



Responsible Land Governance: Towards an Evidence Based Approach

ANNUAL WORLD BANK CONFERENCE ON LAND AND POVERTY
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Development of Land policy in Republic of Macedonia-Why it is Important for the Country

TATJANA CENOVA MITREVSKA

Agency for Real Estate Cadastre, Republic of Macedonia

t.cenova@katastar.gov.mk

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Abstract

The Government of the Republic of Macedonia (RM) recognized development of the land policy as the opportunity to increase the protection of ownership rights, to establish sustainable management and use of land, clearly set and show its goals for utilization of the land resources of the country. Land Policy provides guidelines for planning and management of state owned land resources.

AREC has contributed to the development of the land policy in RM focusing on providing support for improvement of the government capacities, formulation and development policies required for completing of the real estate cadastre and establishing a fully functional market of land and properties. Land policy advisory committee (LPAC) was been established to secure the cooperation and coordination of all institutions that are responsible for creation and implementation of land policies in the RM.

Several land policy studies are drafted and adopted by LPAC which conducted multiple reforms in the country. The recommendations from the studies significantly improved the economy.

Increased numbers of foreign and domestic investments have a direct influence on the Government Development Agenda, improvement of the economic growth and competitiveness on a permanent basis, higher employment, higher living standards and quality of life.

Key Words:

reforms, land policy development, property market development, land based investments, improvement of the economic growth



1. Land policy in Republic of Macedonia

Through land policy, the Government of the Republic of Macedonia recognized the opportunity to increase the protection of ownership rights, to establish sustainable management and use of land, clearly set and show its goals for utilization of the land resources of the country. Through the land policy a strategy is created for conducting the Government's vision. Land Policy provides guidelines for planning and management of state owned land resources of the country.

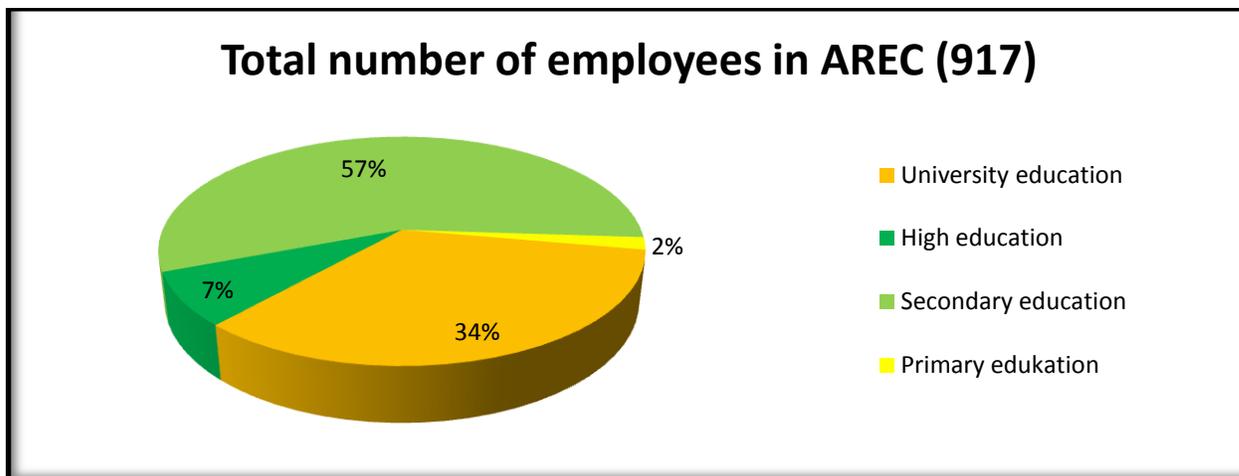
2. The role of the government

Agency for Real Estate Cadastre (AREC) was identified and take a significant part in the governmental overall program as a catalyst to transition to a market economy, supporting private investment and business creation. The basic objectives of the reforms both in RM and AREC were to build an efficient REC and registration system, which is to contribute towards development of efficient real estate markets.

AREC was first founded in 1947 as the State Authority for Geodetic Works and until today, on the basis of legislation, the institution has changed its name, authorities and competences several times. In 2008, on the basis of an institutional reform, SAGW was transformed into the Agency for Real Estate Cadastre. In 2013, a new Law on Real Estate Cadastre was enacted. AREC has a Steering Board, which comprises of five members, appointed for a period of 5 years, without a right to re-election. The General Director and the Deputy Director are appointed for a period of 5 years, with the right for re-election via public notice. The Director General is directly responsible for his work in front of the Government of the Republic of Macedonia.

AREC employs a total of 917 people with different levels of education. In terms of gender representation of employees and the management structure, the percentage is almost equally distributed, of which 47% are women and 53% men. AREC has good representation of women at senior levels in both legal and technical departments, and increasingly as managers of local offices.

AREC conducts its activities through 29 regional departments for REC, the Center for REC in Skopje and in the headquarters located in Skopje, where the several sectors are also located.



3. The Benefits from the studies

AREC has contributed to the development of the land policy in Macedonia focusing on providing support for improvement of the government capacities, formulation and development policies required for completing the cadastre of real estate and establishing a fully functional market of land and properties. Land policy advisory committee (LPAC) was established with the main goal of inter-institutional cooperation and coordination of all institutions that are responsible for creation and implementation of land policies in the Republic of Macedonia. The first structure of LPAC was composed of members from 11 institutions. AREC had the role as a secretariat of LPAC. Also LPAC was responsible to identify the issues/problems in land policy, to develop ideas and proposals for overcoming the identified issues and give proposals for creating new policies, to develop discussions and consultations for the proposed policies, to create policies by preparing studies, to adopt studies and proposed policies and to inform the competent authorities and the public in relation to the adopted policies.

3.1. Prepared studies in the area of land policy

Several policy studies are drafted and adopted by LPAC such as:

Security of tenure and the Law on survey, cadastre and registration of real rights	This study focused on the legal basis for security of land tenure within the real estate cadastre (Law on survey, cadastre and registration of ownership rights)
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	dated 1986 and modified in 1991, 2005 and 2006) New Law for REC is adopted in 2013 and modified 2014, 2015 and 2016
Access to land for investment;	This study provided an analysis of the current situation in reference to the access to land for investment as well as recommendations for the government on access to land for investment.
Land Market Study	The study provided data and information on the current status of the land and property market, including the economic condition, the history of the property market, the legal framework for property transactions, the factors influencing the demand and supply of properties in the country as well as recommendations for overcoming the obstacles and creating an efficient property market.
Illegally built buildings and illegal development	This study provided the required information to support the government in the resolution of the issue of illegally built buildings Registration of more than 133.000 illegally built objects under the new Illegally Built Objects Law was enabled), (registration of more than 150.000 illegally built objects under the new Illegally Built Objects Law was enabled)
Conditions for the Establishment of an Indemnity fund	This study analyzed the provision of the REC Law that guarantees that data registered in the REC are accurate. This study researched the potential conflict of interest, the degree of responsibility of the state, as well as the potential compensation from the proposed indemnity fund.
NSDI	The study provided recommendations for the development of NSDI activities.
Establishment of mass valuation system	The study proposed a design and development of a system for mass property valuation
Establishment of a scan center	The study proposed a design and development of a



	scan center
Establishment of registry of construction land and a centralized system for urban plans	The study proposed a design and development of a registry of construction land and a centralized system for urban plans

This policy studies conducted multiple reforms in the country such as: privatization of construction land, legalization of illegal objects, establishment of utility cadaster (cadaster of infrastructure objects), mass valuation of real estates (properties), establishment of Government geoportal, maintenance and public access to the National Spatial Data Infrastructure, Establishment and management of graphic registry of construction land, Administration of graphic registry of streets and house numbers and register of prices and leases of the properties etc. The recommendations from the studies, implemented in AREC and the other institutions responsible for development and implementation of land policy in Macedonia, significantly improved the economy and created a possibility for increased number of transactions and loans for future investments. The number of days to record the purchase or sale of property or mortgages dropped 96 percent from 30 days in 2005 to just one day in 2015. A reduction in time to register and greater volumes being processed numbers effectively lowered transaction costs to the government and the public.

AREC is in great potential for to exploit the digital information for the next level interventions, which would focus on the use of land registry and cadastre data for a variety of market economy enhancing digital services, fiscal purposes and further support to land policy reforms.

4. The impact of AREC on property market, the users of the system and society

Establishment of REC in whole territory of RM, fast and quality maintenance of REC, resulted on surpassed administrative barriers for entrance of foreign investments, developed property market, improving of legal security for domain and international investors and making decisions to invest in RM. Increased number of foreign and domestic investments, such as greenfield investments, have a direct influence on the Government Development Agenda, improvement of the economic growth and competitiveness on a permanent basis, higher employment, higher living standards and quality of life.

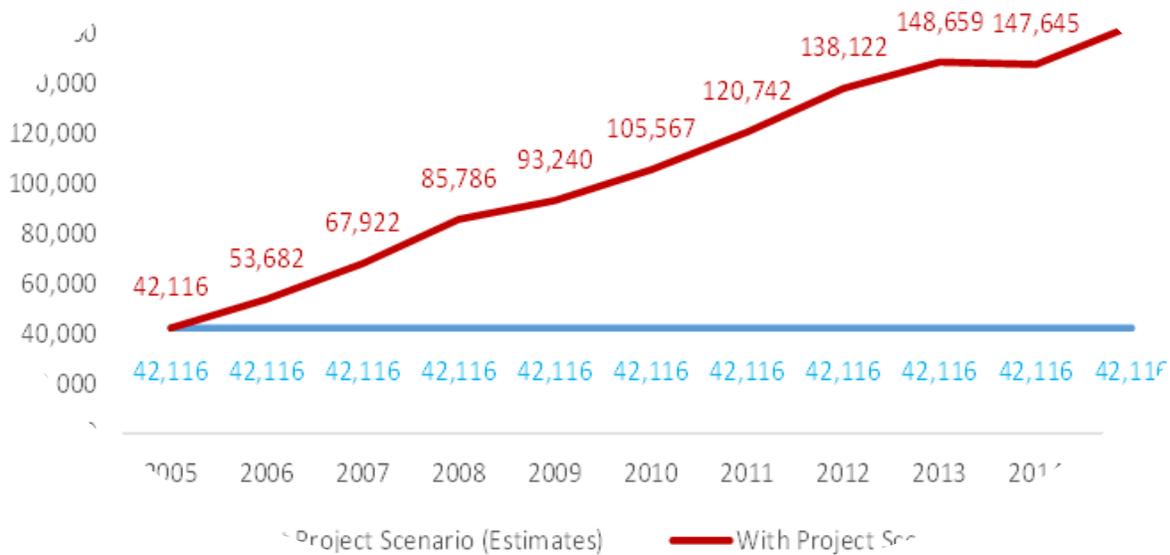


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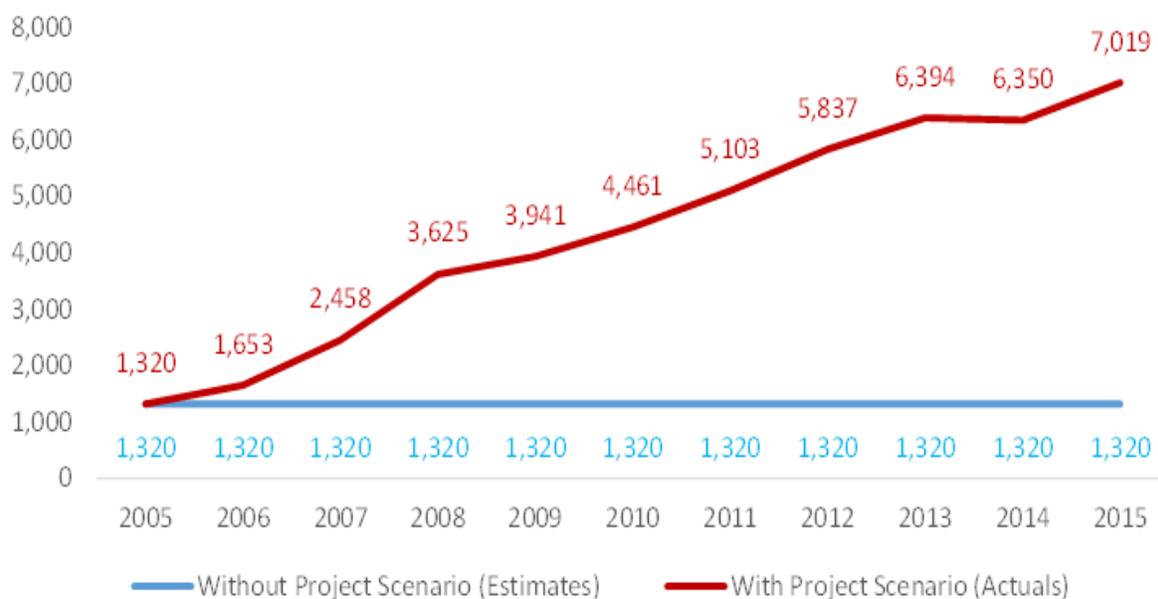
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Number of Transactions

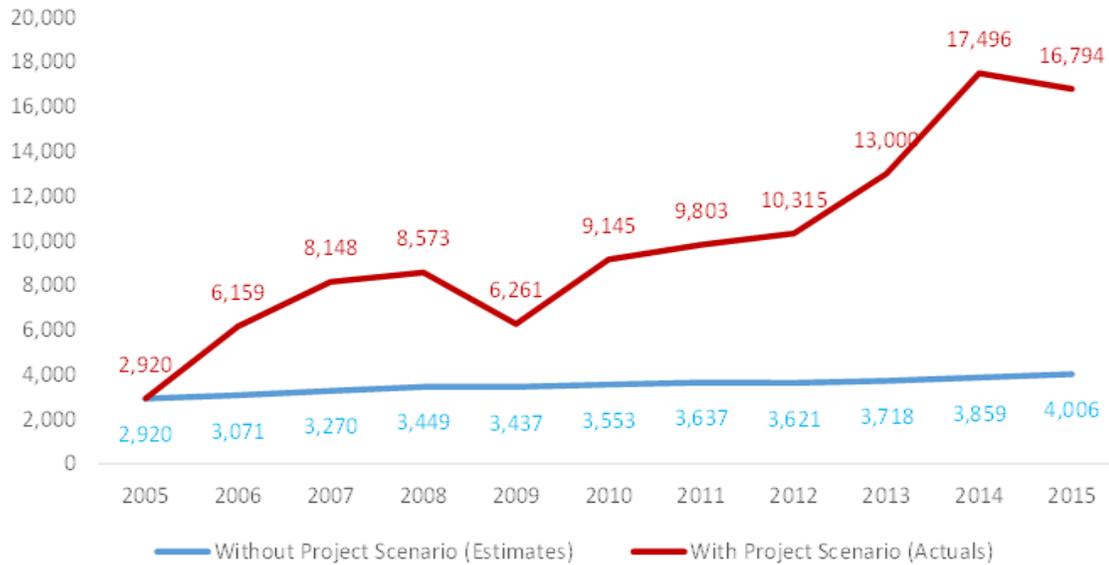


Market Turnover (USD M)

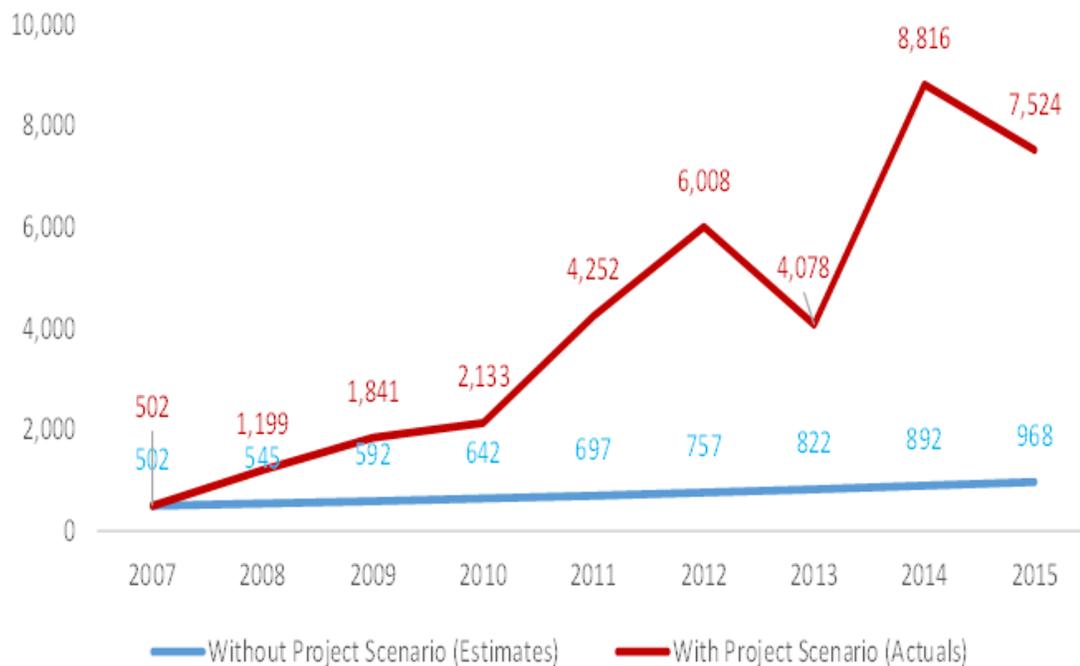




Number of Mortgages



Volume of Mortgages (USD M)





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5. Conclusions

The cadaster system and AREC are now widely recognized as a valuable asset for the real estate market growth, demonstrated by the increase not just in the number of transactions but also in the number of mortgages, both of which grew exponentially: the number of property transactions more than tripled (from 42,116 in 2005 to 147,319 in 2015), while the number of mortgages more than quintupled (from 2,920 in 2005 to 16,794 in 2015). It is noteworthy that this increase in mortgage market activity has occurred against the backdrop of an economic slowdown. Between 2005 and 2015, the mortgage volume as a percentage of GDP increased from just 6 percent to 74 percent.

In 2005 the REC covered less than 43% of the country and only 30-40% of all apartments were registered. The incomplete records and data inaccuracies led to a lack of confidence in the country's property rights system which in turn had a negative effect on private sector development, foreign direct investment, housing finance and credit market growth.

In 2015, the market looks entirely different. Together, the greater number of transactions of properties leads to an increase in the market turnover. The numbers of property transactions have increased 287% from 42,116 in 2005 to 163,186 in 2015. Similarly, the number of mortgages has increased 475% from 2,920 in 2005 to 16,794 in 2015. Despite the slowdown from the Global Financial Crisis, the volume of mortgages has surged by a factor of almost 15 times from \$502 million in 2007 to \$7.52 billion in 2015. The indexed volume of mortgages (in any given year) vs. GDP at current prices, show the accelerated development of the mortgage market under difficult economic conditions. The volume of mortgages in a given year as percentage of GDP has increased from just 6% in 2007 to 74% in 2015.

6. References

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