The implementation of zoning plans in informal areas and the possibilities of public-private partnerships in Albania

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Preface

This thesis counts as the conclusion of my MSc program urban and regional planning at the Radboud University Nijmegen. Through my internship at the United Nations Economic Commission for Europe, Committee of Housing and Land Management, I became acquainted with the situation in Albania. This thesis aims to contribute to the knowledge of urban development aspects of transition in post-communist countries. I am happy that CO-Plan Albania has offered me the optimal environment to conduct this research.

There are many people I would like to thank. People that contributed to the process of completing this thesis.

My family for their unconditional support.

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Abstract

Albania is a country in transition, since the fall of communism in 1992. Due to a massive spree of migration since, certain cities have grown considerably in population. The Albanian government could not provide sufficient housing, leading to the existence of extensive informally built neighborhoods. Since the start of the 2000s, efforts are made to successfully formalize these areas. This research consists of two parts; research is done to the possibility of implementing zoning plans and building regulations in these areas, followed by research to the possibility of using public-private partnerships to make zoning possible. In answering this, good governance is an overarching value. This research aims to contribute to knowledge on the urban development issues in post-communist/socialist transition countries.

Through qualitative research, general answers to the questions are presented. Lacking education and knowhow and political interests at the local government level are identified as the main aspects linked to challenges with the implementation of zoning plans in informal settlements. Where one could expect a lack of knowhow at the local government level being a good reason for commencing in PPP, results in this thesis show a lack of knowhow makes working with PPP more difficult, due to unbalanced relationships between the public and the private sector. As overarching themes, funding at the local government level, and political, societal and anthropological features are identified.

However working with zoning plans and PPP is technically possible, as there is a sounds legal framework for it, there are other factors blocking successful use of these tools. These have to do with lacking education at the local government level and political interests. Essentially this is linked with the financial situation of local governments and the societal, political and anthropological context in the country. This research can specify questions and hypotheses for future research and defines research scopes for doing so. The general nature of the research allows for more specific research in the future.
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1. The research

This chapter contains the objectives of the research and in it the research questions are presented. In the first paragraph the research topic and research aim are explained. This makes clear where the research is headed and what gaps in knowledge it aims to fill. In the second paragraph the research questions and the hypotheses are stated.

1.1 Research Topic and Aim

Informal settlements are a common phenomenon in central and eastern European (CEE) transition countries. A significant part of the housing stock in the varying countries is built on illegally obtained land, without obtaining building permits, out of line with the local urban planning policy, or a combination of the mentioned. This still has implications on urban planning in these countries today. The presence of informal settlements is connected to other problems, like lacking infrastructure, unstable economic prospects for residents and an unbalanced tax-revenue system for governments (Tsenkova, 2010). It also has its effects on the implementation of zoning plans and building regulations. The prospect of the implementation of zoning plans and building regulations in informal settlement areas in Albania is the main focus of this dissertation. Zoning plans and building regulations are not yet structurally present in Albania. There is a wide array of factors connected to the formalization of informal areas. This thesis addresses a small potential fraction of this subject.

First of all, why are informal settlements seen as a problem, and what are the properties of informal settlements that make that their status is not ideal in a formal system (extensively discussed in chapter 3)? This can be summarized in a few arguments. First of all, through Albanian law reforms in the 1990’s, registration of properties is required. This fixes the status of properties in civil law and makes the properties eligible for future transactions (World Bank, 2006, p11). When ownership cannot be readily traced and validated and exchanges of property cannot be realized by a legally recognized set of rules, the Soto (2001) speaks of “dead capital” (see chapter 3.3). He explains that the less privileged often already possess land, real estate and businesses in developing (or transitional) countries, but that they lack the formal property rights to utilize the value of their possessions and turn them to “live capital”. The informal capital will not fully benefit from the macro reforms that take place during transition. A second problem is that the informal or illegally built buildings often have lacking infrastructure provision. Water supply, sewerage systems, power supply, access roads and other infrastructure are often inadequate (World Bank, 2006, p20). This leads to problems for the inhabitants of these areas as well as for the total structure of infrastructure. The amount of households illegally connected to infrastructure (power and water) is high, and the collection of fees needs to be improved (Zavalani and Luga, 2010). This problem of infrastructure provision affects the well-being of citizens in informal settlements.

In this research, a study on this subject is performed in Albania. Specifically, a research is conducted to the installment of zoning plans and building regulations. Zoning plans and building regulations can add to the process of formalization of current real estate. I argue that it can add to optimal conditions for the protection of the interests of the current residents of informal settlements, as well as potential real estate developers in these areas (see chapter 5.1). The lack of a well-functioning legal-regulatory framework and the absence of land-markets made it difficult for formal developers to develop real estate (World Bank, 2007, p 55). In 2009 a new Law on Territorial Planning (Republic of Albania, 2009) was adopted, it went into practical effect in 2011, when it was amended.

In this document, the local authorities have been appointed the following tasks, through Article 13, 2:

a) lead and guide territory development and protection in their administrative territory through the design and adoption of local planning instruments and their integration into/compatibility with the national planning instruments;

b) determine detailed standards and conditions in the local development control regulations;
The research

This means that the municipalities are responsible for implementing territorial plans (regulatory plans, zoning plans, building regulations) for their territory. The aim of this research is to form a view of the current situation of implementing zoning plans and building regulations in Albania. In chapter 5, I argue why zoning plans and building regulations can protect the interests of residents and society of informal settlements, combined with the interests of potential investors in informal settlement areas. I want to find out if forms of Public-Private Partnerships (PPP) in the formation of planning documents is useful and feasible for solving problems caused by, for instance, financial incapacities or lack of proper knowledge. The successful installment of zoning plans and building regulations, in a way that should fit in local context surrounding informal settlements will be attempted to be put into a scope of PPP. The standard used for examining the usefulness of PPP are several documents by the Dutch Ministry of Finances (2006), the World Bank (2010, 2012), UNECE (2008) and further scholars. This research is aimed to benefit multiple parties:

- Researchers of land management processes in Albania and other CEE transition countries
- Albanian governments dealing with problems surrounding informal settlements and property rights (and governments in countries dealing with similar issues) and problems with zoning plans and building regulations derived from this context (lack of money and/or knowledge).
- Private sector players exploring feasible ways to invest in real estate development in Albania (or in countries dealing with similar issues).
- Residents of informal settlements in Albania.

Specific problem to be researched

The periphery of Albanian cities is the place where the vast majority of urban illegal settlements are. Many of these structures have no formal access to water services or electricity. Because they are often illegally connected, the areas are a fiscal burden to municipalities (World Bank 2007, p 74-75). To formalize the upgrading of these problems, the installment of formal property rights can give a sturdy base. The World Bank (2007, p80) recommended Albania to develop visions and strategies towards sustainable urban development. In the meanwhile, the World Bank (2006) recognizes that there are strong problems with the urban development processes in general in Albania. Because of the limitation of resources and the limited capacity of urban planning sections and offices, few new plans have been prepared and adopted. In the report Status of Land Reform and Real Property Markets in Albania (World Bank, 2006, p 116), it is stated that:

"The fundamental problem is that the legal concepts and methodologies of planning no longer relate to the spatial reality, patterns of land holding and dynamic function of urban life. Several attempts made by projects to introduce new concepts, -- such as “zoning” and “strategic planning” -- have not been successful".

Like stated before, in 2009 a new Law on Territorial Planning (Republic of Albania, 2009) was adopted, having gone into practical effect in 2011 (after necessary amendments to utilize the Law were decided). It is interesting to find out how policy with zoning and building regulations has been tried, and what practical implications of this period of time since 2011 have been. Because of the lack of resources and knowledge, hypothetically the private sector could assist in the process of formalization of informal settlements. Often times, these areas are not attractive for formal developers though. They can hardly legally obtain land in the periphery of Albanian cities (World Bank, 2007, p 57) (Tirana and secondary cities). In the suburbs, they often have to purchase land necessary to build apartments from owners of detached houses on sites usually developed informally in the past (World Bank, 2007, p 52-53).

Continuous problems with ownership rights exist. Because of these limitations, the phenomenon of ‘land recycling’ has been going on. Through the exchange of floor space between inhabitants owning informal settlements and formal developers, apartments can be built and the owner’s status is legalized. This happens through negotiations between informal owners and the formal developer, without government involvement. This may be seen as a good thing, because of the private legalization of land, but it also has bad implications on infrastructure, because there is no government control over adequate infrastructure provision. It also ignores problems with zoning plans and building regulations, for there is no need to
implement them with this practice. Because the local government does not participate, and the infrastructure is not adjacent to the property being developed, developers are often obliged to build an off-site infrastructure linkage between their property and the network at their own cost. Because of that, the developers will only build for their own projects. This practice is uneconomical and in the long run results in a network that is expensive to maintain, in particular for water supply (World Bank, 2007, p 57). These costs are then carried by Albanian society (government).

In this scope, it seems that at the moment only parts of problems of informal settlements are being solved. Legalization of new structures is accompanied by inadequate infrastructure, and basic problems remain. Although governments can get more revenue from taxes through the new formalized structures, they are also burdened with an inefficient, expensive system of infrastructure. Because I suspect that local governments lack the means and expertise to implement zoning plans, the issue can be raised whether private developers could play a role in preparing zoning plans. The idea behind this is that private developers would benefit from it because it ‘protects’ their developments and may increase property values. The goal of this thesis is to find out if public-private partnerships in development of residential real estate can be in integral solution for the instalment of zoning plans, as a small particle of an array of problems. Tsenkova (2010) remarks that regularization and improvement of informal settlements should happen at the neighborhood, city and metropolitan area levels. Tsenkova (2010) further states: “Although these mostly involve planning interventions, the process usually incorporates land and real estate registration and plans for the provision of infrastructure and social services.” The land and real estate administration is inherently connected to the instalment of formal property rights. Incorporating the concerning real estate in zoning plans, would be the confirmation of formal property in a legally binding policy document. Large Urban Projects may help in this process, as Garay (2004) states that the distinctive feature of those projects is innovation in management techniques and instruments, especially in the linkages between the public and private sectors and in the area of inter sectorial co-ordination. This links to the use of PPP in solving the problems stated before (see chapter 3.8.5).

I understand that there are many phenomena to be researched and tackled when it comes to informal settlements in Albania. I could have researched hassles with land registration, property rights, and collection of cadastral information or infrastructure systems. To incorporate all facets into one research would mean that the research to be conducted would not fit in the timescale for a master thesis. Therefore I chose to focus solely on the implementation of zoning plans and area plans.

Societal and scientific relevance

There is a clear societal and scientific relevance to the issue treated in this dissertation. The societal relevance is present for Albanian society. In raising the economic status of their citizens, it is important for the Albanian authorities to formalize their countries’ assets. It supports the opinion of the Albanian Council of Ministers in 2013 (Republic of Albania, 2013, p74) that the adoption of a new spatial planning system is one of the most significant reforms at the moment, transforming the Albanian planning system into one where territory is developed and controlled. Zoning plans can be seen as a strong legal instrument to control territory. This has been lacking in Albania since the fall of communism, with many negative effects (see chapters three and four of this thesis). The ambition to better control territorial development fits in the ambition of the Albanian government to grow towards EU standards and achieve European Integration (Republic of Albania, 2013, p5-6). It can also improve the GDP and economic strength of the population. Albania’s GDP per capita is now amongst the lowest of Europe (World Bank, 2014). The population would strongly benefit from possibilities for improved economic activity. Cities in Albania also lack the recourses and finances to sufficiently fulfill their infrastructure and service provision role (World Bank, 2006, p28). Formalization of informal properties means taxes can be collected more easily and efficiently. Improving knowledge potentially supporting formalization is therefore valuable. In chapter 5.1, the specifics of the benefits of zoning plans and building regulations for this process are explained.
The research

Then there is also a strong scientific relevance to the subject in this thesis. Research adds to the knowledge about economic and societal transition in post-communist countries. The “Western”, conventional, neo-liberal view of transition in Eastern and Central Europe has long relied on an under-theorized understanding of change in post-communism (Pickles and Smith, 1998, p2). This while the change in post-communist countries in Central and Eastern Europe developed into a broad spectrum of paths, raising the question of legacies; which communist and pre-communist inheritances could explain the diverging trajectories (Vachudova, 2005, p2). The research can be put in an array of researches covering the challenges and phenomena occurring in these transition countries. The transition of Eastern Europe since the 1990s is a unique circumstance on earth and researchers recognize that these processes don’t fit into pre-existing general frameworks on transition (Kovács, 1999). Research displays the relation between governments and the population. Making an academic depiction of the practice of the questions in urban planning covered here, can make clearer how the role of the private sector can develop. This fits into the duo of perspectives on privatization in transition countries; the privatization from above, led by the government, and the creation of new private sector actors by themselves (Banacek et al, 2004, p1). Where, as later in this report will be clear, in Albania the second type of privatization was predominant. It is useful to see what this division of roles had and has to do with the practice of planning as an economic and societal activity.

So the hassles with implementing zoning and building regulations are researched. This can be seen as a part of being able to turn dead capital into live capital, and as a part for upgrading infrastructure. I like to argue that zoning is a part of the legal infrastructure, protecting the interests of society and the private sector altogether. The research also focuses on the possibilities to involve private parties in the primary process in planning. Important question here is if the involvement can exist whilst keeping in mind the public interest, principle of good governance (see chapter 3.9). Can PPP be used to achieve public and societal goals?

1.2 Research Questions and Hypotheses

Questions
Can zoning plans and building regulations be successfully implemented in Albanian informal settlements?
Is the use of public-private partnerships a feasible and useful way to overcome obstacles with zoning plans and building regulations in Albanian informal settlement areas?

- Are there barriers for the creation, installment and enforcement of zoning plans and building regulations in Albanian informal settlements?
- Can barriers for the creation, installment or enforcement of zoning plans and building regulations in Albanian informal settlements be solved by PPP constructions between public parties and private parties?
- What are the plusses and minuses of the use of different PPP constructions to tackle these issues?
- Do these constructions fit in the Albanian context?

Hypotheses
- A clearly distinguishable set of barriers exists for the creation, installment or enforcement of zoning plans and building regulations.
- The conditions in Albania regarding urban planning are fitting to apply public-private partnerships in urban development.
- PPP as an instrument can tackle issues surrounding the creation, installment or enforcement of zoning plans and building regulations in the Albanian informal settlements, upholding the public and societal interest.
- Various PPP constructions exist that tackle specific sets of combinations of issues identified surrounding the installment of zoning plans and area plans
- PPP constructions are fitting to the issues in Albania surrounding the creation, installment or reinforcement of zoning plans and building regulations in the Albanian informal settlements
Research Approach

For this research, I have chosen for a qualitative approach. The questions I ask have to do with phenomena that have yet to be explored thoroughly. The objective is to learn more about phenomena in Albanian transition after the end of the communist period. Qualitative instruments are more flexible than quantitative instruments, and they are more iterative in nature. This is important when researching topics of which the direction of possible outcomes is still unclear. The expected answers to the questions asked are still ambiguous and fairly unpredictable. This means that using quantitative style instruments such as questionnaires, surveys and structured observations may lead to tunnel vision in the possible outcomes of research, as well as having the risk of using ill-founded variables to obtain results. Using qualitative research gives me the possibilities to describe variation and explain relationships between potential variables. This may make it easier for future researchers on this topic to work with variables that have a stronger scientific validity. This research is a little step in making it easier to use quantitative methods for this topic. For the validity of the answers to the questions in my research, I need to pinpoint individual experiences by experts in the field. Quantitative methods do not give the same flexibility in finding the right answers as in-depth interviews do.

The approach used in this thesis is often affiliated with the constructivist research philosophy. Individuals develop subjective meanings from their experiences, so in research there is a reliance on the participants' views of the situation being studied (Creswell, 2003). This helps to create a social and historical construction. In the case of this research, the used approach is also derived from the pragmatic research philosophy. This philosophy is more problem centered and real-world practice oriented (Creswell, 2003). I consider my personal view being more of a pragmatic one, because I do not reject the validity of quantitative methods in social sciences. I just feel that to use such methods, scientifically tough variables have to be used. This makes quantitative research unfit for exploration, of a topic, which is what I aim to do in this research. The fact that in this case the choice for a research approach was linked to the circumstances I had to deal with and with existing knowledge on the subject, makes me consider myself a pragmatic decision maker rather than a constructivist decision maker. The pragmatic decision making did lead me to using an approach with methods affiliated to constructivism.

Conceptual Design

Figure 1: Conceptual design

<table>
<thead>
<tr>
<th>Good governance</th>
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<tbody>
<tr>
<td>Planning conditions Albania</td>
</tr>
<tr>
<td>Position of local governments</td>
</tr>
<tr>
<td>Potential benefits for private sector</td>
</tr>
<tr>
<td>Transition stage Albania</td>
</tr>
<tr>
<td>Implementation of zoning plans by private</td>
</tr>
</tbody>
</table>

Source: Carl Dirks

In this thesis, ultimately the goal is to find out if there is an ideal context in Albania for the implementation of zoning plans by the private sector. It is explained before why this is a relevant question. The possibility of implementation of zoning plans by the private sector being possible depends on a few variables chosen for this research (Figure 1):
The research

1) Planning conditions in Albania

The conditions for urban planning in Albania have to give the opportunity for the successful use of zoning plans and public-private partnerships. There has to be a legal system that supports this, and according legal instruments available.

2) Position of local governments

The position of local governments is an important factor in making the implementation of zoning plans by the private sector possible. The local government is the level where the direct urban planning decisions are made, it is the level where cooperation is decisive. That is why in this thesis the position of local governments is researched.

3) Potential benefits for the private sector

Obviously, if the private sector does not benefit from taking on the task of implementing zoning plans, there is no reason for them to do so. That is why charting the potential benefits for the private sector is important.

4) Transition stage Albania

Albania is in transition since the fall of communism. This is accompanied by sociological and political changes that might influence urban planning practice. That is why this variable is also considered.

These variables are conditions for implementation of zoning plans by the private sector to be possible. In my conceptual model, these conditions are surrounded by the principle of good governance. In this case, this term represents the question if what is possible is also desirable for society. Government policies and actions should value the basic rights of society and govern to their benefit. In the view of UNDESA (2007) governance is good when;

"It allocates and manages resources to respond to collective problems, in other words, when a State efficiently provides public goods of necessary quality to its citizens." (…) "The policies that supply public goods are guided by principles such as human rights, democratization and democracy, transparency, participation and decentralized power sharing, sounds public administration, accountability, rule of law, effectiveness, equity, and strategic vision."

In short, it means the rights of the citizens should be prioritized at all times. This is an important factor in this thesis. The possibility exists that what is technically possible in an urban development sense, is not in line with the principles of good governance. These situations would not be desirable. It is the reason why the good governance box surrounds all other variables in my conceptual model. In chapter 3.9, a more specific explanation of the definition of good governance in this thesis is given.
2. Country Information

This chapter provides overall information about the country of Albania. Paragraph 2.1 contains general features of the country. In paragraph 2.2 the geographical and political history of the country is covered. When reading the dissertation, it is important to understand the historical context in which the country exists. That is why a sketch about Albania is of significance. It helps clarify further phenomena that are of significance in this thesis.

2.1 General Information

<table>
<thead>
<tr>
<th>Inhabitants</th>
<th>3.011.405 (July 2013 est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Tirana (419.000 inhabitants in 2011)</td>
</tr>
<tr>
<td>Ethnic groups</td>
<td>Albanian 95%, Greek 3%, other 2%</td>
</tr>
<tr>
<td>Language(s)</td>
<td>Albanian</td>
</tr>
<tr>
<td>Country size</td>
<td>28.748 square kilometers</td>
</tr>
</tbody>
</table>

Source: CIA factbook, 2013

Albania is a Balkan country located in the southeast of Europe. The country is bordered by Montenegro in the north, (the disputed territory of) Kosovo in the northeast, Macedonia in the east and Greece in the southeast (figure 2). The west of the country is bordered by the Adriatic Sea. Albania is a largely mountainous country. The Dinaric Alps mountain range stretches from Slovenia, Croatia and Montenegro to the north of Albania. The Ceraunian Mountains are situated in the southeast of the country. The Jnik mountains are situated in the northeastern part of the country, bordering Kosovo. The Korab Mountains in the eastern part of the country are shared with Macedonia, Prokletije (also 'Albanian Alps') is shared with Montenegro and Macedonia, the Pindus mountains stretch from the south of the country into Greece and the Sar Mountains stretch from Albania through Macedonia to Kosovo. The mountainous nature of the country is the reason that the country has around 22% of arable land (CIA, 2013), a relatively low amount compared to other countries. The mountains enable the possibility of hydropower production in the country. Further natural resources are petroleum, natural gas, coal, bauxite, chromite, copper, iron ore, nickel, salt and timber.
Country Information

The country GDP persists of 18% of agriculture, 15% of industry and 67% of services as of 2013 (opposed to 20% of agriculture, 19% of industry and 61% of services in 2002). Yet only 29% of the population works in the services sector, opposed to 48% of the population in agriculture (and 23% in industries). This is partly due to lack of innovation in agriculture; just a decade ago a large part of land ploughing was recently still done by animals for instance (Martin et al, 2002).

2.2 Geographical and Political History of Albania

Until 1900
The first known tribes to have inhabited the territory of contemporary Albania, are Illyrian tribes. In around 400 BC they inhabited the territory as independent tribes, ruled under several kings. In 168 BC they were defeated by a Roman army and incorporated into the empire (Wilkes, 1992). There were also Greek colonies present at modern-day cities of Durrës and Lezhë, although they are considered unimportant outposts (Hansen and Nielsen, 2004). Later these people were spread over Roman provinces; Illyricum and Roman Macedonia (Epirus Nova). Christianity spread in the region, as in all of the Byzantine Empire, so when the Roman Empire was split into East and West, the territories of contemporary Albania were geographically part of the East, but still dependent on Rome. From this time onwards (around 395 AD), the territories were raided by barbaric tribes; Goths, Asiatic Huns, Serbs and Croats (Zickel and Iwaskiw, 1994). With the split of Christianity in Catholicism and Orthodoxy in the 11th century, the Albanian territory was split in two, respectively the north and the south. From this time to the 14th century parts of Albania were conquered by Bulgarians and Serbs.

In ca 1190, the first Albanian state in the Middle Ages was established; the Principality of Arbanon (Norris, 1993, p35). After its fall, the Kingdom of Albania would still exist, mainly operated from the city of Durrës, between 1271 and 1368, but also this ended and the Kingdom was added to the Republic of Venice. In 1389, the Ottoman army defeated a Serb-led army that also had Albanian warriors fighting alongside of them. This meant the start of Ottoman rule in the Albanian territories (Zickel and Iwaskiw, 1994, p 10). The divided Albanian principalities were fairly easily captured. The advancement of Ottomans through Albanian territory went well for the Ottomans until George Skanderbeg, currently considered Albania's national hero, deserted from the Ottoman army and set up the League of Lezhë. This still makes him to be seen as the Chief of the League of Albanian people, a role which he would fulfill until his death in 1468 (Frazee, 2006, p33). After Skanderbeg's death, Ottoman forces continued into Albania and the territories once again came under Ottoman rule. This also explains the Ottoman influences on today’s Albania, and the broad presence of the Islamic religion in the country. There are estimations that during this continuation of Ottoman influence, 200.000 Albanians migrated to the south of contemporary Italy (Piperno, 2002). This explains the origin of the connection between Albania and Italy, which still exists today. Throughout the 15th to 17th centuries, many Albanians would convert to Islam, because it resulted in lower taxes and more privileges from and opportunities in Ottoman society. Many Albanians became powerful people in the Ottoman Empire (Zickel and Iwaskiw, 1994, p12-13). Throughout the 18th century, there were several Albanian uprisings against the Ottomans. This increased the sense of the upcoming Albanian nationalism. In 1878, the Prisren league was created, focusing on achieving Albanian autonomy (which included the territory of what is now Kosovo) (Zickel and Iwaskiw, 1994, p 21). This ultimately led to the independence of Albania in 1912.

1900 until the Second World War
During the First Balkan War in 1912, Albania got largely divided by Greece in the south and Serbia and Montenegro in the north. This meant the Albanian territory was effectively reduced to a small area around the city of Vlorë. This area was the first area of modern independent Albania. During the First Balkan War, and throughout the First World War, this area was expanded. Still the Albanians did not have parts of Macedonia and Kosovo in their territory. Kosovo has been one of the greatest reasons of conflict between Serbia and Albania. Serbia sees Kosovo as their holy land, where many of their kings have been crowned and Serbian Orthodox shrines are located. Albania sees Kosovo as the place where the Illyrians, the
Albanian ancestors, are from and where the national awakening of the country started due to the founding of the Prizren league (Zickel and Iwaskiw, 1994, p 22). Kosovo would belong to Serbia (later Yugoslavia, etc.) until its independence in 1999. The southern part of Albania was first Italian, then Greek for some time during the First World War, but was incorporated with Albania in 1921. The northern part was Austrian Hungarian, and at the end of the War the total Albanian territory was disputed. Italy, The Serb Kingdom, the Croats and Slovenes all claimed Albanian territory. Under the influence of the League of Nations, a seat representing Albania would at least be accepted. After years of political vagueness, Ahmed Zogu would become prime minister of Albania for the first time in 1922. Two years later, in 1924 a revolution would force him to flee to Yugoslavia, Fan Noli would become president. In 1928 Zogu returned and with help of Yugoslav force took over power again. Albania was declared a kingdom with Ahmed Zogu as king: King Zog I. He governed Albania until 1939, when he was overthrown by Mussolini, and Italians took control over Albania.

Economic historians agree that the agrarian and petty mercantile economy of Albania didn’t improve much under Ottoman rule, poverty is described as Albania’s basic continuity in economic history (Kaser, 2001). Since independence in 1912, statehood caused an absolute growth of Albanian economy, due to the retaining of taxes, increased international trade and increased concessions in natural resources by foreign companies. Still, relatively, the GDP of Albania has been constantly declining from the time of independence until the Second World War. After the War though, the industrial assets in the country had grown, and were roads improved. In 1949 production levels were back at the level of before the Second World War.

Second World War – 1990s
During the largest part of the Second World War, Albania was under control of Italy. The former King Zog I fled to Greece and London. The crown was given to Victor Emmanuel III (Fischer, 1999, p36). After Italy’s surrender in 1943, Germany invaded Albania. Throughout the War, Albanian nationalists and communists had formed resistances.

In 1944 the communists came into power. The Peoples’ Republic of Albania came into existence. Enver Hoxha would rule Albania up to his death in 1985. In this time he turned Albania into a closed and strict regime. The country would be shaped into a structure of orthodox Stalinism, aimed at preserving Albania’s independence and at the leaders staying in power (Zickel and Iwaskiw, 1994, p 38). Every aspect of life and society was nationalized. In this Hoxhiast state, even the ties with Yugoslavia, China and Russia were eventually minimized, and Albania became the most isolated country in Europe, and one of the most isolated in the world. The ties with Yugoslavia were cut from 1948. At that moment Hoxha still had great admiration for the USSR. This relationship did not last, and Hoxha would turn to the Peoples Republic of China for support. Scholars in that time also noticed the big shift from an agrarian society at the end of the Second World War, to an industrial society into the 1970s, with help from first the USSR and later from the Peoples Republic of China (Borchert, 1975). From the second half of the 1970s to Hoxha’s death, Albania was closed down to a near autarky (Kaser, 2001). The Albanian economy was largely diminished. An element of these politics was the obstructions of movement of persons; the state decided the division of population in the country. Free movement of population was a non-existent concept and emigration was strictly forbidden (King and Vullnetari, 2003). In 1985 Enver Hoxha died. This was in a time when throughout Europe, communist and socialist regimes were under pressure. Ramiz Aliax came to power in Albania. In trying to save the communist state, he decided to allow foreign trade and he started diplomatic relations with Western European countries. When in 1990, Aliax allowed other political parties, it would signal the end of communism. After a few years of political unrest and the presence of several interim governments, the Democratic Party won the elections in 1992 over the communist party. This meant the definite end of communism in Albania.

1990s until now
After that, Albania wanted to transform into a liberal, democratic economy. It was very difficult for Albania to adapt to an open-market economy, because the country started at ‘level zero’ (Çaro and van
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Wissen, 2007). This can be seen in the chaotic economic evolvement of the Albanian market. There were governance problems, both in the financial sector as in general. It was unclear who had control over the vastly growing informal markets, and banks and investment companies started working in pyramid schemes (IMF, 1999). This collapsed in 1997, causing hysteria and bank runs. It turned into a violent uprising. Albania was plunged into a state of anarchy. The government decided together with the opposition that none of the big banks and companies that were involved in the schemes were to be compensated. According to the IMF (1999) a few years later, this was an important decision in speeding up economic recovery afterwards.

Another very important development in Albania during the democratization process and the liberalization of markets, was the migration pattern. Albanians were finally allowed to go where they wanted after the fall of communism, which led to massive migration from the countryside towards the cities of Durrës and Tirana. The population of Tirana, for example, has more than tripled since the end of communism, to more than 700,000 inhabitants (metro area). This is one of the most important factors that have effected and facilitated the social and demographic developments in the country (Caro and van Wissen, 2007). There has also been an exodus out of the country, between 1989 and 2001 the population of Albania declined, while the natural increase of population during that time was very high (King, R and J. Vullnetari, 2003). This was caused by mass emigration from the country.

In the 2000s Albania has become more politically stable. Still the Albanian politics are described as polarized, having a lack of policy issues and programs and harsh political confrontations (Bogdani and Loughlin, 2007, p132). In 2009 Albania joined the NATO. They are also in negotiations with the EU to become more integrated in the European structure, and to eventually possibly join the European Union.

Summary of recent history

So in the last 75 years Albania has gone through many changes in regularly alternating directions. The monarchy was replaced by Italian ruling in 1939, up to 1943. Then Albania fell under Nazi-Germany. When Albania was liberated in 1944, it came under communist rule, and was to be named the People’s Republic of Albania. The People’s Republic was led by Enver Hoxha until his death in 1985. After his death, the communist rule (or Hoxhia-st state) would only last six more years. In 1992 the Republic of Albania was founded after protests that naturally erupted after the collapse of the Berlin wall. A sudden switch to uncontrolled capitalism was made. After the turbulent 90’s, Albania has been stabilizing and coming to relative political peace. Until now Albania has been structuring and building its institutions and structures with help of the global community.

This shortly outlined recent history of regime changes, shows that in the past century there have been two drastic changes in general political, and thus also in geographical policy philosophy. The first one is the shift to the communist rule. When the communist government came to power in 1944, the state confiscated and nationalized all the countries’ land (USAID, 2011). This went hand in hand with the commencing of implementation of government control of urbanization, which was prevalent up to 1990 (UNECE, 2002). Free movement of the population was a concept that was non-existent (King and Vullnetari, 2003), although some claim this policy was less the case in practice than many people always thought (Sjöberg, 1992). Still it is clear that the division of population was kept under close control of the regime. Population was distributed in a way that Hoxha and the regime thought was best for the country, or for their own agenda. This resulted in a forcefully agrarian-society-focused division of population. The economy was run through a mix of shorter and longer termed plans, which also had an associated implication on planned migration patterns. From 1944 to 1955 urban population had strongly grown, but in 1959 it was declared regional policy to restrict urban growth (Borchert, 1975). Therefore, urban and rural growth was almost equalized, through the dispersal of population. In 1976 a new constitution was set in place, isolating Albania even more from the rest of the world, and posing an even greater influence on people’s lives (Blejer et al, 1992, p7). The migration of people was held in hands of authorities as much as possible. In this respect, until the end of the communist period, the distribution of population in Albania
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has been artificial to a high degree. When communism disappeared, liberal, capitalist explained movement
of population became very clear.

It is clear that Albania, like many countries, has had a moving history. Therefore it should be made clear
that in writing this chapter there is no intention for a normative stance in this historical depiction of
Albania. It merely bares the function of establishing a vivid context to enhance the understandability of
the themes and subjects in this dissertation.

Relevance of historic overview for this thesis
This chapter gives an impression of the mix in policies and regimes that have surpassed Albania. This
reflects directly on the challenges that Albania faces today, also in the respect of urban development.
Especially the communist/hoxhiast past makes that there are large steps in development to be taken in
the period of transition for Albania. The situation that modern Albanian society experiences and the
chances and opportunities that society gets is still affected by the past and the sudden transition.
Communism brought totally different philosophies with it than the views applied and accepted in modern
Albania. The way spatial planning was done under past regimes often conflicts with the current practice of
urban dynamics. Still the old urban structures are a legacy that is intertwined with current spatial reality,
and it is a legacy the current generation has to deal with. The past also has an effect on the current
people's mentality. The way communism is viewed now, also affects processes of decision making and
politics. The education of the past influences people's behavior in the present. For these reasons, it is of
utter importance for understanding Albanian urban development issues as covered in this dissertation,
that the Albanian historical background is understood as well.
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3. Analysis and explanation of key research themes

In this chapter, informal settlements and the processes of formalization are covered, based on a review of relevant international literature. These concepts are key subjects in this dissertation. They are important themes in the economic reform in Albania, and have a strong implication on the countries’ future potential benefits from capital and assets. In paragraph 3.1 a historical background of the informal settlements in Albania is given. Then in paragraph 3.2, an overview of features of informal settlements in general is set out. There the specific features of the Albanian informal settlements are portrayed. Do they differ from settlements in other parts of the world? In paragraph 3.3, the concept of dead capital is explained. It will be made clear why real estate in informal settlements can be seen as dead capital and what this means for the status of real estate and the households owning the real estate in these areas. Also, the role dead capital plays in the transition of Albania since the fall of communism is made clear. In paragraph 3.4, approaches towards informal settlements are summarized. In paragraph 3.5, an overview of what is done to formalize settlements is set out. In paragraph 3.6, the formalization policy of Albania is compared to the bordering countries Montenegro and Macedonia. In paragraph 3.7, an explanation is given of how a better understanding of the implementation of zoning plans can contribute to the formalization of informal settlements. In paragraph 3.8, the forms of PPP in general and the current status of the use of PPP’s in Albania are brought up and the concept of Large Urban Projects is explained. In paragraph 3.9, the practice of good governance as according to various institutions and scholars is described.

This chapter is roughly split into two parts. 3.1 to 3.6 are the paragraphs dealing with informal settlements and dead capital. These paragraphs make clear what informal settlements are, and how this phenomenon is present in Albania. Paragraphs 3.7-3.9 can be seen as the second part, embodying instruments and assumed approaches of governance to potentially deal with the phenomena described in the first part.

3.1 Historical background of informal settlements

To understand Albanian informal settlements, it is important to have a good overview of the context from which they originated. Here, the historical background of the settlements is covered to put this phenomenon into a modern day perspective.

So what are the origins of informal and illegal settlements in Albania? Towards the fall of communism in Albania, the population regained their “privilege” to travel and move, relocate, freely throughout the country. This resulted in a massive spree of migration, especially from the northeastern and rural parts of the country to the western and coastal parts, which rapidly urbanized (World Bank, 2006a, p41-42). People went looking for better land and access to major urban areas (Hall, 1996). This was basically a correction of the artificial and inefficient distribution of population that was imposed by the communist governments before 1991. This policy had been started during the third five year plan in Albania (1961-1965), which was meant to build up the agricultural sector and accelerate rural development (Zickel and Iwaskiw, 1994). Two thirds of the population were held in the rural areas to work in state-run farms, while urban areas only had a natural population increase, and no increase from migration (King, 2007). From 1992 onwards, people massively moved to the economically more viable areas of Albania, being Durres and Tirana, and also other coastal areas. The Albanian government and civil services at the time were far from having the capacities to manage such a migration of population. At the start of the 1990s, the intention was for land parcels and property units to be physically and legally defined, ownership and subordinate rights to be registered, all hypothetically resulting in civil law and market transactions (World Bank, 2006a, p9-10). In practice, disruptive economic, political and demographic changes took place and control of land became confused. With uncertainty of land tenure and a lacking legal framework, the only way for a lot of people to be able to build a house was informally. Peri-urban claimants in Albania were forced into the informal economy and to applying customary methods of documentation and exchange, due to legal and institutional failures in developing property laws after 1990 (Sabates-Wheeler and Waite, 2003, p12). The municipalities could impossibly accommodate the big demand in housing, and
therefore this massive process of illegal building was just let loose, and authorities did not take any direct actions to stop it. The settlements of Bathore in the municipality of Kamëz (Kamza) (just outside of Tirana) and Keneta (attached to the city of Durrës) are Albania’s most important examples of huge informal settlements built in the vicinity of the countries’ two most important cities. There has been an enormous uncontrolled growth in some of the urban centers. Tirana has grown from approximately 200,000 inhabitants in the early 1990s to approximately 800,000 in 2006 (Çaro and van Wissen, 2007). Albania is definitely an extreme case in Europe in this sense. Scholars and experts claim that from 1990 to 2003, 70 percent of constructions in Tirana were built without building permission being granted (Aliaj et al, 2003, p67).

Next to this process of internal migration, all South and Eastern European (SEE) countries have gone through the same process in privatization of the housing stock. The social housing stock had been hurriedly privatized without taking any notion to housing needs in these countries. Often no financial plan for social housing was at hand and no time for introducing market driven mechanisms to solve housing demand was taken (Gabriel, 2007). This also happened in Albania. It is an extra unintended incentive for more people to construct informal dwellings. Due to the privatization of the housing stock, some people also lost their houses to the former owners of the real estate assets. In 1993 the Albanian government committed itself to providing housing for such families, but research in 2000 showed that 90% of the families provided with housing were not the ones that were the most in need (UNECE, 2002, p10). This shows the inability of the Albanian government at that time to identify the people in need of solid housing, and to provide them with a roof. This fits into the properties Amman (2005) attributes to the housing sector in CEE countries between the start of the 1990s and 2005. He describes it as being underinvested in for 15 years. Because economic changes have strengthened metropolitan areas and weakened rural areas, there is an oversupplying of housing in disadvantaged areas and, as he describes, a depressing shortage on housing markets in the metropolitan areas. Where formal markets produced predominantly for higher income segments, demand for middle and lower income groups was not covered at all. This description fits exactly in the circumstances needed for a population to find its own solutions in housing, which was the case in Albania.

Apart from, and maybe connected to the government’s inability to deal with the events at the start of the 1990s, Andoni (2007) partly attributes the development of informality to a neo-liberal approach at the global level. The total withdrawal of the state from market sectors was viewed as needed to stimulate the private sector in Albania. This fit well with the new mentality of people in post-socialist Albania. Many Albanians described the invasion of public space as the citizens’ revenge on the state and the collective crimes of the past (Rama, 2003). Banacek et al (2004, p1) describe the presence of two types of privatization in transitional countries; privatization led by the government on one side and the creation of private actors themselves on the other. It is clear that the second process took place in Albania. It might not have been foreseen intentionally, but because of a lacking decisive government, the Albanian housing sector almost solely evolved at the hand of formal and informal private actors. Further ahead, it will be explained how de Soto (2001) attributes informal settlements and ‘dead capital’ to a not fully developed market economy.

So it can be said that the massive arising of informal settlements in Albania can be strongly attributed to a correction of the national balance of population dispersion, combined with the inability of the government to deal with this enormous movement of people from rural areas to urban areas. An unorganized privatization of the housing market without taking care of a social safety net, forced many households into informality and contributed to the growth of vast informal settlements.

### 3.2 Features of Informal Settlements

In this paragraph, first the definitions of informal settlements as set by researchers and institutions are covered. Because there are many forms of informal settlements around the world, the definition will then
we derived to the context of southeast Europe. Then the practical implications of informality in general and in Albania are covered.

Definitions
There are different ways in which informal settlements are defined. Hindson and McCarthy (1994) defined informal settlements as “dense settlements comprising communities housed in self-constructed shelters under conditions of informal or traditional land tenure”. Durand-Lasserve (1996) refers to informal settlements as “areas where development (spatial expansions) and occupancy are not in compliance with legal, urban and environmental standards set by public authorities”. The United Nations (1997) defined informal settlements as “areas where groups of housing units have been constructed on land that the occupants have not legal claim to, or occupy illegally” or secondly as “unplanned settlements and areas where housing is not in compliance with current planning and building regulations (unauthorized housing)”. Smolka and Biderman (2010) divide three sorts of illegality in immovable property. Firstly, “illegal”, referring to illegal tenure. Secondly “irregular”, referring to developments not in line with the regulatory frameworks established by the authorities. Thirdly there is “clandestine”, meaning immovable property is not permitted. The main point is that informal settlements are built without the formal authorization of the government. This means they have no legal status, making the property units “dead capital” (chapter 3.3).

The synonyms researchers use for informal settlements often gives a view on how these settlements are perceived. Hofman et al (2008) use the synonyms “slum”, “favela”, “squatter settlement” or “shanty town”. “Pueblo jóvenes”, “gecekondu” and “kampong” are words used by Tunas (2008, p1). These words give the impression of shabby settlements with structures made provisionally out of bad materials. Also Andoni (2006) affiliates the next names with informal settlements; “spread city”, “cita difusa”, “divided city”, “irregular housing”, “illegal settlement”, “informal development” or “un-authorized housing”. She also explains these words have an origin from each certain author’s context, but that they all have similar connotations.

In Southeast Europe, informal settlements are not obviously or in the first place connected to poverty. The areas may be inhabited by middle class families and consist of good quality housing constructions, often built on privately owned land (Tsenkova, 2010). The reason of the existence of the informal settlements is in that case not so much poverty (although many of the inhabitants are poor), but more of a lack of formal urban planning and active practice with building permits. These areas don’t have the traditional characteristics of slums, as given by authors that write about informal settlements in third world countries. Tsenkova (2010) notes that the formation of slums was the case with “first generation” informal settlements in Southeast Europe, which came up during the communist period. The informal settlements prevalent now are the “second generation” informal settlements, which came up due to mass migration after the fall of communism/socialism. In this respect, it is important to see the specific characteristics of informal settlements in Southeast Europe. Because of the communist or socialist legacy, they have specific characteristics and cannot be compared in all respects to informal settlements in third world countries. For this reason, not all international research on informal settlements can be fully applied to the phenomenon of informal settlements in Southeast Europe, or in the specific case of this dissertation, in Albania. Still, general concepts about informal settlements as being dead capital can be applied.

Because of the specific form of informal settlements in Southeast Europe (and thus in Albania), the definition used in the Vienna Declaration on National and Regional Policy and Programmes regarding Informal Settlements in South Eastern Europe (Vienna Declaration) of 2004 can be considered as the most safe to use. This document is signed by several countries in Southeast Europe, hence the definition of informal settlements described in the Declaration is accepted by the countries. In the Vienna Declaration, the next definition of informal settlements is given:
Analysis and explanation of key research themes

“Informal settlements are human settlements, which for a variety of reasons do not meet requirements for legal recognition (and have been constructed without respecting formal procedures of legal ownership, transfer of ownership, as well as construction and urban planning regulations), exist in their respective countries and hamper economic development. While there is significant regional diversity in terms of their manifestation, these settlements are mainly characterized by informal or insecure land tenure, inadequate access to basic services, both social and physical infrastructure and housing finance.”

The Vienna Declaration is a declaration signed by Montenegro, Macedonia, Serbia, Kosovo and Albania. With the signing of the declaration, the countries recognize various points and actions about informal and illegal housing in their countries. The countries commonly agree on actions that will regularize (legalize/formalize) and improve informal settlements in a sustainable way and will prevent future illegal and informal settlements.

Practical implications of informal settlements
What problems do these informal settlements cause in practice, what implications do they have on their surroundings? What are characteristics that can be attributed to them? Here that will be explained at the hand of the description of the United Nations.

The United Nations Human Settlements Programme (2003, p11) attributes the following features to informal settlements:

- a) Lack of basic services (sanitation, electricity, surfaced roads etc.)
- b) Substandard housing or illegal and inadequate building structures.
- c) Overcrowding and high densities
- d) Unhealthy living conditions and hazardous building locations
- e) Poverty and social exclusion

A set of problems caused by informal settlements that the Albanian authorities have been faced with in the start of the 1990s, considering the last five named points, is given here:

A) There is often a lack of basic services in the Albanian informal settlements. Often there are no surfaced roads, insufficient power lines and insufficient water supply. Because some families do not have a connection to water, sometimes wells are used for drinking (Cila, 2006, p54). Even the wealthier residents of the settlements lack access to clean drinking water, reliable electricity, adequate roads and public transport (Tsenkova, 2010). When there is water or electricity supply in the properties, they are often present through illegal connections. Water loss and illegal infrastructure connections are a giant problem in Albania, and contributes to the problem of insufficient water and power infrastructure (Zavalani and Luga, 2010). In this way, the pressure of the informal settlements on the water and power systems affect all the residents making use of the Albanian water and electricity infrastructure. The people living in the informal settlements are thusly often not only illegal occupiers of land, but also illegal consumers of water and electricity (Andoni, 2007). This puts a big weight on the national net, and is part of the bigger problem of insufficient infrastructure capacities.

B) Like noted before, the quality of the houses in Albanian informal settlements is generally not bad. They are more spacious then houses provided during the socialist regime or by the formal private sector (Andoni, 2007). Also they are often built with durable materials. Scholars attribute this to the fact that construction is one of the main contributors of Albanian economy (Koprecka et al, 2013), which makes that the level of knowledge in construction is high amongst the population.

C) In the first half of the 1990s, the large number of new people and buildings started posing health problems within the sites themselves (Hall, 1996). This can however not be compared to the way slums in third world countries are overcrowded. The houses are still single standing, spacious houses (Andoni, 2007). What Hall meant was more the effects of lacking infrastructure in the informal settlements than the problem of overcrowding in itself. The Albanian settlements cannot be considered overcrowded.
D) Halfway the 1990’s, Hall (1996) described that by occupying land adjacent to main roads the functioning of some utility services had been disrupted and traffic flow was being impeded, leading to increased potential risks of car accidents. This is an example of hazardous building in informal settlements. Also, because in Durrës the informal settlements are built on marshlands, it is sometimes more difficult to build proper roads (Zickel and Iwaskiw, 1994). Not always has notion been taken by the residents to the fact that the ground is not fit for all type of structures.

E) In a few ways, social exclusion is visible in the informal settlements in Albania. First of all, it can be seen when looking at the standards for education. When the first immigrants arrived in the settlements, schools were lacking. Now schools are slowly being built, but still the standard of facilities as in the inner-cities is not achieved. With girls this can have cultural reasons (the relevance of school not fitting the rural viewpoint of their parents) and for boys it often has socio economic reasons (not enough money for school, or the need to work instead of going to school) (Cila, 2006, p53). Many people take their children out of school as soon as they are capable of working (de Soto et al, 2002, p 60). Also some families live too far from schools, and cannot afford the transportation. Often times the migration from the countryside to the informal settlement disrupts the education cycle. A lot of teachers moved from the countryside to the settlement of Bathore for instance, but found little economic improvement there. Some left the country (de Soto et al, 2002, p63). Another indicator of social exclusion is shown in the availability of healthcare. Although, for instance in Bathore, there are now several healthcare centers, there is still a need for major investments in health infrastructure (Cila, 2006, p54). Also, due to the fact that some families use well water for drinking, doctors noted that during summers health problems increase because of this. Maintaining hygiene is more difficult for those without water (de Soto et al, 2002, p68). Inadequate or absent water and sewage systems gives a disadvantage to those living in the informal settlements. In the Vienna Declaration (Ministrial Conference (…) South Eastern Europe, 2004), it is also recognized that inhabitants of informal settlements have a limited access to formal housing finance. This is a result of their house being dead capital, a subject which will be treated further on. This has a big impact on social mobility, as it is often not possible to turn potential capital into live capital. Albania’s relatively undeveloped capital market precludes many from obtaining the loans needed to transact land. Many transactions are facilitated by trust among families (de Soto et al, 2002). Due to the lack of formal access to capital, the people living informally are socially excluded from economic improvement.

Furthermore, unplanned increase in population and unplanned building in formerly unoccupied areas, has disrupted planning strategies (for as far as they were present). Extra burdens and social pressures were placed on the existing urban population (Hall, 1996). The spontaneous movement of people to relatively fertile areas hampered with the redistribution of agrarian land to its former tillers. Because of this, the urban environment has become a victim of extreme degradation and public lands had been occupied by illegal developments (Aliaj et al, 2003, p67). So, many illegal and informal constructions are one-family houses that were built without proper technical infrastructure, without systemic urban planning and without taking into account the compensation due to the original private landowners (UNECE, 2002).

Many illegal settlers are not registered in the place where they live and neither are their real properties registered. This means their social and economic activity is hard to estimate, and their properties do not generate income for the local administration (Andoni, 2007). The latter is strongly linked to the lacking infrastructure installment and upkeep by the municipalities; the settlements do not generate the income for the administrations to pay for it. When real estate ownership is transferred, the tax paid and the real estate is not registered unless such payment is confirmed with the real estate registration office (Koprencka et al, 2013). As long as there are no formal property rights for this to get done, transfers of real estate will be done illegally, and taxes will not be paid. De Soto et al (2002, p78) recognized early on that municipalities in Albania lack resources to adequately tackle deficiencies in education, health, economic assistance, infrastructure and public security.
Another form of informal developments in real estate in Albania, is the informal transformation of existing urban blocks. This means that in existing buildings, functions were informally changed (for example from a residential function to a commercial function on the ground floor). It could also mean buildings were expanded horizontally or vertically (Dyca, 2013, p56). This subject of inner-city informal development will not be treated in this thesis. In this dissertation the focus is on peri-urban informal settlements; the settlements that are found in suburban areas. The inner-city informal developments are so different in nature that a totally different study approach and scope would be needed to research its implications.

So the informal settlements in Southeast Europe and especially in Albania are of a specific nature. They have some features that can be designated to the general definitions of informal settlements, but also many features that make that they differ from the stereotypical slum-like informal settlements in third world countries. The informality of settlements in Albania especially causes problems for the provision of services because of lack of tax collection, and the lack of formality of property rights. The combination of those two make that in can be argued that the biggest problem due to informality in Albania is social exclusion.

3.3 Dead Capital

In this paragraph the term “dead capital”, by de Soto (2001) is explained. It is explained what the content of the theorem is, and how this directly connects to informal settlements. Many experts I spoke with in Albania were very pleased with de Soto's approach to informal settlements, and considered his view on informal settlements as an important guidance and inspiration for how to approach informal settlements in Albania. Such strong indication from more than one individual separately made me decide to include this theorem in the thesis.

De Soto (2001) introduced the term of 'dead capital';

“(...) dead capital (...) is [capital that is] useless as collateral; it can neither secure a bank loan, nor guarantee the payment of water, electricity, or other infrastructure services. As long as the majority cannot put their assets to work in the market because they are informal, they will not realize most of the benefits that should accrue from macro reforms.”

As an example, he explains the perspective of reforms in Egypt, made at the end of the 1990s. These reforms were meant to create a market economy. When ownership of assets cannot be traced and validated and exchanges of assets cannot be governed by a legally recognized set of rules, the assets cannot be used in efficient and legally secured market transactions. In this way, informal constructions are forms of dead capital, because they cannot be transferred, inherited, mortgaged or rented legally.

Formalization of real estate is what de Soto (2001) presents as answer to the question of how to turn dead capital into live capital. There are a few reasons for this. First of all, he emphasizes that unlike the poor in many western countries, the poor in emerging economies actually do have real properties. Because of their backgrounds and the time consumed by the struggle for basic human needs, they often just don’t have the knowledge and the conspectus of their situation to see the importance of reform programs and formalization. That is why it is important to show tangible benefits for the citizens involved. Otherwise their willingness to cooperate with formalization efforts is not obvious. Secondly, de Soto (2001) explains that a market economy is nothing more than institutions created to facilitate the exchange of legally held properties. When property and transaction rights of citizens can be legally and effectively enforced, markets can create wealth. This is what turns dead capital into live capital; the fact that the possession of the capital can be legally formed into wealth, through trade. The third significance of reviving dead capital through real estate given by de Soto (2001), is that macroeconomic reforms will be politically sustainable if the benefits of the reforms are felt by a great part of the constituency, and not just by a few. When reforms are put through, but many people are intentionally or unintentionally excluded from them, capital is driven into the hands of a happy few. This can cause class confrontation.
Criticism on De Soto

De Soto’s theories and practices have also been criticized. A point of criticism is that the formalization of informal settlements does not necessarily lead to increased access to formal credit from banks. The reason for this is that "banks realize they don’t stand to gain much from repossessing shanties in rotten locations" (Slate Magazine, 2005). To go further than that, examples are given of informal settlements being evicted by the private land owners after the word of policies of formal title appointment had spread. The promise of formalization drives up land prices, which means the private land owners (often big companies) will put in a big effort to evict informal settlers of their land (Slate Magazine, 2005). The issuance of legal titles is then only in the benefit of authorities and companies. These two points of criticism do not seem to be applicable to the Albanian context though. The first point of criticism, "banks not seeing value in shanties in rotten locations", seems to refer to slums in third world countries. The informal settlements in Albania are far from being rotten places, they are quite structured and not overcrowded. The houses are spacious and of good quality (Andoni, 2007). They are built out of firm materials and often have the normal conveniences one would expect of a house. Therefore the banks can see the houses in Albania as a valuable asset as collateral for a mortgage or loan. The second point of criticism does not apply either. That point reckons that informal settlers will be evicted off of their land by private parties, when the promise of the implementation of formal titles is made by the government. This could only apply to informal settlements where the squatted land is formally owned by private owners. In the case of Albania, the squatted land is either owned by the state, or it is the tasks of the state to reimburse the original owners of land. This reduces the chance that informal settlers will be evicted.

Gilbert (2002) notes that providing settlements with property titles is often a cheap way of constituting housing policy stating that “it is much less expensive to issue property titles than to provide settlements with services.” This is not the case for Albania though. In Albania, the legalization of properties means the government is required to take care of services. In Albania, these are two intertwined actions. Legalization can therefore not be used to avoid providing services. As criticism, Gilbert (2002) also notes that granting legal titles may bring unexpected costs with them, like property taxes. In Albania, the inability to collect taxes is one of the main causes of inadequate infrastructure provision. Therefore, in a practical sense, creating a broader tax base would be a positive development for Albania.

Role of dead capital and informal settlements within the transition of Albania

Up until the early 2000s, legalization of informal properties had basically been a taboo in Albania. It was seen as legalizing stolen assets. During the 2005 elections, the subject was brought up officially for the first time (Abitz, 2006, p73). Turning squatters into owners, to create a property-tax base would open sources for obtaining credit, and therefore turn dead capital into live capital. The Democratic Party, the ruling party in Albania at that moment, embraced de Soto’s theory that squatters around the world would have made their property legal if the formal land administration systems had been available to support their investment timeframes (Pojani, 2013). In 2007, it was assumed that approximately 6 to 8 billion US dollars were invested in informal settlements, meaning that amount of money was invested in dead capital (Andoni, 2007). It is recognized that regulation of informal settlements provides opportunities for investment transactions in suburban areas by entrepreneurs of the formal economy (Koprencka and Muharremi, 2010). It will enhance the development of land markets, making formal trade of real estate and land possible, as well as the collection of taxes. The revenues gained through that will be an impulse to economic growth.

3.4 Approaches towards informal settlements

In this paragraph the approaches by authorities to informal settlements are covered. This is done in a fairly simplified way, it is to give a general impression on how dealing with the problems surrounding informal settlements can be approached.

Andoni (2007) distinguishes three main approaches to informal settlements (here explained also at the hand of other authors):
Analysis and explanation of key research themes

1) Ignore
Often done in countries where politicians or other decision makers are anxious to cause controversy by taking action legalizing or demolishing settlements. Also in countries without a strong central state and lack of vision, there often chosen to ignore the problem of informal settlements. Fernandes (2011) notes that often situations ignored or tolerated by governments lead to the generation of rights for the residents, because it is considered unfair to harshly combat informal developments a long time after they occurred. Most recent scholars agree that ignoring the problem of informal settlements is not desirable, because of the economic, social and environmental impact (Potsiou, 2014; Andoni, 2007).

2) Demolish
It is noted that demolishing informal settlements has been attempted in different periods in history. It is generally done in consolidated countries where big scale developers illegally construct. As for the peri-urban context covered in this thesis, demolishing informal settlements is politically dangerous, especially in cases of resettlements and eviction (Tsenkova, 2012). Potsiou (2014) argues that in democracies, demolition of informal settlements rarely makes economic, social or environmental sense. In this the excessive social and financial cost of the dislocation of residents is seen by her as a big negative side to the approach of demolition.

3) Legalize (formalization)
To legalize (formalize) properties, ownership has to be thoroughly defined and documented. Also the process must include mechanisms to increase productivity of informal sector assets by linking them to contracts and legal instruments that allow their owners to relate to government and private business (de Soto, 2001).

De Soto (2001) gives a clear definition of formalization:

“What does ‘formalized’ mean? Property rights are ‘formalized’ when they are embodied in universally obtainable, standardized instruments of exchange that are registered and governed by legal rules and connected to the rest of the economy through mechanisms which, additionally, can support the whole range of transactions that make a market economy work. Formalization creates the rights, obligations, and legal instruments that enable the owners to relate to government and private business. ”

Albania has basically gone through all three of these approaches. At the start of the 1990’s the state did little to prevent or accommodate the influx of migrants (Cila, 2006, p36). From 1995 onwards and after the unrest of 1997, several attempts have been done to relocate settlers and demolish their houses. In the formal neighborhoods in Albania (especially Tirana), this went quite well for the authorities. In the informal areas though, this resulted in great civil unrest and clashes between police and inhabitants of the settlements. After the social unrest, the government acknowledged the migrants as a part of change. The authorities then preferred to take a softer approach (Aliaj et al, 2003, p72). From 2005 onwards, formalization has slowly become the main focus in debate (Abitz, 2006, p73). As other mentioned scholars before, also Andoni (2007) is not a proponent of demolishing informal settlements, stating that informality is a response to a nonfunctioning land system, lacking urban management, housing policies or economic development. Connecting this to the responsibility of the state for its citizens, she finds the state cannot punish people for providing themselves with what the state fails to provide to them.

Having explained the three broad approaches, it is clear that a normative stance to those approaches has come through, formalization being called the most desirable by many scholars. This thesis is meant to clear up a small question within the possibilities of that approach.

3.5 Formalization of Settlements
In this dissertation, the focus is primarily on the process of formalization of informal settlements. The reason is that the implementation of zoning plans and building regulations can be narrowly connected to
this process. When ignoring informal developments, the question of implementing zoning plans and building regulations is hardly compatible, because it is not possible in practice to ignore physical objects in zoning plans and still comply with them. This practice would mean the zoning plan is inaccurate. To make a zoning plan accurate, the authorities would either have to demolish buildings, or formalize them. Although demolishing buildings to comply with zoning is technically possible, I prefer to focus on the formalization of settlements, just like many of the recent scholars writing about this subject. The reason for this is the intention the Albanian authorities express to formalize settlements, and the preference of many authors that wrote on this subject to take this road.

Some scholars argue that informal settlements often show socio-economic and cultural needs better than official forms of development (Payne and Majale, 2004, p11). They express an underlying problem in a country or in the sectors where government lacks capabilities. There are more reasons noted for the formalization of settlements. Fernandes (2011, p19) names a few:

- Often there is insufficient serviced land to relocate people on a large scale
- Cities have insufficient financial means to implement major relocations
- Relocation would cause uprooting communities that don’t want to lose their social and capital network.
- Public authorities have the obligation to enable the poor to access adequate housing.
- Relocating communities has environmental costs.
- Sometimes communities have the lawful right to stay where they are.

Mason and Fraser (1998) state that improvement of the quality of life of residents in informal settlements is achieved through regularization where a form if secure tenure is established and access to urban infrastructure and services is enabled. Also housing and physical and social infrastructures are to be upgraded to comply with acceptable standards. In Albania this shall be only partly the case, as a lot of houses built informally are already of very good quality.

In Albania

In 2004, a law for legalization was introduced (Law 9304). In Albania, in 2006 a law on legalization and urbanization of illegal settlements and constructions was approved by the parliament (law 9482). The main principles as quoted from Andoni (2007) were:

a. Legalization, which means full property title for land and house
b. Equality, which means same payments for land, despite of economic and social status
c. Compensation for land owners
d. Urbanization for illegal settlements

Koprencka and Muharremi (2010) point out the following as being the objectives of these introduced laws:

a. Re-planning of any informal area to ensure the functioning of their urban neighborhoods, keeping areas needed for infrastructure, road access and open space
b. Returning existing buildings in accordance with building standards and land use, and legalizing them under administrative law
c. Creation of funds for compensation of former owners
d. Regulation of ownership relations between informal builders, owners and the state
e. Inclusion of real-authentication in the national register of assets

Legalization was meant to be set forth together with urban law (Potsiou, 2014). It aimed to activate the sleeping capital of 6-8 billion US dollars. The new plan was aimed to create a legal development right for all parcels, except for too small or oddly shaped ones. This was all filled into a yellow drawn line around the city of Tirana (and other Albanian cities). This line is the area meant to be (sub) urbanized (as opposed to staying rural) and legalized when currently illegal. This meant that in this area, the development of housing, trade and services would be allowed. Through state funded field surveys and self-declaration, it
was meant that illegal buildings and the land they occupy can be acquired legally (Potsiou, 2014). Albanians had a six month period to declare their settlement as being informal. After that they could pay a fee for obtaining ownership of a parcel up to 300 m². For bigger parcels the market price was to be paid. Furthermore, the previous owners of land were to be compensated. Sometimes people could trade in a piece of their ground for public purposes, for example to gain infrastructure services.

ALUZNI is the organization responsible for the legalization and urbanization of illegal settlements. Later in this thesis, more will be said about their role too, two of their specialists have been interviewed for this thesis.

3.6 Comparison with surrounding countries
In this paragraph Albania is be compared to the neighboring countries Macedonia and Montenegro, in features of informal settlements and approaches for their formalization. The most significant goal here is expressing how the situation in Albania is unique in the region. Why would the country need a different approach in formalization than their neighbors?

Potsiou (2014) has compared the different causes, properties and approaches of dealing with informal settlements in different countries surrounding Albania (Greece, Macedonia, Montenegro and Cyprus). While many resemblances come forward, there are also clear differences between the countries. Because of the significance of the effects of communism or socialism on today’s reality, here Albania will only be compared to the neighboring countries that have also had to deal with this transition; Montenegro and Macedonia.

Like Albania, also Montenegro and Macedonia have had to deal with the phenomena of large scale internal migration and urbanization. In this respect, these can be seen as shared causes for informal development in these countries. A big difference is that in Macedonia and Montenegro, this was not the main and only source of people living informally. The migration in these neighboring country may be even more linked with the social unrest in the Balkans in the 1990’s. The wars led to big amounts of refugees entering Montenegro and Macedonia (Helleren, 2011, p25).

Another big difference is the period of the development of the informal settlements. In Montenegro (as I also covered in my bachelor thesis, 2012), many informal houses were built during the period of socialism, so before 1990. Because the regime had a less strict nature than in Albania, in Montenegro people were able to build without the permission of the government on a bigger scale. In Albania, where the regime was much stricter, this wouldn’t have been possible at such scale. Therefore in Albania the major development of informal settlements started only after the fall of the regime.

The development in Albania seems to be more scattered and wild, and there are more possibilities for legalization in areas that are currently not meant as urban land, than there are in neighboring Montenegro and Macedonia. In Montenegro this has to do with the protected status of much of the environment, which withholds legalization efforts in a large part of the areas. In Macedonia, there is a constitutional barrier preventing informal premises built on agricultural land from being legalized (Potsiou, 2014).

Macedonia, Montenegro and Albania all three share that informal settlements are often built on state owned land or on land that belongs to someone else. In Macedonia (except for agricultural land) and Albania, they decided that the regularization processes can progress nevertheless (Potsiou, 2014). In Montenegro they are not doing this so easily, and holding on more to old ratio of ownership. Montenegro has not yet even passed an official law declaring to legalize settlements, Macedonia and Albania both have passed those laws.

Of the three treated countries described here, Albania is the only country where when land is unlawfully occupied, the original owner is directly compensated by the government. In Montenegro compensation only goes through direct negotiations between the occupier of land and the landowner, and in Macedonia...
they work with long term lease agreements (Potsiou, 2014). In all three countries the aim is to legalize, and then plan. The planning follows legalization.

3.7 Role of zoning plans and area plans in the formalization of settlements

In this paragraph the role of zoning plans and building regulations for the formalization of informal settlements is explained. In this thesis I argue that zoning plans and building regulations can be seen as the judicial infrastructure of a municipality or country. The goal is to show why implementation of zoning plans can be advocated to achieve goals surrounding the formalization of informal settlements. The implementation of zoning plans for solving problems in informal settlements is criticized. This paragraph is preamble to my hypothesis that implementation of zoning plans could work for these areas when accompanied with PPP-constructions (covered in 3.8) and the concept of “Large Urban Projects” (covered in 3.8.5).

Zoning plans and building regulations can support formalization efforts. Fernandes (2011, p42) gives the example of Brazilian municipalities where Special Zones of Social Interest are implemented. Each special zone has to approve its own urban regulations. An opportunity to create land use and development procedures is provided, preventing absolute power being acquired by property developers. This gives the community a power position and would force developers into honest negotiation about the conditions for the right to develop.

It has also been recognized for some time now that public operators, state administrators and local authorities can often be dogmatic about norms and standards, also when it comes to zoning, land use and development regulations (Durand-Lasserve, 1996). This can cause very rigid processes in planning. Tsenkova (2012) argues that although the planning system in Southeast Europe has become more decentralized, master-plan implementation is still dependent on prescriptive, detailed plans which are supposed to be consistent with the approved master plans. This makes master planning and zoning rigid and not fit for the current planning practice in Southeast Europe, and in this case Albania. That is why I argue not to combine zoning with master planning, but with the concept of Large Urban Projects.

Gabriel (2007) endorses the idea that producing city plans with appropriate zoning and density standards, land-use plans and public-private partnerships, the problem of municipal incapability to solve problems surrounding informal settlements can be countered. He emphasizes the need for strategies and partnerships in housing development. In the 1990s, only private plots were taken as starting point, there was no planning, no zoning and the surrounding area was not taken into consideration (Ruijsink et al, 2013). This resulted in economic inefficiency, little eye for creating public space and services as well as unfitting building due to over constructing on plots. Van der Krabben en Needham (2008) also point out zoning (and “up zoning”) as making territories attractive for public and private parties to capture value. When the regulations in the zoning plans are inserted thoroughly and consensus wise, zoning can make that private companies can build for their own benefit and for that of the environment they are building in. Van der Krabben and Needham (2008) emphasize that urban redevelopment projects include expensive infrastructural works. So in assuring that through private investments in infrastructure, value can be captured by those parties, they can assist in successfully performing these urban redevelopment projects.

In this case, I see the formalization of settlements as urban redevelopment. A big problem now in Albanian informal settlements are the depressed urban revenues, due to the absence of tax collection, and the low investment capacity by municipalities (Gabriel, 2007). The value captured in the area can also come through an upgrade of the infrastructure. The zoning plans in this sense can be seen as judicial infrastructure. I argue that by zoning according to the interests of developers and the neighborhood, developers can be persuaded to invest in an area, knowing they can make profit. Through zoning, developers can get the security that their investment can be feasible. The promise can for example be to allow them a certain development density, for which in return they assist on the making of the zoning plan and other infrastructure needed to upgrade the area (plumbing, roads, electricity etc.). In the empirical
chapter (4) of this dissertation, an analysis whether to if and how this can work is made. After the development has been done, the presence of zoning plans makes sure the area stays livable, and doesn’t become a victim of uncontrolled development. This is my argument to still work with zoning, and my proposition to do so without making plans too rigid. More on this is explained in chapters 5.1.3 and 5.1.4.

3.8 Public-Private Partnerships
In this paragraph, public-private partnerships (PPP (singular) or PPPs (plural)) are explained. First the different definitions of PPPs by various authors are explained. This is supposed to give an overview of the value that has been attributed to PPP constructions in recent times. Then the types of PPP in area development are explained, as given by the Ministry of Finances of the Netherlands (2006). These are the following models:

- Concession model
- Building Claim Model
- Joint Venture Model

In the end, the connection between those types of PPP, and the questions in this dissertation is given. The goal is to point out how a PPP construction could be a good instrument to solve problems that Albania is dealing with in the legalization of informal settlements.

3.8.1 Definitions of a Public-Private Partnership
First of all, what is the definition of a public-private partnership? The World Bank (2012, p11) remarks that there is no single, internationally accepted definition of a PPP. In their Reference Guide, they take the following view:

“A long-term contract between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility.”

The UNECE (2008, p1) answers the question of what PPPs are as follows:

“Public-Private Partnerships aim at financing, designing, implementing and operating public sector facilities and services. Their key characteristics include:

(a) Long-term (sometimes up to 30 years) service provisions;
(b) The transfer of risk to the private sector; and
(c) Different forms of long-term contracts drawn up between legal entities and public authorities.”

These two definitions or approaches by international institutions are not formal definitions or PPPs, there is no straightforward definition of PPPs in urban development (Heurkens, 2012, p95). Nijkamp et al (2002) chose the following definition of PPP:

“A PPP is an institutional form of cooperation between public and private actors who, on the basis of their own indigenous objectives, work together towards a joint target, in which both parties accept investment risks on the basis of a predefined distribution of revenues and costs.”

These given definitions show that the definition of a public private partnership can be dependent on the beholder of a certain situation. There are various amounts of definitions of PPP(s), like the loosely defined one by Hodge and Greve (2007):

“(…) cooperative institutional arrangements between public and private sector actors (…)”

Yescombe (2007, p2) argues that the term “public-private partnership” appears to originate from the United States, related to joint public and private sector funding of educational programs and the development of utilities in the 1950s. In the 1960s it would also become used within urban renewal.
Yescombe specifically sheds a light on ‘project based’ or ‘contract based’ PPP. He also considers that PPPs in the way he uses it in his book contain the following elements (p2):

- Long term contracts (…) between a public sector party and a private sector party;
- For the design, construction, financing and operation of public infrastructure (…) by the private sector party;
- With payments over the life of the PPP Contract to the private-sector party for the use of the Facility, made either by the public sector party or by the general public as users of the facility; and
- With the Facility remaining in public-sector ownership, or reverting to public-sector ownership at the end of the PPP contract.

In this dissertation, the possibilities of PPPs are researched more in connection to the implementation of territorial plans (zoning plans). This is of course not as hard of an infrastructural object as an airport, road, power line or sewage system. It can be argued that this falls under legal infrastructure, zoning laws generally override the absolute dominion over property (Frankel, 1993) and in land use it can be effectively of the same significance as any other infrastructural asset. Yescobe (2007) notes that; “(…) private sector provision of soft infrastructure (…) falls under the category ‘outsourcing’ rather than PPPs, although obviously the boundary is not precise as soft services are often associated with hard infrastructure.” I argue that zoning plans can be a strong condition for hard infrastructure improvement in (informal areas in) Albania, and therefore should be seen as connected closely to it.

Like written before, scholars have different opinions as to which goals are served through PPP, and how the proclaimed involved actors play their part in this. Regan (2005) defines PPP as:

“The arrangement for the procurement of goods and services utilizing, franchising and similar arrangements with the private sector; the private sector is contracted to provide public goods and services on behalf of the government.”

Van Ham and Koppejan (2001) define PPP as:

“Cooperation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs and resources which are connected with these products through an institutional lens.”

The term partnership alone arguably comes from the dominance of privatization throughout the 1980s and 1990s (Wettenhall, 2003). Throughout that period has been used a lot in the governance discourse. Osborne (2000, p1) sees the 1990s as the as the time period of establishment of public-private partnerships as key tool of public policy around the world. Whatever definition one decides probably fits one’s own view of PPP constructions best. Specifications of the cooperation are needed per case to get a full understanding of the relationships in PPP structures. The way people view PPPs constantly keeps evolving, and therefore the definitions people give to it might keep changing through further developing insights. Wettenhall (2003) notes that Langford (2002, p69) describes the word partnership (especially in the sense of PPP) as “undoubtedly one of the most misused … in the contemporary administrative lexicon”. Wettenhall (2003) shows through that, the use of the word PPP can also be used as fashionable, as he claims particular practices in Britain in the 1990s were that were named PPPs, also occurred in Australia in the 1980s, but there were called "private infrastructure involvement". This is an example of the divide that Hodge and Greve (2007) name between researchers; the ones that see PPP as a tool of governance, and those that think of PPP as a "language game".

It should be clear by now that there are many views on the definition of PPP, and that through time and different perspectives, there has been no single definition established. All the definitions listed in this paragraph make some sort of sense in my opinion, and none I find to be definitely excluded. I use the definitions most fit for the use in real estate development, which I explain in paragraph 4.6.2.
Whatever PPPs exactly are, partnership approaches have received widespread support from across the political spectrum; policymakers, officials, local communities as well as supra-national bodies like the European Union which promotes partnerships for local agencies to achieve policy aims (Osborne, 2000, p9-10). A broad context for the growth of partnerships is the changing roles of local governments and changing state-private sector relationships. This was initially a trend in the US and the UK, but later in more countries. Like in the Netherlands; Heurkens (2012, p131-132) notes that various political, economic and social studies indicate that European countries have slowly adopted more Anglo-Saxon and neoliberal ideologies over the last decades, Netherlands most prominently among them. This makes that plans have now turned more into strategic documents as a guide for project decisions, carried out by local and regional players in local strategic alliances (Heurkens, 2012, p137). In the philosophy of liberalization and market-involved development, PPPs are a natural form of cooperation. Yescombe (2007 p16) stresses that PPPs should be seen under ‘New Public Management’, which encourages the decentralization of government, separating the responsibility for the purchase of public services from that of their provision, the performance based measurement for public services, the contracting-out of public services to the private sector and the privatization of public services. This fits exactly in the Anglo-Saxon neoliberal view.

Also in developing countries PPPs can be successful motors in development, especially where inadequate infrastructure has a restraint on growth (World Bank, 2012, p15). When infrastructure is lacking, PPP can help with additional sources of funding and financing, private sector analysis and innovation, improving project and service delivery and improving maintenance (World Bank, 2012, p16). Private sponsors and lenders undertake their own project analysis and have a profit driven incentive to carefully assess benefits and costs (p25). There is an agreement in literature that risk sharing is a major consideration for the public and private sector to share their qualities (Hodge and Greve, 2007). In deriving normative stances in the usefulness of PPPs, it is important to note that opinions about PPPs are often of an ex-post nature, because policymakers or politicians might want to justify their decisions or gloze their mistakes (Yescobe, 2007, p15). This makes the debate about the pros and cons of PPP a complex one.

3.8.2 Types of PPP in construction

As with the definition of PPP, also the categorization of types of PPP is not per se arbitrary, but still extremely varied per sector and country, often different terminology is used (World Bank, 2010, p5). In this dissertation, the question is how PPP can be used during the process of urban planning and area development. Therefore the decision is made to use the models for PPP in area development as given by the Ministry of Finances of the Netherlands (2006). The models, as they are seen by the Ministry are set out here. In paragraph 4.6.3, an explanation is given of how the relation lies between the types of PPP and this dissertation.

The three models explained here are:

- Concession model
- Building Claim Model
- Joint Venture Model

These are the most used models in the Netherlands in the building sector, and they are supported by the Ministry of Finances of the Netherlands. The other two models in development are “private development” and “public development” (Error! Reference source not found.), but needless to say these are not PPP models. The models lay out tasks that are to be done by the public sector, private sector, or a combination of them both.
**Figure 3: PPP models for area planning**

- **Initiation phase**
  - 1. Initiative

- **Feasibility phase**
  - 2. Vision and programme
  - 3. Plan development
  - 4. Estimate of land development

- **Realization phase**
  - 5. Project development
  - 6. Construction

- **Management phase**
  - 7. Management public space and infrastructure

Source: Ministry of Finances of the Netherlands, 2006

**PPP Concession**
In the concession model, the government defines the program to be submitted by the private sector, and the level of quality it should have. In the phase of researching the feasibility of area development (Error! Reference source not found.), companies are invited to come with ideas to help optimize the project financially and program wise. The pricing of services and the risks of the projects are divided between public and private parties. The public sector facilitates the execution of the project and guards that it goes well. The idea of this model is that the government owns land, and then sells it to a party from the market sector, who commits itself to execute the plan according to contract. The estimate of land development, the arrangement of public space, and the placing of infrastructure is the responsibility of the market party.

A large part of the planning process goes to the market party in the concession model. The market party supports and is responsible for the plan making, the estimate of land development and management, within the framework made by the public sector. Also the market is responsible for the public space and the construction of infrastructure. In this way the public sector can use the knowledge of the private sector in area planning. The market parties also might be able to make more feasible plans than the public sector. The risks largely go to the private sector. It makes that the public sector will have to transfer influence to the private sector as well (compared to a fully public sector led decided process).

**Building claim model**
In this typically Dutch model, responsibilities, work and risks for development, realization and management are divided between public and private parties, just like with a concession. The difference is
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that in this model, mostly market parties are owners of the land, instead of the government. This means public parties negotiate the conditions under which the private parties are prepared to transfer their land to the government. Often, this happens by giving the market party a building claim, meaning that within a government provided framework they have the right to develop real estate, and after the site is prepared by the public sector, it is transferred back to them.

This model gives public parties the possibility to benefit from profit potential. The price for which the market parties can buy the prepared plots of land depends on the costs made by the government. This gives the government the possibility to make private parties pay for public space and infrastructure. For private parties this model can be attractive because they are in contact with the public sector soon, and they can exchange wishes. This means the costs for the planning process can decrease.

Joint Venture Model
A joint venture PPP alliance is when the public and private sector together develop facilities, realize, exploit and manage development, sharing risks concerning the costs and benefits. The difference with the other models is that work (the estimate of land development and such) is not divided amongst the public and private parties, but shared by both of them. A municipal land development company can be put into place, being a company represented by public and private sectors. This company does the area development process. This model is often used when government needs to realize public functions and wants a big influence in the process.

With this construction, knowledge can be shared. The government will bring the knowledge of the process and judicial standards from the public side, private parties will bring entrepreneurial knowledge. Especially for innovative ideas, new concepts and an atmosphere of equality, the joint venture model is a good one.

3.8.3 PPP in this dissertation
In this dissertation the main focus is on if zoning plans can be implemented through public private partnerships. Through zoning through public private partnerships, companies should be invited to invest in upgrading informal settlements. The philosophy behind the private sector being involved in making the actual zoning plan, is given in paragraph 4.8. The point is that zoning plans can be seen as judicial infrastructure. In this means of zoning, private parties can be lured into investing in informal areas. Through the interviews done for this thesis, the goal has been to find out what the public sector needs in a planning process, to successfully carry out its functions. According to those findings, an explanation will be given on how well the different covered PPP models fit the Albanian context.

Current PPP in Albania in urban planning
There are not many clear examples in Albania considering PPP constructions. In the findings and results chapter, more on this subject is explained. Nepravishta (2004) described the partnerships in Tirana for instance, as being problematic, there being no presence of clear policy and guidelines for forming effective partnerships. The PPP that currently exists in Albania is mainly in providing services, for example waste collection, electricity production and other infrastructure projects, where there is a clear model for earning money.

The concept of Large Urban Projects
A concept that can be well connected to the value capturing and the up-zoning principles by van der Krabben and Needham (2008) as explained in the last paragraph, and the further use of zoning plans, is the concept of Large Urban Projects. Within the scope of PPP, this takes in a progressive place in dealing with the parties involved in a PPP construction.

In the existing city, as part of which the informal settlements can be seen since the intention to formalize them, a different developing approach is wished than in developing new neighborhoods from scratch on wastelands. It is argued that instead of taking a holistic approach with a utopian final plan, the future will
be ‘planning through projects’ (Carmona et al, 2010, p40). In ‘planning through projects’ the planning focus is diverted to individual areas, nodes and infrastructural networks. Connected to these projects Carmona et al speak about the concept of Large Urban Projects. They give a definition by Iracheta (2002):

“(…) public or private interventions that because of their size or impact affect a considerable part of the city, the city as a whole, or even a region. They are single and unitary projects, planned, designed and implemented in determined phases (…)”

Working in this form of planning is said to bring some benefits with itself comparing to using a holistic approach or an approach purely based on developing wastelands (Carmona et al, 2010, p42:

- Large Urban Projects ensure that an alignment can be created between the vital parts of the city and the periphery/ the peri-urban parts of the city. In Albania, there is a big difference between the informal periphery of the city, and the more vibrant upper class centers of cities. A connection would be positive for the periphery.
- Large Urban Projects connect well to the upcoming paradigm in planning of ‘mixed land use’. This is important for the informal areas of Albanian cities, because they often lack facilities and commercial area. With Large Urban Projects a single area can be upgraded in one time through up-zoning and the mixing of functions.
- A Large Urban Project can make that value is captured, through which other facilities can be funded. This is initially the most important practical goal researched in this dissertation. A way needs to be found to get investors to be able to capture value in informal settlements thusly that affording facilities for the area is already feasible within the plan, and they are willing to work on creating a zoning plan that benefits themselves, as well as the livability in the area. This is also meant to be a potential solution for the lack of means by local governments to pay for the construction of facilities in informal settlements. There have been recommendations for Albanian informal settlements at the end of the 1990s, stating that the provision of infrastructure will be cheaper when the area is built more compact (Aliaj et al, 2003, p 80). This fits well in the philosophy of using Large Urban Projects.

So in fact a Large Urban Plan is simply an up-scaling of a normal infill-development initiative. Because of the scale it becomes easier to construct a feasible plan. A choice can be made to combine several land development plans in one municipality, so the more profitable projects can cover for less profitable, but highly necessary projects in less feasible parts of town. These projects combined can then be put under the denominator Large Urban Plan. In the idea of Large Urban Plans, a big emphasis is put on trying to capture value, to cover other expenses. Luring private parties with a good deal is part of that. It is the basic intention in getting infrastructural necessities done.

3.9 Good governance

In my conceptual design presented in chapter 1.2, the practice of good governance is a factor that supersedes all other factors influencing the possibility of the implementation of zoning plans by the private sector. In this paragraph attention is given to how good governance is defined, after the definition of governance by itself is defined for this thesis.

Goverance

The term governance has become a term with a duality of meanings, one mainly popular and one more academic. Popular writers tend to use the term synonymously with ‘government’, where many academics and international practitioners employ the term to connote a complex set of structures and processes (public as well as private) (Weiss, 2000). In this thesis, the definition of governance as described by the UNDESA (2007, p3) is used. They first of all distinguish three types of governance. The first is political or public governance, whose authority is the State, government or public sector, and relates to the process by which a society organizes its affairs and manages itself. The second type is economic governance, whose authority is the private sector and relates to the policies, processes or organizational mechanisms that are necessary to produce and distribute services and goods. The third type is social governance, whose
authority is the civil society, and relates to a system of values and beliefs that are necessary for social behaviors to happen and for public decisions to be taken. The UNDESA (2007, p3) does not consider these three types of governance being at the same level. This means that the concept of governance for them is not neutral. The State provides the organizational dynamics and political and jurisdictional systems for both social and economic governance, and therefore plays a more important role than the civil society or the private sector. Therefore, following the European Commission (2003), UNDESA finds that governance concerns the State’s ability to serve citizens and other actors, as well as the manner in which public functions are carried out, public resources are managed and public regulatory powers are exercised. This decision is relevant for the outcomes of this thesis, because its puts the primacy of making good governance possible in the hands of the public sector.

Good governance

Like written in paragraph 1.2, in the view of UNDESA (2007, p4), taken from Rotberg (2004), governance is good when;

“it allocates and manages resources to respond to collective problems, in other words, when a State efficiently provides public goods of necessary quality to its citizens.” (...) “The policies that supply public goods are guided by principles such as human rights, democratization and democracy, transparency, participation and decentralized power sharing, sounds public administration, accountability, rule of law, effectiveness, equity, and strategic vision.”

UNDESA (2007, p6-7) roughly distinguishes four aspects of good governance;

Efficiency: the government’s ability to establish predictability in the institutional and policy environment. It is also a question of prioritizing government services to correspond with citizen needs.

 Transparency: the availability and clarity of information provided to the general public about government activity. They stress that lack of transparency creates opportunities for government corruption and reduces public sector efficiency. UNDESA also considers accountability – the establishment of criteria for evaluating the performance of public sector institutions – as linked with transparency.

 Participation: this is seen as an essential element for an engaged civil society, and can be promoted by enacting legislation that strengthens the freedom and plurality of media, establishing an independent electoral management body and encouraging public input into decision making on government plans and budgeting.

UNDESA (2007, p11) also has the view that decentralization can increase the population’s access to livelihoods’ opportunities and various social services. They say decentralization is correlated with citizen’s increased participation in economic, social and political activities. Still they also note that decentralization can also reinforce the power and the influence of the local elites.

 Efficiency, transparency, participation and decentralization will be the aspects referred to in the conclusions of this thesis, when considering if the principles good governance can be upheld in the Albanian context.

3.10 Conclusion

The intention of this chapter was to show that the factors I bring up in this dissertation fit together to form questions and hypothesis of which the answer can have a strong scientific value as well as a strong practical value. There has been put forward what informal settlements are, what they look like in Albania, and what the relevance of formalizing them is. In formalizing informal settlements, many factors play a role. With covering zoning plans and building regulations, and large urban projects, possible instruments that can play a role in this process have been described. In the findings and results chapter of this dissertation, it is analyzed if this would be practically possible. The desirability of the use of these
Analysis and explanation of key research themes

instruments in the current Albanian context is to be considered within the principles *good governance*, hence the explanation of what that means.
Analysis and explanation of key research themes
4. Planning context of Albania

This chapter contains several aspects of the report. First of all, overviews of the Albanian planning context and reality are given. This is done through an explanation of Albania’s planning history before and during the time of communism (paragraph 4.1). What follows is an explanation of the changes in the planning system after the fall of communism, the temporary situation is sketched, and the technical aspects of the current planning system are set out (paragraph 4.2).

In the second section of this chapter, the explored cases are set out. These are the largely informal neighborhoods of Bathore in Tirana, and Keneta in Durrës (paragraph 4.3). They are set as examples of the areas that contain the circumstances that justify the questions that are asked in this dissertation. Through photos, images from google earth and other information, the situation in these neighborhoods is thoroughly sketched. After the situations in these informal areas referring to the questions in this dissertation are made clear, the past laws of formalization of these areas are explained (paragraph 4.4), as well as the known implications of those laws in practice (paragraph 4.5).

4.1 Planning history and practice in Albania during communism

In this paragraph an explanation of the Albanian planning practice during the time of communism is given. For some context a brief explanation of the period before the end of the Second World War is given. The most significant period of time for this dissertation is the period starting from the time of the communism period, because this practice in this period has the most significant influence on planning practice today. An explanation of the mentality and the general planning philosophies during the time of communism is given, and the planning practice is set out. This is of significance, because this history strongly affected and affects the processes in urban development going on after the period of communism.

4.1.1 Before communism

Before the end of the Second World War, Albania was economically liberal and there was private ownerships of properties. Although the planning system was still weak, there were urban regulatory plans made from the 1920’s to 1939 (Aliaj, 2003, p28-40). These plans were made for Tirana and were made predominantly by engineers and architects. The intention was to form wide avenues and create a city that could perform as a real country capital. Under the Italian rule from 1939 to 1944, regulatory plans and master plans for Tirana were also made. From this stance the general tendency of policy can also be seen, as the importance of private policy was held by inhabitants, and also respected in the regulatory plans, by causing as few expropriations for public purposes as possible (Aliaj, 2003, p44). With it the Italians brought specific zoning plans. They brought rational character to Albanian town planning, which fit well with the fascist Italian power at that moment.

4.1.2 1945-1990

The communists took power in Albania right after the Second World War. Communist rule then commenced, and the first actions were nationalization of industries (Abitz, 2006, p35). Then came the collectivizing of farms, land was redistributed amongst workers and large and medium landowners were expropriated from a large part of their lands (Sabates-Wheeler and Waite, 2003, p5). With aid of the Soviet Union, in 1947 the country’s first institute of urban research and design was founded in Tirana (Abitz, 2006, p36) (later to be named ‘The Institute of Town Planning and Architecture’). Also the University of Tirana got a town planning and architecture faculty. The system that was introduced was a central planning system, which was almost absolute (Nientied, 1997). The country was governed through five-year plans, which were meant to securely construct every aspect of Albanian society. The urban planning aspects of every five year plan were named as follows by Borchert (1975):

1) (1951). Focus on industrial growth and development.
2) (1956). Focus on mining, hydro-electricity and food processing services.
3) (1961). Focus on industrial growth, especially raw materials to semi-manufactures. This was meant to make the country self-supporting.
Planning context of Albania


Although like in capitalist countries, communist views of growth were also based on industrialization, the communist policy was more of a state planned growth. This encompasses the ideal of an optimum city size (Abitz, 2006, p36), which was implemented to a far reaching extent in Albania. Tirana was to be the industrialized leader city of Albania. In 1957 the Institute of Town Planning and Architecture brought out the first regulatory plans for Albanian cities. They were inspired on Soviet city planning principles, Abitz (2006, p36) describes the next ones:

- Emphasis on the political-cultural role of the capital cities and the central core of other cities, at the expense of commerce
- Regulation of city size
- Importance of the urban historic heritage
- Use of squares and boulevards as organizing foci
- Self-contained residential neighborhoods with services and workplaces
- Standardization of architecture for a classless society and for reducing costs
- Adequate provision of green areas

In the sixties the growth of Tirana lead to the opinion among specialists that there would be constraints on the cities' services. This lead to the implementation of an anti-urbanization strategy based on Stalinist and Maoist urban planning strategies (Abitz, 2006, p46). Rural areas were to be created and urban growth was to be restrained. The main idea behind this philosophy was to reduce the gaps between the different social classes, the urban and rural areas and the different regions of Albania. In practice, this would mean the allocation of industrial investments to the other regions outside of Tirana, accompanied with the improvement of infrastructure. Also the system of cooperatives and state farms was to be optimized. Two government techniques were introduced in this time, ‘the yellow line’ and ‘new towns’. This would have to make a clear divide between urban life and agricultural life.

All villages and towns had a regulation plan, drafted within the ‘yellow line’. The yellow line marked the development area. Within this line the urban development of the municipalities and communes had to take place, everything outside of it was agricultural land (Ruijsink et al, 2013). Because the urban land was completely regulated, the profession of planning was not accompanied by instruments with economic incentives. The authorities’ policy was simply the rule. The yellow line was established to gain control over urban growth, so when development in a city reached that line, the overflow was directed to other cities (sometimes new towns) (Abitz, 2006, p47). The yellow line made popular cities available to the privileged; not everyone could inhabit them as through their popularity the yellow line was often quickly reached.

‘New towns’ were the towns created in previously non-urbanized sites. The emergence of these towns contributed to the wider regional distribution of population (Abitz, 2006, p48). Forty-one of these towns were built, having the function of being a center for harvesting natural resources, as well as playing a role in agriculture, education and administration. These ‘new towns’ were meant to be showcases of how to live the typical socialist urban life. This means that also in rural areas, these towns were standardized to fit the concept of a socialist city.

Also in the 1960s, old urban areas were torn down, and new residential blocks of 3-4 story apartments were built (Aliaj, 2003). These apartments were of a low quality architecturally and construction wise. In the 1960s, the Soviet tested concept of ‘micro districts’ was implemented. These were more or less self-contained districts, each unit provided with stores, laundries, cleaning and repair shops, restaurants and schools (Abitz, p40). Further there was a strong focus on access to factories, health-care facilities and cultural sites. Facilities that were used on a daily basis, like schools, were constructed on micro-level, whereas bigger facilities like museums and theatres were placed in city centers. This fits in the idea of ‘functionalism’ that was supported. This means that structure and architecture were meant to serve the
Planning context of Albania

basic needs of people, regardless of class. Through design of the physical environment, the form, content and values of social life could be shaped, such was the assumption.

In the 1970s, there was still a housing problem in Tirana despite of the strict policies by the government. There was a constant underfunding of urban housing construction and infrastructures; housing conditions were to be equalized and housing was not to be seen as a commodity (Sailer-Fliege, 1999). An urban planning/housing strategy based on the Maoist idea of anti-urbanization was extended, based on ‘the socialist man’ principle (Abitz, 2006, p52). This meant that people were to be in service of socialism and their society. It meant that many apartment buildings were built voluntarily, for people to support society. This, combined with the concepts implemented before, would form the Albanian landscape. An artificially allocated country with a socialist urban planning structure. Despite the Albanian will to allocate people over the country according to the socialist/Maoist philosophy, international scholars in the 1970s already noted the tendency of migration from Albania’s rural areas to the triangle Durrës, Tirana, Elbasan and the fertile grounds of the coastal lowlands (Borchert, 1975). This tendency in practice did not get a chance to become reality. It would appear in practice though, that the equalization of living standards between rural and urban areas did not work. Urban citizens remained to have a much higher living standard concerning housing, health services, social facilities and cultural facilities (World Bank, 2006, p5).

In the Albanian constitution of 1976, all collective and private land ownership was abolished, and land ownership was degenerated to be solely a state property and affair (World Bank, 2006b, p41).

Administratively, Albania was divided into twenty-six districts or regions. The districts then contained localities which were made up of some villages, making up a territorial unit. Larger cities were divided into quarters, with each their own People’s council (Abitz, 2006, p42). These councils were responsible for carrying out state policy. In the case of urban planning, this meant allocating apartments built by state enterprises to the citizens. Government techniques on allocation were based on bio-political methods as marriage and family building. In this way also the need of housing per city was calculated.

The construction of streets, buildings and public spaces was prepared by a General Plan (also sometimes called Master Plan) or “urban study” (World Bank, 2006a, p28). This normally covered a long term time period and was made according to national goals and objectives. It covered all aspects of spatial intervention needed, calculated per average human unit (Hirt and Stanilov, 2009, p25). Per city plan these plans were funneled to smaller detailed regulatory plans, stating specifically what the building prescriptions were.

Because urban land and the private rental market were transferred to state ownership or withdrawn from private right of disposal, land rent lost its significance for urban development (Sailer-Fliege, 1999). Public authorities owned most urban land and had a virtual monopoly over urban development (Hirt and Stanilov, 2009, p26). The state allocated houses, they operated formal public rented stock, and enjoyed great influence over private single-family housing (Kovács, 1999). Figure 4 shows what the average socialist city looked like, according to Sailer-Fliege (1999). This shows the intentions upon which also Albanian cities have been built. Of course Albania is a unique case, and not comparable to other Eastern and Central European countries in all aspects. She explains that unlike in the Western European cities, there is hardly any suburbanization in the socialist countries. This is clearly the case in Albania, where there was no urbanized development outside of the ‘Yellow line’.
At the end of the communist period in Albania, there was a very artificially allocated population and urban planning practice. Population lived in places where it was not most efficient for them to be, and industries and facilities in rural areas existed due to heavy subsidizing. This history of urban planning and spatial developments is important to understand the processes going on right now, and right after the fall of communism, which is explained in the next paragraph.

4.2 Recent history (1991 onwards) and practice of planning system up to current situation

In this paragraph the planning history and practice in Albania after the fall of communism in 1991 is set out. First the developments in planning approach are set out, through the laws introduced over the years. Then the practical implications of that approach (or lack of them) is explained. Lastly, an overview of the instruments and mechanisms of the current Albanian planning system is summarized.

4.2.1 Legislation

When the Democratic Party came to power in 1991, the parliament adopted the Law On Constitutional Principles (Law no. 7491). This law was used as interim basic law until the forming of the new Constitution in 1998. It referred to private ownership of land and enabled the parliament and government to revise the structure of land and property ownership in Albania (World Bank, 2006b, p42-43). In 1991/1992, three laws were adopted to secure programs of transfers of land ownership rights from the state to citizens and other juridical persons. Until the Civil Code in 2004 though, the content of the institutes in handling land transfers, ownership of land, leasehold and right of use, could not be clarified. This ambiguous situation contributed to the chaotic practices in land and property use and transfers later on.

In 1993 (effectively introduced in 1994), the Law on Urban Planning (No. 7693) was put into place. The planning methods of the socialist/communist era consisted of using General Plans or “urban studies” to plan streets, public spaces and structures (World Bank, 2006a, p28). The Law On Urban Planning as introduced in 1994, as well as the amended form in 1998, kept these plans and studies as basic elements...
of planning and regulatory control. The new government entities created by this law were (Harvey and Craig, 1997):

- The Council of Territorial Adjustment
- District council of Territorial Adjustment
- District, municipal and commune planning offices

The actual planning was decided to be the task of the district and municipal planning offices (also to be done for the communes if they had them in their territory). The District Council of Territorial Adjustment was to approve the general regulatory plan and the partial city planning studies in the district and in the communes. Also these would need approval by the appropriate district, municipal or commune council (Harvey and Craig, 1997). For cities with over 10,000 citizens, the general regulatory plan, the yellow line of construction and the suburban design were to be approved by the cabinet-level Council of Ministers.

Three types of planning documents were introduced; the city planning development programs, the regulatory plans and the partial city planning studies. In the review of this 1993 Law on Urban Planning, Harvey and Craig (1997) point out many confusing aspects. These include ambiguity on who was responsible for the confirmation of planning documents, ambiguity of who could make decisions over different types and sizes of lands and ambiguity about the government level of approval of plans. Also unclear, was who had the responsibility over site permits and construction licenses, which according to the 1993 Law on Urban Planning were needed to get permission to build.

Further, in 1993, the Law on Restitution and Compensation of Properties to Former Owners (No. 7698) was introduced. This law was meant for (the descendants of) people that were expropriated of their lands since the start of the communist era. Most of the land in question was frankly already divided amongst collective farm workers in the two years before the introduction of this 1993 law (USAID, 2011). The Law on Land of 1991 (No. 7501) had already made that privatized agriculture land was divided, without providing for properties to be restituted to families affected by this reform (Sabates-Wheeler and Waite, 2003, p.6). This means that the decision was made to compensate the concerning people with state land, land in the tourism development zone (a zone also established in the 1993 Law on Urban Planning), shares in companies with state capital, or to grant them a financial compensation.

Also in 1993, the five-year Albanian Land Market Action Plan was introduced. Through research done and supported by the USAID and the University of Wisconsin – Madison, it was recognized and aimed for that the following was to be done (Sabates-Wheeler and Waite, 2003, p.19):

- Creating an Immovable Property Registration System (IPRS)
- Registering the newly created private property rights and public rights to real property in this system
- Creating policies and programs for land market support for the accurate valuation of real property
- “ for improving information about the supply and demand for land
- “ for land use zoning to guide urban and rural development
- “ for the preservation of agricultural land
- “ for ensuring access to the land market by capital-poor families
- “ for the gradual liberalization of the land market

The Law on Urban Planning was amended in 1998, together with the formation of a new constitution, after the domestic chaos of 1997. The World Bank (2006b, p. xii) described the law as still being conservative and needing to evolve, showing a classical legal approach to land an property rights, which basically comes down to a laissez faire attitude. The Bank expresses the opinion that almost no instruments were handed to the public institutions for public intervention through regulatory planning. The only notable instrument was the fairly grave option of expropriation. In 2000 the Law on the Administrative/Territorial Division (No. 8653) was also introduced, giving the lower governments much more responsibilities, like taking care local of infrastructure and facilities.
Planning context of Albania

In 2004 the Law on Legalization & Urban Planning of Informal Zones (No. 9304) went into effect. It is meant to formalize rights of illegally occupied land. In 2006 the World Bank (2006b) published the Albanian Urban Sector review. This among many other researches, gave a clear view of what had to be improved in Albanian planning. The recommendations they gave and the things that needed to be done in Albania according to them were (p. xiii-xiv):

- Articulating a vision and strategy aimed at a sustainable and inclusive character of urban development.
- Articulation of objectives to make sure every settlement and new development is to be formal; getting users to obtain recognized land titles and building permits.
- Creating the availability of a legal housing product affordable without subsidies to the majority of the population.
- Making sure infrastructure is available to all residents; access to water and sanitation, adequate roads, drainage and social services such as schools.
- Making cities develop in a compact manner for maximum use of public transport, and for economic and environmental sustainability.

In their report they advise to change regulatory practice in the following ways:

- Defining subdivision regulations that promote affordable standards for legal land development.
- Relaxing the past emphasis on the urban growth boundary (the yellow line).
- Monitoring land and housing prices and supplying the demand of different income groups.
- Regulatory plans and zoning that serves the dynamic of the market instead of working against it should be implemented.
- More public participation and publicity of plans and regulations, to ensure general support and transparency.
- A more streamlined permitting process that reduces transaction costs of obtaining approvals and discourages corrupt behavior of officials.

In non-regulatory mechanisms the World Bank advised the following in their report:

- More public-private partnerships in urban infrastructure provision, especially for revenue-earning services.
- Investments in local public goods through local taxes and impact fees.
- Available fiscal sources should be exploited more.

In 2009 the Law on Territorial Planning (no. 10119) was approved, and with the bylaws amended it entered fully in force in 2011. This is the law that is also in place right now. The goal with the new law is to gain grip on spatial development and to take into consideration concepts of sustainable development, taking notice of all components of the territory (Ruijsink et al, 2013, p6&8). Decision making is decentralized; the drafting and approval of local planning instruments is transferred from central to local governments. Development permission can be given by local governments if they have planning instruments/documents in place in line with the new law. Also new in the law is the distinction between property rights and development rights. Before the Law on Territorial Planning, no such distinction was made in Albania. The Council of Ministers of Albania1 (2013, p77) notes in the 2012 progress report of Albania that the goal of the new law and the reforms in the recent years before 2012, is transforming the planning system into one that develops and controls the territory. This is a clear move away from the laissez faire policies maintained since the start of the 1990s. The most important qualities they attribute to the new Law on Territorial Planning to achieve and support are:

- A comprehensive planning framework adapted to a mixed system of national and local public and private interests
- Not only emphasis on planning, but also on developing and controlling territory
- Horizontal and vertical coordination among the national and local territory planning authorities in line with European norms and principles

1 Concerns the Council of Ministers of before the 2013 elections
Planning context of Albania

- Well integrated territorial development through local plans covering administrative territories, prepared by local government units. General Local Plans are to cover the administrative territory of each unit.

The National Agency for Territory Planning (NATP) was established in compliance with the law. They are burdened with the task to build the capacity of the local governments (Ruijsink et al, 2013, p6). Ruijsink et al go as far as calling the recent developments a symbol of the come-back of the state with respect to land use and urban development. This fits into observations by the World Bank (2006b, p83) a few years earlier; although in the 1990s letting urban land development follow the emerging private demand was good, now it is time for Albania to redefine and reestablish the public role in urban development.

4.2.2 Practical Developments from 1991-present

Like set out in the last paragraph, between 1991 and 1993 various laws were put into place to liberalize the immovable property markets and make the exchange of land and real estate possible. In practice, the incompleteness of the laws and policies accompanying this process, meant the uncontrolled urbanization of Albanian cities (Ruijsink et al, 2013). The imbalanced and inefficient allocation of population in Albania during the time of communism was rapidly being straightened out. People massively moved from the rural areas in Albania to the urban areas, especially Tirana and Durrës. This was not foreseen by policymakers and politicians – adequate legislation was far from prepared – and on top of that the lack of knowledge of modern urban planning and land management policies, made managing the massive migration of people impossible (Andoni, 2006). This inability to manage urban growth practically made it a de facto laissez faire policy. As already made clear in recent chapters, on peri-urban land just outside of the old borders of Tirana and Durrës, former state farmland was occupied and settlements were built. These locations were occupied as a result of their accessibility to transportation routes and the proximity to water and electricity supplies (Sabates-Wheeler and Waite, 2003, p11). The occupation of public space was characteristic for the new mentality of Albanian society, avenging restrictions in the past by communist rule and not accepting any intervention from the state (Rama, 2003; Ruijsink et al, 2013).

Urban planning was seen as interference with freedom and the mentality of the people was that if the land is occupied by them, they could do whatever they want with it (Toto, 2011). Nientied (1998) at that time recognized that planning was seen as an obstacle rather than an instrument for market development. He supported a different, more positive viewpoint towards unplanned development, which the government as appears now developed in the 2000s. Throughout the 1990s, the population of Tirana tripled and the metropolitan land area six-folded (the officially still present yellow line was completely ignored by settlers).

Ruijsink et al (2013) describe the 1990s in Albania as a time without planning, zoning, or consideration for any surrounding areas outside of mere individual plots, leading to economic inefficiency, lack of public spaces and services and an architectural distortion. Figure 5 is a clear example of a lack of planning; the newly developed structures have new roads around them, which completely ignore the presence of the old existing dirt road, resulting in the two roads lying awkwardly next to each other without any alignment between them. Ruijsink et al (2013) also describe that regulation plans created in the 2000s by various municipalities, were not implemented because of lack of planning instruments. Aliaj et al (2003, p70) note that the name “illegal” in their eyes not only applies to unlawfully constructed buildings, but also to the disrespect to the most basic rules of urban planning in construction. Constructions have been built on green spaces (meant as parks) between existing buildings, and no notion has been taken to other functions than the residential one, other functions as recreation and car parking. After the fall of communism the interest and sense of responsibility for public space has been very low (Myhrberg, 2011, p40). Also many one or two story houses were demolished to be replaced by tall multi-story blocks (Ruijsink et al, 2013). Aliaj et al (2003, p 73-74) explain that in legal and illegal areas, this lack of urban planning has a negative effect on the environment, and existing infrastructures. There has been densification of urban areas without the necessary investments in and maintenance of infrastructure services, therefor leaving the municipalities with major problems. There was not only an uncontrolled sprawl of residential construction; a great amount of commercial illegal kiosks were built in the Albanian cities in the 90s. They were built in the absence of sufficient alternative accommodation for the many new
small businesses (Pojani, 2010). In an effort to reclaim lost public space, most of these structures were demolished in 2002 and 2003.

*Figure 5: lacking urban planning; new infrastructure not aligned with existing infrastructure*

The social housing system that existed under the communist system totally disappeared. Albanian government was unable to provide social housing or affordable housing for low and middle-income families (Potsiou, 2014). Therefore authorities at some point admitted that for many Albanians, the only way to obtain adequate housing was in fact to turn to informality. Also for the old communist housing stock, no resident organizations were created. The flats were left to heavily decay, and the constant nearby uncontrolled construction-sites sometimes damaged the buildings even more (Pojani, 2010). This led the inhabitants to improve their flats informally by themselves, and sometimes even extend buildings in inadequate ways.

In 2003, looking back to the five year plan made in 1993, Sabates-Wheeler and Waite (2003, p 33-35) note that the recommendations by USAID, the World Bank and the University of Wisconsin – Madison, were not carried out. The creation of an Immovable Property Registration System was not merged with existing systems of registration. Construction in peri-urban areas, on agricultural lands, went so rapid and uncontrolled that registration at that speed was not done. The capacities for implementing plans and ideas was not available in Albanian governments. Rural fragmentation of parcels, together with informal construction, made surveying a slow and difficult procedure. These findings could possibly fit in the criticism I personally heard from much Albanians, that foreign parties researching the problems in the country have too little eye for specific local context (more about this in the findings and results chapter). Andoni (2006) also stresses that especially urban regulation and land administration policy should be related to urban illegality.

In practice, the creation of property rights in Albania was put into place as if this only comprised individual rights, and not individual and social obligations that are supposed to come with it. In practice this meant that government had a limited scope for intervention in the process of urban land development (World Bank, 2006b, p83). The uncontrolled construction had generated higher land and property values, but little is given back by the land owners. Little public value was captured.
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In 2012 the Council of Ministers (2013, p77) noted in the Progress Report that about half of the municipalities in Albania were in the draft phase of their General Local Plan. Co-PLAN (2012) stated in 2012 that little had been done regarding the implementation of the Law on Territorial Planning. According to Co-PLAN, the biggest reason for this is the lacking capacities of public officials to guide its implementation.

4.2.3 Planning authorities and planning instruments

Here the planning authorities and different planning instruments are set out, as provided by the Law on Territorial Planning. Law No.10 119, dated 23.4.2009 (from now on referred to as “The Law”).

Planning Authorities

Article 5 of the Law states that Albania has the following National Territory Planning Authorities:

- The Council of Ministers
- The National Territory Council
- The National Territory Planning Agency
- Each (…) Ministry and (…) central public body, which (…) has territory planning duties and responsibilities, or any other body (…) that have been delegated or sub-delegated specific tasks and responsibilities regarding territory planning and environment control

The most important functions of these authorities are:

The Council of Minister approves building regulations, takes measures for the enforcement of national territory planning instruments, supports developing human an professional resources and promotes the designing of the territory planning and development policies (article 7).

The National Territory Council decides on the approval of national territory planning instruments, decides the approval of determination of national importance in territory planning, assesses and approves compliance of the local instrument with the planning instruments in force and encourages drafting of national and local territorial plans (Article 8).

The National Territory Planning Agency supports horizontal and vertical coordination between national and local planning authorities, provides technical support to local government units with developing policies and acts, develops national and local planning authorities’ professional and technical skills, conducts research and evaluations on developments in territory, provides relevant public information and cooperates with national and international actors to enhance territorial planning (Article 10).

The ministries and other central public bodies support with designing planning instruments, enforce them approve building regulations and carry out all other task in territory planning as far as the law or policies would provide them doing so.

Article 12 of the Law states that Albania has the following Local Territory Planning Authorities:

- Municipality/commune
- Region
- Subsidiary bodies of the municipality/commune/region

The most important functions of these authorities are:

The municipalities and communes lead and guide territory development and protection (...) through (...) local planning instruments and their integration into/compatibility with the national planning instruments. They determine detailed standards and conditions for local development. They exercise development control for the enforcement of national and local planning instruments. Have active land management policies. Record data. And providing data, human resources and capital to make all this possible (Article 13).
Planning context of Albania

The regions draft and adopt development control instruments and comply with any other laws and planning responsibilities provided to them by law (Article 14).

Planning Instruments

a) Policies (Article 20)

Policies are the superior expression of territorial planning, reflecting strategic priorities and goals. The policy documents contain:

- Key prospects and objectives of planning and corresponding development of the territory
- Key priorities and directions of territorial planning
- Enforcement measures; action plan and budget

b) Plans (Article 21)

Plans rely on adopted policies and are applied across a specific territory over a defined time. Plans contain:

- The borders of the territory they cover.
- Vision, main purposes and objectives regarding territory use.
- The database and analysis of the situation, and forecasts for demographic development, employment and commodities required to support these.
- Explanatory note containing the explanation of the legal basis and binding rules. Also its legal private and public rights and restraints.
- Strategic public investment programs; financial requirements for capital expenses and resources for commodities and their functioning.
- Territorial allocation of the existing and future uses of land, zones or structures, in compliance with the issues addresses in the plan.
- Rehabilitation for moved persons due to plan.

c) Planning regulations (Article 22)

Planning regulations are:

- Land use regulations which determine the land use categories or structures or types of works or other binding or guiding conditions, norms and rules within one zone which are authorized, restricted and/or prohibited.
- Regulations which specify the intensity of development; dwelling density, floor surface ratio etc.
- Parcel merger and sub-division regulations determining the conditions for the merger and sub-division of parcels.

This makes clear that what in this dissertation is called “zoning” is in fact called “plan”. This is of course a translated version of the Law, so I don’t know the direct translation of the Albanian used terminology. The planning regulations fit inside the plans.

4.3 Informal Settlements in Albania; Bathore (Kamza) and Keneta

Here an overview is given of how the areas of Bathore and Keneta came to be. Bathore is part of the municipality of Kamëz (Kamza), and is considered to be the most famous informal settlement in Albania. It lies just northwest of the city of Tirana. Keneta is the eastern part of the city of Durrës, and is also a big informal neighborhood. The paragraph is mainly made up of literary research, and is accompanied by images from google earth and self-made photos to show the practice of these neighborhoods.

Bathore and Keneta

Like said, Bathore is part of the municipality of Kamza. Kamza used to be a municipality of 7000 inhabitants in 1990, but grew to 80,000 inhabitants in 2005. Bathore became a symbol of informality and migration in all of Albania (Cila, 2006, p34). During the communist period, this area was one of the countries’ most successful farms, having been drained and irrigated (Felstehausen, 1999). In Bathore (as in informal settlements in other cities), informal settlers occupied public or private owned land.

Sometimes land was bought from another illegal settler (Andoni, 2007). In all cases the real estate was built without permission, which means it does not fit into a plan. The houses are well built and comfortable, and are on plots of land of respectable size. The squatters have an unofficial status or are
Planning context of Albania

illicit (Aliaj et al, 2003, p75). The squatters believed that it would be politically more difficult to remove well-built houses, and seeing the government policy since the mid-2000s, it has probably been a correct guess scholars argue (Pojani, 2013). So throughout the 2000s the informal building continued, despite the different measures taken.

When occupying a plot, the first thing the squatters do is dump a load of stones or simple construction materials on a piece of land. Then generally the plot of land would first be occupied with a simple structure for a few men to live in during the construction of the first floor of the house. When construction of the floor finishes, the rest of the family is moved in, and according to financial means, more floors are added and the house is finished (Aliaj et al, 2003, p76; Cila, 2006, p34). People from the same village or family will often settle close to each other. This creates little communities where often the habits of old life are relatively kept in place.

**Figure 6: Location of Bathore in the Tirana Metropolitan Area**

Source: google maps, 2014

**Figure 7: Location of Keneta in the Durrës Metropolitan Area**

Source: google maps, 2014
Throughout the 2000s the squatting and construction of informal houses continued (Figure 8). In 2003 the squatters of Kamza protested, just before the local elections. This resulted in the government, in theory, granting the squatters demands of legalizing their properties and gaining access to infrastructure provision (Pojani, 2013). The reason why this is “in theory”, is because there had not been put any thought in how this had to be practically made possible.

**Figure 8: Outlined in the red the informal development in Bathore, left 20014 and right 2012**

Source: Google Earth, 2014

Keneta is the only case where informal settlements were built according to a certain structure. First being a swamp, the drainage canals oriented the subdivision of land (Andoni, 2007). The plots are in clearly structured rectangular shapes and there is a well ordered street pattern, although many of the streets are unpaved (figure 9). There are no social services at all and the neighborhood has mainly primary infrastructure and no secondary or weak secondary infrastructure (Draçi et al. 2014).

**Figure 9: Informal villas in Keneta, Durrës, accessed by dirt roads**

Source: Carl Dirks
Sabates-Wheeler and Waite (2003) distinguishes several types of land owners in the Albanian informal settlements:

- Legal owners. These include the state, private owners under the law and private owners who were formally compensated for being evicted from their land due to natural disasters or state projects. These owners possess legal documentation of their tenure.
- Illegal or informal buyers. These are people that bought land informally from the legal private owners and the people that bought them from the informal buyers. These buyers then possess no legal documentation certifying these transactions or their ownership.
- Illegal owners. These are people that have illegally settled on state owned land or private owned land, and have no documentation certifying ownership.

Following the legalization laws of 2004 and 2006 (paragraph 4.4), an additional wave of informal construction sprung up, despite the rule that only informal constructions completed prior to the law adoption were eligible for legalization (Pojani, 2013). There is evidence that in the last few years, cases of unpermitted housing have been successfully legalized, even though they had been built after the adoption of the legalization law.

4.4 Laws and policies on legalization/formalization

Here the main laws and policies on legalization of informal settlements are presented. Also a few other initiatives are set out.

In 2004 the Law on Legalization and Urban Planning of Informal Zones (No. 9304) was introduced (World Bank, 2006a, p20). The main goals of this law were:

- Re-planning of each formal zone to ensure its proper functioning as an urban district, reserving the areas needed for infrastructure, street access and public spaces;
- Bringing existing buildings into compliance with construction and land-use standards, and legalizing them under administrative law
- Settling the ownership or lease rights of the persons occupying the land and buildings

What followed was that people had to fill in their declaration of intent to legalize (see practice of this law in paragraph 4.5 of this thesis).

In 2006, the simplified legalization procedure for informal buildings was introduced (Potsiou, 2014). Individuals squatting on private land are to compensate the local government unit that owns it. Individuals squatting on private land are required to pay its current market value to the legitimate owners (Pojani, 2013). Together with this, also in 2006, the Agency of Legalization, Upgrading, and Integration of Informal Zones and Buildings (ALUIZNI) was founded. The tasks of overseeing the administrative and technical procedures related to legalization were transferred to them (Pojani, 2013). ALUIZNI prepared the laws and procedures of the legalization process. The organization does this throughout all of Albania.

The practice of the procedure through ALUIZNI is as follows at the moment:

1) A legalization service fee is required to cover administrative costs
2) An infrastructure impact fee is required, which is transferred to the nearest local government for infrastructure development in the area
3) A fee for lot ownership transfer is required, of which 80% goes to a central government fund for the compensation of the legitimate owners, and 20% goes to the nearest local government for infrastructure investments

ALUIZNI also has the authority to:

4) Issue fines in case of illegal additions or modifications of the blueprint during construction of an approved project
5) Issue fines in case of delays in self-reporting informal construction
Planning context of Albania

6) Confiscate squatters’ land for public purposes, in return for infrastructure or land development rights.

Other initiatives

Co-PLAN is an Albanian non-governmental organization, created in 1997 with foreign (Dutch) support. Their aim is to deal with development issues, creating capacity building in (informal) communities, supporting upgrading efforts, connecting local and central governments, academia and communities with each other and generally changing urban planning mentalities.

Together with municipalities, Co-PLAN puts in place programs in informal areas. At the end of the 1990s, a three year project was put in place in Kamza. The project had the name *Empowering Local Government and Community Based Initiatives in Kamza Municipality* (Aliaj et al, 2003, 75). The three basic objectives of this program were:

1) Designing the Strategic Urban Development Plan of the municipality
2) Training the municipality staff
3) Pilot investments on basic social and physical infrastructure

Basically this project was started with the hope that it could catalyze investments in local economic development, infrastructure and data collection.

4.5 Practice of formalization/legalization

In accordance to the adoption of the 2004 Law On Legalization and Urban Planning of Informal Zones (No. 9304), 54,000 self-declaration applications had been filed asserting the location, size and boundaries of land parcels and buildings (World Bank, 2006a, p20). In 2006 there were several estimates of what fraction of the eligible properties this constituted. Some estimates showed 60%-70% applications of the total eligible properties. Other estimates say a relatively small number of residents filed the self-declaration. This was allegedly because of a boycott by the citizens, because the 2004 Law did not take the issue of squatters’ rights into consideration, and also did not take into consideration the affordability of the market price to the residents of the informal settlements. Also, some claimed that their properties should not be classified as illegal in the first place. Furthermore, the reviewing of the self-declaration forms can be difficult according to the presence of registry maps and accurate data for the real estate and zones in question.

Many squatters would like to legalize their property, amongst others for reasons of real estate development or reasons of sustainable inheritance for their children. Nevertheless, many squatters are unable to pay the fees, which are high in comparison to the average salaries in the country (Pojani, 2013). The law states that confiscation of lands in properties is then justified, but in practice this rarely happens. This leads to conflicts with the legitimate owners.

In 2013, the legalization effort was far from complete. Many families do not have the financial capacity to get legal advice, and don’t have the knowledge to deal with the legalization processes themselves. Also, land titles are often unclear and cadaster records overlap (Pojani, 2013). Maps of the areas are often poor, transfer of info between institutions is slow, and there has been evidence of favoritism based on connections and political affiliations in the legalization process. A major issue is still the need for improving the property registration system (Potsiou, 2014).
5. Practice of research

In this chapter the practice of this research is set out. In paragraph 5.1 an explanation of four main themes in this thesis is given. In paragraph 5.2, it is made clear how the interviews in this thesis were conducted and which people were interviewed.

5.1 The four main topics addressed

In this paragraph, the four main addressed topics concerning informal settlements that are dealt with in this thesis are explained. The main goal of this paragraph is connecting these topics, and showing that it makes sense to address this group of questions together. In explaining that, the connection between the topics and zoning plans and public-private partnerships is made clear. These are the topics discussed:

1) Turning “dead capital” into “live capital”
2) Finding a system for value capturing
3) Protecting the interests of the society and the public (democracy)
4) Ensuring the interests of private parties involved

5.1.1 Turning “dead capital” into “live capital”

Turning dead capital into live capital or working capital is important for many reasons. In practice, doing this means giving property rights to the squatters in informal settlements. Albania has between 6-8 billion dollars’ worth of dead capital in informal settlements (Andoni, 2007). Making an effort to incorporate the informal settlements in a formal system, is part of Albania’s goals. The relevance of legalization, and the arguments for it have been made clear in other chapters, hence the shortness of this paragraph.

5.1.2 Finding a system for value capturing

Formalizing and upgrading an informal neighborhood is an act of area redevelopment. Van der Krabben and Needham (2008) give two reasons why property values can increase:

1) Change in the land-use plan, which permits land uses with a higher value; betterment or development gain.
2) Public works, for instance transport and open space, enhancing the properties near to them.

So “value capturing” basically means benefiting from the increase of value of surrounding properties by changing the land-use plan and providing public works. The returns of this increased value can then be used to fund the public works causing this increase in value. Muñoz Gielen and Tasan-Kok (2010) define value capturing even more directly, by saying it is “the level at which public bodies manage to make developers pay for public infrastructure – infrastructure provision, public roads and space, public facilities and buildings, affordable and social housing – and eventually capture part of the economic value increase.”

Van der Krabben and Needham (2008) apply this theory to cities in Western Europe, where generally zoning has been extensively carried out and infrastructure is up to date. In Albania, the two named aspects can be filled in a bit differently, but with a similar general idea. First of all, the creation of a zoning plan, can permit land use with higher value. Giving private parties the possibility to build at high volumes can raise the value of the land. Of course this is also possibly simply with a building permit, without a form of zoning. In paragraphs 5.1.3 and 5.1.4 I argue why zoning would be a considerable option over simply working with permits only. As for the second point by van der Krabben and Needham (2008), they refer to the creation of an improved train station or the public space around it to increase the value of surrounding real estate. In Albanian urban settlements, this can be translated also to a train station at a few places where tracks come through the settlement, but more logical would be to translate this to a bus station, or even merely a paved road, or well-maintained parks and further public space.

These externalities, the public space or infrastructure, are hard to be priced. Especially in Albania, where local governments often lack money to provide for public works in the first place, the road to value capturing seems very insecure. For this reason, I research the combination of implementing zoning plans...
and PPP development. In this sense the captured value could be directly relocated to the private developer through a construction, also making the private developer responsible for the provision of those public works. Instead of dealing with the government, the land and real estate owners benefitting could then decide the fees directly with the private developer instead of the municipality. The zoning plan would then cover the entire area where value is increased due to the construction of infrastructure and public works. This is what van der Krabben en Needham (2008) call "scoping".

Upon integrating such a self-reliant system successfully, Albania could become less dependent on international organizations and NGO’s for implementing urban infrastructure initiatives and legalization efforts.

In the next chapters, at the hand of the interviews, I will analyze if this can be done in Albania. The biggest question is if PPP structures can be set in place to create innovative models for the upgrading of informal settlements.

5.1.3 Protecting the interests of the society and the public

With the viewpoint of this dissertation strongly being on the inclusion of the citizens of informal settlements in a formal structure, turning their “dead capital” into “live capital”, and granting them access to adequate infrastructure, it makes sense to also explain the significance of zoning plans and PPP to this group.

The laws meant for legalization, had with them a certain philosophy. Namely that informal settlements are re-planned to ensure areas needed for infrastructure, road access and public space are held free (Koprencka and Muharremi, 2010). Through zoning plans, these functions can be insured judicially. General plans do not have a legal status, and can in practice be ignored without judicial consequences. In inviting big development companies to the informal settlements, there exists a fear that development will go as in the inner city of Tirana. A large number of high-rise apartment buildings were built in high densities there, mostly squeezed in the spaces between existing buildings (Pojani, 2010), not taking any notion of extra investments in infrastructure, parking, public space or environmental measures needed in an ideal urban planning practice, considering the density of the development (Aliaj et al 2003, p 73-74). Merely the developers and owners of the developed real estate gain profit, and not the citizens of the neighborhoods. The World Bank (2006b, p83) calls this “the privatization of gains and the socialization of costs”. The World Bank (2006b, p84) notes that the incipient planning system of before has been capitalized upon by private interests, both legally and illegally. Property capital formation has been made possible by the transfer of costs to the public sector, and thus to society. These costs include spatial, environmental, social, cultural and economic costs. If such development would occur in the now informal areas, instead of solving problems of named natures, problems would only expand. Also, new problems, like environmental and social degradation, will be created. Public officials have the question how you can tell builders to do something, or not to do something.

With zoning, private parties are obligated to work within a framework set by the government. I argue that with PPP, these frameworks can be created by private parties and government together, like explained in the next paragraph. Plans should provide a degree of certainty to safeguard the public interest (Muñoz Gielen and Tasan-Kok, 2010). On the other hand they should be flexible to ensure the needs of development are met. Development in this dissertation, is seen as a possibility of providing infrastructure to the informal settlements. Aliaj et al (2003) note that it is a recommendation to densify areas where there has already been built, and provision of infrastructure will be cheaper especially if the area is more compact. A zoning plan should be a balanced result between a feasible upgrading of an area, and keeping in mind public space and other factors for the well-being of the citizens. When a zoning plans has to be changed, the Law on Territorial Planning states that the mayor has to propose it, and the council of the municipality or commune has to approve it. The existence of a zoning plan that ensures the wellbeing of the neighborhood, therefor also gives a political pressure to the council, because if they accept negative changes, it is clear to the electorate who is responsible. The World Bank (2006b, p93) endorses that
Practice of research

problems of urban development are better addressed further upstream. This can be done through regulatory planning and zoning that services the dynamic of the market, through public participation and publicity of the plans and regulations to ensure general support and transparency of the process, and through a more streamlined permitting process that encourages builders to apply for them with minimal transaction costs, discouraging corrupt behavior of officials. The relaxedness of zoning plans depends on the exact planning regulations (paragraph 4.2.3). Working smartly with these regulations can provide flexibility, even in areas with zoning plans.

The European Commission (2013, p6) has ascertained that government revenues in Albania had fallen with 21% in two years and administrative reform and decentralization have only marginally evolved. The World Bank (2006b, p28, 30) has already noted in the past that municipalities lack the financial capabilities and resources to sufficiently fulfill their infrastructure and service provision role which resulted from decentralization of the responsibility of managing and maintaining local physical infrastructure (Figure 10). With a PPP construction, development companies could fill in the role that local governments have now. This is also a point made by the World Bank (2006, p93). In 2006, no clearly defined criteria for public-private partnerships existed in Albania. The World Bank found this worrying because it can lead to forms of mismanagement, along with political abuse and corruption, while there is much international experience in private sector participation in infrastructure.

Figure 10: Functions and responsibilities of Albanian municipalities and communes

<table>
<thead>
<tr>
<th>Legal Timeframe for Implementation of Fiscal Decentralization</th>
<th>Exclusive Functions of Municipalities/Communes Infrastructure and Public Services</th>
</tr>
</thead>
</table>
| Beginning January 1, 2001 (Art. 72, Law # 8652, July 31, 2000) | • Construction permits  
• rehabilitation and maintenance of local roads  
• sidewalks and public squares  
• public lighting  
• public transport  
• cemeteries and funeral services  
• city/village decoration,  
• parks and public spaces  
• waste management (collection, transport, disposal/treatment)  
• issuance of construction permits |
| Beginning January 1, 2002 (Art. 72, Law # 8652, July 31, 2000) | • services of water supply  
• sewerage and drainage (incl. flood protection canals) in residential areas  
• urban planning, land management  
• housing |

Source: World Bank, 2006b

Here it comes forward that infrastructure provision and the protection of public space and the well-being of citizens, are the factors that need to be secured for the society and the public in informal settlements. Infrastructure provision can be taken care of by the private sector, and zoning plans can protect the public from excessive, uncontrolled and irresponsible development by that same private sector. Apart from the privatization of the gains, the costs can in this way also be privatized. In the next chapter, laying out the results and findings in this thesis, attention will be given to whether such a combination is possible in Albania, or what is in each case needed for meeting the conditions to support such constructs. Also attention is given to if the new Law on Territory Planning is an advance to making these balances possible.
Ensuring the interests of private parties involved

It is important to be able to ensure the interests of private parties as well. If the interests of companies investing in an area cannot be ensured, they will not invest.

In the model of the rehabilitation of informal settlements that is theorized in this thesis, private parties are needed to invest in an informal neighborhood (adding to the formation of a formal neighborhood). There needs to be a market where developers can look forward to significant sales of real estate. In this thesis, the hypothesized goal is to let private parties pay for a part of the rest of the neighborhoods infrastructure in informal settlements. Private developers will only do this if the plan is feasible even after extracting the costs of other infrastructure. Economic incentives are critical for land readjustment to be successful, property owners and private developers have to be able to make profit (van der Krabben and Needham, 2008). Upzoning to higher densities is a way to increase the possibility of positive financial returns. In case there is no zoning plan, like often will be the case in Albania’s informal settlements, the local government can decide to allow the developer to build in such high densities that it is feasible to build. By “scoping” (paragraph 5.1.2), the area that needs to be taken into account can be defined, and through calculations, a ratio between the covered area and the minimum building quantity for feasibility can be decided. This has to be done by private parties and local governments together.

Inserting a zoning plan can then also protect the development of the investing developer. When developing office buildings or apartments, a developer will want to be sure they have the monopoly for this in the designated zone. When building permits are simply handed to anyone on any plot, the investment of the initiating investor can lose its value. An investor must be sure that when he builds an apartment building, the view will not be ruined by a different apartment building built at 5 meters distance from the original one.

The World Bank (2006b, p52) noticed problems for the formal real estate sector. Formal developers faced the question of how to obtain legal access to undeveloped land. In 2006 it was still practically impossible to purchase vacant land legally in the periphery of cities, because of the uncertainty over tenure or because of the lack of infrastructure at immediate proximity. For the question of land tenure, developers are of course reliant on the legalization efforts of the Albanian government and the authorities. The question of infrastructure can possibly be solved by the private parties themselves, when having the possibility to come to new innovative constructions of cooperation with the local government and the other land and property owners in the vicinity.

So the World Bank (2006b, p55) recognized three main constraints limiting the activities of the formal real estate sector in Albania:

1) Absence of a recent regulatory plan for most cities, and approved local regulations
2) The lack of funded municipal programs to build primary infrastructure
3) The practical impossibility of acquiring undeveloped land, officially and legally

In this thesis, the first two constraints are being taken into account to research. Like said, developers can be made part of the implementation of zoning plans and building regulations. The third constraint does not have its place in this dissertation, but obviously remains an important issue.

In 2010 a law was introduced, granting special state protection to foreign investments. The goal of this law is to protect foreign investors when they are in judicial conflict with third parties, and the conduct of economic activity is hindered through it (Ministry of Justice Albania, 2012, p22). For companies to come to Albania, there needs to also be judicial stability and security. This is also one of the points that will come forward in the results and findings chapter of this thesis.

It is clear that for developments that benefit the public and society, also the private sector will need to be satisfied. The private sector is satisfied when they have the security of profits. This is connected to good appointments with local authorities, and a trust in the judicial system.
5.2 The method of taking interviews and the people interviewed

In this paragraph the process of interviewing is explained. After that, a profile of the interviewed people is given, to provide a context of their significance for the research.

In chapter 1.2, I have explained the reasons for choosing qualitative methods to conduct my research.

For the validity of the findings, I could have used mixed methods for this research, quantitative and qualitative. I have chosen not to pursue this direction. Bryman (2008, p 605) notes that there is a difference in paradigm in qualitative and quantitative research. I am quite rational in my choices for methods, but I acknowledge the fact that qualitative and quantitative methods are not to be intertwined in my research. The explorative nature of qualitative research does in this case not connect to the generalizing nature of quantitative methods. Quantitative indicators connected to my topics are not present yet in this research, the creative process in sketching context would be heavily disrupted in labored use of quantitative methods.

Due to the practical situation, a few qualitative methods were not possible to conduct. The group interview, as well as the focus group method were impossible for me to perform. The reason for this is that I had not been able to arrange all the interviewees before my field trip to Albania, a part of the interviewees I would find there. A focus group interview can be a good way to get critical opinions of interviewees, as other interviewees can challenge their assumptions directly (Bryman, 2008, p475). Still in the case of this research, even if it was practically possible to arrange, the group interview or focus group did not seem fitting, as the interviewees could influence each other’s answers to an extent that would negatively affect the validity.

For this research, 15 people have been interviewed. For the type of research, a qualitative approach of interviewing was most logical to carry out. The unstructured interview or semi-structure interview fits this approach the best (Boeje et al, 2009, p267). This means the interviews were not standardized. The questions asked were chosen per person, so the interviews were semi-structured. The main themes of this dissertation were discussed in each interview. However, depending on the questions, improvisation was used to get answers in depth, and to get a person to express him or herself as clearly as possible. This means that starting about the same subject, similar seeming interviews could go in a totally different direction. Still the same themes were meant to be covered in most interviews. As opposed to quantitative research, the idea in qualitative research is that the interviewees’ point of view is important for the researchers’ outcome. In this respect, giving the interviewee the time to share his or her thoughts extensively and without too much interruption is important, as it gives insight to what the interviewee sees as relevant and important (Bryman, 2008, p437). This makes qualitative research flexible. I, as well as many other qualitative researchers, are open to seeing the emphasis of a research change because of answers given during the interview. This means that through the course of taking the interviews questions evolve, to be able to get more in depth answers as a result of earlier gained knowledge through the previous interviews. Still, all the interviews contain a repentance of points asked in earlier interviews, to be able to get certain answers from various sources. This is of course needed for the validity of the results. In qualitative research, a set of primary criteria for achieving validity of results is established. These consist of integrity, authenticity, credibility and criticality (Whittemore et al, 2001). The credibility and criticality aspects in this thesis, I tried to ensure by connecting the interview results to existing literature in the discussion chapter. The validity of the answers I obtained through the interviews are in this way increased, as it fits into research already done by other scholars. The authenticity of the interviews was pursued by repeating questions asked to obtain the main findings of each interview, in the interview with the next person. In this way, different people commented on the same subject. When obtaining the same core of an answer from multiple interviewees, I was able to confirm them as legitimate findings with a greater certainty. The variation of the interviewees increases the validity, as when interviewees with different interests still answer similarly, the appearance of objectivity increases. This also connects to integrity; repentance of the questions in multiple interviews makes that findings are not
Practice of research

based on a single opinion, but on a wide array of interviews. Furthermore, all interviews have been taped as evidence of the correctness of the findings.

All interviews were slightly personalized, to different extents according to the specialization of the interviewee. Still, the general topics always remained. Generally, first I would try to find out about the enforcement of planning documents, the instruments to enforce legislature and the context of informal settlements. The goal of this was to first find out where the issues surrounding legislation and zoning lie. The second topic covered in the interviews was PPP. I wanted to know if the Albanian context was appropriate for PPP, and how a successful context for conducing PPP in Albania is viewed by the interviewees. In asking questions about participatory aspects in planning, I tried to get an idea of the mentality of the Albanian citizens towards the topics (zoning and PPP) I discussed. In trying to get a good idea of the angle through which I should be viewing the covered topics, I ended every interview with questions regarding the nature of the issues discussed. By finding out the scopes of the interviewees, and by asking for topics they would like research conducted on, I tried to catch their mental emphasis when discussing the topics of this thesis. This helped me a lot in judging the weight of the answers I obtained. Through knowing which scopes are important to the interviewees, it is easier to estimate the relevance of the questions I asked in the interviews. This helped me a lot in the incremental process in the research, as it gave me the possibility to add additional questions in following interviews, or rephrasing questions that appeared unclear or obsolete.

The respondents
What follows here, is an overview of the people interviewed for this thesis;

1) Sotir Dahmo Polis University
Co-founder and current administrator of Polis University. He has a background as architect/urban planner. Graduating in 1988, he has had a short experience of being architect/urban planner in the time of communism. He has worked in several ranks and positions in Albanian government institutions, from municipalities to the National Planning Institute and the Ministry of Public Works. He has experience in cooperation with the EU and the World Bank.

As a co-founder of the university and an expert in urban planning in Albania, an interview with Dahmo is very valuable. He is able to answer questions on a broad range of subjects and able to bring a view in research approach.

2) Jaap Boomsma Royal HaskoningDHV
Team leader of the Institutional Development Project for Water and the waste water sector in Albania. He has worked in Albania and other countries in Eastern Europe in the past, on other projects. As a Dutch engineering company with an international status Royal Haskoning/DHV has much experience in Albania.

Relevant interview in order to find out how an international Western company experiences working with Albanian authorities. As an expert working in the field Boomsma can give a view on the Albanian practice, as an outsider. Also he can give his view on the conditions for public private partnerships from the private sector side.

3) Dritan Shutina Co-PLAN
Director of Co-PLAN. He has a broad urban planning experience in Albania in various ranks and functions.

Having a great experience in urban planning and having a strong view, he is able to give good contextual and specific answers to questions on the Albanian urban planning practice. Being at the head of arguably the most influential urban planning organization in Albania, can give a good view on what the situation in Albania is, and what he feels needs to happen in Albania.
4) Anila Gjika  
Co-PLAN
Program manager at Co-Plan. Graduated urban planner with experience in the field in Albania.

She is specialized in land management instruments and local government issues, decentralization issues and has a strong focus on local finances. Through her work for the local government, she has had experience with preparing capital investment plans, preparing local urban plans, working with informal settlements and participation.

5) Zenel Bajrami  
Co-PLAN
Urban planning expert at Co-PLAN. Has internship experience at Tirana municipality and ALUIZNI.

Had his education at Polis University and is thus part of the young generation of urban planners in Albania. Working with the current forming of territorial plans and zoning plans, he is in practice directly connected to a substantial part of the topics covered in this dissertation.

6) Ulrike Bega  
Municipality of Tirana
Advisor to the mayor of Tirana in urban development and project coordination. Originally an architect, but has at least ten years of experience in urban development.

Gives a view from the point of the public sector; the municipality of Tirana. Can give an inside view on how the municipality thinks and how communication between governmental bodies go. Can also estimate the capacities of the municipalities and can note her views on public sector practice. Being German, and educated in Germany, can also give an outside view on Albanian practice.

7) Besnik Aliaj  
Polis University/municipality of Tirana
Rector and co-founder of Polis University. Has experience as lecturer at the public university in Tirana. He is also municipal counselor in the municipality of Tirana.

Has great experience in urban planning and has been involved in many processes in the urban development of post-communist Albania. Can give a broad view on concepts, form culture to technical aspects, accompanied with a historical helicopter view. Capable of giving a public view and as well as a scientific one.

8) Kristaq Qirko  
ALUIZNI
Information manager at ALUIZNI legalization agency. Manages information about informal buildings, their location, owners and status.

Has a great experience with the documentation of informal settlements. Can give an insight from the field. Has viewed the entire transformation of Albania from throughout the 1990s until now. Can give technical expertise answers regarding informal settlements, but also more general and cultural viewpoints. Can also give an insight in the position of ALUIZNI and the practical hassles the organization deals with.

9) Arbi Shehu  
ALUIZNI
GIS specialist at ALUIZNI legalization agency. Educated at Polis University.

Works on mapping the informal settlements, manages the GIS data for the entire institute. In this way has a good views on the practice of informal settlements and their structures. Also has a view on the capabilities in mapping informal settlements, and the communication between public sector bodies. Can also give answers to what citizens of the settlements deal with and how they approach topics.

10) Redi Basha  
Abkons Business Consulting
Lawyer at Abkons Business Consulting. Graduated with Honors in Law from the University of Liverpool.

Has worked on the new 2009 Law on Territorial Planning and also assists companies (Royal Haskoning/DHV for instance) and other clients with working with urban planning laws. Can give a direct view on the judicial practice of the Albanian planning system and the new Law on Territorial Planning. Can also give a judicial and entrepreneurial view on public private partnerships.

11) Ilir Hysa
Backpackers Hostel Tirana/ Outdoor Albania

Owner of the Tirana Backpackers Hostel and chairman of the Outdoor Albania Association.

As owner of a hostel and organizer of outdoor facilities, has an experience in working with public bodies for planning. Can give a view from the side of the user. Having to deal with authorities, it is significant to hear how he experiences processes and the urban planning around him.

12) Vladimir Malkaj and Eno Ngjela
United Nations Development Program

Vladimir Malkaj is a program officer at UNDP Albania. Deals with programs of local development and local governance.

Eno Ngjelo is a program officer at UNDP Albania. Focusses mainly on economic governance issues. Has experience with informal development issues.

This interview can provide a helicopter view of the urban and economic issues in Albania since the fall of communism. Can give a general view of problems in several fields that the UNDP deals with. Can give the most important stances on local and national governance and international relations. In that sense can also give an estimate of the context surrounding PPP.

13) Pieter Smeets
Ballast Nedam

Area developer at Ballast Nedam, Dutch construction and engineering company. Works on the front side of area development; acquisition of land, and working with tenders. Since crisis tasks have partly diverted to managing the land assets and customer acquisition.

Can give a good view on how development companies look at the processes of urban planning and development. Can give specific motivations for choices that they might take. Therefor it gives a good view of what is needed from the side of a company to enter a public private partnership. Also gives a view of the traditionally public tasks that development companies could carry out.

14) Saskia Ruijssink
IHS

Project manager at HIS Rotterdam, International Housing Institute, which is now connected with the Erasmus University Rotterdam. She has experience as a consultant in participatory planning and urban development.

Has worked together with Co-PLAN in creating education programs. In that manner she has experience in setting up urban planning programs in Albania, and thusly has created a view on the urban planning situation in the country. Significant to add to the helicopter view of the topics handled in the dissertation.

15) Peter Nientied
Peter Nientied Organisation Development

Currently works as a public management consultant (Peter Nientied Consultancy) and teaches at NCOI University. Worked at IHS in the past. Was involved in the foundation of Polis University and Co-PLAN. Is on the Co-Plan advisory board. Still occasionally assists in projects in Albania. Visiting staff at Polis University.
Can give a good historical overview of the urban planning evolution in Albania, and his cooperation with Albanian authorities. Can give his view on the culture of the country and the things that need to be done to make progress in urban planning. Has a big experience with the cultural aspects of the evolution Albania is going through since the end of communism.
Findings and results

6. Findings and results

In this chapter, the findings and results of the thesis are presented. This is done mainly at the hand of the interviews conducted in this thesis. Along with the provided findings, a reference is made to the interviewee(s) that has or have stated the findings presented. This reference is done as follows; (int. – Last name interviewee - year). The people are all listed in paragraph 5.2. In that paragraph it is set out what method of interviewing was used. There the people interviewed are summarized. Their backgrounds and specializations are described to express the validity of their comments on the subjects in this thesis.

In paragraphs 6.1-6.4 of this chapter the findings and results are presented. Paragraph 6.1 contains the findings concerning zoning plans and building regulations. Paragraph 6.2 contains the general findings on PPP in urban planning in Albania. In paragraph 6.3 the funds at the local government level in Albania are discussed. In paragraph 6.4 the view on political, societal and anthropological developments during the time of transition are considered, and link of those features to the questions in this thesis are presented.

6.1 Zoning Plans and building regulations

In this paragraph the findings concerning zoning plans and building regulations are covered. The first sub-question asked in this thesis was:

Are there barriers for the creation, installment and enforcement of zoning plans and building regulations in Albanian informal settlements?

This was connected to the possibility of upgrading areas through public-private partnerships and giving private actors and society certain securities that they need. Here is a presentation about what can be said about zoning plans and building regulations as a result of this research.

6.1.1 The creation, installment and enforcement of zoning plans and building regulations

As has come forward in chapters three and four of this dissertation, after the fall of communism, Albanian society turned its back on government regulation. This meant that zoning was a no go area for governments. It was not implemented and enforced due to the mental aversion to central planning in Albania, which had grown due to decennia under totalitarian rule. This became a systemic problem (int. Dahmo, 2013). Since the new 2009 Law on Territorial planning was adopted, the intention is that all Albanian municipalities and communes adopt territorial plans. Some places have zoning plans and building regulations, and some do not. Still there are a few reasons why the presence of zoning plans and regulations is not per se a confirmation for well-planned practices of urban planning.

Lack of proper education and know-how

The responsibility of creating and implementing zoning plans and building regulations has been decentralized to Albanian local governments. In practice, it turns out that local governments seriously lack human resources and competences to work well with zoning plans (int. Dahmo, int. Bajrami, int. Shutina, int. Qirko, int. Shehu, int. Basha, int. Malkaj, 2013; int. Nientied, 2014). There is an insufficient amount of employees and the knowledge on modern urban planning available amongst those employees is inadequate. Only Tirana and Durrës come close to having the capabilities needed in modern urban planning (int. Shehu, 2013), but even in these big municipalities, the instruments introduced by the new 2009/2011 Law are difficult for municipal staff to be understood and further implemented. Many employees that are concerned with urban development are architects educated during the time of communism (int. Dahmo, 2013; int. Rujsink, int. Nientied, 2014). They have a rigid, technical approach to urban development and don’t incorporate strategic and managerial aspects in their approach of planning. The administrative knowledge in urban planning is often lacking (int. Rujsink, 2014). Most employees have not been educated as broadly competent urban planners as the planning system has changed. In many municipalities the people dealing with urban planning do not at all have an education in this direction (int. Qirko, 2013). As a professional subject, urban planning as known today in Western Europe and North America has never existed in Albania (before Polis University started with their programs).
Financial capabilities at the municipal level to educate staff in the new planning practice are missing (int. Basha, 2013). After the fall of communism, generally the only urban development task that was done by municipalities was the issuance of building permits and the monitoring of the field, and not doing actual plans (int. Aliaj, 2013). Municipalities do not yet work according to new regulations and practices (int. Aliaj, 2013). Because of the lack of knowhow, the 2009 Law on Territorial Planning is often not understood by municipal employees. Attracting know-how also proves to be difficult. Municipalities are often unattractive employers for young people, because they are not able to offer enough salary. This makes that newly, more competently educated people are often unwilling to take the step to work at a local government. Local governments in Albania also often do not recognize or identify the need to hire urban planners (int. Nientied, 2014). This is because with senior staff, the mindset of the role of urban planning simply being performed by architects is still present. In creating zoning plans and building regulations that are viable, a good communication with the involved actors is needed. This asks for knowledge in forms of participatory planning. This is difficult to teach to the old urban planning generation in Albania (int. Dahmo, 2013).

The instruments solid urban planning are there, especially since the 2009 Law on Territorial Planning went into effect. Technically the Law is described as good by basically all interviewed people for this thesis that have knowledge about it. When the central government delegated most tasks of urban planning to the local level, they had no estimate at all of how well the local governments would be able to handle this responsibility (int. Dahmo, 2013). The new designated way of working is not yet performed by the local governments (int. Ruijsink, 2014). The 2009 Law on Territorial planning is not in coherence with the level of expertise of the public administration. It is too complicated for the current level of expertise present (int. Aliaj, 2013). Even when the creation of planning documents is outsourced to foreign or domestic experts, the product received is often still not understood by municipality staff (int. Aliaj, 2013). When the 2009 Law on Territorial Planning was approved, it was said that lower governments would get two to three years to create capacity building programs. In practice, little action was taken to put this in place (int. Aliaj, 2013). This left local governments with an abundance of new tasks that they were and are not able to perform with the knowledge they possess. There is a growing realization in Albania that municipalities are too small to carry out their tasks, and have too little capacities to be the driving force in urban planning (int. Boomsma, 2014; int. Aliaj, 2013). In the 2012 Progress Report (Republic of Albania; Council of Ministers, 2013), it was stated that according to the 2009 Law on Territorial Planning, municipalities will be setting the line in planning instead of following. In practice, municipalities do not have this capacity. This can be seen in the way urban planning is done, through fragmented plans and partial views of how territories are to develop (int. Shutina, 2013). Parcel-level decisions were made, without taking into account how these decisions would fit in a broader urban planning perspective. Governance mechanisms are still weak in Albania. The lawmakers responsible for the 2009 Law on Territorial Planning did not take notice of the difficulties with the implementation of the Law. This causes a lacking enforcement of the Law because of the inability of public sector employees to work with it (int. Boomsma, 2014; int. Basha, 2013).

New general regulatory plans

A real judicial structure for implementing general regulatory plans has only been in place since 2011, when the 2009 Law on Territorial Planning was amended. This means that only since then, local government units are obligated to have regulatory plans for their territory. Between the year 2000 and 2011, 15 Albanian municipalities had designed regulation plans, but none of them were implemented, due to a lack of planning instruments (Ruijsink et al, 2013). USAID for instance helped in creating general regulatory plans for a few major cities in Albania, before 2009 (int. Bajrami, 2013). Tirana made a general regulatory plan independently. Most of these were outdated or incompatible with the 2009 Law on Territorial Planning, so basically every municipality had or has to create a new regulatory plan. In the 2013 Albania progress report, the European Commission (2013) identified that Albanian local government units have difficulties in implementing relevant legislation and development programs, due
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to a lack of finances. In practice it is a hassle for all municipalities to make these regulatory plans. Many of the plans are still in the draft phase. Proper urban planning on a city level is perceived as needed, to be able to give an idea of how to use instruments to implement the strategy (int. Gjika, 2013). Even in the general plans created, a strategy of how to use the more specific instruments (like the zoning plans and building regulations) are still missing. This often means that development permits cannot be handed out (int. Malkaj, 2013). In the past there were only detailed zoning plans in some cases. These were made with the purpose of obtaining building permits (developer led created detailed zoning plans) (int. Gjika, 2013). Detailed zoning plans were only created for small areas (int. Shehu, 2013). They were not used as an instrument for good urban planning practices. Now it is the intention that detailed zoning plans will be used as a tool to achieve goals in the (sometimes still to be created and/or approved) general regulatory plans. This brings us back to the relevance of education of municipality employees, for them to be able to work with regulatory plans, zoning plans and building regulations. Tirana now does have a regulatory plan in effect, and is creating the detailed local plans (zoning plans, Begaj describes them as being similar to the German B-plan) (int. Bega, 2013). Shehu (int. 2013) stresses that it is important that massive urban plans are made for cities, so planning can be seen broader than a few single parcels for a project. With ALUIZNJI he faces technical problems when simultaneously working with the partial zoning plans in the past, and the new plans made. Often properties were legalized under false arguments in the past, which means that in new plans they are situated in areas with a different designated function. This could mean in practice that formerly unjustly legalized buildings would have to get demolished anyhow, judicially. This can be seen as a lacking communication between the makers of the new urban plans and the institutes that deal with the existing ones. ALUIZNJI has the authorization to decide if properties are to be legalized or not (int. Shehu, 2013). If these actions are not aligned with the new regulatory plans and zoning plans that are made, contradictory stances in deciding on the status of real estate can arise. This has been the practice in Albanian planning. Local plans have been made without national plans being decided. After the introduction of the 2009 Law on Territorial Planning, making plans started bottom-up instead of top-down (int. Basha, 2013). In this way local and national interests were not taken into account in a joint manner, and communication in setting goals stayed absent. Because of national priorities accidentally being ignored, some local plans are sometimes legally impossible or incorrect. This is a waste of money, because it means that to proceed development in a legal way, plans need to be redone at either the national or the municipal level. When this is not done, development is either blocked, or done informally. It also happens that households have bribed officers and politicians to build informally, but then later have to get their house demolished (int. Hysa, 2013).

Political interests

There are also political reasons and reasons of personal gain for municipalities not to enforce or install zoning plans and building regulations. Citizens of informal settlements are also a big potential part of the electorate (int. Dahmo, 2013). This can create a lack of willingness from the side of municipalities to actually abide by zoning plans, or install them if they are absent (int. Dahmo, int. Shutina, 2013). The use of planning instruments is often based on short term interest (int. Shutina, 2013). It is a political leverage for local politicians to be able to grant people building permits in exchange for political support. People are taking actions based on personal perspective and initiatives are often motivated by politics (int. Boomsma, 2013). Also, promises of legalization of properties are made in exchange for political support. These building permits and promises of legalization are often contradictory to zoning plans and building regulations. When there are no zoning plans or building regulations in place in an area, authorities are afraid that installing them will limit their freedom to use their power as political leverage. In this way, the long term function of zoning plans contradicts with the short term thinking of politicians (int. Nientied, 2014). But as practice has shown, even if zoning plans and regulations are in place, they are often simply ignored without any consequence. Also, for municipality employees, the power to issue building permits can be used to collect bribes (int. Malkaj, 2013). These employees often have very low wages. Building projects can be worth a lot of money, or can be of great importance for a household, and in this way a corruptive agreement between a local government employee and a potential builder is often found (int. Qirko, 2013). Therefore municipalities are often not even willing to let go of planning tasks, by shifting
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them to the regional level for example (int. Dahmo, 2013). Furthermore, enforcing zoning plans and building regulations in places where conflicting development already took place (which in other words means the demolition of these properties), often leads to firm resistance and protests. Apart from this being a socially unattractive option because of the forced displacement of people, it is also politically threatening to the local party in power. Politicians are scared that such actions will cost them votes.

The fact that built environments change in contradiction to eventual zoning plans and building regulations, makes it very uneconomic to implement these plans and regulations. The chance is big that upon implementing these plans, the set contents of the plans are quickly outdated because of an informally changing physical space. Zoning plans and regulations are only valuable when they effectively control the built environment, and are also enforced upon their implementation.

Lacking land registration and mapping
A point not much focused on in this thesis is the quality of land registration and mapping in Albania. Qirko (int. 2013) of ALUJIZNI points out that there is an inaccurate mapping system in Albania. This means that measuring land and infrastructure is often difficult. Also a lot of cities lack complete directories, it is often unclear for ALUJIZNI which properties are to be legalized, and which are not (int. Shehu, 2013). Translating this to documents can then be insecure, land sizes and infrastructure can be projected incorrectly. This is also a vast subject that, as Qirko describes it, ‘would fill up another master thesis’.

6.1.2 Devaluation of zoning plans and building regulations by informal development
Zoning plans and building regulations are only valuable when they are abided by, otherwise they are practically just empty documents and pieces of paper. This means that for zoning plans and building regulations to have value, informal building and unauthorized given building permits are phenomena that need to be ended. They heavily disrupt the leverage of zoning and regulations as effective planning instruments. Like covered in chapter 5.1.4, effective zoning plans can count as security for companies investing in certain areas, as well as a security for the inhabitants of those areas.

This basically leads us back to looking at the primary reasons for informal development still continuing today (as it did in the last ten years as is shown on figure 8, in chapter 4.3). In literature and in the interviews conducted in this thesis it widely came forward that a lack of affordable formal forms of housing, or a prospect to obtaining it, is the biggest cause of the continuation of informal development. Often it is still nearly impossible for people to get permission for building a house through formal trajectories and procedures (int. Dahmo, 2013). Getting permission takes a long time, and often some level of corruption is involved (int. Qirko, 2013). Formal developers almost exclusively build residences for households with above average financial means. This causes that households feel forced to build their house informally, as they see no other way. After the property is constructed, the police or controllers of properties are often briable (int. Hysa, 2013). The government and the market sector do not seem capable or willing to provide for housing for the lower income households. This gives another argument for the undesirability of strict zoning plans and building regulations. It would only encourage more informal building, because households with a wish to build their house do not get a sufficient amount of space to achieve that goal. Social housing does not meet up to demands and cannot be sufficiently provided by the government (int. Bajrami, 2013). Social housing needs to be made fit for people originally form rural areas, used to a big amount of freedom. Their lifestyle has to be taken into account, otherwise they will informally fulfill their needs (int. Dahmo, 2013). This is not being done. People have lost faith in the planning system and perceive it as being easier to do things on their own. Planning is not taken seriously by governments and citizens (int. Shutina, 2013). Planning was not seen as a way to harmonize public and private interests.

In the last paragraph it also became clear that municipalities miss the capacities to work with the 2009 Law on Territorial planning and to control what is not permitted (int. Malkaj, 2013). Zoning plans and building regulations only contain power when they are abided by.
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Also the development of informal settlements has a political side. Around the time of elections, politicians often promise amnesty for the properties in the informal settlements. Promises of legalization are made, and the citizens will have a positive outcome from their informal investment. When these promises are made over and over again, every election, citizens will feel it is easier to build informally than formally (int. Bajrami, int. Qirko, 2013). The informal builders then feel secure in their actions, because they know from experience that there is a big chance that their premises will be legalized. There are elections every two years (central and local), so every two years, this process can be repeated (int. Aliaj, 2013). This means public administration is paralyzed to do anything against informal development. Even when public servants would want to do something to stop informal building, their stance is often overruled by politicians using the promise of legalization for their own political gain (int. Aliaj, 2013). The electorate understands the relation between political decisions made and the electoral period. Politicians get invited to talk during their campaigns and are pressured to make promises (int. Aliaj, 2013). The electorate notices that this is one of the few periods that government officials will sit down and listen to them. This does not motivate a halt of informal development. It also shifts the responsibility of legalization to the legalization agency ALUIZNI. They have to fix the situation caused by promises of politicians that are not well thought out. Bega (int. 2013) finds that in enforcing the zoning plans and building regulations, municipalities (in her case, Tirana) should be tougher. This keeps the value in the approved planning documents. The city of Tirana has recently taken the policy that it only registers legal developments. In this they mean the developments in the formal part of the city. Illegal extensions of buildings, for example, are not registered. In this way, these extensions cannot be economized. The formalization of informal settlements is something that Bega (int. 2013) perceives as being more difficult, because official owners of land have to get compensated, and this is a costly and fuzzy process.

Compared to the last decades, the development of informal settlements has slowed down (int. Shutina, int. Bajrami, int. Bega, 2013). Shutina does not expect a new massive influx of households in informal settlements. This normalization of development in informal settlements could support the thought that government supported development is a much more realistic option now than before, when proper legislation efforts were not in place (pre-2009/2011) and informal development was still proceeding at an uncontrollable pace. Bega (int. 2013) thinks this will help control development better. The negative processes linked to informal development can only stop when an end date is decided for informal development (int. Bashaj, 2013). An end date, as people call it in Albania, is still not decided (int. Ngjela, 2013). With respect to informal settlements, the public sector does not do much in prevention (int. Shehu, int. Hysa, 2013). The settlements have to always be managed after they have already been built, instead of preventing that they come to exist.

6.2 Public-private Partnerships

In this paragraph the findings concerning the presence of fitting conditions for public-private partnerships in Albanian urban development are discussed. The question asked in chapter one was:

Can barriers for the creation, installment or enforcement of zoning plans and regulatory plans in Albanian informal settlements be solved by PPP constructions between public parties and private parties?

The barriers for the creation, installment and enforcement are explained in the last (paragraph 6.1). Focusing on that question, an analysis is given of weather conditions regarding urban planning practice in Albania are fitting to apply public-private partnerships in urban development.

6.2.1 Suitability of the appliance of PPP of Albanian the Albanian planning context

Public-private partnerships are merely good constructions if both parties can benefit from the cooperation. In the scope of urban planning, also the inhabitants of the area concerned ideally have a good position in the planning process. Considering this thesis covers a societal issue in Albania, namely the formalization of settlements, the interests of these three sides are taken into account in analyzing whether conditions for PPP are ideal.
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Theoretically, PPP could fit very well to solve problems in Albanian planning. The realization is growing that there are fully built up cities without adequate infrastructure, accompanied with a lack of public finances at the local level (int. Shutina, 2013). The planning practice in Albania has been “upside down”, actors built first and planning was kept for later. This means that there has not been thought about infrastructure provision and services upon building real estate. Especially in the areas of Keneta, Durrës and Kamza, Tirana (metro) and other bordering communes of Durrës and Tirana, areas have been built from scratch and there was almost no existing infrastructure before (int. Bega, 2013). PPP can help against upside-down planning by planning by provision of infrastructure for areas that are to be built. Shutina (int. 2013) is of the opinion that is it now required for authorities to look for creative instruments to bridge the need for public services, considering the lack of finances at municipal level. Even Tirana, which of course already had existing infrastructure, does not have the funds for capital investment in infrastructure rehabilitation and repair (int. Bega, 2013). The regulatory power of the public sector should be used to capture added value created out of the planning process or infrastructural improvements. Now there is no clear division of tasks in PPP set by the government. In practice, the central government is the body more capable of carrying out PPPs, but the local government is the body that is burdened with the tasks for which PPP in real estate development would be needed. Development companies are usually okay with any role they are capable of performing, as long as the division of roles is clear beforehand (int. Smeets, 2014). With a feasible plan, Smeets (int. 2014) says that a company like Balast Nedam is prepared to make zoning plans, do infrastructure provision, contribute to utility services and incorporate green spaces and other public space in their projects. After a project, this is then transferred to the local government.

A part of the cause continuation of informal building is the lack of adequate affordable housing. This could be involved in a PPP construction, when managed well. Here it comes again to the willingness of the government to create a strategy, and to allocate money and knowhow to local governments, so they can work out this policy successfully.

6.2.2 The public sector and society

In chapter 5.2 it already came forward that education and know-how at the local level is a big issue in working with zoning plans. In this respect municipalities are lacking. This is also relevant for the chance of success for public-private partnerships. Up until now, much urban development was developer led. This led to an inadequate amount of attention for urban planning. When inviting developers to the informal settlements, it is important for the inhabitants that the local governments work with private parties in a strict manner and make good agreements to secure the wellbeing of society. Because of the lack of education and know-how at the local government level, this does not seem an obvious practice at this moment. Also the role of personal gain at the municipality level is important in discussing this theme. So what is the relationship between the public sector and society and the potential use of PPP?

For society to be protected from the private sector in PPP, professional knowledge within the municipality level in working in PPP is required, otherwise the private sector can take advantage (int. Dahmo, 2013). Private parties invest for their own gain. Dahmo (int. 2013) calls it a huge problem that private investors take advantage of weak local governments in urban planning. In the last two decades, construction and development companies have taken advantage of their position and uncontrollably built up free spaces, including parks and parking lots. The process of good urban planning has been neglected by developers and communities have been put for unpleasant surprises (int. Basha, 2013). The high densities permitted by the government for Ruijsink (int. 2014) proves that fulfilling the needs of society have not seemed to be the greatest concerns of local governments in the past. Of course companies can bring knowledge needed by the public sector with them, but they use it for their own interest. In practice this means, for example, a huge lack of development of public space.

In Tirana, this has happened in the formal areas of town. Dahmo (int. 2013) even finds that development by formal developers even worse than the development in the informal settlements, urban planning wise (figures 11 and 12). Even in legal development, norms and standards are not respected (int. Hysa, 2013).
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Hysa (int. 2013) experiences the urban developments in Tirana of the past decades as “destroying the city”. Maximum building heights and architecture of developments were not taken into consideration for a good urban planning practice. In this way he saw low-rise neighborhoods being filled up with high-rise apartments, all in a legal way. This could happen because owners of the houses that stood there before got high offers for their properties, and later building permits for high-rise apartments were given by the municipality.

Smeets (int. 2014) makes clear that when developing a company simply wants as much residential units as possible (when profitable), where society will want more green spaces. He explains that when the company is threatened with lawsuits, they are more willing to talk with municipalities and residents about their wishes. In practice it are the rules and government policies that a company normally conforms to (int. Smeets, 2014). This shows that a firm public sector and makes that the private sector contributes to society. Like said in paragraph 5.3.1, companies are prepared to invest in societal benefits if the overall plan is profitable for them (int. Smeets, 2014).

The capacities of the private sector to be involved in PPP are certainly there, even though, according to Aliaj (int. 2013), in Albania the private sector in real estate development is dominated by architects (just like the public sector). The question is if local governments are able to handle such cooperation. Municipalities have to supervise private developers in the planning process. This has not been done in Albania. Planning is not done in an orchestrated way, but done ad-hoc. This means that there is little eye for the combination of different processes playing when development takes place, like an increased need of services, increased need for infrastructure, a demand for a view on the expansion of the city or town and an analysis of the place that the private sector can take in dealing with these issues (int. Shutina, 2013).

The private sector has more financial capacities to have access to knowhow. Local governments should be sure they have an overview of the risks they are carrying, the security that companies provide to the citizens what they are supposed to provide, and the security that there is a good balance between costs and benefits (int. Gjika, 2013). Gjika finds that at the moment, for successful PPPs at local government level, there should be more capacities at the local government level to make sure they get involved in the right partnerships, with the right terms of contracts to get the most out of the use of public goods, infrastructure or services. Tirana has had experiences with private parties not maintaining infrastructure as well as they promised, or leaving promised infrastructural developments unfinished (int. Bega, 2013). Also Bega sees the formulation of clear conditions from the local government side, and a good control that they are abided by, as a basis for a successful PPP in development. As public sector, in working with the private sector it is important to have a framework in mind, and let private sector parties operate within this framework. This has not been the case. Only when public and private parties jointly come to standards, both interest will be fulfilled (int. Basha, 2013). Because of the prevalence of the private sector, this is not the case in Albania. In Albania, private parties have better knowledge in negotiation and can afford better judicial assistance than the public sector.

At the moment, legal expertise is missing, even in Tirana, the biggest and wealthiest municipality. In the bigger Albanian municipalities, staff has tended to adapt in an intuitive way to the new planning reality. They are trying more and more to make sure an investor also invests in part of the infrastructure when he wants to develop a certain area (int. Gjika, 2013). In Tirana developers have been asked to build and maintain secondary roads, in order to get a building permit (int. Bega, 2013). Still this cannot really be seen as a PPP construction, but more of a trade-off for building permits.
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Figure 11: Komuna e Parisit neighborhood in southwest Tirana in 2002 (upper) and 2013 (lower)

This image portrays what is meant by uncontrolled and badly planned formal development of real estate in Tirana. What we see here is that most single standing houses have been demolished and high-rise apartment buildings have been built throughout most of the area. No attention has been paid to public space, the streets are narrow in proportion to the densities of the real estate. There has been nearly no attention to creating parking space. Also the new highway runs through the upper half of a public park, and ends in the middle of a neighborhood.
Findings and results

Figure 12: Komuna e Parisit neighborhood.
The highway ends (left) and traffic is forced onto narrow roads through residential area (right). Also notice that there is hardly empty space between the high rise apartment buildings.

Source: Carl Dirks

Cooperation between the private sector and the public sector has benefited the private sector, and not the communities (int. Bajrami, 2013). An example of this is the extension of the boulevard north of the Tirana train station. This is a major project where infrastructure is improved and real estate is developed by private parties. This is also originally an informal area. The new developments were planned without knowing exactly what informal properties were there, how people were to be compensated and how people are affected by this (int. Dahmo, 2013). Many people simply have to leave. It is an example of how lack of know-how in PPP gives too much power to the private parties and does not respect the interests of society. It shows that in developing real estate, the public sector has not lead, and what is supposed to be a cooperation basically becomes solely private led development (int. Shutina, 2013). Instead of working together with the private sector, entire tasks are completely left to the private sector (int. Aliaj, 2013). Shutina (int. 2013) explains that partial zoning plans were outsourced to the private developers in the past. This meant that in trying to justify their investments, the private parties provided the public sector with biasedly prepared zoning plans.

In development processes, people have been expropriated for amounts of money below market prices. In this way, the people only become enemies, and distrust amongst society towards public and private parties is created. Dahmo (int. 2013) states that creating partnerships is not understood in Albania. Cooperation did succeed better with NGO’s like Co-PLAN and the World Bank, because of their know-how. This shows that the provision of know-how to the Albanian urban development sector is very much dependent on NGO’s.

Working with PPP asks for the ability to form an overview of potential players and partners. Boomsma (int. 2014) ascertains that municipal employees often have little knowledge on what is going on, in his example, at water companies. He experiences a lack of professionalism and lacking sense of responsibility from the side of the public sector in working with these actors. In practice this means it would be difficult for municipalities to successfully include these types of actors in a PPP construction, they miss the knowledge. The mentality of thinking in creative PPP constructions is not yet integrated in Albanian society (int. Qirko, 2013). Local governments simply lack the knowledge of how PPPs work (int. Malkaj, 2013).
Findings and results

Also, the susceptibility of local government employees to bribes, would increase the chance that even if there was knowledge of good practices in governance, they would be ignored for personal benefit. Corruption can take place for municipal staff to choose the interest of the private party over the interest of society (int. Gjika, 2013). Construction companies or owners of certain parts of land will favor construction of real estate over the installment of green space, due to the difference in potential revenue. Due to this, public servants will be influenced to change plans that contained installment of green space for certain areas, to areas where real estate can be constructed (int. Qirko, 2013). The value of working with a company is then only understood for the personal benefit of a local government employee (int. Allaj, 2013). Corruption in the construction sector is a topic that is discussed in Albania; also due to the fact that to get closer to an EU membership, there is a wider acceptance in the country that corruption has to be combatted (int. Bajrami, 2013). Ngjela (int. 2013) describes corruption as a huge problem for Albania. Still, it is sometimes ambiguous whether building processes are corrupt, or are just badly managed. It is a subject to be careful about, because the line between corruption and bad management is not always clear. In this way, society is not sure of a beneficiary outcome. Processes are not necessarily always corrupt, but Gjika (int. 2013) points out that usually the private sector has more money to hire expensive lawyers, to negotiate the terms of a partnership.

In 2006 the Law on Concessions (no. 9663) was put into effect. Gjika (int. 2013) describes the concession as being the only considered form of PPP at the time. The functions that were considered for PPP were the bigger functions at the central level, like hydropower, managing industrial parks and that type of thing (int. Gjika, int. Ngjela, 2013). The granting of concessions went in a good way, according to Basha (int. 2013). In practice this did not work out accordingly. A majority of the granted concessions was not performed, they were not given to companies actually capable of delivering the job. In this way the preparation of a project and contracting went quite well to the norms, but there was no professional leadership to effectuate the plans. Many companies that won tenders turned out to have insufficient funds to do the jobs asked from them. Malkaj (int. 2013) tells the central government then is not able to monitor the process, and are left to the mercy of the private sector.

Where the focus in the beginning of this dissertation was very much on the question how private parties can help local governments with performing their tasks, it becomes clear that an important question should also be how (local) governments can protect society from excesses of the private sector. In understanding the fears in development in the informal settlements, it is important to look at the practice of formal development in Albania over the last two decades.

6.2.3 The private sector

For companies to invest in PPP constructions, they need security. In Albania this is lacking. When establishing a zoning plan with building regulations, to secure the position of the private sector at that location, it is important that these zoning plans and regulations are enforced. In the past this was often not the case, and the insecurity of this getting better in the future can scare off investors.

Smeets (int. 2014) makes clear that for the sake of security of investment, the presence of a zoning plan is an important factor. Still he also makes clear that he does not see it as a problem for a development company like Ballast Nedam to make the zoning plans themselves. If the plan is still feasible with the costs of the creation of zoning plans included, there is no problem. As became clear in chapter 5.2, the abidance to zoning plans and building regulations is not a security in Albania. In this respect, corruption is a problem. An investor can build something, and his consent his property can be surrounded by informal settlements (int. Dahmo, 2013), because government officials have been handed bribes in return for building permits. This practice would be especially damaging for development companies. Albanian society has not yet gotten used to the idea that property rights and development rights are not necessarily the same thing (int. Bajrami, 2013). In successfully implementing effective zoning plans and building regulations in an area, first a way needs to be found to prevent informal developments in these areas. Otherwise the zoning plans are worth nothing for the sake of security for the formal private investor.
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Furthermore, the governments in Albania are often perceived as an unreliable partner. Often government policy will significantly change when elections are won by an opposition party (or parties). Existing deals with the government are then often reconsidered (int. Nientied, 2013). Because there is not much tradition in practice of cooperation, legislation changes often and political unpredictability make planning processes unclear (int. Aliaj, 2013). For long term cooperation in the form of PPP, unpredictable policies are a constraint. Trajectories in doing business are not open and clear, which makes that there is uncertainty for parties to enter in the Albanian market and commence in PPP constructions (int. Boomsma, 2013). Boomsma (int. 2013) points out the presence of fiscal uncertainty, as it is often not clear what types of taxes have to be paid by companies, and the system is obscure.

Bajrami’s (int. 2013) experience with PPPs (not in construction but rather infrastructure and services) is that in Albania, the private sector demands large financial share and profits. They want their investment well financially secured. This is a result of the unreliability of governments and the system. Companies want to earn back their money in three or four years so the profits are secured before changes in political regime occur. This is a short term way of working that is not favorable for thorough building processes, which often take much longer when done in a decent formal way. To be able to complete a project at that speed, bribes and corruption would be a “solution”. Ruijsink (int. 2013) notes that this is sometimes the only way to keep some pace in development in a dysfunctional system, and can thusly even be looked at as a necessary evil. Still this short term mentality often withholds companies from creating a sustainable development climate. This mentality presents companies the opportunity to get involved in projects, even when they are not able provide the best feasibility and quality. In practice this means companies are often not fit for the task they signed for. In the scarce cases of PPP in Albania now, a competitive process is lacking (int. Aliaj, 2013). Foreign private sector companies will go somewhere more competitive.

Boomsma (int. 2013) states that Royal HaskoningDHV would probably not be working in Albania if they would only deal with local governments in Albania, because he perceives that the company would have to accept certain business mechanisms, corruption, that are not in line with their business ethics. With tenders and audits, the perception is that a successful outcome has to be bought. The presence of the company is assured by their cooperation with partners with an international background (for example in the TAP-pipeline project). It are especially the companies from Western Europe that might not be used to this practice in planning trajectories, companies from other countries might have less difficulty with it (int. Bega, 2013). Ngiela (int. 2013) explains that where in most western countries there is a formal path to follow in development, in Albania doing business is often a matter of going to public institutions and setting up meetings with the right people. It is not always corruption, but it is a different way of doing business in the absence of well integrated institutional steps. Western European companies often fear a negative reputation in their country of origin if they could conduct in these ways of doing business (int. Smeets, 2014). Shutina (int. 2013) notes that predictability of a process is important for foreign companies wanting to invest, and that corruption undermines this predictability. Still he perceives that corruption is not bigger than in the rest of the region, making him believe that what could stop foreign investors is also the perception of the presence of corruption and instability in Albania.

There is also simply a lack of knowledge from the side of the government (int. Basha, 2013) and an undeveloped institutional system (int. Malkaj, int. Ngiela, 2013). Lawyer Basha (int. 2013) explains that his employer, a legal consultancy firm, was one of the first players in Albania working with the 2009 Law on Territorial planning. In representing an international private partner, it was very difficult for them to engage with government partners. There was no specialist on the new Law, so no one to accompany the private delegation through the formal planning process. This means that the legal consultancy firm had to take on the function of trainer of the government employees, in getting them to be able to create a joint approach for the planning process. This means in practice that in working with the government, for a private party a large amount of time and means are needed to make sure the legal procedures are adequately followed. This practice may improve now more plans are created and public employees have
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existing examples to refer to. Still it is clear that private parties often do not get the supervision and help that is needed to get them through a real estate development trajectory.

Because local governments often do not see the importance of PPP, companies are not given the space to perform the best they can. Local government units will leave work to companies that they are supposed to do themselves, even when this was not the agreement. When dividing tasks between government and private partner, the government is often not reliable in fulfilling its tasks (int. Aliaj, 2013). In conducting PPP, it is important for companies to know what their tasks will be, and to know the amount of money they will probably earn through the project. Otherwise banks can be hesitant in providing loans (int. Smeets, 2014). Furthermore, when creative PPP constructions have to be created, the company has to make costs for lawyers and highly educated employees to make sure the process is done correctly. This means that projects have to be of a considerable size and financial returns to make such an effort of base investment.

Companies also run into property issues (int. Basha, int. Ngjela, 2013). Often there are old land disputes and unclarified relationships between landowners and users. These are often long processes and land can often not be developed before these processes are settled. Without homework being thoroughly done, and having the correct local partners, Basha (int. 2013) sees it is very difficult to work in Albania. To work successfully in Albania, the private sector has to perform some of the research tasks that in many countries would be expected to be done by national and local governments.

6.3 Funds at the local government level

In paragraphs 5.2 and 5.3, it has come forward that many problems in the inability to implement planning instruments on the local government level, is due to lacking capacities to do so. What has come forward is that for both the successful implementation of zoning plans and building regulations, as for potential initiation of PPP constructions, there is a lack of know-how at the municipality level. What has also come forward, is that a part of this problem is caused by lacking funds at the municipality level. In the small villages there are often not even enough funds for basic services like garbage collection (int. Hysa, 2013), but also the large municipalities lack funds for performing the discussed urban planning tasks and experimenting with innovative processes. In this paragraph I try to explain the lacking funds. This is done only briefly, a more extensive analysis would also be able to fill an entire new thesis.

Local funding of infrastructure and service provision

An important aspect of the shortage of government funds, is the practice of the coverage of expenses of infrastructure and services. Gjika (int. 2013) explains that zoning plans are seen as an instrument for municipalities to do investments in infrastructure like water supply, sewage etc. on one hand, or as an instrument for citizens to develop their properties on the other hand. In the current Albanian urban planning mentality, the only thing that links the provision of infrastructure and services with real estate development, are the tax impacts on infrastructure, also known as betterment fees for real estate. With the construction of real estate, a certain percentage of the total value of investment is charged for infrastructure and services (int. Gjika, 2013). This is still very much a parcel based way of thinking of improving territory, it again does not take into account an entire area. People do not link the idea of zoning plans with infrastructure provision. Furthermore, the betterment fees are only collected from developed real estate that was built formally. This means that in most municipalities the fees collected for infrastructure and services do not meet the amount needed according to the actual demand of infrastructure and services.
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Table 2: Local government expenditures, their origins, and proportion of government expenditures and total GDP

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<tbody>
<tr>
<td>Conditional</td>
<td>27</td>
<td>5.4</td>
<td>79.2</td>
<td>19</td>
<td>16.3</td>
<td>1.4</td>
<td>5.3</td>
<td>0.4</td>
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<td>Centr. Gov.</td>
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<tr>
<td>Unconditional</td>
<td>5.7</td>
<td>11.6</td>
<td>16.7</td>
<td>41</td>
<td>3.4</td>
<td>3.0</td>
<td>1.1</td>
<td>0.9</td>
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<tr>
<td>Centr. Gov.</td>
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<tr>
<td>Own Local Revenue</td>
<td>1.4</td>
<td>11.4</td>
<td>4.1</td>
<td>40</td>
<td>0.8</td>
<td>3.0</td>
<td>0.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Total Local Gov. Expenditure</td>
<td>34.1</td>
<td>28.4</td>
<td>100</td>
<td>100</td>
<td>20.6</td>
<td>7.4</td>
<td>6.7</td>
<td>2.1</td>
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Albania has a fairly low proportion of the GDP that goes to local expenditures (int. Gjika, 2013). Local governments have become somewhat more self-reliant throughout the 2000s (table 2). Before, the local governments hardly generated any own revenue. Therefore it received a big share of its income from the central government. Most of this money was conditional though, the largest part had to go directly to salaries (Gurray et al, 2002, p110). In 2012, local governments had bigger own revenues through taxes, and also more access to unconditional funds by the government, comparing to 1999. On the other hand, the conditional funds have declined drastically. So drastically that even the absolute local government expenditures have dropped since 1999. In this period of time, Albanian GDP got two and a half times bigger, as have total government expenditures. This means the fraction of the total government expenditures that is done by local governments is very small, has decreased during the 2000s (table 2). To make a comparison; in the Netherlands the local government expenditure was 52 billion euro’s in 2012 (CBS Netherlands, 2014a); 9.2% of GDP; 17.2% of total government expenditure (CBS, 2014b). OECD (2013, p49) notes that the local governments in Albania are highly dependent on the central government due to low local revenues and the demand for infrastructure investments. OECD (p48) describes the Albanian public sector as being rather centralized, and the pace of the financial decentralization process is slow. This is contradictory to all the intentions of decentralization that gave been carried out over the last fifteen years. With an increase in tasks by the local governments, an increase in possibilities of expenditure should be assured. This is not the case. This is confirmed by Bajrami (int. 2013), who notes that there has been decentralization of functions, but not of the economy; of finances. In the meanwhile it is said by Hysa (int. 2013) and Malkaj (int. 2013) that many small municipalities are dependent of intragovernmental government funds. The funds that are transferred from central to local governments are limited, and next to that the possibilities for generating local revenues through taxes and tariffs are

2 Total government expenditure; 1999 - 165.7 billion Lek. 2012 - 383.7 billion Lek.

3 Total GDP Albania; 1999 - 506.2 billion Lek. 2012 - 1.346 billion Lek.
limited as well (int. Gjika, 2013). Since the Law on Territorial planning was introduced in 2009, amendments have been introduced which, in the eyes of Gjika, limit the tariffs that can be imposed by municipalities. The amount of money that the tariffs now collect lies below the cost that the provision of services takes costs (int. Gjika, 2013). When revenues would be available for local governments, the allocation of tasks to them would have been more acceptable. Now it seems that the allocation of tasks has been done without the security of funds. Bajrami (int. 2013) estimates that the highest percentage tax collection of a municipality in Albania to be around 50%, with many municipalities having much lower percentages of tax collection. Because of this, many municipalities simply raise their tax rates to try and fill the gaps, instead of broadening their base where they can collect taxes from. This then has a chance to be used politically again. Similar to the promises of property legalization, politicians promise amnesties from taxes in return for votes. Because this has been done before, people evade taxes, because they expect similar promises to be made by politicians in the future. These promises are often made around election time (int. Bajrami, 2013). Apart from this political aspect, the taxes are also evaded by bribes at the tax office. This is also the case for the formal construction sector. Theoretically there could be a lot of income from taxes, but much of it is simply not collected (int. Aliaj, 2013). Property development and construction has been a booming sector in the past decades, but taxes have not been consequently collected. Qirko (int. 2013) notes that taxes are also often not paid with the excuse of poverty, households say they are unable to afford the amount. On the other hand the same households often informally construct three story houses. There is little societal consciousness that tax money is linked to improvement of services and infrastructure. Often from the countryside, the mentality of paying taxes is not brought with them. Because many farmers on the countryside are merely self-reliant, they are often relieved from taxes (int. Hysa, 2013). Hysa (int. 2013) sees an injustice in informal settlers being legalized, seeing that the inhabitants of Tirana pay taxes and carry out formal ways of development. City people see that unlawful behavior is being rewarded. Because there is no clear overview of private properties, especially the informal ones, there is a low rate of property tax collection (int. Malkaj, 2013). A part of the population pays for the people not paying taxes. Also a lot of people in the informal settlements also fail to pay their water and electricity bills (int. Ngiela, 2013). This also adds to the feeling of injustice the paying citizens have.

Bajrami calls the lacking decentralized financial system the main "lacking instrument", and not the technical instruments that the 2009 Law on Territorial Planning provides. Local governments cannot be expected to be able to install adequate zoning plans and, on a more abstract level, strategic plans. There is often no money to educate the local government employees in this specialist work, or for hiring specialists or consultancy companies for assistance. For other local government tasks, like wastewater treatment, garbage disposal or the sewage system, conditional money is provided by the central government (int. Bajrami, 2013).

There is another political aspect that is indirectly connected to municipalities’ financial situation. When the party in power in a municipality is a different party than the one in power in the central government, often insufficient funds, assistance and knowhow is allocated by the central government to these municipalities (int. Shehu, 2013). In this way, governments will willingly frustrate territories that has an electorate supporting the opposing political party. For as far as willingness to create and implement zoning plans and building regulations existed in the first place, the finances and capacities are then not provided and implementation of these instruments is made even more difficult. Bega (int. 2013) for example fears that now Tirana again has a mayor of a different party than is in power in the national government, the municipality will have to negotiate very hard to get assistance from the national government. The fact that the party in power is not aligned nationally and locally, will not help coordination and allocation of finances she believes. This makes a municipality very much dependent on its local tax-system. A broad sense of responsibility is lacking within governments (int. Boomsma, 2013). There is little sense within the public sector that they are responsible for society as a whole, and not only for the part of society that belongs to the same political side. Even in small municipalities, Hysa (int. 2013) notices that investment grants for infrastructure or services are often done only just before election time.
6.4 Political, societal and anthropological developments during the time of transition

I started my thesis expecting to find especially many technical and judicial answers. In practice, the answers I got most in my interviews, turned out to be more of political, social and anthropological nature. Even when asking technical questions, or turning to people working for technical, calculation-based employers, the answers often went into the stated direction. It seemed that everyone had the idea that they knew what technically had to change in Albania.

In the interviews and also when reading literature on Albania's post-communist transition period (which has not ended), it comes forward that mentality is an important factor to take into account when researching urban planning practice. Boomsma (int. 2013) reckons that enough Albanians living abroad have become educated in modern governance system enforcement, and therefor Albania has access to this knowledge. The fact that laws are often not enforced, Boomsma perceives as a mentality of "that's the way we behave in society over here". Like has come forward throughout this dissertation, Albanian society seemed to want to break with everything that had to do with the communist era. This means that even planning mechanisms of the past, that actually have the potential to be beneficial for the country, are not used because they are perceived as a part of the old regime (int. Boomsma 2013). Private property was a new concept for Albanian society, in that respect after the fall of the communist regime there was a law and mentality gap (int. Shehu, 2013). Democracy and freedom tend to be confused with a lack of rules, while in a working democracy there are actually rules to streamline society. This is something Albanian society needs to get acquainted with (int. Nientied, 2014). So questions that are being asked in Albanian society are also about how new values and social awareness is created (int. Ruijsink, 2014). An awareness that making rules about planning and building norms is an acceptable step and not an outreach back to communist type of rule. That there is also a middle way between a totalitarian rule and the form of near anarchism that has prevailed in Albania for more than a decade after the fall of the regime. The nuance in mentality has been seemingly missing.

Coherent government policy to lead a system somewhere often seems absent in Albania. There are projects and small actions, but little broad perspective and longer term policy (int. Dahmo, int. Boomsma, 2013) visions are barely being developed. There is still a traditional sense of the roles of public and private sectors. Outside of people building and the government just collecting taxes and issuing permits, there is not much view for cooperative ways of development (int. Bega, 2013). What has to be changed is a culture that new planning models are possible (int. Shutina, 2013). The 2009 Law on Territorial plan was seen as a burden by a part of society, as it brought with it building restrictions and building indicators (int. Bajrami, 2013). This gave some investors the impression that building freedom was oppressed, and development would be blocked. The density of building was restricted, which Bajrami perceives as good for urban planning, but it was bad in the mindset of developers. The fact that through political promises or bribes, developing informal settlements is still not systematically actively restricted, makes that developers will ignore the law and simply build.

Together with education and culture, the word mentality is a term that often came back, by various different people. The Albanian mentality makes that the idea of development rights and social aspects of property are not yet accepted (int. Gjika, 2013). This has to grow. The fact that society is still skeptical about these new planning instruments, makes it politically difficult to enforce these instruments. In this way, problems that are technically solvable are blocked politically (int. Shehu, 2013). Along with this skepticism, Shehu sees a lack of interest of the Albanian population for broader society. Many people seem to be only socially interested in their own household. Shehu (int. 2013) recognizes a failure of people in seeing the well-being of the neighborhood and city as aspects affecting individual well-being as well. This is also seen by Hysa (int. 2013), he sees that society expects a political representative to talk for them, appropriating themselves a minor roll. Due to the history of the country, the Albanian population still has a hard time seeing the government as a partner, which explains this focus on the wellbeing of the own household or family as opposed to society (int. Ruijsink, 2014). The anthropological and sociological sides
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of dealing with urban planning is very important, when certain viewpoints are accepted a critical mass for a structural evolution of a system can exist.

Political will and being open for new approaches in planning is important in tackling the issues discussed in the thesis (int. Bega, 2013). With will, decisions to focus on education of urban planners can be made (int Nientied, 2014). For Nientied, the fact that graduated students in urban planning from Polis University still have a difficult time finding a job, while expertise in urban planning is heavily needed, shows that municipalities often still lack the willingness to improve in that respect. Aliaj (int. 2013) now sees, perceives, that professionals at government institutes tend to argue to go back to how it was before the 2009 Law on Territorial Planning. He emphasizes the importance of decent training and education to go forward in using new legislation, instead of holding on to old customs. There needs to be a political will to enforce new laws. When there is no enforcement of laws, it is like there are no laws at all (int. Basha, 2013). Political will makes that the technical aspects of the challenges that have to be dealt with can be tackled better. There are technicalities to the current problems, but it has to be a mentality and a way of thinking in society and politics to actually start the cycle (int. Malkaj, int. Ngjela, 2013).

The division of tasks between governments
Also the division of tasks between national, municipal and regional governments is a point of discussion in Albania. The regional government level is a level worthy researching. The regional government level now barely has any functions, and only comes in to play when municipalities need to be assisted. It is an undemocratically assigned body that normally represents several municipalities and or communes together (int. Gjika, 2013). The regions are insignificant and in Albanian governance circles it is jokingly said that if the regional units disappear, nothing will change. There is a growing opinion among Albanian specialists that the municipalities are too small to work properly (int. Malkaj, 2013). They often have a small amount of economic activity within their territories so they do not have engines of development and sources of revenues. This makes that there is a misbalance between administrative units with economic activities and others that have almost no income. Malkaj (int. 2013) says the intention in Albania now is to decrease the number of municipalities and have a minimum amount of citizens per municipality. This gives the units better opportunities to efficiently collect taxes, and to tackle problems with a broader view. Also the regions will be redefined in competencies and in roles. In practice, these processes mean a relative recentralization of functions. In seeing that bigger government units are more capable of tackling problems, there will be a more regional view, Malkaj (int. 2013) foresees. Bigger and more powerful municipalities.

Bega (int. 2013) finds that now the division tasks is not well defined. The settlers that come to live in Bathore, for example, are people that are settled there for the city of Tirana. Still they are not in the administrative zone of Tirana. The fact that the local governments in the municipalities surrounding Tirana follow a different policy of construction and building permits, makes it difficult to organize the city of Tirana itself. The neighboring municipalities do not have the social infrastructure that Tirana has, which makes that the citizens use Tirana’s infrastructure. Schools for example become overcrowded. Tirana delivers these services without gaining extra income for the people using them. This is why Bega (int. 2013) misses the regional level as a planning level, as at this moment the cooperation between the municipalities is perceived by her as being very weak. This causes a lot of overlap in bus systems for example.

Shehu (int. 2013) also tells that there is a lacking cooperation between national and local governments in implementing strategies. This has been covered in chapter 6.1.1.

NGO’s and other external institutions
There are many institutions that have assisted Albania throughout its transition. The United Nations, the European Union, the World Bank, USAID are amongst more that have done projects, publications or other work in assisting the development of urban planning in Albania. The opinions and views on this have been somewhat skeptical I found during my stay in Albania. Many people noted that most institutions trying to
help, are from Western Europe or the U.S.A, and have never gone through a process similar of the one in Albania. The World Bank (and before Co-PLAN) initiated projects for infrastructure provision and formalization of settlements. In the beginning this was difficult because authorities and electricity and water companies did not want to acknowledge the existence of the informal living people, making working towards solutions difficult (int Dahmo, 2013). This mentality later slowly changed. This is an example of how NGO’s are often thinking in a different way than the practice allows.

The World Bank has had projects in Albania, for example for social housing, but it did not fit in the Albanian context. Furthermore, through nepotism and corruption, it were rich people, sometimes even officials, that inhabited these houses (int. Dahmo, int. Bajrami, 2013). Boomsma (int. 2013) notes that often times the effort to implement advice or projects recommended from outside Albania is reliant on if there is allocation of funds involved. Project implementation only works if there is conditional provision of funds involved, in his perception.

Reports are often written without there being a clear idea of who should implement the content. The reports are often written well and technically they make sense, but connection to the Albanian context is often missing (int. Boomsma, 2013). Boomsma also notes that Albanian NGO’s are in practice often an extension of a political party. He perceives that they often do not have societal goals as a starting point, but are more focused on personal gain. Ruijsink (int. 2014) sees an important role for NGO’s in being a connection between society and the government, in achieving mutual goals. This partner needs to have trust from both sides, this is now still often missing.
Findings and results
7. Discussion

In this chapter, the finding and results and results are placed in a broader context. At the hand of the main and sub questions, a contemplation is set forth on if and how the questions are answered. References are made to earlier researches on subjects surrounding informal settlements and/or urban planning in Albania, to see how the approaches match or differ. I will also contemplate possible perspectives, scopes, to research these or similar topics in the future. The discussion is divided in four parts. In chapter 7.1, the direct results on zoning plans and building regulations are discussed. In 7.2, the results on PPP are discussed. In paragraph 7.3, overarching related themes derived from this this research are set forth. In paragraph 7.4 research scopes and foci derived from the results are set forth. In paragraph 7.5, I put this research in perspective, what does it contribute to the general body of knowledge?

7.1 Discussion of results on zoning plans and building regulations

In this thesis, the first part of the main question is:

_Can zoning plans and building regulations be successfully implemented in Albanian informal settlements?_

The set of direct results of the research in answering this question is divided in four parts:

- Local government education and know-how
- Lack of alignment between national and local strategic plans
- Political interests

Local government education and know-how

It was stressed by many of the interviewees in this thesis that knowledge at the local government level is lacking. The instruments provided through the 2009 Law on Territorial Planning are not understood. Knowledge is missing. The factor “human resources” came forward as one of the most important factors in researching the possibility of creating and implementing zoning plans. The expectation was that the malfunctions of legislation would be stressed more. This did not turn out to be the case, most interviewed people say the 2009 Law on Territorial Planning and the instruments it offers for urban planning, are sufficient to successfully carry out urban planning tasks. It is the inability for local staff to work with the Law, that makes the instruments cannot be used properly.

It is argued that knowledge is made up of a useful interpretation and organization of information and data (Cong and Pandya, 2003). Information and data have to be well organized in order for it to be used well. In trying to overcome the knowledge gaps in the public sector, over the years, different approaches are experimented with. Examples are:

- The concept of Knowledge Management (KM). This has been especially researched in Western countries because communities are affected by public policy, noting that governments are under continual pressure from the society to increase their effectiveness and quality with fewer resources (Riege and Lindsay, 2006).
- Public Sector Knowledge Networks (PSKN’s) (Dawes et al, 2009); the philosophy behind this is going from a “need to know” to a “need to share” public sector culture. This means that knowledge can be efficiently shared within public sector bodies.

These are some examples of technical aspects of stimulating growth of knowledge in the public sector, but what has come forward is that there are underlying hassles that affect this gap in knowledge (paragraphs 6.3 and 6.4). Before researching types of knowledge construction, in the case of Albania, it is important to research why knowledge is missing.

Lack of alignment between national and local strategic plans

Another point that came that came forward as making the implementation of zoning plans and building regulations difficult, is the lack of alignment between national strategic plans, general plans at the local government level and possible zoning. General plans are important as a strategic indicators for
implementing zoning plans and building regulations, because they create a context decision. In the case of Albania, it is also a matter of time for this misalignment to be solved, because the active effort of creating and implementing strategic plans has only effectively started in 2011. Still, it is important to have a good communication within and between governments and other government institutes. There is also a growing consciousness that the voice of stakeholders has to be implemented in strategic plans as well. Although it seems tempting in Albania to work with single projects to rehabilitate parts of cities, practice and Europe has shown that concern grows that this approach causes random and unstructured development and fragmentation. Together with the presence of other interests (from global to local scale), and the demand for attention for environmental issues the professional opinion that long-term thinking and strategic planning was desired grew (Albrechts, 2004). Albrechts stresses that strategic planning is not only reliant on a system, it is also reliant on public and professional attitudes towards spatial planning and political will to set the processes in motion.

**Political Interests**
Legalization efforts are promised for political support. Legalizing new informal buildings and issuing permits building permits for political support, undermines working with zoning plans. It decreases the value of working with zoning plans and building regulations. Gilbert (2002) also notes that in general the vulnerability of informal settlements is low when elections are near. It is a big challenge to implement or enforce legislature that might not be popular amongst the constituency. There are researches that claim that public opinion has a strong influence on public policy (Burstein, 2003) (though it has to be taken into account that this was researched in the United States, a hypothesis could be that this is the case in democratic states).

This phenomenon has to possibly be seen in a broader sense, as can be read in paragraph 6.4.

**Other**
A difficulty in implementing zoning plans that also came forward is lacking land registration and quality of mapping in the informal areas. I have given this only a little attention in this thesis, because I see land registration and mapping as a technical aspect of formalization that is be researched outside of the possible use of zoning plans. Whatever form of practices and methods are being used for formalization, problems with land registration and mapping have to be solved as a part of the effort.

**7.2 Discussion of results on PPP**
The second part of the main question in this thesis is:

*Is the use of public-private partnerships a feasible and useful way to overcome obstacles with zoning plans and building regulations in Albanian informal settlement areas?*

The set of direct results of the research in answering this question is divided into three parts:

- Lacking knowledge at local government level to be an equal partner of the private sector
- Interests of society not met due to corruption
- Interests of private sector not met; lack of know-how, obscure planning trajectories, competitive market

These results are explained in paragraph 7.2.1. In paragraph 7.2.2, I discuss if the three PPP models (described in chapter 3.8.2) fit in the Albanian context.

**7.2.1 Discussion of results on PPP**

**Lacking knowledge at local governments to be an equal partner to the private sector**
Local governments in Albania lack the knowledge to be an equal partner for the private sector. The local government, and thus society, can be taken advantage of this way. A beneficial partnership depends on how power imbalances amongst participants can be dealt with to secure equitable, horizontal power
relations. Discrepancies in participant’s access to financial, institutional and legal resources should be kept in mind (Miraftab, 2004). In the case of Albania, this discrepancy seems very large.

Based on experience in Western Europe, Needham (2005) also ascertains the need for public officials to have good knowledge of land economics and real estate and finance, stating that when public officials are not equally clever and well informed as the people working at private development companies, the companies will exploit their advantage. Seeing the discrepancies in Albania brings the assumption that Albanian local governments would be heavily disadvantaged in working with private companies. Osborne (2000, p89) states that in working together, an interdependency of various organizations exists. It occurs because knowledge and resources are spread among different actors. In Albania knowledge as well as resources are in the hands of private actors, rather than that it is spread over private and public actors. Decision making to facilitate private development is what the public sector has to offer. The private sector is claimed to have a greater expertise in managing complex projects (Yescombe, 2011, p22). This can only be beneficial for the public sector though, if they are able to negotiate with the private sector on an equal level.

Interest of society not met due to corruption

It has come forward that corruption and personal gain is a factor that can negatively influence the outcomes of PPP for society. It makes that the interests of society can be neglected in favor of benefits for private parties in real estate development. Public or joint projects can be carried out corruptively, reducing the productivity of such expenditure and resulting in projects that would not have been justified on objective criteria of investment selection (Tanzi, 1998). This essentially means societal resources and interests are abused for personal benefits.

Corruption is definitely something that gets attention in Albania. Boghdani and Laughlin (2007, p151) note that during communism there was already a big tradition of clientelism in Albania, and they claim that after the fall of communism it has worsened. They attribute this to an absence of a brake on the political class, weak state administration, the state of the Albanian economy and the absence of properly functioning market institutions. The European Commission stresses that great efforts are needed in Albania to fight politicization and corruption in Albania (2013).

Corruption is obviously not a phenomenon limited to public-private partnerships, but in working with PPP corruption would heavily undermine the arguments of working in such construction in the first place. Where PPP can be used by the public sector to benefit from private knowledge, corruptive developments can cause those benefits to stay absent.

Interests of private sector not met; lack of know-how, obscure planning trajectories, lack of competitive market

The lack of know-how does not merely have to be a disadvantage for the interests of society. Also the private sector can be disadvantaged. When there is a lack of know-how at the local government level, private partners will not get the guidance they need to get through a formal process. This makes planning trajectories obscure. Kloot and Martin (2000) noted over a decade ago that there are increasing pressures on local governments to plan for the future, rather than taking an incremental approach. The approach at the Albanian local governments seems incremental, often times they employees miss knowledge about the planning process, which means they cannot provide private parties clear details about the planning trajectory.

The lack of the competitive market has to do with corruption as well. A corrupt economy does not provide open and equal market access to all competitors (Habib and Zurawicki, 2002). Companies willing to engage in corruption have a greater chance in succeeding in the Albanian market than companies that will not. This makes the market not a competitive one, but rather an unpredictable market. Foreign direct investment and corruption can be jointly considered. Foreign investors may consider corruption morally wrong and stay away from countries with high levels of corruption (Habib and Zurawicki, 2002). It is argued that this lack of a competitive market through the presence of corruption, reduces the legitimacy of
the market economy and perhaps even of democracy (Tanzi, 1998). The equal chances of market players are considerably reduced.

7.2.2 Comparing three PPP structures and analyzing how they could fit in Albania
In this paragraph, the three PPP models as explained in chapter 3.8.2 are compared with the findings that have been presented on the subject of PPP in this chapter. At the hand of Error! Reference source not found., I explain how compatible the models are with achieving the goals that are explained in this thesis. These are the topics put forward in chapter 5.1:

5) Turning “dead capital” into “live capital”
6) Finding a system for value capturing
7) Protecting the interests of the society and the public (democracy)
8) Ensuring the interests of private parties involved

In theory, public private partnerships would have a lot of advantages for the not so wealthy municipalities in Albania. Especially the infrastructural improvements that need to be made upon formalizing areas would be difficult for local governments to do at the moment. In the results of this thesis, it comes forward that there are some disadvantages for local governments to commence in PPP constructing, regardless of the form. In any form of PPP, the only way the interests of society and the public are secured, is when the government has the knowledge and means to be able to negotiate good deals. It has come forward in this thesis that the knowledge and capacities at the Albanian local governments are not sufficient at the moment to secure the interests of society and themselves. Up until recently, almost all real estate development in Albania were done through private led development. This means that all the phases of area planning were done by the market sector (figure 3). In practice the initiative phase was also normally done by the private sector. Only the management of public space and infrastructure was done by the public sector. They are formally responsible for the infrastructure. This is what has led to the degradation of the urban area in Albania; the need for public space was often ignored and private sector could do as they pleased. This is a result of corruptive public officials, and a lack of knowledge and capacities at the local government level.

This current state of the Albanian municipalities mean that local governments, and thus society, now are heavily disadvantaged in working together with private parties. Where companies have the funds to hire expensive lawyers and other specialists, for local governments this is often not possible. This means that in PPP, the market parties will have a much greater chance of negotiating deals that are in their own advantage.

PPP Concession
In the concession model (figure 3), the initiative of a plan is taken by the public sector and the vision and program of a project are created by public and private sectors jointly. From then on, the market party is responsible of development. This form of PPP is at the moment probably most viable of the three in Albania (it is also the only one that is momentarily used in Albania, though not per se in real estate development). The reason for this is that capacity is only especially needed in the phase of forming a vision and program. The rest is done by the market party. Still, in practice this still does not turn out being the best for society, when the government is unable to negotiate good contracts. Still this form of cooperation demands the least amount of knowledge from the municipality, as they are not involved in plan development and the estimation of land development. Yet, for complicated issues as turning dead capital into live capital, the concession model probably will not be appropriate. The government needs more leverage and dictate in the process, in order to tackle such complicated issues.

Building Claim Model
The building claim model would fit better with the formalization of areas in Albania. The public sector takes part in the plan development phase and the estimate of land development phase (figure 3). This means the local government can better steer the process in a direction where their goals are met. In
practice this will not work in Albania, under the current circumstances. Local governments do not have the funds, capacities and knowledge to be able to negotiate on the same level as the market party. Especially in plan development, expertise is needed to make sure the societal needs are fulfilled.

**Joint Venture**

In the joint venture model, the entire feasibility phase, and the project development phase are done jointly by public and private partners. This makes this type of cooperation even less attractive for Albanian municipalities at this moment, although it would be a good model for tackling problems to do with the implementation of infrastructure in formalized areas. For project development a big amount of funds are needed, and knowledge about risks is very important. This is both lacking with municipalities in Albania, and in this way big mistakes with giant financial consequences can be made. It seems in no way viable that Albanian municipalities are able to do project development themselves in the state they are in now.

**7.3 Overarching themes**

In this thesis a few direct answers were found to the questions. These are the answers that are directly linked to the treated subjects, they can be connected one-on-one. A lack of knowledge (both for working with zoning plans as working with PPP), political lack of finances at the local government level

An overall cause of the malfunctioning of Albanian municipalities and the fact that the malfunctions are difficult to be solved, is because of a lack of finances. The problems identified at the local government level cannot be addressed without the allocation of finances. This is a topic that has to be addressed in Albania. With increased community expectations (in Albania translated to an increasing amount of tasks due to decentralization) and low revenues, financial performance management is essential for long-term survival (Kloot and Martin, 2000).

The lack of finances at the Albanian local governments is connected to the effort of centralization. The World Bank (2006b, p28, 30) has already noted in the past that municipalities lack the financial capabilities and resources to sufficiently fulfill their infrastructure and service provision role which resulted from decentralization of the responsibility of managing and maintaining local physical infrastructure. In Albania, there has been a decentralization of tasks, bit not a decentralization of finances. Akai and Sakata (2002) argue that autonomy should be considered as one of the indicators of fiscal decentralization; when local expenditure shares and revenue shares are not sufficient, and insufficient resources for public spending are allocated from higher to lower-level governments, an authority cannot be considered to be fiscally decentralized. In this definition, Albanian local governments cannot be considered to be fiscally decentralized.

The United Nations Research Institute for Social Development (UNRISD) (2001, p19-24) identified several elements for a good fiscal decentralization program:

- An adequate enabling environment
- Assignment of appropriate functions to local governments
- Assignment of appropriate revenues to local governments
- Developing an appropriate intergovernmental transfer system
- Developing adequate local access to investment capital

These elements of good fiscal decentralization can be translated this to the themes in this thesis; zoning plans and building regulations, and PPP. Research can be done to if zoning and PPP is at its appropriate government level. This connects to the remarks by some of the interviewees to research the role that regional governments can play (chapter 6.4). It is interesting to research if several municipalities together (forming a regional level body) can have a better position towards the private sector.
Discussion

Political, sociological and anthropological aspects

Albania is a country in transition, and this has many implications which cannot be concretely formulated. Although many phenomena in the country can be concretely formulated, and the direct causes can often be rationally explained, the deeper underlying causes are often more abstract. Upon doing my research, the political, sociological and anthropological aspects as underlying causes for the researched phenomena were stressed by nearly all interviewed people.

Some scholars argue that clientelism and corruption can be culturally defined (Bogdani and Laughlin 2007, p151-152, Treisman, 2000). Bogdani and Laughlin claim that the Albanian (or Mediterranean-Balkan) culture is characterized by mistrust of others, the clan mentality, absence of mutual respect between citizens and state, social isolation and a lack of civic awareness. In respect to zoning plans and building regulations, it is good to research the direct causes and effects of corruption on these issues. Like came forward before, not abiding zoning plans greatly reduces the value of this urban planning tool. Corruption would also undermine a good planning practice for benefiting society in PPP constructions. It is argued by that the amount of time being a democratic country is linked to the level of corruption (Treisman, 2000). Albania has implemented numerous anti-corruption programs and has anti-corruption strategies (Steves and Rousso, 2003). It would be interesting to see how this relates to urban planning years later.

Like said in paragraph 6.1, strategic planning is not only reliant on a system, it is also reliant on public and professional attitudes towards spatial planning and political will to set the processes in motion (Albrechts, 2004). That connects to the emphasis that the interviewees in this research put on political and sociological aspects. Technical aspects to urban planning questions are often solvable, but there needs to be a political will to make this possible and societal awareness that these urban planning processes are good for them.

A much heard criticism from Albanian specialists is that instituted like the World Bank, the UN and the EU propose very technical solutions to Albanian urban planning issues, without offering a contextually nuanced guide of implementation.

7.4 Research scopes and foci

There has not been much English literature on the specific topics researched. For this reason, there has been a fairly general focus in answering questions. During the course of this thesis, in finding answers I was mostly led in the direction of the local governments Albania. In this thesis, most of the people interviewed stood quite far from the planning practice at Albanian municipalities. The two people interviewed for this thesis that were linked to municipalities (Bega and Aliaj, see chapter 5.2) were quite high up in hierarchy, and worked on a more strategic level. A much heard recommendation I received was to visit municipal offices and observe the practice there, and interview the staff. To go see how the working conditions are and what the technicalities of the general problems identified in this thesis are. It would be useful to get a closer look by visiting the municipalities of Durrës and Kamza for example. By doing so, a better idea can be obtained of what specific knowledge is missing at the municipality level. The problems lie in the field at municipality level, and analyzing what they miss will help in being able to improve the situation (int. Dahmo, 2013).

In analyzing the Albanian urban planning practice, know-how has not been emphasized as much in the English research I have found. The World Bank (2006b, p. xiv, p95) recognized that municipal governments generally lack knowledge and awareness about land markets and the basis of land value. Still this is not their focus in analyzing the Albanian urban sector. A link to a general lack of education of municipal staff is not made. Pojani (2012) recognizes that urban planning is a new profession in Albania, and that it is still much practiced by architects. She notices planners need more education about strategic planning, negotiation, conflict management, legislation drafting and legal enforcement.
7.5 In perspective

In chapter 1.1, I make clear that this research adds to the knowledge about economic and societal transition in post-communist countries, and that the “Western”, conventional, neo-liberal view of transition in Eastern and Central Europe has long relied on an under-theorized understanding of change in post-communism (Pickles and Smith, 1998, p2). This while the change in post-communist countries in Central and Eastern Europe developed into a broad spectrum of paths, raising the question of legacies; which communist and pre-communist inheritances could explain the diverging trajectories (Vachudova, 2005, p2), being unique circumstance on earth that do not fit into pre-existing general frameworks on transition (Kovács, 1999).

This thesis fits as a piece of the puzzle; the puzzle being the formulation of new frameworks on transition. With the identification of issues as education and unbalanced financial decentralization at local government level in urban development, tangible aspects that have to do with transition are recognized. With further qualitative and quantitative research, the links and findings in this thesis can be verified. This thesis helps future researchers specify their hypotheses. The generality of the outcomes of this thesis are a serviceable starting point for future more specific research. In writing this thesis I noted that English literature on spatial planning and phenomena in Albania and the Balkans were quite scarce. Every addition to this literature will help future scholars specify their research aims and questions more easily.

The views in this thesis are not “non-Western” or unconventional, but they are definitely more linked with sociological and political issues than the average United Nations or World Bank report. This thesis can lead future scholars to linking technical, social and political aspects of urban development and urban development mechanisms. Apart from the specific content of this research, the thesis can also be seen as a plea for a more sociological, anthropological and political scope to urban development issues in transitional countries.
Discussion
8. Conclusions and recommendations

This chapter contains the conclusions of this research at the hand of the main question (8.1) and some recommendations of future research and practice (8.2).

8.1 Conclusions

The main question asked in this thesis is:

*Can zoning plans and building regulations be successfully implemented in Albanian informal settlements? Is the use of public-private partnerships a feasible and useful way to overcome obstacles with zoning plans and building regulations in Albanian informal settlement areas?*

First of all, zoning plans and building regulations can technically be implemented in Albania. The legal infrastructure of sufficient quality to make that possible. The main causes that frustrate zoning plans and building regulations from being implemented successfully are a lack of knowledge and political will at the local government level. Local governments are often not able to work with the new planning laws. Also, local government officials’ and politicians’ interests are often intertwined with the practices of urban planning.

This brings us to the question if PPP is useful and feasible to overcome obstacles with zoning plans and building regulations. Also the use of PPP models would be technically a process that is possible to elaborate. In my conceptual design (figure 1), these four factors were chosen as influential on the implementation of zoning plans by the private sector:

- Planning conditions Albania
- Position of local governments
- Potential benefits for private sector
- Transition stage Albania

The planning conditions in Albania are technically sound to make such a construction possible. The financially and knowledgeably poor position of local government also back the idea of private parties sharing their knowledge by making sound zoning plans. When there are benefits for the private sector, and plans are feasible, they will be capable of taking that role. The transition in Albania does have an effect on how zoning plans are perceived. Due to their history, government interference is something that is carefully dealt with in a country like Albania. An individualistic perception of peoples role in society has grown since the end of communism has grown. Government interference through implementation of zoning plans is therefore not per se seen as something positive.

The outer layer of my conceptual design (figure 1) contains the phrase *good governance*. Good governance supersedes the other four factors in terms of desirability of the private sector implementing zoning plans. Without abiding by the principles of good governance, society would be in a disadvantaged position. This is the case in the Albanian practice. Albeit the four factors influencing the possibility of private parties being able to implement zoning plans could be right for it, the security that such practice would benefit the Albanian public is not guaranteed. When a local government misses knowledge, knowledge brought by private parties would seem welcome. When the local government also misses the knowledge and the means to be able to negotiate and interact with private parties at an equal level, society will not benefit from the cooperation. Seeing the past practices with the people with good intentions, the fear of repeating the same practices of bad governance in the informal settlements is big. Inviting private parties to the informal areas, without making the planning framework less ambiguous, can be a danger for the interests of society in those areas. In paragraph 3.9, efficiency, transparency and participation were aspects attributed to *good governance.*

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Conclusions and recommendations

Efficiency: predictability in the institutional and policy environment is deemed important. Especially in PPP, this is not something Albanian government institutions can offer at this moment. Planning trajectories are unclear and tenders are not naturally competitive. Prioritizing government services to correspond with citizen needs is another part of this aspect. As long as local governments are underfunded and undereducated, this can also not be assured.

Transparency: transparency is also not guaranteed in Albania. The lack of transparency is a part of the reason that competitive private trajectories are difficult. Corruption and self-enrichment are phenomena that are linked to urban development in Albania.

Participation: the Law on Territorial planning provides participation standards. It is the aspect of good governance that can probably most easily be met.

The local governments generally do not have a strong enough position for good governance to be natural. This has to do with the separation between governance and government. Between civil service and politics. This line is not clear in Albania, and through that interests can get mixed up in several ways. When urban development is also used by politicians to achieve their own goals, the interests of the public can be neglected. When looking at technical possibilities of using certain urban development instruments, the political and societal perspectives on the matter form an important image. Decentralization was deemed as a tool to increase the ability to practice good governance. A note that was made is that decentralization can also reinforce the power and the influence of the local elites. This seems to be something that needs to be taken into account in Albania. Local politicians use urban development to achieve personal goals and serve personal interests.

8.2 Recommendations

This paragraph is split in two parts; the recommendations for future research and the recommendations for improving planning practice in Albania.

Future research

This dissertation has been done from a very general position in wanting to know something. The outcomes in the thesis are general findings. From these findings, research can be conducted to more specific topics. It would be useful to find out what effect knowledge within local governments has on a good planning practice. In the case of Albania, it would be useful to conduct research at a local government scale; what is the actual level of knowledge? What specific knowledge is missing? What are the direct ties between actions at the local governments, and political phenomena? Through researching the practices at a smaller scale, a bigger picture can become clear. What is also important to research, is how the capacities of local governments in transition countries can be improved. This can be done by specifically researching what the governments miss the capacities for. What tasks have been transferred to them without financial capabilities? For these questions to be answered, many people in Albania advised me to visit local governments. Because of the short time I had in Albania, I was only able to interview people from the municipality of Tirana. For future research, it is important to observe and do interviews at the smaller municipalities that have to deal with the huge issue of informal housing.

In Albanian there is a strong need for knowledge of how their own practice works. International institutions have often tried to simplistically mirror Western norms to the Albanian situation, keeping to little eye on the specific Albanian context. Urban planning issues in Albania should be researched in the context of transition. A large part of transition are the political, sociological and anthropological sides. I would therefore recommend future research to not perseve technical aspects as starting point. A large factor in researching urban planning issues in transitional countries is trying to understand what the cultural way of thinking and doing things is, due to this transition. Therefore old (mental and psychological) institutions have to be taken into consideration when trying to make sense of the current situation in Albania.
Conclusions and recommendations

Urban planning practice

Connecting to my last remarks, I have become humble in trying to recommend practices to people in a country with a different history and culture than mine. Still there are some points in the light of this thesis that I see could improve.

Generally the central government has more means and knowledge. It is important in Albania, that the central government level assists the local government level in creating good practice in urban planning. This support has to be financial, as well as with knowledge. It would be good to research the level of knowledge at the local government level, and to plan on how to increase this knowledge to a level that present day legislation can successfully be used. In this, it is important for Albanian governments (national as well as local) to acknowledge urban planning as an essential profession and science for improvement of the lands. With this comes acknowledging the changing role of the urban planner.

A further recommendation is to research the potential position of regional governments. When local governments lack the means and the knowledge for good urban planning, working together could increase the knowledge base. This could strengthen the position of governments in dealing with private parties. For the time being, it is important that national government acknowledges the lack of knowledge and means at the local level, and finds ways to support those levels in good governance.
Conclusions and recommendations
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Annex 1: Example of interview questions

Name/ institution(s)/ function(s)/ past experience

Looking at the zoning plans and regulatory plans of Durres, together with the Albanian law on territorial planning (policies, plans, planning regulations) it seems that legislation is in place to reinforce government policy. Still this is not being done, for example in Durres. In the structural plan of Durres zones come forward, referring to a Land use database, where regulations for the specific zones are formulated. Still in practice these documents were often not enforced.

Do you think the legal framework was available to do this?

Now there is a new law on urban planning, what will this change? Do you think it will work?

Are there instruments missing to reinforce legislature?

Does the new government want to reinforce laws and legislation?

What parts of urban planning and the real estate development process are lacking at municipality scale; are there formal tasks that they are they not able to perform?

Why can’t they perform this?

Do you think the division of tasks between the national, regional and municipal governments are correctly divided. If no, what should change?

Do you agree that in 2003, some had the opinion that the enforcement of zoning plans was important, and now in 2013, this effort has failed (according to the World Bank in 2008)?

A part of my research is finding out if, how and when Albania would be interesting for international development companies. Possibly in the sense of public-private partnerships. This approach could possibly be used for performing tasks that governments fail to perform. What part of tasks surrounding real estate and urban development, that the municipality should legally perform, are not willing or able to be performed by municipalities? (zoning and regulatory plans, process management/ planning facilities etc.).

What are the obstacles you face when companies come to invest in Albania?

What legal framework is needed for a successful PPP?

Would companies have the knowledge and ability to perform these tasks?

Are companies already involved in planning in Albania?

What do municipalities need to perform successful PPP?

Is there a strong enough structure in place in Albania to make sure that potential companies in PPP constructions can at the same time work for their own interests without losing touch of the interests of the population and general values?
Annex 1: Example of interview questions

To what extent is the topic addressed in my research a technical and procedural problem and to what extent is it a sociological, anthropological or political problem?

On what specific topic would you like more research to be done?

What scopes of looking at these problems do you recommend, for me and for others trying to learn about this situation?

Is there anything else you want to say?