Albania is one of the most rapidly urbanizing countries in Europe, with its urban population expected to grow and reach 70 per cent shortly after 2030 and close to 80 per cent by the mid-century (United Nations, DESA, 2018). To accommodate this ongoing urbanization into a more polycentric and sustainable format, it is crucial to develop a national strategy for urban and housing regeneration, which requires fundamental shifts in state investments. Furthermore, regenerating urban areas and their housing conditions and making cities and towns attractive for residents and human talents are key to territorial development and economic competitiveness. Housing should be an absolute central part of urban regeneration as it "glues" everything together and provides the social foundation of any urban economy. To frame the policy interventions for urban areas, some countries in the UNECE region have introduced national urban policies (e.g. National Urban Policy 2030 of Poland).

The Government is recommended to:

(a) **Develop a national strategy for urban and housing regeneration**. The strategy should extend and further specify the objectives of GNP, the national regional development and cohesion plan, as well as infrastructure development programmes. It should outline the key principles and targets for urban and housing regeneration, co-designed with municipalities and differentiated for different geographical areas (counties and/or municipalities), recognising their specific potential and needs, such as with respect to affordable housing.

(b) **Introduce a comprehensive and systematic investment package for urban and housing regeneration** attached to the Strategy, which should be long-term, significant and stable. To this end, ideas and capacities developed during the Urban Renaissance programme could be scaled up and continued. The investment strategy needs to be comprehensive, rather than ad hoc, and provide a systematic framework for mobilising international aid.

(c) **Introduce a comprehensive training programme** to address the competence, talent drain and lack of human resource in this field. Internship programmes for students in the public sector and municipalities can be a valuable tool for developing practical skills and creating employment connections. Such programmes can offer hands-on experience in a professional environment, allowing students to apply what they have learned in the classroom to real-world situations. In addition, internships can serve as a gateway to future employment opportunities, as students can establish valuable connections with potential employers and colleagues. This can be especially important for students who may not have a well-established network in their field of interest.

(3) **Consolidate government functions on regional development, spatial planning and housing**

To better coordinate and improve the effectiveness of instruments such as spatial planning, regional development policy, urban policies and housing strategies, associated functions and responsibilities should be consolidated. This would involve improving horizontal and vertical coordination and information exchange between agencies responsible for housing, urban and regional development and land management. Currently, these responsibilities are scattered across different agencies and ministries.

At the level of the national government, the Government is recommended to take the following actions:

(a) **Consolidate competencies and functions associated with territorial development, such as housing, territorial planning, and regional and urban development, under a single organisational umbrella** (e.g. a ministry);

(b) **Conduct an audit of associated laws to coordinate their scope and interlinkages and remove any functional duplications**.
(4) **Introduce a fiscal incentive package for inter-municipal cooperation**

Many municipalities in Albania are too small to be actively involved in a response to sustainability and they lack the resources and competencies to do so. Moreover, they often lack the capacity to leverage external investment. Counties, on the other hand, lack power over municipalities and are more remote from the everyday life of citizens. Merging small municipalities is not always feasible due to various reasons such as distance, mountainous terrain or cultural differences.

To address this issue, the Government should introduce a fiscal incentive package for inter-municipal cooperation. This package could include competitive bidding for funding that is conditional on municipalities cooperating and with counties in implementing regional policies and territorial planning instruments.

(5) **Introduce national-level guidance for urban design and placemaking**

Urban design, including urban aesthetics, is one of the areas that now needs to be paid greater attention at the local/community level, beyond merely the planning or zoning parameters and quantifications. Placemaking is about designing and managing public spaces to create a sense of community and promote social inclusivity. It is important to promote green, walkable neighbourhoods that minimize dependence on cars. Also, urban housing, social infrastructure and mobility patterns should consider the needs of older persons, people with disabilities and special accessibility needs, including childcare.

To achieve these goals, the Government is recommended to:

(a) Introduce policies and guidance for urban design and placemaking. This will inform stakeholders, adjust urban planning and development control decision-making, raise public awareness and shape urban development and urban regeneration.

(b) Consider national-level approaches to systemically increase urban tree and forest cover in urban areas. National-level policy and resources can enable and support municipalities to maintain and enhance urban tree and forest cover, which provides several benefits.

(c) Mainstream gender, age and accessibility in urban development guides. This would require considerations such as assisted living, adaptive houses, buildings and houses accessible for wheelchair users, ramps, escalators, rest areas, public toilets, street safety and accessibility, barrier-free transportation and sidewalks. The municipal government should include these issues in any tenders for designing local planning and consider them when approving local planning and building application documents.

(6) **Promote participation in decision-making on urban and regional development**

The current institutions focus on making government and public services accessible, as well as on informing the residents. While digital tools have considered extended accessibility to public services, the overreliance on digital instruments in public participation risks ending up in unidirectional communication, or “algorithmic bias” and limited and selective voices. Meaningful and engaged participation is required not only for improved transparency but also for understanding the real situations and needs of the population in order to co-produce the desired future with them and genuinely involve citizens in decision-making.

(7) **Strengthen construction and refurbishment standards**

It is crucial to set and enforce minimum standards for the construction of new buildings and the refurbishment of existing ones when it comes to energy performance, structural building safety (including earthquake resilience) and fire safety. By doing so, Albania can demonstrate to the world that it is a safe place to invest in and live in, which can attract more inward investment and boost tourism.
Chapter V. FINANCING AFFORDABLE HOUSING

1. Introduction

Different stakeholders, including government bodies, private entities and international agencies, play a role in the housing market of Albania. The private sector is the main player in housing construction, transactions and finance and the dynamics of the housing market follow the macroeconomic conditions. However, the mortgage market in Albania is still limited due to a lack of demand from the population and appropriate mortgage products. International financial institutions and countries are providing other forms of assistance and financial instruments.

The state-owned National Housing Agency (NHA) has been supporting the construction of affordable housing. However, following a reform in 2004, housing responsibilities have shifted to municipalities. The limited funds of NHA have constrained its ability to upscale investments and, hence, to build a diverse tenure.

This chapter will focus on the primary sources of funding for housing programmes in Albania, particularly on NHA and the development of its potential roles in the future. It proposes several approaches to enhance the efficiency of public housing finance and build a sustainable, long-term finance system. The recommendations presented in this chapter, together with case studies and models from Albanian and international good practice, will serve as a guide for policymakers. The social rental agency model, which has been successful in other economies, can be tailored to fit the local conditions in Albania.

2. State funding for housing

Starting from 1995, there was a significant decrease in state funding for housing when the disbursement of the World Bank loan reached its peak. During that time, NHA used the state budget funds and the World Bank loan to construct new housing on land provided by municipalities. The projects initiated by NHA supported homeownership, allowing beneficiaries to repay their housing costs over 15-20 years at an interest rate of 0-3 per cent, regardless of their income until 2007. From 1993 to 2016, NHA successfully housed approximately 20,000 families with state assistance.

However, after the implementation of the new legal provisions of Law No. 9232/2004 "On social housing programs", NHA stopped receiving funds from the state budget. Under the new legal provisions, NHA is required to generate and use its own funds for housing. Hence, since 2007, all new housing contracts funded by NHA have been allocated to families with sufficient income to repay the cost of the house.

Over the last 20 years, the government has provided housing support amounting to approximately ALL 22 billion. After the disbursement of the World Bank loan, state support for social rental housing reached its peak once again from 2009 to 2011 when the Government received a loan from CEB. In 2020, state support for housing reached another peak, providing subsidies for the rent of families whose homes were damaged by the earthquake of 26 November 2019 (see figure 5.1).

The government’s housing support has provided housing subsidies for soft loans, rental subsidies for housing in the market, investments to improve the living conditions of the poor and vulnerable groups and the adaptation of state-owned buildings for housing purposes (see figure 5.2).
Figure 5.1  State budget for housing  
(Thousands of Albanian lek)

Source: Ministry of Finance and Economy.

Figure 5.2  State budget allocation for housing, 2014-2023

Source: Ministry of Finance and Economy.
3. Municipal finance

Municipalities receive financial resources from the central government, which can make up to 51 per cent of their budget. The responsibility of covering the remaining expenses falls on local governments through local revenues. The share of central transfer varies among municipalities. For example, Tirana receives a lower share of state funding of approximately 30 per cent, while smaller municipalities receive a higher portion. Up to 80 per cent of the total transfers to municipalities are allocated based on relative population, with the remainder distributed according to a formula that was first used in 2016. This formula takes into account the relative population, population density of each local government unit and the number of pupils in elementary and secondary education in each unit.

The final Local Public Finance Report 2021 (Republic of Albania, MoFE, 2022) disclosed that local government revenues in Albania were largely dependent on infrastructure impact tax from new constructions, which accounted for around 32 per cent of the total local income of ALL 29.4 billion in 2021. The tax on buildings made up 21 per cent of total revenue, followed by tax on agricultural and urban land at 2 and 1 per cent respectively. The tax on completed real estate transactions also contributed about 2 per cent to the local government’s revenue (see chapter III on real estate taxes).

In terms of expenditures, disaggregated data by both capital structure and functional classification (see figure 5.3) showed that “housing and community amenities” accounted for a significant share of local government spending, at around 51 per cent for 2022, which has been increasing in recent years. However, in Tirana, this share was below average, at around 42 per cent for the first three quarters of 2022.

Figure 5.4 shows expenditure coverage by function with both own-source and conditional funds from the central government. In terms of own-source funded expenditures, the 61 municipalities spent about ALL 10.5 billion (18 per cent of expenditures) on housing and community amenities in 2022. Within this function, ALL 9 billion were spent on the community development sub-function, which includes activities aimed at improving the community’s living environment such as recreation, improving common and recreational spaces, green spaces, sidewalks, parks, public gardens, and more. The remaining ALL 1.5 billion was spent on the sub-functions of local urban planning, water supply and street lighting (Co-PLAN, 2023).

Investments made via conditional funds (capital expenditures) are investment projects earmarked by the central government. These investments fluctuate from year to year (Co-PLAN, 2023, chart 73). In 2022, over 80 per cent of conditional investment funds were allocated to the housing and community amenities function, with about 72 per cent of this spending directed into the water supply service (Co-PLAN, 2023, p. 87).
**Figure 5.3** Expenses of municipalities by capital expenditure structure, 2022 (Percentage)

- Housing and community amenities 50.8%
- Economic affairs 5.3%
- Education 9.2%
- Recreation, culture and religion 5.3%
- General public services 5.3%
- Environment protection 2.1%
- Social protection 2.1%
- Public order and safety 1.1%
- Health 0.1%

Source: Financat Vendore; [http://financatvendore.al/data/expenses](http://financatvendore.al/data/expenses)
Figure 5.4  Expenditures, by origin of funds and function (own source and conditional funds), 2021 and 2022

4. **Mortgage market**

As of December 2022, the Albanian banking sector consists only of private banks (11 banks) and no state-owned banks, with foreign-owned banks accounting for 66 per cent of total assets and domestic-owned banks accounting for the remaining 34 per cent. According to the evaluation of the Bank of Albania in 2020 (Shehu, 2020), bank lending to households has been around 25-35 per cent of the total loan portfolio of the banks, with 25-35 per cent of households having a debt to pay. However, this level of household borrowing is significantly lower compared to the wider region.

The mortgage market size of Albanian banks, including commercial real estate exposures, is around 39 per cent of total loans, or ALL 281 billion, with loans for housing purchases accounting for 21 per cent of total loans. This translates to around ALL 150 billion in absolute numbers. The share of construction loans to the total loans portfolio is around 9.5 per cent, or around ALL 68 billion.

Based on the latest “Trends in Lending” report of the Bank of Albania, loans for house purchases (in an ameliorated path for almost two years) had a growth rate of 17.7 per cent in the third quarter of 2022, contributing to the rapid expansion of credit to households (Note and others, 2022, Chart 2, p. 11). This was due to a housing price increase, households’ approach to buying new houses for investment purposes, and favourable financing offers from banks. As a result, share of mortgage loans to the total loan portfolio to households increased to 76.6 per cent. However, by the end of 2002, there were signs of a slowdown in the demand for mortgage loans due to the rapid increase in interest rates, the cost of loan servicing, and the general tightening of credit conditions, especially for households with lower incomes.

48 The Trends in Lending” report analyses monetary data on the credit portfolio and lending conditions (https://www.bankofalbania.org/Monetary_Policy/Analyses/Trends_in_lendingreport/).

5. **Funding by international donors**

The European Union and its investment bank (EIB), CEB and other national public donors such as Switzerland, Sweden, KfW from Germany and AfD from France, play a significant role in providing funding for urban development and housing purposes in Albania.

The main financing tool that EU uses to support the Western Balkans is the Instrument for Pre-accession (IPA III). In addition, the EU External Investment Programme (EIP) provides funds amounting to EUR 9 billion, which are divided into 10 flagship investments. These flagship investments are focused on sustainable transport, clean energy, environment and climate, digital future, human capital and the private sector. The Western Balkans Investment Framework (WBIF), which is a joint initiative of EU, financial organizations, bilateral donors and beneficiaries, is responsible for implementing this programme.

**European Investment Bank (EIB)**

EIB is dedicated to supporting social and affordable housing, as well as promoting inclusive growth, and social and economic cohesion. As part of its commitment, EIB provides funding for a wide range of eligible projects, including those focused on energy efficiency and circularity. However, EIB does not support the basic maintenance of homes. The level of project support varies, with negotiations with EIB necessary for funding above EUR 25 million. For smaller projects, designated national financial intermediaries handle the allocation of support.49

49 A list of EIB intermediaries can be found on their website (https://www.eib.org/intermediarieslist/search/index/).
EIB is known as the "Green Bank" in the European Union and is committed to backing up the EU Green Deal of the European Commission. In line with this, EIB plans to have at least 50 per cent of its investments be “green” by 2025. For social housing projects, this means that EIB-funded endeavours should prioritize environmental sustainability and meet the highest standards.

EIB has been active in Albania since 1995, with a focus on supporting key transport infrastructure to improve inter-regional integration and connectivity to Europe.

In 2019, EIB made its first urban development loan to Tirana under the Economic Resilience Initiative. This project aims to reduce pollution in the Lana River and reorganize streets and urban spaces along the river banks. The financing for the project includes an EUR 8 million EIB loan, EUR 2.4 million grant from donors and a technical assistance grant from EIB worth EUR 500,000 (EIB, n.d.). The project is expected to improve the sanitary and health conditions in Tirana, as well as enhance the quality of life for its citizens. Additionally, the project will help protect residents from the constant threat of flooding. As a social housing initiative, the municipality is concurrently resettling 1,100 inhabitants through a social housing programme (Simic, 2019).

Council of Europe Development Bank (CEB)

Social housing is one of the sectors eligible for CEB financing. The Bank usually funds sustainable and affordable housing projects that cater to vulnerable populations, including large families, young or low-income people, and Roma and refugees who face challenges accessing housing or can only do so under unfavourable conditions. Energy-related activities that are eligible for financing include the construction or refurbishment of housing and the conversion of existing buildings to make them suitable for residential purposes. These projects can target property ownership or rented accommodation and the related infrastructure provided under national and local government-assisted schemes.

CEB funds are more flexible than EIB loans from the perspective of the financial beneficiaries. Although CEB financing is also based on loans, the co-financing rates of projects are subject to negotiations which is a more flexible process compared to EIB products. Moreover, grant resources can be used through the fiduciary accounts of CEB to subsidize interest rates, technical assistance and/or part of the investment costs.

Albania joined CEB in June 1999. Since then, the Bank has provided funding of EUR 164 million for investments in social housing, health, education, rural and urban regeneration, and sustainable tourism. Albania is the third largest beneficiary of grant funding from the resources of CEB and its trust funds. In 2020, after the earthquake that struck the country in 2019, CEB financed a reconstruction project for a total of EUR 100 million (CEB, 2020). CEB also supports needs assessment projects and project preparation costs with a EUR 500,000 grant from its Social Dividend Account and commits up to EUR 100 million in financing reconstruction works. The EUR 500,000 grant will allow the Albanian Development Fund (ADF), the partner of CEB on regional infrastructure development programmes, to hire additional expertise for geological and seismic studies, micro-zone inspections, hydrological evaluations of the terrain and topographic surveys.

The first and the only CEB loan for social housing development thus far was signed in 2006, with a total of EUR 15 million (plus national contribution). From these funds, a total of 1,138 dwellings were built in eight municipalities for social rental purposes within five years. The project was seen as a success due to the innovative project design, capacity-building support at the municipal level, as well as the application of social mix. However, some delays occurred because some municipalities were not equipped to implement the development project. The implementation of the social housing project, financed by CEB and co-financed by central and local budgets, revealed several challenges, including limited local government capacity and know-how on the management of the housing development cycle, a lack of adequate standards for construction, procurement and supervision, as well as difficulties in managing different sources of financing (loan, national budget, municipal budget).
European Bank for Reconstruction and Development (EBRD)

EBRD focuses on the sustainable development of the private sector by promoting the entrepreneurial spirit in the economy and encouraging environmentally sound investments, while also enhancing the commercialization of infrastructure projects and promoting sustainable energy.

As an example, in 2017, EBRD funded the implementation of the Green Cities Action Plan in Tirana with approximately EUR 290 million. The objective of the project was to assist the city of Tirana in developing a Green City Action Plan that would evaluate the priorities for the city’s sustainable development in the short- and medium-term, covering all sectors under the Green Economy Transition approach of EBRD.51

International governmental donors

Sweden, Switzerland, Germany and France have recently provided additional funding to Albania for various development programmes.

The Swedish Reform and Cooperation Programme 2021-2027 for the Western Balkans has allocated USD 532 million towards promoting human rights, democracy, the rule of law, gender equality, inclusive economic development and environment and climate change (Embassy of Sweden, 2021).

The Swiss Cooperation Programme 2022-2025 has provided a grant of CHF 105 million and focuses on democratic governance, sustainable economic development, employment, urban infrastructure services and climate change (SDC and SECO, 2022).

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51 For a detailed description of the Green City Action Plan in Tirana, see: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395251983333&d=Touch&pathname=EBC%2FCcontent%2FCcontent_layout
KfW, the public investment bank of Germany, offers financial services such as grants, development loans and promotional loans to Albania. One of the primary objectives of KfW is to promote energy efficiency in the country, and it is also supporting the restoration of student dormitories in Tirana to reduce energy losses and improve the living conditions of students. KfW is also working with the Albanian government and other donors to comprehensively reform the sector.

Albania is facing challenges in providing sufficient drinking water to its citizens, with some cities having access to only two hours of drinking water a day. The sanitation systems in the country also require improvement. To address these issues, the German government, through KfW, is supporting the modernisation of municipal infrastructure. Germany is the largest bilateral donor in this area and coordinates the other donors to ensure the effective utilization of resources. At the request of the Albanian government, KfW also supported the country in developing national master plans for the water and wastewater sector, as well as the waste sector. Through its investments, KfW is promoting sustainable urban development by modernising the water supply, wastewater and waste disposal systems throughout Albania (KfW, n.d.).

The French Agence Française de Développement (AFD) has been financing the public sector and NGOs in Albania since 2018, making it the first of the six Western Balkan countries where AFD was authorized to operate. The AFD subsidiary, Proparco, provides financing to the private sector (AFD, 2018). The mandate of AFD covers a wide range of areas, including climate change mitigation and adaptation, sustainable cities and the environment and innovation and the digital economy, all of which contribute to establishing closer ties between Albania and EU. The operations of AFD in Albania seek to not only focus on fragile and neglected areas but also to strengthen social ties to reduce vulnerabilities in the region.

6. The business model of the National Housing Agency

The role of NHA was introduced in Chapter II. In a nutshell, the mission of NHA is to provide low and medium-income families with affordable housing solutions. However, NHA has been engaged only in houses that are sold to beneficiaries and it does not manage any housing stock.

Table 5 illustrates the different sources of funding for NHA. Sources from 1 to 6 were used before 2007. NCB was a State-owned bank that was privatized in the 1990s. Savings Bank was also a State-owned bank, privatized in the 2000s by Raiffeisen Bank. The own funds of NHA represent the partial repayment by beneficiaries of the investment funds from 1 to 6. The NHA funds are revolved due to a selling contract with the beneficiaries.

To start a new project, NHA signs an agreement with the mayor of a city. The agreement stipulates the rights and obligations of the parties. An agreement is signed only if the municipality assigns a plot of land to NHA at no cost. Other provisions may include the obligation of a municipality to invest in infrastructure and landscaping, as well as in reducing taxes and fees that are within the competencies of local authorities.

NHA procures the construction of the buildings from building companies, based on typical projects. The selling price is set equal to the cost of construction, which includes the state price for the land, 4 per cent of overhead costs and all other costs related to registration of the property, sales tax, technical control, licenses, permissions (building permission, environmental assessment) and other costs. In cases where investment in infrastructure is done by NHA, these costs are included in the selling price.

The beneficiaries are selected by the municipal council based on the economic criteria of NHA. A family buying an apartment from NHA should be able to afford the monthly payments. The beneficiary may pay it as a lump sum, in case they get a negotiated loan from a bank with which NHA has an agreement, or they sign a contract to pay NHA in monthly instalments. The latter entails paying a 10 per cent downpayment and the rest is paid within (typically) up to 15 years, with 3 per cent interest. In special cases, the payment period for families facing difficult situations may be extended up to 20-25 years.
NHA is supposed to raise funds for its activities; however, the privatization of housing units as well as the affordable housing ownership scheme have not generated enough funds (only 4 per cent profit generated) which makes the NHA business model unsustainable. Another important issue remains the lack of other significant sources of long-term finance for affordable housing purposes. Moreover, no local donors contributed to the finances of NHA except the land that is made available by municipalities for construction.

In order to achieve financial sustainability, NHA should reach income that could cover operation, maintenance, as well as re-investment. To generate rental income, NHA can diversify its portfolio by providing different housing solutions (affordable housing ownership, social rental housing and affordable rental housing) for different target groups. This would generate sufficient funds for future investments and ensure a social mix for the benefit of individuals and society.

Functioning sustainable housing systems in Western European countries greatly depend on rental income, even though some of them are benefitting from additional governmental support. In the case of Albania, the high deficit levels of the Government finance make it impossible to rely solely on governmental support. The cases of Austria, Denmark and Finland can inspire how a diversified portfolio can be created for different target groups (low-, medium-, and high-income rent levels) that contribute to a more sustainable business model. This also includes a cost-based social rental housing system (Pittini, Turnbull and Yordanova, 2021).

Table 5  Sources of financing of housing construction, 1993-2020 (Millions of Albanian lek)

<table>
<thead>
<tr>
<th>Source</th>
<th>Investment funds used</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 State budget (until 2007)</td>
<td>7,998,213,000</td>
</tr>
<tr>
<td>2 Proceeds from Housing privatization (1993)</td>
<td>2,000,000,000</td>
</tr>
<tr>
<td>3 World Bank loan (in 1992)</td>
<td>1,410,000,000</td>
</tr>
<tr>
<td>4 National Commercial Bank (NCB)</td>
<td>1,000,000,000</td>
</tr>
<tr>
<td>5 Savings Bank</td>
<td>285,537,400</td>
</tr>
<tr>
<td>6 Greek loan (in 2002)</td>
<td>151,222,200</td>
</tr>
<tr>
<td>7 NHA own funds</td>
<td>1,165,560,600</td>
</tr>
<tr>
<td>Total</td>
<td>14,010,533,200</td>
</tr>
</tbody>
</table>


7. The models of the social rental agency

The new Albanian law on social housing, Law No. 22/2018 has introduced a concept called social landlord or social owner definition. This enables anyone who owns an apartment and would like to rent it out to be registered as a social landlord in a municipality and make an agreement with the municipality to rent to tenants who fall under this category. However, private landlords have been reluctant to formally provide their dwellings for social renting.

Annex 3 and annex 4 detail some good practices from Central and Eastern Europe that have implemented the Social Rental Agency model. The examples focus on the incentives introduced for private landlords and the key factors for successful implementation. Since private housing occupies the biggest share in the housing stock of Albania, the country has a good potential for introducing the Social Rental Agency model.

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52 In 2022, the external debt of Albania accounted for 54.4 per cent of the country’s nominal GDP. This is a decrease from the previous year when the ratio was 64.3 per cent [https://www.ceicdata.com/en/indicator/albania/external-debt-of-nominal-gdp].
The Social Rental Agency schemes (there could be many SRAs in a country) are a form of public or non-profit social intermediation between landlords and low-income tenants, aiming to tackle the housing crisis. This scheme provides guarantees to private landlords in exchange for renting their properties at a reduced price to households in need (Housing Europe, 2013). These guarantees are threefold:

- **SRA serves as a contractual partner with a central role in the contractual setting, which means that there is no direct contractual link between the landlord and the tenant.**

- **SRA offers financial guarantee for landlords, ensuring they receive their payment regardless of whether the apartment is empty or the tenant pays the rent to the Agency.**

- **As per the technical guarantee of SRA, the apartment premises will be handed back to the landlords in the same state as it was at the beginning of the contract, except for the usual/standard wear and tear. This guarantee ensures the apartment is maintained in its original condition throughout the contract.**

What is the advantage of renting from SRA over renting directly from a landlord?

- SRA helps protect tenants’ interests and ensures fair rent terms, which may not always be the case in the commercial market.

- SRA offers transparent and fair rent conditions without any unexpected or additional costs.

- SRA offers security of rent which avoid the fear of unjustified or unexpected termination of rent.

- Long-term rent assures a sense of stability and psychological comfort.

- SRA takes care of the technical condition of the home which provides certainty that the needs of the flat will be taken into account and defects will be repaired.

- SRA allows everyone to rent on the same terms, providing easier access for those who may experience exclusion when renting flats (e.g. immigrants).

Some previous examples demonstrate that the amount of the commission to recover the cost of administration and repairs was not an important issue to the tenants (for example, in Warsaw) provided that the amount of rent remained at an acceptable level for them. However, for some people, the social nature of an agency charging commissions creates dissonance. Therefore, the SRA system should be transparent and the commission justified and communicated at the beginning of the rental process. It is preferable to calculate the commission by tying it to the rent, basing it on the area of the flat in m², or setting equal rates for everyone.

The implementation of local SRAs could be coordinated by the government through a liaison centre or newly established local agencies (implementers). For instance, in Czechia, a liaison centre received funds from the government and EU. Albania could follow a similar approach, or consider taking a loan to implement it. Moreover, tax incentives for renovation could be introduced to encourage homeowners to participate in the SRA system. The French *Loi Denormandie* legislation (see annex 5) is an excellent example of such incentives.

8. The financing models for social housing

Establishing a financial institution with the help of a national guarantee

The idea of establishing a sector-specific financial institution with a national guarantee instrument is gaining traction, particularly in the context of housing finance for supporting social housing development. By offering public loans to social housing providers at low-interest rates, the government guarantee reduces the annual cost of affordable housing provision, enabling more dwellings to be built at lower rents. These financial institutions are set up as not-for-profit private or public entities, reinvesting generated surpluses to provide the basis for future financing. Countries such as the United Kingdom, Ireland, Slovenia, France, Germany and Denmark have implemented similar schemes (see annex 7 and annex 88).

The government often uses public guarantee systems to reduce reliance on public funds, build market confidence among new investors and accelerate investment in social and economic infrastructure such as social housing. The aim is to bolster the credibility of new initiatives and establish new pathways for investment that ultimately attract suitable long-term investment and reduce the cost of finance (Lawson, 2013).

In the Netherlands, the guaranteed loans are ensured by the private body Social Housing Guarantee Fund (Waarborgfonds Sociale Woningbouw, hereinafter WSW). To cover claims on this guarantee, WSW draws on its guarantee reserve first. If the guarantee reserve falls below a certain level, WSW requires a compulsory financial contribution from all housing corporations, as a second buffer. For financial contributions, housing associations reserve money on their budgets. The third buffer consists of the agreement with the central government and municipalities that WSW can dispose of interest-free loans, if necessary. So far, it has never been necessary to use the third buffer. If a corporation (i.e. housing association) cannot meet its financial obligations, WSW may also provide aid from a rationalisation fund. Rationalisation aid is considered State aid as well. This fund is financed from a general levy on all housing corporations and not from general taxation.54

54 According to information provided by Aedes (Dutch Federation of Housing Providers), 2023
The examples of the Netherlands and Denmark demonstrate that building up a reserve fund proportional to the obligations guaranteed can also be conceived as the government guarantees’ second line of defence. Alternatively, governments can act as insurers by pricing the risk and charging fees, accumulating a fund (Lawson, 2013, p. 6).

National housing development fund

NHA could explore the possibility of evolving into a Housing Fund, as seen in Denmark, Slovenia or Slovakia. The Housing Fund of the Republic of Slovenia (HFRS) is a publicly owned real estate fund that finances and executes the national housing programme. HFRS is discussed in detail in annex 6. On the other hand, the Danish Housing Fund is a privately funded entity, which acts as a “savings account” for the non-profit sector, financed by over a million social tenants from a portion of their rent payments. The system is often described as being a “closed circuit”, which ensures that money invested in housing today stays within the system and continues to provide benefits long into the future. The State Housing Development Fund (SHDF) of Slovakia is also a relevant example to consider (see box 8).

By adopting this model, NHA could become a financial institution rather than a direct contractor for low-cost housing. However, this can only be possible if there is a strong public interest in Albania, and there is a robust regulation in place to guarantee the long-term stability of the institution. Therefore, NHA should improve its capacity and skills to implement this model effectively. Technical assistance from EIB and CEB is available to support such reforms.

Box 8 State Housing Development Fund of Slovakia

The State Housing Development Fund (SHDF) of Slovakia was established in 1996 as a revolving fund to finance the priorities defined in the State Housing Policy Concept. It is an independent entity supervised by the Government. The Fund was originally financed exclusively from the state budget but was envisaged to become self-sustaining over time. The fund is now self-sustaining via the repayments on its loans, although it still draws on some government funding, together with European structural funding.

SHDF provides long-term loans on favourable terms. These cover up to 100 per cent of housing acquisition costs and are available for terms of up to 40 years at favourable interest rates. The loans are available for the:

- Construction or purchase of dwellings by qualified households – available to people with a disability, families with young people and former residents of orphanages
- Renovation or modernization in multi-apartment buildings and family houses
- Construction or purchase of social rented dwellings by municipalities and non-profit organizations, and construction of for-profit rented housing by private companies;
- Construction and refurbishment of social service facilities by municipalities or private companies
- Acquisition and servicing of land for social housing by municipalities and also land used by for-profit rented housing by private companies
- Acquisition of a lodging-houses by municipalities or by private companies.

SHDF has made a significant contribution to improving the supply and quality of housing in Slovakia. There was a serious shortage of good quality housing, particularly for low-income households, following the transition of Slovakia in the early 1990s. This was due to low levels of new housing supply from the market and the privatization of the majority of rented dwellings, which had previously been owned by the state during the communist period. Take-up of its loans by municipalities is helped by the fact that these are not included in general government debt.


56 This concept is sometimes referred to as the “permeability” of the social housing finance system, as explained in detail: “The concept of permeability captures the relationship between social housing financial circuits and the wider housing system and economy. Specifically whether the investment which flows into a social housing financial circuit remains in that circuit or seeps out and can be captured by external actors in the form of rental incomes, equity or interest payments” (Michelle Norris and Michael Byrne, “Funding resilient and fragile social housing systems in Ireland and Denmark”, Housing Studies, vol. 36, Issue 9 (2021), pp. 1469-1489).
Establishment of an investment platform

InvestEU of EIB often uses the term “investment platform” in connection with their sectoral aim of financing social housing projects. The investment platform model involves bundling local projects together by involving private investors, municipalities and other financial intermediaries. Private investors provide capital funding which assumes the development risk and the municipalities pay investors if they reach the performance objectives based on the agreed savings from the public budget. Social Impact Bonds and Housing Impact Bonds also work through this idea and are used for integrated solutions such as housing support combined with social accompanying and training services. Some investment platforms implemented across Europe under the InvestEU scheme are presented in annex 8.

In 2017, the European Commission published a factsheet on establishing an investment platform (European Commission, 2017). This is a helpful resource for any government interested in pursuing this option. Additionally, the EIB Advisory Hub\(^{57}\) is providing support for the set-up.

Establishing an investment platform can provide numerous benefits:

- Investment platforms can be set up on different levels, including national, regional or city levels with specific policy objectives such as energy efficiency. Examples of investment platforms include the Housing Finance Corporation in the United Kingdom and the City of Lisbon in PT.
- The Platform aggregates capital (supply) and projects (demand) which can overcome the scale problem by using the financial instruments of EIB.
- Risk-sharing mechanisms: it allows a faster use of resources and generates multiple socio-economic benefits.
- The Platform can pass through lending rate (in addition to the operating expenses) to the developer, unlike commercial banks.
- Ensuring long-term financing (20-30 years) at a fixed interest rate (unlike the commercial banks that require refinancing).

To establish an investment platform in Albania, the following should be taken into consideration:

- Strong policies and public interest would need to be in place to reduce programme risks.
- Finding the right intermediaries, such as strong financial institutions, foundations, cities, regions and the Government is crucial.
- Technical assistance may be necessary to set up the intermediary when it is not a municipality.
- Grants can help finance the study phase.
- The possibility of replicating the platform on a larger scale following the first pilot projects is an important consideration.

An investment platform model or a specific agreement can only work if the country establishes a public bank with strong public interest (national guarantee). This would need to go hand-in-hand with a stable regulatory framework to reduce risk. NHA could potentially serve as this public bank if it meets the necessary conditions and has the required capacity and skills.

\(^{57}\) The European Investment Advisory Hub is the InvestEU Advisory Hub (http://eiah.eib.org/).
9. Recommendations

(1) Diversify sources of financing for affordable housing

One of the major issues in the affordable housing sector of Albania is the lack of long-term, stable financing options from the State budget. Currently, the country heavily relies on international donors’ resources, which is not a sustainable solution. To address this issue, the Government can consider several mechanisms for long-term financing of affordable housing. These mechanisms include:

(a) Introducing a state housing development fund as a financial institution model for long-term financing of affordable housing in the public rental sector. This can be achieved by raising initial capital from CEB, for example, to be paid back by Albania from the rent, along with yearly state budget contribution, following international examples (see box 8);

(b) The Government can establish a housing financial institution, with dedicated products, such as mortgage loans, with the help of a national guarantee instrument. This can be done by creating a new financial institution or having NHA play the role. Whichever option is chosen, it is important to have a strong regulation in place to ensure the long-term stability of the institution.

(c) The Government can establish an Investment Platform or an agreement that engages EIB and CEB to invest. However, this can only work if the country establishes a public bank with strong public interest (national guarantee) and a stable regulatory framework to reduce the risk. EIB and CEB could play a crucial role in co-financing social rental housing development, but the need for increased capacity and an enhanced institutional framework on the local level is essential. This will enable Albania to implement tasks such as procurement, monitoring, as well as allocation of housing units.

(d) The Government can introduce planning and zoning mechanisms that would identify high-demand zones where a mandatory share of affordable housing in each new development should be provided. The share can either be contributed to social rental housing or sold at a fixed price below the market rates to beneficiaries listed in the municipal registries or to the list of NHA once its role has been reformed.

(e) The Government can provide funding, leasing land and other public resources to organisations other than public entities that support affordable housing, such as housing cooperatives (Barcelona) or community land trusts (Brussels).

(2) Revise and expand the functions of the National Housing Agency

Increasing the capacity and upscaling the experiences and skills of NHA should be considered in order to meet the demands of the future. The Government is recommended to consider the following possibilities as future functions of NHA.

(a) Expand the role of NHA to take on the role of the primary developer of public rental housing on a municipal level and serve as a manager of that housing stock on behalf of the municipalities.

(b) Another possibility is for NHA to function as a coordinator within intermediary social rental agencies, which would be established on a municipal level.

With the experience and expertise of NHA in housing development and management, it is well-positioned to carry out these expanded tasks.

(3) Strengthen the role of municipalities in social rental housing provision

Many Albanian municipalities lack the necessary resources and competencies to manage social rental housing on their own, even if they are supportive of the concept and willing to provide land for it.

(a) There is a need for increased capacity-building and an improved institutional framework on the local level.

(b) Experienced not-for-profit institutions, such as NHA, should partner with municipalities to serve as social rental housing providers and managers.

(c) Restricting municipalities in selling public land and instead using long-term leasing arrangements may be beneficial.
**Annex 1**

**SUMMARY OF SOCIAL HOUSING PROGRAMMES IN ALBANIA**

There are six housing programmes available in accordance with Law No. 22/2018 “On social housing” and its by-laws.

<table>
<thead>
<tr>
<th>Programme</th>
<th>What is it?</th>
<th>How is it realised?</th>
<th>For whom?</th>
<th>How is it financed?</th>
</tr>
</thead>
</table>
| Programme of social housing for rent (BSQ)    | The programme is about rental of publicly owned homes or homes that are owned by independent social landlord. The programme is supplemented by the rent subsidy mechanism (including free market rent subsidy). | A. Social housing stock from:  
• New constructions  
• Purchase of housing in the free market  
• Adaptation of out-of-function facilities  
• Transfer of ownership over confiscated properties.  

**Creation and enhancement of the social housing stock:**  
• From the municipality  
• By private entities from 3% of the construction area (Conditional Intensity).  

B. Housing on the market for social renting  
Social owner | A. Social housing:  
• Families with income 0-100% of the average family income of the municipality (80% of the fund)  
• Families with income 100-120% of the average family income of the municipality (20% of the fund).  

B. Rent subsidy:  
Priority: a) orphans; b) persons with disabilities; c) the elderly; d) disabled people who work; e) families of police officers who lost their lives in service; f) emigrants who returned to Albania; g) emigrant workers; h) asylum seekers; i) the Roma and Egyptian communities; j) victims of domestic violence or trafficking; k) single parents with children and young mothers; l) members of the LGBTI community who are victims of violence due to sexual orientation or gender identity; m) young people with legal problems; n) families who are tenants of ex-private houses.  

Rent subsidies are administered by:  
• The local government  
• The central Government, if necessary.  

The rent for social housing is established based on method of provision:  
(a) 3 per cent of the construction cost if the social housing is built or bought in the market (only where market prices are lower than the cost of construction), or if the social housing is provided through the 3 per cent contribution from the construction sector;  
(b) 3 per cent of the costs of adapting a state-owned building, including the accounting value of the property;  
(c) Negotiated rent, but not more than 80 per cent of the average market rent, if the social housing is provided through PPP or by social landlords. |
<table>
<thead>
<tr>
<th>Programme</th>
<th>What is it?</th>
<th>How is it realised?</th>
<th>For whom?</th>
<th>How is it financed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme for Improving the inadequate housing and neighbourhoods</td>
<td>Financial support from the state budget to local self-government units to improve inadequate housing and neighbourhoods and to adapt abandoned state-owned buildings into social housing. The programme refers mainly to buildings with high structural risk or those requiring necessary improvements.</td>
<td>Grants for projects to benefit:</td>
<td>Those who live in inadequate housing and informal settlements</td>
<td>Competitive grant from the central Government for:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A. Adaptation of state-owned buildings into social housing (adding to the social housing stock)</td>
<td>Priority: a) persons with disabilities; b) individuals with orphan status; c) families of policemen who have fallen in the line of duty; d) the elderly; e) Roma community; f) the Egyptian community; g) communities of rural areas; h) single parents; i) victims of trafficking / potential victims of trafficking; j) victims of domestic violence</td>
<td>a) Improvement of inadequate areas, as defined by the law;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B1. Improving infrastructure and public spaces, especially in informal settlements.</td>
<td></td>
<td>b) Adaptation of state-owned buildings out of operation, provided that the cost per m² for the local self-government unit, where the investment is being implemented is not higher than 80% of the total construction cost;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B2. Improving the conditions of private housing at risk of collapse or amortized.</td>
<td></td>
<td>c) Improvement of dilapidated housing and those at risk of collapse, provided that the costs do not exceed 70% of the construction cost of a new building.</td>
</tr>
<tr>
<td>Low-Cost Housing Programme (BKU)</td>
<td>Low-cost housing (BKU) refers to housing that meets all technical requirements, construction standards and housing norms. They are made available for purchase through various forms of cost relief (e.g. mortgage interest rate subsidies). Public entities have the option to build these buildings/houses or buy them from the market.</td>
<td>A. Low-cost housing is provided by construction in cities where market rates are higher than the construction cost. These houses are sold at a price lower than the market value, but not below the construction cost.</td>
<td>Families with income below the average who:</td>
<td>Funding of BKU</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B. In cases where the value of the houses/apartments in the free market is lower than the construction cost, these houses/apartments are bought and included in the BKU program.</td>
<td>• Do not own a dwelling or have not carried out any transaction for the transfer of ownership in the last 5 years</td>
<td>• State budget</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C. The mortgage loan interest subsidy programme assists families that cannot afford market mortgage loan repayments.</td>
<td>• Live in overcrowded dwellings below housing standards</td>
<td>• Municipal funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Have been displaced from their homes.</td>
<td>• Funds of public institutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Certain categories benefit from a lump-sum subsidy, calculated at 10% of the house value, which can help the beneficiaries reduce the costs of repayment or the downpayment: orphans; persons with disabilities; families of the Roma and Egyptian communities; and single parents.</td>
<td>• Donations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Loans</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Private initiative.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Purchase of BKU</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Immediate grant for low-cost housing for certain categories (central budget)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Loan interest rate subsidy (central or local budget).</td>
</tr>
<tr>
<td>Programme</td>
<td>What is it?</td>
<td>How is it realised?</td>
<td>For whom?</td>
<td>How is it financed?</td>
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<tr>
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</tbody>
</table>
| Programme for the development of the area for the purpose of housing | The development of an area for housing purposes is done for the construction of social housing, based on central and local planning documents, and includes the design and approval of the construction project, up until its completion. The programme offers the possibility to provide land and infrastructure at no cost for those who want to build their own houses (self-built). | **A. The development of an area** for housing purposes is undertaken when the land is:  
• Occupied by illegal constructions that cannot be legalized  
• Occupied by old industrial and non-functional buildings, whether in public or private ownership  
• Free, whether state-owned or in private ownership. | Priority beneficiaries of the programme are homeless families or individuals who live in:  
• Illegal constructions, which cannot be legalized  
• Old industrial areas occupied by homeless individuals without appropriate housing authorizations. | They can be financed through:  
• Public-Private Partnership  
• State budget  
• Municipal budget.  

If LGUs own land and there is interest from the private sector, the land can be exchanged for its market value into construction area provided as social housing by the private investor. Moreover, for every new application for a construction permit, the municipality may finance part of the development from its funds by retaining a number of social dwellings in return. |

| Temporary shelter programme | The programme envisages the provision of temporary shelters that are objects or equipment that can be easily assembled and dismantled. These shelters serve as temporary accommodation for up to two years. | Shelters must meet these conditions:  
• Convenient location  
• Protection from atmospheric conditions  
• Adequate sanitary infrastructure. | Refugees  
• Individuals displaced from their place of residence due to natural or human disasters  
• Individuals displaced due to public or private investments and do not benefit from compensation, when there are no alternatives  
• Returned emigrants  
• Homeless people living in environments not classified as places for residence. | State budget funds  
• Municipal funds  
• Donations  
• Credit  
• Funding from public or private institutions. |
<table>
<thead>
<tr>
<th>Programme</th>
<th>What is it?</th>
<th>How is it realised?</th>
<th>For whom?</th>
<th>How is it financed?</th>
</tr>
</thead>
</table>
| Specialized housing programme | Specialized housing refers to accommodations where local self-government entities address the specific housing need of a particular group. The housing units can be built, purchased from the market or rented from LGU. | Implemented in the same manner as BSQ.  
**Types include:**  
• Specialized apartments for the elderly and/or persons with disabilities (PWD)  
• Specialized housing for victims of trafficking and domestic violence  
• Specialized housing for minors aged 14-18 years old or young people aged 18-21 years old, after release or completion of rehabilitation programmes  
• Specialized apartments for underage mothers. | **Beneficiaries:**  
• Elderly and/or PWDs  
• Victims/potential victims of trafficking  
• Victims of domestic violence  
• Children who are without parental care or taken into protection, minors aged 14-18 or young people aged 18-21, after release or completion of rehabilitation programmes  
• Minor-age mothers. | **Funding:**  
• State budget  
• Local budget  
• Co-financing  
• Credit  
• Donations  
• Financing from public or private institutions.  
**Same as BSQ** |

Annex 2

TREES FOR A RESILIENT AND GREEN TIRANA

The UNECE Policy Brief Sustainable Urban and Peri-urban Forestry provides an overview of how policymakers may use urban trees as a nature-based solution with many benefits for cities.\(^{58}\)

In 2023, the city of Tirana completed the UNECE Trees for Resilient Green Cities: Strategic Screening and Action Toolkit,\(^{59}\) which includes a scorecard and an implementation plan template. The toolkit reviews urban tree and forest planning, management, governance, regulations, collaboration, communication, capacity-building and funding.

Strategic planning for urban trees and forests in Tirana is guided by the Orbital Forest of Tirana, one of the 13 strategic objectives of the General Local Plan and is detailed in a dedicated regulation. The city of Tirana seeks to develop an orbital forest around it with two million trees\(^{60}\) to address multiple challenges including low resilience to floods, air quality, urban sprawl, urban heat and low green space area. The City reported that it already has many key elements in place to deliver on its plans for urban trees and forests as follows:

**Strategic planning and management:** The Tirana Parks and Recreation Agency maintains an inventory of decorative trees planted in public areas, with information on each tree such as its species, location, exterior, age, disease and damage. The agency’s management plans are designed with various factors in mind, including decorative planting objectives, diversity of decorative plants, types, planting schemes, climate, land conditions, soil adaptation, environmental impact and the potential of realization of agrotechnical services. The Parks and Recreation Agency periodically reports performance indicators regarding planting, damage and agrotechnical services.

**Governance and regulations:** The city noted that the Orbital Forest Implementation Document of Tirana has a strategy to integrate urban and peri-urban forests into relevant laws and regulations at levels of governance. Within the municipality, focal points and responsible entities have been identified for the areas and parks managed by municipal institutions, with coordination mechanisms in place. The “Green City” action plan of the Municipality of Tirana includes objectives relating to green spaces, biodiversity and climate change. The city also reported that the Parks and Recreation Agency is conducting an assessment of the impact of laws and regulations on tree planting and existing vegetation, which includes an evaluation of planting locations, ownership and potential negative impacts.

**Participatory approaches and collaboration:** The implementation of the Orbital Forest Tirana entails a collaborative effort with the public and private sectors to support tree planting, which includes incentives for planting on private land. The Parks and Recreation Agency is working with various Directorates and sectors to ensure the success of this initiative. Stakeholder roles and coordination mechanisms are defined in the Orbital Forest Strategy, while the General Local Plan outlines the public and private cooperation mechanisms.

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Communication: The city reports that communication objectives are included in several action plans, promoting the benefits of trees and green spaces on official websites, social networks, calls and public invitations on TV.

Funding: Urban forestry planning and management are funded from the city budget and other public sources and were indicated to be predictable over time. While the city did not describe any additional funding needs or priorities, it has indicated its intention to seek innovative funding.

Looking forward, securing predictable, long-term funding and resources will be important for achieving the city’s urban tree and forest objectives.
Annex 3

THE MUNICIPAL RENTAL AGENCY IN PRAGUE, CZECHIA

The Municipal Rental Agency in Prague began its operations in June 2021, a month after receiving approval. It is currently in its pilot phase, expected to conclude in June 2023.

The Centre for Social Services Prague (CSSP), an affiliate of the municipality, is tasked to implement this initiative.

The agency offers several guarantees to homeowners (social landlords), including:

- Regular income through monthly, quarterly, biannual, or annual advance payments for their apartment
- Assurance that the apartment is handed over in the same condition (except for common wear and tear from daily use)
- Insurance coverage for all apartments and tenants under the framework insurance contract
- Regulation and enforcement of all rental contract conditions by the Municipality as the lessor.
- The contractual model gives a very strong position to the homeowners, but this entails a range of responsibilities, including the technical maintenance of the apartment (to help tenants prevent further deterioration, if necessary) and addressing neighbourhood complaints.

Establishing the contractual model for CSSP poses several challenges:

- Legal limitations for public bodies and tenants, as tenants had to be solely in the position of tenant to apply for housing benefits
- Reaching a segment of the dynamic rental market as a public body although its association with the city of Prague helped establish credibility
- Cumbersome entry process for clients, with acceptance into the services of CSSP only through certain channels or within a pool of accepted applicants for municipal social housing
- Lack of operating standards or standardization of processes before the piloting phase
- Shortage of experienced social workers who could provide comprehensive social work in housing, although the municipality provides counselling regarding the conditions of the rental contract, the technical state of the apartment and neighbourhood issues
- Lack of experts who could effectively consult on the methodological and conceptual issues because some aspects of the work had never been implemented in the country before (as such, brainstorming and methodological involvement were required to ensure the successful implementation of the new model).

Key factors to consider when replicating this model in Albania:

- Homeowner opinions: Determine under what conditions homeowners would be willing to rent their apartments to people in need of housing. This could include contractual and financial conditions, among others. It is important to determine who should act as the guarantor or partner to minimize the potential loss of rent or damage to furniture.

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61 Centre for Social Services Prague (https://www.csspraha.cz/eng).
• Target group: Identify the demographics of the target group, including their location, income levels, and the type of support they can receive as tenants.

• Evaluate the legal, financial and institutional standing of the public, private or NGO body that will be implementing the programme most effectively.

• Consider the existing network and partners who provide social housing and social work for tenants, offer debt counselling, and can provide advice on legal and policy issues that may arise.
Annex 4
THE SOCIAL RENTAL AND EMPLOYMENT AGENCY IN WARSAW, POLAND

Habitat for Humanity (HfH) has set up a unit in Warsaw, known as Social Rental and Employment Agency. This agency, through its Social Rental Managers (SRMs), offers personalized support to its clients in three key areas: housing, employment and social integration:

- **Housing:** The Warsaw pilot project was facilitated through a combination of municipal social housing and private rentals. HfH collaborated with the Warsaw Municipality to renovate and lease social rental apartments and rooms. These were then sublet to clients by SRMs. In the case of private rentals, the implementer (HfH Poland) guaranteed regular rent payments and maintenance, including necessary renovations.

- **Employment:** The Warsaw pilot project emphasized activating, supporting and empowering clients in their employment journey. While HfH staff did make direct contact with employers, they primarily assisted clients in independently searching for vacancies and applying for jobs. After gaining employment, SRMs focused on maintaining the client’s work motivation.

- **Social work:** SRMs provided a range of social work services that included personal, family and administrative support and mediation, legal counselling, and communication with external providers. This support also encompassed housing and employment services. SRMs assisted clients in finding job opportunities, applying for positions, and maintaining motivation for long-term employment. They also offered assistance in managing household budgets, monitored the proper use of rental dwellings, and provided immediate support in case of rent or utility arrears.

External providers played a role in recruiting clients and in advising on the specific needs of different client groups (Referring Organizations). Other civil society partners also contributed to social provision and were involved in the housing and employment-related work of the Warsaw pilot project as well.

The Warsaw Municipality and private landlords were key external partners in housing, but the contribution of other NGOs in various supporting roles was also significant. Regarding employment, a Referring Organization offered specialized training for clients with disabilities.

**Figure A4**
Schematic overview of integrated service provision by Habitat for Humanity Poland

Incentives for the private landlords

HfH secured rental housing properties from the private market using a Social Rental Agency model, offering terms that were more favourable than the standard market conditions. As a reliable partner, HfH entered into contracts with property owners, offering benefits such as longer lease terms and a commitment to renovate the property at the end of contract.

In exchange for assuming many of the risks associated with leasing, the implementer hoped that private owners would be willing to accept a rent level below the market rate. However, the strategy did not yield the expected results after a few months. Therefore, in 2017, HfH changed its approach and began advertising their apartment search, highlighting the project’s social mission, while keeping the conditions unchanged.

As reported by the Monitor, local media played a supportive role in the process of acquiring apartments for HLW. Two newspapers published a free ad resulting in much-needed offers from private owners. Additionally, a campaign in mainstream media (radio and local newspapers) was financed through external grant funding.

Survey responses showed that the most significant benefit for the majority of landlords was the guaranteed rent payment. This was followed by the regular monitoring of the dwelling’s condition and appropriate use, as well as the contribution of HfH to renovation. Areas identified for future improvement included ensuring timely payments, as delays sometimes occurred due to the limited resources of HfH, and enhancing the implementer’s website, as some landlords found the provided information to be insufficient, and some important details were difficult to find.

Handing over municipal housing management to a non-profit organization

In addition to the housing provided by private landlords, HfH also forged an agreement with the Municipality of Warsaw. The municipality offered to provide 14 affordable rental apartments to the programme for the duration of the project of 5 years.

However, this turned out to be a lengthy process. The Municipality first identified the dwellings, which were then handed over to HfH for use. Subsequently, the implementer carried out extensive renovations and improvements, such as the complete replacement of electric wiring and plumbing, changing doors and windows, and furnishing the dwellings. The delay was primarily due to bureaucratic reasons: the municipality lacked a clear procedure in place for transferring municipal housing management to a non-profit organization and had to develop and validate the procedure in the process.

In the meantime, the team also communicated with various Warsaw District municipalities to secure housing or social allowances for clients relocating to the respective districts. This step was necessary to ensure that clients could move in and safely cover their housing costs, as they became eligible for local municipality support upon moving in.

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Annex 5

RENOVATION OF HOMES FOR LOW-INCOME RENTERS IN FRANCE

A French scheme, known colloquially as the Loi Denormandie, is designed to encourage investment in over 220 designated urban centres. It offers tax incentives to investors who purchase and renovate properties, which are then rented out at affordable rates to eligible low-income households, benefitting both the investors and tenants alike.

To be eligible for the scheme, the cost of the property must not exceed EUR 300,000 or EUR 5,500 per m², and the renovation costs must account for at least 25 per cent of the total investment. For instance, if the acquisition and renovation costs total EUR 450,000, only the initial EUR 300,000 would be considered for tax relief. Additionally, the EUR 300,000 cap applies to the entire portfolio, preventing investors from purchasing multiple homes under the scheme and receiving tax relief for each.

The scheme also stipulates specific renovation standards. These include improving the energy performance of the dwelling by at least 20 per cent for apartments and 30 per cent for houses, and attaining a minimum energy certificate E. Only homes located in designated high-demand and targeted “regeneration areas” quality for renovation, and the renovations must be completed within two years of purchasing the property.

In addition, the tax reduction granted to the property owner is contingent on the duration they rent the property to a low-income tenant. The longer the lease, the greater the tax benefit. For instance, a minimum lease of six years yields a tax reduction equivalent to 12 per cent of the allowable cost, while the longest possible lease of 12 years provides a 21 per cent tax benefit. This means that a purchase and renovation cost of EUR 300,000 could provide a tax benefit of up to EUR 63,000. The rent charged by the owner is also capped below the average market rent and is adjusted annually based on changes in core inflation. In times of high inflation, the government may introduce special price increase caps to regulate rents (ANIL, n.d.).

Many investors leveraging the Denormandie system prefer to use a Social Rental Agency (SRA) as an intermediary to lease their properties to eligible households (Turnbull, 2023, p. 13). An SRA is a not-for-profit organization that manages leases on behalf of property owners through special social letting arrangements, offering tenants stability and better rental rates compared to the private rental market. SRAs share many similarities with traditional social housing providers, except not own the dwellings they manage.

Eligibility for the scheme is primarily based on household income. The required income level varies depending on the location of the dwelling and the household size and age composition. For instance, a single person residing in a high-rent area could have an income of approximately EUR 38,000.

While the Denormandie system is not solely dedicated to addressing long-term vacant properties, it has been successful in bringing vacant homes in need of renovation back into the French market. The system is currently designed for those who purchase and then renovate a property. However, other countries or regions could implement a similar system with additional conditions, such as a requirement for the property to have been vacant for a specified period. The system could potentially be more effective if extended to current homeowners of properties in need of renovation, provided the same primary condition of renting at below-market rates to eligible low-income households is upheld (Turnbull, 2023).

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63 Loi Denormandie (https://www.la-loi-denormandie.net/).
Annex 6

PUBLIC FINANCING INSTITUTIONS FOR SOCIAL HOUSING

The National Housing Agency, Ireland

The National Housing Agency (NHA) is a non-commercial state agency under the aegis of the Department of Housing, Local Government and Heritage. NHA collaborates closely with the department to ensure the effective delivery of ministerial policy objectives and adheres to the Code of Practice for the Governance of State-Sponsored Bodies and the Public Spending Code.

Comprising a dedicated team of housing professionals, NHA is committed to providing affordable and sustainable housing for all. By leveraging their knowledge and expertise, they pioneer the development and implementation of housing policies. Through proactive interaction with various stakeholders, NHA gains unique insight into the needs of the Irish housing sector, supporting a broad range of housing-related matters.

NHA plays a pivotal role in facilitating housing supply by:
- Providing leasing information to property owners and landlords
- Implementing the Property Sourcing and Acquisitions Programme
- Managing and developing land owned by the Housing Agency
- Supporting local authorities and Approved Housing Bodies (AHBs) in applying for housing grants, among other services.

In terms of policy development and innovation, NHA contributes by:
- Conducting data analysis and research
- Evaluating programmes
- Operating the Central Housing Data Hub, which provides access to a wide range of housing data, offering a comprehensive view of housing in Ireland
- Fostering the growth of resilient and sustainable communities through dialogue, awareness-raising, and collaboration.

NHA also serves as the national coordinator for Mortgage to Rent, a government initiative aimed at assisting homeowners at risk of losing their homes.

Lastly, NHA acts as the central national loan underwriter for local authorities regarding the Local Authority Home Loan, thereby serving as the official intermediary for the loan.

The Housing Finance Agency, Ireland

Established in 1982, the Housing Finance Agency (HFA) is a state-owned company operating under the supervision of the Minister for Housing, Local Government and Heritage of Ireland. The Minister for Public Expenditure and Reform of Ireland holds its shares.

HFA offers loan financing to local authorities, voluntary housing bodies and higher education institutions for housing and related purposes. This expanded role of HFA came into effect following the global financial crisis, before which HFA lent exclusively to municipalities.

64 For a detailed discussion of what The Housing Agency does, see https://www.housingagency.ie/what-we-do.
65 NHA is fully funded by the Government.
HFA maintains a broad funding base, sourcing finance from both domestic and international capital markets in a manner that aligns with its customers’ needs. HFA has secured long-term fixed-rate finance with the National Treasury Management Agency (NTMA), the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). In 2020, HFA arranged new loan drawdowns with EIB and CEB, utilizing its secure standing and extensive track record to obtain highly competitive interest rates.

HFA is well-positioned to accept applications from Approved Housing Bodies (AHBs) that satisfy the minimum requirements for Certified Body status. Should HFA reach its borrowing capacity, it would become necessary to prioritize project applications. The borrowing limit is capped at a maximum of EUR 10 billion in national debt.

Loan repayment starts for housing providers once the newly built dwelling is rented out. Some social housing providers have a system in place to automatically redirect the rent to HFA to cover the loan, facilitated by a dedicated bank account. In other instances, the rent is income-based, and the social housing provider receives a subsidy from the Housing Ministry.

In the event of a loan default, legislation stipulates that the Government assumes control over the use of the dwelling and the management of the respective social housing provider. The collaboration with CEB has had a significant impact. Between 2016 and 2019, the number of registered homeless adults in Ireland increased from 3,885 to 6,363. A EUR 150 million loan from CEB to HFA Ireland is helping in the provision of new social housing for this vulnerable population. The loan has enabled the customers of HFA to retrofit or build nearly 2,250 energy-efficient social housing units across Ireland. These units, offering 224,000 m² of living space, now house 7,525 people (CEB, 2009).

In 2020, HFA approved loans totalling EUR 1 billion to social housing providers, facilitating the construction of 4,526 new homes. By the end of 2020, the outstanding loans of HFA amounted to EUR 5.2 billion.

The success of HFA can be attributed to several factors:

- Self-financing: HFA is a self-financed institution that charges a nominal additional fee over its interest rates to cover operational expenses.
- Public interest: Backed by a Government guarantee, the financing of HFA has a strong public interest, enabling it to offer fixed-rate loans with long tenures of 20-30 years.
- National promotional bank: HFA functions as a national promotional bank, raising funds from financial markets and institutions like EIB and CEB, and further lending to local stakeholders.
- Loan repayment assurance: HFA ensures loan repayment, providing security for both the agency and the borrowers.
- Stable, long-term regulatory framework: A stable, long-term regulatory framework, including dedicated legislation, the National Housing Agency (NHA), and a housing regulator, supports the operations of HFA.  

The Housing Finance Corporation, United Kingdom

Established in 1987, The Housing Finance Corporation (THFC) is the leading aggregator of affordable housing in the United Kingdom. It issues long-term bonds in the Sterling capital markets and lends the proceeds to housing associations at low interest rates. Currently, it finances over 160 housing associations across the United Kingdom.

As a not-for-profit entity, THFC retains any surplus generated and uses it as a basis for future lending. Its existing loan portfolio amounts to approximately GBP 7.5 billion (EUR 9.1 billion).

THFC has a diverse range of funding sources, including EIB, with which it has about GBP 2.6 billion (EUR 3.2 billion) in outstanding loans. Given the lending threshold of EIB of EUR 20 million, the value of THFC in securing these loans and subsequently disbursing them in smaller amounts is clear.

67 Interview with Michelle Norris, 6 February 2023.

68 The Housing Bodies Regulatory Authority is tasked with providing the regulation of Approved Housing Bodies (AHBs) to protect housing assets provided or managed by such bodies (see https://www.ahbregulator.ie).
The Housing Fund of the Republic of Slovenia

Established in 1991, the Housing Fund of the Republic of Slovenia (HFRS) is a public real estate fund with a primary mission to finance and implement a legislated national housing programme operating in five-year cycles.

While the Fund’s objectives and specific targets have evolved, its focus remains on the construction, renovation and maintenance of apartments and residential buildings. It primarily caters to groups with specific needs, such as families, young people, the elderly and Roma populations. The main instruments used to achieve these goals include co-financing with long-term favourable loans and interest rate subsidies, as well as investments in innovative solutions and international research.69

As a public authority, the Housing Fund actively invests directly in housing and co-invests in local community housing programmes, complementing the efforts of municipalities and non-government organizations. The Fund also acquires land and houses directly from the market.

Through its own construction and purchase projects, the Fund contributes an additional quota of publicly available rental housing. The rent calculation is tied to the real estate investment or purchase value, offering eligible tenants a stable rental relationship under predetermined conditions for an indefinite period. In 2019, CEIB provided the Fund with a long-term loan of EUR 50 million.

Annex 7
PRIVATE FINANCING INSTITUTIONS FOR SOCIAL HOUSING

The Danish National Building Fund (in Danish: Landsbyggefonden)

The Danish National Building Fund has been playing a crucial role in supporting the Danish social and affordable housing sector for over a half a century. It safeguards housing providers from the fluctuations of investment cycles, which typically surge in times of economic prosperity and decline during economic downturns. The Fund allows social and affordable housing operators to be self-sustaining, eliminating the sole reliance on public financing.

Established in 1967 through a wide-ranging political agreement, the National Building Fund was created to align the rents of older cost-based rental dwellings with those of new social dwellings. Its primary role continues to be serving as a solidarity fund for the social and affordable housing sector.

The National Building Fund acts as an “equalization” mechanism, balancing surpluses and deficits across all non-profit housing estates. This ensures a financially stable non-profit sector and allows a significant portion of capital and operating funds for social housing to be self-funded.

The National Building Fund is a private fund, financed exclusively by over a million social tenants in Denmark through a portion of their rent payments. The fund operates as a “savings account” for the entire non-profit housing sector. The system, often described as a “closed circuit”, ensures that money invested in housing today, remains within the system, continuing to provide benefits into the future.70

In the coming years, a growing portion of the outstanding mortgages held by Danish housing associations will be settled. This will increase the fund’s access to capital, enabling it to play a more substantial role in meeting the funding needs of the non-profit housing sector.

The German cooperative model: housing cooperatives acting as financial institutions

Despite their decline in many countries, building societies (German: bausparkassen), continue to play a significant role in meeting the housing finance needs of countries such as Germany and Austria, where they provide a substantial portion of residential mortgage loans. These institutions are also experiencing growth in other countries, including Croatia, Czechia, Hungary, Slovakia and Kazakhstan.

70 This concept is also sometimes referred to as the “permeability” of the social housing finance system. “The concept of permeability captures the relationship between social housing financial circuits and the wider housing system and economy. Specifically whether the investment which flows into a social housing financial circuit remains in that circuit or seeps out and can be captured by external actors in the form of rental incomes, equity or interest payments” (Michelle Norris and Michael Byrne, “Funding resilient and fragile social housing systems in Ireland and Denmark”, Housing Studies, vol. 36, Issue 9 (15 June 2020), pp. 1469-1489).
Bausparen (contractual savings) is characterized by fixed, below-market rates on savings and subsequent loans. This closed circuit of savings and loans aims to shield customers from financial market volatility, offering members stable loans at a predetermined, fixed rate of interest.

Special regulation and tight supervision are considered vital to their success. In Germany, Bausparkassen are classified as credit institutions and are governed by the German Banking Act and the Bausparkassen Act, which defines them as specialized credit institutions. They are closely supervised to build savers’ trust and attract savings over extended periods, ensuring that they will eventually be able to secure a loan.

In Germany, Bausparkassen can be either privately owned or publicly owned by federal or provincial governments. German Landesbausparkassen (https://www.lbs.de/) are public savings and loans banks that operate at the sub-national level, focusing on low-interest residential mortgage loans.

Their system involves closed-contract savings and loan circuits, where loans are funded by long-term savings and amortization payments. Bauspar loans are funded by contractual savings schemes, typically spanning seven years, which can be supplemented by government savings and tax incentives. These loans are long-term, have fixed predictable interest rates and typically complement other loans financing home purchases (United Nations, 2021).
Annex 8

INVESTMENT PLATFORMS UNDER THE InvestEU SCHEME

Affordable Housing Investment Platform in Poland

In 2017, an investment platform was established to support social and affordable housing projects across different municipalities in Poland. The aim was to invest a total of PLN 2.1 billion (around EUR 496 million) by 2021. This platform brought together several organizations including EIB, the Polish development bank Bank Gospodarstwa Krajowego (BGK), non-profit housing enterprises (TBS) and municipalities.

The platform aimed to finance projects related to the construction of over 100,000 housing units, retrofiting of social and/or affordable housing units for rental, and the construction of regulated affordable rent-to-buy housing. In addition, the platform provided financing for the construction of associated infrastructure, such as roads, drainage and utilities, specifically designed to meet the needs of the housing units.

The beneficiaries of this initiative were municipal authorities and registered social and affordable housing providers, such as TBS.

The platform was based on three main pillars:

1. The National Programme for Support of Social Housing, which already existed and received EIB support in the form of partial funding for projects totalling PLN 800 million (EUR 190 million). Complementary lending aimed at the largest projects was to be provided through individual loans for an amount up to a total of PLN 400 million (EUR 95 million) from EIB.

2. These individual loans were covered by the European Fund for Strategic Investments (EFSI), a central element of the Investment Plan for Europe. BGK complemented EIB lending in many cases by using its own funds. The EFSI financing represented EUR 95 million out of the total EUR 496 million.

3. The final pillar, also totalling PLN 400 million, consisted of intermediated loans. Projects were financed by BGK, partially or entirely based on EIB funding.71

Social and Affordable Housing Investment Platform in Spain

In June 2018, an agreement was established to finance social and affordable housing projects in Spain. This operation involved supporting both public and private companies, known as promoters, operating in the social and affordable housing sector. The investments under this operation mainly included new constructions and rehabilitations, energy efficiency improvements and accessibility measures in social and affordable housing.

The implementation was carried out by the national promotional bank, Instituto de Credito Oficial.

Financing from EFSI amounted to EUR 300 million, contributing to the project’s total cost of EUR 600 million.72

French Alliance for Social Housing

In the long term, after strengthening the capacity and financial viability of the dedicated financial institution in Albania, agreements such as the French Alliance for Social Housing could be established with EIB and CEB to ensure the dedication and continuity of finance.

This strategic agreement, signed in 2022, is part of the implementation of the EU Recovery Plan in response to the global pandemic and the EU Renovation Wave (L’Union sociale pour l’habitat, 2020).

71 For more details on the Polish model, see https://www.housing2030.org/.

72 For more details on the project, see http://www.eib.org/projects/pipelines/pipeline/20170769.


The Social Union for Housing (l’union sociale pour l’habitat), the Banque des Territoires (Caisse des Dépôts group), the European Investment Bank and the Council of Europe Development Bank have expressed their willingness to form a partnership. This partnership aims to facilitate the access of social housing organizations in France to European financing for long-term investments in social housing.


Note, Sofika, and others (2022). Trends in Lending, October 2022. Available at [https://www.bankofalbania.org/Monetary_Policy/Analyses/Trends_in_lendings/?trp=1&msv=&ser=765&crd=0,6,7,3,0,11563&ln=2](https://www.bankofalbania.org/Monetary_Policy/Analyses/Trends_in_lendings/?trp=1&msv=&ser=765&crd=0,6,7,3,0,11563&ln=2).


Qorri, Anisa and Eled Fagu (n.d.). Toward territorial cohesion with the National Spatial Plan for Albania 2030. Available at https://planifikimi.gov.al/index.php?eID=dumpFile&t=f&f=2714&token=31aae260800bfc1f133f65555b0a1b1a9b5800581.


Albania is one of the fastest urbanizing countries in Europe, grappling with a set of unique challenges. The capital city, Tirana, is experiencing an excessive concentration of urban growth, while peripheral areas are witnessing a severe population decline. This pattern of geographical development has led to specific challenges, including a lack of affordable housing in high-growth areas and widespread deprivations in declining areas.

Following the mass privatisation and informal constructions in the 1990s, the housing sector of Albania is predominantly characterised by private homeownership. Many of the new self-build homes were originally constructed illegally and in informal settlements.

As a candidate for accession to the European Union, Albania has recently implemented a comprehensive reform package in the housing, planning, regional development, and land management sectors to align with internationally recognised standards. The country has made significant progress in building and development control, and curbing the growth of informal settlements. Albania aspires to achieve a more balanced and polycentric territorial development and to address the housing needs of its most vulnerable population groups.

To further support Albania in addressing these challenges, the United Nations Economic Commission for Europe (UNECE) developed this Country Profile on Urban Development, Housing and Land Management of Albania. The Country Profile underscores the urgent need for increased political visibility to prioritise housing policy as a central component in making cities and communities sustainable and liveable. It also calls for re-balancing the country’s regional development and regenerating cities through sustainable and long-term investments.

Find out more about the work of the UNECE on urban development, housing and land management at www.unece.org/housing.