

Worldwide cities are growing, and more and more people have to share scarce resources as land, water and energy. Improving the living environment is a constant challenge to authorities and communities alike. This requires high quality demands from city governance, for now and in the future. This second "City Made by People" review portrays how cities can be managed, and gives a special emphasis on the Albanian context. The review addresses the various aspects of city development such as demographic growth, physical, economic, social, and environmental state of affairs, and the increasing societal role that residents have on their living environment. In order to react adequately to these many challenges, urban management is portrayed as a doable and effective development approach for the present-day Albanian cities.

Tirana 2000

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CITY MADE BY PEOPLE

Volume 2

*The Urban Management Approach
New ideas to Manage Urban Realities*



CENTER FOR HABITAT DEVELOPMENT

CITY MADE BY PEOPLE

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New ideas to Manage Urban Realities

Edited by Adri Hartkoorn

Volume 2, 2000



Center for Habitat Development

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FOREWORD

Co-PLAN is a professional non-governmental organization established in 1997 that works in the field of community based urban development contributing to sustainable development and strengthening civil society. Since its beginning, Co-PLAN is involved in neighbourhood upgrading actions in various municipalities of Albania, in such broad fields as social and infrastructure development, arrangement of public space, use and management of social services etc. Key words in our approach are inclusion, community and societal development, and planning and provision of basic infrastructure.

Encouraged by the success of the first review of "City Made by People", published in co-operation with the Institute for Housing Studies and Urban Development (IHS) and the IHS Alumni in Albania, we decided to establish a tradition by periodically publishing a review. A review that addresses urban development needs and comes-up with appropriate solutions for the Albanian setting.

We believe that this review can be a guideline for policy-makers, decision-makers, professionals, NGOs, and interested residents. We also believe that this review can be of good assistance to a wider public, including students and local government authorities. Especially at this moment in time because there is not much professional literature published that focuses on the specific subject of urban development in Albania. Because of this reason we simultaneously publish this review in the Albanian language.

The various articles address the urban development needs from a contemporary development point of view, and we hope that the expressed observations will help the reader to widen his/her insight in the complexity of how cities behave. To illustrate this process many examples are given. Urban management is the specific focus of this review, with attention for the special position of the neighbourhood.

Co-PLAN would like to thank the various contributors to this review, who voluntarily gave their valuable time to write an article for this review. We can say that the result of their work is commendable. Faleminderit shume! We also would like to thank Mr. Gezim Gurga who undertook the highly respected task of translating and

scrutinising the Albanian version of this review. We also want to acknowledge the valuable support by the Dutch Cordaid NGO, which enables us to undertake various actions in the field of civil society strengthening, and the Institute for Housing and Urban Development Studies (IHS), in the Netherlands, which gives us valuable technical and organisational support.

Tirana, November 2000

INTRODUCTION

In the last decades more and more understanding is developed on the way that cities rise and decline. Management of cities is becoming a wider accepted phenomenon, and many cities now follow managerial ways of governing their cities. Cities should be made attractive to investors and citizens alike, which means that cities have to develop a sound understanding of their attractiveness, and further enhance this by active policy development. This is especially necessary for the social, economic, and environmental fields of development.

Tirana forms one of the examples of an excessive population growth in a relative short period, combined with vast political, economic and social changes in the society as a whole. Especially in such a situation, good urban governance is needed. Most resources are scarce, and efficient and effective use is required, and the authors of this review highlight from different perspectives how those resources can be best used.

The review is divided into sections that deal with the various aspects of city governance, within an overall context of why an urban management approach for governing cities is beneficial to all.

The review starts with a synopsis of all the articles. The Albanian Institute of Statistics gives an introduction hereafter, on the social and economic reality in the Albanian society. Rebecca Lawrence gives a very informative up-to-date background information on the ongoing decentralisation process with its advantages and difficulties. Kathrine Kelm, Petrit Harasani and David Stanfield show evidently how the Land Privatisation process in Albania is moving on and what its implications are for the society. Claudio Acioly Jr. gives a vivid overview of successful urban management experiences in Brazil, which certainly may be an example for Albania. Arben Bakllamaja expresses the interesting political implications and requirements for the introduction of urban management. Sotir Dharmo elaborates with some fine practice examples on the present obstacles in urban planning and the creation of ownership at neighbourhood level. Besnik Aliaj shows with a number of excellent practical examples how urban governance and neighbourhood development go hand-in-

hand and how residents' expectations should be addressed. Luan Dedda gives an interesting view on the historic development of communities until to date. Adri Hartkoorn gives an appealing illustration how neighbourhood development agendas add to sustainability of services. Philip Giantris demonstrates clearly that in order to continue to drink water, a number of important changes have to be made in the present provision. Finally, Besa Tarazhi illustrates how residents' decisions are influenced by government policy.

SYNOPSIS

INSTAT, the Albanian Institute for Statistics gives an overview of the economic, monetary, demographic, living and health situation in the country. It refers mainly to the present situation and with retrospection to the last decade. A macroeconomic equilibrium could be re-established securing an 8 percent economic increase 1998/99. The highest increase is the construction sector, followed by the transport and communication, and trade and service sectors. Inflation in 1998 fell to 8.7 percent from 42 percent in 1997, while in 1999 the inflation was almost zero. The currency depreciated from 25 Lek in 1991 to 135.3 Lek/USD in 1999. Deposits continuously increased of which 70 percent is for individual deposits. Credit provision is not in its optimal level due to the number of uncompleted projects, while social and economic factors become serious obstacles for crediting growth. Lack of infrastructure creates serious difficulties for the expansion of the private banking sector. Short-term credits are the main type showing small businesses' reliance on credit, while key branches of the economy do not get support. Small and medium enterprises represent 97 percent of the private enterprises and 79 percent of them have 1-2 employees. 85 percent of the enterprises belong to the service and trade sector. 3 percent of the economic non-agricultural sector realise 65 percent of the production. The average Albanian is 29 years. Average population growth fell to around 1 percent in 1993-2000, from 1.9 percent during 1979-1989. The total population in 1999 was 3.373 million inhabitants, from 3.286 million in 1990. Some five hundred thousand Albanians emigrated out of the country, mainly to Italy and Greece, being between 25-35 years old. Free movement of people is characterized by: migration from the village to the city, from mountainous areas to coastal areas, and from small urban areas toward bigger cities. The total city population increased from 35.7 percent in 1989 to 46.1 percent in 1999. Most migrants have the tendency to settle in the rural and urban areas of the Tirana-Durres region, which is expected to become a metropolis. Around one-third of the country's population is concentrated in this region, and a clear tendency for growth is seen here. 57 percent of the

population is in the working age, and 68.2 percent of this represents the labour force, from 83 percent in 1989. The unemployment level for the females is 21 percent while for males it is 16 percent. Main reasons for unemployment are a lack of investment, lack of an efficacious institutional labour market, and a non-supportive fiscal monetary politics for the private sector. There are regional differences in unemployment level, with the highest in the big cities. 58 percent of the registered unemployed people belong to the new generation, till 34 years old. There is a flourishing "black labour market", although there are no official figures on this. The institutional setting of the labour market is not yet well organised. Public works programmes, or giving incentives for employment could not create work places for long term employment. Almost 17 percent of the families were given economic assistance, from which 51 percent belong to the rural areas. The declared average income level ranges between 21,240 and 14,250 Lek (100 – 151 USD) per family per month, with the rural families earning the least. Only one in five families consider having sufficient resources to live, as they should. 63 percent of the families declare to live in individual houses of which most are in smaller towns. The average number of rooms per family is two, and the average surface of the house is 62 m² or 14.6 m² per person. In average two people share one room, while 3/4 of the families have separate kitchens. Less than half of the families have a toilet inside the house and water connection. 32 percent of the families in bigger towns have modernised their houses during 1998. Air and noise pollution are serious problems, and in denser populated areas, almost half of the families declare to suffer from pollution, the lack of greenery, the big number of cars, and poor quality roads. The Albanian health situation is particular in comparison to other countries. For example, life expectancy is the same as in developed countries, but infant and mother mortality, and acute illness indicators are comparable with developing countries. Life expectancy is 68.5 for males and 74.3 for females, which is slightly lower than the average in the European region.

Mrs. Rebecca Lawrence states that decentralisation is the transfer of authority from central to local government of government functions, services, infrastructure, and revenue and expenditure decision making. Furthermore, a decentralised state allows for diverse and responsible urban management where localities may take responsibility for shaping their cities as they see fit and with

accountability through local elections. Decentralisation gives the green light to communities to demand better management and take a more active role in government according the subsidiarity concept. It also enables localities to determine administrative functions and develop their own unique economic strengths. Greater decentralisation is not necessarily associated with greater success in development and service delivery, or better targeting of the poor. But the probability of success can be improved if decentralisation is implemented with capacity building exercises and accountability. Ideally, decentralisation is characterised by greater citizen involvement creating fewer opportunities for corruption. Deconcentration tests the resilience of expectations of some public officials for illegal payments by citizens in return for public services, while there is evidence that fiscal decentralisation in government expenditures is strongly associated with lower corruption. High standards of transparency in outsourcing of service contracts and accounting and fiscal management are asked from local and central governments. A stronger preference by local governments for private provision of services may contribute to lower public spending. In the Law on Organisation and Functioning of Local Governments, municipalities gained "administrative authority" to manage government structures, including establishment, reform, and merger of these structures. Further they got "delegated functions" to carry out former central government's functions, but without substantial decision making power, shared or "joint functions" with autonomous competencies but with a share in responsibility with central government, and finally "exclusive functions" where local government exercises full administrative, service, investment and regulatory authority. The implementing of the exclusive functions will be the greatest test for the urban management approach in Albania. The author mentions those "exclusive functions" as infrastructure and public services; social cultural and recreational functions; local economic development, and; civil security. Municipalities were given significant administrative authority and discretion in personnel matters. Local and central governments will need to invest significant energy to improving transparency and accountability as well as engage in strategic planning. Decentralisation may lead for citizens to better information at local level and encouraged citizens' participation in decision making, which strengthens democracy. Political power may shift from the capital city to a wider group of localities. The policy making process

reaches a greater proximity to the community, and citizens may likely conserve scarce resources such as water or electricity. For Albania, decentralisation is also a critical and expedient component of the lengthy process of integration into European institutions. Common constraints in the provision of urban services and linked to decentralisation, they are: scarce locally-managed resources; limited capacity to collect taxes and fees; no independent revenue sources; inadequate incentives to carry out new policies; uncertainty on interpretations of new policies and laws; limited experience in local self-government; patronage or misuse of funds; and local government may be dominated or susceptible to pressure by criminal factions or economic interest groups. Finally some examples of decentralisation are given and show that such process can have positive effects on the social and economic situation in countries.

Kathrine Kelm, Petrit Harasani and David Stanfield give an overview of the present land market situation in Albania. Approximately one-third of the more than 3 million new properties are located in urban areas. This transformation had wide political support, although more as a rejection of the dictatorial Hoxha regime than in terms of land tenure, land use and development. A significant policy decision of the Albanian Government paved the way for a massive privatisation, by stating that "All sectors of the economy are open to private activity including state owned institutions and other units, being converted to private property ...etc." In 1992, the law on completely privatising state-constructed housing was passed to create a free market for dwelling units and other buildings and to improve the use and administration of buildings. Rights of ownership were sold to adult occupants who had rental contracts with the state. Privatisation was for a nominal fee of US \$100-\$400 for apartments which subsequently sold for US \$10,000-US\$20,000. Flats of certain age size, and technical state were given free of charge. By 1995 less than 10% of the apartments remained in state ownership. The land under the apartment buildings is co-owned by the owners of the individual units, and the rights and obligations of these co-owners are now governed by the Civil Code. One problem is that many new flats are sold without indicating clear ownership. Further legislation or clarification is needed to determine whether the builders or occupants are the owners of the common areas, and formal guidance is needed when costly repairs and renovations are needed. State owned enterprises are now able to establish joint ventures with foreign

capital. The National Privatisation Agency (NPA), supervised by the Council of Ministers, is the sole institution authorised to carry out privatisation procedures. Restitution of land and buildings to ex-owners created legal requirements to enter into lease or co-ownership agreements. Still many conflicts are still unresolved, effectively removing these properties from the market. Municipalities have the right to privatise land within their jurisdiction. There are two steps to follow in the process, one for the land or building site and one for the building. Albanian citizens can freely buy and sell building sites; there are some restrictions for foreigners. In 1993, the government "recognised the right of ownership to the ex-owners (to) properties that had been nationalised or illegally taken by the state in 1944. The law is complex and at times ambiguous. The principle is to reconstitute urban property and compensation if restitution is not feasible. 'Self-help' compensation is engaged in by individuals who justify their unauthorised occupation of land as just compensation for expropriated property. The Immovable Property Registration System was set up in 1994 as an integrated mapping and property registration system. A 1998 ownership study for urban land found that about 50% of the municipal land remains in state ownership, 78% of vacant urban land is state owned, 88% of the occupied urban land is privately owned and will probably approach 100% once the restitution process is completed. A temporary deeds registry (Hipoteka) is re-created to record privatisation and transaction documents for urban land, and 90% of the private holders of urban land and apartments have Hipoteka recorded documents. However, there are numerous conflicts between possessors of properties and ex-owners, and numerous errors or imprecisions in the privatisation programs. Private owners of land believe that they can use their properties however they wish, producing a chaotic urban development, and land remaining in state ownership has often been treated as "not owned", leading to illegal occupation and degradation of the natural resource base. Despite the problems with communication among the state agencies that have the responsibilities to privatise state property and numerous land conflicts which result, the fact remains that a majority of immovable property is now in the hands of private owners and the land market is functioning.

Mr. Claudio Acioly Jr. highlights some features of urban governance and municipal government in Brazil where increasing civil society participation is part of the daily business of making cities

work. He defines urban management as a set of instruments, activities, tasks and functions aiming the well functioning of the city, in administration and facilitation of basic urban service provision, and being essential for conflict resolution. In Brazil, local governments enjoy a significant degree of autonomy since 1934. Current decentralisation leads to establishment of sub-levels of municipal government. Experience show that the public sector alone is not capable to fulfil its constituent role, and public-private partnerships become popular in supply, management and maintenance of public services. Participation of civil society organisations in public policy formulation and implementation is becoming increasingly important. The author gives various examples of urban management and governance in Brazil. Studies evidence relationships between development and urbanisation and the strategic roles played by cities in national economic development. Municipalities have a constitutionally protected autonomy and power to determine their organisation and functions, the autonomy to exploit revenues, define budgets and determine investment priorities. Cities with more than 20,00 inhabitants are obliged to enact urban development plans with intense participation of civil society organisations. Municipalities work in close co-ordination with other levels of governments in fields of sewerage, water supply, housing, health and electricity. The mayor and vice-mayor (executive power) and municipal council members (legislative power) are elected for a four-year-term. Municipal autonomy represents also a bottleneck in large areas of conurbation and metropolitan regions because different political views and different agendas make it difficult to establish co-operation and co-ordination between neighbouring municipalities. The constitution is considered as pro-municipality resulting in a remarkable retreat of central government. This autonomy favours serious local governments committed to social changes, transparency, and civil society participation and innovative forms of municipal management and participatory planning emerged. The author describes examples as participatory budgeting, grassroots and civil society organisations advisory organs, innovative solid waste management and recycling programmes, and integrated public transport systems. Another example is the FUNAPS self-management mutual aid housing in the municipality of São Paulo where resident's associations became eligible for acquiring municipal finance to build a housing estate based on the principle of self-help and mutual aid. Another innovation enabled landowners to pay a financial counterpart contribution for

receiving additional rights to build, allowing public-private negotiations in the densification of the city and contributing to sponsor social housing. Updating the Rio de Janeiro's cadastre helped to increase revenues significantly. In 1993, a newly elected mayor modified the organisational structure of the city. Teams were established to accomplish cohesive policy formulation and implementation, and working groups were formed for social, economic, and urban development, city management and finance. The establishment of a "financial control unit" was decisive to build up a solid financial basis, installing transparency, to prevent corruption and minimise fraud. The municipality pursued the development of a Strategic Plan for the city, favouring participation of many societal groups. An important lesson is the restructuring of the municipal finance and tight control on municipal revenues and expenditures. Additional national and international funding helped to 'fuel' implementation. Resources and well-trained staff combined with an action-orientated type of planning supported by municipal autonomy and strong political will propelled remarkable changes. Finally, innovations are needed to establish an effective and result-oriented public sector management, bringing to the forefront the linkage between management change and public sector efficiency.

Mr. Arben Bakllamaja focuses on the political implications of introducing urban management. The use of political criteria over-politicises the behaviours of mayors, and that collaboration with central government that is of another political proved detrimental. Politicians have to establish a consensus around a required strategy for accelerated and inclusive growth at city level and seek for community partnerships. Professionals and other stakeholders must be incorporated in the political decision-making process. The political and economic significance of cities in national growth and poverty reduction is increasing. Political increase of control and regulation enforcement did not solve the problems of unplanned developments. Illegal constructions were allowed after a political decision to create new job markets for unemployed people and favouritism of entrepreneurs by powerful politicians. A legal and institutional framework for intergovernmental relations and responsibility sharing between the public and private sectors should be established. Political leaders are needed who: are concerned with development, less ideological and more pragmatic, not afraid to make tough choices, proactive and serious, develop new urban initiatives with a clear

vision and objectives, and concentrate on the real development demand. Tapping international donor assistance is needed and a match between the government's objectives and donor assistance policy has to be made. The Balkan Stability Pact and membership of the World Trade Organisation are driving Albania's economy towards a more open competition in international markets. But the current view of the donors is that institutions are still very weak, and their investment will not be sustainable. Political views need to be enhanced on strategic programs on how to maximise the benefits of the financial assistance given through trade, people and investments. The World Bank promotes increased emphasis on policy regulation with institutional strengthening, direct involvement of local government and communities, a programmatic approach, and engaging beneficiaries into planning processes. The challenging urban political decision-making criteria are competitiveness, liveability, good governance and management, and bankability.

Mr. Sotir Dhano describes how ownership of urban development at neighbourhood level can be reached. He starts by stating that policy and institutional frameworks for managing urban growth are not realistic, making structural adjustments imperative. This will affect the strengthening of urban institutions, and a shift in the role of central government from direct provider to 'enabler'. Quarrels between central and local governments create low efficiency and responsiveness. The syndrome of "auto victimisation" illustrates local government's pretension to be "intentionally left without real power", and central government to be "undermined by a partner not willing to collaborate". The Urban Planning Law has limitations in land development and management aspects because local authorities cannot buy or sell land and it is not clear if they can enter in partnerships with communities or developers. The selling price of raw or serviced state land is unrealistically fixed by government decree, and unclear status of land ownership is seriously impeding development. A mostly by international organisations introduced urban management concept states that development at community level is based on citizen's engagement and is regarded as fundamental to good governance. A lack in participatory culture and a "government dependence" syndrome are impeding factors. Different stages of citizen's involvement in participatory processes include: organising neighbourhood associations, involving communities in decision making processes, employing neighbourhood associations to

provide services, and self organisation of communities. NGOs take the role of intermediaries and enablers for poor communities and help to build competency, while also a sense of community "ownership" is founded. Important is the municipalities' preparedness to try out new ways of working, and facilitate institutional change processes. Despite several community participation projects, donor assistance has been unable to effectively help government formulate and implement sustainable urban policies. Services are better maintained if community members have a role and voice in the supervision, maintenance, and provision of services. Community management is a development tool that facilitates operation and maintenance, removing unrealistic expectations, and strengthens communities' ability to improve living conditions. It is essential that local governments identify: community's needs and priorities, how communities can participate through "associations" or "improvement boards", inclusion criteria for communities, institutional, technical, and financial support to participatory processes. The Urban Land Management Project is an example on how urban management can help communities in their development, initially through considerable NGO and Project Management Team assistance, but now more and more by communities taking over the initiative. Selection criteria based on competition among localities make communities obtain counterpart contribution from local governments, or mobilise internal resource or labour input.

Mr. Besnik Aliaj exploits the Kamza municipality as an illustrative example of how a local government in Albania might built-up good governance, and how urban management works at community level. Land reform, the privatisation of the economy, and decentralisation of power have significant impacts on municipal service provision. Institutional structures are still reforming and changing causing uncertainty for the present local authorities. The degree of autonomy is low and decisions depend on higher authorities, while the municipality's issues are the economic restructuring of the industry, the impact of high unemployment, the continuous growth of vulnerable groups, growing environmental concern, and the illegal settlements. The role of community leadership and the development of collaborative capacity turns into critical importance for local authorities, especially in the transformation of urban areas that can not be handled any more by traditional patterns of management. Local authorities in Albania are the only

organisations that can trigger such role. The municipality of Kamza is trying to promote community leadership, ensure local accountability, deal with rapid urbanisation, and co-ordinate government and non-government initiatives. But, community leadership does not fit easily into municipal service structures. The municipality encouraged community leaders (Kryepiqte) elections, and has now easier access to communities. Routine management and action management is needed because supporting community leadership is very different from the traditional management. Local authorities play two different roles, the partner and critic or scrutiniser roles. Legislation of the co-operation between the authorities and communities is reached through a partnership agreement. The municipal authorities have been committed to this enabling role through initiatives like the Urban Land Management Project, and the assistance of the NGO Network. At a more general level, politicians and decision-makers see decentralisation as a matter of obligation to the international community rather than a clear need coming from local communities. The situation in Albania calls for an attitude that goes beyond consumerism in which communities are seen as customers, towards strengthening citizenship in which communities are active participants in the governance process. There is a distinction between policies to make services more responsive to communities and those directed at empowering them. While authorities need a greater understanding of the community's service expectations, there is the danger that the community's expectations run ahead of the poor resources available, with the risk that they exceed the local authority's delivery capacity. Such a gap may lead to a growth of political pressure and protests. Solutions for this can be the use of media, public meetings and door-to-door visits, and the instrument of referenda. Finally can be said that urban management is beneficial to politicians, the public administration and communities alike because, instead of controversy, it can promote partnerships and mobilise local sources to complement the very poor municipal budgets. It can react better to the increasing needs and demands of communities and promote a civic development process. Changes to be made in the local public administration concern especially the legislation improvement and training of staff on to work with communities and international experiences should be incorporated.

Mr. Luan Deda writes about the new roles that communities can play during this transition period, and in the future. He starts with

describing how a community was functioning during the communist period, where after the Second World War Albania had the will and desire to build-up the country. This resulted however in community imposing by the regime in order to develop the country, and the centralised system misused the population in terms of voluntary work. This was reflected by an absence of community co-operation and collaboration leaving a socially not integrated population, a complete top-down decision-making society, and misuse and abuse through "voluntary work". He defines a community as a considerable group of households who socially and physically interact with each other in a specific living environment and/or location and with common interests. To improve the quality of life, communities are determined by their direct interest. The changes of the last decade directly influenced communities, through high population movement to cities, high unemployment, massive emigration, deteriorating social and physic infrastructure, a collapsed health system, closing of schools, difficulties in trading, unclear land ownership and land invasion. Two types of communities were created in Tirana. The existing Tirana community mixed with formal newcomers blaming, and newcomers living together in the outskirts of the city. Disharmony is smoothened as the integration process is going on. Communities lost their faith in the state, and were characterised by extreme individualism, resulting in massive internal house improvements, and a deteriorating outside environment. Community feelings have been destroyed, and people only trust their near relatives. Also communities lack guidance on ways how to properly identify and solve their problems. Key points for a successful social society are that people can collaborate with each other, and good communication of the community is established with authorities. Experience shows that the administrative representative, the "Kryepiklu I Lagjes" or Aldermen, simply represents the political party in power. They are hardly motivated, are part of the authority's system and financially and politically depending on it. Examples of applying a community-based development approach are given for various areas. Community associations are democratically established, partnerships are forged between community and authorities, and main neighbourhood infrastructure is constructed. The big advantage of this is that a community sense is build, ownership can be established, and a foundation for further development is laid. Besides, it gives physical results that not always can be guaranteed by authorities. At this moment associations continue independently to develop their areas. In

projects, communities compete with each other to receive the required services. Time is needed to develop communicative roles with authorities. There are enormous development opportunities for communities and cities, making it an chance for authorities and communities to benefit from these investments.

Mr. Adri Hartkoorn describes how greater sustainability of urban development can be reached at the neighbourhood level. He uses the definition of Van den Berg to indicate that relative attractiveness of a location depends on the size and quality of the welfare elements that the location offers. It is important to give attention to the physical, social, economic and environmental aspects of every-day-life of residents, and attractiveness of a neighbourhood depends on the quality of its infrastructure and social services provided. No specific role in neighbourhood development is set aside for the community, although there is a representative neighbourhood leader layer between residents and elected mayor and councillors. The present human capacity available for functioning urban services suffers from non-incentives, a too significant roles for state interventions rather than increased private sector or public-private partnerships involvement, a supply and non service oriented mentality. Sustainable services integrate social and economic concerns with the ecological, cultural and aesthetic dimensions of the environment. Development should include sustaining a certain set of services with defined qualities for a given population, and the ability to adequately react to new demands. Investment cost can be partly provided by general funding, while the production of services should be on the basis of cost recovery. Neighbourhoods are part of a bigger system, and there exists interdependency between neighbourhoods, between city areas, and between cities in regions, and for this reason urban management is relevant for a neighbourhood. For reasons of equity and equality a city should consider all the neighbourhoods as equally important to develop. There is not an acceptable urban development since supply of services is not covering the high and changed demand. Local government suffers from capacity deficiency, and communities are not involved in planning. Illegal connections make cost recovery of services not possible while financial potential of the residents to pay for services, and partly investment, is not sufficiently related. The private sector has no sufficient access to the market. Politicians and authorities should target a development vision thereby considering the wider environment of the neighbourhood and

municipality. Cost of secondary infrastructure can be brought down by resident's contribution, labour can be provided free of charge, and appropriate technology solutions can be incorporated. A 'neighbourhood development agenda' should be developed to officially recognise a longer-term development vision and concrete actions for the neighbourhood, and be incorporated in the urban planning framework. Instead of a supply driven mentality, a demand responsive and service-oriented approach should be followed.

Pro-active interventions stimulating regularisation of illegal and informal settlements should be developed. Residents must realise that services are not free but a responsive and co-operating role is expected from them, including financial contributions. Inclusion of residents in the development of their living environment provides income to residents, works can be executed for lower cost, and creates an ownership notion, while quicker responses to maintenance demand may be expected, long-term employment is generated, and cost could be lowered. It is worthwhile to combine urban management with Sector Wide Approaches aiming to adopt common approaches across a sector, in which urban management could be the necessary cross-linking element between sectors. An interpretation from neighbourhood demand to urban demand should be made and interrelations should be established. NGOs are to be regarded as one of the players in urban development.

Mr. Philip Giantris looks at the utility providers' aspects in relation to urban management by giving emphasis to water supply and wastewater infrastructure. Institutions are increasingly under-funded and under-staffed, which over a long period can create water use patterns and practices that would be unproductive and risky over the longer period. A National Water Council was established in 1996, but lacks sufficient funding and commitment to proper staffing. No one is monitoring the water resources, and no one is controlling the access to, or the withdrawal rate from them. The author remarks that the "Ancient Mariner's" saying may become true - "Water, water everywhere and not a drop to drink". Critical to managing an infrastructure is determining demand and forecasting the level and timing of capital expenditures. Factors for this are the patterns of use, growth projections, variability of supply and nature of seasonal demand, and compliance with regulatory standards. The consumption rate in many urban areas, is two to three times higher than the amount produced per capita in more advanced economies, and donors are

increasingly concerned about this. Institutional structures should attend to isolate the finances of water supply and wastewater enterprises, and creation of special purpose units of government is now possible. Decentralisation of government, assigned water supply and wastewater management responsibility to local government, and granted them the right to set tariffs. Meanwhile central government causes water supply enterprises to merge with local sewerage enterprises, and to transform themselves into commercial companies. The Ministry of Public Works, the "steward" of the sector, is not taking an active role in guiding investment or priority setting, and donors are working at local level to develop local participation. What is missing is a truly "client" (local government) driven planning process. Water supply is a natural monopoly that should perform "competitive" in a non-competitive environment, measured against performance parameters and analysis of operation. The utility's sources of capital and operating funds are its customers through tariffs. Since Albania's utilities have little experience to deal with commercial realities of self-financing, this will be a serious problem in the future. Utility operation is an active, change oriented activity in today's environment, rather than a passive, routine-driven activity. The objective is performance improvement in which training is an important ingredient, which will pay-off by efficiency and effectiveness increases. Customer service should become the main point of contact for all services desired. This is not common in Albania today, but is essential if this utility sector is going to advance beyond the clan mentality of personal relationships. Donors often do not comply with the regulatory process in Albania, and apply standards of their native country without regard for obtaining permits. There is an increasing interest to tap into the expertise and financing capacity of the private sector. More forms of alternative contracts are available. The least intrusive is the service contract for a narrowly defined service, the broadest is the concession form that tends to place revenue and commercial risk with the private sector service provider. Presently some concession and management contracts are negotiated in Albania for the delivery of services.

Mrs. Besa Tarazhi uses a theoretical model to show how urban policy can have an influence on residents' decision making. At first a definition of public goods is given as being non-diminishable, and non-excludable. Then, in accordance with Tiebout, a citizen is referred to as a consumer-voter, who is fully mobile, can choose from

a large number of communities, have full knowledge on revenue spending for public services, and has no restrictions due to economic circumstances. Further, he assumes that a city has an optimal community size, or that communities seek for this. By choosing to live in a certain municipality the consumer-voter is "voting" with his/her feet. Albanians are also "voting with their feet", as in the case of emigration. This voting shows a "market test of willingness" to buy a special set pattern of public goods. It reflects the desire of residents to locate in a community whose taxes and services most closely match their own individual tastes. An example is given on citizen's choice by comparing two fictive cities in regard to the introduction, or not, of property tax. The income from this tax will be used to improve public services. In one of the cities an advertisement campaign is organised to introduce to the public the intentions of the tax, and the why, how and who questions are answered in a transparent way. In the other city no action is taken at all. The outcome will probably be that many residents want to get better services and therefore will pay the tax. Improved services will also attract residents from other cities. Tirana offers more possibilities and opportunities than other Albanian cities, but residents should understand that in order to profit from these opportunities, they should pay their duties. The local government is the main responsible body to offer public services, but it is impossible for local government to do everything alone. In a democratic society citizen's help and support is crucial, they can better support and be involved in collective action movements. It is the duty of local municipalities to help the beginning of such movements, with support of the third sector.

A GENERAL OVERVIEW OF THE ECONOMIC AND SOCIAL DEVELOPMENTS IN ALBANIA

INSTAT

The Albanian Institute for Statistics

1. Economic development

During the last transition years Albania has gone through some positive developments, as well as through some failures. The GDP increase during the last 10 years has been continuously fluctuating. After the civil unrest of 1997, a macro economic equilibrium could be re-established in 1998 and 1999, thereby securing an economic increase of 8 percent per year, which is equal to that of 1994.

The sector with the highest increase is the construction sector, which strongly started to reflect the demands of a market economy in development and the demands for a coherent infrastructure. Also the transport and communication, and trade and service sectors increased considerably their importance for the GDP. The closing or deceleration of the mines and heavy industry made that the only industry remaining are the processing and energy industry.

2. Inflation and monetary developments

Inflation in 1998 fell to 8.7 percent from 42 percent at the end of 1997. As a result of a careful monetary politics, budgetary deficit, and monetary stability, the inflation was almost zero in 1999. This is the lowest inflation since 1990. "Food, drinks and tobacco" as the main income group, recorded a fall of 1.4 percent affecting mainly the Consumer Price Index. The Construction Cost Index shows a continuous increase. 1999 compared with 1998 shows an increase of 16.6 percent, and 31 percent if compared with 1997. The main groups affecting this are construction materials as bricks, cement, electrical supply, bathroom supply, etc.

The currency has been continuously depreciated during the transition years. The exchange rate of one USD in 1999 was 140 Lek, from the 25 Lek 1991 or 92,8 Lek in 1995. After the depreciation in 1997 (148,9 Lek/USD), the currency could not gain back its former

value, but during 1999 the exchange rate had a stabilising tendency reaching an annual average of 135,3 Lek/USD. This situation positively affected low inflation levels.

Deposits experienced continuously an increase, especially during the last two years, and at the end of 1999 the deposits were two times more than in 1996, and individual deposits counted for 70 percent of the total deposits.

Credit provision is one of the main obligations of the banking system, which during the transition has not been in its optimal level. According the Bank of Albania, there exists a "contradiction" in crediting for bankers and businessmen. According the bankers the main reason for this are the number of uncompleted projects, which are not supported by convincing and detailed business plans. Social and economic factors become serious obstacles for crediting growth. The lack of necessary infrastructure creates serious difficulties for the expansion of the private banking sector in Albania. Short-term credits are the main type in the economy, showing that small businesses rely on credit, while key branches of the economy do not get support.

Business development. The small and medium enterprises represent 97 percent of the private enterprises and around 79 percent of them have 1-2 employees. The unfavourable economic situation of individuals, as well as the weak crediting system has mainly affected the creation of service and small trade businesses that need small initial capital. Around 85 percent of the enterprises belong to the service and trade sector. It is observed that 10 percent of the enterprises operate in industry, and almost half of them are concentrated in the Tirane-Durres-Elbasan corridor in central Albania. The last two years show a rapid increase of domestic tourism mainly in the southern seaside zone. It should be stressed that even though big enterprises represent around 3 percent of the economic non-agricultural sector, they realise around 65 percent of the production.

3. Demography

The Albanian population is considered young, and its average age is 29 years. Since 1990 migration became a new phenomenon after the social and politic changes. This affected strongly the structure and growth rhythm of the population. During 1979-1989 the average population growth was 1.9 percent while during 1993-2000 this indicator decreased to around 1 percent. The Albanian population in 1999 reached 3,373 million inhabitants, from 3,286 million inhabitants (1990). External migration is a new phenomenon, which

developed fast over the last 10 years, especially to Italy and Greece. It is estimated that some five hundred thousand Albanians emigrated out of the country, from which the greatest part are between 25-35 years old. This free and uncontrolled movement of people is characterised by:

- A general migration from the village to the city, and the most important motive for this is to escape the difficult living conditions in villages.
- A move from the mountainous areas, mainly from the Northeast of the country, towards the low coastal areas. This is caused by the poverty in these areas, as well as the hard geo-climatic conditions. It is observed that 37 percent of the shifted population belongs to these areas.
- A migration from small urban areas toward the bigger cities. Most obvious from the small industrial and mining cities, where the population diminishes with considerable speed after the closure of the heavy industry. It is estimated that 270.000 people left their villages until the end of 1999 and settled in cities, causing the city population to increase from 35,7 percent in 1989 to 46,1 percent in 1999.

People who moved to the urban periphery were searching for a better living standard, and they adapted easily to the new life in the urban centres or periphery. A part of them migrated and are living abroad. Families from remote villages were having no income, and in most cases they were housed in the periphery in poorly build houses, which were lacking water and electricity supply and sewerage and drainage.

Most migrants have the tendency to settle in the rural and urban areas of the Tirana-Durres region, which is expected to become a metropolis. Around one-third of the country's population is concentrated in this region, and a clear tendency for growth is seen here.

Labour market. The change of the economic base, the fast privatisation of state property, the creation of new private enterprises and other measures for passing into a market economy effected the labour market. It is estimated that 56.6 percent of the population is in the working age, and the labour force represents 68.2 percent of this population, from 83 percent in 1989.

In 1999, the employed population reached 1,065 million while in 1989 there were 1,5 million people employed. The employment level is clearly one of the negative phenomena of the last 10 years. Around 30 percent of the employees lost their job until 1993. Later there is a

small increase followed again by decrease until to date (Sava Graph, page 3).

The development of the private sector and the privatisation or the closure of many state enterprises, have also changed the employment structures. Nowadays, around 34 percent of the employees belong to the private sector in the non-agricultural sector, which is an indicator that shows a growth tendency. Related to gender structure, only 42 percent of the females' work while the males' percentage is 69 percent.

Unemployment is one of the most serious and delicate problems of the transition period. The main reasons are a lack of big investments that would create employment possibilities, the lack of an efficacious institutional labour market, as well as the fiscal monetary politics that does not sufficiently support the fast development of the private sector. The main sources of unemployment in the cities are the closure of industrial enterprises as well as a massive shift of the rural population towards cities.

The unemployment rate in 1999 was 18 percent or around 240,000 people. A characteristic of the labour market in Albania during the last years is the systematic long run unemployment, which is 90 percent of the unemployed people. Another characteristic is the regional difference in unemployment level. The highest unemployment is registered in Tirane, Shkoder, Elbasan, Berat, Vlore, Fier, etc. It is observed that in some areas the unemployment level compared to the labour force is much higher, in Kucove (42 percent), Lac (40 percent), Permet (31 percent), Shkoder (28 percent). Almost 58 percent of the registered unemployed people belong to the new generation, till 34 years old. The unemployment level for the females is 21 percent while for males it is 16 percent.

One of the reasons, which increase the statistical number of the unemployed, is the unregistered labour. This is a recognised fact, and there is a flourishing "black labour market", although there are no official figures on this phenomenon. The institutional setting of the labour market is not yet well organised, and there are problems in the relationship between employee and employer like the not paying of social and health insurance.

During the last years some measures were taken for establishing and financing some employment programs as public works programs or giving incentives for employment through the collaboration with the private businesses. These projects have been mainly seasonally

based, and could not create the necessary places for long term employment.

Social protection covers training programmes for economic assistance to the poorest families, which have non-or minor economic or social incomes. During 1999 around 145 thousand families, or almost 17 percent, of the total families in Albania have been given economic assistance, from which 51 percent belong to the rural areas.

4. Living conditions

The living conditions of Albanian families over the last ten years experienced structural quantitative and qualitative changes, covering a big number of interdependent social, economic, monetary and material indicators.

Income is considered one of the main living indicators. More than half of the heads of families, have agricultural activities as their main labour income source in the state or private sector.

The declared average income level ranges between 14,250 and 21,240 Lek (100 - 151 USD) per family per month depending on the living area, with the rural areas earning the least. 20 percent of the total number of families receive 5 percent of the total income, 50 percent receive 25 percent of the income, 90 percent receive 70 percent of the income, and the last 10 percent represent the richest part receiving 30 percent of the total income in the country. Related to these incomes only one in five families considers to have enough resources to live as they should, 60 percent of the families consider their financial situation as very difficult, 23 percent of them consider their financial situation as difficult, and only 17 percent as good or very good.

Housing conditions are strongly related with the economic situation of the family. The differences noticed in the economic situation relate to the income levels and at the same time with the housing and material conditions. 63 percent of the families declare to live in individual houses of which most are in towns with less than 10,000 inhabitants (80.5 percent). The average number of rooms per family is two, and the average surface of the house is 62 m² or 14.6 m² per person. In average two people share one room, while 3/4 of the families declare they have separate kitchens. The houses' internal and external comfort is not of the best standards. Less than half of the families declare to have a toilet inside the house and have water connections.

The improvement of the economic situation as well as the housing privatisation stimulated families to improve their housing. This is most obvious in towns with more than 10,000 inhabitants in which 32 percent of the families have modernised their houses during 1998. The most important repairs they made are the complete renewal of the toilet, the laying of new floor tiles, and the replacement of windows.

Micro-environment. Air and noise pollution are serious problems for the Albanian families. Based on a questionnaire on quality of live conditions, it was discovered that in areas with over 10,000 inhabitants, almost half of the families declared to suffer from pollution, while in areas under 10,000 inhabitants the concern is reduced to 18.1 percent. Concluding, one can say that the lack of greenery, the big number of cars in circulation, and poor quality roads make citizens of big cities concerned.

5. Health situation

The Albanian health situation is particular in comparison to other countries. Certain indicators, such as life expectancy are the same as in developed countries, but infant and mother mortality, and acute illness indicators are comparable with developing countries. Life expectancy based on the calculation of the population projection is 68.5 for males and 74.3 for females, which is slightly lower than the average in the European region.

Institutionally, there have been not many changes in the first level health care during the last years. Most problems relate to the improvement of services, the physical conditions, and securing necessary equipment. In villages and especially in isolated areas there exist problems to secure health care as doctors' left and are now mainly concentrated in the big cities and Tirana.

THE SYMBIOSIS OF URBAN MANAGEMENT AND DECENTRALIZATION IN ALBANIA

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Abstract. *Decentralization is necessary for acquiring sustainable urban management, since it enables municipalities to govern, deliver services, respond to needs, and demand taxes and fees as well as active participation in governance, and it allows for the introduction of subsidiarity concept. Decentralization is no guarantee for better development and service delivery, but its success can be improved by capacity building and new regimes of accountability. It may lead to less corrupt management of public funds. Decentralization may encourage market-based approaches in service provision through competitive bidding and leading to efficient provision for lower public spending. In order to be successful all levels must be well-defined in legislation as for fiscal and local budget management decentralization. The Law on Organization and Functioning of Local Governments fosters an urban management approach where municipalities gain administrative authority to manage government structures, including establishment, reform, and merger of these structures.*

1. Context of decentralization

Decentralization, the transfer of authority from central to local government of government functions, services, infrastructure, and revenue and expenditure decision making, is necessary for sustainable urban management. Without the mandate of political and administrative decentralization, decisions taken at the local level may not be tenable in the long term. A certain degree of independence is necessary for a municipality to govern a community, deliver its services, respond to its needs, and demand its contribution in taxes and fees as well as in its active participation in governance.

Urban management is the logical outcome of decentralization. When the center of a state cedes aspects of control of economic development or political authority, a community is not prohibited from managing resources or applying policies as it sees fit. Rules can be made away from the capital city, where the population, economy, and resources are usually the exception to the general picture of the country as a whole, and the policy elite that hold power there. A decentralized state allows for diverse and responsible urban management, such that localities may take responsibility for shaping their cities as they see fit, with the accountability that should exist when the practice of frequent fair local elections of mayors and councils is maintained.

In itself, decentralization cannot make a city immediately wealthy or more accountable, but it gives the green light and the starting gun to communities to demand better management of their localities and to take a more active role in government. Decentralization also gives the tools of better management to local governments, to mayors, city councils, and public administrators, who become legally able to raise revenue, enforce laws, and allocate funds for local priorities. This follows the concept of subsidiarity, whereby decisions are taken and services are carried out at the level closest to the community. The level of government is assigned to deliver services according to the boundaries in which the beneficiaries reside.

In many countries now in transition, the capital city remains the center of all political and economic transactions. But when local governments and diverse communities acquire the authority to determine certain administrative functions and develop their own unique economic strengths, localities around the country become less dependent on the capital city. They can then flourish in their own right, in relation to their own region and even with localities in nearby neighbouring countries.

Of course, with decentralization come new, difficult responsibilities for local governments and communities. No longer can scarce public resources or inadequate services be blamed solely on state-level policy makers. Local administrators are forced to change their world view from that of dependence on the center, learn how to tax citizens and local businesses, respond to their demands and emergencies, account for revenue and expenditure flows, and carry out responsible budget planning. They may have to monitor private contractors and devise new streamlined mechanisms for providing basic services without overspending. Good urban management requires practical, resourceful, innovative and responsive

administrators willing to absorb the changes of decentralization quickly and thoroughly. Ultimately, the quality of urban management as decentralization takes place depends on many factors.

It cannot be predicted that greater decentralization will be associated with greater success in development and service delivery, or whether it results in better targeting of the poor and reduced poverty levels (Parker, 1995). But the probability of this success can be improved if decentralization is implemented with capacity building exercises at the local level and new regimes of accountability of the public officials providing services to communities. If these steps are carried out quickly and firmly, it can be predicted that urban management will be better aligned with community priorities and that the scale of corruption evident at the national level will not be replicated at the local level.

2. Decentralization to Decrease Corruption

Ideally, decentralization is partially characterized by greater citizen involvement in local policy making. With this involvement comes fewer opportunities for corruption in urban management. Also, deconcentration of power will test the resilience of expectations of some public officials that special or illegal payments will be made by citizens in return for public services.

In Albania, it remains to be seen how much decentralization can allow for more democratic decision-making or improved administration at the local level. But there is evidence to suggest that decentralization may lead to less corrupt management of public funds: recent World Bank research provides evidence that fiscal decentralization in government expenditures (Fisman and Gatti, 2000) is strongly associated with lower corruption.¹

It is also important that in the process of decentralization, local as well as central governments are asked to conform to high standards of transparency in their outsourcing of service contracts and in their accounting and fiscal management (Pigey, 2000). Local government officials could also be held liable for corruption or breaches in civil service legislation, with procedures in place for evidence of illegality to be tried in court. Finally, urban management affairs should be a matter of public record, and public accountability should be established as a standard practice as decentralization proceeds such that the widely held opinion that corruption is pervasive can be diminished.

3. Decentralization and Privatization

Privatization is one form of decentralization that is a component of urban management. As central enterprises are privatized, such as a local dairy, these businesses may be owned and operated by members of the community who are more likely to re-invest in the locality than would a centrally-controlled entity. Decentralization may also encourage market-based approaches to service provision. With limited resources at the local government level, a city may hold competitive bidding processes for providing services such as solid waste management. Firms winning such contracts will be required to efficiently perform these services as mandated by their contracts or risk losing the business of the municipality. A stronger preference by local governments for private provision of services, as observed in the solid waste management and some aspects of the road and water sectors may also contribute to lower public spending (Humplink, 1992).

4. What is the significance of decentralization for national policy makers in urban management?

Administrative responsibility for providing citizens with basic services, such as schools or policing does not disappear from the central level once decentralization or the deconcentration of authority develops. Ultimate responsibility for publicly funded programs will lie with the central government. It can be assumed that the citizens will not stand for a central government's refusal to intervene in extraordinary cases when event that local governments are unable to provide basic services, particularly because the long-run costs of these failures may be damaging to the country as a whole. In this aspect of urban management, it is suggested that the central government will continue to provide transfers to correct imbalances remain "the government of last resort" (Hommes, 1995). As such, the central government can also provide useful incentives in the policy framework of decentralization.

National policy makers involved in making the policies of decentralization, such as a new urban planning law or the law on intergovernmental fiscal relations, must bear in mind that for decentralization to be successful, functions for all levels must be well-defined in legislation. However, some type of measurement of the performance of newly decentralized functions may be useful as an incentive for proper implementation of devolved responsibilities, as well as a monitoring tool. (Hommes, 1995). In Albania, this will be

particularly significant to the success of fiscal decentralization and local budget management. It will also be important for services to be monitored to insure that coverage of needy populations is not weakened in social assistance programs, for example, once local governments are asked to fund these programs with their own revenue and not through central transfers.

5. Will decentralisation encourage the development of an urban management approach?

If decentralization unfolds along the lines of the National Decentralization Strategy and the Law on Organization and Functioning of Local Governments (No. 8652, passed July 2000) it will foster the development of an urban management approach. Decentralization efforts to bring about revenue-sharing between central and local governments, unconditional transfers and block grants to local governments, deconcentration of central government bodies, and delegation to decentralized organizations all support this approach.

In this Law, which took effect in August 2000, Albanian municipalities gained administrative authority to manage government structures, including the establishment, reform, and merger of these structures. Various types of delegated functions are now assigned or mandated in law by the central government to a local government for implementation as determined by the central government. Thus, localities will be called upon to carry out functions that were formerly in the central government's sole jurisdiction, but will not have substantial decision making power regarding these functions. Shared or "joint" functions are functions for which the local government unit has autonomous competencies but a share of responsibility remains with the central government. There are also "exclusive functions" of the local government outlined in the law. In those functions, the local government exercises full administrative, service, investment and regulatory authority, within the standards generally accepted in law. It may be that implementing these exclusive functions will be the greatest test of the urban management approach in Albania, see below.

From Law No. 8652, Law on Organization and Functioning of Local Governments, Chapter IV, Article 10

I. Infrastructure and public services

WATER SUPPLY;

- a. Sewage and drainage system and [flood] protection canals in the residential areas;
- b. Construction, rehabilitation and maintenance of local roads, sidewalks and squares;
- c. Public lighting;
- d. Public transport;
- e. Cemeteries and funeral services;
- f. City/village decoration;
- g. Parks and public spaces;
- h. Waste management;
- i. Urban planning, land management and housing according to the manner described in the law.

II. Social cultural and recreational functions

- a. Saving and promoting the local cultural and historic values, organization of activities and management of relevant institutions;
- b. Organization of recreational activities and management of relevant institutions;
- c. Social services including orphanages, day care, elderly homes, etc.

III. Local Economic development

- a. The preparation of programs for local economic development;
- b. The setting [regulation] and functioning of public market places and trade network;
- c. Small business development as well as the carrying out of promotional activities, as fairs and advertisement in public places;
- d. Performance of services in support of the local economic development, as information, necessary structures and infrastructure;
- e. Veterinary service;
- f. The protection and development of local forests, pastures and natural resources of local character.

IV. Civil Security

- a. The protection of public order to prevent administrative violations and enforce the implementation of commune or municipality acts;
- b. Civil security.

Municipalities were also given significant administrative authority and discretion in personnel matters such as appointment, dismissal,

transfer, training, determining wage levels and other compensation. However, they must comply with existing legislation governing local public administration, such as the Law on the Status of the Civil Service (no. 8549, passed in November 1999). Ideally, the mandates of these two laws will lead to responsible urban management of human resources at the local government level.

Local governments will need to continue to take an active interest in targeting their programs and services to appropriately target at-risk and needy populations. They will be far better placed than the central government has been to do so. The community is a source of information that local governments will be more able to apply to improve service delivery and targeting.

6. Changes needed in the present governmental system to facilitate better urban management

As stated in Article 108 of the Constitution ratified in 1998, "Local Government in the Republic of Albania is founded upon the basis of the principle of decentralization of power and is exercised according to the principle of local autonomy." Many possible and necessary changes to the present governmental system in Albania are outlined in the *National Strategy for Decentralization*, an official policy document of the Government of Albania, which was approved by the Council of Ministers in January 2000. Among these are better data and financial management, accounting, and extensive personnel training.

Other requisite changes include: the transfer of responsibilities with enhanced revenue generation at the local level, a mechanism for revenue equalization across jurisdictions, and expanded programs of institutional development for local governments. In some areas, the possibility to design innovative programs that combine service delivery across localities will be critical for greater efficiency, such as in public utilities or special education.

Local governments and the central government will also need to invest significant energy to improving the remarkable lack of transparency and accountability as well as their will and capacity to engage in meaningful strategic planning.

7. What are some advantages of decentralization?

For the citizen, decentralization may have many advantages over time:

- Decentralization can be expected to lead to better information at the local level; and

- It can encourage an increase in the participation of citizens in the decision making that directly affects their community, so that it may be said that decentralization strengthens democracy

Decentralization also has distinct advantages to the community:

- Political power and activity may shift from the capital city to a wider group of localities so that political control becomes less geographically concentrated in one area;
- The policy making process reaches a greater proximity to the community; and
- Citizens may become more likely to conserve scarce resources such as water or electricity when fees are collected and penalties applied at the local level.

8. Why Decentralization Can Improve Urban Management in Albania

Citizens in some countries have been shown to support decentralization because the public generally places a high value on the advantages of decentralized regimes mentioned above, as well as the possibility of electing local officials. Centralized regimes may also be perceived to have failed to deliver critical services or to serve certain functions adequately, and overemphasizing rules and authority. Local governments, on the other hand, are more inclined to problem-solving (Hommes, 1995): a set of skills and priorities that is well known to all effective Albanian public officials.

For Albania, substantial decentralization is also a critical and expedient component of the lengthy process of integration into European institutions. In November 1999, Albania ratified the Council of Europe's Charter of Local Self-Government, which calls for extensive autonomy and subsidiarity (that is, the principle that government functions should be managed at the level nearest to the community as possible).

9. Constraints to Decentralization and Good Urban Management

There are several common constraints in the present provision of urban services that are linked to decentralisation. These constraints tend to be overlapping with known obstacles to decentralization which could diminish the quality of urban management, such as:

- Scarce locally-managed resources;
- Limited capacity to collect taxes and fees;

- No independent revenue sources;
- Inadequate incentives to carry out new policies;
- Political and legal uncertainty or varied interpretations of new policies and laws;
- Limited experience in local self-government;
- Patronage or the misuse of funds currently available, prior to decentralization and strengthened urban management; and
- Local government may be dominated or susceptible to pressure by criminal factions or economic interest groups without a strong, cohesive civil society and well-developed administration at all levels of government.

10. Strategies to improve infrastructure and services with good urban management

In the year 2000, there may be greater opportunities to decentralize infrastructure due to technological innovations such that services do not necessarily need to be provided by monopolistic utilities. For example, in the power sector, generation and distribution could now be managed competitively by decentralized units. It has been shown that an increasingly decentralized infrastructure has a significant impact on expenditure levels in infrastructure: Expenditure will increase if, as we assume, local governments is more directly accountable to citizens since they rank infrastructure as a higher priority than did the central government. This may be attributable to some local governments' lower capacity in service delivery and the trade-off of the benefits of economies of scale in order to increase their autonomy from the state level. On the other hand, expenditure levels may decrease overall if decentralization leads to a decreased emphasis on certain infrastructure investments or management, or if it results in increased cost-effectiveness (Estache and Sinha, 1994).

It is also important that the legal and policy framework of decentralization allows for experimentation and innovation in local service delivery and public investment. For example, neighboring cities or the local governments within new, densely populated metropolitan areas seen in Albania may find that designing a cooperative structure to fund and provide education or health care is both desirable and efficient.

11. World-wide examples of decentralisation for better urban services and management

In a 1998 World Bank paper, Anwar Shah argues that "*Decentralized fiscal structures are more suitable in developing countries than centralized structures are, especially when they are supported by strengthening the rule of law, an independent central bank, an independent judiciary, a charter of rights, appropriate limits on various levels of government, institutions for conflict resolution and for the evaluation of government efforts at all levels, and mechanisms (including a free media) for listening and making government accountable to the citizenry*".

It is clear that the government of Albania will need to adopt significant democratic and market reforms as it pursues decentralization. In countries like Albania where large state apparatuses have been transformed and local authorities are gaining the power to collect taxes and fees, it is possible that current negative attitudes towards the progress and pace of reform from communism will change. In Romania, for example, where decentralized structures have emerged in the last five years, the public expresses its confidence that the local government will deliver services effectively, while they report dissatisfaction and distrust in the central government. Similarly, surveys in Poland show that citizens trust local officials to deliver services and manage public resources after a 1998 law granted local governments increased access to investment capital and authority. (Center for Democracy and Governance, 2000).

A model of "asymmetric" decentralization carried out in Indonesia and Pakistan could be a positive example for Albania to follow in its incremental approach to decentralization. In this model, functions can be assigned to different levels of government, depending on their varying capacities (Shah, 1998). In countries such as Mexico, Venezuela, and other Latin American countries, greater financial independence for investment at the local and regional level and other forms of decentralization have led to an increased level and quality of citizen participation. These reforms are also said to have resulted in improvements in the efficiency of budget allocations and of service delivery (Hommes, 1995).

While every country in transition or moving towards decentralization of public institutions cites its unique history and situation, the experiences of other countries near and far can be applied with great benefit to improve urban management and strengthen democracy.

12. Conclusion

Decentralization is a necessary and important step in democratic reform and improved public management and service delivery. And as it develops, policy makers and officials implementing programs will be well-aware that efficiency is important and necessary in carrying out their functions, but it will be more important to citizens is that services are effective that they produce beneficial results.

Decentralization requires the sustained exercise of political will at all levels over many years and terms of office, particularly because decentralization brings about a very real change in political equilibrium in any country. It can also be argued that decentralization initiates institutional reform in urban management that brings post-Communist countries such as Albania forward to a greater distribution of resources, capacity, responsibility and authority that will make the country as a whole better managed, more stable, and better off.

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Note

1. In that study, decentralization is measured as the share of locally controlled expenditures to total government expenditure as recorded in the International Monetary Fund's Government Finance Statistics.

LAND PRIVATIZATION IN ALBANIA¹

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(This article is condensed by the editor by giving emphasis to urban situations. If you want to read the whole article, which gives a good overview of all land privatization in Albania, please contact the writers at:

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Abstract. *The history of land privatization shows that the current structure of land ownership in the country is drastically changed in the last decade. Various forms of land ownership have evolved, including the complete privatization of state constructed housing, and the creation of a free market for dwelling units and other buildings. The restitution of confiscated property to the ex-owners, is found to be complex and at times ambiguous. For registering and securing property rights an integrated mapping and registration system has been set up under the name Immovable Property Registration System (IPRS). Property rights are reflected in the Albanian Constitution and are based on private and public property, as well as on a market economy and on freedom of economic activity. Still, much of the municipal land remains owned by the state, including land for public use and commercial and industrial use, and illegal occupation is often a result. The majority of the residential structures and the land on which it sits are privately owned, and temporary deed registries have been re-opened and will function until official First Registration is complete and the information is transferred to the IPRS. However, numerous conflicts exist between possessors of properties and ex-owners, also due to numerous errors or imprecisions in the privatization programs.*

1. Introduction

Albania has a population of approximately 3.2 million, of which an estimated 40% now resides in urban areas. The country has a total land area of 28.7 thousand km, this is including urban areas, roads, quarries, rivers and lakes.

Following the approval of the 1976 Constitution and decades of effort to socialize the ownership of all real estate, no private ownership of land or buildings formally existed. Reform began in 1991 and followed various programs of land privatization². By 1999, more than 3 million new properties have been created; the majority of which are under private ownership. Approximately one-third of these properties is located in urban areas. This transformation has been widely supported politically, even though there is more consensus about the rejection of the dictatorial Hoxha regime than about what a market oriented economy and political democracy actually require in terms of land tenure, land use and development.

The overall framework for privatization was established by Law 7512, *On Sanctioning and Defending Private Property, Free Enterprise, Private Independent Activities, and Privatization* (August, 1991). A significant policy decision of the Albanian Government is stated in this law:

"All sectors of the economy are open to private activity including state owned institutions and other units, with all of the following fields of activity being converted to private property; industry, handicraft, agriculture, building, transportation, banking services...etc."³

This embodied the ideas that paved the way for the massive privatization Albania experienced in the last decade. The law puts a minimum amount of restrictions on privatization. It also establishes the National Privatization Agency to oversee the transformation of ownership through sale to employees, auction, distribution of shares and other methods. By the end of 1992, a very rapid privatization of retail trade and service establishments, such as food, household goods and clothing shops, resulted in 75% private ownership⁴.

During the initial stages of privatization the government generally transferred ownership of non-land assets only. A number of issues concerning the land had yet to be dealt with, the most significant being the nature and extent of restitution to the ex-owners. As in other countries, efforts were made from an accounting perspective to place a value on the equipment and buildings of the

enterprises, and then transfer the ownership of these assets as indicated above. The land issue was left for later resolution.

Concerning agricultural land, however, privatization proceeded on a *de facto* basis until the interim coalition government in 1991 approved the Law *On Land*. The land privatization process began officially with this distribution of agricultural land, but was soon expanded to include other efforts, as described below.

2. Review of Land Privatization and Legislation

2.1. Agricultural land

Land privatization began with the approval of Law 7501, *On Land* (July 1991), for the assignment of agricultural land, and land used for housing in villages, to resident farm families. The legal document for privatization of agricultural land is called a *Tapi*. The *Tapi* lists the location and description for each parcel of land given to the family along with the name of the Head of Family. The *Tapi* is currently used by the Immovable Property Registration System (IPRS) to complete official First Registration of rural properties.

The Law *On Land* gave land initially "in use" to the workers of the state farm enterprises, but finally, the government granted ownership rights to the workers through Law 8053, *For Transferring Ownership of Agricultural Land Without Compensation* (December, 1995). The Law *On Land* initially prohibited sales of agricultural land, however, subsequent legislation provides for the transfer of ownership and other real rights. Law 8337, *On the Transfer of Agricultural Land, Meadows and Pastures* (April, 1998), sets out the steps to be followed for the sale of agricultural land⁵. Although land distributed according to Law 7501 is not subject to restitution, Law 7699, *For Compensation in Value for the Former Owners of Agricultural Land* (April, 1993) recognizes property claims of ex-owners for the purposes of granting compensation for the value of agricultural land.

2.2. Leasing of Agricultural Land, Forests, Meadows and Pastures

In 1998, Parliament approved Law 8318, *On Leasing of State Agricultural Land, Forests, Meadows and Pastures* (April, 1998). This law allows physical or juridical persons, including foreign investors, to lease land for periods of 10, 30 and 99 years. District Boards are formed to oversee the leasing auctions and decision making. There is no mention in this legislation of the right of the

lease holder to transfer the lease to another person, so it is assumed that this right does not exist. Should a lease holder decide to give up the lease, the Board is informed and a new auction to lease the land will be conducted.

2.3. Forest and Pastures

Forests and pastures occupy more than half of the surface area in Albania and are regulated by Law 7623, *On Forests and the Forest Service Police* (October, 1992) and Law 7917, *On Pasture and Grazing Land* (April, 1995).

2.4. State-owned Housing

In 1992, the government continued the privatization process by passing Law 7652, *On the Privatization of State Housing* (December 1992). The objectives of this law were to completely privatize state constructed housing, to create a free market for dwelling units and other buildings and to improve the use and administration of buildings. During the communist era almost all new urban housing was in the form of 4-5 story multi-unit blocks. For example, in Tirana these comprise about 56% of all properties in the city.⁶

Rights of ownership were sold to adult occupants who had rental contracts with the state as of December 1, 1992. This has led to a problem involving those occupants who were under 18 years of age at the time. Since those who were not 18 are not included as co-owners, they have no legal right to a share in the property. Some families have tried to remedy the situation by completing a gift contract to the younger family members but this requires the payment of notary and registration fees, and official valuation and transfer taxes.

Flats with two rooms and a kitchen built prior to December 31, 1965; flats with one room and a kitchen built prior to 31 December, 1970 and those flats which were considered in danger of collapse were given free of charge. In addition, former political prisoners and war invalids did not have to pay for their housing. All other state owned housing was privatized for a nominal fee, approximately US \$100-\$400 for apartments which subsequently sold for US \$10,000-US\$20,000. These new private owners of apartments were granted the right to sell, lease and mortgage their property.

Occupants of state owned housing were under no obligation to become owners of their flats although the overwhelming majority chose to do so. By 1995, approximately 230,000 housing units (apartments) were privatized, and less than 10% remained in state ownership.

The law provided the option to continue to rent from the state. After 1995, subsidization of rent was discontinued and every 6 months to one year, the Council of Ministers can reassess state rental rates. Rental rates in the private sector are determined by the parties involved and are not regulated by the state.

The land on which the state constructed apartment building sits is evaluated as a separate item and is co-owned by the owners of the individual units. The rights and obligations of these co-owners are now governed by the Civil Code. One problem that has arisen with the current boom in building is that many new flats have been sold without indicating whether the common areas are transferred in co-ownership or whether the builder continues to own these areas. Further legislation or clarification of existing provisions is needed to determine whether the builders or the occupants are the owners of the common areas absent specific contractual agreements. Although many buildings have informal arrangements for maintenance, repair and cleaning the common areas (roofs, hallways, stairs, and entryways) more formal guidance is needed when costly repairs and renovations are needed.

2.5. Privatization of State Assets not included in other Privatization Programs

State owned enterprises are able to establish joint ventures with foreign capital. Both nationals and foreigners are able to engage in private economic activity. Persons who carry out an economic activity are able to set their own prices unless a Council of Ministers Decision determines there is a monopoly, in situations of difficulty or scarcity of supplies or in cases where certain commodities are a vital necessity for the general public. Foreign individuals have the right to transfer assets and foreign earnings out of Albania.

The authority to govern and organize the transfer of state owned property rests with the Ministry of Public Economy and Privatization that establishes the methods for privatization. Transfers are conducted through auctions, private sale of shares or free distribution of shares after an assessment of the value has been made. The National Privatization Agency (NPA) is supervised by the Council of Ministers and is the sole institution authorized to carry out privatization procedures.

By the end of 1994, the NPA transferred approximately 33,000⁷ small scale enterprises to private ownership. A series of Decisions of the Council of Ministers, particularly No. 248, *For the Acceleration of Privatization of Small and Medium Enterprises* (May 27, 1993) and

No 510, *On the Privatization of Agricultural Enterprises* (October 26, 1993) and a strong political support for the privatization of small scale enterprises led to the implementation of rapid privatization. In addition, approximately 4,000 retail business sites in 1991-92 were sold by municipalities to individual or corporate owners in order to stimulate the re-opening of commercial activities at the time of greatest social and economic need.

Subsequent restitution of land and buildings to ex-owners, which had previously been privatized by the NPA and Municipalities, has created legal requirements for the two parties to enter into lease agreements or co-ownership agreements. Needless to say there have been many conflicts which are still un-resolved, effectively removing these properties from the market until the conflicts and inconsistencies are resolved.

2.6. Municipal Sale of Urban Land

The Municipality has the right to privatize land within its jurisdiction according to Law 7980, *On Buying and Selling of Building Sites* (July, 1995), Law 8405, *On Urban Planning* (September, 1998), and accompanying regulations. The privatization procedures and corresponding documents vary depending on the year concerned and the administrative division of the city/village. There are more than 8 different procedures used and the accompanying documentation can be different for each category. In general, there are 2 steps in the process, one for the land or building site and one for the building.

The Law *On Buying and Selling of Building Sites* regulates transfers of land which are designated for building purposes. Although Albanian citizens can freely buy and sell building sites, there are some restrictions for foreigners. Foreign persons obtain the right to purchase unoccupied building sites only after they have made investments that have a value no less than three times the value of the building sites as defined by the Council of Ministers. For occupied building sites, foreigners who buy or construct objects whose value is three times more than the price of the occupied building site obtain the right to purchase the building sites.

2.7. Restitution and Compensation

Another component in the land privatization process has been the restitution of confiscated property. In 1993, the Government of Albania decided to "recognize the right of ownership to the ex-owners or their heirs (to) properties that have been nationalized or illegally taken by the state" after the communists took power in 1944. Law

7698, *On Restitution and Compensation of Properties to Ex-owners* (April 1993) is complex and at times ambiguous. It addresses expropriation of immovable property only and depending on various factors such as the former and current characteristics of the property, former and current use, investments and current ownership, there are various options for the Restitution Commission to choose from in adjudicating claims. These include "recognition of ownership and restitution", "recognition of ownership and compensation" and, in the case of state owned enterprises, "recognition of ownership, restitution of land and the right to purchase the enterprise".

The most important aspect of the law is that it pertains to urban land or 'land within the municipal boundaries' expropriated after 29 November, 1944. Thus, there is no restitution of agricultural land distributed according to Law 7501. Although some villages in the North and mountainous areas ignored the law and distributed agricultural land to the ex-owners or their heirs, this has had little impact on the main agricultural growing areas.

Parcels of vacant land within municipal boundaries are called *truall*, which translates roughly as building sites. On this land the owners can build houses or other buildings as long as building permission is obtained through the local or district urban planning office. For land that continues to carry the agricultural designation, ex-owners or their heirs will receive compensation only. Also, restitution is limited to 10,000 m². Former owners with claims over that amount will receive compensation for the excess.

The principle of the law is to reconstitute urban property whenever possible. If restitution is not feasible, the ex-owner will receive compensation. In general, if the site is unoccupied or buildings unchanged as of April 1993, the ex-owner has the right to restitution. This is also true of sites that contain temporary constructions, defined by the urban planning office⁸. If the site or buildings have been privatized to third persons but remain unchanged, the property will generally be restituted and the state must compensate the third party. If the site is occupied with buildings erected after 1 January 1991, the site is restituted to the ex-owner who then has the right to collect rent from the building owners or negotiate the sale of the site.

'Self-help' compensation is engaged in by individuals who justify their unauthorized occupation of land as just compensation for expropriated property. This is especially true of the coastal areas and other areas with tourism potential. Since the state has no available cash to give to ex-owners and vouchers are worthless, especially after

the fall of the pyramid schemes in 1996, the only readily available option is to accept alternative land. However, rather than waiting for an official assignment of land, individuals eligible for compensation are occupying the beach front and building permanent structures for homes, restaurants and hotels. Not only has this hindered the plan for tourism development, but the rampant building is completed without proper zoning and infra-structure such as electricity, sewer and water lines. The coastal waters near these areas are becoming increasingly polluted and the trees adjacent to the beaches are almost completely cut down, increasing the extent of barren lands precisely in areas whose value could be maximized by preserving their natural beauty.

It is clear that the privatizations done legally and in accordance with the various privatization laws have created situations of overlapping claims to land and buildings from more than one owner. Cases have already arisen in which one applicant has a claim to a parcel based on a National Privatization Agency sale while a second claimant to the same parcel has privatization documents based on a decision from the Restitution Commission. There are also claims based on a local court decision, even though this would appear to be legally inconsistent. Restitution commissions, courts, land commissions and the National Privatization Agency have little communication and are not always thorough in their title searches before assigning rights. This has created conflicts between two sources of property rights- those that arise from the privatization of state land procedures and those that derive from the restitution process.

Aside from cases still in the court system, the re-allocation of urban immovable property is now almost complete, although a high percentage of ex-owners of urban land still have additional claims based on assertions that what they have been allocated is not full compensation.

2.8. Land for Tourism

Law 7655, *On the Development of Priority Areas Concerning Tourism* (January 1993) attempts to outline a strategy for and regulate tourism development. Albania obviously has a great potential for tourism, as a major source of employment and foreign exchange. However, this law has not been implemented to any significant extent.

3. Other Legislation

3.1. The Constitution

The Albanian Constitution was approved on 21 October, 1998. Three articles of the new Constitution reflect rights to property.

Article 11:

1. The economic system of the Republic of Albania is based on private and public property, as well as on a market economy and on freedom of economic activity.
2. Private and public property are equally protected by law.
3. Limitations on the freedom of economic activity may be established only by law and for important public purposes.

Article 41:

1. The right of private property is guaranteed.
2. Property may be gained by gift, inheritance, purchase or any other classical means provided by the Civil Code.
3. The law may provide for expropriations or limitations in the exercise of a property right only for public interests.
4. The expropriations or limitations of a property right that are equivalent to expropriation are permitted only against fair compensation.
5. For disagreements connected with the extent of the compensation, a complaint may be filed in court.

Article 42.

The freedom, property and rights recognized in the Constitution and by law may not be infringed without due process.

3.2. Civil Code

The Albanian Civil Code, approved by Parliament in August, 1994, defines 3 types of ownership; individual, co-owner and family. Family ownership pertains to agricultural land. The family as a whole, not individual members, holds the vested ownership interest. The farm family is represented in property dealings with third parties by the Head of Family who is elected by its members. In general, the eldest male is the Head of Family. If an individual member requests his or her share in the family property, a division is made according to the amount of property owned by the family, the number of family members and the individual's contribution to the farm economy. After the shares are calculated, the individual is paid in cash. If an individual requests property in kind for the purpose of creating another farm family and all family members agree, the land itself may be divided.

3.3. The Immovable Property Registration

As the privatization of property proceeded, various members of ministries, agencies and enterprises met to discuss the best way to register and secure property rights. The Inter-Ministerial Land Market Working Group concluded that returning to the pre-World War II system of assigning urban properties in the Hipoteka Offices and agricultural properties to the Cadastral Offices was not the best and most efficient option. The group ultimately decided that an integrated mapping and registration system would best serve Albania. With the technical assistance and funding from USAID, the World Bank and the European Union, the Immovable Property Registration System (IPRS) was set up in 1994. The driving force behind the system is Law 7843, *On Registration Immovable Property* (July, 1994).

Albania has more than 3 million properties divided into 36 districts and 3,070 cadastral zones. Each district has a registration office and Registrar who oversees the mapping and registration process. The IPRS is directed by the Chief Registrar who is appointed by and directly responsible to the Council of Ministers. The Registrar's powers include: issue certificates of ownership or lease or other interests in property, require any person to produce documents relating to the immovable property, summon any person to appear before him/her to give information or explanation respecting immovable property, suspend registration, administer and verify anything mentioned above, and, with the approval of the Chief Registrar, fine any person who presents incorrect information.

Once First Registration has been completed, all subsequent transactions are subject to the provisions of the Registration Law.⁹ Priority of registration is defined according to the order in which the transaction documents are properly presented to the Registrar, irrespective of the dates of execution on the documents and notwithstanding that the actual entry may be delayed. In other words, one must properly register any document affecting the property before the owner and/or property is legally bound.

As of 31 July, 2000, 40% of immovable property (including agricultural parcels, village house plots, apartments, houses, businesses, publicly owned properties, etc) has completed the process of First Registration. Thus, ownership and other real rights attached to the property are capable of being transferred according to the Registration law¹⁰.

4. Extent of Land Privatization

Table 1: Ownership Status of Land (and Apartments) in Albania

Holding	FROM MINISTRY STATISTICS			FROM URBAN LAND STUDY IN SIX CITIES (1999)					
	Ag. Land, in Hectares	Forests	Pastures	Urban Land, with buildings (ha.)	Urban Land, Vacant (ha.)	Urban Land: Houses Villas, (ha.)	Urban Land: Commercial (ha.)	Total Urban Land, in Hectares	Urban, Apartment, number
Privately Owned (1)	562473	6314	18595	3075.4	252.3	2163.2	669.9	3366.4	149,028
	80.4%	0.6%	4.5%	62.4%	21.9%	87.8%	46.5%	44.6%	94.6%
State owned (2)	136949	1043500	393000	1633.2	899.5	288.8	571.4	3982.0	8,521
	19.6%	99.4%	95.5%	33.1%	78.0%	11.7%	39.7%	52.7%	5.4%
Mixed (3)				219.4	0.7	11.6	198.8	205.0	
				4.3%	0.1%	0.5%	13.8%	2.7%	
Total	699422	1049814	411595	4928.0	1152.5	2463.6	1440.1	7553.4	157,549
	100%	100%	100%	100%	100%	100%	100%	100%	100%

(1) Privately owned land is defined as land which is held by an individual, a family or a legal person that can be transferred through sale, gift, mortgage, etc. to another owner.

(2) State owned agricultural land includes agricultural land that villagers refused to accept in ownership or in use, agricultural lands that have been leased to private individuals for their use and agricultural land still held by other ministries and public entities. State owned forest and pasture lands include lands given in usufruct, lease or other use rights to private individuals or groups who do not have the right to transfer these rights.

(3) Mixed ownership refers to joint venture businesses, part state and part private ownership.

4.1. Agricultural Land

On ex-cooperatives 353,718 families have control over 439,139 hectares, divided into 1.5 million parcels. Official ownership allotment certificates (*Tapi*) have been issued for over 90% of the parcels. On ex-state farms approximately 91,000 families have control over 123,334 hectares, divided into 300,000 parcels. On the ex-state farms 26,786 hectares remain in state ownership, of which 23,667 hectares of generally very productive land is leased. As of 31 July, 2000, a total of 1.2 million agricultural land parcels have been registered. It is estimated that 80% of all land classified as agricultural in 1990 has been distributed with a *Tapi* to agricultural families since 1991 (See Table 1). About 50% of this agricultural land, or 875,000 parcels out of 1.8 million total agricultural land parcels, has been legally registered and is available for transactions. An additional 21% of this agricultural land has been provisionally registered¹, pending the public display and final correction.

4.2. Forest and Pasture Land

At present only 6,314 hectares of forest land have been privatized, although another 35,674 hectares is being managed by Komuna offices of the General directorate of Forests and Pastures through use contracts arranged with groups of villagers. In the case of pasture land, 18,595 hectares have been privatized and another 239,714 hectares is being managed by the Komuna through use contracts with villagers similar to those arranged for forest land. The Komuna use rights arrangements are not marketable, that is, cannot be sold or transferred.

4.3. Urban Land

As noted above, various privatization programs have affected urban land. However, statistics on the extent of urban land privatization are difficult to find. A special study for the ownership and use of urban land in 6 major cities was launched (Tirana, Durres, Elbasan, Lushnja, Korca, and Gjirokaster, which represent about 45% of the urban population of the country, with greater Tirana alone approaching 30%). This study used random samples of 1 hectare blocks of land within the municipal boundaries, followed by a complete census of properties (land parcels and parts of buildings such as apartments) within each block. The sample estimates were used to produce estimates of the city totals for various parameters.

- At the end of 1998, about 50% of the land within municipal boundaries remains in state ownership, including roads, parks, green spaces and land occupied by public buildings as well as land still occupied by state owned commercial and industrial enterprises.
- Approximately 78% of vacant urban land (land between apartment buildings, parks, green spaces etc), 1,153 hectares total in the six cities or 15% of the total urban land area, is state owned. Some of this land will be privatized, but much will be maintained in public ownership and use.
- Urban land parcels occupied by buildings are 62.4% privately owned, and the 4,928 hectares in this category represent about 66% of the urban land area in the six cities. While some privatization of these parcels will be done, public buildings will continue to occupy state owned land. Some efforts have been made to privatize land under public buildings, and then oblige public agencies in the buildings to pay rent to the private land owners, but this seems to be an undesirable solution at least from the public point of view.
- About 40% of land held by commercial/industrial enterprises remains in state ownership, 14% is owned by joint state/private ventures and the remaining 46% is privately owned. These enterprises occupy about 1440 hectares or about 20% of the total urban area of the six cities. It is likely that most of these enterprises will be privatized as the large scale privatization program is pushed forward.
- Urban land occupied by residential structures is 88% privately owned with 2464 hectares representing about 33% of the total urban area in the six cities. Private ownership will probably approach 100% once the restitution process is completed.
- "Vertical properties", apartments, are mostly owned by private individuals, including the state built apartments which have been privatized and the privately built apartments which have been constructed since 1992.
- A temporary deeds registry (called the Hipoteka) has been re-created in nearly all cities to record privatization and transaction documents for urban land until First Registration is complete and the documents enter the new Immovable Property Registration System. From the studies of the six cities, approximately 90% of the private holders of urban land and apartments have Hipoteka recorded documents attesting to their ownership of the properties². The documentation of ownership of state owned land is extremely deficient.

Problems, however, resulted from this ambitious effort:

- About 3 million properties, both state and private, have been newly defined (approximately 1.8 million parcels of highly fragmented agricultural land and about 1.2 million urban properties), making the surveying and First Registration process difficult and time intensive.

- Agricultural land is mostly held in family ownership, but the definition of a family is imprecise in the Civil Code. Sale of family owned agricultural land is allowed for registered land, and according to the procedures established in Law. However, there are differing interpretations of these required procedures, which leads to delays in transactions and high transaction costs.
- The ownership of apartments is acquired under Law 7652 and through a sale contract between the Housing Agency and all adult occupants who had rental contracts with the State as of December 1, 1992.³ Occupants under 18 were not included as co-owners. There are no restrictions on the transfer of such properties, except in practical terms when all co-owners do not sign the transfer agreements, although most families yield to the head of family in such matters as tradition dictates.
- Numerous conflicts exist between possessors of properties and ex-owners.
- There are numerous errors or imprecisions which have occurred in the privatization programs, often leading to overlapping claims from different owners for a single property.
- Private owners of land believe that they can use their properties however they wish. This belief is producing chaotic urban development that will require substantial investments to assure public health and desirable future growth.
- Land remaining in state ownership has often been treated as "un-owned", leading to illegal occupation and the degradation of the natural resource base.

5. Conclusions

Although Albania is faced with political, economic and social problems, important steps have been achieved in moving the country toward a market oriented economy. The steady progress made in completing and implementing substantive and procedural privatization laws have combined to provide an entrance into the global market economy. Despite the problems with communication among the state agencies that have the responsibilities to privatize state property and numerous land conflicts which result, the fact remains that a majority of immovable property is now in the hands of private owners and the land market is functioning.

Notes

1. A previous version of this paper was presented at the Workshop on a Land Privatization Index, sponsored by the Land Tenure Center and the National Cadastral Agency of the State Committee for Land, Geodesy and Cartography of Belarus, in Minsk, Belarus, 21-23

August, 2000, with financial support from the U.S. Agency for International Development (USAID).

2. We define the term "land" when analyzing privatization as the surface of the earth and structures attached to it. The Albanian term "immovable property" is more precise. In English, the term "real estate" is equivalent.

3. Law 7512, Article 3

4. Hashi, Iraj and Lindita Xhillari. 1999. "Privatization and Transition in Albania", *Post-Communist Economies*, Vol 11, No. 1, p. 107.

5. A previous version of the law was passed in 1995, however, the procedures were too complicated to allow for efficient transfers.

6. See Margaret Moores, Malcolm Childress, Fioreta Luli, Dritan Caro, and Llukan Puka, "Emerging Uses of the Urban Landscape in Tirana, Albania", Land Tenure Center Working Paper, June, 1998.

7. Hashi, Iraj and Lindita Xhillari. 1999, p. 106.

8. A common type of temporary structure is a kiosk, generally used for retail or office space. Temporary permits were issued on a year to year basis in order to encourage private business. However, many of these "temporary" structures have been improved to 1-3 story brick and cement buildings. This causes conflicts between the "temporary" building owner and the ex-owner of the land.

9. First Registration includes creating an index map, completing the chain of title for the property and a 90 day public display when claims against ownership and other real rights can be made.

10. Project Management Unit, Bulletin July, 2000 "Registration of Immovable Properties".

11. Ibid. We estimate that out of the 1,967,628 provisionally registered parcels, approximately 1.4 million are privately owned

12. Lemel, Harry (1999) "Tenure Security and Investment Patterns among Properties in the IPRS Urban Property Survey", Land Tenure Center report, p. 6.

13. Article 9, Article 20.

A Note on Governance and Urban Management in Brazil

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Abstract. Urban management is a set of instruments, activities, tasks and functions aiming the well functioning of the city, in administration and facilitation of basic urban service provision, and is essential for conflict resolution. Local governments in Brazil have a significant autonomy since 1934. Public-private partnerships in the supply, management and maintenance of public services are becoming popular. Participation of civil society organisations in public policy formulation and implementation is becoming increasingly important. But, municipal autonomy can also represent a bottleneck for metropolitan regions. Various examples illustrate how inhabitants' and grassroots organisations' are involved in defining public investment priorities, definition of municipal budgets and approval of municipal funds. Other examples show a successful municipal housing fund, improved garbage collection, and an integrated public transport system. An example of Rio de Janeiro shows how in 1993 a new administration tackled the lack of governance in the city.

1. Introduction

This article highlights some features of urban governance and municipal governments in Brazil. It shows how local accountability and empowered local governments may result in creative urban management processes and increasing civil society participation in the daily business of making cities work. It is not our intention to make an essay on this topic but rather to pinpoint a few issues that will help the reader to assess the implicit advantages of a truly process of decentralisation. Professionals working in countries that are pursuing policies of decentralisation will certainly draw lessons from the wide variety of local governments' experience in Brazil. Unfortunately, a

lot of these experiences remain unpublished in international journals thus not accessible to a wider audience. There is a value-added in disclosing some features of the Brazilian experience particularly to countries in transition like Albania where the process for re-establishing local autonomy and empowering local governments must practically start from scratch.

2. What is urban management?

Urban management can be defined as a set of instruments, activities, tasks and functions that aim at assuring the well functioning of the city. It assures not only the administration of the city but also facilitates the provision of basic urban services needed for the population and the various private, public and community stakeholders to perform and maximise their intrinsic roles in a harmonic manner. Urban management assures that there is a harmonic and co-ordinated effort although interests among these actors are not always convergent. In fact it is often divergent and that makes urban management essential for conflict resolution. Urban management must be based on the principles of efficiency, efficacy and equity in the distribution of resources and public investments generated from within the city and to be reverted into its further development.

To achieve this goal, municipal governments must possess instruments that allows it to arbitrate these conflicts, mobilise efforts and take advantage from the capacities, potentials and creativity that exist among its constituents to forge sustainable and equitable local development processes. Only then local government will be able to assume a catalyst role during the process of planning and consolidation of the urban environment. That will help to create a conducive milieu for the establishment of strategic public-private-community partnerships required to realise the functions and tasks for which it does not possess all the means and resources.

Although the pendulum of centralisation and decentralisation varies from country to country one can identify a global process of administrative, political and financial decentralisation that leads to the transfer of responsibilities towards local governments. In Brazil, where local governments already enjoy a significant degree of autonomy, it is interesting to note that current processes decentralisation are translated into the establishment of sub-levels of municipal government created on the basis of territorial units or planning areas e.g. sub-municipalities, regional/district administration, etc. The rationale is to bring decision making and problem solving in the city closer to citizens and their area

of residence redirecting information, interface and provision of certain services towards the district/neighbourhood level. Rio de Janeiro, São Paulo, Curitiba, Porto Alegre and most large Brazilian cities are pursuing similar processes of decentralisation that narrows down the distance and relation between citizenry and the state at the very local level of city life.

Davey¹ affirms that urban management refers to policies, plans, programs and practices that try to assure that population growth is matched by access to infrastructure, housing and employment. The access to these services depends very much on the initiatives of the private sector which are affected by policies of the public sector and by functions that only local governments are eligible to carry out. At times sole responsibilities defined by national constitutions. But experiences have shown that the public sector alone is not capable to fulfil its constituent role. Public-private partnerships - PPP in the supply, management and maintenance of public services are becoming popular urban management instrument especially because of the problems derived from budget restrictions, decreasing revenues and cuts in public sector expenditures and the search for the efficiency that private sector seems to offer. For example, PPP is currently used in urban revitalisation programs and in the management of the built-up space through guided processes of densification linked to transfer of development in cities like São Paulo, Curitiba, Porto Alegre, Campinas and Rio de Janeiro just to mention a few. Public transport is a common area where concessions and PPP are used as tool to provide a municipal service that is a constitutional responsibility of Brazilian municipalities.

Urban management depends on a series of factors. It depends on the way local government is structured since it has primary responsibility for the management of the city; it also depends on the organisational structure of the municipal administration and of the role, tasks, responsibilities and functions of the various municipal agencies and departments that consist local governments. Urban management is also a function of capacity, quantity and quality of human, material, financial and legal resources without which it will be unable to exercise governance over the city. Last but not least, the way local governments relate to federal and state governments and community organisations, and the way local interests are represented in the organisation and implementation of public policies altogether affect positively or negatively urban management practice. The participation of civil society organisations in public policy formulation and implementation is becoming increasingly important

in contemporary urban management in countries emerging from centralised and authoritarian regimes like Brazil, South Africa, Philippines and many countries of Eastern Europe. Actually all these factors form the basic pre-requisites of urban governance.

3. Urban Management and Governance in Brazil

Out of the 39 Latin American large cities of more than 1 million inhabitants, 14 are situated in Brazil. More than 75% of the total Brazilian population already lives in urban agglomerations. This simply implies that the solutions to many problems faced by this continental nation will have to be found at the local level of citizenship: the cities. Ten years ago a few studies conducted by World Bank and other multilateral organisations made more evident the relationship between development and urbanisation and the strategic roles played by cities in national economic development. This was a turning point in policies that recognised the adverse effects of urbanisation but also the inherent capacity of cities to forge development processes. For Brazilians, there is nothing new about *cities as engine of development*. Cities have been the stage where development changes took place. Therefore, urban governance becomes extremely important for sustainable development.

Brazil is a federation formed by three different levels of government: federal (national), state (provincial) and municipal. It has more than 5,500 municipalities that enjoy a remarkable level of political, administrative and financial autonomy since 1934. Municipalities have a constitutionally protected autonomy and the power among other things to determine their own organisation and functions, the autonomy to exploit their revenues, define its own budget and determine priority areas for public investments. Apart from that municipalities are also responsible for urban planning, provision of urban services to its inhabitants and to assure the welfare of the population among a whole range of public responsibilities. From 1988, all cities with more than 20,00 inhabitants are obliged to have an enacted urban development plan formulated with intense participation of civil society organisations.

Often the municipalities perform their tasks and mandates in close co-ordination with other levels of governments particularly in the field of sewerage, water supply, housing, health and electricity. The municipalities have the right and autonomy to formulate and approve its organic law that acts as a truly municipal constitution as

long as it does not conflict with constitutional competencies and ordinary laws of other levels of government.

One fact that increase accountability and local participation is the fact that the mayor and vice-mayor (executive power) as well as the members of the municipal council called legislative chamber (legislative power) are elected for a 4 year-term. Any inhabitant who is above 16 years old is eligible to vote and both mayors and councillors can be re-elected. The number of councillors is determined according to a formula related to size and population of the city. The minimum is 9 councillors. For example, cities like São Paulo and Rio de Janeiro have a legislative chamber formed by 55 elected councillors. Mayors are key figures in local governments in Brazil and it is usually stated that in local matters in a municipality above the mayor there is only the law.

As noted by Davey², Brazilian-municipalities have such powers that make them potentially among the most comprehensive and independent in the world (Davey, 1996) something only comparable to the Swiss cantons. Paradoxically, municipal autonomy represents a bottleneck in large areas of conurbation and metropolitan regions. The fact that often elected mayors belonging to different political have different agendas, views and urban policies make it very difficult to establish the required co-operation and cross-cut co-ordination between neighbouring local governments in sectors such as urban environmental management, public transport, infrastructure provision and economic development planning.

It is worth mentioning that during the period of the military dictatorship (1964-85) municipal autonomy was adversely affected by the increasing centralisation of planning and decision making and the continuous federal intervention in the infrastructure and agricultural sectors. The process of democratisation, the National Constitutional Assembly and the enacting of the 1988 constitution reversed this situation completely. This constitution is considered as a pro-municipality constitution that gradually restored and further increased municipal autonomy resulting in a remarkable retreat of central government. In fact, the effect on the central and state governments' budget was not remarkable that a discussion of 'centralisation' found echo among policy makers.

In 1996, local governments responded already for 35% of the total investment in the public sector nation-wide, 25% of the consumption generated by the governments and 17% of the total expenditures of the 3 levels of governments (JB, 1996). There are

indications that the municipalities enriched with the 1988 constitution, increasing revenue collection and social sector expenditures.

This level of autonomy favoured the election and establishment of local governments seriously committed to social changes, transparency, and civil society participation in the resolution of critical urban and environmental problems faced by cities. As a result, a hand full of innovative forms of municipal management and participatory planning has emerged with local nuances that represent today clear examples of best practices in Brazil.

Just to mention a few, the participatory budgeting process established in the cities of Porto Alegre, Brasília, Vitória, Santo André and Belo Horizonte. In these cities the inhabitants and grassroots organisations are called to participate in regional/district forum that are regularly organised to define local priorities for public investment. Neighbourhood-based processes to elect delegates to take part in the definition of the municipal budget and in the final approval of where and how municipal funds are to be invested. This process repeats on a yearly basis. The delegates go through training sponsored by the municipality in order to understand the entire process of budget making and public finance management. This practice has been a trademark of the labour party – PT that gained significant public support allowing for the continuity of the governing party in municipal elections. For example, in Porto Alegre participatory budgeting is fully institutionalised and the governing party has just been re-elected for a fourth term of 4 years.

The popular councils were established in the cities of Vitória and Fortaleza became an interesting mechanism of consultation where grassroots and civil society organisations are invited to take part in an advisory organ to the mayor helping the municipality to attune municipal policies to the local needs of the population. All these initiatives and institutional engineering have helped to keep a high degree of transparency in public policy making and implementation.

Other well-known experience is the solid waste management and recycling program established in Curitiba (1.7 million inhabitants). Nearly 10 years ago a survey undertaken by the municipality among the health centres and municipal schools – primary education is a sole responsibility of local governments – showed that children were suffering from diseases related to rodents, insects and vectors commonly found in garbage. It was found out that several low-income settlements had no service of garbage collection and were

subject to increasing process of accumulation of trash. That was the source of the disease affecting the health of the population residing in these settlements. The difficult access to these areas made service provision very costly. A feasibility study revealed then that it would be more efficient if the municipality would simply buy the garbage from the population. This was the birth of the innovative program called 'Garbage that is not garbage' through which the municipality simply started to purchase garbage – already sorted – from low-income families and sent directly to a recycling plant. The municipality provided transport vouchers and later a basic basket containing rice, onions, tomatoes, etc. in exchange for kilograms of sorted garbage collected by the inhabitants ready for the recycling process. The program became so successful that a citywide collection of sorted garbage was initiated resulting in a flourishing business of recycling that attracted private sector investors. The city and its government boast that the recycling program helps to save many trees and to make savings in energy consumption. With this and other environmentally sound programs Curitiba's government claims to be the ecological capital of Brazil that enjoys one of the highest rate of urban green space per inhabitant in the world (50 m²/inhabitant).

Curitiba is also famous for its integrated public transport system with its exclusive bus lanes and structural axis reaching a performance equal to those accomplished by underground metro systems. It would be an injustice not to mention other equally interesting and innovative experiences in other local governments in Brazil but that would change the character of this brief article prepared specially for the publication sponsored by Co-PLAN.

It is worth though to mention an experience that was a turning point in the Brazilian social housing sector. The FUNAPS experience with self-management mutual aid housing in the municipality of São Paulo through which resident's associations became eligible for acquiring municipal finance to build a housing estate based on the principle of self-help and mutual aid. This program – funded by a municipal housing fund called FUNAPS – stimulated local participation and autonomy of grassroots organisations provided that they would be assisted by a technical assistant team – a non governmental organisation – in the entire process of project preparation, planning, design and implementation. Another innovation of the program was the link with the program of sales of development rights in the existing parcels of the city through which

landowners would pay a financial counterpart contribution for receiving additional rights to build. These urban operations allowed for public-private negotiations in the densification of the built-up space in the city contributing at the same time to the mobilisation of financial resources to sponsor social housing in the city. This experience inspired other cities like Curitiba and Porto Alegre where today there is also a similar housing and infrastructure development fund linked to programs of guided densification in the city. Other experiences that became well known are the remunerated mutual aid and reforestation programme in Rio de Janeiro; the ZEIS urbanisation program in Recife, and the citywide informal settlement upgrading in Rio de Janeiro and Belo Horizonte.

4. A Closer Look at the Practice of Urban Management in Rio de Janeiro

Rio de Janeiro is the fourth largest urban agglomeration in Latin America, surpassed only by Mexico City, São Paulo and Buenos Aires. The city has a population of about 6 million inhabitants distributed over 159 neighbourhoods, and the total metropolitan region has a population of more than 10 million inhabitants. It is an important centre of commerce and tourism and has a consolidated service sector. Its financial market is the second largest of the country and the city boasts a well-established basis for specialised human resources and modern infrastructure³.

In 1993, the municipality of Rio de Janeiro generated US\$ 3.90 billion of revenues. The updating of the city's cadastre carried out by the IPLANRIO - the Municipal Planning and Information Agency - allowed the local government to review its fiscal base and re-assess the value of real estate properties in the entire municipality a fact that helped to increase revenues significantly. The municipal budget of 1996 amounted US\$ 3.807 billion and in 1997 it amounted US\$ 3.7 billion divided as follows: US\$ 1.7 billion originated from property and service taxes; US\$ 850 million from VAT; vehicle property and income taxes transferred from the State Government; and US\$ 1.4 billion from financial resources of the municipality's surplus cash⁴.

In 1993, a new administration took office with the firmness to tackle the lack of governance in the city reflected in large scale informal building, informal vendors occupying public spaces, traffic disobedience and increasing violence and insecurity. Apart from ensuring proper financial management, the newly elected mayor modified the organisational structure of the local government in

favour of a matrix management type of structure meant to facilitate and increase cross-sector and horizontal co-ordination and speed-up policy making and implementation.

Top ranked municipal officials and head of municipal departments were grouped in team called "G 54" that met on a regular basis with the mayor to accomplish a cohesive policy formulation and implementation. The second-ranked municipal official's group was named "G260". These numbers meant the number of officials involved in each working group. The establishment and operation of these groups proved to be an important management and communication tool for the mayor within the municipal apparatus that helped to build ownership and high commitment of the staff with the municipal policy goals and strategies designed and attuned through these two working groups. The role of each group was clearly defined. G54 focused on policies and had a strong political character while G260 had an executive character and focused on the operational aspects of the policy.

In order to streamline integrated approaches and close co-operation between municipal bodies five macro-function working groups were formed according to key development areas: social development, economic development, urban development, city management and finance. This was enacted through a mayor's decree and endorsed by the legislative chamber. Each working group was co-ordinated by one specific municipal secretariat that was the leader on that particular theme thus taking over the leadership to conduct governmental policies and to get an articulated municipal strategy and was therefore accountable to the mayor for its organisation and implementation. For example, the urban development group was lead by the Secretariat of Urbanism/Urban Planning and had as key members the Secretariat of Housing and Secretariat of Public Works.

Horizontal linkages and co-ordination were arranged gearing to a noticeable efficiency in resource use, decision-making and common goal-setting. Top municipal management meetings occurred regularly (at least once a month) and were organised around themes. In these meetings, the subjects were discussed and public policies defined, establishing the roles of each secretariat and municipal agency, streamlining co-ordination and resource allocation. The mayor and its top official heading the municipal secretariats engaged in strategic discussions and developed common visions at the G54 meetings that were further worked out in operational and administrative plans of

action at the lower level of the municipal administration. All this was linked with a strict financial management and efficient revenue collection and a good city information system, aiming to provide the mayor with the necessary and up-to-date information for decision-making.

The establishment of the "Controladoria Geral do Município-CGM" or "financial control unit" was decisive to build up a solid financial basis to sponsor municipal program. This was inspired on the General Accounting Office of the American Government an autonomous entity that takes care exclusively of the public accounting. The CGM in Rio de Janeiro was an important tool created by the mayor to control municipal expenditures, incomes and to provide prompt financial statements required for an efficient municipal investment planning. This means that practically every programme, action or initiative that required municipal resource allocation were instantly checked and integrated into the budget control and financial projections. The CGM installed transparency in the finance of the municipality and became an instrument of the mayor to prevent corruption and minimise fraud within his administration. Rio was in fact the first municipality in Brazil to have such an entity exclusively in charge of internal control of municipal finances. The main role of the CGM is to exercise accounting, budgetary, operational and patrimonial control of the entire municipal administration safeguarding the efficiency in the management and use of public revenues. This paid off as the municipality managed to generate a sizeable surplus that allowed it to self-finance large-scale urban revitalisation programs.

Another act focusing on the organisational structure was the establishment of sub-municipalities that are defined as decentralised territorial branches of the municipal government. Each sub-municipality was assigned to one or more administrative region becoming a vital interface between local demand, local political processes and the municipal government. The "sub-mayor" was appointed by the mayor - as a position of confidence - and was assigned the task to articulate the actions of different municipal agencies within its territory, work out municipal response to local demand and channel them into the municipal apparatus. A critical bottleneck in this decentralised form of urban management was the lack a decentralised municipal budget and the lack of authority of sub-mayors to actually decide on resource allocation.

Nevertheless, changes in policies and financial management practices were meant to make the municipality more responsive to externalities and facilitate quick decisions regarding policy, investments, programmes, public security and the modernisation of the municipal apparatus. Besides the co-ordination mechanisms created with the macro-function working groups and the tight financial management of municipal funds, the municipality pursued the development of a Strategic Plan for the city.

The process favoured the participation of civil society organisations, neighbourhood associations, squatter residents' associations, private sector organisations, public sector agencies, universities, churches representatives, professional unions, etc.

The strategic plan's permanent assembly gathered more than 1500 representatives in continuous discussions that lead to solutions of many of Rio's urgent problems (Strategic Plan for the City of Rio de Janeiro, 1996). The municipality argues that this is the first strategic plan even formulated in Latin America helping the city government and its partners to present a pragmatic view of the opportunities and threats faced by Rio de Janeiro. Several other programmes were designed like the Rio Cidade-Urban Revitalisation Program, the Favela Bairro-City Wide Informal Settlement Upgrading Program, the strategic urban highway "Yellow Line", linking the western and northern areas of the city, the self-help forestation program, and so on.

The recent process of urban management and planning in Rio de Janeiro provide us with an important lesson. The restructuring of municipal finance and the tight control on municipal revenues and expenditures that were established in the beginning of the first administration (1993) provided the municipality with the fundamental in-house resources to launch city-wide revitalisation programmes like Rio Cidade and Favela Bairro Programs. Additional funding from national and international funding agencies were tapped into the programmes providing the local government with a 'fuel' to implement its policy that resulted in high degree of public approval and the re-election of the governing party for two consecutive municipal elections.

The availability of resources and well-trained staff combined with an action-orientated type of planning supported by a truly municipal autonomy and strong political will propelled the remarkable changes in urban management and planning in Rio de Janeiro during the last 8 years. These elements should be considered

as a *sine-qua-non* condition for successful urban interventions in a city of the magnitude and complexity of Rio de Janeiro. Innovations at the programme and project management levels - as it is the case for Rio Cidade and Favela Bairro Programs - should also be regarded as an thorough effort to establish an effective and result-oriented public sector management at the municipal level, bringing to the forefront the linkage between management change and public sector efficiency.

Density issues in Curitiba, Brazil⁶

Curitiba, a city of 1.7 million in Brazil, highlights how the concept of density was applied as the backbone of the urban transformation that the city experienced in the last 30 years since the approval of the master plan in 1966.

The plan had two major concerns: to decongest the inner city and revitalize the urban and architectural heritage situated in this area and to shift the radial concentric growth of the city to a linear growth pattern by introducing an important north-south axis of traffic and transportation, tangent to the inner city, called the "structural axis".

The zoning was based on the type of use - commercial, residential, industrial and mixed use - and the desired population density. The strategy was to encourage new commercial developments to move out of the inner city, matching high-density residential areas with commercial activities and linking them with the availability of public transport. The principle is that the sites must be well served by public transport and the density coefficient would decrease as its distance to the public transport network increases. The local government could only issue development permits provided that a careful analysis and information about traffic generation and the requirements for infrastructure and parking accompany it.

The structural axis is formed by a three-part system. The central road reserves the central lane exclusively for the bus system, a solution that accomplishes performances equal to those of metro systems, while two parallel roads provide room for local traffic within the same road profile. Two other roads, usually situated one block further from the central road complete the system, which accommodate the continuous one way traffic towards and from the inner city. The area situated in-between these two one way traffic roads is denominated structural sector and is zoned as a high density area, accommodating commercial and residential uses, and reaching densities up to 600 inhabit/ha. In the structural sector, buildings can reach a total floor area equal to 6 times the plot size.

In terms of policy pursued by the municipality, land acquisition took place during and prior the implementation of the transport network so that the local government could guarantee the maximisation of the infrastructure and services and the materialisation of the desired densification along side the structural axis. Towards the buildings considered of historic value, situated in the inner city, the municipality applied a creative "white" appropriation mechanism that allowed the transfer of development rights or building

potentials (principle of "solo criado") from the sites where they were situated to elsewhere in the city if the existing infrastructure and services could cope with the increase of the built up area and higher density. The owners would pass the title of these buildings to the municipality in exchange of more floor area in another plot of their property. One hand, the municipality safeguards the building heritage and allocates special uses and functions to these buildings such as museums, foundations, training centres, etc. On the other hand, it increases densities elsewhere in the city and provides a good trade-off for the private sector. An automated cadastre and a land information system established at the beginning of the eighties allows the Municipality to provide to any resident information about building coefficient, densities and development potentials of every single plot in the city.

The concept of density, translated in Curitiba as an increase in plot occupancy and coefficients in relation to plot areas, and resulting in figures measured in inhabitants per hectare, was applied in a very balanced way. It defined a clear profile and skyline of the city. The areas situated between the structural axis have middle and low population and building densities. Middle densities are the areas where multi-family housing is predominant, reaching a density up to 180 inhabit/ha. The low-density areas are characterised by low-rise unifamily housing with densities up to 70 inhabit/ha.

The urban planning solutions applied in Curitiba endeavours the recovery and consolidation of the urbanity of the traditional city that allows the inhabitants to identify themselves with their urban environment and socially interact with their fellow inhabitant. It advocates the mixture of functions, incomes and densities, brings the green areas into the urban environment, maximises the existing roads and infrastructure and links all that through simple but extremely efficient public transport. The reinforcement of high densities throughout the public transport axis provides not only the maximisation of public investments but helps Curitiba to save 25% in fuel consumption and to achieve a significant reduction of dioxide emissions. This gives the plan and the use of density a significant impact on the sustainability of development.

Source Acioly and Davidson, 1996; 1998

Notes

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Why the Urban Management Approach is Beneficial to all

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Abstract. *The increasing role of cities as engine of growth, is the big challenge for the urbanization process in Albania. Changes in the opening of the economy, competitiveness amongst cities, increasing roles of the private sector and communities, decentralization and the new role of local governments, are giving the city new opportunities for growth. Local Governance and Urban Management are a prerequisite of city development. The role of city leaders and policy-makers is to introduce a vision and strategic thinking, and to lead a development process that is beneficial to all. Cities also need to develop a new approach in city development strategy in the context of the present donor's assistance to local leadership.*

1. Challenges of Urbanization

The rate and scale of urbanization in Albania, and in particular in Tirana between 1990-1999 were unprecedented. This period was characterized by massive population shifts from the countryside to large and medium-sized urban centers such as Tirana, Durres, Vlore, Elbasan, Shkodra and Saranda, and to coastal areas. According to a preliminary estimation, Albania's urban population in these six cities has doubled during the last ten years. Tirana has had the highest rate of growth over the past decade, from 250,000 in 1990 to more than 600,000 in 1999. The population shifts from rural to urban areas have occurred in parallel with the economic reforms, opening of the economy, liberalization of the role of the state, and the start up of the decentralization of local governance and management. For that reason, the political and economic significance of the cities for national growth and poverty reduction is increasing.

The composition of the city economy and society in Albania changed substantially after the demise of communism. The importance of that change is not only a growth in spatial and number

terms, but also in the way the economy is structured and society functions. Economic reforms opened the country towards global markets, and therefore the speed of changes for the cities as economic and social clusters is high. The new role of government towards facilitating markets and promoting social and economic stability brought the private sector and communities as the new powerful actors in city development. Central government is seeking to tap into the potential dynamism of local governments through the political, fiscal and administrative decentralization, and with this, local governments will face all the important challenges for city development.

These developments give cities greater opportunities for growth. However, this *depends critically on the quality of the management of the urban area, on the emancipation of the political leadership, and on the approach to city development policy and strategy by national and local government.*

2. Good Governance and Management as Prerequisites for Sustainable Development

The uncontrolled growth of some Albanian cities created a disorderly built environment with a lack of infrastructure for about 40-55% of the population, and created significant changes in land use patterns. Also, the existing infrastructure does not meet the demand of the citizens due to the increase of population density and high dilapidation of the physical network.

Therefore, one of the big challenges for the city senior management was how to deal with informal and illegal settlements, and infrastructure needs in existing and new, legal or illegal built-up areas. The leading reaction of the urban management was to increase control and strengthen regulation enforcement on unplanned developments, and to invest only in formal settlements. The last ten years proved that this policy did not work and was far away from the new reality. Under these conditions the best policy for urban planners to follow is to improve the infrastructure in the new built-up areas, to regulate informal settlements into formal while forcing them to pay for public infrastructure services, and solve the land ownership claims of former owners.

During the communist regime the number of cities increased under the influence of the industrialization policy and in the framework of central planning, under full state investment. Urban planning was carried out through master plans based on controlled

prices for land, capital, and services. Because of the state owned economy, Albania relied on projects funded by the government to develop the city, and regulations were easy to impose. As a result, institutions in Albania had to develop a strong urbanization capacity, but not necessarily a strong control capacity.

During the reforms from a central to a market economy, the urban planning system and land development remained unchanged or had little changes. Institutions were not able to respond in time to the new changes and catch up with the development rate under free market conditions. Authorities had limited resources to finance investment for large scale infrastructure upgrading. They do not have new strategies and policies to guide city development nor have capacity to design development plans and put them in operation in time. Currently, the co-ordination between central and local government, and particular between urban planning departments and institutions at all levels is lacking. Local government and public utilities are not capable to collect sufficient local taxes (property tax), and charge and collect land development fee for serviced land, and collect sufficient fees for public services, like water, electricity etc.

Under these conditions, good governance and management are not only prerequisites for running the city efficiently, but those are also a high priority in Albania. Good urban governance and management implies a higher responsibility and transparency of the city's authority; improvement of financing capacity and tax base to fund infrastructure services in the most needed areas; enhance capacity to collect taxes and in particular property tax; supporting private initiatives in investing and managing infrastructure services. Further, initiatives that promote any program that link municipality - banks and private entrepreneurs in effective partnerships; capacity in the municipality in preparing upgrading programs and projects with the participation of the communities; policies to regularize new settlements and land use in a way that improve efficient land use and create safety environment are needed. Finally, enhanced capacity is needed to enforce laws and regulations and prevent and control illegal constructions that are becoming so detrimental to sustainable development of touristic coastal areas as Durres and Saranda.

All these are possible if a legal and institutional framework for intergovernmental relations and responsibility sharing of between the local public and private sectors is established. This is related to the decentralization reform that has just started, as well as with the urban management decentralization reform and public services reform in

different sectors. Albania is going through this decentralization process without any experience or tradition. When local governments will be given new functions and powers, and the public will be granted opportunities for participation and oversight many municipalities will have to deal with hiring professional staff in the market, and this is difficult to achieve because of the private sector pull. Contracting out of service provision to the private sector is one of the ways that supplement the municipal capacity, and render the municipal services more efficiently.

3. Looking for Responsive and Visionary Leadership

Local governments are now emerging as true political and economic partners in Albania. In the framework of decentralization, local governments are given more responsibilities, assets and financial resources. Mayors are elected directly and will be more responsible to their constituents and perceive themselves as future leaders. In this new context people are looking for a new leadership in Albania. Leaders who are concerned about development and their people, less ideological and more pragmatic; leaders who are increasingly less afraid to make the tough choices; leaders who are proactive and engage seriously in addressing and solving city problems, and; leaders who develop new urban initiatives to respond to the rapid urban growth thereby making a substantial contribution to the city's development with a clear vision and objectives.

What are the challenges for the politicians and decision-makers?

The cumulative effects of rapid population growth in urban centers and the limited infrastructure investments resulted in an increase of residents without access to efficient services. The problems of informal and illegal settlements, and the land ownership issues that are not solved under the law on restitution and compensation. Further, uncontrolled constructions and difficulties in the maintenance and repair of existing infrastructure, and limited financial sources and management capacity. The lack of basic infrastructure is disproportionately affecting poor communities in the outskirts of the cities, who are excluded from any investment by the government and from any form of collaboration and participation with local government institutions for improving their living conditions.

If we can summarize the above, the politicians and senior management have to: (a) cope with urban growth problems at city and regional levels; (b) catch-up with deficiencies at community level; (c)

improve operation and management of services; (d) develop financial and staffing resources, and; (e) strengthen the institutional capacity at local government. Unfortunately, there is at this time not any vision or strategy to deal with these problems. The attitude of politicians and senior management is to concentrate on the short-term problems in a fragmented way, but this has to be changed. They have to solve the problems of today in connection with those of tomorrow, and in order to do that they have to develop a long-term vision and a strategy.

How can a long-term vision and strategy be beneficial to all and not solely to particular groups of the population, and how can politicians concentrate on the real development demand?

A strategy could be well prepared on paper, but may respond only to the interests of a selected group of the population, or it may be unrealistic, or it may not concentrate on real development demand. Further, in the inner city there is a need for infrastructure improvements, but the same is true for the informal and illegal settlements in the outskirts of cities. Policy dilemmas are where to allocate first the limited funds, and how to cope with urban poverty? In both situations politicians can not ignore the informal settlements with their high proportion of poor families, otherwise the urban productivity will decrease further and cost of urban sprawl will be very high for the taxpayers. By the same token, poverty will have its high social and political costs.

The experiences in other countries and the literature suggests that sustainable contemporary development strategies are those that adopt inclusive policies for the urban poor; policies that integrate new settlements into the urban fabric through empowerment of local communities, and; policies that promote distribution of wealth and increase the equity in social, economic, cultural or environmental sense. Policies should be translated into concrete programs that are designed for mitigation of adverse effects on the socio-economic most vulnerable segments of the urban poor on a large scale. To reach those groups, policy-makers must develop low cost projects, and offer programs that are demand driven by beneficiaries who want to participate and make decisions for their own benefit. Target groups should be given incentives to engage in the process and outcome.

After the establishment of the market economy the development demand changed a lot. There was a high demand for housing, from homeless families that did not benefit from the privatization of state owned housing, and from new married families. Besides the government program for housing, the bulk of the housing supply came

from the private sector. Unfortunately, many residential areas in the city are built with permission from wealthy developers in the green and park areas and other good locations, regardless environmental damages, and urban regulations.

Initiatives of the emerging private sector put a high pressure on the supply of land and infrastructure services. New commercial service activities were moving faster than the response from the decision-making authorities. Tirana was covered with private "kiosks" making it one of the main characteristics of the city economy. This development was very much directed by political decisions to open new jobs for unemployed people after the closure of the industry in early 90s. Also, it was much influenced by powerful politicians to favor small groups of merchants and other businessmen.

These changes affected the land use patterns in rural and urban areas. Agriculture lands, and former industrial areas at the edge of the city, have been transformed rapidly into housing and commercial use. New settlements have a low density per hectare, and also land ownership patterns changed significantly. This rapid change resulted in mixed and uncertain land tenure patterns, with restitution claims from former land owners and state land held in temporary or permanent leasehold, etc.

In order to answer the real development demand, the senior management has to analyze where we are today, how develop other modern cities, what are the lessons of the developed and undeveloped cities in the world, where should we go, and how to get there! Many city planners, academicians, practitioners, and researchers have worked on city development issues for years all over the world. In particular those working with the World Bank advocate that in the new millennium the real development demand gives the city a better living environment; make it competitive; capable to recoup revenues from development; maintain a creditworthy city; and is manageable through the participation of private sector, communities and other stakeholders.

Therefore, politicians, who would like to concentrate on the real development demand, must see all development factors of the city in an integrated manner. A long-term vision and a good strategy is beneficial to all if mayors and other policy-makers of the City are empowered with a strategic vision of problems they face. Such vision should respond to the basic needs of people; foster city development; and ensure equitable distribution of the city revenues. It should provide perspectives on the City's future development options, and

spell out policy and program responsibilities for each level of government and identify assistance needs in order of priority.

What are the hindering factors and how the municipal government can address these?

What objectives should be put forward that could be reachable with known and unknown resources, in how many years can they be achieved, and how to implement them and what are their hindering factors? Mayors complain that they don't have resources, competencies and ownership of assets to manage the city properly and achieve their objectives. These are all true, but not exhaustive. Other important hindering factors are low institutional capacity and very weak city governance and management. Another impediment is the use of political criteria for the performance of the mayors rather than their contribution to the people's life. This criterion has over-politicized the behaviors of the mayors and proved to be detrimental in the collaboration with central government that is run by another political party.

The decentralization process provides ground for empowering Municipal government with competencies and resources to manage effectively important constraints and mitigate gradually their negative impact. We hope that the new direction would be a result of learning from the mistakes of a centralized governance and management. Yet, this is only a good start, next to be achieved is how to create an effective municipal governance and management at city level under the new conditions.

Professionals and other stakeholders must be incorporated in the political decision-making process and outcomes.

In order to achieve these objectives, politicians and other leaders have to seek to establish a consensus around a required strategy for accelerated and inclusive growth at city level. Albania has now a democratic environment and market economy, and therefore all stakeholders have to participate in the consultations and dialogue for viable partnerships. Consensus should be built around the social, political and economic partnerships. This counts for low and high income groups of people; between politicians and their constituencies; between the formal and informal sector; between the private-public and community sector; between the urban professional and other tiers of government, and; between local and international capital. However, in Albania the citizens and/or community participation in a free market environment is still a new concept and practice. For that

reason it is very important for the politicians to seek community participation and empowerment, create local ownership, support their initiatives, and include them in the planning process. Without these partnerships it will be impossible to hold the social fabric and diversity of the urban sector together, and experience of successful cities has shown that the unity of cities depends on these partnerships. The best is that the Albanian people themselves are driving this consensus.

4. Donor Assistance to Urban Development Strategies

For some reasons high government officials claim that technical assistance in many cases is a waste of money, as its output did not help any development in the past. One of the legitimate and wrestling issues with donor's assistance in Albania is what assistance is needed, and how to use and benefit from it. It is understood by everybody that in defining the long term urban development solutions, it is necessary for our country to tap the assistance of the international donor community. On the one side, the Government wants to see the objectives and outcomes of the donor's assistance to be in its own interest. On the other side, donors have their own assistance policy for different sectors. Therefore, it is important to follow the dynamic in the change of strategies and policies of the donors in the various sectors, including urban development, in order to better use the resources for the interest of the country.

The donor's objectives for urban development have evolved around the role of the city as an "economic engine" to foster the national growth. In the globalization framework, cities are seen as competitors with each other in the international markets. Hence, their comparative advantages have to improve continually in order to maintain their competitive edge at international markets.

Are Albanian cities in competition with other neighboring cities and should they be better prepared how to become more competitive in tourism, agriculture, etc. in the future? Yes, they are in competition, because Albania is a liberalized and open economy in the Balkan and in Europe. We see this process in the exchange of goods, people and capital between Albanian cities like Pogradec, Korca, Shkoder, Saranda, Kukesi, Durresi and corresponding cities in neighboring countries. The Stability Pact of Balkan and the recent membership in the World Trade Organization are driving Albania's economy towards a more open competition in international markets.

The new trends in the global and Balkan marketplace, and changes in donor policies have pushed a new thinking for strategic programs by the political leadership on how to maximize the benefits of the financial assistance given. It is important to maximize the benefits from the opening of the Balkan State economies and competition through trade, people and investments. The Balkan Stability Pact aims to foster further liberalization of trade and the economy, social and cultural relations between Balkan countries, and to encourage free movement of private capital and joint investments in bordering areas with regional benefits. Balkanization and intensified competition is expected to bring about further restructuring of economies, services and tourism, and foster social, cultural, sports, scientific activities for cities which are now more exposed to this new competition at regional level.

This is a big challenge, but are the central and local government strategically prepared for this? The answer is, not yet. Politicians and policy-makers always focus on making financial investment for infrastructure improvement attractive to private investors in order to make cities more competitive. The current view of the donors is that investments are very important, but if institutions are very weak, then investment will not be sustainable.

The World Bank advocates the integrated development paradigm leading to a multi-sector approach to urban issues. The World Bank's policies in urban -lending programs have changed: (i) from a primary focus on investment in basic services of infrastructure to increased emphasis on policy regulation and institutional strengthening; (ii) from central government focus, towards direct involvement of local government and communities; (iii) from a "packaged project" orientation towards a programmatic approach, and; (iv) from consultation towards more effective participation which directly engages beneficiaries into planning processes.

The World Bank designed a new strategy for sustainable development of the city, which is called "City Development Strategy" (CDS). This is offered as an updated tool that responds to the trends of globalization, urbanization, decentralization and liberalization, and provides a guide to lead cities towards a more desirable development.

This strategy must have four pillars, being: *Competitiveness* – making cities able to generate elastic employment growth, investment, and to engage in trade; *Livability* – having a city that aims not to have poverty and inequality, and that is healthy and safe to all type of urban threats; *Good Governance and Management* – which makes

municipal government accountable in the exercise of local authority (governance), combined with competence and capacity for execution of local government responsibilities in response to the demands of the local constituency; *Bankability* – this requires from municipalities to have a clear and internally consistent system of local revenues and expenditure, good financial management practices and appropriate conditions for municipal borrowing.

The goal of this strategy is to maintain macro-economic stability, reform the financial sector, introduce cost-recovery principle in public finances, and target public investments in areas with potentials for growth. Further, to encourage the private sector with credit instruments and other means to increase city competitiveness, invest in people by giving better education access and health coverage, improve infrastructure services and expand in the new residential and commercial areas, and build capacity in municipal finance management. Finally, to increase the tax base, develop environmental assessment mechanism and pollution control measures, strengthen local governance and urban land management, create a cohesive society with an appreciation for the well performing of public systems and willingness to abide by the rule of law.

Success or failure depends upon many factors, but certainly on the progress of the emancipation of the society and their political leaders, on whether a strong civil society and social networks can support committed and dedicated leaders and foster effectively the political and economic vitality of the community.

OWNERSHIP OF URBAN DEVELOPMENT AT NEIGHBOURHOOD LEVEL

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Abstract. Inadequate supply of urban services, the weak public management and lack of financial and technical capacity need to be approached "from the bottom – up". The aim should be to empower communities and their institutions. Citizen's participation should become a vital living process through which disadvantaged people in Tirana and other Municipalities can take better control of their lives. Community associations need empowerment to take responsibility for the overall sustainability of the projects. The success of this process depends on the responsiveness to needs and opportunities and if such form is part of a general development policy. The Urban Land Management project is one of the examples that show how urban management approach can help communities in their development.

1. Introduction

This article focuses on the urban reality in Albania, particularly to the problems related to "ownership of urban development" at neighborhood level. It describes first the general context, after which it addresses the following questions: What does "ownership of urban development" presently mean at local government and community levels, and what are the hindering factors in acquiring an influence on urban development; what is the present influence of communities on their development, and; how can an urban management approach help communities in their development. The illustrative examples are taken from the Albanian situation.

2. General Context and Urban Management in Albania

Urban management operates within a policy framework, which distinguishes two levels: macroeconomic policies that are managed at national level, and urban policies that are managed at the city level. Macroeconomic policies establish the broad environment for urban

economic activities and are based on the national socio-economic situation.

In the actual phase of transformation from a "world of villages to a world of cities and towns", the general policy context is changing very rapidly in Albania. The policy and institutional frameworks for managing urban growth are very weak and not realistic. This makes the need for structural adjustment of policies imperative at the macro level, and as a result this should lead for adjustments of urban policies at the city and community level to enable more productive urban economies.

The required policy reform in Albania should affect first of all the strengthening of urban institutions. It should create conditions for a *"shift in the role of central governments from direct providers of urban services and infrastructures to 'enablers', creating a regulatory and financial environment in which private enterprises, households, and community groups can play an increasing role in meeting their own needs"* (World Bank, 1991).

Cooperation between residents, municipality, institutions and the private sector, are the key elements that lead to a good urban management / governance. This is reflected in the following definitions:

- The UNDP defines: *"good governance is, among others, participatory, transparent and accountable. It is also effective and equitable. It promotes the rule of law"*. (UNDP 1997, p. 3.).
- The World Bank defines: *"Good governance implies inclusion and representation of all groups in the urban society – and accountability, integrity and transparency of local government actions in defining and pursuing shared goals"* (World Bank, 1999, pp. 8-9).
- Habitat's current definition of urban good governance is: *"Good urban governance can be defined as an efficient and effective response to urban problems by accountable local governments working in partnership with civil society"* (UNCHS, 1999).

The most recent initiatives of the Albanian government supported by international donors reflect a growing appreciation of the importance of policies, institutions, and regulation reforms attempting to formulate effective strategies to manage urban growth. *"Urban planning tend to mirror state economic planning"* (World Bank, 1991). Decentralization of responsibility for urban management and infrastructures to municipal level is very important in this context.

3. What does ownership presently mean at local government and community level?

Local Government level

An over-controlled local government has been the historic pattern in Albania. There are two typical characteristics of this model (i) a high portion of the total public expenditures is made directly by the central government; (ii) local government, even within its limited expenditure role, functions as an administrative arm of the central government. This approach to local government management in Albania proved to have failed. The local autonomy and accountability are seriously compromised.

Continuous quarrels between central and local government make the efficiency and the responsiveness for the delivery of urban services very low, despite the urgent need to respond to the pressure of urban growth. Presently Mayors and other local government officials argue that the most acute problems in their cities depend on decisions at central government level. But, in the view of the central government, local governments are inherently incapable of responsive administration. Both, central and local governments are trying to escape their responsibility to solve this created situation. The syndrome of "auto victimization" is the most common attitude: local government pretends to be "intentionally left without real power", and central government is "undermined by a partner not willing to collaborate". Moreover, the present situation of the administration is at the point that *"rarely incentives exist... to perceive citizens as their clientele"*. (USAID, 1990).

Without clearly defined functional responsibilities between levels of government, local government can not easily be held responsible. This is the basic condition for a more accountable local government. *"The more central government intervenes, the more irresponsible local government becomes; and the more irresponsible local government becomes, the more government intervenes"*. (World Bank, 1995).

The decentralization platform, recently approved by the Parliament, tends to transfer more responsibilities from central to the local government level, however the decentralization is still far from being a practice in Albania. Only a small and determined group of dedicated employers initiated and supported this effort, the others are still far from fully understanding the process.

Local government's constraints in the development process

The Municipality of Kruja, assisted by the VNG (Dutch Association of Municipalities) under the Strengthening Local Government and Citizen Participation Project, organized a public participation process in order to involve citizens in the formulation of the town's Structure Plan. Different options were discussed to formulate a project for the development of a new residential extension area. Despite the interest of the local government to develop this area, the limited competences of the Municipality, and the lack of financial resources to initiate the project, resulted in a failure to generate resources and undertake actions. Some of the impeding factors faced by the Municipality of Kruja are illustrated hereunder. It shows an over-centralized public sector, attempting to develop a new residential area. Without conceptual changes in the legal framework to create the environment for regular land development, such kind of efforts will remain just attempts.

1. The Urban Planning Law No. 8405 issued in September 1998 has limitations in land development and management aspects. The main problem is that there is no incentive for regular development and the creation of a healthy environment, and partnership development between the main stakeholders.

2. Local Authorities cannot buy or sell land. It is not clear if they can enter in partnerships with communities or developers. *Only amending the law and allowing local governments to sell or auction improved land will permit financing of infrastructure through payments and fees* (Aliaj Besnik, Shutina Dritan, 1998).

3. The selling price of raw or serviced state land is fixed by a Government Decree. This price does not reflect the market value and limits the ability of the authorities to recover the real value of the respective land. This opens also the possibility for land speculation.

4. Municipal finance is very weak. Local authorities have no fiscal power. They work within the limited budgets and without necessary resource revenues. Local governments cannot take loans without being guaranteed by the central government. Without having their own revenues, the normal functioning of the local government will be impossible.

5. The unclear status of land ownership is seriously impeding development. The authorities need to legally guarantee property rights to potential investors.

4. What is the present influence of the communities on their development

In a pluralistic democratic society there is a need to build on a process for community mobilization. Community values and a productive civil society are a measure of success of the country and should be an important aspect of Albania's progress. Ten years in a pluralistic system show that a new approach to community development should be introduced, in order to streamline the energy "owned" by the community. The gap between central government rules and the dynamism of communities makes the need to involve communities in the development process more imperative. The existing legal and social conditions and the financial limitations of communities and local authorities complicate the provision of infrastructure and serviced land. However, an active community may exert pressure to deliver services and facilities for their living areas.

Urban management at community level is based on the citizen's engagement and is regarded as fundamental to good governance. This concept is introduced in Albania mostly by international organizations that are working in urban infrastructure upgrading, strengthening of local government, etc. It has been adopted only in those cases that international donors imposed it as a condition to their financing of projects. However, the lack of participatory culture and the syndrome of "government dependence" are an impeding attitude. Municipalities are still not aware about the energy and resources of the community as an essential element to success.

How can citizen's participation in Albania relate to actions that the community itself regards as important, and which have a direct impact on their needs? There are different stages of citizen's involvement in a participatory process, and some stratagems for community participation that are applied in Albania through different projects include:

- Organizing neighborhood associations and using them as channel for information and communication with the rest of the community and institutions. Citizens are informed about their rights and obligations, but there is not clarity at this stage if the citizen's suggestions will be considered;
- Involving communities in the decision making process of the projects from the inception until its completion. *"Community participation and its consultation is helpful in defining priorities, project solutions, selecting social services and determining location of facilities, deciding on resettlement options and helping with the process"*. (Brakarz Joze, 2000). A

typical example of organizing such process is the Urban Land Management Project financed by the World Bank, Albanian Government and Residents of the project areas (see Box.).

- Employing neighborhood associations to provide services such as garbage collection, children care providers, reforestation, and others. This process is more typical for NGOs working with the community.
- Isolated cases where the communities organize themselves to solve some of the basic problems such as: water supply, sewage, electricity etc. Initiatives like this remain isolated and local government couldn't organize and give its support.

The role of intermediaries in helping to build that competency and providing a basis for networking and experience sharing is critical. NGOs are involved in bridging the gap between communities and the government. Action oriented NGOs are enabling poor communities to become more self-reliant and to exert pressure on their local governments and institutions to be responsive to their needs and demand and hold their governments accountable. Community groups can only be effective if they are convinced of their role and are well organized, and inspire confidence throughout their communities and with their partners.

Albanian NGOs and CBOs are directly involved in upgrading processes by intermediation in the provision of neighborhood services. They have the capacity to convince communities to improve settlements with their own power and without government subsidies. NGOs support active community groups like in Bathore, Breglumasi, Mihal Grameno, and Roma Community, where they are involved in: (i) encouraging the formation of community leadership and intermediate between communities and government; (ii) performing technical advisory roles in infrastructure extension; (iii) training communities for self-reliance, and; (iv) maintenance of infrastructure and social services.

Some donor sponsored projects involve the community from the beginning of the process, in order to gradually build the sense of the community "ownership" and develop awareness about their role in improving their life. Much focus is directed recently by the World Bank to introduce the demand driven system of infrastructure planning and execution, thereby trying to shift from a mentality of "the government is provider of everything" to a participatory process. Important is the preparedness of the Municipality to try out new ways of working, and to facilitate the process of institutional changes required for working in these new ways.

Conclusion: Despite several projects in the field of citizen's engagement and community participation, donor assistance has been unable to effectively help government formulate and implement comprehensive and sustainable urban policies. Instead cities have become "*projectized placing emphasis on selection of sites, rather than develop broader policies for urban development*" (World Bank, 1991).

5. How an urban management approach can help communities in their development

"Community involvement is critical for any project implementation ownership and sustainability. Building local capacity for self-organization and social participation should be part of any development program's methodology. Services are better maintained if community members have a role and voice in the supervision, maintenance, and even provision of services" (Brakarz Joze, 2000). *People can do a lot on small improvements on their own, such as the building of footpaths, drains, garbage collection, etc*

The poor infrastructure situation and the deterioration of the urban environment in Tirana and in other towns show that the government cannot fund all the required improvements. This situation requires from local governments to mobilize and manage municipal resources for essential investment. Actually local government's mentality in Albania is to spend, but not to mobilize local resources. The enabling of local government and residents to mobilize resources from within the settlements is a critical aspect, which need to be introduced in any settlement development program.

Residents and community-based organizations often need initial assistance structuring their contribution to neighborhood improvements. This process implies a community managed approach of infrastructure provision and services. Community management is viewed as a development tool leading towards responsible community acting. This not only facilitates project operation and maintenance, but removes also unrealistic expectations regarding the government's ability to provide services at no cost to the communities. Community management can also strengthen a conviction within the community of their ability to improve their own living conditions.

In order to initiate a vital and sustainable community engagement that is able to improve the present situation, it is essential that local government identifies:

- Community's needs and priorities in order to ensure their participation in the process. For example infrastructure improvement, social facilities, garbage collection, etc.
- Interested groups and how they can participate, through adhering in "community associations" or "boards of infrastructure improvement" based on projects or sectors, and how the improvement issues can be solved in their favor?
- Eligible criteria for the inclusion of communities in specific upgrading programs, including investment conditions, and physical and legal factors.
- Organizers, facilitators and institutional mechanisms to support the participatory process in order to be sustainable and avoid the risk of political interferences.
- Technical and financial support to community initiatives.

The Urban Land Management Project (ULMP), is one of the examples that shows how urban management can help communities in their development. This project introduces an untried experience in Albania by facing the challenge of Tirana's rapid urban growth. This project aimed disadvantaged communities to design, and partially finance and carry out improvement actions in their areas. Initially this was done through a considerable NGO and Project Management Team (PMT) assistance, but now more and more, communities take the initiative to improve their environment. More details of this program are given in the below box.

Box ULMP (World Bank, 1998).

When restrictions on population movements were lifted (1991), Tirana experienced an annual increase in its population of almost 7 percent, equivalent to about 30,000 people or 6,500 new households per year. With Tirana's limited housing, dilapidated infrastructure, and scarce resources, the city was unable to cope with such growth. The ULMP is a reaction to this development.

Objectives

The primary objective of the ULMP is to provide essential urban infrastructure to non-served or neglected areas in participating municipalities, including the Municipality and District of Tirana and strengthen the institutions responsible for the delivery of urban services at the national and local levels.

Institutional aspects

The project assists both central and local authorities to strengthen land management skills and prioritize policy actions. Local authorities are expected to become active facilitators between the

central Government and local communities in formulating investment priorities, managing project implementation, keeping the community involved, and tracking payments of the land development fee.

Institutional and implementation arrangements

The following are the main stakeholders: (a) the Government, (b) participating local governments, (c) communities, and (d) utility companies. Their stakeholder roles are:

The Government (the Ministry of Public Works (MoPW)) is the designated executing agency of the IDA credit, the MoPW has project implementation authority, and is custodian of national urban policies. A *Program Coordination Unit (PCU)* is established within this Ministry

Participating Local Governments. The Municipality of Tirana and the District of Tirana have been selected as the participating local governments. *Project Management Teams (PMT)* are created in the participating local government. The responsibilities of local government and MoPW are stipulated under a Memorandum of Understanding.

Communities. With the support of PMTs and NGOs, community residents will formally participate in the project. They will organize themselves into community associations, express their infrastructure priorities, comment on layout and designs, align their plot sizes in line with rights of way and affordability, contribute to the financing of secondary infrastructure and provide and pay for tertiary connections. These responsibilities of community associations are stipulated under a partnership agreement between local government and community associations.

Utility Companies. Will review the detailed designs, approve completed works, and take over operation and maintenance of primary and secondary networks constructed under the project.

Policy Aspects.

The fundamental difference from previous urban investment programs is the shift from a supply to a demand driven system of infrastructure planning and execution. Participating communities will be chosen on the basis of meeting established eligibility criteria.

Site selection criteria include:

- (a) clear ownership land which is free of outstanding restitution issues or other disputes, or if such exist, they must be clarified before implementation;
- (b) primary and/or secondary infrastructure networks are available within 1 kilometer of the proposed site or will be provided to the site in parallel with the upgrading program;
- (c) environmental baseline surveys are completed;
- (d) at least two-

third of the residents are prepared to form community associations, pay for tertiary infrastructure, preserve rights of way for streets and foot paths, and contribute at least 20 percent of the cost of secondary infrastructure, (which could amount to US\$1,000 in the case of larger plots), and; (e) the resettlement action plan is prepared in accordance with the guidelines agreed with the Association. The program is under implementation in two pilot areas (396 families): Lapraka and Bathore. Four new areas are under consideration to be included in the second phase of the project (2000 families), being Selita, Mihal Grameno, Frutikultura, and Bathore 2.

The experience of the ULMP should evolve into the development of an upgrading policy during the next years. Once it has shown to effectively work, the city can systematically apply it in other communities. Selection criteria based on competition among localities, make that communities demonstrate great effort in obtaining counterpart contribution from local governments, or mobilize internal resource or labor input. This approach reinforces the sense of ownership by communities and participating local governments, resulting in a better implementation of the projects.

Upgrading should not be seen as a series of isolated projects, but as a part of an overall urban strategy. In order to initiate a community participatory process for infrastructure upgrading Municipalities should make the necessary institutional arrangements and should be aware that upgrading residential settlements is much more than a merely engineering and financial matter.

6. General conclusions

Inclusive approaches to urban development need:

- Intergovernmental relations aiming to facilitate local government and local decision making, as well as state and local governments efforts to improve urban management.
- Capacity building in local government institutions and for communities. Training and long-term education of managers is critical in order to create better understanding and to improve management quality and governance authority of the local government. Assisting and preparing communities to "be part" of the community management approach is very important.
- Political commitment as a basic precondition for the successful implementation of an urban development program. The lack of political determination is the main reason why upgrading projects have hardly worked in Albania, up to this day. It is important to show to the government that upgrading has had a positive impact in other countries. The local bureaucrats

do not easily understand the impact of urbanization, they are not aware that a big percentage of the population lives in illegal construction and these people are the human resource of the city. *"The feedback from beneficiary population and the resonance among public opinion ... are the factors that will convince decision makers and politicians"* (Brakarz Joze, 2000).

- Put resource allocation decision more in the hands of local communities. Bringing public responsibility closer to the city will increase the involvement of community groups in municipal decision-making, service provision, and land development. This is one of the features of many of the more successful upgrading programs.
- Partnership agreements between the local governments and their citizens and other stakeholders to determine shared action to achieve shared goals.
- Engineering and infrastructure work to be done according to basic planning with simple designs and standards. Simplicity is another corner stone. In order to move forward quickly and to accelerate the impact, project interventions should be kept as simple as possible taking in consideration only the provision of basic services.

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ARE COMMUNITIES CITIZENS OR CUSTOMERS?¹

Urban management at community level
(The case of the Municipality of Kamza, Tirana District,
Albania)

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***Abstract.** Forces of change are taking place in Albania relating to legislative and social changes, as well as for individuals and communities. These changes are looked upon from the viewpoint of the local authorities of the municipality of Kamza, which faces challenges as citizenship empowerment, community leadership, and management of expectations. Community leadership calls for routine management and action management for which authorities have to play the partner role and the scrutinizer role. The role of communities should be more clearly recognized in legislation and for this partnership agreements can be made. Authorities should commit to an enabling role, with assistance of government led projects and NGOs, and authorities can learn from this. Local democracy gives voice to expressing needs and concerns of local communities at the same time legitimizing local choices on the nature of activities. A gap between expectations and available resources is likely to grow, which may lead to a growth of political pressure and protests, so management of expectations is needed.*

1. The forces of change

Governance in Albania is at this moment in time in a situation in which major issues have to be faced about its role, functions, its organization and working method. During the last decade, important changes took place, of which the full effects have not yet been integrated, while at the same time new changes are being faced. This is especially true for the way that local governments are functioning.

The main challenges appear to be those imposed by central government's policies, and those are in themselves a clear response to the transition in the Albanian society. The main differences are (i) in

terms of social and economic conditions; (ii) in terms of public attitudes and concern; (iii) in terms of ideas on the nature and form of governance. This paper is not aiming to describe forces for change and changes in themselves, rather than the impact of changes in the future. It is sufficient to indicate that local government and communities face most of these forces for change. Before talking about the nature of those changes let's first see the illustrative case of this article.

2. The case of the Municipality of Kamza (MoK)

Kamza is one of the newest municipalities of Albania on the northern fringe of Tirana. The municipality was established in 1996, by the unification of 6 rural communes and Bathore, the biggest informally developed neighborhood of Tirana. In the brink of 1990, Kamza was a rural area with no more than 7,000 inhabitants. As the freedom of movement and land reform was introduced in the country in the early 90s, a wild process of urbanization targeted the territory of the municipality. So far, the present population is counted at least 10 times more than in 1990, representing the most dramatic urban growth in the country. Most of the new residents of Kamza are informally settled and because of this reason the intensity of illegal constructions is very high. Often there is limited public space left, and no infrastructure and services are available. In some administrative units as Bathore (400 hectares), settlers have almost all an illegal or informal status. Poor and isolated, without any service or infrastructure these people find themselves neglected and ignored. Whereas the number of citizens increases continuously, the municipality has registered only 60% of its inhabitants. On top of this, local authorities have been completely unable to cope with such dramatic situation. They have further extremely low budgets, very limited competencies, and limited experiences. However, thanks to the special commitment of the local mayor and his closest staff, the MoK, is becoming an interesting case of how local government in Albania might built-up a positive momentum for good governance. Indeed, they did not justify themselves by not doing anything because of the difficulties, but on the contrary they have been an active actor in solving them.

3. The continuing challenge of legislative change

Back to the changes, the change in the legislation and development of government policy is the most identifiable for the governance of local

communities in Albania. Land reform, the privatization of the economy, and decentralization of power are the biggest actions undertaken over the last years of post-communism in Albania. Those changes have had, and are still having, a very significant impact on the provision of municipal services. The impact has been most challenging for the past ways of working and the assumptions that authorities had. In the past, it was assumed that if local authorities were given a responsibility for a service, they would exercise that responsibility directly themselves, rather than providing services through other providers and controlling that service through contracts as this is done nowadays. This had a deep impact on the performance of local authorities. Due to this, there still exists a danger of institutional instability in the structure of local government, as structures are still reforming and changing. Such institutional uncertainty underlies the present working of local authorities in Albania.

The degree of autonomy of the MoK has been the lowest possible for local authorities. The MoK depends largely on budgets and decisions taken at the District Council of Tirana, which is an umbrella body for the district units of the local government. Moreover, many services are directly under the control of district level departments, which often in practice function as the local arm of the respective ministry. This means that many services and decisions related to them have been practically out of hands of the MoK.

4. A changing society

Nowadays, local governments in Albania face a rapidly changing society, both in terms of speed and dimension. Some of today's most striking issues are: (i) the economic restructuring as the former socialist industries collapsed; (ii) the impact that high rates of unemployment have on families and communities; (iii) the continuous growth of vulnerable groups, as division and differentiation within the society grows, and; (iv) a growing environmental concern, which is often related to the "wild" urbanization process. Nevertheless, the varieties of dimensions on which change take place make it difficult to predict any future change. Governing this uncertainty is one of the main tasks for an uncertain society like the Albanian. Situations like in March 1997 and September 1998 are the best illustration for this. Furthermore, an issue like the fast growth of illegal settlement in Kamza is clearly going beyond the institutional capacity and obligation of local governments.

Anyway, the solution to many problems cannot "belong" any more to a particular department, organization or institution. Indeed, they derive from the interaction between many actors. The environmental issue, for example, has led to the aspiration of the concept of sustainable development, including challenges, like crime prevention, and community safety that nowadays concern the stability of the society. This interaction can also be noticed in the transformation of urban and rural areas. Changes in the demand for products and services have destroyed the economic base for certain areas (northeast districts of Albania), while opportunities have opened-up for others (Tirana and other big cities in the western plain, including Kamza).

Nowadays, it is evident that economic changes in Albania, especially in cases like Kamza, have to be seen in terms of physical adjustment. Infrastructure and services have to be urgently provided, or in the best case drastically renewed, equally the costs of growing social problems have to be taken into account. In order that transformation is achieved, the local reality has to be faced. And as each area has its own history and opportunities, it calls for a rediscovery of community leadership. Last but not least, given the dramatic events in the Balkans during the last decade, local circumstances such as Kamza have to be understood also in a wider context, often even beyond the national context.

5. The challenge of community leadership

The role of community leadership and development of collaborative capacity is becoming of critical importance for local authorities. This challenge is becoming especially important in the transformation of urban and rural areas, which can not be handled any more by traditional patterns of management. This is typical for the case of the MoK. The transformation of cities and towns, as a consequence of the economic factors, raises also deep social issues and the need for respective infrastructure. In highly differentiated urban structures without the capacity for integration, such as informal settlements or low-income neighborhoods, there is a need for community leadership if problems of transformation and integration have to be solved.

Local authorities in Albania often mention community involvement, but they often forget that they themselves are the only organizations that can trigger such role. The MoK is a unique case where the leadership of communities is becoming the key issue. The leadership of this municipality has been trying to promote community

leadership in order: (i) to ensure elements of local accountability; (ii) to deal with emerging issues of rapid urbanization, and; (iii) to mobilize especially the coordination of government and non-government initiatives. Unfortunately, local authorities in Albania are usually not organized for community leadership but for the provision of services. This is a typical approach for the fact that in practice community leadership does not fit easily into structures built around existing municipal services. Community leadership is often "represented" by a limited number of senior officers who are paid by the municipal administration. In the MoK, the municipality has encouraged neighborhood and sector-based elections for community leaders (*Kryepleqte*). Out of the community leaders an elder (*Kryeplak*) is democratically elected. This has ensured local authorities to have easier access inside the communities and lead automatically to more accountability for residents and communities.

The mayor of Kamza and his staff seem to clearly understand that the role of community leadership calls for a very different approach from that one used for the delivery and management of services. In other words, there is a difference between the routine management and action management. This means that the management process of supporting community leadership is very different from the traditional management of local authorities. In order to develop such process, local authorities of the MoK have played two different roles: (i) the partner role; (ii) and the critic or scrutinizer role. Usually both roles are needed, but it is hard in practice to bring them together.

However, the process of community involvement, including its leadership can be much easier developed if the role of the community is clearly recognized through legislation. As this is generally difficult to achieve in Albania, local authorities have been trying to use instruments like the partnership agreement, which in practice functions as a legal document within the existing legal framework. Furthermore, the municipal authorities of Kamza have been committed to the enabling role, which somehow has been encouraged by the central government through initiatives like the Urban Land Management Project (ULMP)². This has been clearly achieved for example by the promotion of the NGOs Network that has been coordinated by another NGO, Co-PLAN³ Center for Habitat Development.

Unfortunately, in practice there has been little consideration to support the enabling role of active local authorities by giving power

and resources, even though the central authorities are involved in serious efforts to decentralize. Without such consideration in practical terms it is hard to speak of any significant impact. Anyway, local governments of Albania can develop the role of community leadership themselves, by using the powers and resources they have, but this will bring organization and management implications. In Kamza for example this has been achieved in partnership with NGOs, but this certainly asks a better understanding of the ways that NGOs work, and more flexibility in supporting their initiatives.

Here we must bear in mind the Albanian reality where local authorities have to deal several wicked issues⁴. One of the most emerging wicked issues in Albania is the transformation of the urban and rural areas, which happens under a high-speed urbanization pressure under difficult economic conditions, including political instability and social unrest.

6. The community as citizens and customers

Nowadays, a process of decentralization is clearly marking a political trend in Albania. Most of the key politicians and decision-makers see such process as a matter of obligation to the international community rather than a clear need coming from local communities. Furthermore, discussions are often concentrated on the perspective of communities as citizenry, and business-type logic is often not present. Nowadays it is becoming evident that without municipal financial sustainability, there will be hardly place to talk about citizenry at community level. Indeed, international experience shows that the logic of looking into communities as customers of municipal services, tend to make local authorities more responsive. It leads local authorities towards better understanding the community, to whom municipal activities are designed to serve. This helps local authorities both to learn from- and respond to communities, including informing them about the standards of service aimed at. In a few words, this means that the provision of services to the interests and concern of the public is given a greater weight.

From the other side, the actual situation in Albania calls for an attitude that goes beyond consumerism, aiming at strengthening citizenship. Consumerism sees communities just as customers of particular services in the market, but not as active participants in the process of government. For example, for many services there is more than one customer, and often they do not share the same interests. Schools have many different customers (children, parents, teachers,

future employees, etc.) but during the process of education their interests have to be balanced. This balancing of interests is exactly the "golden key" of good public sector management. Indeed the services are not always provided for one single customer. Often they are provided to meet public purposes, and are subject of public policy. For example, state schools design their curricula not for individual customers, but is a result of collective choice, made by the central government and approved in parliament that represent the public as citizens. So, local authorities have to develop their managerial capacity beyond consumerism because there is not one single relationship between them and communities, but many.

The municipal authorities of Kamza have been working with districts and ministerial authorities to upgrade the situation of informal settlements in Bathore, by providing five basic services (roads, water, power and street lighting, sewerage and drainage, garbage collection) with the help of a joint financial contribution of the local residents. Whereas, the project has been designed with cost-recovery logic, special attention is paid to the social issues, like financial affordability, local social needs and gender issues. Authorities have seen the project as an instrument for both serving local residents and promoting local development and empowerment. This means that a combined approach of looking into both communities as citizens and customers has successfully been applied at pilot scale.

7. The challenge of citizenship empowerment

The experience of the MoK with the ULMP and the NGO Network show a clear distinction between policies directed at making services more responsive to the communities and those directed at empowering them. The last one urged the Kamza authorities' in learning more about the public's views before making or taking decisions and delivering the service. In this direction MoK has been closely collaborating with local leaders and CBOs. For example, a crucial role in mobilizing residents for upgrading the neighborhood, has been the local CBO, know as the "Rilindja" (Revival) Association. For this purpose the social-economic surveys of the NGO Network have been used. However, this has not been enough. Nowadays, there is a clear need to patiently determine the decision on the nature of services needed, by transferring the power for such decision to the residents. This is in fact exactly the empowerment that has been aimed for by the ULMP and NGO Network interventions.

However, communities are citizens and customers at the same time. As citizens they have their opinions on the activities of local authorities, and can express these by voting. This means that effective local democracy depends on citizenship. Furthermore, as citizens, the communities are part of this local government, and it is another question if they can be passive citizens or active ones in strengthening local democracy. For this reason local authorities should bear in mind that their distinctiveness lies not in the provision of services but in their own basis of local democracy. It is local democracy the voice for expressing the needs and concerns of local communities, that legitimates the local choices on the nature of activities of local authorities, and provides the basis for local accountability. But the quality of local democracy depends upon the strength of citizenship.

Often it is argued that there is little that a local authority can do facing the apathy of communities. Many exercises of community participation are seen as failures, because the local authority has tried to determine ahead how the communities "should" behave, rather than working to understand how the communities actually behave. However, in practice it is difficult for local authorities to come consciously to such stands. Being somehow neglected by central authorities, local authorities of the MoK "discovered" communities, NGOs and private initiatives as the only partners in achieving their mission for good governance. In this case it is not important whether this is a conscious process or not, as far as lessons are drawn and an experiential case has been elaborated. It is significant that during 1996-2000, almost 65% of the total public investments of the MoK were done by NGOs, 33% from funds coming from central government, and 2% from own municipal sources.

8. The management of expectations

As mentioned above, one of the main issues involved in empowerment is strengthening the citizen. One aspect of such strengthening is to consider extending the individual choice for services. This issue has not yet come strongly on the agenda of Kamza's local authorities, since they will have to struggle first with the responsiveness, and later on to seek ways of developing empowerment. But as expectations run ahead of the poor resources available, there is the risk that expectations of communities will exceed the capacity of the very weak local authorities to deliver services. This gap between expectations and resources is likely to grow as the expectations of more demanding communities grow and

resources remain unchanged or even decline. Such gap may lead to a growth of political pressure and protests as the concerned public react to the perceived loss of services. In Bathore, during 1995, the situation precipitated in a massive conflict between local settlers and central authorities. The right to demand, to press and to protest is part of citizenship on which the local government is based. The handling of community protests is also an important issue for the local authorities, especially seen in regard to the first actions towards decentralization that central authorities are undertaking.

The growth of communities' expectations requires from the local authorities more than a reactive response to protest. It requires especially a positive response when the expectations of the protest are based on realistic appreciation of the resources available. In return, this requires from local authorities a greater understanding of the community services expectations, because only if those expectations are understood, problems can be raised and faced. To lower expectations is not an easy task, as it requires from local authorities to find new ways of explaining the choices they have made, and even more by involving people in these choices.

In Kamza this has been achieved by the use of media, public meetings and door-to-door visits. The use of referenda on key issues has been considered but not yet implemented in practice. Another form has been to allow choices at community levels by devolving budgets, especially in cases of municipal investments, NGO Network, and the ULMP. This has required a lot of explanations at least to the municipal staff, who are in practical terms the main contact between authorities and their communities. Furthermore, the institutionalization of collaboration with community leaders, CBOs and NGOs has been an additional factor in managing local expectations. The management of expectations is likely to be one of the most difficult issues faced by the local authorities of the MoK, and the broader environment in Albania, while there are no easy solutions about it.

9. Conclusions

The main question for this publication has been to answer the question: "What is urban management?" According to the Albanian experience and referring especially to the Kamza case, one can say that urban management is concerned with the policies, plans, programs, and practices that seek to ensure that population growth is matched by access to shelter, basic infrastructure and services, and

employment. More specific, by emphasizing the viewpoint of the MoK local authorities, one can say:

- Introducing urban management is beneficial first to politicians and the public administration because instead of controversy they can promote partnership, and mobilize local sources to complement the very poor municipal budgets. They can meet and satisfy much easier the increasing needs and demands of local people and communities. They can better manage expectations, and ensure social stability. They can promote a development process and civic values of democracy that in return will be appreciated by local population by voting them into another term.

- In order to introduce urban management several changes should be made in the local public administration. This includes especially the improvement of legislation and well-trained staff with orientation and flexibility towards communities. Furthermore, municipal administration should be receptive and information flows from and to communities should be established. Opinions of residents should be taken into account and referenda might be needed for that.

- There are and will be of course in this process many hindering factors, especially in political decision making. In order that politicians concentrate on the real development demand, a partnership between local and central authorities has to be given shape. Pressure from communities and NGOs can bring in such stands, but local authorities should play strongly the enabling role, which means being on the side of interests of local residents and communities.

- During their work local authorities should also refer to international experiences of developing countries, including countries in Latin America and Eastern Europe, having similar social and economic backgrounds. It should be clear to all that urban management is a beneficial approach to all actors involved, but in the mean time several costs are attached, too. The question to be answered is how to keep a good balance between costs and benefits, in favor of the second one.

- Finally, the case of Kamza is not a municipal management paradise. Indeed this new municipality has a lot of complicated problems to be urgently solved. But out of the existing reality and within the limited sources the existing staff has created a positive precedent for good governance. The question is how to maintain the good work and first results of the existing staff with the new municipal leadership that will come after the local elections of September 2000. In this point the developments of Kamza are clearly related to the development of both local and national democracy.

Notes

1. This article was written based on the experiences of the author during his collaboration with the local authorities of the Kamza municipality, and on behalf of Co-PLAN Center for Habitat Development, between 1997-2000. The author acknowledges the valuable references of *"Introduction to Urban Management"*, a reader composed by Peter Nientied for the Masters Course on Urban Management, at Urban Management Center, a joint initiative of the Erasmus University and IHS, the Institute for Housing and Urban Development Studies, in Rotterdam, the Netherlands, September 1995. Special acknowledgment goes to John Stewart, since his article *"Issues for the Management of Local Government"* (Institute for Local Government Studies, The University of Birmingham April 1994) served as a basic theoretical framework.

2. ULMP is a 15 Million-USD project of the Albanian government financed from a loan of the World Bank. Contributions come also from the beneficiaries and the state's budget. The objective of the project is to supply services and infrastructure to deficient areas, as well as to strengthen respective providing institutions at local and central level. It started in 1995 in two pilot sites of Tirana. Nowadays it aims to extend its activities to other sites of the capital and to other cities, working on a cost recovery basis.

3. Since 1997, Co-PLAN Center for Habitat Development and Albanian NGO has been operating in the MoK and specifically in the informally developed neighborhood of Bathore. Gradually Co-PLAN has been involved also in working with local residents and authorities. In 1998, it was appointed as official consultant for the municipal staff. From that day, among others, Co-PLAN has been initiating and coordinating the NGO Network aiming on behalf of MoK in order to increase the efficiency and equity of interventions. This network originated in the neighborhood of Bathore, and lately extended to a municipal scale.

4. Issues which are hard to understand and resolve.

NEW ROLES OF COMMUNITIES IN NEW DEVELOPMENTS

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1. Introduction

Nowadays we hear more and more the term "community", affixed to processes as community rights, participation, role and responsibilities etc. The aim of this article is to focus on the community as it is related to urban development in Albania, particularly in Tirana. This input is based on the direct experience with this issue in the last five years and comparable experiences from abroad.

Many people in decision-making, or professional positions, refer to a community within the above-mentioned terms, while only in a few cases they address them properly. At the same time many communities and authorities alike have enormous problems in addressing urban development problems, and addressing each other. This situation created a deep valley between them hindering the development of a well functioning society

Albania and the Albanians have to start a new phase of development, which is the self-consolidation of its society, and this can only be achieved by strengthening communities. The process to a stronger civil society and/or communities is long and difficult, and its results can only be visible when people and communities start thinking in different ways. An important mentality change is needed for people to say, "What am I doing to improve my life" instead of "What are they doing to improve my life". This change process has already been started at minor scale by some civil society organisations of which Co-PLAN is one.

2. What is a community?

Practically speaking, a considerable group of households socially and physically interacting with each other in a specific living environment and/or location, with common interests of whatever nature, form a community. Usually people interact with the environment and people

around them, in order to improve the quality of life. Communities are also determined by their direct points of interest, for example, communities may need to rebuild a water system in their area, or, a community is working together to get democracy in place. In all cases, communities are affected by results of a changing process.

3. Short history on the concept of community involvement and participation for neighbourhood development during the communist period

Albania and the Albanians were after the Second World War in a state of energetic atmosphere, and had the will and desire to build-up the country. This energy was the main factor for the nation's unification and the starting point for a better future. In nearly fifty years the communist system used this community's energy to reconstruct the country, while at the same time ruling its independence and creativity.

What happened was that Albanians were witnessing community enforcement by the regime, in order to develop the country. In this heavy centralised country the community's energy was misused in terms of voluntary work for all aspects of life, and in urban development and neighbourhood improvements particularly. For example, the so-called voluntary weekly cleaning process for the surrounding of apartment buildings became an enforced process. The phenomenon of losing values that took forty-fifty years was reflected in the community structures and feelings on contributing to the public urban space (UNDP, 1996).

The result of this policy of controlling the society for a long period of time, are reflected in the present days, where communities are supposed to be the most important actor of development processes, as is required in a democratic society. Following are some negative impacts of the past half-century's communism in regard to community behaviour:

- The community feeling for co-operation and collaboration for the common interest disappeared. Instead, people, although physically living in a community were socially not integrated because they were afraid of each other.
- The system was so centralised that everything to happen was decided at "the top", and communities or individuals did not need, or were not asked, to think for themselves. This stimulated an almost complete indifference of communities for finding their own solutions.

- One of the strengths of the community, the voluntary work for improving their surrounding space, was misused "voluntary work", which was one of the methods to abuse the people. This phenomenon was so painful for the society that it made the people to identify communism with voluntary work.

4. The influence of political, social and economic changes on community development and involvement

Tirana, the largest city of Albania, experienced during the last decade tremendous changes. These changes can be clearly seen in the city and are directly reflected by community compositions and development. The city has "welcomed" new communities from all around the city and from different parts of the country. It is of interest to elaborate the reasons for these massive movements of people to and in Tirana in order to have a clear picture on the situation of the new communities.

Firstly a free movement of population from rural to urban areas can be seen, and particularly to the capital city, stimulated by a mixture of political, social and economic factors of the transition period. People were very eager to be free and choosing for themselves a place to live, as this was previously heavily controlled by the regime. The transition gave them a chance to realise their dream of the "Promised Land", by living in the capital city. Secondly, the fall of communism was followed by the deterioration of all economic activities in the country, resulting in an almost complete unemployment. This in turn obliged many people to move to the urbanised areas to find a job, or emigrate abroad. Thirdly, the social and physic infrastructure, particularly in the rural north, immediately deteriorated. The health system collapsed and doctors' left, schools closed because of being short of teachers and pupils, and roads deteriorated leaving small settlements in isolation. Trading became very difficult or impossible because of the road condition. The further the state presence was, the more urgent the need to leave became. The unclear land ownership situation created a good opportunity for many people, who could not afford to buy land or houses, to invade empty land and construct their house without official documents for land and construction. They constructed initially a barrack and later when they felt more secure their house. At this moment we see the first newcomers collaborating with each other, and creating communities. They want to solve their infrastructure problems and even protect their neighbourhood in very organised way¹.

Consequently, from the beginning of the 90's up to now, most of the people that were living far from the more developed part of the country had two options to choose from, to move or to suffer. Certainly a great part of them moved to the cities to look for a better life for themselves, but especially for their children. This was evidenced by several social economic surveys and studies of Co-PLAN in the areas with many newcomers, like Breglumasi, Bathore, n Frutikultura, Mihal Grameno, Selita etc.

In this new situation two type of community blocks were created that in a certain extend opposed each other. From one side the existing Tirana community mixed with formal newcomers who blamed the informal new comers for the troubles they caused to the city. From the other side the new comers felt threatened by the original Tiraneans, and therefore preferred to live together in the outskirts of the city.

At this moment this disharmony is smoothened considerably as the integration process is naturally going on, but is still existent to a certain extend, not only at the community's level but also in the higher levels of professionals and decision-makers.

The post communist transition period formed new kind of communities in Tirana, but also in other cities. Firstly, the members of these communities lost their faith in the state to solve their problems, and secondly were characterised by extreme individualism in regard to improving their life conditions. People started to construct their house without caring whose land it was and destroying everything else that was not theirs. This phenomenon resulted in massive internal house improvements, while at the same time the outside environment tremendously deteriorated. This can be seen all over the country where you find very good houses interiors with good bathrooms, furniture, satellite dishes etc., but having terrible facades, disastrous roads and most of the infrastructure destroyed. This is the paradox of a relatively rich indoor life and a very poor outdoor environment.

This phenomenon of extreme individualism is aggravating such that people rather prefer to invest individually to water tanks and pumps and illegal connections, instead of finding a way to join in groups for cheaper and more sustainable solutions. For example, there are cases where people installed ten water pumps for ten families, instead of one pump for all apartments. This process is bringing up an important issue where people invest individually considerable

amounts of money for private investment, while at the same time most do not pay for taxes water fees, electricity, garbage collection etc.

Why does this happen? Why do people spend much money individually, rather than less money for a common purpose?

Firstly it is obvious that people have no trust in their elected authorities. This fact has mainly to do with their everlasting disappointment during the communist regime. Secondly, the community's feelings have been destroyed in the last decades, and people only trusted their near relatives rather than bigger groups. Thirdly, people and communities lack guidance on ways how to properly identify, and than solve their problems, this is signified by the lack of proper structures to address their problems.

The first two issues belong to the mentality sphere, where time is needed to develop new ideas on the various aspects of life. The article will now concentrate on the third issue, aiming to shed some light on how communities can actually be active players in solving some of their problems.

5. The link between communities, authorities and other players

The two key points for a successful social society are that people can collaborate with each other within a community, and a good communication within this community is established with its own authority. Important issues to elaborate on are the formal and informal links that citizens have with their authorities.

Administratively speaking the present municipality of Tirana is divided into eleven sub-municipalities (large communities), each divided in some neighbourhoods. Each neighbourhood has an administrative representative, the "Kryeplaku I Lagjes" (The Aldermen) who is the direct contact between the community and authority. This Alderman is normally appointed by the sub-municipal council, or directly elected by the community.

The experience so far has shown that most of these administrative representatives are simply represents of the political party in power. They are hardly motivated for their role and practically speaking they are part of the authority's system and financially and politically depending on it². In this respect "Kryeplaks" can hardly function as independent representatives of communities, and they function in fact completely different from the initial idea and the real meaning of their name. The traditional meaning of "Kryeplak" is the person who is the most respected person

of the community, is experienced and open-minded in solving problems and conflicts, and the community informally elects him. Based on the tradition, a "Kryeplak" is not paid for his services and he has no special status on decision making or legal authority, but he has a moral obligation to people that trust and respect him. This is in fact the ideal case of a community representative, which gave positive results in the past, and could do so in the future.

6. New concepts in regard to the role of a community in urban development and management

The link between communities and authorities is the most important bridge to be constructed for a well functioning democratic society, which will assure among others a better urban management in the city. This issue will be worked out through giving examples from the work experience of Co-PLAN, Center for Habitat Development, and other organisations that are presently working with community based principles. From its initiation, building the above mentioned bridge is the short and long term mission of Co-PLAN, and no one better than the NGO sector can have the courage to initiate such a process of braking the ice and make people work together. Following are examples of two informally developed neighbourhoods, in which Co-PLAN has, and still is, working.

The Bregumasi Programme

The first example of applying a community-based approach is the "Breglumasi Programme". This is a neighbourhood of 32 hectares within the Lapraka administrative borders between the national railway and Tirana River. A very small community was living here before the 90', and after a period of five years the area was full of informal constructions from the newcomers. There was no infrastructure at all, no water, no sewerage system, no electricity and certainly no roads but some paths of two to three meters wide were the only place people could pass.

The challenge of the programme was to make people of this area understand that there are ways to improve their living conditions, and integrate in the society, and that this can only be achieved if they are organised as a community and capable to negotiate with authorities. For this programme Co-PLAN promoted, perhaps for the first time in Albania, the introduction of a community association. In order to do this, the council of the Breglumasi association and its chairman were elected by democratic voting. It was not surprising that the chairman

was not the "Kryeplak" of the area, but a person that had shown his good will to work for the improvement of the area. The association is still existing and works completely on a voluntary basis. It played an important role in negotiating with authorities and signing of a partnership agreement with the municipality for infrastructure development in the area. With their support Co-PLAN could open the main road access to the area, and improve its quality. This might not sound very huge, but for those that participated in the process it was the most difficult part of the community work in Breglumasi. It took one year of consistent work to convince people to move back their fences, while to open and improve the road took only some weeks.

Firstly, the big advantage of this approach is that during this year, a community sense has been built, ownership has been established, and a good foundation for further development has been laid. Secondly, this one-year of community consultation should be set against the "normal" time that local government would have needed to get this road in place. Authorities can do it faster, but usually they do not do it at all.

At the moment the association works on the infrastructure programme of the Urban Land Management Project. They already implemented the electricity works with a twenty-percent financial contribution from the community for secondary infrastructure besides their own house connections. They are continuing with sewerage, roads and water provision and by using the same philosophy. They will negotiate at a later stage with the authorities for their land legalisation.

This experience with community work in Breglumasi is successfully transferred to other sites of Tirana with an even greater impact, and the second example of Bathore will illustrate that.

Roads to stronger civil society

In Bathore, a neighbourhood of about 150 hectares, Co-PLAN prepared the community to become a partner of the District Council of Tirana for implementation of the ULMP project, which is now in its implementation phase. Now people see with their own eyes that, what we have discussed with them is not just a dream but a reality. Co-PLAN is implementing social oriented programmes in order to integrate this part of the city. Community organisations are promoted, the future urban structure is prepared together with the residents by opening and improving roads, a health care centre has been built, and a kindergarten and Community centre is under construction.

Meanwhile there is a continuation of social activities with children, youth, women and other vulnerable groups.

As a result of these positive developments, a Roma community in Tirana requested Co-PLAN, to assist in improving their sewer system while residents contributed thirty percent of the investment cost. Recently Co-PLAN started a project in the city centre where, together with the community, an urban rehabilitation of apartment blocks will be done. Here again, there will be community participation and beneficiary contribution. Again in four other neighbourhoods, studies were made for infrastructure improvements, and also here the communities signed an agreement to implement the project with contribution and participation of residents.

These mentioned examples are in line with experiences by national and international organisations, showing that community participation is an important factor for success. They all have one thing in common. Communities are equal partners for neighbourhood improvements, in the organisational, managerial, and financial points of view. They show an enormous positive energy within communities in respect to development, and what is needed is only to properly use this energy. In this respect, our experience shows that obviously the main issue for development is not money, but collaboration between actors, which in turn can generate money to solve specific problems.

In the projects, communities compete with each other to receive the required services, and this is a situation to be promoted. This process requires much effort in training communities to understand their role and in order to become real development partners for their neighbourhood. At the same time it is needed that local authorities play the role that so far is played by the NGOs, in order to have direct communication with the communities. To reach this situation, a structure for the link between authorities and communities has to be developed, and NGOs can play an important role in this respect. The work with communities is time consuming and very specialised, but this integrated network of actors, who work within the same framework and for the same objective, will certainly bring a better functioning society and concrete living improvement.

7. What can or should communities do?

Referring to the Tirana situation no government, central or local, will be able to solve properly all its problems at once, even if all the money were available. This is explained by the fact that improvement processes take time, particularly for a city that doubled its population

within ten years, in a chaotic way. The experience with the community role up to now shows clearly that nothing comes from heaven. The old way of thinking that the "state should do everything for the people" is over. First because the state is actually financially poor, and secondly the role of state is to facilitate development in a decentralised society. This means that communities that used to complain for lacking services should not wait for the state to solve their problem. Instead they should come together, prepare alternative solutions, discuss these with authorities for support, and come to an agreement for actions to be taken.

In such situation communities should be realistic on the standard of improvements they require. Communities need to be able to represent themselves in order to address their needs and ideas. This representation should be independent from authority's structures in order to be effective, result oriented, and protected from political influence. A city-wide strategy can be designed and implemented by the local authorities and in collaboration with the NGO sector to create functioning community representative groups. In this way citizen's participation in governing the city would be introduced and decentralisation would get a real meaning at community level. At the same time, there are presently enormous development opportunities for communities and cities. Many organisations are involved in development projects in the country. It is an opportunity for authorities, but also for small communities that can benefit from these investments. The communities mentioned above used this opportunity to deliver services that the municipality could not financially provide. In this respect the authority was a facilitator of legal procedures and the formalisation process instead of an investor.

8. Community development in an overall context

Finally the scenario that is analysed and proposed in this article is a direct outcome of our work experiences on the ground, with residents, authorities, high decision-makers, and professionals. This scenario has proven to be very challenging at the beginning, but giving qualitative and sustainable end results.

Obviously this scenario works in a specific societal context. There is for example a poor co-operative mentality by the public sector in regard to community involvement. It will need a considerable period of time to develop better understanding of the specific roles and responsibilities of the actors. Further, urban development should be a top priority in starting the promotion of

societal values, and community-based development should be stimulated and supported. Finally, existing competencies of local authorities give little space for the new concepts described in this article, so there is a need for a legal framework that describes authority's community's status.

In this way, people will be part of a development process and will be the owners of its results, whatever they are successes or failures. In this way communities will stop blaming others, but will assess their judgement and contribution on the development process. In this way people will also be more responsible to protect what they have built, and not destroy it because it is not theirs. In this way people will see authorities of whatever political colour as working for them.

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Notes

1. In 1995 the government decided to remove the illegal inhabitants of Bathore by force, but they organised themselves to protect their neighborhood and pulled back the police forces.
2. It became clear that the unproductive relation of communities with authorities does not include all "Kryeplaks". There are some very good examples of "Kryeplaks" who properly understood their role and worked honestly for their community, so it depends on the person rather than the system.
3. The project and its achievements are considered as a success of the community approach. It received the Best Practices Award in the Dubai competition, and formed the basis of the Urban Land Management Project of the Albanian Government and Local authorities with financial support of the World Bank. The community based urban development approach is considered as a successful achievement by the World Bank, which is expressed by the visit of the World Bank president and the Albanian prime to the project.

SUSTAINABILITY OF URBAN DEVELOPMENT AT NEIGHBOURHOOD LEVEL

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***Abstract.** Involvement of residents in development of their living areas is one of the main challenges for the key decision-makers in the coming period. An ongoing integration of residents in making them partners in development will improve information exchange, sharing of responsibility and strengthen civil society development. This is a new concept for the Albanian situation where a supply rather than demand oriented approach was followed. This surely needs a change in thinking and political support is needed for that not only from decision-makers, but also equally from the inhabitants. The creation of urban management units that, with the help of others, manages the process of planning, execution, co-ordination and evaluation of integrative strategies will encourage efficient and effective use of public resources. But also, neighbourhoods are no islands, but have to be developed in relation to surrounding areas and interest. Nevertheless, neighbourhoods do have possibilities to improve their living environment at an individual level.*

1. Conceptual setting

The term development has the intrinsic meaning in it of progress, of things getting better. If we say that 'urban development is sustainable' then this would suggest a continuous improvement of the living situation for the residents of neighbourhoods in an urban environment. The term management suggests that a certain process is under control by those who lead it, and a desirable outcome can be planned and reached in the given parameters of budget, administrative capacity, implementing capacity etc.

Van den Berg, et al. define urban management as the process of development, execution, co-ordination and evaluation of integrative strategies with the help of other relevant urban actors, reckoning with private sector goals and public interests and in the framework of higher government policies – in order to identify, create and exploit potentials for sustainable economic development.

For grading development, residents will measure the quality of their living situation. Important aspects of this measure are the availability of land, the location in relation to the workplace and economic activities or opportunities, schools, shops, medical facilities, public transport and other services available. "The relative attractiveness of a location depends on the size and quality of the welfare elements that the location offers. This is reflected in the quality of the home and its environment, the availability and diversity of jobs and ensuing income differences, and the supply of such facilities as shops, schools, health care, culture, leisure activities, social welfare and religion" (Van den Berg, 1987).

2. Contextual situation

For the context of this article I relate generally to the Albanian situation - and more specifically to the case of Kamza - which is one of the adjacent municipalities of Tirana. This municipality grew at an alarming rate, from 6,000 to more than 60,000 inhabitants, in the decade (1990–2000) that followed the change to democracy in Albania, and due to this fast demographic changes experienced all kind of development problems. I also refer to the experiences of Co-PLAN, which is a non-governmental Habitat development organisation that is working in Bathore, which is one of the Kamza municipality's informal neighbourhoods.

3. Hindering factors in urban development

Given the above context, it is important to remark that the opposite of sustainable development would mean a decline of the living situation, which is a difficult reality to be accepted for individuals and families. It is, and should be, a concern for any authority, not to get into such a situation in which people can lose hope of improving their living situation, and that of their children. This means specifically for urban or neighbourhood

development that it is important to give serious attention to the physical, social, economic and environmental issues aspects of every-day-life of the residents.

As shown, the attractiveness of a neighbourhood or location depends for a part on the *quality* of its infrastructure and services provided. That means, water, electricity, sewerage, roads, telephone, garbage collection, but also on the health facilities as schools, parks, police stations etc. Presently, in many Albanian cities there is a situation where infrastructure systems are *obsolete*, or, as in the case of fast growing cities, are not present at all or are not able to serve the demand. In addition, *funding requirements* for (re) building or maintaining existing infrastructure often exceeds by far the resources of the authorities.

Budgeting for infrastructure and services is often not related to *demand* in Albania. There is no Demand Responsive Approach (DRA) (Sara, Jennifer 2000) observed in determining the budgets needed for service and infrastructure improvements. Aside from the fact that allocation not based on demand is not effective and efficient, it is also an indication that the user (customer) is not listened to. The latter is a missed chance for authorities, because real interaction between authorities and users could result in increased levels of trust and willingness to co-operate.

The present *institutional setting* is such that the leading executing power for infrastructure and service improvements is given to the central government via its line ministries and its control of the utility providers. Local governments have still little autonomy in regard to infrastructure development, although the draft law on decentralisation indicates an increasing role for authorities. (See the article on decentralisation).

No specific role in neighbourhood development has been set aside for the *community*. However, there is a representative layer between residents and the elected mayor and councillors, which is called the system of Kryaplak or neighbourhood leader. Kryaplaks are either elected or appointed, although the most common way seems to be appointed by the mayor. The Kryaplak position is that of a traditional facilitator or advisor for any possible issue and he¹ is the intermediary between community and councillors. Presently their role is still traditional and they

are not regarded as being powerful enough to make substantial changes in the living environment.

The present *human capacity* available to address the functioning of urban services suffers from; (i) working in a non-incentive environment; (ii) legal structures that still give significant roles to state interventions rather than looking to increased private sector involvement, or public-private partnerships; and (iii) a mentality that is strongly supply oriented and (iv) regards the word "service" in a more abstract way really, rather than showing considerable efforts to serving residents with water, electricity etc.

4. Sustainability and urban management

As concluded in the OECD conference "Cities for the 21st century", *There seems to be a consensus that we should build cities that are sustainable. But what exactly is a sustainable city? The concept and its implications have not been well defined, and this may be why there is such consensus about the desirability of sustainability.* Although the above was specifically related to environmental issues, it clearly integrates social and economic concerns with the ecological, cultural and aesthetic dimensions of the environment.

Consequently, we could say that; development should include sustaining a certain set of services with defined qualities for a given population, and the ability to adequately react to new demands. The required investment cost can be partly provided by general funding, while the production of services should be on the basis of cost recovery.

In this regard it is important to look also at the neighbourhood's relation to the city as a whole? A neighbourhood is a part of a bigger system, and one of the main distinctions is that a neighbourhood scale is specific. It often has distinct characteristics that differ from neighbouring areas. For example the average salary earned, the unemployment rate, the quality of housing, density, illegality etc., are all factors that can differ between neighbourhoods. Development problems in a neighbourhood however, have often relations with the neighbouring areas. For example the number of schools, police posts, and size of water systems, electricity etc. are designed for a particular neighbourhood, but also in relation to the neighbouring areas.

The neighbourhood scale has also its limitation since the primary infrastructure as the main sewer lines, water pipes, electricity lines are designed to serve multiple areas. Limited in the sense that at neighbourhood-level mostly no independent control can be executed in regard to service provision. There exists interdependency between neighbourhoods, and between city areas, and between cities in regions. It is for this reason that the term urban management is relevant for a neighbourhood. Hence, a neighbourhood can not be regarded as a unique unit that is to be developed independent from its neighbouring areas, and for reasons of equity and equality a city should consider all the neighbourhoods as equally important to develop.

5. Neighbourhood level development

Developments at neighbourhood level depend on the bigger environment, and the general context of that environment has been shown above. Now this article will look into more detail to the aspects of sustainability, its influencing factors, the cost and benefits of introducing urban management, influence of communities on their development, and hindering factors in acquiring such influence. Finally some examples of neighbourhood development are given.

What does sustainability of urban development presently mean at community levels?

In general terms, the present state of sustainable urban development is difficult to be described in the given Albanian context. Some cities experienced a serious collapse of the production capacity and resulting decline of population, while others, as Kamza, experienced an unexpected and exponential growth of population.

In terms of financing for example the required infrastructure and service investment and maintenance should be based on demand. This is not the case since local government budgets are given out by the central government on basis of the previous year's budget, resulting in far too small development budgets. An interesting factor to consider in this context are the private investments made by the residents in housing. In the municipality of Kamza housing is often combined with illegal settling and informal constructions, but nevertheless in the

period between 1990-1997 the Bathore² residents invested on average 7,000 USD per family in housing. (C0-PLAN 1998).

Another factor that influences negatively sustainability is the low number of well-trained staff available with the local authorities. The departments of the municipality lack sufficiently trained staff that can anticipate and react to the many often-informal developments. The old style of government thinking and behaving was in the first place directed to control and restrict, rather than creating conditions to streamline and direct development initiatives. Such change needs an approach that is problem solving oriented rather than problem focused.

At this moment in time one can hardly speak about sustainable development at community levels. What can be seen in the new neighbourhoods is that often-illegal constructions are put up and after this illegal connections are made to supply water and electricity. Often, as a result of bad technical connections, networks are seriously damaged and influence the delivery capacity. Sewage is mainly disposed via individual cesspits or in open channels thereby creating health hazards. Garbage collection is not always organised and recycling, separation and proper disposal is not practised. Telephone connections are few or absent. Roads are often small and no main thoroughways are provided. Kindergarten and primary/secondary and high school demands are high and supply is insufficient. One special note should be made on house ownership. Nearly all housing, that is to say, the existing housing from before the change to democracy and the newly constructed housing of the last decade, is privately owned. This, in a way, eases the financial burden for the government since the funding that is otherwise required for housing subsidies could now be used for other purposes. At the same time the existing and formally developed neighbourhoods bear the negative results of a lack of maintenance in an increased deteriorating service provision. Also in these areas all kind of illegal and informal constructions are rising up at public spaces, giving extra pressure on the existing systems.

Next to this general supply problem one can see an extra increase in demand, mainly due to the opening-up of the country to the outside world. This resulted in higher demand for electricity (air conditioners, electronic equipment), roads, parking spaces, police (cars), training (new technologies), shops

(consumer goods) The biggest of all is probably the sky rocketing demand for bigger and more luxury housing, hotels, and restaurants.

Concluding, one can hardly speak about an acceptable urban development since supply of services is not covering the high and changed demand. The local government suffers from capacity deficiency, and communities are not involved in planning. The often-illegal connections make cost recovery of services not possible while financial potential of the residents to pay for services, and partly investment, is not sufficiently related. The private sector, which has greater flexibility and is working more efficient in the supply of services is not (yet) given sufficient access to this market, and regulations to ensure an un-discriminated access to services for all in a privatised market is not yet in place

How can sustainable neighbourhood development approaches be developed? Or: the neighbourhood development agenda

The above-described developments take place in a rather unplanned fashion, and negative externalities are high for the environment of the urban fabric. The present inability to supply sufficient services, and the unclarity on expectations in development actions among the residents makes that there is often very little trust on authorities' ability to improve and manage the physical environment (C0-PLAN Social Assessment, 2000).

Urban management is a development process, meaning that in the first place a vision on development actions should be made. A vision means to look ahead for a longer-term and understand the development potential of the urban area. Such can be through examining at various levels, and taking the internal and external influencing factors for those levels into consideration. That means that one should consider the wider environment of the neighbourhood and municipality, by looking at neighbouring municipalities and what strengths they have individually and as a combined unit. From such overall level, translations can be made towards neighbourhood levels.

For example, if the solid waste collection at neighbourhood level does not function well, then a solution should take into consideration also the solid waste collection of a wider area. The negative externality that such waste has over an even wider area should be regarded as a cost for a far greater number of residents

then the residents of those municipalities only. For such overview it is needed to develop a vision. It may be obvious that this is certainly not easily to be reached because of self-interest and NIMBY (not in my backyard) mentality. Therefore such visions should be stimulated, guided and enforced by central government policies, resulting in a sustainable solid waste collection.

It is obvious that this will cost money, but also the cost of polluting the environment costs money. Secondly, cost recovery should be striven for in the service provision in order to have this service guaranteed.

Creative solutions in acquiring and maintaining of services can be looked at, also at neighbourhood level. For example, the cost of secondary infrastructure can be brought down by resident's contribution, labour can be provided free of charge, appropriate technology solutions can be incorporated that benefit residents as in solid waste collection etc. Clear indicators of cost and transparency of cost build-up are essential.

Developing a vision on service and infrastructure development and clearly making this known to residents will create the framework of policy development, financing, co-operation and co-ordination between local government and residents and private sector, and build a system that can be sustained over the longer term.

It is very important that the vision on how the neighbourhood should develop is officially recognised. Therefore it is strongly advisable to introduce the institutionalising of a 'neighbourhood development agenda' that clearly identifies the longer-term development vision and concrete actions to be undertaken in the neighbourhood in the coming years. The next important step is to incorporate this agenda into the urban planning framework. This will show the seriousness from authorities to address residents' wishes and it is an excellent bottom-up planning model. An urban management co-ordination of the agendas will make it possible to integrate the various neighbourhood agendas and set it into an overall urban development context.

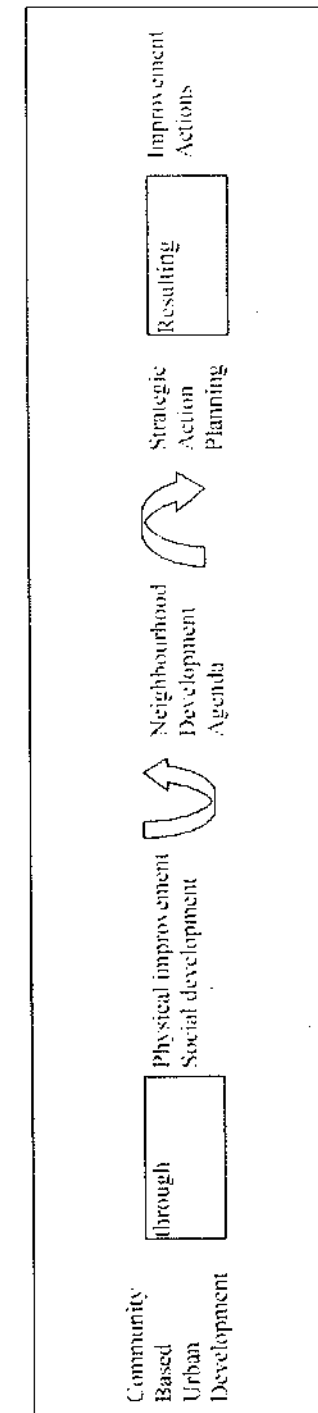


Fig. 1. The position of the Neighbourhood Development Agenda

What are the cost and benefits of introducing urban management in order to achieve greater sustainability?

In principle the cost and benefits for instituting urban management should be on all the actors involved. The overall aim and benefit will be to achieve more effective, efficient and affordable services for all residents, institutions, enterprises and visitors of the municipality. One of the main costs involved will be a change in approach and function of the authorities. Instead of a supply driven mentality, a demand responsive and service-oriented approach should be followed. This should be applicable to all levels of authority and needs certainly a long-term vision, understanding and (political) willingness to change. Pro-active interventions that stimulate regularisation of illegal and informal settlements have to be made, thereby accepting that appropriate alternatives should form part of the approach.

Residents are presently blaming the authorities for not being able to deliver services, and at the same time are expecting from those authorities to deliver all services free of charge (Co-PLAN, 2000). Residents must realise that not all services are coming for free as during the communist period, but that a responsive and co-operating role is expected from them. Further, if services and infrastructure are going to be delivered in a sustainable manner, the cost covering aspect will require financial contributions from all the users. A greater role for residents means an increased responsibility in: (i) being member of a civil society; (ii) to develop a greater respect for public property and for laws, and; (iii) develop the awareness that civil society means co-operation with one another and taking responsibilities, having duties and act as a partner in development.

What is the present influence of communities on sustainability, and how would an urban management approach help them in this?

At present there are no procedures and regulations in place that give a role to the community in regard to service provision. However, in some secondary infrastructure projects in Tirana, communities have been involved in partly financing the development cost. For example the urban land management programme (ULMP) of the Ministry of construction, and supported by the World Bank have as a guideline a contribution of 20 percent by the beneficiaries, while the Albanian Development Fund (ADF) asks a 10 percent contribution.

A principle function of community involvement is the inclusion of residents in the development of their living environment. An important capacity is the partly contribution to development cost, and

additional benefits as labour input in implementing the works. The latter is for three reasons a worthwhile exercise since it provides income to residents, works can be executed for lower cost, and it creates an ownership notion. If this connection with communities could be extended over time into a community-based infrastructure maintenance system, then this would have a longer-term benefit for several reasons. Quicker responses to maintenance demand may be expected due to the community ownership system, a long-term employment is generated, and cost could be lowered due to the client's interest to keep cost low.

An urban management approach would be beneficial towards this process of involving communities in service provision participation, since this approach has the ability to integrate and co-ordinate all possible service providers and can make relations between the various aspects of demand. Given the present monetary problems in financing the many infrastructure demands, it is worthwhile to make here also a choice for combining urban management with Sector Wide Approaches (SWA), as proposed by a Donor Working Group (Foster et al. 2000). The SWA is a method of working between government and donors aiming to adopt common approaches across a sector. The role of an urban management unit would then be to make the necessary cross-linking between sectors and to co-ordinate and ensure an efficient involvement of all actors, including neighbourhood structures.

What is needed to acquire sustainable urban development?

In the first place changes in attitudes are necessary, that is: (i) to accept the present realities of deficiency; (ii) to accept that planning is an instrument for building up civic society and can stimulate economic development, and (iii) the present land-use planning is ineffective and needs to change into an instrument for development (Nientied, P 1998).

Secondly, recognition of the fact that municipalities are the first authority to determine demand in services. This should go together with assessing neighbourhood needs with a clear role for local government, residents, utility providers, NGOs, donors, and private sector. Autonomy and local ways of tax collection and user fees should form an integral part of local government instruments.

Communities should be given the role of expressing demand. Besides this they should be given the possibility to financing part of the services, managing project implementation and own operate and manage services (Sara, Jennifer 2000). Training of community

groups, election of leadership, defining a framework for partnership and the signing of partnership agreements with the local authorities will be needed for this.

Sector wide approaches are necessary to address the complexity of infrastructure systems. Urban management structures, meaning structures that cross the present departmental and sectoral interest, could act as change agents within the government's system since they can be closer linked with donors.

Locally, urban management structures should be put in place that can link the various sectors of services as social, economic, physical, cultural and environmental. An interpretation from neighbourhood demand to urban demand should be made and interrelations should be established. Co-operation and co-ordination of community groups on basis of partnership agreements will link residents to the overall decision-making structures.

Involving and recognising resident groups will promote the ownership feeling, and will be a tool to build-up civil society. Individual needs will be translated into community needs and for this a change in mentality is required. Responsibility changes from the individual level to a community level.

Neighbourhood development examples that can function as good practice of sustainability at neighbourhood level.

Although during the period of communism the "Fronti i lagjes" or neighbourhood front officially represented the residents at neighbourhood level, their influence on the living environment was completely controlled by the authorities (top-down). There was a strong regularised and central planning system, supply driven and hardly any space was given to demands of the inhabitants. At this moment in time, Albania is still in transition to a market oriented governance model including democracy, greater transparency and a slowly emerging of decentralisation and privatisation of public services. Hindrances to this change in development are many, and one of the main ones is clearly expressed in the Albanian Human Development Report of 1998 where it says: *'What was considered a transition from dictatorship was actually a transition from totalitarianism to authoritarianism'*. So, changes in thinking, behaviour and reaction are needed.

Next to the international community, some of the first national change agents were the NGOs. These organisations are not directly limited by the strict and often initiative halting control by the government and can be original in solution finding. Moreover, a

worldwide NGO influence can be seen in all kind of societal issues. One may remark that NGOs are not democratically elected groups, and should therefore not be recognised as organisations to initiate development processes. This is certainly an issue to be studied further, but the fact remains that they do have an influence, do have funding capacities, are more aware of international developments, have strong networks, and have often well qualified personnel. For the sake of this article no further discussion shall be made on the representative valuation of NGOs, but, based on their present significant role, they shall be regarded as one of the players in urban development.

Co-PLAN, which is a community based development NGO, has some five years experience in neighbourhood development. Initial experiences were in the mainly informal and illegal neighbourhoods that sprung up after the freedom of population movement was lifted in the beginning of the 90s. The interventions focus mainly on infrastructure provision. The development approach is geared toward the establishment of community groups and its leadership, and with this ensured participation of residents to focus on the needs of the neighbourhood. Through interviews and assessments the main priorities are determined, and with the assistance of utility providers and technical specialist, the required interventions are proposed, in co-operation with local authorities and Kryaplak. Interventions are connected to a World Bank supported urban land management programme, and residents have to top-up with 20 percent of the secondary infrastructure cost. In other cases, international donors are prepared to follow the same approach of co-financing.

One of the main reasons for success is the fact that it is not a purely sector based approach, but takes all needs into consideration. Especially in neighbourhoods where most residents have come from rural areas, the need to understand the different rules, regulations, and customs of an urban society is very important. This resulted in spending much time into community building. Only when residents can decide that giving up some individual rights for the good of the whole community, one can start to talk about community based development. An example is the voluntary donation of land in order to get a neighbourhood road. Another factor determining success and trust is the requirement that implementation really takes place, and plans are not limited to nice words only. With the above approach is proven that residents are willing to contribute to services that directly benefit to them.

The involvement and incorporation of communities into infrastructure maintenance is an important aspect of addressing the longer-term functioning of services. This method can be developed between local authorities, neighbourhood representatives and utility providers. Such structure will ensure a demand driven transparent and sustainable maintenance provision. An urban management unit would ensure that all aspects of infrastructure needs are addressed, and such unit could concentrate on quality of delivery. The leading role for the technical aspects should be clearly with the utility providers, but this urban management unit should do the co-ordination.

6. Concluding observation

The improvement of living conditions of residents in neighbourhoods depends on a number of factors. The possibility to make investments is an important one, but this is only one of the many factors that determine success. It was argued in this paper that in order to get a better assured set of services in neighbourhoods, a strategy has to be followed that involves all stakeholders, and especially the residents who are the users of those services. For achieving this, a change in thinking and approach is needed. An approach where residents play a role of briefing their demand, and contribute during implementation through labour and/or cash. Briefing demand means also the creation of a development vision for the neighbourhood into a neighbourhood development agenda. The process of developing such demand with residents' involvement will qualitatively improve the demand expressed, as well as create ownership feelings for the residents. The latter will have positive consequences for improved sustainability of the services. Authorities and utility providers can translate this demand into strategies that address supply and longer-term provision of services for cost covering prices. In order to understand the complexity and interrelations of all these demands, and to translate this into a workable and doable objectives and activities, an urban management unit is needed that can operate at a cross-departmental level. Integration of the flexibility and efficiency of the private sector into the supply of services will improve the provision and management of these services. Perhaps the main observation is that a new 'service' mentality needs to be developed by authorities, providers, and residents. This is partly a technical exercise of modified planning, financing, and management, but it is also an attitudinal change exercise.

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Notes

1. Although in legal terms a woman could be in this position, practically they are always men.
2. Bathore is one of the zones or neighbourhood in Kamza municipality that experienced a dramatic growth, and in which Co-PLAN is involved in neighbourhood upgrading.

UTILITY PROVIDERS PERSPECTIVE ON URBAN MANAGEMENT

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Abstract. The whole concept of a human urban environment cannot begin to be considered, and cannot be seen as a sustainable concept, until the question of water supply and wastewater disposal has been satisfactorily addressed. Sufficient, reliable and safe drinking water, and reasonable disposal options for wastewater, have been in the past, and will be into the future, the sole determinate of man's ability to survive, as an individual and congregate as a society. This article addresses the role of water supply and wastewater infrastructure, as an essential element of the urban management challenge. The author addresses the issues both from a generic perspective, as well as from the Albanian context so that a better appreciation can be gained of the specific problems that must be addressed in Albania.

1. Introduction

This article addresses such issues as water resource management planning and allocation; water demand and water needs forecasting; institutional structure of utilities and the role of local government; capital planning, budgeting and sources of funds; utility management, operations and maintenance; customer service; regulatory compliance; economic regulation of a natural monopoly; and public-private partnerships as alternatives to traditional public enterprise.

2. Water Resource Management Planning and Allocation

Although the case can be made that water is the one essential element in the development of an urban environment, it can also be said that water management planning cannot occur in a vacuum. The reality is that man, for a combination of reasons, chooses to create or evolve an urban environment. The role of water resource management planning

and allocation is to respond to that choice, and define the limits or barriers to the extent of that environment.

Water, unlike air, is not uniformly distributed, but rather occurs more randomly in the natural environment. For this reason, sources of water are not always likely to be found within the political or economic boundaries of a given urban area. For this reason, urban water resource management must not only look inward at the infrastructure needed within the service area, but must often look beyond its boundaries at regional or national water resource management plans to address its needs.

The hydrologic nature of the environment must be properly understood and quantified as to sources and safe yields, and a regulatory system must be in place that has the authority to allocate this resource in a fair and equitable manner.

In the Albanian context, these roles and responsibilities are understood, however, the institutions that are charged with managing this essential resource are funded by the national budget, which is under great pressure to address numerous other social needs. Consequently, these institutions are increasingly under-funded and under-staffed to perform this most critical function. The Hydrogeologic Institute of Albania is no longer properly funded to carry-out the type of surveys and mapping efforts needed to define the location, extent, quantity and quality of Albania's water resources and to document changes in the available resources. Although a lack of attention to this issue can be afforded for a short period, this under-funding, over a long period (5-10 years), especially during a period of rapid internal migrations within Albania, can create water use patterns and practices that would be unproductive and risky over the longer period.

Where as the Hydrogeologic Institute has a long-standing history in Albania, a more recent governmental unit, which has a important role to play in this sector, is the National Water Council (NWC). The NWC was established in 1996, by a law passed in the Parliament. The NWC is chaired by the Prime Minister and is supported by a Technical Secretariat. Although recent in its formation, the NWC does not enjoy the level of funding and commitment to proper staffing that is necessary to truly perform its mission. If this situation is allowed to continue for an extended period of time, Albania may well fit the line from the story, "The Ancient Mariner"--"Water, water everywhere and not a drop to drink".

Consequently in Albania, *no one is monitoring the water resources of the country, and no one is controlling the access to, or the withdrawal rate from, the water resources.* The result of this current practice is that there are water supply wells being created throughout Albania without permits, and there is growing evidence of over-pumping of aquifers and a decline in groundwater elevations in some regions. Such a situation pits the urban centers against the peri-urban and rural areas, where the necessary supplemental water resources are located.

3. Water Demand and Water Needs Forecasting

Critical to managing an infrastructure, whether it is water, power, telecommunication or roads, is the attention paid to determining demand and forecasting needs. Forecasting, by definition, is not an exact science, and yet to ignore it is to attempt to manage on a totally reactionary basis. Water demand and therefore water needs forecasting has several factors that need to be considered in arriving at a final determination that will ultimately decide the level and timing of capital expenditures.

The first factor concerns the patterns of use or more simply the types of customers. From the urban management perspective, this correlates closely with the existing and planned land uses in the metropolitan area. By guiding land use, through zoning and other development practices, water demand and water needs forecasting can be effectively used to make infrastructure investment decisions.

The second factor is growth projections for the desired or planned land use patterns over time. Again, projecting the timing of growth is not an exact science, but ranges of projections can be established that will later allow for a phasing of water needs.

The third factor is the variability of supply and the nature of seasonal demand. Planning for long periods of drought, based on long-running historical records, and having programs that can impact (reduce) seasonal demand, through various demand management practices, are important parts of an overall urban management strategy to avoid crisis management situations.

A fourth factor to be considered is compliance with established and projected regulatory standards. This applies both to drinking water, as well as to wastewater effluent disposal.

Water demand and water needs forecasting is all but non-existent in Albania. The prevailing attitude is that there is never enough water supply, even when the per capita consumption rate in many urban

areas, measured in terms of *produced water*, is two to three times higher than the amount produced per capita in more advanced economies. The net result is to forecast needs that are not realistic or economic within the Albanian reality.

Various unilateral and multi-lateral donors, that have made a commitment to help Albania address a number of its infrastructure problems through loans and grants, are beginning to pay more attention to this water demand and water needs forecasting issue. In one particular case, the donor has stated that it will not fund projects that use a per capita demand rate greater than 120 liters per capita per day.

4. Institutional Structure of Utilities and the Role of Local Government

The effective delivery of water supply and wastewater services can be achieved using a variety of institutional structures. Next to the cost of public education of the youth of a municipality, water supply and wastewater services normally represent the second largest public expenditure within local government. However, water supply and wastewater services differ sharply from other public services, since they produce a revenue stream to offset costs. For this reason, most fiscally responsible governments have created institutional structures that isolate the finances of water supply and wastewater enterprises, so that the revenues are dedicated to the operation, maintenance and management of the utility and cannot be used for any other public purpose.

It is also common to find that empowering legislation exists which allows for the creation of special purpose units of government that are dedicated to the delivery of water supply and wastewater services. These special units of government are commonly referred to as water authorities or commissions, water districts or boards, or other similar institutional structures. These special purpose units of government are often governed by a board of directors or commissioners that can be either elected by the people served, or appointed by other elected officials.

The challenge in urban management, when such special purpose units of government exist is to properly reflect the will of the governed over what can be fairly powerful public bodies.

Albania is on a dual track in this area, when it comes to water supply and wastewater infrastructure. The movement toward decentralization of government has assigned water supply and

wastewater management responsibility to local government (municipalities and communes). It has also granted them the right to set tariffs. At the same time, the national Government is causing the water supply enterprises to merge with their local sewerage enterprises, and to transform themselves into commercial companies. These changes are singularly placing the responsibility where it belongs and creating an institutional structure (Sh.A.) which can focus on the delivery of services and regard its finances as that of a self-sustaining utility.

5. Capital Planning, Budgeting and Sources of Funds

The water demand and water needs forecasting, discussed above, leads directly into the capital planning, budgeting and sources of funds issue. It may be possible to come to an agreement as to what the ultimate water needs may be, at some future date, and under some determined development pattern. However, the timing of that reality is another problem.

Capital Planning

In the water sector, capital planning is often referred to as an exercise in trying to determine how much capacity is to be constructed at each stage in the planning period. The objective, therefore, should be to minimize capital cost and not burden the current population with capital payments for capacity that they neither need, nor will use. By having an ultimate plan, there is good assurance that each piece of the infrastructure will fit, even if the timing of that piece is not exactly known.

All capital planning taking place today, in Albania, is the result of the individual efforts of the various donors. The Ministry of Public Works, the acknowledged "steward" of the sector, is not taking an active role in guiding the pattern of investment or the setting of priorities for those investments. In turn, much of the technical planning, that is applied in defining and implementing the specific projects, lacks the full input of a participatory process that is desired in an urban management approach.

Donors are working with local water supply and sewerage enterprises, and local units of government, in the planning and engineering process, to develop local participation. However, this process falls short of a typical, empowered, local government situation, where the local unit of government is truly a "client"

driving a planning process and using various planning and engineering resources, as a means to an end.

Budgeting

Budgeting for water supply and wastewater systems is not simply the totaling of projected expenses and then balancing that number against a projection of last years revenues, or a proposed rate increase. A water supply and wastewater system, is a natural monopoly, and as such, must always be striving to be "competitive" in a non-competitive environment. It achieves this competitive quality by routinely measuring itself against performance parameters, calculated from its own operating data, that can be used to track cost-effectiveness and efficiency.

Utilities with a poor history of competitive behavior are not necessarily helped by a capital investment, in the form of a grant or a highly discounted loan. Utilities need an added motivation to approach budgeting, not simply as a method of dividing the limited revenues amongst the overwhelming expenses, but as an opportunity to analyze the operation of the utility, and actually improve performance. The mere introduction of investment capital into the needs of a utility cannot create an efficient utility that is responsive to the needs of its customer base.

Utilities in Albania suffer seriously in the area of cost accounting, budgeting and performance improvement. This is the result of decades of not managing this essential infrastructure service as a truly commercial activity. This has been further compounded during the transition period since 1991, and then more so in the urban areas where they have experienced the greatest amount of population growth from internal migration.

Urban management is first and foremost, *management*. The state of management in water supply and sewerage enterprises in Albania is probably at its lowest point in the modern history of the country. Institutional reform and sector capacity building is critical in the water supply and wastewater management sector to bring public confidence back to the sector. The decentralization of government and the increased authority of local governments are important steps in this regard. However, today these local units of government are, themselves, weak institutions, which also lack the management skills and capacity to take on this increased authority and responsibility. From the urban management perspective, it may be wise to allow these transformed enterprises to function, as much as possible, as commercial companies, by naming boards of directors that will focus

their efforts on the mission of the utility, and bring about the necessary changes in both management and performance.

Sources of Funds

Ultimately, a utility's sources of funds, for both capital and operating, are its customers. Anything short of this philosophy suggests that the utility is a subsidized unit of government. Governments may choose, at times, to provide capital to utilities to achieve national mandates, but even in these cases, these should be in the form a loan, even if these loans have highly discounted, non-market rates in terms of the cost of capital.

The basic source of funds for a water supply and wastewater utility is its tariff. Albania's utilities have very little experience in the structuring of tariff schedules and the management of revenue programs. As these enterprises are transformed into commercial companies, and are no longer provided any form of subsidy from the national government, they will need to deal with the commercial realities of being self-financed. Initially this is going to be a serious problem.

From the urban management standpoint, a utility, like any other business, cannot survive in the long-term, if it cannot deny access to the "product". That is to say, a utility must be empowered to terminate service to a non-paying customer. Without this specific authority and power, the ability to enforce payments is not possible and the eventual, financial undermining of the utility will occur. This will be discussed further under Customer Service.

6. Utility Management, Operations and Maintenance

The management of a water supply and wastewater utility, in an urban environment, has become a complex activity requiring a combination of sound planning, financial and technical skills, combined with a practical sensitivity to the local political realities. Although the function of the director of the utility should be non-political, and considered a career professional position, it is often not the case in developing societies where party identity or loyalty out-weighs professional skills and capability. This can create a volatile management situation with a lack of continuity and commitment to an overall strategy.

Utility Management

Utility management has a dimension that is "internal" to the utility and one that is "external" to the utility. Internally, the issues are

efficiency and effectiveness in achieving the goals and objectives of the utility. It is focused on issues of organizational structure and staffing levels; capacity building and training; rigorous financial management, reporting and accountability; regulatory compliance; and customer service. Externally, it is focused on development planning and utility coordination, public safety (fire protection); community relations; and local government liaison.

The typical utility director in Albania is an important and highly visible local, public servant, but is both a party to and a victim of politics, more than is desired in an evolved urban management situation. These directors are not often seen as business managers, but rather more as technicians, and therefore they are not considered as factors in the early stages of local municipal policy development. This will need to change in Albania, but the change must also be with future directors who will need to be more professional and prepared (trained) to do the job a director in the future.

Operations

Utility operation is increasingly an active, change oriented activity in today's environment, rather than a passive, routine-driven activity. The objective is to be constantly seeking performance improvement opportunities, within the operation, by monitoring performance parameters and implementing improvement programs.

Training and professional development is an important ingredient in this process. The investment in a highly trained and highly skilled work force is an investment that will always pay-off with increases in efficiency and effectiveness.

Maintenance

Maintenance of a highly complex infrastructure system, such as water supply and wastewater, is both critical for system reliability and service to the customer, as well as critical to achieve the maximum useful life the systems elements (pumps, motors, instruments, pipelines, etc.). Regrettably, this is one area that is often forgotten, or is first to see budget cuts, during a financial crisis.

The attitude of uninformed, public officials is, "If it is not broken, don't fix it." Where as that attitude of informed, public officials is, "Preventive, predictive, and planned maintenance, will extend equipment life, reduce unplanned (catastrophic failures) and insure a higher degree of equipment/system readiness.

In this regard, Albania has a poor history of properly funded and implemented maintenance programs in the water supply and wastewater sector.

7. Customer Service

In terms of urban management, and the role and functioning of the water supply and wastewater utility in that process, the point of direct interface between the public and the utility is the customer service function. In more advance urban societies, the customer service function has grown significantly, from merely sending out the customer bills and collecting the customer payments, to becoming the main point of contact for all services desired and for addressing complaints.

Customer service begins its relationship with the customer when a service is desired (request for connection to the system) and is the main point of contact until a service is no longer desired (disconnection or termination of service). The customer service function removes the management and technicians of the utility from any direct contact with the public. The objective is to develop a trust and belief amongst the public (customers) that the utility functions with clearly defined and understood procedures, and keeps its commitments to its customers. In this way, there is not reason to have to, "speak with the Director" of the utility to insure that a request for service or action will be honored.

This philosophy of customer service is not common in Albania today, but is essential, if this utility sector is going to advance beyond the clan mentality of personal relationships to get done what are routine public services.

Therefore, from an urban management perspective, the customer service function, as the public education arm of the utility, works to change behavior, both inside the utility as to how they view the customer, and outside the utility as to how the customer relates with the utility.

8. Regulatory Compliance

A water supply and wastewater utility performs a service that requires the highest degree of public trust and public responsibility. As stated at the beginning of this paper, the provision of safe, reliable water supply and wastewater services is the "sole determinate of man's ability to survive, as an individual and congregate as a society." To

ensure this fact, such a utility must function in, and comply with, a strict regulatory compliance structure.

This was addressed earlier in this paper, in the discussion of the lack of proper and thorough management of water resources in Albania. In addition to this aspect of regulatory compliance, there are the issues of the safety of the quality of the water for general public consumption, as well as the environmental and human health impacts of the disposal of the wastewater.

Water supply and wastewater enterprises or companies must be treated in an "arms-length" relationship, when it comes to compliance with regulations that set standards for the sector. In the past in Albania, these relationships got confused since it was not possible to separate the various responsibilities of the central government.

Today in Albania, the regulatory institutional structure, and the regulatory process, is in need for major reform and streamlining. It functions poorly, at best, and can be frustrating for those who try to comply with the known procedures. Several regulatory bodies have overlapping authorities and responsibilities, which need to be revised and clarified. It is interesting that donors often do not comply with the regulatory process in Albania, and merely set about their work, applying standards of their native country, and without regard for obtaining permits that are requirements of Albanian law. This practice must stop and the donors, as a group, are currently addressing it as part of a larger donor strategy issue.

9. Economic Regulation of a Natural Monopoly

In a natural monopoly situation, which defines a water supply and wastewater utility, the consumer must be protected from unfair tariff setting and pricing policies for services. This is accomplished through the functioning of an objective and impartial economic regulatory function. This form of regulation, if performed properly, protects the consumer on the one hand, and also provides an objective forum for the utility to argue its case in terms of the needs for the tariff within the pricing (rate-making) guidelines that are established by the economic regulator.

In Albania, such an economic regulator for the water supply and wastewater sector does exist, and has functioned since 1998. This unit of government reports directly to the Council of Ministers and has been steadily building capacity, with the assistance of foreign technical advisors. To date it has considered and acted on approximately 20 requests for tariff adjustments. Its challenge, in

considering these early tariff increases, has been to negotiate an improvement in the performance parameters of the utility, as a part of the tariff setting process. The net result is that the utilities typically do not receive the entire amount of the requested tariff adjustment, but, based on negotiated changes in performance parameters, receive adjusted tariffs that are sufficient, if the performance improvements are achieved.

10. Private Sector Participation as an Alternative to Traditional Public Enterprise Service Delivery

There is an increasing global interest, within governments at all levels, to tap into the expertise and financing capacity of the private sector in the delivery of services. This is particularly true in those sectors of public service delivery, that require large amounts of capital or required increasing levels of technological know-how. The water supply and wastewater sector is one of those sectors.

The nature of the role of the private sector can vary with each situation and therefore there is no one service offering that is representative of the sector. Rather, the service offerings tend to cover a spectrum of services that are best defined by the level of risk allocation between the parties. The least intrusive of these services is the service contract for a narrowly defined service, such as meter reading. These tend to be for periods of 2 to 5 years and are awarded on a direct price competition.

The broadest offering, while still maintaining public ownership of the assets, is the concession form. This form tends to place revenue and commercial risk with the private sector service provider. The private sector service provider also provides the equity and debt required for the necessary capital programs.

From an urban management standpoint, it is important to not lose sight of the fact that the local governmental unit that chooses some form of private sector participation in the delivery of a public service, has not contractually delegated its governmental responsibilities. In these situations, local government still establishes policies for the sector within its jurisdiction, and is ultimately responsible for the delivery of services, even if it chooses to do so by contracting for the services.

The Republic of Albania is currently starting down the path of private sector participation in the water sector with the negotiation of a 30-year concession contract for the Elbasan Water Supply and Sewerage System, and the solicitation of proposals for a 5-year

management contract for the water supply and sewerage enterprises of Durres, Fier, Lezhe and Saranda.

The key to the success of these efforts will be the emphasis and financial commitment that must be made in contract monitoring. No matter how well intended the private service provider may be in the provision of services, without a well-structured and staffed contract-monitoring unit, the interests of the public are not being properly served.

WHY SHOULD AN INDIVIDUAL LIVE IN TIRANA?

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Abstract. *The author uses the Tiebout model to show the reasons why people make decisions for either moving in – or out from cities. Taxation and the resulting benefit through services and public goods are directly linked, and residents may opt for cities on the basis of what it can offer to them. A comparison model is worked out that shows the various decisions people can make, and the resulting benefits.*

1. Introduction

The first ideas for the below view came from a discussion with one of my American friends about the schooling system in Georgia, USA. In this state each child who finishes high school with good results is eligible to profit from the "Hope Scholarship" for college education. The fact that you can assure the future education of your child makes many young professional couples move and reside in this state.

Frank¹ defined pure public goods as "goods having two specific properties: (i) non-diminishable, which means that one person's use of the good does not diminish the amount available to the others, and; (ii) non-excludable, which means that it is either impossible or prohibitively costly to exclude people who do not pay from using that good". Consumption by one person means more than just not diminishing the opportunities for others to consume, it also allows that the same good is consumed in different ways by different consumers. For example, while the residents of a specific zone where a new sewerage system is placed are made better off, benefits also accrue to all the neighborhood residents in the form of the externalities such as better environment etc.

2. General theoretical explanations

There are different levels of explanation of citizen's satisfaction with their urban services offered by their local government. Different

studies show that the roots for customer satisfaction can vary between: (i) individual levels such as demographic variables, social connections and political attitudes; (ii) jurisdictional levels such as segregation of households into discrete social worlds, differing service expectations, variables as a strong mayor versus manager systems, actual differences in quality of services if other things are equal (taxes or environment), and; (iii) city and neighborhood specific explanations such as urban leadership and management, local history etc. One of these models is the Tibeout model, that is based on the individual and jurisdictional assumptions for satisfaction with local government and underlines the efficiency of local government.

3. Tibeout model

Through his model, Tibeout tries to yield a solution for the level of expenditures for local public goods that is supposed to reflect the preferences of the population more adequately than they can be reflected at the national level. In his model, the government operations are based on the laws of free-markets. In order to construct the model, he made some assumptions about the citizen (called here consumer-voter) and the city.

He assumes that the *consumer-voters* are fully mobile; they can choose from a large number of communities; they have full knowledge of the ways how the city spend its revenues for public services; and that there are no restrictions due to economic circumstances. In other words, they are looking for the place where they can get the best benefits in the form of public goods from the tax money they pay.

In his assumptions, the city has an optimal community size for every pattern of service. This size is restricted by some "fixed factors", which can be the limited land area of a suburban community combined with zoning laws against apartment buildings. The second assumption is that communities below the optimum size seek to attract new residents to lower average costs and the opposite happens with the communities above optimum size. It is a little difficult for new inhabitants to move to a community that is in its optimum size and tries to remain so through proper zoning laws, implicit agreement among realtors etc. While at the same time it is hard to imagine a city that tries to reduce its population size (which politician would admit that his/her city is too big and wants to get rid from some of its residents?). It is easier to find communities below the optimum size

that try to attract new residents and businesses through chambers of commerce or other agencies and laws.

After setting his assumptions, Tibeout considered an inhabitant of the city who wants to move to suburbia or to another city. What variables will influence his choice of municipality? If he/she has small children, the level of school expenditures might be important to him/her, if he/she does not like or can afford commuting, a city with good public transportation will attract his/her attention. In such cases, the consumer-voter may be viewed as picking that community which best satisfies the preference patterns for public goods. The greater the number of communities and the greater the variance among them, the closer the consumer will come to his preference position. In some ways, the consumer-voter is "voting" with his/her own feet for the best community to find. By "shopping around" between communities, mobile citizen-voters and consumers increase the efficiency and responsiveness of local government, because the act of moving is a "market test of willingness" to buy a set pattern of public goods. It reflects the desire of residents for the city revenue and its expenditure pattern; a citizen chooses to locate in a community whose taxes and services most closely match their own individual tastes.

Of course the Tibeout model is just a model and it's not what surely will happen in life. There is a lot of criticism about this model just because in true life there is much more going on than what this model assumes (See² P. Treske, M. Sheneider, M. Mintrom and S. Best for a resume of criticism). But still its good to use this model and to try to analyze Albanian cities and citizens.

Albanian local governments

What can Albanian local governments offer to their residents, and how can they compete with each other? Based on the Albanian Constitution, approved by the Parliament in October 1998, Article 108 describes that the basic units of local government are communes and municipalities. Self-government in the local units is exercised through their representative organs and local referenda, which is organized and directed by law.

Municipalities and communes carry out tasks that are directly related with the problems citizens might have. Some of the basic functions are *the civic services* (such as cleaning, lighting, city-planning projects, the development of local culture, care and assistance for the poor, veterinary services etc.)

The units of local government have an independent budget. They exercise the right of ownership (although the current laws have not

defined what kind of properties can be possessed and administered). They can administer in an independent manner the income created; have the right to exercise economic activities; have the right to collect and spend the income that is necessary for the exercise of their functions; have the right, to establish local taxes as well as their level. Furthermore, some other draft laws are being prepared, on local taxes, property taxation (100% to the benefit of local power), administrative contravention (80% to the benefit of local power). In general, *the package of laws concerning local government can be accepted to comply with the basic principles of the European Charter on Local Power*. However in practice their level of implementation is yet far from European standards.

Practically, the independent budget of local government is coming for 80% from central government and the remainder from local income. Different ministries and other central government bodies cover around 93% of the operational expenditures. So, the local power is at present almost totally dependent on the state budget. This is a stumbling block, which hinders the realization of their functions, and makes them fully dependent on central power.

Although the reality is not as we maybe would like to be, we cannot deny the fact that the law allows local governments to create their own profile and guide their own community in a specific manner. There are some things local governments are able to realize, even in the dependent situation. But before discussing what can be done by local government, let us discuss what kind of citizens our cities would like to attract.

How can cities attract citizens?

In the Albanian cities is the 'old' citizen busy with extending his/her own property in either legal or "illegal" ways, and the 'new' citizen has just come from a "village culture" and continues living as he/she was used in the countryside. But it's worth to try, at least on a theoretical basis, to define a "typical citizen". It is worth because this is maybe the beginning of an "odyssey" of deciding what kind of citizens local government would like to attract in its territory through social services, taxation levels, regulatory plans etc.

Let us begin by the Tibeout model citizen, the "consumer-voter", which demonstrates that citizens have their own rights and duties. They pay taxes and vote for how the taxes are spent by the local government. If they do not like the way in which their government is spending the tax monies, they react through moving away. To be able to judge about how their taxes are spent, they need to have full

knowledge about the taxation system and of ways how the city spends its revenues in public services. But what happens in practice is that residents do not necessarily engage in collective actions, even in cases when the group has a common interest, such as having better public services. The *free rider* or collective action problem shows up, especially in large groups in which no single individual's contribution makes a perceptible difference to the group as a whole³. The 'prisoner's dilemma' is a classical illustration of how people may be destined not to cooperate⁴. In case of Albanian cities, no citizen wants to have electricity shortage, but no one does something against the "illegal" connections that disturb the network. No inhabitant wants to have water overflowing the streets after a normal rain, but there is nothing done to prevent or regulate the blockages. And what is more important, it seems that if there are possible ways to avoid paying taxes, everyone will explore it.

In the today's world the number of cities, the variance among them and the possibility to emigrate gives more possibilities to the consumers to find their preferred position. Even maybe without knowing it, the Albanian citizens are also "voting with their feet", as this is the case with the high internal and external emigration. If an Albanian citizen has the chance to work legally in Italy or Greece or somewhere else, he/she does not complain about the city taxes (that actually are much more higher than in Albania), mainly because the difference in income level and the lack of education in evaluating taxes. But if you will ask if he/she would like to pay less tax and get shortage of water or fewer parking lots in the city, probably they will not accept such option. There is a direct link between the level of taxes and public services⁵, but this is not so clear for the simple Albanian, especially when he/she is complaining for better service in areas where nobody pays duties. Maybe this is the time for Albanian citizens to become more involved in the political life of their city. To change the political participation: not in just defending their political party in big meetings before the elections, but in understanding how their city is governed, what they should do to help the city's management and what their duties and their rights are in this process. To conclude, the local government of an X city would like to have in its territory citizens who fully involve in collective choice making.

4. Bringing city and citizens together

Let us discuss now some of the assumptions of Tibeout. He assumes that consumer-voters are fully mobile, they can move from city A to

city B at the moment they decide they can get better public services in B for the same amount of taxes they pay (or the same service for less taxes). To be able to evaluate, they need to fulfill the second assumption: to have full knowledge of the ways in which city A and city B spend their revenues in public services, collect taxes and the level of these taxes.⁶

Let us assume that the Albanian cities A and B have a fixed factor of zoning laws against apartment buildings. They both have "illegal" constructions and due to political pressure have not decided what to do with them. The local governments of both cities would like to have a better provision of public goods for their residents for several reasons: (i) there will be fewer complaints from the citizens, showing inhabitants support of this local government, resulting in winning the elections; (ii) if they provide better services for the same amount of taxes paid, inhabitants will move to that city, and; (iii) there will be incentives for the existing involved and active inhabitants to stay.

The mayor of city A, after discussing with all staff of its municipality, decides to introduce a property tax: each resident that has a property registered in the cadastre will pay each year 0.02% of the real value of its property as tax. This tax will be used for 70% in replacing or repairing the existing destroyed electrical network, 20% for project managing purposes, and 10% will go directly to the municipality⁷. Further, a long-term credit from the Albanian Bank is available to help advertising the municipality's decision and to begin the project in the first area where the inhabitants will begin to pay. Also a partnership agreement is signed between KESH (Albanian Electrical Enterprise) and the municipality to assure project assistance (budget preparation, technical assistance, implementation assistance etc.). A big advertisement campaign on national television and in newspapers is organized by the mayor, where he makes clear why the municipality decided to collect this tax, how it is going to be spent, how it is going to be collected, and who will profit from the new project etc. A Task-Force Team is created, directed by the mayor, with representatives from KESH, planning office, tax office, municipal police, and other important key-holders. When the citizens of each quarter will begin to pay, a representative of these quarters will join the task force.⁸

The mayor, in his appearance on TV tries to explain citizens that if they want better services they have to directly contribute, because public works need financing and the state's financing depends on

citizen's taxes. He further explains that city revenues are composed by what is delegated by central government and by local taxes, and that the state is not getting taxes in a camouflaged way as during the communist period. He also asks citizens to trust him for the good use of their taxes, and explains how taxation systems work and how the municipality spends its money it gets from central government. He explains the right of the municipality to decide on this new tax and he invites citizens to help him and the municipality during this process. He reminds the citizens that this is their money, so if "illegal" constructions will make damages, then it is not the state who pays but the simple citizen him/herself. Finally, he explains that the project will begin in the area where citizens pay without resistance⁸; and if citizens do not accept to pay, there is no project going to happen in their zone, but, they still have to pay the tax. It is made clear that only legal construction will profit from the project, because they are the ones who pay the tax. The others will loose their right to profit from the electrical network of the city.

What will happen?

Many citizens of city A who have legal property rights for their homes or shops are probably tired of having each day and night power cuts and economical losses. Continuous electricity means a better life anyway, so they want changes, and are even willing to pay their share in order to get better service. Especially the active residents who tried to make private arrangements to improve the roads near their houses or electricity connections are willing to support this proposal. They know how difficult it is to achieve involvement of all community members in cases where there is no coercion⁹, and now local government takes the leading role, they will be glad to participate in improvements.

The second result will be "voting with their feet" by some residents. They will move to the city B because they (i) cannot afford to pay the tax because of their low incomes or because they have big properties and no proportional profit; (ii) do not want to have better electricity in their homes, they are happy with what they get without paying taxes; (iii) do not trust the mayor and the municipality's ability in guiding this project; (iv) do not accept the idea of paying taxes to get services¹⁰.

The out-movement of residents will be compensated by the in-movement of citizens from city B. The citizens of B have the same existing provision of public services as those of city A, and the local government of this city is doing nothing similar like city A. Citizens

of B that are involved in collective improvement actions in their city and who do not have hopes that public services will be improved by local government, will decide that is worth to pay the tax and get better service, and will decide to move to city A.

An important result of this tax (hopefully) will be to find a solution for the status of "illegal" constructions. Many citizens without property rights on their buildings will want to participate in the project because they too are tired of not having electricity for their businesses and homes. If they can profit in such project, they can change the status of their properties. The result can be the creation of a strong lobby that will make efforts to affect the central government decisions about illegally constructed buildings (at least business-type constructions) in order to find a way to make them legal. Some of city B's citizens with "illegal" properties also want to lobby and get a legal status for their "illegal" constructions and will in a later phase move to city A. Because the municipality has some rights to regulate such constructions,¹¹ it needs political support to move in the right direction and get some decisions about "illegal" constructions.

Reality?

Why can Tirana not be city A? Is it possible and feasible for the municipality of this city to act as city A in our example? And what will be the reaction of Tirana's citizens if the municipality exercise its coercion in collecting taxes but also provide much better services?

Public servants of this municipality time after time point out the tremendous work that the municipality is facing and the serious difficulties it is meeting. They are overwhelmed by the complaints from citizens during the open to public meetings, where citizens express their disappointment that their elementary rights are not attended. They express that the main problems they are facing are the lack of funds; lack of direct ownership over some objects, and the lack of municipal police etc. Especially the police force is mentioned because *"this police force is all the more needed as an instrument to combat the drive to 'illegal' constructions, which are spreading all over the city just because of the inefficiency of the municipal authority"*¹². There is deep dissatisfaction regarding the state budget assigned to the capital. For example, for 1998 this budget amounted to 1.8 million USD, and this is far from the real needs of the city. It would suffice only for about 5% of road repair and some minor improvements in sewerage, housing, etc. Some emergency problems, related to the growing number of newcomers settled already in Tirana's suburbs, are completely left out. Under these conditions the

city cannot exercise its coercion and lacks financial means to improve the public service provision.

All these problems (and many more not listed) make Tirana not a very good place to live, but still this city is the "gravity point" for the Albanians in the country. Nobody can deny the fact that the citizens of Tirana have more possibilities and opportunities than citizens of other Albanian cities. What everybody seems to deny (at least not to accept) is that *to be legitimate to profit from the opportunities that the city is offering, the citizens should play their part: knowing what their duties are and pay them*. The open-public meetings organized by Tirana's municipality are serious sign of this municipality's willingness to touch the problems and find solutions. But solutions are out of reach: when the citizens come only with complaints and never with a project or their contribution to the solution. The situation seems more difficult when illegal constructions are taken into consideration. Those constructions are an example of non-exercising coercion by (local and central) government but this is not the only reason; political uncertainty and economic development play also a very important role. When the owners of illegal constructions have strong incentives to get together and try to find solutions (especially businesses), no group is formed to present improvements to the local government. Instead there is a general waiting for what the government will decide on them. When authorities decide for demolition of their construction then the citizens do not accept the coercion (such as in the Bathore case, when citizens blocked the national road in reaction against the government's decision to demolish their properties). If different levels of government have no proposals from the citizens and no incentive to prepare their own plans to improve the situation, why should they not decide for demolition, which is the easiest solution?

If all parties will understand the playing-rules and accept them, then the city will change its face. Now horizontal linkages are important, and will become more important in the future. Many of Tirana's urban development institutions have no tradition in sharing information, and giving constructive opinions and feedback. Developing the capacity to better work together is therefore essential for solving the urban problems. But it's not only the municipality and the state that should be more efficient: the simple citizen also has a lot to change. Who has the power and the legitimacy to do the first steps?

When municipalities are not able to show openness on their activities to the public¹³, the NGO sector can do a lot in supporting

the decision-making process in local levels, such as: (i) familiarize citizens with the legislation related to local power, which in many aspects constitutes a new phase in the development of the Albanian society; (ii) familiarize citizens with the function of local power and local power efficiency; (iii) promote regular communication between representatives of local power with the citizens to boost their cooperation; (iv) make efforts to find necessary space to boost citizen participation in the process of governing, as a right they gained through their vote and their payment of taxes, etc.

So, can Tirana be like city A? The assumptions that are working for our model are not totally working within Tirana's reality, but assumptions are not the most important part of a theoretical model. What is important is that Tirana needs better public services, the local government is the main responsible body to offer such services, but it is impossible for local government to do everything alone. We live in a society where *no single actor* can solve any problem of substance. The problems mentioned above are beyond the competence of one governmental agency. In a democratic society the citizen's help and support is crucial, they can better support and be much more involved in collective action movements for improving their city. It is the duty of local municipalities to help the beginning of such movements, while the third sector can support both parts.

References and notes

1. Robert H. Frank, 1997. *Microeconomics and Behavior*, Third Edition. Published by McGraw-Hill Companies. Page 579.
2. Treske Paul, Schneider Mark, Mintrom, Michael, Best Samuel. *Establishing the Micro Foundations of Macro Theory: Information, Movers and the Competitive Local Market for Public Goods*. The American Political Science Review. Volume 87, Issue 3 (Se., 1993), 702 – 713.
3. Olson, Mancur, 1965. *The logic of collective action*. Cambridge: Harvard University press, page 44.
4. The prisoner's dilemma is a classic case on how two parties acting independently out of self-interest may be destined not to cooperate, much to their mutual detriment: two burglars, Bob and Al, are captured near the scene of a burglary and are given the "third degree" separately by the police. Each has to choose whether or not to confess and implicate the other. If neither man confesses, then both will serve one year on a charge of carrying a concealed weapon. If each confesses and implicates the other, both will go to prison for 10 years. However, if one burglar confesses and implicates the other, and the other burglar does not confess, the one who has collaborated with the police will go free, while the other burglar will go to prison for 20 years on the maximum charge. The strategies in this case are: confess or don't confess. The payoffs (penalties, actually) are the sentences served. (Joe B. Stevens, *Economics of collective choice*, 1993, page 98). (www: william-king.drexel.edu/top/eco/game/dilemma.html)
5. One of the assumptions is that government is efficient and there is no misuse or loss of revenues due to bureaucratization or inefficiency.
6. It is assumed that there are no restrictions due to economic conditions. The property value in A and B is the same: there are no difficulties in selling the property in A and buying the same property in B spending the same amount of money.
7. The electricity supply is considered a public good because KESH (Albanian Electrical Enterprise) is a state enterprise, and in case of electricity shortage the common behavior is to blame the government.
8. "Resistance" is used here because a tax will create a mental burden to many citizens. The Albanian citizen, was used with the communist free services, and now wants to profit from the rights created by the free-market economy, without playing according to the rules of the market.
9. According to Olson, in order for a group action to be effective, either the individual must be provided with some private excludable good in addition to the public good, or there must be some form of moral persuasion, compulsion, or coercion.
10. We suppose that they cannot stay in the city A because if they would, they are obliged to pay the tax, due to the coercion exercised by the local government of city A.
11. *Republic Of Albania, People's Assembly, Law - No.7693 "On City Planning"*, article 16 of law no.7491, of 20.04.1993: The request for a construction site is presented to the city planning office. After giving their opinion, the request is passed to the council for approval. This is for housing, trade and service shops for those cases where a regulatory plan or a partial city planning study exists, whereas in other cases the requests are transferred to the district territory adjustment council.

12. Kraja, Erind, director of personnel and organization and Bendo Violeta, economic counselor, Tirana municipality. *The Balkan Human Rights: Project On Local Power*. Report on the conference on local power held in Tirana 20 March 1998.

13. The fact-finding mission by the Society for Democratic Culture showed that about 80% of the municipalities do not make any publicity for council meetings, whereas in 20% of those who do, the only participants are municipal employees and no effort is made to invite simple citizens. Perhaps, this is a result of poor publicity, as well as due to the lack of physical space. Gace, Miranda. *The Balkan Human Rights: Project On Local Power*. Report on the conference on local power held in Tirana 20 March 1998.

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