Securing Property Rights and Increasing Real Estate Productivity in FYR Macedonia

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Key Messages

- Before 2005, FYR Macedonia did not have a well-functioning property registration system and citizens did not have secure property rights.

- Since the start of the World Bank-funded Real Estate Cadastre and Registration Project (RECRP) in Macedonia in 2005, registered property transactions in the country have increased by 121%; there were 93,240 registered transactions in 2009 compared with 42,116 in 2005.

- Annual mortgages registered in the land administration system doubled from 3,000 in 2005 to more than 6,000 in 2009, demonstrating a substantial increase in the use of ownership rights as collateral. Over 30,000 mortgages have been registered since the commencement of the RECRP in FYR Macedonia.

- In 90% of registration offices in the country, the Project helped reduce the time to register a sale transaction to five days or less—down from 60 days in 2004.

- At the end of 2009, there were 248 accredited private surveyors and 100 registered surveying companies providing services directly to citizens in FYR Macedonia—up from 14 private surveyors and no registered surveying companies at Project commencement.

Efficient Land Administration Encourages Property Markets

The transition to market economy and the widespread privatization of land and immovable property between 1989 and 2000 made it necessary for countries in the Europe and Central Asia (ECA) region to develop effective land administration systems. World Bank-funded projects assisted in creating these systems which have helped encourage the growth of active property markets in the region.

Photo Credit: World Bank staff. 2010.

It has been estimated that real estate markets may contribute as much as 15% of GDP in developed countries, while the share of global capital stock represented by real estate is estimated at two-thirds. Therefore, creating stable, transparent and efficient real...
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estate markets is necessary for both private and public sector development in ECA. Transparent and efficient land administration systems (including cadastre and registration) are necessary infrastructure to support land markets. The World Bank-Funded RECRP in Macedonia builds on experience and lessons learned throughout ECA and the world on how to build effective land administration systems.

**Macedonia’s Land Administration System was Out-of-Date**

In 2001, FYR Macedonia emerged from an internal civil conflict and embarked on a path of greater economic growth, including seeking EU and NATO membership. At the time, less than half the country’s territory was covered by a secure property registration system; real estate cadastre and land records were significantly out-of-date. More than 70% of apartments were not registered at all. The registration process usually took between two and six months. The real estate cadastre covered less than 43% of the country and lack of secure titles made mortgage financing difficult or impossible for most citizens. Contributing to the insecurity was the fact that many property sale transactions were unregistered; this also deprived the Government of fees and tax revenues. Additionally, uncertain property rights and weak land registration services created significant constraints to foreign investment.

**Implementation of RECRP in Macedonia**

The World Bank-funded RECRP in Macedonia, which became effective July 8, 2005, was designed to build an efficient and effective real estate cadastre and registration system, improve service delivery, and build institutional capacity and human resources within the Agency for Real Estate Cadastre (AREC) in Macedonia.

The main objective of the Project is to contribute to the development of efficient land and real estate markets. The World Bank team works closely with the main implementing agency, AREC. Other key Government partners include the Ministry of Finance and the Ministry of Transport and Communications.

A Land Policy Advisory Committee (LPAC) has been established to oversee and support investigation of land policy issues of interest to the Government more broadly. Several key land policy issues have been investigated by the LPAC, including:

- access to land for investment,
- effective management of state land and property, and
- illegal building and informal development.

The studies have:

- provided recommendations and actions for follow-up by the Government,
- led to new and amended laws,
- improved implementation of existing laws and regulations, and
- created a better understanding of impediments to developing the economy.

Key development partners include the Swedish International Development Agency (SIDA), the Netherlands, the Japan International Cooperation Agency (JICA), and Norway. All of them provide or have provided grant funds in parallel with the main World Bank-financed project to support AREC in a number of areas including, capacity building and training, strategy, mapping, national spatial data infrastructure, and information technology.

With the completion of the real estate cadastre nationwide, the priorities of the Government and AREC are shifting to further enhancement of data sets and data quality and accessibility. An additional financing loan of 9.0 million euro, finalized in April of 2010, supports the Government and AREC in further enhancing the registration and cadastre services by upgrading AREC’s national data sets in terms of accuracy, completeness, and accessibility. In the age of information and communication technology, major technology bottlenecks for such enhancement are:

- the paper format of the cadastre maps and obsolete manual methods for cadastre map maintenance and service delivery; and
- the incomplete, outdated and eroded national geodetic reference infrastructure which forms the foundation of any national spatial data infrastructure (NSDI) and improves the accuracy and efficiency of cadastral and land surveys.
Results Achieved by RECRP

The World Bank-Funded RECRP in Macedonia has helped contribute to increases in registered transactions and registered mortgages, cadastre coverage, and service improvements, among other achievements. The Government counterpart, AREC, has taken full ownership of the Project and reform program.

Increased Cadastre Coverage and Registered Transactions

Since 2004, when the Project was first prepared, real estate cadastre coverage of the country has grown from 43% to 99%.

Registered transactions increased by 121% over the course of the Project (Figure 1). There were 93,240 registered transactions in 2009 compared with 42,116 in 2005, demonstrating improved trust in the system and increasing Government revenues from fees and taxes.

Service Improvements

In 90% of registration offices in the country, the Project reduced the time to register a sale transaction down from 60 days in 2004 to five days or less by 2009. Consequently, increased customer satisfaction was observed based on surveys conducted in 2005 (scored 2.7 out of total 5.0) and 2009 (scored 3.67 out of total 5.0).

Private Sector Development

The Project supported the implementation of the Law on Land Survey, Cadastre and Registration of Real Estate Rights, which allowed for the development of private sector surveyors. The Project has supported this new sector with training and small contracts—at the end of 2009, 248 accredited private surveyors and 100 registered surveying companies provided services.
directly to citizens. At the start of the Project in 2005, there were 14 private surveyors and no registered surveying companies.

**Improved Governance**

The Project has also supported improvements in the governance of the land administration system, including the creation of a customer bill of rights, public awareness campaigns, establishment of a customer hotline for complaints and reports of corruption, and improved office premises to improve customer relations and separate front office and back office operations. Extensive training of staff has helped improve services and reduce corruption. Customer surveys continue to show decreases in the number of respondents who would offer money or gifts to cadastre officers in order to solve their problems: from 12% in 2006 to 10% in 2009.

- **Changing the physical layout of the land agency offices is an effective way to improve governance in the land sector:** A back office/front office model separates customers from professionals processing their applications, reducing the risk of corruption. In addition to introducing this feature in all of the AREC local offices, all customer reception areas in the local offices include information reception areas with the fee structures and other public information about service standards.

- **By collaborating early with AREC on the outcome indicators, the World Bank team received realistic measurements of inputs and outputs, and began the discussion on outcomes and efficiency measures.** These statistics are important for both the Project and the involved institutions. Having the data allows AREC and the Government to measure progress in completing the cadastre and improving customer service. Strong collaboration with AREC was valuable in the design and effective use of monitoring and evaluation data.

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Lessons Learned from RECRP in Macedonia

- **In order to have a significant impact on policy, a project should include a dedicated policy component in the initial project design.** The RECRP is one of the few land projects in the region with a dedicated land policy component and this has been crucial for introducing legal changes that have contributed to tenure security. This component produced four studies and many of the recommendations have been taken up by the Government, including improving the legal provisions for the security of registered rights and establishing an indemnity fund.

- **Moving Forward**

  High-level Government commitment and interest were essential in completing the RECRP in four-and-a-half years. The Government monitored the Project closely and provided strong support to AREC. Thanks to this high-level interest and strong agency performance, the World Bank recently approved 9.0 million euro in additional financing to support:
  - digitization of existing cadastre maps and plans;
  - provision of this graphical information in a web-based geographic information system (web-GIS)
to facilitate access to information by citizens, the private sector and the public sector;

- upgrading the geodetic reference infrastructure to improve accuracy and efficiency of surveying;
- the Government in preparing a strategy and implementing NSDI; and
- the Authority for Legal and Property Affairs (ALPA) within the Ministry of Finance by: providing technical assistance, training, automation of business processes, creation of a digital record keeping system and equipment, and office renovations for modernization and improvement of services to citizens.

*Photo Credit: World Bank staff. 2010.*

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