LAND USE REGULATION AND PROPERTY RIGHTS REGIME
OVER LAND IN SERBIA

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Starting from the fact that land use regulations can directly affect assignment and reassignment of property rights over land, the authors examine the link between land use regulation and property rights in Serbia by analyzing relevant literature, as well as legislation and regulations. Current legal framework that regulates property rights over land is inconsistent in many parts, while the effects of land use regulations are very dependent on structural institutional transformations and interdependent on property rights. In this regard, the paper gives a critical overview of framework of property rights regime over land and urban construction and agricultural land regulation in Serbia. After reviewing existing literature, legislation and institutional regulation on the main issues of land use regulations and property rights, the authors discuss in particular redefinition of property rights over land, processes of privatization and restitution of land. The authors indicate that resolving property rights over land is very important both for social issues and for economy and regarding this, land restitution, supported by efficient land administration, is the precondition for successful privatization process.

Key words: land rights, land use regulation, property rights, land policy, Serbia.

INTRODUCTION
As a multiple resource land is managed through land policy, concerning key issues regarding sustainable use (land administration, land management), regulation (land use planning), security and equitable distribution of land rights and access to land, including the forms of tenure under which it is held (EC, 2004). Information on land and property rights over land are fundamental to effective land administration. Land is a specific type of property (e.g. real property) and Norton and Bieri (2014) consider a ‘property’ as particular human institutionalization of ‘land’ (i.e., the attributes of land as-nature that make it useful to us). Property rights have central place in every legal system. Regardless of the legal traditions (either civil or common law), diverse bundle of rights are related to property. Property rights consider formal and informal institutions and arrangements that govern access to land and other resources, as well as the resulting claims that individuals hold on those resources and on the benefits they generate (Bromley, 1997 and McElfish, 1994 quoted in: Wiebe and Meinzen-Dick, 1998:205).

Property rights refer to economic (property) rights and legal (property) rights. Economic property rights (the ability to derive direct or indirect income or welfare from a resource or attribute of a resource) are the end-result, whereas legal rights are the means to achieve the end (van der Krabben, 2009). Hence, land use can be regarded as both an object of deliberation and subsequent intervention with modifying (prescriptive) laws and an asset that generated codification (description) of how people handle property rights (van Dijk and Beunen, 2009). Thereby, clarification and security of land rights are essential for the success of integrated planning and management of land resources, which reduces conflicts between stakeholders, increases the confidence required for sustainable land use practices by the actual land cultivators or protectors, determines the respective responsibilities, and provides the basis for a fair and environmentally-sound allocation of incentives, subsidies or taxes (FAO, 1995).

Applying property rights theory to the field of spatial planning suggests that land use planning must focus on improving efficiency by changing the property rights regime. While traditional regulatory planning systems restricted certain developments in certain locations because of the negative external effects, land use planning based on property rights theory would assign property rights over the negative external effects that are now left in the public domain (van der Krabben, 2009). Some studies find planning approaches rooted in the activities of making, implementing and enforcing legal rules for property rights over land and building.

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Such ‘planning by law and property rights’ (Hartmann and Needham, 2012) is seen as unavoidable and indispensable in a society with a rule of law.

The paper gives a critical overview of framework of property rights regime over land, as an integral system of legal and conventional rules concerning property rights, and urban construction and agricultural land regulation in Serbia, created in specific, post-socialist, environment. The paper discusses /questions how land issues are positioned within property rights regime and how property rights to land are treated within land (planning) regulation. In this regard, the authors discuss in particular redefinition of property rights over land, processes of privatization and restitution of land.

THE LAND USE REGULATIONS AND PROPERTY RIGHTS REGIME IN THE POST-SOCIALIST DISCOURSE: A BRIEF OVERVIEW

In the past two and a half decades, the region of Central and Eastern Europe was marked by multiple structural transformations, which have been analyzed widely, with a prominent focus on political and spatial restructuring and economic development (Andrusz, 1996; Tosics, 2006), institutional and spatial (and urban form) changes (Taşan-Kok, 2006; Tsenkova, 2006; Stanilov, 2007; Nedovic-Budic et al., 2012), land privatization and restitution (Savas, 1992; Sutela, 1998; Heller and Serkin, 1999; Karadžova, 2004, Murie et al., 2005), socio-economic changes (Vujošević and Nedovic-Budić, 2006), etc.

In socialism, both urban and agricultural land was subject to strict state control, with limited or non-existent free market, while land policy was driven by: an ideological belief in the common or social ownership of property; the allocation of resources according to centralized planning including state intervention processes; and the associated suppression of the individual private ownership rights in property (Dale and Baldwin, 2000).

Due to changing of land policies, deregulation, privatization and restitution processes, redefinition of land property rights became very prominent in the post-socialist discourse and influenced land planning and management. The focus was on land use regulation as a key component of free market economy, whereby urban land has major role, and the transfer of real estate from the public to private sector, which caused new environments for land markets and land development processes in the countries in transition. Regarding essential role of land in agriculture, property rights in this area are very important and often are a source of tension among various stakeholders. Without a developed land market for and the rights to long-term land lease, it is not possible to create conditions for the development of more efficient agricultural production (Popović et al., 2011).

Research on post-socialist transition in Serbia was mainly focused on key macro-economic imbalances and political environments (Mijatović, 2008), theoretical approaches to planning in transition (Vujošević, 2002; Vujošević, 2003), planning of territorial capital (Vujošević et al., 2010), actors in urban development processes (Vujošević and Petrović, 2007; Petovar, 2010) and on urban land issues (Mijatović, 2008; Zečković, 2008; Nedović-Budic et al., 2012). This paper aims to give a contribution to land issues (urban and agricultural) in post-socialist context with special reference to property rights aspects.

PROPERTY RIGHTS REGIME OVER LAND IN SERBIA

The primary property right is the right to ownership, the highest entitlement that provides its holder the right to use, enjoy and dispose of his right.

Our legislation recognizes the rule superficies solo cedit, which means that object constructed on land succeed property rights of that land and belong to the owner of the land. The Law on Basis of Ownership and Proprietary Relations stipulates the acquisition of property rights based on: the law, a legal transaction, inheritance and government’s decision. On the basis of the law, the property right is acquired by creating new things, by building on another’s land, acquiring ownership from a non-owner, by occupation and in other cases specified by law. Thus, owners of buildings that were built on publicly owned land maintained the right to use the land on which the building was constructed and the land that served for regular use of the building. The Law on Real Estate Transfer prescribes that the transfer of ownership of the building also implies the transfer of ownership of the land under the building and on the land needed for its regular use. In this manner, the building and land are a unique legal object, so property right to building and property right to land are inseparable.

According to the Constitution, the right to use and dispose of the land (agricultural, forest and urban construction land) in private property is free (Art. 88). Still, although all property rights are legally protected, such rights may be revoked or limited: • in order to eliminate the risk of harm to the environment or to prevent violations of rights and legally based interests of the others.
• in the public interest, or the law may restrict the manner of property use.

Public interest is determined in accordance with the Law on Expropriation, as a legal way of acquiring state assets, which provides adequate compensation for expropriated agricultural arable land by giving in ownership other suitable land of the same type and quality, or the corresponding values in the nearby area. If the user of expropriation is not able to offer a suitable agricultural land, compensation is determined in adequate value of the land in the given area. However, in accordance with the Law on Agricultural Land – LAL, agricultural land used for the exploitation of mineral resources or for other purposes that do not have a permanent character (i.e., in cases where land use change is made for the specified time, until the end of the exploitation period) is coming to an appropriate use, respectively, to habilitate for agricultural production according to recultivation project. The new holder of entitlement can use the land obtained by expropriation only for public purposes, and expropriated property can be returned to the former owner.

There are controversies in agricultural land disposition between the provisions of the Constitution (Art. 85) and the Law on Privatization (Art. 12), which allow foreign physical and legal subjects to acquire the real property, and the LAL, as law sui generis, which forbids foreign citizens and companies to have ownership over agricultural land in Serbia.

The Stabilization and Association Agreement (SAA) also implies the obligation of the Republic of Serbia to enable EU citizens to acquire property rights to real property, including agricultural land, by 2017. According to the SAA provisions, within four years from the entry into force of this Agreement, Serbia shall progressively adjust its legislation concerning the acquisition of real estate in its territory by nationals of the Member States of the European Union to ensure the same treatment as compared to its own nationals (Art. 63.3). Also, subsidiaries of...
Community companies shall, from the entry into force of this Agreement, have the right to acquire and enjoy ownership rights over real property as Serbian companies and as regards public goods/goods of common interest, the same rights as enjoyed by Serbian companies respectively where these rights are necessary for the conduct of the economic activities for which they are established (Art. 53.5b).

As it is certain that it is impossible to change the SAA provisions subsequently, the amendments to the provisions to domestic laws which regulate this area should be considered, in the direction of tightening the conditions for obtaining and disposing of agricultural land. Along with the Law on Agricultural Land, issues related to the acquisition and disposal of agricultural land are also regulated by other regulations concerning inheritance, concessions, privatization and others.

As Holden and Otsuka (2014) stated, more secure property rights and removal of restrictions on land markets have the potential to create both efficiency and equity benefits, but there are high risks of elite capture of large land areas with inefficient and inequitable outcomes.

Foreign as well as Serbian investors are interested primarily in large agricultural parcels. The state owns more than half of the parcels larger than 50 hectares, and, according to the assurances of the officials from the Ministry of Agriculture, they will not be subject to sale. In addition, the new Draft of the Law on Agricultural Land, whose adoption is expected by early 2015, will enable farmers, physical persons, to have a right of pre-emption of land, with the requirement that they should be residents in the territory in which the land is located (Nova Ekonomija, 2014).

CHANGES IN PROPERTY RIGHTS REGIME OVER LAND IN SERBIA AND ITS EFFECTS

Transitional period in Serbia enacted many changes and challenges very important for land property right regime. Unresolved property rights are permanent problem, particularly for objects constructed on land over which other owners or holders held rights (Popović and Živanović Miljković, 2013). Accordingly, illegal construction has begun in completely unordered circumstances of inefficient cadastre and land registry, unresolved property issues, undefined status of construction land, etc. (Živanović Miljković and Popović, 2014). However, direct effects on land property rights regime have the following changes, characteristic for transitional period:

• redefinition of property rights,
• land privatization, and
• land restitution issues.

Redefinition of property rights. Redefinition of property rights in Serbia was introduced by the Constitution in 2006, which recognized three forms of ownership – private, public (i.e. state property, the property of the autonomous province and local government property) and cooperative, and abolished social property, thus such property became private property under the terms, on manner and within the time limits prescribed by law.

As mentioned above, the right to use and dispose of the agricultural land in private property is free. Agricultural land in state ownership is not a commodity and despite such clear legal provision derived from the LAL, agricultural land fund (and the whole sector) suffered through transition period due to numerous irregularities, primarily related to privatization process.

Agricultural state owned land can be leased to individuals and legal entities with the compensation in the double-round public auction, including preferential right to lease, for a term of one to 20 years (40 years for fishponds and vineyards). Agricultural state owned land, which was evidenced for restitution according to the Law on Registration and Evidence of Deducted Property, may be leased for a period of three years at most. The new law on agricultural land is expected to define further the area of the lease of state land in order to improve its legal protection. The Ministry of Agriculture announced numerous changes related to the consolidation, land use and tender for the lease of the land, including the concessions, as a form of leasing of the state-owned land.

Unresolved property rights over land that was formerly in the cooperative ownership precluded the access to capital markets and budget support to cooperatives, thus slowing down their restructuring. As stated in the Strategy of Agriculture and Rural Development of the Republic of Serbia 2014-2020, the identity of cooperative ownership and confidence in the cooperative system are lost.

Property rights over construction land have been changing over the past decades, too, but quite differently. During the socialist period, construction land has been in the legally very complex, economically inefficient system of social property, which did not allow a rational use of construction land, by excluding such land from economic transactions. The Law on Construction Land (1995) provided state ownership over public construction land, which also could not be a commodity. Since 2003, the Law on Planning and Construction has regulated construction land use and regulation. Apart from public construction land, this Law introduced the category of other construction land, which could be in all forms of property rights and is considered as a commodity.

The Law on Planning and Construction – LPC (2009) prescribed construction land as land provided for construction and for regular use of constructed objects, and the land on which buildings are constructed in accordance with the law and the land used for regular use of constructed objects. It may be in all forms of ownership and it is a commodity. Nevertheless, many conflicting, and hence non-applicable provisions, caused numerous changes and amendments to the Law. The LPC stipulates the framework for main issues on planning and construction (e.g. urban planning and construction permitting procedures), but also for some other important land policy issues, for which it is not sui generis (Nedovic-Budic et al., 2012; Živanović Miljković and Popović, 2014).

Privatization. Although privatization had strong economic and political motives and was mostly seen as a step in the process of transition to market economy in all post-socialist environments, various privatization laws presented during the last two decades in Serbia gave poor results in privatization process and reasons for that are numerous. Very specific economic system and property regime of social property and residuals of the old system of self-management hampered this process, while conflicting interests led to frequent amendments to the regulations in this domain, stagnation and the wrong order in their adoption and impulsive steps in practice, resulting in compromising privatization as a process and also causing irreparable harm to Serbian economy (Popov, 2013).

6 The Republic of Serbia, autonomous provinces and local government have property rights to construction land in public ownership.
7 At contrast, according to Havel (2014), Bromley (1992, 2000) argues that privatization is neither necessary (because many agricultural problems were unrelated to the ownership structure of land) nor sufficient (because in the absence of coherent factor and product markets, incentive structures would be flawed, new owners would be deprived of needed inputs, and their output would languish in fields and storage facilities).
Implemented with low legitimacy (for more details cf. the Anti-Corruption Council reports for the years 2003 and 2012), privatization of agricultural land caused many dilemmas within scientific community (for detailed discussion cf. Pejanović et al., 2011) and besides that, in numerous cases it resulted in termination of the privatization process of socially-owned enterprises (SOEs), restructuring of socially-owned enterprises and nationalization and resale, especially in the agricultural sector. The untimely adoption of the Law on Public Property and non-regulation of the status of cooperative land caused the privatization of many enterprises without previously solving ownership rights to the land and made the implementation of the Law on Restitution difficult (Popović and Živanović Miljković, 2013).

Adopting the LPC 2009, local governments became the owners of the construction land, which they could sell to private persons or give long-term leases on it. The Law prescribes this should be done in a competitive process (through standard models, by the price which cannot be lower than the market price), but only for construction purposes and based on the planning documentation which regulates location permission.

The LPC provided for the privatization of construction land by conversion of the right to use into ownership in two ways:

- free of charge – for the Republic of Serbia, autonomous provinces, local governments and legal subjects established by the Republic of Serbia, autonomous provinces and local governments – the holders of the right to use over built and unbuilt state owned land; persons registered as holders of rights to use over built and unbuilt state owned land in the public book of the real estate records and the owners of physical parts in condominiums; and for the owners of buildings constructed on building land in public ownership for which the lease contract for construction has been concluded in accordance with previous laws on planning and construction, if the full amount of rent was paid for the period stipulated in the lease contract; and

- with the compensation – on built and unbuilt construction land over which business entities and other legal subjects to which are applicable provisions of the Law on Privatization and bankruptcy and enforcement proceedings, and their legal followers, have the right to use; for the holders of rights to use acquired by a purchase from a business entity or other legal entity which has been subject to privatization, bankruptcy or enforcement proceedings; for the holders of rights to use of unbuilt construction land in state ownership which has been acquired for the construction, in accordance with laws in force before 2003, and which was not used for stipulated purposes; for the subjects which have acquired the right to long-term lease on unbuilt other construction land in state ownership; and for the business and other legal entities, holders of rights to use of built and unbuilt construction land, to which are applicable provisions of the regulations of the Republic of Serbia and bilateral international agreements, for which the restitution procedure ends. This compensation means the market value of the construction land at the moment of land rights conversion, reduced for the costs of obtaining the right to use on this construction land.

Although provisions regarding the privatization of public construction land by conversion of the right to use into ownership caused numerous changes and amendments to the Law, as well as to the Constitutional Court Decisions, this issue is still controversial in the new Draft Law on Amendments to the Law on Planning and Construction (2014) (The Ministry of Construction, Transportation and Infrastructure of the Republic of Serbia, 2014a). It retains the same provisions for the privatization of construction land by conversion of the right to use into ownership without compensation, and provides for the privatization of construction land by conversion of the right to use into ownership with the compensation for: companies in restructuring; sport societies and citizens' societies; persons who have acquired the construction land which was part of the property over which the holders of the right of use are companies and other legal entities to which were applied provisions of the law regulating privatization; and persons who have acquired the right to use the unbuilt construction land owned by the state for construction, in accordance with previous laws that regulated construction land until adoption of the Law on Planning and Construction (2003) or upon the decision of the competent authority, where the land was without function and was applied for conversion within the statutory deadline. The compensation represents the market value of the construction land at the time of the submission of the application.

These issues in the Draft did not accomplish the agreement between stakeholders. In the next period, a new law on planning is expected to be adopted which would not contain provisions related to the conversion, but these issues would be regulated by a special law on property transactions after a detailed analysis of the possible effects (The Ministry of Construction, Transportation and Infrastructure, 2014b).

Restitution. Problems regarding property rights over land multiply because restitution did not come prior to the privatization process, although that should be the case. After World War II, agricultural construction land in private ownership were nationalized, confiscate and expropriated (mostly free of charge) based on a set of laws.

Although the ownership is normally protected with revindication, in our practice the Law on Property Restitution and Compensation, which proclaims the principle of priority of restitution in kind, was not adopted until 2011. Nevertheless, this principle is significantly narrowed by numerous exceptions. Hence, the subject of the restitution in kind cannot be land that was meanwhile privatized, given to the long-term leasing, built and reserved by planning regulation for the construction of objects of public interest and objects used for the implementation of economic development projects, land for regular use of the objects that are in the process of legalization, etc.

For the former owners, restitution in kind can be conducted for agricultural state-owned land and the limited fund of the state bonds as compensation. In addition, the Law does not allow return of the right of ownership over real property that is sold or acquired in the privatization process as assets or equity entities of privatization, in accordance with the Law on Privatization. However, significant number of exceptions from restitution in kind enjoy a serious lack of adequate public interest, which would justify its existence (Samardzić, 2012).

Under the provisions of this Law, about 1,930 hectares of agricultural land10 and about 76 ha of unbuilt urban construction land in Serbia have been restituted so far, with 63 ha of unbuilt urban construction land only in Belgrade (The Agency for Restitution of the Republic of Serbia, 2014). The LPC stipulates paying an amount of 50% of financial means provided on the basis of the conversion of rights of use into ownership into special fund for restitution. Nevertheless, the

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8 According to the relevant Minister, the Republic of Serbia has the obligation to harmonize these provisions with the EU legislation, according to which all must pay for the conversion, but there are also opposing efforts on the part of the investors (The Ministry of Construction, Transportation and Infrastructure of the Republic of Serbia, 2014b).

9 In some countries (e.g. Hungary, Slovenia) was introduced type of privatization, which happened along with restitution (Muric et al., 2005).

10 Part of confiscated agricultural land fund (about 200,00 ha) has been already restituted in previous period.
manner of conversion of rights to use into ownership over construction land provided by the LPC directly prejudice the provisions of the Law on Restitution and definitely preclude the enforcement of restitution in kind and fair compensation for the owners of land that was meanwhile constructed.

Generally, full property rights on construction land are accepted basis for all kinds of partnerships, especially if they open up the possibility for greater involvement of private funds in the financing of public utilities and other activities (e.g. joint investment in equipping the land). In order to achieve public-private partnerships, the LPC stipulates that unbuilt construction land in public ownership may be included as a founding stake in the company's initial capital and that the owner of construction land in public ownership may conclude a contract on joint construction of one or more objects with physical or legal subjects. Such provisions are supported by the Law on Public Ownership, but this Law also stipulates that public company which has acquired ownership over construction land in such cases cannot sell it or give it for a long-term lease without the prior consent of the public company founders, whereas selling or long-term leasing has to be done by the procedure prescribed by the LPC.

FINAL REMARKS

With the adoption of laws and by-laws, the institutional and regulatory framework for agricultural and urban land in Serbia was created, but overall conclusion is that planning instruments and management of land are not harmonized with transition reforms.

The paper shows that changes in property rights regime over land in Serbia have numerous negative effects. The process of restitution is yet to be conducted, while possibilities for restitution in kind are very limited. The conversion of land that is not subject to restitution reduces state property without providing the income based on adequate market price. Any reduction of state property permanently eliminates the income on the basis of the use of such property, which should be the budget revenues (Bušatlija et al., 2012). Thereby, resolving property rights over land is very important both for social issues and for the economy (it affects the investor's decisions, budget revenues, etc.). As the success of privatization depends on the implementation of restitution, that process should be obligatory. In that regard, strengthening of land administration (registration and titling property rights, with resolution of land disputes) should follow these processes.

Developed land rental and land sale markets are necessary preconditions for land use efficiency in agriculture. In doing so, the preservation of national interests, especially the interests of family farms, which represent a backbone of sustainable agriculture and rural development of the country, by relevant, well-tailored, national legislation must be taken into account.

Since by-laws and other regulations have not had productive effects on assessment or appraisal of the market value of construction land (Zeković, 2014), this issue is further coupled with land conversion, compensation issues, restitution, etc. Accordingly, the property rights over land and its proper involvement in land use regulations and, hence, overall land policy, are yet to be done, which is supported by the urgency of mutual harmonization of documents in this area (the LPC, the LAL), which should correct — if not preclude — often bypassing the regulations and laws in the past period.

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