

MACEDONIA



**Report based on Exchange Programme documents provided by
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Short Overview of the Land Market Situation in Macedonia

“The legislation in Macedonia has changed significantly during the last 10 years. Presently, the conditions to buy and sell land or any kind of real estate are very beneficial; thus the number of transactions is gradually increasing. In addition, there is an existing liberalized land market, the taxes on transactions are decreasing, people are more and more interested in owning their properties and the conditions for foreign investments are excellent.”

1 General Information

1.1 Geography

The climate of The Former Yugoslav Republic of Macedonia is warm, with dry summers and autumns and relatively cold winters with heavy snowfall. It has a mountainous territory covered with deep basins and valleys, and it has three large lakes, each divided by a frontier line; the country is bisected by the Vardar River. The lowest point is Vardar River (50 m), and the highest point is Golem Korab (Maja e Korabit) with 2,753 m.

The land use is divided into arable land: 22.26%, permanent crops: 1.81%, and other 75.93% (2001). It has an area of 550 sq km of irrigated land.



1.2 Location, Population and Economy

The Former Yugoslav Republic of Macedonia is situated in Southeastern Europe, north of Greece, and has a total territory of 25,333 sq km, of which 24,856 sq km is land, and 477 sq km is water.

Its border countries are Albania with a 151 km borderline, Bulgaria with a 148 km borderline, Greece with a 246 km borderline, Serbia and Montenegro with a 221 km borderline. According to July 2004 est. the Former Yugoslav Republic of Macedonia has a population of 2,071,210 people, mainly consisting of Macedonians (64.2%). There is a substantial minority of Albanians 25.2%, and smaller groups of Turkish (3.8%), Romas (2.7%), and Serbs (2002).

The Former Yugoslav Republic of Macedonia is a parliamentary democracy. At independence in September 1991, Macedonia was the least developed of the Yugoslav republics, producing a mere 5% of the total federal output of goods and services. The collapse of Yugoslavia ended transfer payments from the center and eliminated advantages from inclusion in a de facto free trade area. An absence of infrastructure, UN sanctions on Yugoslavia, one of its largest markets, and a Greek economic embargo over a dispute about the country's constitutional name and flag hindered economic growth until 1996. GDP subsequently rose each year through 2000. However, the leadership's commitment to economic reform, free trade, and regional integration was undermined by the ethnic Albanian insurgency of 2001.

The economy shrank 4.5% because of decreased trade, intermittent border closures, increased deficit spending on security needs, and investor uncertainty. Growth barely recovered in 2002 to 0.9%, then rose to 2.8% in 2003. Unemployment at one-third of the workforce remains the most critical economic problem. The gray economy is estimated at around 40% of GDP. Politically, the country is more stable than in 2002.

By 2003 estimates it has a purchasing power parity of \$13.81 billion, which is \$6,700 per capita. The GDP's composition per sector is agriculture 11.3%, industry 32.1%, and services 56.6% (2003 est.).

2 Land Administration and Land Management

2.1 Land Titling and Registration

The land use cadastre was established in Macedonia in 1929, based on classical geodetic survey conducted from 1929 to 1933, and aerial photogrammetric survey (1954 - 2004). In 1990, 95 % of the territory has been registered according to the *Law of Land Cadastre* (see figure 2). Besides land use and real estate cadastre there are described cadastre for un-measured regions. Within the next 6 years the land use cadastre is expected to be replaced by the real estate cadastre.



Figure 1) Survey graphic illustration of the survey types in Macedonia

Land use cadastre exists for about 50% of the territory of the Republic of Macedonia. The resulting document is the *land use list*, which makes it possible for the user to make transactions of the land, despite the lack of written ownership right or a valid document for the land. The name of the user(s) is recorded during the survey procedure and the cadastre is then treated as the evidence of the usage.

In 1986, according to the *Law of survey, cadastre and real estate registration rights*, the process of establishing the *real estate cadastre* started. Before the process began, the surveying and cadastral maps had to be completed. Today, the real estate cadastre is established for 44% of the territory (see figure 3).



Figure 2) Territories in which real estate cadastre is implemented

The final document for the real estate cadastre is the *real property list*, which includes four types of data:

- Part A:** personal data about the owner
- Part B:** data about the parcel
- Part V:** data about the building
- Part G:** data about loan and other limitations (mortgages, right of rent).

5% of the territory is classified as “*un-measured region*” meaning that there is no precise graphical data but described cadastre only. Land transactions of these parcels are managed based on the deed, (Turkish deed of ownership).

2.2 Roles of the Public and Private Sectors

The land market is dominated by the public sector in Macedonia. The responsibilities are divided as follows, see table 4:

Responsible Government	Tasks
The State Authority for Geodetic Works	Administrating the cadastral land registration system, register all transactions
The Ministry of Agriculture	Administrating the rental of the state-owned land
The Ministry of Finance, Property and Legal Affairs Administration	Selling the state-owned land
The Ministry of Finance, Public revenue office	Possess data about transactions, making the valuation process
The Ministry of Transport and Communication	Transform rights of usage into ownership rights. Issue building license (permission for building the house)

Table 2) Role of the Public sector in Macedonia

For further information about the tasks and responsibility for the State Authority for Geodetic Works see chapter 3.

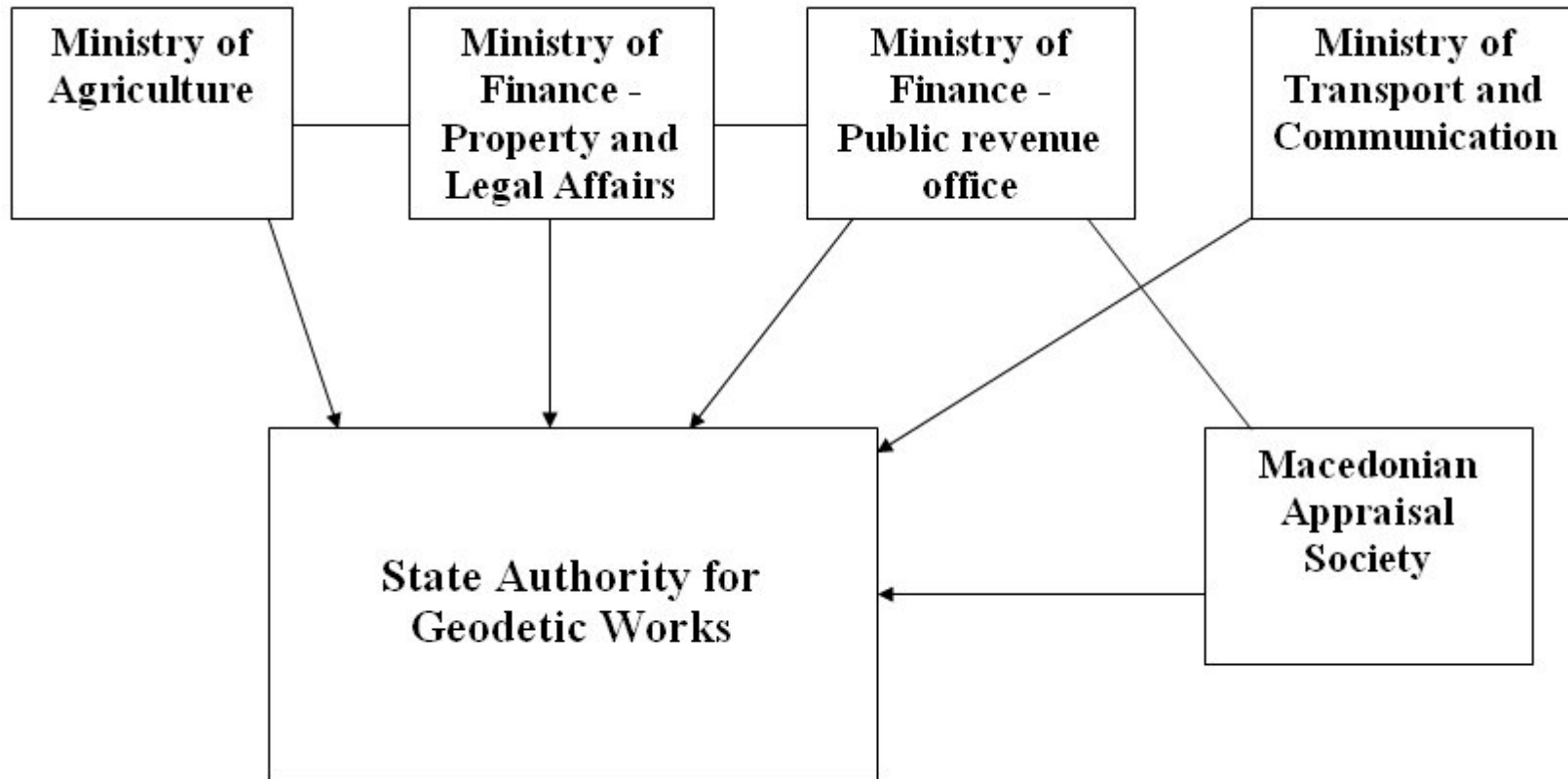
The private sector’s involvement in the land market in Macedonia is shown in table 5.

Responsible Organization	Tasks
Private real estate companies	Selling land and buildings
Macedonian Appraisal Society	Valuation process
Private notaries	Transactions

Table 3) Role of the Private sector in Macedonia

Private geodetic (cadastre) companies do not exist yet but there are plenty of private agencies in the real estate market, responsible for selling land and buildings. The valuation process is carried out by the State Institution Ministry of Finance (Public Revenue Office); while private persons associated in Macedonian Appraisal Society are involved in the process as well.

The notaries in Macedonia have their own notaries’ chamber. They are responsible for the validity of all transactions and contracts. They conduct reviews of the documents (including sales or lease contracts), issue ownership documents and approve of the transaction’s document package. Based on the documents created by the notaries, all transactions in real estate cadastre are registered in The State authority for geodetic works.



Organisational Structure

3 Ownership Structure

3.1 Land Ownership

There are no restrictions for selling and buying land. Furthermore, there is no limitation for merging or splitting parcels resulting in fragmentation or consolidation of the land, and there are no farm size limits in either. The same rules apply for both urban and rural areas.

Private ownership of land is a legal reality in Macedonia. The constitution of 1991 guarantees the right to own, inherit and sell land. The new legislation in Macedonia also implies an approach to a free market of the land. For instance, the *Law of urban land* makes it possible to transform the right from land use to the right of ownership.

The denationalization process of the land started in 2000. According to the *Law of denationalization*, the property that was taken from the owners in the 1950's must be returned to the original owners. Regarding the possibilities for foreigners to own land, Macedonia is currently trying to dissolve the existing barriers to establish a free market.

3.2 Land privatization and Farm reorganization

State-factories and companies that previously were state-owned have now been privatized in line with the *Law of Privatization*. Thus, the institute of social property is gradually disappearing.

The agricultural land used to be farmed and owned by so-called agrokombinats. The transition process of the state capital and the agricultural land started a few years ago and have now become the property of the State. The Ministry of Agriculture is authorized to construct contracts to rent this land.

3.3 State-Owned Land Reserves

The State still has a reserve; i.e. the land is owned by the state. The procedure of selling the land to the citizens has started, for which the Ministry of Finance-Property and Legal Affairs Administration has been authorized to proceed. Domestic or foreign individuals as well as firms are present users and they can buy or rent this land. The main by-Law is the *Declaration for the way and procedure of selling the urban (builded) land in state property*. The same rule exists for the agricultural land, which currently is state property. The Ministry of Agriculture is entering into contracts with private persons to rent state-owned land.

3.4 Land-Use

The land-users of urban areas can transform their rights of usage into ownership rights. The Ministry of Transport and Communication is responsible for this process. A territory without a transformed right of use to ownership (if there is no legally built building on it) cannot be sold.

3.5 Land Liquidity and Land Transactions

In general, the price of the agricultural land is very low while the price of the land in urban areas tends to be high. Due to the economic situation, people can't buy large parcels in the urban area. The price of the parcel or the building is given by Private real estate agencies.

The Ministry of Finance (Public revenue office) is maintaining and providing statistics about the number of transactions. All the transactions occurring in land use or real estate cadastre are

registered based on the request of the users/owners. The number of transactions is increasing year by year due to both the liberalizing market assured by the new legislation and the suitable price of land. Another reason worth mentioning is the reducing taxes on transactions. The government aims to make people more interested in trading real estate/land, as this process will help developing the land market.

The number of transactions in urban areas (especially in the city of Skopje) is much higher than in the agricultural areas. There is only inheritance as a type of transaction regarding agricultural land, and people may also lease land, which is in contradiction with the price of land being so low. The price of land in urban areas, on the contrary, is higher and it is also possible to loan money to buy either urban land or real estate.

In Skopje, transactions, - if the property rights are settled -, may extend to 3 months. In other cities, the transaction time is 1 month.

3.6 Mortgage

The number of mortgages is growing since the Macedonian banks are more open to lending and providing good credit to buy land/real estates. Moreover, the security of registration has been improved. The new *Law of contractual pledge* from 2004 deals with the issues of regulations and registration of the mortgages. The legislation aims at supporting people in carrying out more and more transactions. In the past, registration of the mortgage was not possible, which was the reason why mortgage lending was not functioning. Currently the registration of the mortgages in the real estate cadastre is obligatory (in areas where the real estate cadastre is established).

Information about mortgages and rents can be obtained from the branch offices of the State Authority for Geodetic Works where real estate cadastre has been established. In those cadastral municipalities where land cadastre exists, you may access data about mortgages from the courts, while data about rents is handled and provided by the Ministry of Agriculture. The sale contracts and mortgages are prepared by the notaries. They are also responsible for verification and the registration procedure in authorized institutions.

4 Description of the State Authority for Geodetic Works

The State Authority for Geodetic Works (SAGW) is a state institution in charge of all activities regarding surveying and cadastre of land through the entire territory of Republic of Macedonia. Their mandate is based on the *Law of Organization and works of governmental institutions* and the *Law of survey, cadastre and real estate registration rights* from 1986-1991. The usage and the keeping of the data about surveying and real estate cadastre is regulated by the *By-law of keeping and using the data of surveying and real estate cadastre*.

4.1 Mission

The institute's mission is to develop and maintain the real estate cadastre as a safe, efficient and reliable system for geospatial data and data about the real estate rights in Macedonia. Moreover, SAGW strive for being the most professional, efficient and reliable public service in Macedonia. The survey is an activity for forming the base of the land registry, which includes geodetic maps and cadastral books. There are several types of survey: old survey (until 1928), aerophotogrammetry survey and un-measured regions. The ultimate objective of SAGW is the establishment of the real estate cadastre throughout the entire territory of Macedonia.

4.2 Organizational structure

918 persons are employed at the SAGW. The organizational structure is defined by the *By-law of organization and systematization of working place*. The hierarchic order is: General Director, followed by the Deputy director and 8 state advisors for geodetic or legal works.

There exists six sectors, each lead by the head of the sector. Furthermore, each sector includes several departments, lead by the head of the department as described below:

- 1) Sector for Reference Networks, Photogrammetry, Programming and Analysis
- 2) Sector for surveys
- 3) Sector for Registration of Real Rights, Cadastre Maintenance and Control (includes 29 branch offices all over the territory which are responsible for the cadastral municipalities of its area.)
- 4) Sector for the Surveys and Cadastre for the City of Skopje
- 5) Sector for the Cadastre Information System
- 6) Sector for Human Resources, Legal, Financial and Accounting Works

For an overview of the organizational structure at the State Authority for Geodetic Works, please see scheme 6.

STATE AUTHORITY FOR GEODETIC WORKS INTERNAL ORGANIZATION

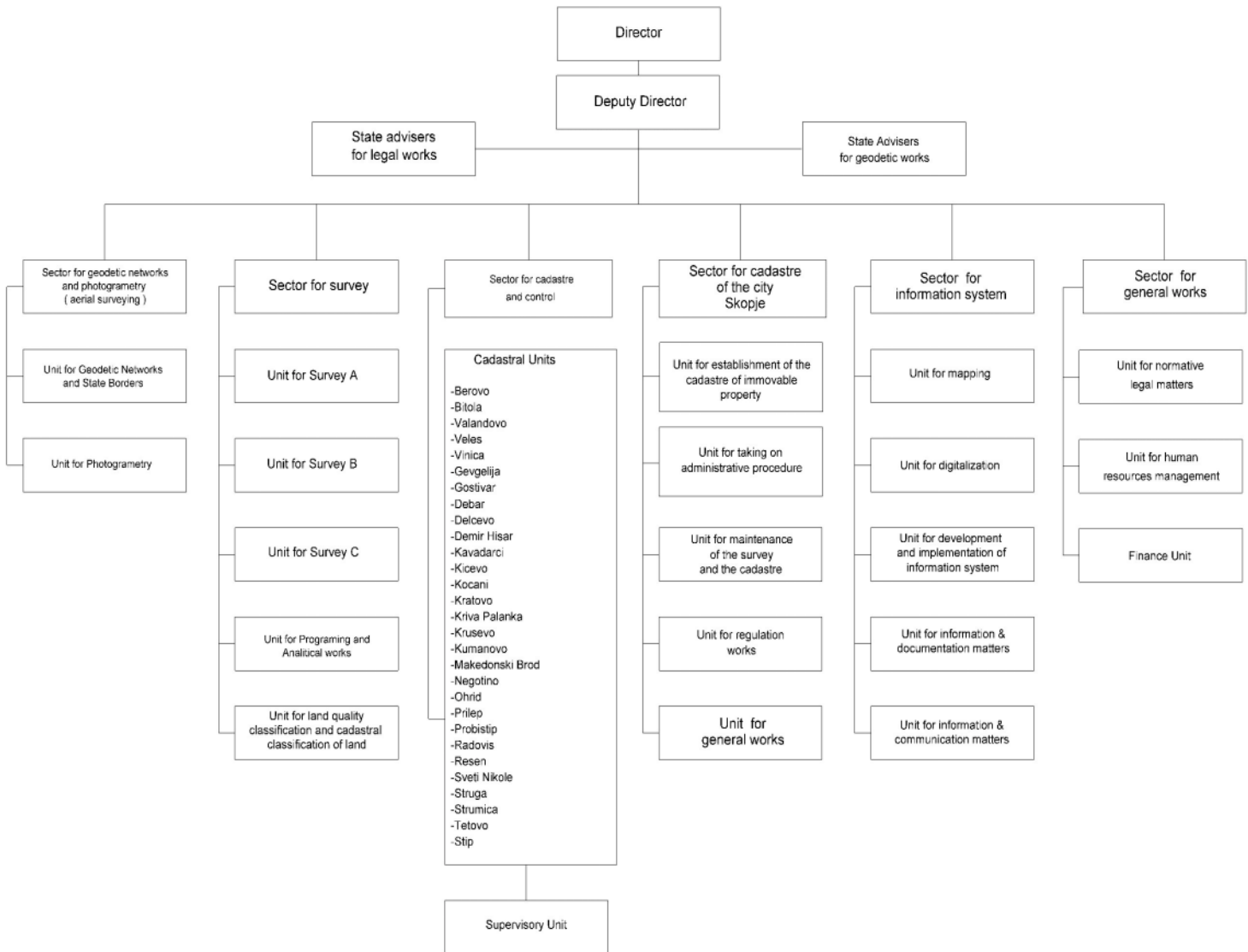


Figure 3 Organizational Structure of the State Authority for Geodetic Works

4.3 Decision-making process

The general director of the State Authority for Geodetic Works is appointed by the government of the Republic of Macedonia. He/she represents the State Authority for Geodetic Works before the government, the parliament, the courts, all of the ministries and the other governmental and private institutions. The general director makes decisions about the special works on requests from ministries, governmental institutions, private organizations, projects, etc. when a lot of data and more engagement from the employees are required. The daily work is done by the employees according to their qualifications and described in the *By-law of systematization at a working place*.

4.4 The procedure of finding data in the cadastre

Citizens, wishing to obtain registry related data, need to be registered themselves in the cadastre for being able to receive data. The procedure is longer (2-3 months) for unregistered citizens; otherwise the time is very short (1 week). A person or an organization may receive information from the cadastre of real estate or the cadastre of land use. From the cadastre of real estate, information on the name of the owner, the mortgages and the real estate property of the parcel and buildings can be released. Regarding the information from the cadastre of land use, the customer may obtain data about the name of the land users and about the parcel. The cost for the request is a standard administrative tax.

Special requests for data can be delivered from the ministries, institutions, private organizations and projects. The decision whether to process this request is made by the general director. For using this kind of data, all of the users must pay some tax, according to the *By-law of keeping and using the data of surveying and real estate cadastre*.

4.5 Geodetic Works for special purposes

Besides maintaining and establishing the land use and real estate cadastre, The State Authority for Geodetic Works has been holding a monopoly over the special geodetic works, despite the fact that this was not its original function described by the law. The geodetic works for special purposes are:

- Preparation of geodetic plans for the needs of the special land trimming when the scale or
- The contents of the existing plans do not serve the purpose; preparation of ortho-photo plans; digitalization of the existing analogue plans; the process of parcel the construction land during the implementation of the urbanization plans
- Geodetic measurements during the implementation of the changes in the proprietary-legal
- Relations of the land in the procedure of expropriation and land redistribution
- Geodetic works for establishment of a real estate cadastre;
- Transferring data on the field of urban and other plans and designs during their implementation
- Geodetic expertise
- Preparation of maps in smaller scales and thematic maps
- Geodetic works in engineering technical areas.

4.6 Link between different institutes

The State Authority for Geodetic Works maintains a database utilized throughout the whole institution and also for projects dealing with real estate related data. The demand for data is gradually increasing. There is a link between the State Authority for Geodetic Works and the Central Registering Institute functions for several municipalities according to the *Law of central register*.

5 Problems Related to the Land Market

In Macedonia, there are several of on-going projects that strive for improving the land market situation and its related problems. However, there is a future need for additional projects to solve the existing problems. These problems have been defined along with the possible solutions:

5.1 Low number of transactions

At present, the interests on loans and credits in Macedonia are high. Furthermore, they don't correspond to the citizens' economic conditions and wealth. Thus, to increase the number of transactions, it is necessary to adjust the interests on loans and credits.

5.2 No existing private geodetic companies

At present, there are no private geodetic companies in Macedonia. However, a strong effort is made and a new law has been passed opening an opportunity to the establishment of private companies within the geodetic field. It will be necessary to provide complementary education to the personnel placed with these companies; for instance training in managing, preparation of procurement, documentation and the use of new technology.

5.3 A slow registration process

The land registration process is recognized to be slow. There is a need for active promotion of the cadastral data in the procedures of transactions, insurance and other actions alike, with the purpose of making the process of real estate registration faster and smoother. In addition, there is a need of social assessment and customer survey in an attempt to satisfy the customers who currently are disappointed with the long process.

6 The process of further development of digital geographical data in Macedonia

6.1 Legal framework

The digitalization process started in 1997. The digital geodetic maps are produced in accordance with the *By-law for making originals of geodetic maps*. The digital topographic key (library for topographical symbols) is raised in this By-law.

6.2 Existing geodetic maps in Macedonia

As mentioned before, digital geodetic maps cover 95% of the territory. The digital data is stored with accuracy. Three types of geodetic maps are produced on different scale:

- 1:1000 for the urban area
- 1:2500 for the rural area
- 1:5000 for the mountain area.

6.3 Method of producing new digital geodetic maps

Currently, Macedonia is in process of digitalizing the past 1995 survey. Digital geodetic maps for 54 cadastral municipalities have been produced, which is 2.4% of the territory. There are two possible methods to prepare the new digital geodetic maps:

- 1) Direct production of the digital data from the analytical photogrammetric station using the software PAT-B, ORIMA-TB, MICROSTATION-SE. Based on aerial photos, the digital data is collected with very high precision.
- 2) Digital data produced by digitalization of analogue maps. The procedure is the following:
 - Scanning of analogue maps with the scanner
 - Geo referencing with the software IRAS-B
 - Digitalization with the software MACROSTATION-SE

6.4 Producing the digital geodetic maps from the analogue maps

The existing analogue cadastre maps (these were produced based on the survey done between 1928 to 1994), which are used in cadastre, are not yet completely digitalized, but expected to be completed. Potential problems may arise from the insufficient quality of old maps that have been used for a long time and might be damaged. There is also a need for a plain scanner for being able to scan the maps.

Biographical Notes

Ms Sonja Dimova and **Tatjana Cenova** are state advisers at the State Authority for Geodetic Works. Ms Dimova is responsible for photogrammetry, digital cadastre maps and data. Ms Cenova is adviser on legislation for real estate cadastre.

