1. Key development issues and rationale for Bank involvement

Owing to its difficult history over the last 60 years, the legal status of ownership and land use in Former Yugoslav Republic of Macedonia (FYR Macedonia) remains unclear, as is the case in many of its neighboring countries. Confidence in the registration and cadastre records is low and the records are significantly out-of-date, and 60-70% of apartments are not registered at all. Property ownership is currently not registered consistently in any central place: notaries maintain a record of transactions they are involved in, but this information is not publicly available; municipal courts are only used to record mortgages, and rarely for recording property transactions; and the cadastre agency maintains a land cadastre and is in the process of establishing a real estate cadastre.

The recent Foreign Investment Advisory Service (FIAS) study and the 2003 Country Assistance Strategy (CAS) both outline uncertainty of land title as a major constraint to investment in FYR Macedonia. The lack of confidence and difficulty caused by incomplete records has negative effects on private sector investment and development of the economy overall: many land transactions are not registered, and cadastre and other records (courts, notaries) are incomplete and out-of-date leading to uncertainty and a lack of trust in the property markets. Another direct consequence of unclear property rights is the constraints on collateral and mortgage financing making it difficult for citizens to mortgage and transact property.

The Government of FYR Macedonia (GOM) has already begun to address the problems in this
sector by establishing a modern real estate cadastre (REC) and the development of modern and transparent processes for title transfer and permits. Progress however is slow and in 10 years only 44% of the territory has been registered in the new REC, and only two out of the total 1,870 cadastral municipalities have been completely covered. Overall there are fundamental technical flaws in the procedures.

2. Proposed objective(s)

The development objective for the project is: to improve public confidence in tenure security, and lower transaction costs by building more effective land registration and cadastre systems in FYR Macedonia, contributing to the development of efficient real property markets. The focus of the project will be on establishing the real estate cadastre (REC) across the territory of FYR Macedonia in an accelerated timeframe in order to clarify ownership and promote tenure security.

The project would also seek to improve the processes and procedures of the State Authority for Geodetic Works (SAGW) to provide efficient registration services through the establishment, implementation and monitoring of minimum service standards of property registration transactions. Business process improvement, records management, automation and IT will all contribute to improved service delivery and legal security for all property owners. Other beneficiaries would be real estate professionals, notaries, lawyers, surveyors, bankers and others involved in the property market. The project will also improve transparency and accountability in real estate cadastre.

3. Preliminary description

The proposed project includes five possible components:

a) **Establishing the REC** This component would support SAGW in completing the REC throughout the territory of FYR Macedonia.

b) **Operational Development and Support** This component would support the on-going operations of the REC and registration functions of SAGW and the delivery of quality services to all constituencies. It would modernize the REC system, focusing on improving the ongoing real property registration system with quality customer service.

c) **Capacity Building and Institutional Strengthening** This component would provide institutional development and capacity building to SAGW and other relevant groups/institutions.

d) **Development of Land Policy and Regulatory Framework** This component will assist the government to undertake policy analysis and studies in land policy issues related to land administration and management which are affecting the implementation of the project and the development of efficient land markets.

e) **Agricultural Land Use Monitoring** This component, to be managed by Ministry of Agriculture (MOA), would develop a system for agricultural land use monitoring using available cadastre and other data - including data from SAGW - that could be further enhanced as FYR Macedonia moves toward EU accession.
4. Safeguard policies that might apply
The projects compliance with the Bank’s safeguard policies has been reviewed to ensure that all potential issues have been taken into account in the project’s design, and it has been concluded that no Bank safeguard policy is triggered by the proposed project. The environmental category rating is C, and a full EA is not required. Under the PHRD Grant currently under implementation by the Borrower, an International Environmental/Land Use Specialist has been contracted and will perform a limited environmental and land use assessment.

Several other specialists under the PHRD (including a land lawyer, institutional specialist and others) will review the legal and institutional framework and help to mitigate other safeguard policies.

A social assessment and customer survey will be performed under the preparation PHRD grant to determine both benefits to and unintended consequences of the project.

5. Tentative financing
Source: ($m.)
BORROWER 1.5
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT 15

Total 16.5

6. Contact point
Contact: Wael Zakout
Title: Lead Operations Officer
Tel: (202) 473-3537
Email: wzakout@worldbank.org