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## ORIGINS OF THE ACTION PLAN: THE IMMOVABLE PROPERTY REGISTRATION SYSTEM AND OTHER LAND MARKET ACTIVITIES

An Action Plan for an Immovable Property Registration System and Other Land Market Activities was developed and approved by Government in 1993. Subsequent events have underlined the importance the Action Plan for the continued economic and social development of the country.

### **Origins of the Action Plan in 1992**

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

- 1991 Law On Land which privatized most agricultural land
- 1992 Law On Privatization of State Owned Housing
- 1993 Law on Restitution and Compensation to Ex-Owners

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

Government privatization programs began in 1991 and by 1993 the variety of privatization programs and the very large number of newly created owners of properties were overwhelming the existing institutional capacity for recording these new rights and the subsequent transactions as markets emerged. It was clear that a single institution would be useful for the authoritative organization and display of rights which people hold to immovable properties, that is, who are the "true owners"?

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

### **Action Plan of 1993: Goals and Organization**

The Action Plan for an Immovable Property Registration System and Other Land Market Activities, approved by Government in 1993, has the following objectives:

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

The Coordinative Working Group for the Action Plan (CWG) was created under Decision No. 81, dated 26.2.1993 in order to develop the system to register the ownership of land. The Chief Registrar acts as the Chairperson for this Group. Its first action was to guide the drafting of the Action Plan for presentation to Government.

The Council of Ministers approved the Action Plan by Resolution 505 of 26 October, 1993 and authorized the creation of the Project Management Unit (PMU) for the Immoveable Property Registration System (IPRS) for its implementation. The first registration process is managed by the PMU in collaboration with the local Registrars and with the Central Office of the IPRS, under the coordination and with the assistance of the CWG.

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

The IPRS records and displays information about the rights people and agencies hold in immovable properties

### **Management**

One of the key aspects of the Action Plan has been the emphasis placed on management, particularly the linking of the various Ministries which are concerned with real estate markets, the mechanisms for the coordination of the complex set of activities which the Action Plan requires, and the financial control and reporting mechanisms used to assure the proper use of the financial and technical resources put at the disposition of the program.

Upon the completion of the Action Plan, the PMU will cease to function, leaving the IPRS operational on a largely self-financing basis.

### **Action Plan 1993: Activities and Accomplishments of Projects**

The Action Plan is composed of several projects, all administered by the Project Management Unit (PMU). One of those projects is the Land Market Project Cooperative Agreement between the University of Wisconsin and USAID/Albania. A second project is the Survey and Mapping Project with European Union funding. A third project is the Land Legislation and Policy Project with World Bank funding. The Government of Albania also has provided direct funding to the PMU for a project mostly dealing with the rehabilitation of offices for the PMU coordinators and for the Registration Offices in Tirana and in the Districts.

### **New Challenges**

Since the launching of the projects approved under the Action Plan, the privatization programs have evolved, the force of law has declined and the country has been in a political crisis in 1997 and 1998 throughout the country.

Hence, the ambitious goals originally set for the Action Plan in 1993 to be completed by 31 December, 1998 were not achieved.

The immovable property markets have only just begun to operate for agricultural land; the high fragmentation of such land continues; conflicts over rights to urban land have continued and informal occupation of such land means future serious problems for public services; the forest and pasture lands continue to be in a confused tenure status.

### **Problems of Social Insecurity: the Property Rights Dimension**

Doubts about the future darken the lives of many families in Albania. Violence and the lack of clear, enforced rules for social and economic activities have created deep feelings of insecurity. One aspect of this problem is the insecurity many people experience about the properties they possess. Thousands of people are in possession of land and buildings in Albania, but many do not have legal documentation of their rights to these assets. There are several reasons for this situation:

a) The rapidity of some privatization programs has produced some cases of inaccurate documentation of the privatization, an example being the issuance of allotment certificates (tapis) with incorrect parcel areas in the agricultural land distribution; another example being the incorrect listing of co-owners in the apartment sale contracts.

b) In other privatization programs, people have taken the assets to which they may have had legitimate claims, but the state has not produced the necessary documentation of the legitimate claims or almost legitimate claims, the most serious example being the lack of tapis for the possessors of agricultural land which had been owned by their ancestors, taken with the approval of village land commissions but not according to the provisions of the Law on Land.

c) In other cases, there are contradictions between the provisions of two different privatization programs, an example being the purchasers of store fronts, followed by the restitution of the same properties to ex-owners; another example being land under houses in villages allotted by village land commissions operating under the Law on Land, which Restitution Commissions later awarded to ex-owners of the land.

d) In Tirana and Durrës especially, people have built houses and businesses on land which the state had designated for other purposes, such as along the Lana River in Tirana, and in thousands of instances on agricultural land outside of the municipal boundaries.

e) There are also cases of people who, through political and economic influence or through simple force and threats of violence, have taken possession of land and buildings illegitimately.

These situations contribute to the social instability of the country, as holders of the land potentially are in conflict with other claimants and with the state over their rights to the land. The social instability of the country, in turn, has contributed to these situations since the legally established privatization programs have not always operated correctly and the state has not been able to enforce the laws established for privatization.

The social, economic, and political crisis make the Action Plan's focus on building the institutions of land markets of critical importance. The institutional basis for the regularization and documentation of the rights to public and privately owned land and buildings is an important element for the development of the country and for the smooth operation of the market economy. A legally strong, transparent, unified, and accurate system for the identification and protection of rights to immovable

properties throughout the country, especially for the people who have just recently been able to acquire rights to property legally, is an important contribution to greater social stability, economic growth and the fortification of democratic institutions.

### **Expected Benefits From the Action Plan**

There are several benefits expected from the investments in the Action Plan:

- Increased Security and Stability of Ownership
- Increased Private Investments
- Dynamic Property Markets
- More Effective Public Infrastructure Investments