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PROGRAMME OF WORK FOR 2010–2011

LAND ADMINISTRATION REVIEW: BULGARIA

I. GENERAL INFORMATION

A. Physical context

The Republic of Bulgaria is situated in the Balkan Peninsula, in the South Eastern part of Europe. The state borders of Bulgaria cover a total length of 2,245 kilometers. Its northern border with Romania, which runs along the Danube River, is 609 kilometers long. The west coast of the Black Sea constitutes the entire Eastern border of Bulgaria, measuring 378 km. The Southern part borders on Turkey (259 km) and Greece (493 km), and the western borders, Serbia and the Former Yugoslav Republic of Macedonia, measure 341 and 165 square kilometers, respectively. The country covers an area of 110,993.6 km².

Bulgaria is a land of mountains, rivers, and rolling plains. Its two main mountain ranges are the Balkan Mountains called “Stara Planina” (old mountains in the native language) and Rhodope Mountains. The Balkan Mountains, after which the Balkan Peninsula is named, stretch from the Northwest part of the country, running southwards to the Sofia Basin in west central Bulgaria, and extends East towards the Black Sea. The Rila-Rhodope Massif includes Rhodophe, Rila and Pirin Mountains. The Mt. Musala of Rila range, with its 2,925 meter peak, is the highest in the Balkan Peninsula.

The principal river draining Bulgaria is the Danube, running across the Northern border. The Iskur River, the longest river within Bulgaria, flows northward from the Rila Mountains and through Sofia before joining the Danube River. The Maritsa, the other major river, flows eastward from the Rila Mountains before crossing southward in Southeastern Bulgaria, defining the border between Greece and Turkey.

The national capital of Bulgaria is the city of Sofia, which is located in the Western part of the country. It is by far the largest and most populous city of Bulgaria, and the chief political, cultural and commercial center. Plovdiv is Bulgaria’s second largest city. It lies at the center of an agricultural region in Southern Bulgaria, and it is a center for the food processing industry. The third largest city, Varna, is located at the Black Sea coast and it is the country’s principal seaport.

B. Population

According to Bulgaria’s National Statistical Institute, the resident population of the country at the end of 2006 was 7,679.3 thousand people. Compared to the previous

year's level, it has decreased by 39.5 thousands, which is attributed to the negative natural rate of population growth. Population data show Bulgaria's demographic trend to be decreasing since 1990.

The proportion of females of the total population continues to be higher than that of the males. At the end of 2006, female population registered was 3,958.4 thousand or 51.5% of the total. Urban population share of the total was 70.6% in 2006. Based on available census data (since 1887), the rural population has been on a higher percentage share on the total population until 1965. The 1975 census results showed the urban population to be greater than the rural population. From then on, the trend has continued in the same direction.

C. Political context

The process of political change and democratization in Bulgaria started in late 1989 and soon after, in July 1991, a new Constitution was adopted by the Grand National Assembly.

Bulgaria is a parliamentary republic. Its Constitution is the supreme law of the country. State power lies on its legislative, executive and judicial bodies. The basic legislative power in Bulgaria is exercised by the parliament (or National Assembly). The National Assembly is a one-chamber parliament consisting of 240 Members of Parliament (MPs) elected for a period of four years.

The head of the state is the President, who is directly elected by the voters, for not more than two consecutive five-year terms.

The Council of Ministers is the executive state body and heads the domestic and foreign policy of the country.

Judicial power is administered by the Supreme Court of Cassation, the Supreme Administrative Court, courts of appeals and courts of assizes, martial courts and district courts.

D. Economic and social context

Bulgaria's transition from centralized to a market-oriented economy started in 1990. Lack of structural reforms led to a severe economic and financial crisis in 1996, which continued until the beginning of 1997. That year, with international support, Bulgaria adopted a broad structural reform programme aimed at stabilizing the macroeconomic situation of the country. The reform programme included the establishment of a currency board, the implementation of a tight fiscal policy, trade and price liberalization and the speeding up of privatization of state-owned enterprises. The programme resulted in the successful stabilization of Bulgaria's economy; it lowered inflation, increased GDP growth rates, and improved investor confidence.

Bulgaria has completed the privatization of the electricity distribution companies and of telecommunications throughout the years 2003-2004, resulting in growth of GDP. The private sector has accounted for 75% of the GDP with an equal share of total employment. Throughout 2005, the momentum of privatization processes continued and the private sector accounted for 80% of the GDP.

The sectors that contribute most to Bulgaria's GDP growth are industry and services. In 2004, the services sector accounted for 59.1% of the GDP and the industry sector for 30.0%. The share of the agricultural sector has been on a downward trend, from 18.8% in 1998 to 10.9% in 2004.

Agriculture has been negatively affected by the fragmentation of farm land that resulted from the land ownership restoration process. The fragmentation posed a significant barrier to long-term investments in agriculture, land improvements and efficient use of agricultural machinery. Despite these obstacles, agriculture remains an important sector of Bulgaria's economy because of its high productivity. For the period 2000-2004, export of agricultural production doubled and, as a result, foreign trade balance increased by 23%.

Table 1 shows land use in Bulgaria in 2004:

Table 1: Land use in Bulgaria 2004

Type	ha (000)	% of total area	% of UAA
1. Land area	10 876.1	98.0	
1.1 Utilised agricultural area	5 330.5	48.0	
<i>Arable land</i>	3 296.8		61.8
<i>Permanent grassland</i>	1 800.8		33.8
<i>Permanent crops</i>	215.8		4.0
<i>Other areas including kitchen gardens</i>	15.1		0.3
<i>Crops under glass</i>	2.0		0.0
1.2 Wooded area	3 734.5	33.6	
<i>of which Forest area</i>	3 601.3		
1.3 Other land area	1 811.1	16.3	
2. Inland waters	223.2	2.0	
Total area	11 099.4	100.0	100.0

Source: Agro statistics Directorate, Ministry of Agriculture and Food Supply.

UAA – utilized agricultural area.

Bulgaria's unemployment rate exhibits a decreasing trend. From 13.7% in 2003, it is down to 9.0% in 2006. However, the lack of employment opportunities is still one of the major challenges that Bulgaria faces. The government, through the Ministry of Labor and Social Policy, developed an employment strategy for 2004-2010 aimed at enhancing the labor force participation and labor potential of the population.

II. LEGAL FRAMEWORK

The constitution of the Republic of Bulgaria (13 July 1991) sets the basis for a democratic, law-governed and social state. It establishes the right to property and inheritance guaranteed and protected by law. Property can be private and public, private property being inviolable. The Constitution states that there is the need of a law for a property right regime that will be applied to the different units of state and municipal property. It also states that land, which is a fundamental national asset, should receive special protection. Arable land has to be used for agricultural purposes only, with changes only authorized by law in exceptional circumstances, when necessity been proven. In addition to the Constitution, several pieces of legislation complement the legal framework governing land administration issues.

The law on the administrative territorial structure of the Republic of Bulgaria (14 July 1995) establishes the creation of administrative-territorial units in Bulgaria. The country is divided into 28 regions. Each region has one or more neighbouring municipalities. Municipalities consist of mayoralties, which incorporate one or more neighbouring settlements.

Ownership act (16 November 1951) regulates ownership, other rights in real estate acquisition, loss and protection, as well as on possession and recording of land. The law states that ownership rights should be equal for all citizens, the state and the municipalities. In some cases envisaged by law, there can be limitations to private ownership, especially when necessary to satisfy or protect public or governmental needs. Also, condominium ownership and its restrictions is regulated by the law as well as real rights over possession, acquisition and loss of ownership, including expropriation. Foreigners can acquire property and real estate in Bulgaria in accordance with provisions of international treaties. Citizens of the European Union (EU) or other states parties to the European Economic Area Agreement (EEAA) have the right to acquire ownership of land, observing the requirements established by law in accordance with the terms of the treaty concerning the accession of the Republic of Bulgaria to the European Union (25 April 2005). According to the Treaty of accession of Bulgaria to the European Union, the EU citizens will be able to acquire agricultural and forestry land as well as forests after 1 January, .2014. This limitation in time does not affect EU citizens with permanent residence on the territory of Bulgaria who wish to buy land for agricultural purpose. This limitation also does not apply to acquiring buildings. Foreign states cannot inherit ownership rights.

As an example, the Bulgarian Black Sea region draws attention of foreign investors due to its richness in natural resources, intersectional position between Europe and Asia and its market potential. The Law on Foreign Investments (23 October 1997) regulates the terms and procedures for investments by foreign persons in Bulgaria. Bulgaria has adapted a liberal investment policy, compared to other countries of the Black Sea region. However, foreigners, although eligible to buy real estate property, are still not allowed to acquire land. Furthermore, the unstable legal framework is perceived as a major constraint by foreign investors.

The law on cadastre and property register (25 April 2000) establishes an environment for carrying out several reforms in the field of cadastre and property registration. The law includes the content of the cadastre as well as elements of an institutional reform to be implemented after completion of the cadastral map and cadastral registers. The law contains regulations regarding data administrated jointly by the cadastre and the property register. The Geodsy Cartography and Cadastre Agency (responsible for creation

and maintenance of cadastral data) and the Registry Agency (responsible for creation and maintenance of data about the right of ownership) are supposed to be bilaterally linked, and data exchange should be based on the identifier of immovable properties (property-based registration). The Geodesy, Cartography and Cadastre Agency of Bulgaria (GCCA) is supposed to be the only responsible authority for cadastral information. The reform in the cadastre and property registration system is to be finalised by year 2015, and it is expected to increase incentives for private land-ownership, to secure mechanisms for transactions and access to mortgages, to decrease the number of court procedures and to set the conditions for a fair taxation policy.

The municipal property act (21 May 1996) defines the term of municipal property and establishes procedures for the acquisition, the management as well as the disposal of municipal property (applies when no other law at the national level provides otherwise). Amongst municipal properties, there are properties restored to the municipalities by central authorities as well as new properties acquired by local authorities. The municipal council adopts decisions related to the acquisition, management and administration of the municipal property and has to carry out the general management and control of real estate activities. The law also regulates the expropriation of land if justified by municipal needs that overrule other legal provisions when those needs cannot be satisfied in any other way.

Ownership and use of farm land act (1 March 1991) states that farm land can be owned by citizens, the state, municipalities and corporate bodies, with the exception of foreign citizens and political parties. This will be changed for members of the European Union and parties of the European Economic Area Agreement, after a period predetermined by the treaty concerning the accession of the Republic of Bulgaria to the European Union (25 April 2005). The law also regulates the restoration of ownership for farm land.

The law for restoration of ownership of forests and forest land entirety (25 November 1997) has as its main principle to restore the entire ownership of forests and forest land to Bulgarian citizens and/or corporate bodies (who are the former landowners, or their heirs and legal successors). According to the law, land shall be restored in its current status with location, area and boundaries corresponding to the date when it was expropriated (as long as those boundaries still exist, or can be reconstructed). If those boundaries cannot be ascertained, there should be compensation in land of equal quality in a different location.

State property act (21 May 1996) establishes the general regime for the acquisition, management, use and disposal of real estate and movable properties owned by the state. The law regulates different forms of state ownership and the expropriation of privately owned properties, when the public interest shall be satisfied (both public and state interest).

The law on spatial planning (2 January 2001) provides regulations concerning the structure of the territory of Bulgaria, the investment design and the construction sector. In particular, it determines restrictions of ownership for development purposes. Development schemes and plans define urbanised territories (settlements and settlement formations), agricultural territories, forest territories, protected territories and damaged territories. The change of designation of territories is applied through detailed development plans.

The law of geodesy and cartography (7 April 2006) rules the organisation, management, financing and fulfillment of the activities in the field of geodesy and cartography. These activities include the creation and maintenance of the state geodetic networks, state lev-

elling network, state topographic maps, orthophoto-plans and the topographic data bases, which include data on defence and the security of the state as well as the needs of navigation, aviation and shipping.

The law for the notaries and the notarial activity (6 December 1996) establishes the legal status of notaries and the Notary Chamber, the organisation of notarial activity and notarial taxes. In Bulgaria, notaries are responsible for the issuing of documents of ownership. These documents are drawn up on the basis of information both from cadastre and land register.

The regulations for “entering” approved with decree No 1486 of the Council of Ministers (13 December 1995). The “entering” consists of giving publicity to the acts that are subject to registration by this regulation. Entering, noting and cancellation of acts are only admitted when provided explicitly by the different laws or in these regulations. Only acts following the notarial procedure can be processed or certified with a signature by a notary. As an exception, it does not include the entering of acts issued by state bodies. If the entering refers to immovable property located in areas with approved cadastral maps, a sketch of the map shall be attached to the act.

The law of the forests (29 December 1997) establishes the relations between ownership and tenure, management, use and protection of the forests. The main purpose of the law is the preservation of the Bulgarian forests as national assets.

The sub-laws that provide additional regulations on cadastral operations are the ordinance № 19 for control and approval of the cadastral map and the cadastral registers (28 December 2001); the ordinance № 15 for structure and contents of the identifier of real estates in the cadastre (23 July 2001); and the regulation № 3 on content, creation and maintenance of the cadastral map and the cadastral registers (28 April 2005).

A legal framework exists that provides an appropriate basis to maintain an efficient land administration system in Bulgaria. However, a number of shortcomings in the implementation of this framework still need to be addressed and overcome. Particularly, the responsibilities for land administration, registration, policy implementation and related fields of expertise need to be assigned to each agency and institution involved (see Chapter IV). Those amendments in the practical approach could mainly be achieved through changes in the relevant ordinances.

III. LAND REFORM AND LAND MANAGEMENT

A. *Restitution of agricultural land*

Since agricultural land in Bulgaria had been expropriated from its owners during the collectivisation process, all restitution was made from state owned land. During the land restitution process, former owners of land (or their heirs) were able to reclaim their land or assets in their real boundaries or otherwise are compensated with properties in other locations. The allocation of rights to be restored was carried out on the basis of the map of restored ownership, prepared according to the law.

The land reform created economic and technical problems in the agricultural sector because it radically changed existing structures. Through privatizing and distributing most of the cultivated agricultural land among the population, most of the state farms were abolished and, in some cases, productive agricultural enterprises were divided in less efficient units. The agricultural output has since then fallen, while at the same time the living conditions in rural areas have deteriorated.

The emergence of efficient, market oriented, private farming has not yet been accomplished. Two thirds of the private farms still belong to the category of subsistence farms; they are declining in number and are not efficiently producing for the market.

B. *Land consolidation*

Land fragmentation is a serious threat to rural development. Due to fragmented land ownership, 79% of the utilized agricultural land holdings are being leased. Also, concern for managing the forests as a profitable enterprise is low because of the fragmentation of forest property.

Land consolidation approaches in Bulgaria, including voluntary lease exchange, voluntary land consolidation and statutory land consolidation, has proven to be an important instrument for rural development. It can enable farmers to become more competitive by both removing fragmentation of parcels and allowing them to expand the size of their holdings. Irrigations facilities that were subject to severe deterioration during the last decades can possibly be improved and extended within the process of land consolidation. At the national level, land consolidation can assist the development of agriculture and other sectors that comprise the rural and regional economy as well as improve rural conditions through balancing the interests of agriculture, transportation, environment, recreation, cultural heritage and tourism.

Some land consolidation exercises have been executed by CMS/GEOCONSULT and Kadaster (the Dutch cadastre agency). Additionally, the Ministry of Agriculture and Forestry is starting four land consolidation projects through simple re-allotments in order to satisfy local demand of some commercial owners. These pilot projects can be seen as an experiment to discern the most proper methodology for special circumstances.

Although the leasing market might achieve some consolidation, it actually is not able to resolve the structural deficits in Bulgarian agriculture concerning farm size. Leasing prices are too high and economically unprofitable. Real incentives for promoting land leasing are still missing.

In addition to these problems, a consolidation of farm structures through land purchase will probably not show significant results; neither is the introduction of a land tax, which has been identified as an instrument for stimulating the land market in general and land consolidation in particular, likely to be implemented anytime soon. The main

current form of land consolidation seems to be an exchange of leased or owned land among local agricultural stakeholders through negotiations.

A statutory, ownership based land consolidation approach is considered as the only long-term perspective offering true opportunities to substantially improve production and working conditions in agriculture and forestry. Up to now, land consolidation projects are only possible on a voluntary basis due to the lack of relevant legislation (i.e. a land consolidation act). If statutory approaches are to be built on the experiences of voluntary pilot projects, such legislation should contain rules for voluntary land exchanges, but also reflect the adoption of a statutory land management approach. It would have to legally introduce the state goals and administrative procedures with clearly defined roles of state administration bodies. Compensation in land of equal value has to be guaranteed and valuation has to be based on soil quality. Experiences with PPP- models (within the above mentioned pilot projects) should also be legally defined.

Unfortunately, other important considerations that could help improve consolidation exercises are actually missing. For example, measure 141 within the Bulgarian Rural Development programme 2007- 2013 (RDP) has not been implemented. This measure was targeted at augmenting the support of semi-subsistence farms in order to enhance the prospects of such agricultural holdings. These farms currently have low economic size, producing mainly for their own consumption and marketing a small share of their output, but might have the potential to develop into viable commercial farm businesses, preferentially by financial subsidies to investments.

Another problem is the lack of experience and knowledge in land and asset valuation. There is only a small number of the administration staff that is acquainted with adequate methodologies to pursue this task. At the same time, institutions are also lacking the experience on how to mediate and solve possible conflicts among citizens.

C. Spatial Planning

Bulgaria has established a hierarchical planning system with a National Complex Planning Scheme at national level, regional planning schemes at oblast level and general and detailed plans at local level. The applied planning methods and planning rules follow European standards, which are mainly represented by the application of the coordination principles among different planning levels, active participation of the people involved and environmental impact assessment of the planned measures.

Nevertheless, planning practice is weak and a lack of comprehensive, up-to-date and conclusive plans throughout the national territory generates uncertainty for potential investors. Planning and project experiences are mostly drawn on governmental initiatives. Citizens' experiences are actually more or less limited to small infrastructure projects.

D. Rural development

The government is requested to base its administrative work in rural areas on a clear development strategy and establishing priority principles; extensive legislative work and policy implementation is a prerequisite for any efficient and effective rural development.

Although land management activities are mainly focused on the agricultural sector, there is no active farm-reconversion policy. There is only a temporary support (limited to 5 years) that assists those willing to restructure to cover related costs and to stimulate their future development. These farms, rapidly declining from year to year, amount to

about 130,000; but only about 35,000 of them meet the minimum criteria for EU- direct payments.

It is expected that, as a result of current economic growth and the increase in job opportunities and income generation in other sectors, the number of subsistence farms (and thus the total number of holdings) will furthermore decline. In that context, the financial engagement of foreign investors (as in the United Kingdom, Ireland and the Russian Federation) should be taken into consideration.

E. Technical and administrative aspects

The GCCA has been investing considerable sums and efforts in mapping and renewing the real estate cadastre and registering territorial boundaries and land marks, a work that will not be completed before 2015. However, land consolidation activities should be completed before further mapping is carried out in order to avoid re-mapping of the same parcels of land. Further delay of the decision on land consolidation will thus result in even higher expenditures for mapping and land surveying in the future. Experiences in Western Europe indicate that there are advantages arising from a combination of cadastral renewal and land consolidation. Apart from financing by the EU-RDP, the operational work in mapping and land surveying could be streamlined by making best use of the synergies of a combined approach.

A lack of administrative mechanisms concerning land consolidation issues, accompanied by a broad distrust of owners and tenants towards existing administrative institutions is also an important feature of Bulgaria's current situation. Administrative mechanisms have to be established to develop a budget and to undertake the organisational work needed to support it prior to initiating local land consolidation initiatives.

The State Land Fund (SLF) is the only option currently available to finance land reform initiatives. The overall amount of land in the SLF was 251,284 ha at the end of 2004. This amount decreased since 2003 due to the inclusion of protected areas, transfer ownership rights to landless and poor citizens, land transferred as compensation payment under the terms and conditions of the LOUFL and return of parcels to the former owners.

Land management practice regarding the use of State Land Fund land lacks strategic vision, and it is adjusted only to local municipal needs. The use is not transparent and not sub-ordinate to any state goal on rural development. The land consolidation pilot projects mentioned above have demonstrated that the use of State Fund land in connection with a land consolidation project is a good opportunity to promote both public interests and the enlargement of holdings.

G. Economic issues

Access to credit remains a significant problem for small and medium-sized agricultural producers. Yet, there is evidence that commercial banks are not able to meet the requirements of small farmers and therefore cooperative or union banks might be alternative creditors.

Maintenance and up-grading of rural infrastructure can improve rural livelihoods and is considered a prerequisite for attracting and retaining investors. Concerning institutional issues, there is general mistrust against state agencies and municipal institutions. After twenty years, a systematic organisational overhaul is needed to improve the existing administrative structures.

IV. CADASTRE AND LAND REGISTRATION

The establishment and maintenance of an efficient system for cadastre and registration of ownership (and other rights in real property) is vital for the social stability and sustainable economic performance of a country. Secure tenure of land provides a sound basis for social and economic policy, basically because it creates confidence and promotes an active land market and efficient land use. Good land administration and land management are also a determinant factor for all international investments. Furthermore, geospatial base data derived from a digital real estate cadastre are an indispensable precondition for implementing spatial planning and environmentally sustainable development.

Once the cadastral map for the larger part of the territory of Bulgaria is created, the next necessary step will be implementation of a modern multi-purpose real estate cadastre that meets the needs of administration and of customers. The existing system for real estate cadastre and land registration (its organizational structure and quality) is influenced by changes and developments in the distribution of responsibilities in the administration of land resources. These include (for the agricultural sector) land use, taxation and environmental protection in the country. The system has been changing and there seems to be a lack of information needed for development of regional plans and general spatial plans. The system also needs to be more transparent for the general public in what concerns the registration of sale contracts for real estate. For instance, the citizens have to bring the sale contracts both for registration and for taxation.

Developments of the institutional framework since 1990

In the period between 1990 and 2000 efforts in Bulgaria led to considerable progress in the process of restituting properties and guaranteeing land ownership rights. During this time, restoration of ownership for agricultural land and forests and for expropriated immovable properties in urban areas was finalised.

Prior to 25 April 2000 (the date of passing the Cadastre and Property Register Act), cadastral information on real properties was maintained by different authorities, each administering the following documentation:

- The Main Department for Geodesy, Cartography and Cadastre (until 1990) – cadastral plans of urbanised areas and geodetic and cartographic operations.
- The Ministry of Regional Development and public Works – cadastral plans of urbanised areas, geodesy, development plans and acts of exclusive state ownership.
- Municipal authorities – cadastral plans of urbanised areas and development plans and acts of municipal ownership.
- Regional authorities – acts of state ownership.
- The Ministry of Agriculture and Forestry (through the Regional and Municipal Offices Agriculture and Forestry) – restoration of ownership in agricultural land, forests and other territories.
- The Ministry of Transport and Ministry of Environment and Water – territories of transport and water etc.

According to existing legislation any transfer of ownership and other property rights in land is subject to registration by the entry offices at the regional courts. Since 1997, these operations have been performed by private notaries.

The repealed Unified Cadastre Act (effective in the period 1979 - 2000) specified the responsibility of the cadastre for the entire territory of Bulgaria and established procedures for the creation, acceptance and disclosure of cadastre information. The act envisaged a multi-purpose cadastre for immovable properties, fiscal schemes and infrastructure. At the same time, that act set a goal which proved difficult to achieve: the collection of data on natural resources and surface and on underground valuables. The request for such a volume of data and the lack of regulations for current maintenance were the main reasons for it not being accomplished.

The Law on Cadastre and Property Register, effective as from January 1 2001, is envisaged to be the basis for the reform on registration and the transformation from person based to property based registration. The establishment of information systems based on cadastre and land register, which should store, maintain and supply cadastral data and data about ownership rights is also a requisite. The cadastre information system is designed as the basis for development of multi-purpose cadastre and to benefit citizens, the public administration and business through reduced administrative costs. The act regulates the cooperation of the GCCA and the Registry Agency as well as the exchange of information between them, which is required for the achievement of a modern, operational, up-to-date and accurate cadastre and property register. Such registers will contain data about all properties on the territory of the country.

1. The Geodesy, Cartography and Cadastre Agency (GCCA)

The Cadastre Agency was founded in 2001 with responsibilities in the field of geodesy and cartography. In 2006, it was transformed into the GCCA. The agency is a corporate body with headquarters in Sofia and 28 territorial units – geodesy, cartography and cadastre offices, located in the administrative centers of the regions (oblasts). The agency provides cadastral information services to the public also through its 19 offices located in municipal centers.

In accordance with the Law on Cadastre and Property Register, the responsibilities of the GCCA are as follows:

- Create and maintain cadastral maps and cadastral registers.
- Draft acts and regulations in the field of cadastre and geodesy, as well as programs and concepts on future developments.
- Implement cadastral activities in close coordination with the registration authorities;
- Provides administrative and technical services to the public, state administration, municipalities and other users.
- Maintains the state geodetic, cartographic and cadastral fund.
- Maintains the register of physical and juridical persons, licensed to carry out activities in the field of cadastre, geodesy and cartography.

The GCCA has also responsibilities pursuant to the Geodesy and Cartography Act:

- Creates and maintains topographic maps in scales 1:5,000 and 1:10,000.
- Maintains the state leveling network and the mareographic stations network.
- Creates and maintains topographic databases and the geographic information system.
- Implements technical activities related to the establishment of the geographic names in the Republic of Bulgaria, keeps a register of names, creates and maintains databases and information systems in that respect.
- Cooperates with the state administration, other domestic and international or-

ganisations.

2. Land Registries

The Ministry of Justice implements the state policy on keeping the land registration.

The Registry Agency was set up following the amendments of the Cadastre and Property Register Act. It is an independent corporate body that has its headquarters in Sofia and counts with 113 entry offices at the regional Courts. According to the established legislation, the reform in the cadastre and property registration system has to be finalised by year 2015, when all data about immovable properties shall be updated. This reform will protect ownership rights as well as secure the value of transactions and mortgages.

The Registry Agency is responsible for the organization and management of the entry offices, as well as for the creation and maintenance of the property register and the linkage between the property register and the cadastre.

The Entry Officers are responsible for making entries, notes and cancellations upon order by the entry judges. The Entry Offices register the documents of transfer of ownership and any other property rights on immovable property and provide relevant information to the interested parties.

The Entry Judge is the person in charge of checking the documentation regarding immovable property transactions in the process of registration. She or he will accept or rule out entries of notary deeds, state or municipal ownership acts and any other document that could access the Entry Office. The role of the Entry Judge (according to the reform of the property registration system) is vital in order to go from a person based to a property based registration system.

The Property Registry and the Cadastre will be linked through unique identifiers to be allocated to each property. Once the property register will be operational, the cadastre will maintain information on the location and boundaries of immovable properties, whilst the data regarding ownership and rights will belong to the Property Register. As a result, all the information included in the cadastre and the property register will be up-to-date and complete.

According to the existing legislation, the Entry Offices have to create preliminary lots on the basis of the existing data in the entry books, as well as the data received from the cadastre. These preliminary lots are later transformed into lots of immovable properties by the entry judge, upon approval of the cadastral map. Currently there is a delay in submission of data from the preliminary lots, needed for creation of the cadastral map, which causes serious delay in the process of establishing the property register, respectively in the transformation to property based registration system.

The compulsory registration of acts for transfer or establishment of real rights is regulated for a first time in Bulgaria by the Law on Privileges and Mortgages (1908). Most of the documents that access the Entry Offices are notary deeds. Notaries authorise transactions of real estate and check if the person transferring the property is the real owner and if all other requirements for the transaction are met. Once the deed has been issued they are obliged to submit it within the same working day to the responsible Entry Officer. It is the act that discloses the acquisition of ownership in land to the public. Only those documents registered at the entry offices can be alleged against third parties and enjoy protection of the state. Transactions are subject to a fee payable to the notary and to the state, depending on the value of the property.

3. Other institutions in the field of land administration

A considerable number of stakeholders is dealing with land and its registration. These include the Ministry of Regional Development and Public Works (cadastre, regional development, state ownership), the Ministry of Agriculture and Food (restoration of ownership of agricultural land and forests), Ministry of Defence (topographic mapping, aerial photography, geodetic reference), Ministry of Environment and Waters, State Forestry Agency, 28 oblast administrations and 264 municipal administrations.

Private surveyors, real estate agents and valuers also have their roles in the land administration.

Information and Communication Technologies

An integrated information system for the cadastre and the property register is under development and is planned to be available by the end of 2008. It will incorporate three main components:

- 1. Cadastre, which is developed at the GCCA.
- 2. Property registration, which is developed at the Registry Agency.
- 3. Web portal, which provides online access for all customers.

The architecture of the information system envisages the integration and centralization of the first two components, which would allow preserving the administrative structures and hierarchies of the two agencies. An integrated complex module should operate between the two agencies at central level, where the replicated data from the regional (oblast) level (for the geodesy, cartography and cadastre offices) and the central level (for the entry offices) will be stored in the same database.

The system should aim at serving both agencies separately, thus creating a one-stop shop for a wide range of user groups, both from local and central authorities as well as the private sector. The information system has not yet been introduced for the main users (as of November 2008), including the National Real Property Association, which is the association of real estate agents of the Chamber of Notaries of the Republic of Bulgaria (organization of the private notaries) and the Chamber of Graduated Surveyors (persons, licensed for performing activities in the field of geodesy, cartography and cadastre). The information is in principle available for the public with access limited to those holding a legitimate claim for the information, and within the limitations of personal data protection. Information provided by the system will have state guarantee and enjoy public faith. If successful, it will be possible to start a query through a name search of owners (or their identification numbers), through the property numbers as well as other characteristics of the properties. The unique identifier linking cadastre and property register will consist of a unique number, which is assigned in accordance with routines and conditions, specified in the relevant pieces of legislation on the matter.

Further, the ongoing reform contemplates that data about ownership rights, buildings or extensions of buildings and user rights (as well as their holders) are subject to registration in the cadastre and the land register. Servitudes (easements), imposed on agricultural land are included in the maps of restored ownership and are therefore also kept in the cadastral information system.

According to existing procedures, once the cadastral map of a certain area is approved, the issuance of acts of acknowledgement by the GCCA (or transfer of rights of ownership), requires sketches from the cadastral map to be issued. The municipalities only have to issue sketches related to constructions purposes.

Once the property register will be operating, the cadastre will maintain only data on the location and boundaries of immovable properties, while the data about the owners and their rights will be derived from the land register. Currently, information on ownership is transferred from the municipalities to the GCCA on storage media.

Because the data comparison for preliminary lots in the land register and in the cadastre has not yet taken place, the number of errors is still unknown.

A clear vision and policy of the government on how land administration services should efficiently be provided to the citizens (and on how the system will be maintained and developed in the future) is the key factor for the successful implementation of the merger of databases.

V. CADASTRE SYSTEM AND TOPOGRAPHIC MAPPING

The cadastre covers only the territory with approved cadastral maps and cadastral registers (at the time of the mission, it amounted to ca. 12 to 13% of the territory of Bulgaria). In late 2007 it covered more than 3.000.000 immovable properties, mainly located in territories attractive for investment and with an already well developed land market. The GCCA forecasts (in case of secured finances) that by the end of 2010 the cadastral information for about 65% of all immovable properties in the country will be already available.

A. Cadastre system

1. Contents of cadastre and cadastral objects

Cadastral objects are the land parcels, buildings and self contained objects in buildings (apartments, shops, studios etc).

The cadastre encompasses base data about the location, boundaries and extent of immovable properties; about the right of ownership and other property rights and data about the state borders and boundaries of administrative-territorial units (or territories of identical land use).

The cadastre and the property register are linked by two-way identifiers, based on the identifier of immovable properties.

Basic cadastral data are the parcel identifiers, the boundaries fixed by geodetic coordinates, area, land use information, land use mode and address for a land parcel. It also includes information on built up areas, number of floors and destination for buildings (and identifier), location, floor number and use for self-contained objects in the buildings.

The cadastral information is created and kept in digital, graphical and written format, but it is updated in digital format only.

2. The production of cadastral maps

The production of cadastral maps and cadastral registers follows the routines and conditions specified in Regulation No. 3, (28 April 2005) on the contents, creation and maintenance of the cadastral map and cadastral registers.

The cadastral map and cadastral registers are produced out of the existing maps of restored ownership (which is supplied by the municipal offices of agriculture) and the valid cadastral plans of settlements (which are supplied by the municipal administrations).

Data about the owners and the holders of other real rights, as well as about most of the acts/deeds from which the owners derive their right over immovable properties, is collected from the registers which are part of the existing maps and plans, from the acts submitted by owners during the process of creation of the cadastral map, from the municipal and regional administration registers, from the taxation registers, etc. Data about the right of ownership and other real rights is cleared out on the basis of data provided by the entry offices.

The cadastral map was produced with the 1970 coordinate system and with scales of 1:1,000 for the urbanized territories and 1:5,000 for rural territories.

The parcel boundaries were established based on marks on the terrain, in correspondence with the document of ownership. Terrestrial surveys were applied only when cadastral object data was not present in the preceding plans or when control measurements for improvement of the map accuracy needed to be applied.

3. Contact zones

Several inaccuracies (e.g. concerning geometry, precision of data or wrong decisions) are included in the cadastral map in contact zones. They are the result of the fact that restitution of agricultural land and forests was partially done based on topographic mapping at the scale of 1:5.000 without exact boundaries. In obvious cases of overlapping (or gaps between maps of restored ownership and boundaries in cadastral plans of settlements –the contact zones), the contractor producing the cadastral map could make suggestions to resolve discrepancies and prepare a map of the contact zone together with a list of affected owners. This suggestion is reviewed by relevant commission, which decides on the way of resolving the problems in each contact zone. At the moment of disclosure of the cadastral maps, the owners may raise objections both to the content of the cadastral map and to the the proposed solution. So far, there have not been many appeals to the courts by owners.

The approved cadastral map has to show legal boundaries only. It is provided by law that those parcels about which objections have been lodged or are disputed because of overlapping, mismatching boundaries or other mistakes in contact zones cannot be formally included in the approved map.

Contact zones constitute a serious obstacle for land administration reform in Bulgaria, as they exist in many areas around settlements or linear objects (roads, railways, canals etc) and therefore substantially hamper and delay the process of approval of the cadastral map as required by law. Without prior resolution of questions involving ownership, no transactions and no mortgaging of the land parcels are possible. The removal of errors in the contact zones is performed during the process of creation of cadastral map. The licensed surveyor, who creates the map, makes a proposal for removal of the errors of the boundaries, and an official commission (consisting of a member from GCCA, the MoAF, the responsible office of agriculture and the municipal administration) reviews and accepts this proposal. As a result, the problem with the contact zone does not exist in the approved cadastral map (responsibility of the GCCA). But the owners of agricultural lands in these territories continue to own property deeds, which are not changed in accordance with the changes in the map. The change in the deeds in accordance with the changes in the cadastral map is within the competence of the Ministry of Agriculture and Foods and their agricultural services. The changes in the deeds are not done, or are delayed, as free agricultural lands for compensation of the owners are missing, or there are not sufficient funding, as well as because of other administrative or personal reasons.

Another problem is the edge-matching of cadastral maps at the borders of the four coordinate zones existing in Bulgaria during the 1970 system.

4. Accuracy

Regulation No. 19 of 2001 establishes rules on the control and approval of the cadastral map and cadastral registers. The cadastral map has to be accepted by a special commission, and then disclosed to the public. Citizens have the right to propose additions and amendments to the map. The accuracy of the cadastral map varies and is specified de-

pending on the location of properties – inside or outside urbanised territories - as well as on the method applied for determining boundaries – geodetic survey or digitalisation of existing plans.

5. Maintenance of cadastral maps and cadastral registers

The cadastral map and cadastral registers are maintained up to date on the basis of compulsory information delivered to GCCA – in cases of creation of new objects, change of ownership, splitting or amalgamation of properties, resolving incompleteness and errors etc. The owner is responsible for providing the relevant offices for geodesy, cartography and cadastre with the available data on newly erected buildings, building extensions, underground buildings, as well as reconstructed or removed buildings. Incompleteness or mistakes in the base data can be corrected by the GCCA upon request of the interested party.

The maintenance of the approved cadastral map and cadastral registers is paid for by the owners. The state no longer allocates financial resources for this activity.

The cadastral map and the cadastral registers are stored on conventional storage media and are digitally maintained on magnetic, optical or other technical storage media. The cadastral information is available to the public. The GCCA shall, upon request, issue information excerpts from the cadastral map and the cadastral registers.

The fees to be paid by citizens or legal entities to the GCCA for the provided information and services are specified by fees and charges regulations, which are to be approved by the Council of Ministers. The state authorities and the municipalities pay for provided services on the basis of production costs. All revenues are transferred to the government budget. The increasing number of rendered services has led to an increase in revenues, to be transferred to the state budget by the GCCA.

The time period for provision of services is three days (in case a field survey is needed up to 30 days). There is a possibility of providing express services, which requires additional payment.

6. Licensed Surveyors

The activities in the field of cadastre, geodesy and cartography can only be performed by licensed individuals. The licensing is administered by the GCCA. There are more than 300 licensed surveying companies in Bulgaria, with ca. 40 to 50 companies actually working in this field.

B. Geodesy and Cartography

1. Geodetic System

Before 1970, the following coordinate systems were in use for civil purposes in Bulgaria: 1930, 1950 and *Sofia* Coordinate Systems. The Coordinate system 1970, which is applied for creation of all plans and maps with civil purposes, was introduced in year 1970. According to this system, the territory of Bulgaria is divided into four coordinate zones, which creates problems when the mapped area belongs to more than one zone.

A new geodetic system called *Bulgarian Geodetic System* shall be introduced for the territory of the whole country. It will be determined on the basis of the European Terrestrial Reference System (ETRS). The *Bulgarian Geodetic System* shall include fundamental geodetic parameters, geodetic coordinate system, height system and a cartographic projection.

The unified geodetic base for the territory of Republic of Bulgaria includes the State Geodetic Network, State Levelling Network, State Gravimetric Network and the networks of mareographic and gravimetric stations.

The State Geodetic Network, established after 1920, consists of triangulation networks of first to fourth order, including about 6,500 basic geodetic points to date. The newly established state GPS network consists of 473 points in the ETRS 89 coordinate system, incorporated into a basic and secondary order networks with 112 basic points and 361 secondary points. The Geodetic Networks of Local Purpose (GNLP) have been created to increase the density of the state geodetic network. The points of those networks are of 5th and 6th order, and in urban areas of 7th order. There are about 35,000 geodetic points of local purpose over the territory of the country.

The State Levelling Network covers the whole territory of the country and provides single basis for all elevation measurements. It incorporates about 9,000 levelling benchmarks altogether. The levelling system originates from Kronsztad Pegel in the Baltic Sea. Levelling traverse points have been stabilised on the terrain by 217 fundamental benchmarks. The State Levelling Network is connected to four mareographic stations located in the Black Sea. The State Gravimetric Network includes about 360 gravimetric points.

2. Topographic mapping

Large scale topographic maps (in the scales 1:5,000 and 1:10,000) are created and maintained by the GCCA, whereas topographic mapping (in the scales 1:25,000 and smaller) is carried out by the Military Geographic Service under the MoD.

The whole country was mapped (in large scale) during the years 1953-1983. After that period, the existing maps have been updated mainly by photogrammetric methods. Until the year 2000 the maps were issued as paper map sheets. After 2000 they have also been produced in digital form. Due to the lack of financial resources the digital large scale topographic map so far covers only about 10% of the territory of the country.

The topographic maps are publicly available in return for payment, as specified in the tariffs approved by the Council of Ministers.

The large scale topographic maps were the main source for creation of the Map of Restored Ownership of agricultural land and forests in the period 1991–1996 (see above).

3. Orthophoto plans

The application of orthophoto imaging for economic purposes started in Bulgaria in 1980. It was mainly implemented to determine the territories of farm land areas based on orthophoto maps in the scales 1:5,000 and 1:10,000. Together with the large scale topographic maps, the orthophoto map (scaled 1:5,000) was used for creation of the Map of Restored Ownership of agricultural land and forests.

After 1996 the application of orthophotos practically came to a standstill due to the lack of financial resources. In 2006 the whole territory of the country was covered by aerophotography used for production of a digital orthophoto map (scaled 1:5,000) by the MoA, in coordination with the Ministry of Defence. This orthophoto map should also be used for improvement of the accuracy of the map of restored ownership. The GCCA has not sufficiently been supplied with this information, so despite the enormous costs spent setting an area-covering orthophoto, its outcome is neither utilized for the creation of the cadastral map nor for maintenance and updating of the large scale topographic maps.

VI. REAL ESTATE MARKET

In 1946, at the beginning of the collectivization process, TKZS (Bulgarian cooperatives) comprised barely 40,000 farms out of total of 1,103,000. 4% of the total number of farms was within TKZS and 42.5% of all farms had lease relationships among themselves. Different types of leasing were available, of which two main categories are to be distinguished:

- Land lease for the period of several years and a monetary form of lease payment
- Lease of different labour consuming crops such as tobacco, vines, orchards and other perennial crops and field crops.

From 1948 on, the leasing in agriculture was forbidden by law (with few exceptions). Land was still the main production factor and remained private property, but output resulting of economic activities was declared public property. Therefore, *de jure* and *de facto* the land rental relationships in Bulgaria had been frozen.

The first normative act, restoring the land lease after decades of prohibition, was the Decree of the Council of Ministers (July 3, 1988) on reconstruction of domestic trade and services sectors. Originally, the lease form was allowed for management within the system of public catering, services, and retail trade. Gradually, the lease also covered the agricultural sector. At the beginning of transition (1989), the development of the land rental agreements in Bulgaria was stimulated by new legislation. These included the Ownership and Use of Farm Land Act (and regulations for its application), the Law on Lease in Agriculture (and regulations regarding the conditions and procedures for establishment of agricultural land market prices) as well as other normative acts and resolutions. Due to the restoration of the formal property boundaries from the period before collectivization, the reform took a long time to be completed. In 2002, statistic data show that nearly 100% of ownership in agricultural land had been restored.

In 1997–1998, some initial benefits of economic activities resulting of the restituted rights of agricultural land ownership could be noticed. In the period from October 1999 to November 2000, 18,293 ha of agricultural land were object of purchase-sale agreements. In 2001, 59,305.7 ha changed their owners and 280,883 ha were leased.

A. *The real estate market*

The Bulgarian property market activity is growing very fast, with a turnover of €11.36 billions in 2007. This figure represents the total value of transactions of land and buildings in the country. In 2006, the turnover in the sector was close to €9 billions. The increase in the number of property transactions and in the property prices was the most accurate measure for the real estate market situation.

Bulgaria's National Statistics Institute (NSI) reported that the real estate prices in Bulgaria on average rose by 28.9% in 2007. The pace of price increase was twice as fast as in 2006, and it can be attributed to the expansion of the mortgage market, relatively high annual revenues of properties and the weak impact of the world financial crisis in Bulgaria so far.

It is important to note that the market activity and changes in prices differ for different regions of the country. Price increases in 2007 were ranging between 44.3% in Turgovishte to 15.6% in Yambol. Ranked by price increase, Sofia was the fifth with 35.1%, with Vidin (36.5%), Silistra (38.7%), Pernik (40%), Rousse (140.9%) and Turgovishte ranking ahead of the capital city.

Sofia was still the most expensive place to buy real estate, with an average price of 1813.17 leva per m² for residential property. Bourgas was a close second with 1762.63 leva per m²; other Bulgarian cities where real estate prices were in the above-1000-leva range included Varna, Rousse, Stara Zagora, Plovdiv, Blagoevgrad and Pleven.

The construction sector ranked among the fastest developing ones in Bulgaria in 2007, with an average annual growth of 15%. The number of property deals in 2007 was expected to reach 292,000. According to the Bulgarian Chamber of Construction, the sector turnover would reach 11 billion leva. The construction boom was the result of increased demand mainly due to lack of modern apartments, retail and administrative buildings. The investment growth in tourism, production and the need for modern infrastructure encouraged more construction works too. The growth of the construction sector is expected to be between 12 and 16 per cent annually until 2010.

B. Real estate acquisition

The purchase of real estate takes place through the conclusion of a sales contract in the form of a notary deed. The transfer of the title happens automatically when the parties and the notary sign the notary deed. The title transfer does not depend on the rendering of the actual possession of the property and the registration of the notary deed in the Real Estate Register.

Any notary deed that transfers, establishes or limits any real rights is subject to registration in the Real Estate Register. This includes information on purchase, donation, exchange, mortgages, etc. The register is operated by the Registry Agency through its offices throughout the country. The authority of these offices coincides with the jurisdiction of respective district courts. Real estate transactions are to be registered in the office within the area where the property is located.

The registration of notary deeds and other acts that transfer or establish the rights over real estate is usually provided by the notary who has executed the respective deed. The notary is obliged to submit the deeds for registration on the same day they were signed. The entry is performed upon written request of the registry judge. The registration itself takes approximately three working days and after that the original title deed is returned to the beneficiary.

The registration gives publicity to the transaction as well as enables certain legal protection to the acquirer of real rights; owners will be able to defend their property against any person who may register deeds or claims on it afterwards.

There are no restrictions regarding the acquisition of premises and buildings or limited real rights by foreigners or foreign legal entities. However, there are special restrictions controlling the acquisition of land by foreigners, provided in the Constitution of the Republic of Bulgaria and the Ownership Act. Two cases are addressed: acquisition of land by non-EU/EEA citizens and acquisition of land by EU/EEA citizens.

EU/EEA citizens are entitled to acquire ownership over agricultural and forestry land under certain legal requirement and in compliance with the provisions of the Treaty of Accession of the Republic of Bulgaria to EU. EU citizens who do not reside permanently in the Republic of Bulgaria are entitled to acquire land for a second residential property after the expiration of the term set in the Treaty of Accession of the Republic of Bulgaria to the EU (5 years).

Secondly, pursuant to the Treaty of Accession, Bulgaria cannot maintain any restrictions on land ownership for EU/EEA citizens who are permanent legal residents in the

country. There are two types of long term residence provided in the legislation – continuous (up to 1 year) and permanent – for an indefinite period of time. It can be assumed that EU/EEA citizens who have obtained certificates for continuous or permanent residence are entitled to acquire land in the territory of the Republic of Bulgaria.

However, a gap in the legal framework leaves the possibility to bypass the established procedures if a foreign natural or legal person wishes to acquire land in Bulgaria. Usually, it happens through registration of a Bulgarian company.

C. *Property taxes and rates*

An owner of a building, self contained object in building (apartment, shop, studio etc) or a land plot in urban territory is obliged to pay an annual real property tax and waste-collecting fees. These are different in value and depend on the size of the populated area and its location in the country, the neighbourhood, the area and the floor of the property, the year type of the construction, extra constructions in the interiors, etc. Agricultural land and forests are free from taxes. Immovable properties, valued below 2,520 BGN are also free of tax.

Members of Parliament have vested municipalities with the right to set tax rates on real estate, alongside on inheritance and donation of real estate, as well as on patents. However, the newly adopted law says that municipalities will have to set the rates within prescribed limits. The tax rates, set by the municipalities, are within the range of 0,5 and 2% of the tax values of the property.. When real estate is inherited, each new co-owner will be required to pay an individual tax ranging between 0.07 and 0.14% for an estate worth more than 0.25 million leva. To date, heirs have paid a single tax. When the real estate has been donated, the beneficiaries will have to pay a tax ranging between 5 and 10 %.

At the time of the purchase of a property, the tax rate can vary between 2% and 4% of the property's tax valuation, while in the case of a property exchange, the rate will depend on the tax valuation of the more expensive real estate. From 2008 on, buildings that are close to collapse (or are hazardous from a hygienic or sanitary point of view) will for the first time be subject to a building tax.

Existing legislation also prescribes that the first instalment in the payment of local taxes would be made between 1 February and 31 March. Moreover, taxpayers who pay the full amount of the tax in this period will get a 5% discount.

For registration of the notary deed in the Real Estate Register, a fee of 0.1% of the consideration must be paid.

The transfer of the right of ownership over land or over limited real rights is treated as a property exchange (it is not subject to VAT). This exception does not include the transfer of ownership over newly-built buildings (up to five years old) and their adjacent areas.

D. *Land market transparency and real estate valuation*

Public sources of information on property prices in Bulgaria are in place. The REMI Index, which provides price information for houses and apartment buildings, is calculated by the National Association of Real Estate Companies in Bulgaria. It has a few drawbacks though, because it is calculated only quarterly. It is too general and does not compare real estate prices by type or location. Members of the association are not obliged to provide information, so this index does not fully reflect the real situation. It is not completely trustworthy for there is no established procedure to check the reliability

of data provided by members. Nevertheless, it is a good initiative that helps estimate property valuation and price changes. Real estate internet portals can also be used as pricing indicators and they provide information, which is easily accessible and very close to the market values. The major problem with these quoted prices is that they are not based on actual transactions, but are only estimated based on demand and supply price offers. The National Institute of Statistics also publishes lists of prices, but because they considerably differ from the market prices, analysts or agencies are not likely to use them. Finally, Real estate agencies normally have the latest updates on prices, but this information is a well-kept secret inside the company as the competition is very tough.

Licensed property valuers most often keep a record of offers for sale and build databases which include information on transactions. However, the scope of information is limited and it is only to be used inside the financial institutions where they work.

Licensed property valuers apply different methods to determine the market price of a certain property. They also make use of information supplied by estate agencies against payment.

Analysts and journalists monitoring the property market also count on reliable and trustworthy information in their attempts to foresee market trends. Investors subsequently largely rely on these analyses to estimate the future effects of their investments.

Foreign investors tend to be more and more interested in the real estate market, and one of the easiest ways to encourage their investments is to provide them with reliable information on real estate prices in Bulgaria.

There are two main associations having the necessary valuation expertise: the Bulgarian Association of Business Appraisers, which is mainly concerned with the appraisal of businesses in general (but which has a real estate appraisal section of a few hundred people), and the National Association of Valuers of Real Estate, which currently counts around 200 members.

E. Banking and credit market

While access to credit becomes more expensive across Europe and the European Central Bank is forced into drastic action to stave off the threat of recession, the Bulgarian credit market has remained remarkably strong. The question remains open on whether the credit crunch will exert a delayed effect on Bulgaria.

In 2007, the volume of loans grew 58% compared to the previous year. Eventhough the Bulgarian National Bank (BNB) increased the minimum reserve requirement from 8% to 12% in September 2007 to prevent a run against the local currency, the number of loans being offered to the public remained steady. While the cost of credit has increased, Bulgarian banks - more than 85% of which are foreign-owned - have chosen to absorb these costs themselves in order to maintain competitive interest rates on loans.

Bulgaria seems so far not to be directly affected by the US sub-prime mortgage crisis. When the effects of the crisis spread, it affected securitised debt that had been bought up by mostly French and German banks. Bulgaria's predominantly Austrian- and Greek-owned banks had not bought up the faulty securitised bonds.

Overall, €4 billion in foreign investments entered Bulgaria in 2006, equal to 16% of the gross domestic product (GDP) of the country. In recent years banking penetration has increased rapidly in Bulgaria, where total banking assets are equal to 97% of (GDP).

Competition among banks for future business has, according to experts in the industry, led to a narrowing of the interest spread.

Corporate loans and mortgages are areas of particular potential growth in the Bulgarian economy. Mortgage growth is fuelled by the increasing willingness of internal migrants to Sofia to purchase property and accumulate equity. Indeed, mortgages are one of the most important lending categories that set Bulgaria apart from the rest of Europe, with the overall volume of mortgages in GDP still significantly low. In addition, real estate loans have mainly been given to those who can afford them, so the inadequate pricing of loan risks has not been significant.

VII. INTERNATIONAL COOPERATION

A. Membership in international associations

Bulgaria has always had a long and well established tradition of cooperation with international organisations. For several decades, the country has played an active international role and has organized several scientific international events. The Union of Surveyors of Bulgaria is a member association of the International Federation of Surveyors (FIG), the International Society for Photogrammetry and Remote Sensing (ISPRS), the International Cartographic Association (ICA), the Council of European Geodetic Surveyors (CLGE) and the European Group of Surveyors (EGoS).

Recently, through the GCCA, Bulgaria has become a member of EuroGeographics. The GCCA has organized and held a working meeting of EuroGeographics on “Quality and efficiency improvements in Cadastre and Land Registry”. Coordination with other European countries in developing National and European Spatial Data Infrastructures is highly recommended for Bulgaria in order to successfully meet the requirements of the INSPIRE directive of the EU. Among other benefits, implementing these measures will further improve organisation and management of information within the country, avoid duplication of data capture works and services, reduce costs, improve transparency in procedures and access to information, support inter-governmental cooperation and coordination and finally, improve the implementation of e-government solutions. It will also facilitate better cooperation and communication within Europe, reduce unemployment, support cross-border business and trade, facilitate transportation, stimulate land and real estate markets and motivate new investments.

International cooperation (in terms of financial support, experience and knowledge exchange in the field of land administration and land management aspects) began in the 1990s, following political changes in the country. The main aim of this cooperation was to provide financial support, technical equipment, training of experts and consultancy to work in order to broaden the experience and improve the quality of performance of administration in the field of land management. Among other arenas, Bulgaria has been an active participant in UNECE meetings, particularly in events organized by its Working Party on Land Administration (WPLA).

B. International development projects

The most important cooperation of this kind is the “Cadastre and Property Register” project, which was financed by the World Bank and implemented by the GCCA under the MRDPW (and the Registry Agency under the MoJ). The project objectives are to improve coverage, completeness, accuracy of data about the immovable properties and to establish a cadastre and real property registration systems for selected rural and urban areas of the country. Furthermore, it will support the realisation of legal and institutional reforms of the cadastre and property registration system and the setting up of an integrated system for property registration. As a result, the programme will contribute to the development of secure tenure and increase investments in housing, agriculture, commerce, manufacturing and services. The major target is to establish an efficiently working real property market as one key element for sustainable economic growth. The project is expected to support the improvements of the linkages between the cadastre and property registration systems, which will then be replicated in the rest of the country. It is meant to be implemented by the the end of 2008.

In addition, supported by the MATRA programme of the Netherlands' Government, the pilot project "Land Consolidation by Agreement" (see above) was carried out in the Silistra and Targovishte regions. The SAPARD programme was one of the accession instruments in the field of agriculture and rural areas, assisting the country to successfully join the EU.

VIII. POLICY RECOMMENDATIONS

Cooperation

Increased collaboration and coordination among the authorities dealing with different land administration issues is needed, most particularly a clear allocation of the core responsibilities (with each agency reporting to one specific ministry) coupled with adequate staff availability and financial resources. Land management responsibilities (including land consolidation) should preferably be assigned to only one State authority.

In order to avoid errors in the map of restored ownership of agricultural land, cooperation between the Ministries of Agriculture and Forestry and Regional Development and Public Works should be strengthened. This would improve the accuracy of cadastral maps at a later stage.

Since its founding, GCCA has taken on many additional responsibilities in the field of geodesy and cartography. Its overall number of staff should reflect the increased scope of tasks assigned to it. It is also important to secure the necessary funds from the annual budget to complete coverage of country territory by the cadastral map. In many respects, progress in practical work is still dependent on many stakeholders in the non-governmental sector.

A unified and fully integrated information system should be established consisting of a property register and cadastre with data available for the whole territory of Bulgaria. All authorities and other users of information should have regulated access to a unified database as part of a national spatial data infrastructure.

The geodetic framework and topographic mapping at all scales should be maintained by one civil agency.

Legislation

Legislation regulating the transfer of property and other rights will speed up the transition from the current system (a person-based registry) to a system where the core of registration is the actual real estate units and existing rights to them. This system will allow for keeping accurate track of property transfers and also take into account the needs created by foreign investment.

Implementation of planning processes and additional legal instruments is necessary to prevent inadequate capital investment (and speculation) in agricultural land. An agricultural land tax should be introduced, and existing exemptions regarding land tax should be removed.

Land reform and land consolidation

A countrywide land management strategy is lacking regarding the re-conversion of farms. Farmers may expand their holdings through leases or purchases of land. The leasing market is not transparent and voluntary land consolidation initiatives are not able to resolve structural deficits related to farm size. Leasing prices are too high and economically unprofitable. Real incentives for promoting land leasing are still lacking. A statutory land consolidation approach that includes the creation of legal tools for compulsory and voluntary land consolidation is regarded as the most important long-term solution. Experiences with public-private partnership models in pilot projects should also be legally defined. International cooperation should be fostered regarding

overall land consolidation processes and the improvement of the quality of life in rural areas.

A corporate body composed of all landowners should be established as a legal entity in each land consolidation project to guarantee participation of all stakeholders involved and to avoid arbitrariness in decision-making processes. To obtain co-financing from the European Union, it is important that land consolidation be included in all relevant planning documents as well as in strategic documents and agreements such as the Rural Development Programme 2007–2013 (RDP).

Rural development

Government interventions promoting the necessary structural changes in agriculture should be spearheaded by a strategic setting of priorities and have a broader perspective than the one defined by local stakeholders' demands for subsidies.

Land management practice regarding the use of the State Land Fund needs a strategic vision, which should aim at the fulfillment of long-term goals for rural development.

The lack of start-up capital seems to be a significant obstacle to potential entrepreneurs in rural areas. Start-up micro-credit schemes should be set up to facilitate access to credit for small farming enterprises. Because the commercial banks seem not to be adequate partners for subsistence farmers in terms of credit, the German approach (e.g. that of the Cooperative and Raiffeisen Union) to micro financing could be an option.

Creating and promoting a political and public awareness of the need for and advantages of efficient land management and of the purposes, opportunities and impacts of land consolidation is crucial. Information and communication campaigns should accompany the legislative work.

Real estate markets

To facilitate transparency in real estate markets and prevent land speculation, urban planning schemes should be prepared and implemented. Land-use zoning regulations and restrictions should be made public for both urban and rural areas. Better, current and reliable information on real estate prices and transactions should be made available to all market participants. This would substantially improve market transparency.

Capacity-building

Training of both experts and public employees and public awareness-raising are crucial for further improvement of and a quality-control system for the various fields of land management. Relevant information should also be provided through the media and at all levels of education.

Fees and charges

Current work on the cadastre does not recover costs. Cost-recovery systems through the implementation of appropriate fees and charges that cover all or at least part of the costs related to provision of cadastre and registration services should be created.

Technical aspects

All data exchange procedures between the agencies and notaries involved in property transactions or mortgage registrations should be handled electronically in the future. This will require open systems, including for the municipalities and GIS functions.

Clear and transparent regulations for agreements on the sharing, access and use of data need to be defined and implemented.

Orthophoto production and use should be better coordinated to avoid duplication of efforts and to maximize benefits. It is necessary to establish efficient quality control procedures. Where needed, cadastre standards should be lowered at least for an interim period, considering possibilities for applying photogrammetric methods to the creation of the cadastral map so as to have an area-covering multi-purpose data set in place as soon as possible. Setting up charges for those customers wishing access to this information could contribute to cost-recovery plans.

Hardware and software applications need to be upgraded at regular intervals, and digital data need continuous improvement. Sufficient means should be made available to keep pace with the most recent developments in information technology.

One uniform and well-defined coordinate system should be established as soon as possible to avoid splitting the national territory into four grid zones.

Legal and practical measures might quickly resolve the problem of contact zones, which seem to be an important obstacle to rapid completion and approval of the cadastral map. Increased cooperation among agencies (e.g. GCCA and the Ministry of Agriculture and Food) will be necessary, as will the provision of adequate resources to facilitate compensation of landowners.

Commercial issues

The State should monitor changes in the real estate market, as an increased number of market-related activities and price hikes could “overheat” the economy. It is important to forecast ongoing changes in real estate prices (e.g. by setting up a register of all real estate transactions containing price information).

Implementation of e-land administration tools that emphasize the “one-stop-shop” principle should be pursued. This would improve overall services for citizens.