The Urban Dimension of the Albanian Cities of Transition Was Damaged as a Result of the ‘Big Government’ and Not Its Absence: An Assessment in Relation to the Construction Permit!

Gentian Kaprata
European University of Tirana

Abstract

The main Albanian cities and inhabited centers have suffered great damage of urban and environmental dimension in the years of transition. These implications of rapid and intensive development have produced cities that offer a very low quality of urban life to their citizens. What requires immediate political and legal intervention is to create the preconditions for Albanian cities to change by improving their potential in relation to the quality of urban life they offer to their citizens. One of the basic aspects, where this political goal can be achieved, is the function of controlling the construction development in these cities, in other words the function of building permits. Formal construction, or construction that has been subject to political-administrative decision-making, has faced increased pressure from the government to obtain a building permit. The performance of the government, regarding the function of construction permitting, is presented as very bureaucratic and corrupt. The technical, administrative and legal rules through which the administration exercises in the construction permit process have been very difficult for private entrepreneurs to implement. This has produced, firstly, the phenomenon of informal construction, and secondly, the change in the focus of entrepreneurs in the formal construction sector. In great administrative difficulties and obstacles, private entrepreneurs have shifted their focus from the aim of offering high quality products and low price in the market, to the goal of obtaining a building permit while ignoring the quality of the buildings they have developed. In this sense, what is required is the facilitation of technical, administrative and legal procedures and rules for obtaining a construction permit, which would ensure the reduction of the informal sector and refocus of the formal sector on quality and competitive
price in a free market. This is a basic precondition for the situation of cities not to deteriorate further, and that paves the way for the improvement of their situation in the future.

**Keyword:** big government, small government, classical liberalism, modern liberals, the left, the right, development control, construction permitting.

**Introduction**

During the years of transition, the demographics of Albania have undergone strong internal migratory movements, in two main directions: from the countries of the northern and southern regions to the central region; and from rural areas to urban areas of the same country (INSTAT, 2004, 2014; King and Vullnetari, 2003; King, 2010; Vullnetari, 2007, 2010, 2012). This phenomenon has produced strong changes in the spatial structure of the country, especially in relation to the demographic distribution across the cities and inhabited centers of the country (Faja, 2008; Aliaj, 2008).

The cities and inhabited centers that have experienced a large and immediate increase in the resident population as a result of these movements, are mainly the major cities of the country, and especially the city of Tirana, Durres and their surroundings (INSTAT, 2004, 2014; King and Vullnetari, 2003; King, 2010; Vullnetari, 2007, 2010, 2012; Fuga, 2012). These cities have been multiplied, in these years of transition, in terms of indicators of total resident population, housing density and construction intensity (HIS Alumni et al., 1998; Faja, 2008; Aliaj, 2008). Rapid and intensive construction development, as a result of demographic changes, have produced urban and environmental damage in the main cities of the country (Fuga, 2012; Aliaj, 2008).

There have been two ways of accommodating this increased demand for new construction. First through the informal market, where 350-400 thousand families have addressed their needs by building their apartments and buildings without the permission of legal authorities (WB, 2012). The second way is through the formal market, where families or enterprises in the housing and building construction sector have addressed their request for construction development through the institutions charged by law for this governing function (Aliaj, 2008; Imami et al., 2008).

In this paper we will focus on the second type of development (formal construction) because it is in his interest to assess how transition governments have performed in this sector. In this sense, we will not address the informal market and the demand for new housing and buildings addressed through it. However, as we will see later, there is a link between the ease or difficulty of obtaining a formal building permit, and the size of the informal market.
First in this article we will make a brief theoretical presentation on the characteristics and distinguishing features between the 'big government' propagated by leftist approaches such as 'proper governance' and the 'small government' which according to classical liberals is more productive for a rapid and sustainable economic development. We will further address the connection between formal construction in transition Albania and two other aspects of sustainable development: environmental development and the quality of citizens’ urban life: and overall economic development. As we will see, this rapid construction development has produced urban and environmental damage in Albanian cities and inhabited centers, while contributing significantly to the national economy.

Recognizing that the urban and environmental dimension is more important and in turn can produce even higher economic costs, we have attempted to understand what was the cause of the damage it produced, focusing on the ease or difficulty of equipping a building permits. As we will see in this article, the "boom" of new construction and their negative impact on cities and residential areas has not come as a result of the ease of obtaining a building permit from the authorities charged by law for this governing function. So we cannot blame the government for acting like a Smithian 'small government' inspired by the 'laisser faire' concept. On the contrary, long bureaucratic procedures, costly in time and money 'will be the real reasons that produced this unacceptable urban reality.

The 'big government' vs. the 'small government', presented in theoretical context!

There are two tools used by 'big governments' to reduce individual freedoms. They must be kept in check, because their enlargement makes the government bigger and its damage to society even bigger. The first, to use a Spencer concept, is "hyper-legislation" (Spencer, 2005, pp. 104-157). Speaking of the futility of redundant regulations and laws, Spencer would argue that "Although it no longer occurs to us to impose coercion on people for their own spiritual good [matters of religion], we continue to think that it's our duty to impose it on them for their material good: we do not see that one is as useless and as impermissible as the other. Countless failures have not yet been enough to draw this lesson" (Spencer, 2005, p. 106).

So, although every day companies face countless failures, the same companies believe that an act of Parliament and an institution with a certain staff of officials, set up specially or enlarging an existing institution, is enough to implement or tighten the society to implement this law, and whatever set goal it has to achieve (Spencer, 2005). According to Spencer, it makes no logical sense that on the one hand we acknowledge that the state is performing poorly, the need for legislative changes proves that the government has failed, and on the other hand we give it more power, through new laws and increased administration.
In contrast, for the classics of liberalism, according to Friedman's argument, there are two pillars of the functioning of a free society, which must be understood as separate, "[1] the daily activities of the people and [2] the usual general structure within which they develop" (Friedman, 2005, p. 28). In Friedman's argument, people's daily activities are like the actions of participants in a game or competition, and like any good game or fair competition, it requires its members to know and accept the rules of the game in advance, and it also requires even a referee to interpret and enforce the rules of the game. Referring to Friedman in the same way, a good society requires its members to know in advance and agree to all the general conditions under which the government will govern the actions and relations between them (Friedman, 2005). Whereas, the structure in which daily human activities and activities take place, is the legislation.

And in this sense, it is basic, for a free society, for individuals to know in advance and agree with the laws through which, the government as an arbitrator will arbitrate their daily activity (Friedman, 2005, p. 28). But for Friedman, this is not enough, the laws should not change, or “Most of us [libertarians] consider only making minimal modifications to them, although the cumulative effect of a series of minimal modifications can lead to a dramatic change in the character of play in society” (Friedman, 2005, p. 28). So even Friedman, although acknowledging that the government, in the role of an arbiter in the game of individuals, can make changes to legislation, they should be small and not repetitive because individuals and society are harmed.

Beyond "hyper-legislation", another instrument of 'big government' is 'hyper-administration', which is also harmful and costly to society and taxpayers (Spencer, 2005; Friedman, 2005). Spencer considers hyper-administration as an integral part of his concept of "hyper-legislation", and it makes sense, because the expansion of the scope of governance starts with the drafting of a new law, but that the "set goal to be achieved" there must also be an institution or agency to enforce that law (Spencer, 2005, p. 106).

For Spencer, the transfer of political power from the sovereign to the representative deputies, from the deputies to the executive, from the executive to the responsible ministry, from the responsible ministry to the institutions, agencies and inspectorates, from these to the employee in charge of this issue, is a very long operation, which by operating, through many successive levers and gears, consumes through friction and inertia a part of the driving force (Spencer, 2005). This process due to its complexity is so bad in itself, that it is a good system due to its simplicity, according to which society directly employs individuals, private companies or spontaneously created institutions (Spencer, 2005, p. 121).

In this argument, Spencer would list some shortcomings of the state administration, which prevent it from performing the same functions that the private sector would
perform faster. According to Spencer "Bureaucracy is slow" and this harms the individual and the enterprise (Spencer, 2005, p. 121). When a private agency drags things, people solve the problem by no longer using that agency and contracting another. As for procrastination by government departments, the solution is not simple because you cannot leave the government (Spencer, 2005). Also, "Bureaucracy is mindless" (Spencer, 2005, p. 122). According to Spencer, in the natural way of ordering things, the individual tends to move towards the function that best suits him, those who succeed in the work given to him are held accountable in relation to the skills they show or carry, and the man who fails is fired and forced to move towards something simpler, but that suits his abilities.

But, it happens completely differently in state bodies because there the selection does not go according to meritocracy, but according to the affiliation of background, age, intrigue, behind the scenes and servility, as Spencer would say “A family idiot, I will always find a church post, if the family has strong ties” (Spencer, 2005, p. 122). If we refer to Spencer again, "Another characteristic of bureaucracy is that it consists of excessive spending" (Spencer, 2005, p. 122), in relation to the high salaries of incompetent officials, or to overcrowded structures occupied them. As he would underline "These public agencies are not subject to any influence like the one that forces the private enterprise to be economical, businesses and commercial entities are successful by serving society at low cost" (Spencer, 2005, p. 123).

In the same context, Spencer would add, “Another shortcoming of the bureaucracy is its inability to adapt. Unlike the private enterprise, which, in order to respond to urgent needs, rapidly changes its activities: unlike the shopkeeper, who for a request that comes out suddenly, immediately finds a way to fulfill it” (Spencer, 2005, pp. 123-124). But also the state administration, in general, is presented with a high level of corruption, because they are not exposed to competition through meritocracy to keep the job and at the same time, there can be no creative spirit, and this is another damage that the great state brings with hyper-administration. While private groups have initiative and bring innovation in the sectors they develop, state institutions are static and moreover become an obstacle to development (Spencer, 2005, pp. 125-126).

**Formal construction as a cause of the condition of inhabited centers and its impact on the national economy**

The argument in defense of the thesis that it was the leftist "big state", the hyper-legislation and hyper-administration that shape it together with the corrupt bureaucracy that characterizes it, (Spencer, 2005; Friendman, 2005), that brought this unacceptable reality of other cities and territories of the country, in this article is related to the process of obtaining a construction permit in the main municipalities of the country. It must first be acknowledged that the main cities of the country have experienced a population densification and an intensification of buildings, especially

Fuga, while scanning the way cities develop, would point out that “in our urban micro-environments [structural units of the city], especially in the main areas [large cities] of the country, we have a narrower and more populated area denser than before” (Fuga, 2012, p. 13).

All of the demographic shifts presented earlier met their housing needs, either through the informal market or through the formal housing construction market (IHS Alumni et al., 1998; Imami et al., 2008; WB, 2007). In this article we are interested in building permits and in this sense we will focus on buildings created by the formal market. Because, it is generally the formal housing construction market that is related to the construction permit, and the buildings offered by this market are also the problem we are talking about.

The intensification of buildings in the main Albanian cities, a phenomenon that is inevitably associated with population densification, has damaged the structural units of the city (IHS Alumni et al., 1998; Aliaj, 2008). In the case when these construction developments have come through the formal market, ie as a result of construction permits by public authorities, these urban damages blame the governing performance (Imami et al., 2008; Fuga, 2004, 2012).

The damages of construction dynamics, in the urban dimension of cities and the quality of urban life of citizens, are numerous and extend from the deformed spatial structure of the country to the damage to the infrastructural structure (engineering and social) of inhabited centers (WB, 2007; Aliaj, 2008). The impacts of this demographic densification and construction intensification are also felt in the environmental aspects of the urban quality of life in major cities (Fuga, 2004, 2012; Imami et al., 2008), and issues related to the social structure and level of democracy in the country. (Thomson, 2007; Imami et al., 2008).

The issue we need to analyze here is: it was the ‘small government’ inspired by classical liberalization that granted building permits easily and without strict and austerity rules; or the “big state” bureaucratic, slow and corrupt (Spencer, 2005; Friedman, 2005), which produced this damaging urban and territorial reality? As we will present below, the process of obtaining a building permit for individuals or entrepreneurs has been very difficult and very costly, and has gone through very long and costly processes in the first place.

First, I would like to point out that there is a strong link between building permits and the economy in general and the ease of doing business in particular, which is the primary catalyst for economic growth rates (WB, 2015, 2018, 2019). Building permits enable construction, which is a very important business worldwide, especially in
developing countries like Albania, where according to INSTAT the construction industry occupies 17% of Gross Domestic Product (GDP) (INSTAT 2019).

This contribution of the construction industry started in the first years of the transition, where in the first five years alone it almost doubled, as IHS Alumni, et al. would point out, “construction would rise from 6.6% to 11% of GDP in 1996” (IHS Alumni, et al., 1998, p. 55). Even in developed western countries, construction is a strong contributor to GDP, in the EU it gives 10%, and it is also a strong employment accelerator, where in the EU in 2018 it manages to employ about 5 million people (Schmid, 2018).

Fuga, while talking about the construction sector would underline that “in these past years, a series of conjunctural circumstances make the residential construction sector one of the most developed sectors of the Albanian economy, and perhaps it still continues to remain this way. This sector, for better or worse, has provided a very significant part of the Gross Domestic Product of the country, guaranteeing a satisfactory economic growth in its quantitative indicators” (Fuga, 2012, p. 195).

In fact, this contribution of the construction industry would be noticeable in the first years of the transition, which IHS Alumni et al. would present in 1998 “Construction from 6.6% of GDP in 1991, has increased to 11.6% of GDP in 1996” (IHS Alumni et al., 1998, p. 55). This growing expansion of this industry would continue in the coming years and as the World Bank would underline in 2007 “Services and construction are the two largest private employment sectors” (WB, 2007, p. 15).

In 2018, the three largest sectors of the Albanian economy are agriculture with 20% of GDP, construction with 14% and trade with 13.5% (Reiter, Schwarzappel and Stehrer, 2020, p. 12). These latest statistics for the Albanian economy showed that the construction sector in Albania also surpassed the trade sector. Moreover, the construction industry is a locomotive for many other economic sectors, such as other businesses that supply it with raw materials, technology and machinery, but also for the fact that it is the construction industry that produces buildings with economic functions and for other entrepreneurial activities.

Thus, the construction industry is an important contributor to the national economy (IHS Alumni, et al., 1998; Fuga, 2012), and as such it should be treated with care by state institutions; on the one hand, it is precisely this construction boom that has negatively impacted the condition of Albanian cities (Aliaj, 2008; Fuga, 2004, 2012). In this context, this does not mean that since there is such a contribution to the economy, we must accept "construction as an economic goal in itself", because the damage it produces in the urban and territorial dimension of the country, are often morecostly than the benefits from it.
The difficulty of obtaining a building permit as an expression of the left ‘big government’ and its characteristics

We have tried to clarify two issues so far: first, that it was construction (including formal construction) that contributed positively to the Albanian economy on the one hand, and very negatively to the condition of Albanian cities; and second, it was the governing performance, in the manner of exercising the construction permitting function, that bears responsibility for both of these formal construction contributions. What we are interested in further understanding is the question of how governance was introduced in the performance of this governing function. Did they perform, as right-wing ‘small governments’ inspired by the Smithian ‘laisser faire’ concept within a minimalist legislation and administration; or as left-wing ‘big governments’ influenced by the hyper-legislation and hyper-administration that characterize this type of government (Smith, 2005; Spencer, 2005; Friedman, 2005)?

To answer this essential question in the most argumentative way possible, we will turn to the World Bank, which compiles and publishes the annual ‘Doing Business’ report. This report assesses 10 aspects of doing business in 189/190 countries of the world and is a very important document for the economies of developing countries, which need foreign investment, such as Albania (AIDA, 2019). International entrepreneurs and investors refer to that report before creating interest in investing their money and knowledge in a particular country. If we consult with it, Albania is always in the last places, and generally due to the difficulties and high costs that an individual or an entrepreneur needs to be provided by the authority with a construction permit (WB, 2015, 2018, 2019).

Regarding the indicator of construction permits, Albania in the 2015 assessment dropped 35 places from a year ago. In the evaluation of that year’s report, Albania was ranked 97th from 62nd a year earlier (WB, 2015). This negative ranking continues in the following years, and in 2018 Albania was ranked 63rd out of 190 countries for doing business easily (WB, 2018). Compared to a year ago, the country improved by two positions, while remaining the penultimate in the region. The first in the region remains Northern Macedonia, which is ranked 10th in the world and has been a strong competitor in recent years for Albania, attracting not only foreign investors (WB, 2018) but also attracting Albanian private investors. The indicator where Albania performs worse is obtaining a construction permit, in which it ranks 151st (WB, 2018), with a decrease of 54 countries from 2016.

This report, in addition to helping countries understand what needs to change to improve the business climate in the country, indirectly gives us an idea of what the level of legislation and bureaucracy is. For 2020, Albania accompanied by Bosnia and Malta were ranked last in Europe for the business climate, deteriorating 9 out of 10 indicators measured by this report. Albania was ranked 82nd globally, down 19 places compared to 2019 (WB, 2019). In addition to these negative records, Albania
is also ranked in the countries with the highest deterioration from a year ago, especially the indicator 'construction permits' has deteriorated further, dropping from 151st a year ago (WB, 2018) to the 166th country this year (WB, 2019).

The World Bank's annual 'Doing Business' reports, and their assessment of Albania in the 'building permits' indicator, prove that it is not the 'small government' inspired by the Smithian 'laisser faire' concept in the context of a minimalist legislation and administration. It was not the lack of rules or the ease of obtaining a building permit that accompanied a 'small government' that brought about the devastating construction boom we are talking about. In contrast, it was exhausting bureaucracy, high financial costs, and corrupt decision-making as characteristics of 'big government' and centralized socialism (Spencer, 2005; Friedman, 2005). As the specialized reports of the World Bank show us, the numerous regulatory barriers and high costs in time and money to obtain a construction permit have made it difficult for entrepreneurship in Albania in recent years. The World Bank's annual 'Doing Business' reports, and their assessment of Albania in the 'building permits' indicator, prove that it is not the 'small government' inspired by the smith-jan 'laisser faire' concept in the context of a minimalist legislation and administration. It was not the lack of rules or the ease of obtaining a building permit that accompanied a 'small government' that brought about the devastating construction boom we are talking about. In contrast, it was exhausting bureaucracy, high financial costs, and corrupt decision-making as characteristics of 'big government' and centralized socialism (Spencer, 2005; Friedman, 2005). As the specialized reports of the World Bank show us, the numerous regulatory barriers and high costs in time and money to obtain a construction permit have made it difficult for entrepreneurship in Albania in recent years.

The rules, technical, procedural and legal conditions that a development enterprise must face have remained in the conservative meanings of experts and public bureaucrats, who find it difficult to understand the new reality in the field of construction and urbanistic development (Aliaj, 2008). Administration and governance as a whole have not understood the new role they have to play in the reality created after the fall of the socialist system that relied on centralized planning (HIS Alumni et al., 1998). Derraj in 2008 would underline that "Regarding the construction or transformation of the territory [development enterprises], this process still continues to be based on the criteria and technical norms for the construction and transformation of territories defined in the urban literature of the '70s" (Imami et al., 2008, p. 55).

There were two causes that produced this difficulty in obtaining a building permit: the inability of officials to change their meanings and approaches and to adapt to new realities; and secondly, the preferential decision-making for construction permits, trafficking in influence, and even bribery (Aliaj, 2008; BB, 2007). In this context, the
World Bank would underline "Corruption appears as a problem especially of large cities, and especially in the construction sector" (WB, 2007). Because the 'big governments’ that the leftists consider to be the “right governments” have another characteristic; the larger they are, the greater the level of corruption in them (Spencer, 2005).

As will be stated Aliaj preferential decision-making of government officials during the transition period "if the architect / urbanist planner [architects of state administration], or decision-makers themselves want to favor a particular property, it is enough for them to determine that parcel as a construction area; maximize the utilization coefficient; to increase the number of floors "(Aliaj, 2008, p. 181), and further “Otherwise, to devalue a certain property / land it is enough to define it as a garden, school or something else with a public / social function "(Aliaj, 2008, p. 185).

Conclusions and recommendations

Although the role of government in the construction permitting function is mandatory (HIS Alumni, et al., 1998; Aliaj, 2008; Faja, 2008; Imami et al., 2008), referring to the World Bank, Albanian governments have much to do about by facilitating the technical, procedural and legal rules through which an enterprise is provided with a construction permit (WB, 2015, 2018, 2019). It was the difficulty that made the left 'big government', through its bureaucratic and corrupt characteristics, the process of obtaining a building permit, which produced about 350-400 thousand informal buildings in these years of transition in Albania (BB, 2012). If the technical, procedural and legal rules were more 'liberal', individuals and enterprises would not turn to informal construction.

But, also, formal construction would not be under the pressure of bureaucracy and corruption. Found in this pressure created by the 'big government' and its many rules and high costs, formal construction was not in competition for the best quality and price in the market, but in competition to obtain a permit. building. The difficulty of equipping one changed the target of entrepreneurs in the construction sector, and this produced major urban and environmental damage to Albanian cities during the transition.

A 'small government' driven by a liberalizing, modernizing and decentralizing approach would not have recognized so much technical incompetence and misuse of public money at this high cost in the territorial and urban dimension of the country. Construction permits must be recomposed in a simple administrative procedure, where the authority charged by law with this task, within a minimum time, responds to applicants whether their property development application is approved, conditionally approved or not approved at all. This is a very simple action if the civic demand was evaluated only in relation to the previously approved urban projects and territorial planning.
But for this to work, we would first need planning instruments, which we do not have even though we have funded them two or three times (HIS Alumni et al., 1998; Aliaj, 2008). Basically, the left ‘big government’ has no interest in making these plans, because then it would be much clearer to every citizen, owner, or entrepreneur what is being built and where it is being built. If this were to be clear to anyone, then the government official would not have what preference to offer, in exchange for the envelope with money. The same situation with building permits, if they are worth as much as a simple administrative procedure, as a liberal ‘small government’ would aim, at the same time and to the same extent the "power" of the official falls who has the "supernatural" power to give you a building permit.

Although we tried to argue that it was difficult to obtain a building permit as a presentation of ‘great governance’ and its characteristics, we think this is a topic that needs to be addressed in more depth. In this sense, we suggest scholars in the fields related to economic, legal, governance and public policy issues to address in the future this very important issue for the development of the country. We also recommend that public institutions charged by law with duties in this sector, make proposals and legal and sub-legal regulations to liberalize and facilitate the procedures for obtaining a building permit.

Bibliography


