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The World Bank

Report No: ICR2105

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-41670)

ON A

CREDIT

IN THE AMOUNT OF SDR10.4 MILLION (US\$15 MILLION EQUIVALENT)

TO

BOSNIA AND HERZEGOVINA

FOR A

LAND REGISTRATION PROJECT

December 21, 2012

Sustainable Development Department
South East Europe Country Unit
Europe and Central Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2012)

Currency Unit = Convertible Mark (BAM)

1 BAM = 0.64 US\$

1 SDR = 1.52 US\$

FISCAL YEAR

January 1—December 31

ABBREVIATIONS AND ACRONYMS

| | |
|-------|---|
| ADA | Austrian Technical Cooperation Coordination Office |
| BAM | Convertible Marks (KM) |
| BiH | Bosnia and Herzegovina |
| CA | Central Asia |
| CPS | Country Partnership Strategy |
| DC | District of Columbia |
| EC | European Commission |
| ECA | Europe and Central Asia region |
| EE | Eastern Europe |
| ERR | Economic Rate of Return |
| EU | European Union |
| FAO | Food and Agriculture Organization of the United Nations |
| FBiH | Federation of Bosnia and Herzegovina |
| FM | Financial Management |
| GA | Geodetic Authority |
| GDP | Gross Domestic Product |
| GIZ | German Agency for International Cooperation |
| GTZ | German Organization for Technical Cooperation |
| EA | Environmental Assessment |
| EMP | Environmental Management Plan |
| ICB | International Competitive Bidding |
| ICT | Information and Communication Technology |
| ISR | Implementation Support Report |
| IT | Information Technology |
| KM | Convertible Marks |
| LACAB | Land Administration Coordination and Advisory Board |
| LRU | Land Registration Unit |
| M&E | Monitoring and Evaluation |
| MOF | Ministry of Finance |
| MOJ | Ministry of Justice |
| MTDS | Medium Term Development Strategy |
| NGO | Non-Government Organization |

| | |
|-------|--|
| NPV | Net Present Value |
| OECD | Organization for Economic Co-operation and Development |
| PAD | Project Appraisal Document |
| PDO | Project Development Objective |
| PIC | Public Information Campaign |
| PIU | Project Implementation Unit |
| PV | Present Value |
| REC | Real Estate Cadastre |
| RERP | Real Estate Registration Project |
| RS | Republika Srpska |
| SIDA | Swedish International Development Agency |
| TA | Technical Assistance |
| UNHCR | United Nations High Commission for Refugees |
| US\$ | United States dollar |
| USAID | United States Agency for International Development |

| | |
|---------------------|-----------------------|
| Vice President | Philippe Le Houérou |
| Country Director | Gerard Byam |
| Sector Manager | Kulsum Ahmed |
| Project Team Leader | Gavin Adlington |
| ICR Team Leader | Mika-Petteri Törhönen |

**BOSNIA AND HERZEGOVINA
LAND REGISTRATION PROJECT**

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| A. Basic Information | | | |
|---|------------------------|-------------------|----------------------------------|
| Country: | Bosnia and Herzegovina | Project Name: | Land Registration |
| Project ID: | P096200 | L/C/TF Number(s): | IDA-41670 |
| ICR Date: | 12/21/2012 | ICR Type: | Core ICR |
| Lending Instrument: | SIL | Borrower: | GOVERNMENT OF BOSNIA HERZEGOVINA |
| Original Total Commitment: | XDR 10.40M | Disbursed Amount: | XDR 9.53M |
| Revised Amount: | XDR 10.40M | | |
| Environmental Category: B | | | |
| Implementing Agencies: | | | |
| Ministry of Justice | | | |
| Ministry of Justice | | | |
| Republic Administration for Geodetic and Property Affairs of the Republic of Srpska | | | |
| Federal Administration for Geodetic and Real-Property Affairs of the Federation of BH | | | |
| Cofinanciers and Other External Partners: | | | |
| USAID | | | |
| Germany Technical Cooperation GTZ | | | |
| Austrian Development Agency (ADA) | | | |
| SIDA | | | |
| European Commission | | | |

| B. Key Dates | | | | |
|-----------------|------------|-------------------|---------------|--------------------------|
| Process | Date | Process | Original Date | Revised / Actual Date(s) |
| Concept Review: | 07/19/2005 | Effectiveness: | 04/13/2007 | 04/13/2007 |
| Appraisal: | 12/05/2005 | Restructuring(s): | | 07/07/2010 03/08/2012 |
| Approval: | 04/27/2006 | Mid-term Review: | 11/24/2009 | 11/24/2009 |
| | | Closing: | 03/31/2011 | 06/30/2012 |

| C. Ratings Summary | |
|-------------------------------|--------------|
| C.1 Performance Rating by ICR | |
| Outcomes: | Satisfactory |
| Risk to Development Outcome: | Moderate |
| Bank Performance: | Satisfactory |
| Borrower Performance: | Satisfactory |

| C.2 Detailed Ratings of Bank and Borrower Performance (by ICR) | | | |
|---|----------------|--------------------------------------|----------------|
| Bank | Ratings | Borrower | Ratings |
| Quality at Entry: | Satisfactory | Government: | Satisfactory |
| Quality of Supervision: | Satisfactory | Implementing Agency/Agencies: | Satisfactory |
| Overall Bank Performance: | Satisfactory | Overall Borrower Performance: | Satisfactory |

| C.3 Quality at Entry and Implementation Performance Indicators | | | |
|---|-------------------|---------------------------------|---------------|
| Implementation Performance | Indicators | QAG Assessments (if any) | Rating |
| Potential Problem Project at any time (Yes/No): | No | Quality at Entry (QEA): | None |
| Problem Project at any time (Yes/No): | No | Quality of Supervision (QSA): | None |
| DO rating before Closing/Inactive status: | Satisfactory | | |

| D. Sector and Theme Codes | | |
|---|-----------------|---------------|
| | Original | Actual |
| Sector Code (as % of total Bank financing) | | |
| Central government administration | 31 | 31 |
| Housing finance | 10 | 10 |
| Law and justice | 59 | 59 |
| Theme Code (as % of total Bank financing) | | |
| Administrative and civil service reform | 20 | 20 |
| Land administration and management | 40 | 40 |
| Personal and property rights | 40 | 40 |

| E. Bank Staff | | |
|----------------------|------------------------|------------------------|
| Positions | At ICR | At Approval |
| Vice President: | Philippe H. Le Houérou | Shigeo Katsu |
| Country Director: | Gerard A. Byam | Orsalia Kalantzopoulos |
| Sector Manager: | Kulsum Ahmed | Marjory-Anne Bromhead |
| Project Team Leader: | Gavin P. Adlington | Gavin P. Adlington |
| ICR Team Leader: | Mika-Petteri Törhönen | |
| ICR Primary Author: | Mika-Petteri Törhönen | |

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

Facilitate the orderly development of transparent land markets through registration of real estate rights and complimentary policies that enable transactions to be made with security and efficiency.

Revised Project Development Objectives (as approved by original approving authority)

N.A.

(a) PDO Indicator(s)

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|------------------------------------|---|---|--|--|
| Indicator 1: | Improved land registration system as evidenced by improved transparency, speed and accuracy of making land transactions for clients wishing to buy, sell, inherit, mortgage or lease. | | | |
| Value quantitative or Qualitative) | Inadequate service standards and land transactions slow, unreliable and non-transparent. | a) Service standards established; b) on-line instant information to users about property rights; and c) registration of property rights within 24 hours for 95% of all cases in registry, with standards met. | No change. | a)Service standards adopted; b)On-line access in Banja Luka and Sarajevo, c) Registration in the FBiH: 51% of requests are completed within 5 days, 39% of courts register mortgages within one day; RS: 53% of transactions are completed within one day. |
| Date achieved | 01/01/2007 | 12/01/2011 | 12/01/2011 | 12/01/2011 |
| Comments (incl. % achievement) | Partially achieved. The target for registration was overly optimistic and the current few days is a very good achievement. On-line access was achieved in the RS, but due to the transition to a new database currently only available in Banja Luka. | | | |
| Indicator 2: | Improved land registration system as evidenced by data from all registry folders in accessible database and at least 20% registry folders updated and reconciled with existing cadastral database based on office review. | | | |
| Value quantitative or Qualitative) | Many parcels' descriptions or owners' names not up to date in registry (65%) | Data from all registry folders in accessible database and at least 50% registry folders updated and reconciled with existing cadastral | a) Data from all registry folders in accessible database and b) at least 20% registry folders updated and reconciled with | a) FBiH: 99% RS: 98% b) FBiH: 23.15% RS: 25.95% |

| | | | | |
|------------------------------------|---|---|--|---|
| | | data based on office review | existing cadastral database based on office review. | |
| Date achieved | 01/01/2007 | 12/01/2010 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 3: | Improved land registration system as evidenced by methodology for incorporating apartments into the main land registry approved and necessary changes to the regulatory framework drafted. | | | |
| Value quantitative or Qualitative) | Apartments not in registry | All apartment contracts in land registry | Methodology for incorporating apartments into the main land registry approved and necessary changes to the regulatory framework drafted. | FBiH: Methodology defined in the Proposal Property Law of FBiH. RS: Methodology is part of their approved strategy for 2011 to 2015. |
| Date achieved | 01/01/2007 | 12/01/2010 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. Legal reassessment during implementation concluded that it was not permitted to register apartments in the land registry. Thus, the indicator was changed to 'develop a methodology' for incorporating apartments into the land registry. | | | |
| Indicator 4: | Improved cadastre system as evidenced by improved efficiency and speed of providing relevant existing cadastre data and initiation of data quality improvements for clients. | | | |
| Value quantitative or Qualitative) | Inadequate service standards and services slow, expensive and difficult to access | Provision of cadastral data and services in compliance with service standards | No change. | a) Services standards adopted b) Compliance with standards achieved |
| Date achieved | 01/01/2007 | 12/01/2011 | 12/01/2011 | 12/01/2011 |
| Comments (incl. % achievement) | Achieved. In the FBiH and RS digitization and vectorization of cad. records intensified; digital data more accessible to users. Data accuracy and quality improved; information services provided within 1 day in both Entities. | | | |
| Indicator 5: | Improved cadastre system as evidenced by completion in eight sites of systematic registration of property rights and situation analysis to understand magnitude of property related impediments to development. | | | |
| Value quantitative or Qualitative) | Magnitude of property related impediments to development poorly understood. | Lessons from systematic registration and situation analysis reflected in policy decisions and phase 2 plans | No change | 8 pilot sites completed and lessons learned |

| | | | | |
|------------------------------------|---|--|------------|--|
| Date achieved | 01/01/2007 | 01/01/2012 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 6: | Improved cadastre system as evidenced by development of cadastre information management systems. | | | |
| Value quantitative or Qualitative) | One million hectares map digitized in old format and no integrated computerized information system | a) Information system fully functioning, with b) 1.4 million hectares of maps converted and digitized | No change | a) IT system: FBiH—Rollout of software cadastre software completed; RS—fully functioning b) Maps: FBiH—649 ha; RS—740,000 ha. |
| Date achieved | 01/01/2007 | 01/01/2012 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. Targets met using a combination of project and government funds. The information system was fully developed in both Entities. | | | |
| Indicator 7: | Development of policy and legal framework as evidenced by strategies on dealing with illegal development, encroachments, privatization, restitution and planning. | | | |
| Value quantitative or Qualitative) | Impediments poorly understood and ineffective strategies | Implementation of strategies to deal with impediments initiated | No change | State Land administration policy and strategy adopted by the Land administration coordination and advisory board in 2011. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 12/01/2011 |
| Comments (incl. % achievement) | Achieved. The strategy entailed a number of very detailed analyses and reports in several areas. Legislation has also been developed and/or policies agreed at an entity level for all the issues concerning the matters referred in this indicator. | | | |
| Indicator 8: | Development of framework through legislative changes on use of electronic systems, improvements to laws on mortgage, appraisal, transaction & property tax, restitution, planning, third party mediation and use or disposal of state and municipal land. | | | |
| Value quantitative or Qualitative) | Proposals under development but need further attention | Legislative modifications made taking into account experience | No change | The necessary analyses were completed on a regular basis and some laws were modified. This was a continuous process. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. Laws concerning electronic systems, cadastre, registration, property tax, planning and restitution were drafted and most adopted. | | | |

| | | | | |
|------------------------------------|---|--|------------|---|
| Indicator 9: | Development of policy and legal framework as evidenced by strategies for land-related revenue, including legislation on fees and taxes, information sharing and property taxation using mass appraisal methodologies. | | | |
| Value quantitative or Qualitative) | Strategies on revenue not developed | Implementation of strategies on land-related revenue initiated | No change | FBiH—Law on financing survey works & real estate cad. developed. None of the cantons/municipalities decided to apply property tax. RS—Bus. plan for unified registration service completed & law passed on taxing real estate using mass appraisal methods. |
| Date achieved | 01/01/2007 | 01/01/2012 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved | | | |
| Indicator 10: | Development of policy and legal framework as evidenced by initiation of second phase of long-term program. | | | |
| Value quantitative or Qualitative) | No long-term program | Initiation of second phase of long-term program | No change | Both Entities prepared detailed long term plans and the Second project was approved by the Board on Oct 25, 2012 |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 11/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |

(b) Intermediate Outcome Indicator(s)

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|-------------------------------------|---|---|--------------------------------|--|
| Indicator 1: | Service standards, business plan and human resources strategy approved for registration services. | | | |
| Value (quantitative or Qualitative) | No structure or staff reviewing this issue, and no plans. | Establish and implement service standards and business that includes human resources. | No change. | Completed in 2010. In FBiH services standards are published in the FMOJ and GA websites. |

| | | | | |
|-------------------------------------|---|---|---|---|
| | | | | Additionally, 100,000 brochures explaining these standards were distributed. In the RS the service standards are included in the GA website. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 12/01/2010 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 2: | Improvements of working conditions and public reception areas in registration offices. | | | |
| Value (quantitative or Qualitative) | Poor condition and resources. | 47 offices renovated and up to 52 offices equipped. | 37 offices renovated and three additional offices equipped. | 40 offices renovated and equipped. 4 additional offices equipped. |
| Date achieved | 01/01/2007 | 12/01/2010 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. The number of offices was reduced during restructuring because some had undergone renovations utilizing other funds. | | | |
| Indicator 3: | Methodology for incorporating apartments into the main land registry approved and necessary changes to the regulatory framework agreed. | | | |
| Value (quantitative or Qualitative) | Some thought on methodology. | Data on an estimated 300,000 contracts checked and entered into the land registry. | Methodology for incorporating apartments into the main land registry approved and necessary changes to the regulatory framework agreed. | Achieved in both Entities. In the FBiH this is within their proposed Property Law and in the RS it is part of their approved strategy for 2011 to 2015. |
| Date achieved | 01/01/2007 | 12/01/2010 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. MOJ legal experts concluded that apartments already registered in the Book of Deposited Contracts (BDC) couldn't go in land registry unless land & building were registered. BDC was maintained and legal changes prepared. | | | |
| Indicator 4: | Data harmonization, data entry and system integration. | | | |
| Value (quantitative or Qualitative) | 150,000 folders entered in the land registry and 2,000 reconciled with cadastre. | Registry data entered for 2 million folders entered (including apartments), 1 million reconciled with cadastre without additional | 1.6 million folders entered, 370,000 reconciled with cadastre. | Targets achieved. (1.609 million and 389,000 respectively). |

| | | | | |
|-------------------------------------|---|---|--|--|
| | | field work if possible. | | |
| Date achieved | 01/01/2007 | 12/01/2010 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. Numbers were reduced during restructuring because: (a) the number of folders in paper form was overestimated, (b) apartments in the Book of Deposited Contracts would not be in the system, and (c) initial targets were not realistic. | | | |
| Indicator 5: | Technical Assistance (TA) and training for registration offices. | | | |
| Value (quantitative or Qualitative) | Work plan adopted. | TA and training provided. | No change. | Successfully implemented. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 6: | Provision of data services in cadastre offices. | | | |
| Value (quantitative or Qualitative) | Old regulations and laws in place. | Procedure manuals drafted and ordinances changed to reflect improved service standards, arrangements for outsourcing cadastre survey work. E-commerce strategy developed for marketing digital maps and cadastral data. | No change. | FBiH: Rulebook completed in 2009. Service standards agreed in 2010 and provided in brochures in 2011. RS: All completed and within approved plan for 2011-2015. Efficient services now provided by cadastral offices in both Entities. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 12/01/2011 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 7: | Systematic registration and mapping, and situation analysis in selected sites. | | | |
| Value (quantitative or Qualitative) | No baseline. | 100,000 objects in 8 sites and findings reflected in the analysis in subcomponent C1. | 60,000 objects in 8 sites and findings reflected in the analysis in subcomponent C1. | The work in the eight sites was completed successfully and the information utilized in planning of the follow up project and other matters in Component C. |
| Date achieved | 01/01/2007 | 12/01/2010 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 8: | Digitizing cadastre maps. | | | |
| Value (quantitative or Qualitative) | 1 million ha digitized in old format. | Strategy developed and 1.4 million ha in new format. | No change. | 1.4 million hectares in new format. |

| | | | | |
|-------------------------------------|--|--|------------|--|
| Date achieved | 01/01/2007 | 01/01/2012 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 9: | Information Communication technology. | | | |
| Value (quantitative or Qualitative) | FBiH had some basic systems in some municipalities, but they varied greatly. RS had basic system for cadastral work. | System installed and functioning. | No change. | IT strategies and systems developed and systems operational in both Entities. |
| Date achieved | 01/01/2007 | 01/01/2012 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 10: | Technical assistance and training for cadastral offices. | | | |
| Value (quantitative or Qualitative) | Work plan adopted. | TA and training provided. | No change. | Successfully implemented, but training on the cadastre work in the RS was provided by the RS GA. |
| Date achieved | 01/01/2007 | 01/01/2012 | 01/01/2012 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 11: | Planning and development. | | | |
| Value (quantitative or Qualitative) | Initial analyses had been done. | Market studies, strategies and action plans prepared. | No change. | Continuously reviewed during the project; Real Estate Studies completed in 2012 for both Entities. Legislation on planning, construction, and cadastre were adopted in the RS. A restitution law was formulated in the RS. Property law developed in FBiH. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 12: | Policy and legislative change. | | | |
| Value (quantitative or Qualitative) | Little analysis done. | Legal reviews completed and necessary changes made, prior to | No change. | Work completed. Policy & strategy paper adopted by both Entities. FBiH |

| | | | | |
|-------------------------------------|--|---|------------|--|
| | | commencing follow on project. | | produced property law, Survey & Real Estate Cadastre law, amendments to land registration law. RS approved & implemented new laws, institutional responsibilities for regis. & cad. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 13: | Land-related income. | | | |
| Value (quantitative or Qualitative) | Little analysis done. | Analysis and recommendations on impact of fees, taxes and sharing of information and revenue, and a methodology for property tax. | No change. | Studies completed and fees for service worked out. Property tax legislation and law on court fees and taxes (plus associated regulation) adopted in the RS. In FBiH, it is a cantonal responsibility and none of them decided to implement a property tax. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 01/01/2012 |
| Comments (incl. % achievement) | Mostly achieved, but there is little evidence of information sharing or sharing of revenues. | | | |
| Indicator 14: | Preparation for phase 2. | | | |
| Value (quantitative or Qualitative) | Not started. | Detailed project implementation plan for follow on project prepared. | No change. | Completed. Project was approved by the World Bank Board on October 25, 2012. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 01/01/2012 |
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 15: | Project management. | | | |
| Value (quantitative or Qualitative) | Not started. | Assessed as satisfactory. | No change. | Project management was consistently assessed as satisfactory throughout the project. |
| Date achieved | 01/01/2007 | 01/01/2012 | 01/01/2012 | 01/01/2012 |

| | | | | |
|--|------------------------------------|---------------------------|------------|---------------------------|
| Comments (incl. % achievement) | Achieved. | | | |
| Indicator 16: | Technical Assistance and Training. | | | |
| Value (quantitative or Qualitative) | Work plan adopted. | TA and training provided. | No change. | Successfully implemented. |
| Date achieved | 01/01/2007 | 12/01/2010 | 12/01/2010 | 12/01/2011 |
| Comments (incl. % achievement) | Achieved. | | | |

G. Ratings of Project Performance in ISRs

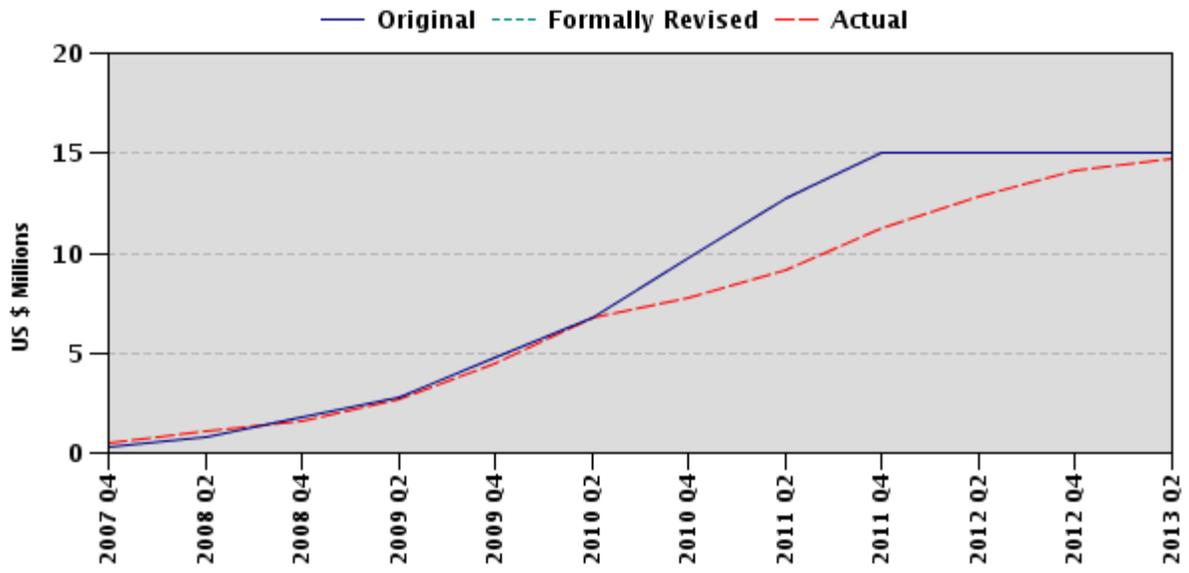
| No. | Date ISR Archived | DO | IP | Actual Disbursements (US\$ millions) |
|-----|-------------------|--------------|-------------------------|--------------------------------------|
| 1 | 10/23/2006 | Satisfactory | Satisfactory | 0.00 |
| 2 | 04/09/2007 | Satisfactory | Satisfactory | 0.00 |
| 3 | 06/28/2007 | Satisfactory | Satisfactory | 0.53 |
| 4 | 11/01/2007 | Satisfactory | Satisfactory | 1.08 |
| 5 | 05/23/2008 | Satisfactory | Moderately Satisfactory | 1.43 |
| 6 | 10/29/2008 | Satisfactory | Moderately Satisfactory | 2.08 |
| 7 | 01/12/2009 | Satisfactory | Moderately Satisfactory | 2.74 |
| 8 | 04/29/2009 | Satisfactory | Moderately Satisfactory | 3.57 |
| 9 | 07/21/2009 | Satisfactory | Moderately Satisfactory | 4.93 |
| 10 | 12/05/2009 | Satisfactory | Satisfactory | 6.43 |
| 11 | 04/06/2010 | Satisfactory | Satisfactory | 7.13 |
| 12 | 09/16/2010 | Satisfactory | Satisfactory | 8.07 |
| 13 | 01/24/2011 | Satisfactory | Satisfactory | 9.16 |
| 14 | 09/18/2011 | Satisfactory | Satisfactory | 12.75 |
| 15 | 12/13/2011 | Satisfactory | Satisfactory | 12.82 |
| 16 | 03/18/2012 | Satisfactory | Satisfactory | 13.11 |
| 17 | 06/24/2012 | Satisfactory | Satisfactory | 14.15 |

H. Restructuring (if any)

| Restructuring Date(s) | Board Approved PDO Change | ISR Ratings at Restructuring | | Amount Disbursed at Restructuring in US\$ millions | Reason for Restructuring & Key Changes Made |
|-----------------------|---------------------------|------------------------------|----|--|---|
| | | DO | IP | | |
| 07/07/2010 | N | S | S | 7.81 | Due to a one year effectiveness delay, the project needed a one year extension from March 31, 2011 to March 31, 2012 to meet all of the project targets. The extension also provided continuity |

| Restructuring Date(s) | Board Approved PDO Change | ISR Ratings at Restructuring | | Amount Disbursed at Restructuring in US\$ millions | Reason for Restructuring & Key Changes Made |
|-----------------------|---------------------------|------------------------------|----|--|--|
| | | DO | IP | | |
| | | | | | <p>to begin preparation of the planned second project.</p> <p>Key indicators were revised to reflect overriding realities. The PDO itself was unaffected. These three indicators were adjusted:</p> <ul style="list-style-type: none"> • (PDO) The unanticipated complexity of reconciling cadastral information and registry folders led to a decision to reduce the targets to 20 percent of registry folders reconciled with cadastral information and 60,000 cadastral objects surveyed. • (PDO) Due to the re-assessment of the existing law, it was concluded that apartments could not be legally registered in the database, except in certain limited circumstances. The original indicator to incorporate apartments within the new registry database was amended to the development of a methodology for incorporating apartments into the main land registry. • (Intermediate Outcome) It was planned that 47 offices would be renovated and 52 would be equipped. Some were renovated using EC or local court funds. |
| 03/08/2012 | | S | S | 13.04 | A three-month extension of the closing date to June 30, 2012 was agreed to allow completion of final contracts for cadastre services and for IT systems upgrading. |

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

The 1995 Dayton Accords, which brought about an end to three years of conflict in the former Republic of Yugoslavia, established a complex government structure: a State of Bosnia and Herzegovina (BiH) with two Entities; the Federation of Bosnia and Herzegovina (FBiH); and the Republic Srpska (RS), and their government structures. The Brčko District¹, established as a self-governing administrative unit, was added to the structure in 1999. Between 1995 and project preparation in 2005, the country had made good progress in recovering from the conflict, but many problems still remained, with half the population living at, or near, the poverty level, high unemployment and low levels of investment.

As the Project Appraisal Document (PAD) noted, all levels of government were eager to encourage economic growth through investment, improving government services and reducing corruption. As access to land and property is a key factor in many areas of economic growth, and as real property can also serve as security for loans for investment, there was great interest in improving the land administration system. Similarly, the Country Partnership Strategy (CPS) for 2005-2007 noted that all levels of government sought to create an environment for sustainable and balanced economic development. Improved land administration would be an integral element of such an environment. Land administration is an entity level responsibility, so the Entity governments were to be responsible for most aspects of the project.

In addition, the German Organization for Technical Cooperation (GTZ) had been working in both entities on creating a viable land registry since the passage of the Law on Land Registry in 2002. The work done by GTZ provided the underpinning for a successful project focused on the land registry system and improving service.

The rationale for the Bank to become involved centered on two factors: the readiness of the country's legal and institutional framework for implementing the necessary reforms, plus strong support at State and Entity level; and the Bank's considerable expertise in projects of this kind regionally, with similar projects underway in six neighboring countries at the time of preparation and numerous projects in the Europe and Central Asia (ECA) region over the preceding 15 years. The Project was to contribute to the higher level objectives described in the CPS through greater security, certainty and accuracy of land records, reducing impediments to access to land, improving the land administration services, and enhancing transparency, thereby simultaneously reducing corruption opportunities.

¹ The Brčko District constituting of the entire territory of the former Brčko municipality was established after an arbitration process in 1999. The Brčko District is a neutral, self-governing administrative unit, under the sovereignty of Bosnia and Herzegovina. It is formally part of both BiH Entities.

1.2 Original Project Development Objectives (PDO) and Key Indicators (*as approved*)

The PDO was to facilitate the orderly development of transparent land markets through the registration of real estate rights and complementary policies that would enable transactions to be made with security and efficiency. The PDO level indicators were:

1. Improved land registration system as evidenced by: improved transparency, speed and accuracy of making land transactions for clients wishing to buy, sell, inherit, mortgage or lease; data from all registry folders in accessible database and at least 50 percent of the registry folders updated and reconciled with existing cadastral databases, based on office review; incorporation of apartments into the main land registry;
2. Improved cadastre system as evidenced by: improved efficiency and speed of providing relevant existing cadastre data and initiation of data quality improvement for clients wishing to register their property rights, to access property maps, to appraise property values, or to undertake efficient, responsibly managed development investments requiring land; completion in eight sites of systematic registration of property rights and situation analysis to understand the magnitude of property related impediments to development; development of cadastre information management system;
3. Development of policy and legal framework as evidenced by: strategies on dealing with illegal development, encroachments, privatization, restitution and planning; legislative changes addressing use of electronic systems, modifications of law or legal procedures taking into account implementation experience of existing legal framework (e.g., mortgage, appraisal, transaction and property tax, restitution, planning, third party mediation), and use and/or disposal of state and municipal land; strategies for land-related revenue, including legislative changes, addressing issues such as the cumulative impact of all land related service fees and taxes, policies on intergovernmental exchange and sharing of revenue and information, and methodology for property tax system using mass appraisals; initiation of a second phase of long-term program.

The PAD also included a vision for 2016² with the following outcomes at the end of the second phase: (1) clear, easily accessible and comprehensive land registry records that were compatible with the cadastre records; (2) increased investment through better land use planning and quicker construction permitting; and (3) secure, legitimate property rights that could be traded efficiently.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and Reasons / Justification

In July 2010, key indicators were revised to reflect overriding realities and the project was restructured, including a closing date extension of one year from March 31, 2011 to March 31, 2012. The extension was needed to compensate for the delay of almost one year in making the project effective. The delay was due to difficulties in establishing a government at State and

² The vision 2016 was to establish (by 2016) a well-functioning land administration system which facilitates investment and good governance.

Entity levels. The PDO itself was unaffected. These PDO and intermediate result indicators were adjusted:

- The unanticipated complexity of reconciling cadastral information and registry folders led to a decision to reduce the targets of PDO indicator to 20 percent of registry folders reconciled with cadastral information. The related intermediate result indicator was reduced to 60,000 cadastral objects surveyed;
- Due to the re-assessment of the existing law, it was concluded that apartments could not be legally registered in the database, except in certain limited circumstances. The PDO indicator to incorporate apartments within the new registry database was amended to *development of a methodology for incorporating apartments into the main land registry*. The related intermediate result indicator on the data entry and reconciliation was redefined as *1.6 million register folders entered to the land book (apartment records excluded)*. The record reconciliation intermediate result indicator was reduced from the original 1 million to 370,000 records reconciled with the cadastre;
- It was planned that 47 offices would be renovated and 52 would be equipped. During implementation, some of these offices were assessed as not requiring renovations or to have been dealt with separately.³ Thus, the intermediate result indicator was revised to 37 offices to be renovated and equipped by the end of the project, with an additional 3 receiving equipment only;
- The intermediate result indicator on the number of cadastral objects in the eight sites selected for systematic registration was reduced to 60,000 from the original 100,000.

1.4 Main Beneficiaries

The main beneficiaries were to be those people and businesses that wanted security in their real property holdings in order to invest (either labor or money, including through mortgages). Additionally, although not directly identified, all persons holding property were to benefit through greater security and certainty of their legal documents. Similarly, all potential and future owners of real property would benefit. More broadly, society would benefit through improved economic use of real property plus the greater social stability and increased standards of living through investment in housing (such as extensions and renovations) that flow from clear and certain legal ownership of real property.

1.5 Original Components (as approved)

The Project had three components:

- **Component A: Registration**: the purpose was to improve the transparency, speed and accuracy of registering transactions. Activities included development of service standards and sustainable service; improvements to working conditions for staff and public reception areas; registration of apartments in the land registry system; data harmonization

³ The EU funded a number of court renovations and some registration offices were included in this program.

between the land registry and cadastre records; and technical assistance (TA) and training;

- Component B: Cadastre: the purpose was to improve the efficiency and speed of providing data on immovable property. Activities included development of service standards, business plans, and procedural manuals for cadastre agencies; pilot work in eight sites to develop a methodology for systematic mapping and registration of property data; digitization of cadastral maps; development of Information and Communication Technology (ICT); and TA and training;
- Component C: Policy development and project management: the purpose was to develop strategies and draft legislation to remove the existing impediments to economic growth in the land sector. Areas that were identified for possible investigation included land use planning and construction permitting, land privatization, and property taxation. Development of a long-term program (including a second project), TA and training were also included in this component, as well as project management and monitoring.

1.6 Revised Components

N/A

1.7 Other significant changes

Given that the project became effective twelve months after the Board approval, it needed a one year extension to meet all of the project targets. This was granted as part of the project restructuring of July 2010. The extension was to ensure continuity and to allow preparation of the planned second project. In March 2012, a further three month extension of the closing date to June 30, 2012 was agreed to allow completion of final contracts for cadastre services and for IT systems upgrading.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

The Bank has had extensive experience with registration projects in the region, and it drew on that experience during preparation. In the BiH, the government was committed to develop land administration and management systems to promote growth. A thorough review of the institutional, legal and administrative frameworks was undertaken, and experience in neighboring and regional countries contributed to the analysis, particularly in regard to lessons learned and the rationale for the Bank's intervention. In light of this analysis, the scope of the Project was focused somewhat narrowly, and its objectives were modest due to the capacity constraints that the Bank team found in the BiH. By the time of the project design, the BiH was still a post-conflict country with gaps in institutional memory and weak capacity in both central and local levels of the government. Thus, many of the Project activities were limited to simple, straightforward tasks such as building renovations and acquisition of equipment, digitizing of existing data and maps, and provision of training. For property registration it was necessary to develop the regulatory framework, procedures and introduce service standards. During project

preparation, there was discussion to include full work on the cadastre, but it was clear that the survey methods being used could not work at the national scale and that more work on the regulatory framework and methodology was needed. Because of the technical assistance provided by the GTZ over several years, the conditions were already in place for a successful program in land registration.

Policy development and legislative reform activities were set to start, and planning was to focus on the short and medium term. In addition, systematic cadastral surveying methodologies were to be tested and learning to take place, allowing for more ambitious goals during the second project. The Project was, therefore, designed as the first of two steps, with the second step dependent on demonstrated performance and capacity in the first. The design realistically reflected the capacity constraints in land administration in the BiH and was designed specifically to address these constraints while still improving the system for land administration by focusing on service.

Institutionally, the Project was complex, not only due to the dual agency land administration system (separate registry and cadastre) but also due to the two Entities functioning as separate projects. There were two Ministries of Justice (MOJs) and two Geodetic Authorities (GAs) involved, plus 10 cantonal governments in the FBiH that funded and had some control over the land registries and the municipal cadastre offices. To address the cross-institutional issues, the financing agreement included a covenant ensuring the creation of the LACAB, which was to coordinate across the country and deal with higher level policy issues, and a land registration unit (LRU) in each Entity MOJ to coordinate and manage the land registry activities within each Entity.

The national and entity level governments showed strong commitment, as demonstrated by their rapid appointment of a chief of each LRU and active participation from the beginning of the Project. A substantial social survey conducted in 2005 greatly informed the preparation process.

Risks were realistically assessed at the time of preparation and appropriate mitigation measures put in place. Delay in the project effectiveness could have been identified as a risk given the governance structure. Two risks were perhaps underestimated: the risk that Entity governments would be slow to fundamentally reform laws (particularly in regard to reforming the cadastre system in the FBiH) and the risk that apartment registration would be held up by a strict interpretation of the requirements for building registration. However, in both cases the risks did not significantly affect the development objective, and the activities continued with some modifications.

2.2 Implementation

The Project experienced an effectiveness delay of twelve months, due to difficulties in the BiH in forming a government, which had to ratify the financing.

The Project was implemented during a period when the two Entities—the FBiH and the RS—increasingly developed independently of one another. Although there was good cooperation during preparation and in the first year of the Project, by 2008, the two entities were evolving different land administration systems and needs. Several activities—including development of

land administration business plans and IT solutions—were therefore undertaken separately. Still, there was always broad agreement on the high level goals at the State level. As late as 2011, the State level Land Administration Coordination Board (LACAB) produced a Land Administration Sector Policy and Strategy for BiH. The Policy and Strategy integrated Entity level plans into a joint policy.

At a practical level, the two entities developed different models of land administration. In the RS, a new law in June 2011 unified the land register and cadastre into one centralized institution, the Real Estate Cadastre (REC) at the GA. In the PAD, the transition from a dual agency land registration system to a single agency had been presented as a best practice option to be considered at mid-term. The Bank team was supportive of the transition on the basis that unified systems are generally more efficient than dual systems. In the FBiH the dual agency land registration system has been retained. Land rights are registered in the local courts while the cadastre is kept by municipalities under the guidance of the GA.

Several other factors had a major impact on implementation. The factors with a positive impact were:

- MOJ engagement. In both Entities, the MOJs were engaged throughout most of the project, providing leadership and oversight. The LRU staff were motivated and contributed greatly to realizing the Project goals;
- Good court presidents, managers and staff. In all courts, in both Entities, dedicated and hard-working staff responded positively to the renovations, new equipment, improved software, temporary additional staff and training provided under the Project and the GTZ administered technical assistance project co-funded by Germany, Sweden and Austria. Much of the success in successful modernizing of land registries can be attributed to the attitude of managers and staff, who were often undertaking their own activities to improve operations and service as well as embracing the Project's reforms;
- ICT development. Though ICT development proceeded separately in each Entity and experienced delays, the final outcome is that both Entities have basic ICT systems and good ICT strategies in place. They have begun implementation of their second stage ICT investments. The successes were largely due to the pragmatic, incremental, approach applied to software development and the use of small contracts to deliver specific outputs. The aim, which proved successful, was to enhance existing solutions and develop basic functions rather than to introduce a full scale sophisticated system through a large scale development contract;
- Donor assistance. Technical and material assistance administered by the GTZ was satisfactory and well received by the BiH authorities. The assistance covered almost the whole of the Project period. The TA team was responsive to requests by the implementing agencies and co-funded Project activities, and assisted in the Project implementation. In particular, the team was instrumental in office renovations and equipping; establishment of education centers; education and training in land administration; IT support; setting up the monitoring and evaluation systems, and supporting the integration of BiH land administration institutions to land administration communities of Europe and Western Balkans. Other donors also participated, including the EC (provision of geodetic reference stations, orthophotomapping and spatial data infrastructure support) and USAID (work on property taxes, planning and development).

Regular donor coordination meetings were held whenever the supervision team visited the country.

Other factors had a less positive impact:

- LACAB. While the LACAB functioned well in the first year of the Project, in the following years it had difficult functioning, largely due to disagreements between its members as to their role and organization as the political economy in BiH changed to emphasize more the Entity level authority. In spite of these difficulties, the progress on the legal framework and preparation of plans for future land administration activities was satisfactory and the main output, the national level strategic plan for land administration was completed and approved by LACAB in 2011;
- Donor support. The GTZ TA provided support to the government through technical assistance and training both before and during the project period, utilizing funding from Sweden, Austria and Germany. This had been progressing extremely well until midway through the Project when some difficulties arose. As the governments' capacity developed and they were ready to take over more responsibility and have a greater say in the allocation of donor funds, some friction between the entity governments and GTZ arose, which caused some delays in implementation of the Project. The critical issue was related to the (financial) sustainability of the project, in particular to the funding of professional staff within the Bosnian institutions, particularly with regard to local experts and their being taken over incrementally by the Bosnian institutional structures. The issue was sorted out after several months, but—as a conclusion for other projects—the division and the transfer of responsibilities between TA consultants and government personnel should be clear from the beginning of TA projects in order to avoid unnecessary delays.
- Sustainability of land registration domain in the FBiH. The LRU was successful in the coordination role between the FMOJ and LROs during the project. This coordination extended to the ICT development and maintenance, and resulted in the successful upgrading of land registration software used by the LROs. However, at the project closure the FMOJ's LRO coordination was found to be too dependent on consultants, and the function discontinued. As an interim solution, the LRO's technical (ICT in particular) coordination will move to the Project Implementation Unit (PIU) of the new project, and the sustainability of the land registration domain will be a key focus of the new project. Four months after the project closure, and stemming from these well recognized sustainability issues, the Minister of MOJ appointed a legislative commission to reform the real estate registration legislation in the FBiH. There is an initial political agreement between the institutions overseeing registration (the FGA and the FMOJ) of unifying the real estate registration service under a single agency in the FBiH.

2.3 Monitoring and Evaluation Design, Implementation and Utilization

Design: The PAD's Results Framework included ten PDO outcome indicators and sixteen intermediate outcome indicators (perhaps too many). However they were clearly expressed, the LRUs were successful in data collection and the indicators provided a quantifiable broad basis for assessing progress towards meeting the PDO. The project ISRs recorded progress with only selected key indicators from the PAD following the Bank's policy for entering data into an ISR

at the project start. The Results Framework in Annex 3 included specific indicators covering almost every Project activity, and the PAD clearly envisaged how the data would be collected (by the MOJs and the GAs) and synthesized (by the LRUs) into useable reports for decision making. In retrospect, the target of 1 day registration of a property transaction was overly ambitious when judged against regional standards (according to Doing Business the regional average is 30 days and the Organization for Economic Co-operation and Development (OECD) country average is 26 days). At the time of the first restructuring the indicator was retained as a target to try and achieve on the understanding that it is better to have a high target to aim for than one that can easily be achieved.

Implementation: There was already an initial reporting system in place within the MOJs, supported by the GTZ, covering the activities of the land registries. Data was easily gathered and could be relied on. The GAs, with a more limited range of activities, also collected data and submitted it to the LRUs. Social surveys were conducted in 2005, 2007 and 2010, and this also provided valuable data. Real estate market studies for each Entity were carried out in 2012. Quarterly reports were prepared throughout the project period to a high standard by the LRUs, using the indicators as a basis.

Utilization: Certain elements of the monitoring reports were critically important to decision making and allocating Project resources to reach targets. In particular, the data on backlogs in registration at the land registries and digitizing of land registry data were used to employ temporary staff to address problems and finalize the work. The quarterly report, plus discussions and inspections undertaken on supervision missions, reassured all parties that Project activities were progressing and, where they were not progressing, provided a valuable input in making timely modifications.

2.4 Safeguard and Fiduciary Compliance

The Project was classified as Category B for the environmental assessment, as the environmental effects of the project were expected to be minor and indirect. The planned office improvements were to be restricted to renovation of existing premises and not to involve major civil works, excavation or demolition, which could potentially harm the environment. Prior to the Appraisal of the Project, an Environmental Assessment (EA) had been prepared as a Framework document, complete with disclosure and public consultations. The EA (as reflected also in the PAD) provided that all renovation and rehabilitation contracts were to include Environmental Management Plans (EMPs), that is, measures to minimize or mitigate environmental damage. The EMPs for each site included provisions on minimizing disturbances through dust and noise, adequate management of construction wastes, and provisions for chance findings of cultural or historical heritage that have been fully implemented and no complaints have been received. Safeguards and in particular EMP compliance was monitored through regular supervision missions and was found to be satisfactory.

In regard to financial management, procurement and disbursement the audits were performed on time with clean opinions and quarterly financial management reports were submitted on time and found acceptable to the Bank. Procurement was implemented in accordance with Bank rules and post reviews found no outstanding issues.

2.5 Post-completion Operation/Next Phase

A second phase was, as noted, envisaged in the PAD and included in the CPS for 2012 to 2015. A new project has been designed and was approved by the Board on October 25, 2012. While the LRP focused on land rights registration in local courts, the new project will focus on improving the cadastre system and the sustainability of the land registration and cadastre institutions. The new project, the Real Estate Registration Project (RERP), has the following development objective: *a sustainable real estate registration system with harmonized land register and cadastre records in urban areas of both Entities*. The Project has three components:

1. Real estate registration data development. This component will support land register and cadastre data harmonization on land, buildings and rights based on the actual situation in the field, with a goal of establishing up-to-date and interlinked, or integrated, land register and cadastre databases;
2. Real estate registration infrastructure development. This component will continue work in improving working conditions and infrastructure in the land registry and cadastre offices across the country. Information technology investments will lead to further interlinking between real estate registers and other public datasets making the data accessible online to a wide audience;
3. Policy and institutional development, and project management. The last component will support the development of laws and policies to achieve the PDO, supply TA and training, address long-term issues of institutional funding and sustainability, and provide project management.

During the interval between the first Project closing in June 2012 and effectiveness of the second Project, expected in early 2013, the two Entities have continued their activities to reform the land administration system. In the RS, the GA has transferred all land registry functions from the courts to its local offices and the new project will further support the integration of the land registry and cadastre functions into the new REC system.

In the FBiH, the LRU did not continue to exist after Project closing. The Bank considers this to be a key long term sustainability issue and has maintained a focus on this issue throughout the new project preparation. The government has recently appointed a new Director of the LRU within the Ministry of Justice, which is a very positive development. However, the MOJ does not have adequate capacity and financing for continuing ICT development or maintenance of the land registration software, which is used by the Court land registries. The technology coordination function between the LROs will have to be taken over by the new Project's PIU. The new Project will work with the government of the FBiH to address this sustainability issue and propose long-term solutions. The recently appointed legislative commission to reform the real estate registration legislation in the FBiH is a key and important development.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

The relevance of the objectives and design of the Project were consistent with the country's needs and aspirations. The CPS for 2005 to 2007 placed land administration as an integral element of an environment of sustainable and balanced economic development. There was, and still is, a strong need for secure, transparent and efficient land administration in the BiH to facilitate investment, economic growth and social stability. The design targeted key areas in which land administration could be improved—services provided by the courts and cadastre offices, the policy and legal framework—with many practical, achievable, measurable activities that could have an immediate and positive impact on land administration.

At the project close the BiH is in the midst of a long period of slow growth amidst escalating financial volatility in Europe, and there is a widespread recognition that the country has to strengthen its competitiveness. The physical infrastructure, the business environment, and human capital development will not only require significant investments in key administrative bodies such as the property registration system, but improved governance and labor policies. Also natural resources have to be utilized more sustainably. The project has contributed to improving regional competitiveness by increasing the security of real estate transactions and providing better access to credit. It has also improved the accuracy of spatial data, making it easier to monitor and plan the use of natural resources. Building on these achievements, the new project will be contributing to the economic growth, social inclusion and natural resources pillars of the CPS for 2012 to 2015.

3.2 Achievement of Project Development Objectives

As noted above, the PDO was to facilitate the orderly development of transparent land markets through the registration of real estate rights and complementary policies that enable transactions to be made with security and efficiency. This was to be achieved through an improved land registration system, improved cadastre and improved policy and legal framework.

At the Project's close, it appears that land markets are more transparent and efficient, and have become so through an orderly, systematic process that has brought land administration in the BiH into the modern era. This was confirmed in numerous stakeholder interviews. Efficiency is evidenced by the PDO indicator 1 that shows the faster registration and improved turnaround times for registration of documents—in the FBiH the majority of courts complete requests within five days and 39 percent within one day; in the RS, 53 percent of transactions are completed within one day. In Sarajevo, the improvement has been dramatic with registration of a property transaction decreasing from years to a matter of days. These improvements in service times have been achieved while at the same time the number of requests has been increasing in the land registry offices.

Increased transparency in the land markets can be demonstrated in several ways:

- access to reliable data, particularly through internet access for the Sarajevo and Banja Luka courts, praised by notaries and real property brokers (PDO indicator 1);

- wider publicity of services, fees and requirements (PDO indicator 9).

There is also greater security:

- adopted performance standards limit opportunities for red tape (PDO indicator 1);
- systems allow timely completion of transactions reducing risk of fraud (PDO indicators 1 and 4);
- all ownership information is in digital form (PDO indicators 2 and 6);
- apartment registration has been enabled (PDO indicator 3);
- all land registries have new modern software that incorporates security features and a back-up system to protect information (PDO indicator 6);
- archives have been improved securing the historical evidence of property rights (PDO indicator 2).

There is also increased transparency and predictability in land policies and laws:

- land policy and the legal framework have been improved (PDO indicators 7, 8 and 9);
- the new systematic registration method, which was developed based on the projects' piloting, will be implemented under the new project (PDO indicator 5);
- the new land administration strategy is supported by the new project (PDO indicator 10).

In terms of customer satisfaction with cadastre and land registry services, the customer surveys from 2005, 2007, and 2010 have shown a steady decrease in the amount of time that citizens spend in the registry and cadastre offices and also in the number of visits needed to complete a transaction. The rate of respondents satisfied with cadastre services has increased from 2005 to 2010 (from 30 percent to 53 percent respectively). For the land registry offices, the satisfaction has not increased significantly, however respondents do tend to be more satisfied with the “professional conduct of employees,” “accuracy of the LR data,” and “freedom of access to information,” all aspects of the services impacted by the project. Private sector representatives confirm the greatly improved access to data and improved processing times.

The Project also made significant improvements in ‘complementary policies’ as evidenced by the PDO indicator 9. USAID provided a great deal of support to the government and helped Brčko District to implement a property tax system using mass appraisal techniques. The RS has adopted a similar property tax law and has begun implementation. In the FBiH, property tax is a Canton and municipal responsibility, and they have generally decided not to impose a property tax at this stage. Both Entities have also made progress on their planning and permitting policies and in dealing with illegal developments, and new legislation has been developed.

The Project took a practical approach to improving the land administration system in the BiH by focusing on improving services (PDO indicators 1 and 4) and the legal framework (PDO indicators 7–10), and testing methods for the harder systematic registration and cadastre activities (PDO indicator 5). In this way the project quickly responded to the needs of citizens while building the necessary capacity and framework (legal, regulatory and technical) for the more complex work ahead.

3.3 Efficiency

At the project start, lack of policy in land administration and inefficiencies within the land registry services hindered business development and real-estate investment. Professionals, businesses and citizens were frustrated with long waiting times and the several trips required to the local offices to finalize a transaction, and the high costs, all of which made it difficult to complete basic real estate transactions or borrow money based on property as collateral. The PAD identified as the main economic benefits an increased security of tenure, a decrease in transaction costs, improved access to land administration services, and improved public sector management associated with improved governance. The economic and financial analysis in the PAD does not include calculations of the Net Present Value (NPV) and Economic Rate of Return (ERR) for these benefits.

Efficiency Improvements:

Following efficiency improvements, transactions are now completed within one working day for more than half of the clients (53 percent) in the RS. In the FBiH, 39 percent of courts register mortgages within one day and 21 percent of courts register mortgages within 2–5 days. There have been considerable reductions in the average time spent at the office per transaction from 197 minutes down to 99 minutes, which is a 50 percent improvement. At 114,000 transactions in 2011 and an hourly wage rate of BAM 5.25 (US\$3.24), this equates to an annual economic benefit of just over US\$602,057. These efficiency gains would be even larger if one included the monetary benefit of the increased productivity of government workers in the registration offices implied by the faster transaction times. Furthermore, the number of registration requests and registered mortgages significantly increased. In the FBiH, the number of registration requests was 70,561 in 2011, an increase of 37 percent since 2007 when 51,352 transactions were registered. Note that the number of transaction requests in 2011 is an increase of 96 percent since 2006 when only 35,819 requests were registered. Registered mortgages in the FBiH increased over 44 percent from 4,405⁴ in 2007 to 6,357 in 2011. In the RS, the number of registered transactions actually decreased 26 percent from 14,445 in 2007 to 10,657 in 2011. However, the number of registered mortgages in the RS in 2011 was 3,244 which is a significant increase of 138 percent since 2007.

Fiscal Impact:

The Government has significantly benefitted from the increase in transactions through an increase in transfer tax revenue. At the Project start the annual property transfer tax revenue was US\$123 million. Without the Project, the estimated number would have increased to 159 million by 2012. The market stimulating effect of the Project has, however, increased this number to an estimated US\$176 million per year. Given very conservative assumptions on the percentage attributable to project activities, these benefits amount to a Present Value (PV) of US\$13 million at a 12 percent discount rate.

⁴ estimated

Property Market Impact:

Investments in cadastre and registration systems improve access to finance and other investments in the housing market. Improvements are reflected in the number of transactions as well as in the average property prices, the product of which determine the total market value. During the course of the Project, market transactions increased from 65,797 in 2007 to 83,880 in 2012, while average property value increased from US\$46,715 to US\$54,400 (or 52,472 in 2007 dollars). Assumptions are applied to estimate the scenario without the Project. Under a very conservative scenario, it is assumed that the Project had a 1 percent market stimulating effect, such that in its absence market transactions would have increased to 83,041 in 2012. For the estimation of average property values without the Project, it is assumed that the price in real terms would have increased at an annual rate of 3 percent reaching the value of US\$47,895 in 2012. Given other conservative assumptions on project coverage and project costs of US\$15 million, the conversion of these incremental benefits into monetary value translates into an NPV equal to US\$18 million at a 12 percent interest rate with an ERR of 47 percent. A sensitivity analysis is conducted to calculate benefits assuming a larger market stimulating effect: at 5 percent effect NPV increases to US\$38 million with an ERR of 85 percent and at 10 percent effect NPV increases to US\$63 million with an ERR of 133 percent.

Mortgage Market Impact:

Mortgage loans as a financial product were introduced only shortly before the financial crisis of 2008, and hence were not hit severely by high rates of defaults or foreclosures. However, with consumer lending rates over 2 percent higher than the mortgage rate (10.0 percent and 7.7 percent effective interest rate respectively) consumer lending is much more profitable for the banks; furthermore, interviews with bank associations confirmed that the banks often use consumer lending with guarantors in place of mortgage financing due to issues relating to the registration of property. However, the Project has considerably improved this situation. We estimated that after the 6 years of implementation, 30 percent of consumers taking out a loan of some kind to finance their home now have access to mortgages. Given conservative assumptions on project coverage, the avoided interest payments due to the increased access to mortgages amount to a benefit with a PV of US\$16 million at a 12 percent discount rate. If these economic benefits are added to the benefits of the property market impact (assuming a 1 percent market stimulating effect), the NPV increases to US\$32 million and the ERR to 61 percent. Considering a sensitivity analysis, at a 5 percent market stimulating effect NVP increases to US\$52 million and ERR to 95 percent and at a 10 percent market stimulating effect NPV increases to US\$77 million and ERR to 141 percent.

The estimates of the economic and financial analysis suggest that the Project was a sensible investment for BiH. With a relatively modest cost of US\$15 million, the Project has been able to improve efficiency in land transactions and generate the conditions for incremental economic and fiscal benefits. These benefits are expected to accrue in the future.

Please see the Economic and Financial Analysis Annex for further details and the models.

3.4 Justification of Overall Outcome Rating

The Project's overall outcome is rated Satisfactory. The Project targets were met and the real estate registries and cadastre facilitate the land markets with security and efficiency. Efficiency has improved as evidenced by the faster registration and improved turnaround times for registration of documents. Increased transparency in the land markets is demonstrated through increased access to reliable data, particularly through internet access for the Sarajevo and Banja Luka courts (praised by notaries and real property brokers); and there is wider publicity of services, fees and requirements. There has also been a steady decrease in the amount of time that citizens spend in the registry and cadastre offices and also in the number of visits needed to complete a transaction.

Finally, the improved legal and policy framework for land administration (registration and cadastre) and land management (planning, taxation) was developed during the course of the Project, paving the way for the next phase related to the continuing challenges of institutional sustainability of the land administration system, which will be the focus of the second project.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

The 2010 social survey collected data on users of the land registries and cadastre offices, and found that:

- land registry office visitors were most frequently the 36-50 years age category, and two-thirds were men - this had changed little from 2005;
- unemployed citizens (51.4 percent), domestic population (70.0 percent), as well as those who evaluated their socioeconomic status as "average" (52.3 percent) were most frequently the visitors for the land registry offices in 2010;
- two-thirds of participants stated that inheritance of real estate was the reason for their using the land registry, and the majority did not use the services of an attorney/notary;
- when asked "have you experienced discrimination in the land registry office on any basis" the overwhelming response was 'no' (92 percent of all respondents); and 93 percent of women responded that they had not experienced any discrimination based on gender.

A major study on gender and land issues in BiH, Kosovo and Montenegro was completed in 2011 by the World Bank and the report was published the same year. Although there were no legal restraints and women had equal rights to men, in customary practice there appeared to be some differences and men were far more likely to be registered as owners than women, either individually or jointly. The key lesson was that the gender question does need to be addressed and monitored in land projects in the region. The lessons learned have been integrated into the design of the new project, which will raise public awareness of the legal rights of women and produce disaggregated data on real estate ownership by gender (as a PDO indicator).

Consistent with expectations, the social surveys show that the users of the land administration services are the broad population and they are therefore the immediate beneficiaries. Use of the

services is broad-based, with those with an average standard of living being in the majority. Looking more broadly, the improved services also benefit those who are seeking to acquire property—often the younger members of society and those engaged in business. In addition to the immediate benefits of faster and more reliable service, the less time involved in waiting or having to make informal payments, the more time and resources citizens have for more important economic and social activity. The impact of gaining quicker and more secure access to property data (including for borrowing purposes) or property to be acquired for housing or economic purposes will generally have a positive impact in terms of raising living standards and conditions.

Continuing the reform process and improving services, particularly through online access to information, is likely to further secure the advances made under the Project and thereby the benefits flowing to all segments of society and the economy. The new Project has more of a focus on improving social impacts and social monitoring, including for women and the poor, and a full impact evaluation is being planned.

(b) Institutional Change/Strengthening

In regard to the land registry system managed by the Entity level MOJs, and the local courts, the Project resulted in a significant positive impact and series of positive effects, as intended in the PAD, on institutional development, in the short-term in both Entities and in the long-term in the RS due to forming of the REC, and to a lesser degree in the long-term in the FBiH.

There were no units or offices directly responsible for the land registries or their operations when the Project began. In each Entity, one Deputy Minister for Justice had this role together with his other duties, but no support staff for the activity. Through the creation of LRUs, the Project had an immediate impact by creating coordinating units that could set standards, monitor results, provide training and guidance, report on outcomes and also direct the use of Project funds. The LRUs operated successfully throughout the Project. In the FBiH, attempts to establish a land registration department based on the LRU failed because of constraints in civil service size and recruitments. At the close of the Project the LRU ceased to exist, but was later reinstated to facilitate the project closing. The land registry coordinating function will be supported by the new project PIU, and the new project includes a focus on developing permanent institutional solutions.

At the courts, which are headed by a largely autonomous president, the land registry offices were transformed from paper-based, slow operations, where the potential for additional payments existed, into more modern, digital, customer-focused operations. Staff conditions were greatly improved through office renovations and purchase of new furniture and equipment, thereby supporting the land registry staff to deliver higher quality services more quickly. Capacities in local courts and other local land administration institutions were significantly strengthened through systematic training and education of employees that tangibly improved efficiency and quality of the services provided to clients.

In the RS, a similar picture emerged of more efficient, better equipped land registries that were more aligned to the needs of their customers. However, with the change to the law in 2011,

responsibility for registering transactions shifted to the RS GA. While this is a positive development in the long-term, in the short-term it produced transitional delays in the Project activities. However, the GA has the necessary capacity to deal with the challenges of transition and the Project provided support. The new Project will continue support to the RS GA in completing the transition.

(c) Other Unintended Outcomes and Impacts (positive or negative)

The new law, which unified land registries to the cadastre in the RS, was an unexpected breakthrough. Though it was supported by the Bank and mentioned in the PAD as an alternative to be considered, it was not part of the original project plan. It will have a major positive impact on the new Project by creating more streamlined institutional arrangements.

An unanticipated outcome is that the land administration professionals (particularly surveyors in the public sector) have been strengthened by their integration into the broader land administration community in Europe and the western Balkans, partly as a result of the Project's activities and training program. BiH had been somewhat isolated from modern developments and trends due to the conflict and post-conflict situations, but with the Project's reforms and the availability of funds to travel to conferences (as part of the training budget), public sector land administration professionals were able to increase their engagement with their professional community and also report on the Project's results in international conferences, such as in the annual land conference held by the Bank in Washington, DC. Both Entities are regularly represented in the annual Regional Conference on Cadastral and Spatial Data Infrastructure (covering all countries of the former Yugoslavia and Albania) and are included in EU-supported project "Inspiration" for joint support in developing a spatial data infrastructure compatible with EU requirements. This has had a valuable impact on institutional development and reinforced support for the Project sponsored reforms, and thus the political support for, and sustainability of, those reforms.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

Three surveys of customers—both private persons and professionals—on the land registries and cadastre offices were undertaken in 2005, 2007 and 2010. Survey questions and methodology remained the same for all three years, so the results are comparable. The main conclusions from the surveys are:

- clients were generally satisfied with services at the project close, with some 60.4 percent of respondents saying that the land registry had satisfied their request, and 52.8 percent of cadastre customers stating that they were very satisfied;
- their knowledge about services had increased during the project and the most common sources of information were television and radio;
- the time taken to resolve cases had decreased during the project, with growth in the category of "30 minutes or less" to process an application (from 49.4 percent in 2005 to 56.9 percent in 2010);
- professionals were pleased with the training and seminars on land administration that had been provided;

- problems still remain, including lack of harmonized data between the land registries and cadastre offices and the cost of services.

With regard to corruption, the customer survey specifically asked respondents if they had to pay a bribe in the land registry office in both the 2007 and 2010 surveys. While the number for individuals paying a bribe was quite low (3.2 percent in 2007; 4.3 percent in 2010), the number of those paying bribes when visiting the courts as representatives of legal entities was higher (11.2 percent in 2010). However, these numbers should be regarded with some skepticism as this type of corruption is often under-reported. The new Project will continue to address corruption issues in the land sector. A longer summary of the final report of 2010 appears in Annex 5.

4. Assessment of Risk to Development Outcome

The risk to development outcome is rated Moderate. The risks are twofold: financial and institutional. These risks are particularly relevant to the registration function in the FBiH. Registration in the FBiH is managed by the local courts with oversight from the MOJ. However, when the LRU was initially discontinued there was no specific office within the MOJ responsible for this supervision. There is also no guarantee of sufficient financing to continue to support the reforms—maintain the new equipment, continue training and most crucially to pay for the IT system maintenance and development. As an immediate effect the MOJ has not managed to finance the communication lines- and maintenance contracts of the land registration software in use in the court land registers in the FBiH. These risks are particular to land registry systems managed through the decentralized justice system because funding will depend on the priorities of the Court President. In the RS, the decision to take the registration function out of the courts will help to mitigate this risk. For the FBiH this is an important issue for the new project to address.

With regard to the cadastre, there are comparable risks as the land registries in the FBiH because the cadastre is operated by municipalities. The issue is less relevant in the RS as the GA is a centrally led administrative agency with a direct budget control over its field offices and now, both the registration and cadastre functions.

Given that the new project is due to start less than a year after the Project's closing, the risks are substantially reduced. It should be noted that the inclusion of a subcomponent for project preparation for a new project was in recognition that all reforms were unlikely to be achieved within the project period and that a second phase would be required. The new project will address long-term issues of institutional funding and sustainability directly under the Component 3.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry: Satisfactory

The Task Team consisted of a number of well respected, knowledgeable and capable specialists who were able to draw on local and counterparts' knowledge to formulate the Project's objective, targets and activities. The team accurately identified what was needed at a preliminary stage to improve land administration, and it then formulated a clear, measurable and realistic set of activities to deliver the improvements. In general, the project design matched the needs and capacity of country, identified the elements of a well-functioning land administration system, matched them with appropriate components, and tailored the design to overcome risks or minimize their consequences.

The Task Team was helped in this regard by its members' long and varied experience in land administration, in the ECA region and elsewhere, and a thorough knowledge of best practice in land administration in Europe. Lessons learned and experience from projects over the previous two decades were incorporated into the design, with the result that the elements and the mix were consistent with best practice. Further, the Task Team had extensive experience in transition economies in the region, particularly the countries of former Yugoslavia, and made a detailed and thorough assessment of the situation in the BiH. This ensured that the design was appropriate to the transitional nature of the country's economy and its public administration.

(b) Quality of Supervision: Satisfactory

Bank supervision was generally appropriate and well-targeted throughout the Project. The aide memoires show how the supervision team identified problems promptly, how they delivered clear assessments, and how they accepted inevitable developments and provided appropriate and direct advice to move forward. The team did an admirable job in supervising effectively two projects - one in the FBiH and one in the RS—on a limited supervision budget.

Like the design team, the supervision team was composed of skilled and long experienced specialists who had both designed and supervised projects of this kind in the ECA region and elsewhere. The team included key specialists from the Food and Agricultural Organization of the United Nations (FAO) utilizing the World Bank/FAO partnership program, specialists provided by donors and other consultants as needed. In the BiH, the team accurately identified issues at an early stage during implementation and demonstrated flexibility and technical competence in responding to and dealing with such problems or unforeseen events. Further, the team carefully targeted the TA provided through GTZ on a continuous basis to increase its impact on improving land administration. Finally, the team provided considered and well-thought out responses to requests by counterparts.

The team developed close working relationships with the counterparts at all levels, and the client stated that they were fully satisfied with the Bank team, the guidance provided and the level of cooperation and collaboration.

(c) Justification of Rating for Overall Bank Performance: Satisfactory

The efforts of the Bank preparation and supervision teams ensured quality at entry of the operation and supported effective implementation, and in doing so, strongly supported and pushed forward the Project's activities for achieving the development outcomes.

5.2 Borrower Performance

(a) Government Performance: Satisfactory

The national level government played a very small role in the Project, although a more vivid role was anticipated at the project design. That role was limited to formally negotiating, adopting and ratifying the Project and financing documents, and, once the Project had commenced, involvement in LACAB, which was chaired by a representative from the State level MOJ. As previously noted, land administration is an Entity level responsibility, however the Land Administration Sector Policy and Strategy for the BiH was approved by LACAB.

The Entity governments in the FBiH and the RS approved many changes to their legal frameworks and adopted the important joint strategy. They showed solid commitment to the Project throughout its implementation.

(b) Implementing Agency or Agencies Performance: Satisfactory

As with all Bank-financed projects the implementing agencies needed time to understand Bank procedures. Once they understood the Bank's procedures and the necessity to implement quickly the project activities, all of the involved implementing entities performed well and were engaged and focused on the project and the land administration reforms.

Overall, both Entity MOJs were closely engaged. They took an active interest, established the LRUs and provided office space for the LRUs promptly. They gave good access to supervision missions, responded positively to requests, and promoted the land registry reforms.

The GAs and the courts administration in both Entities were closely involved in implementation and performed well.

(c) Justification of Rating for Overall Borrower Performance: Satisfactory

The government's involvement in implementation was strong, active and positive. The borrower complied with all covenants and agreements, delivered on the actions agreed during supervision missions, and actively supported and put in place the activities leading to achievement of the development outcomes.

6. Lessons Learned

Focus in the early stages of similar projects in land registration development should be on establishing the functioning system rather than on the covering data. The project followed a common strategy used in the Bank's ECA land projects, i.e., that facilitation of emerging real property markets requires efficient registration systems to be quickly established to allow sporadic registration as transactions happen. The systems are especially needed in areas where high market activity occurs. Otherwise informality prevails and many potential investments are lost. If project investments were focused mainly on systematic registration and harmonization of records the improvements in service to citizens would have been delayed. Also, as very expensive methodologies for systematic registration were proposed, this would have diverted the impact from the customers, who had an immediate need for services, to geographical areas where many did not yet need these services. The project focused on developing processes, premises and working conditions countrywide, and helped to introduce performance standards and customer orientation to all offices, and thus succeeded in having a nationwide impact and results. The second part of ECA's strategy for land projects is that once the registration system is in place and serving business, family, and public sector (sporadic) needs, the focus can turn to the data. This is included in the new project. Thus, the lesson learned is to start land registration development by ensuring a functional system is put in place and, once the system is up and running, move towards expanding the data.

In a country with limited IT capacity, an incremental, inclusive and compliant ICT development approach is the best practice. Unlike many other land administration projects at the time, the project adopted an incremental approach to ICT development. This started with the development of an IT strategy, building staffing and resources, and, most importantly, the process had realistic expectations. The technologies provide unlimited possibilities; the constraints lie in the institutions; in their resources and their capacities. The strategy was to follow step by step the general trend of moving from digitization to automation and onwards to data linking, processing and sharing through the internet. The existing experience was always utilized and simple technologies and solutions were applied to new development (such as the FBiH cadastre software, which had no prior software in use). With existing software (such as the land register software in the FBiH land registers) the approach was to facilitate error correction and to introduce system upgrades and additional functionalities. Data quality was systematically improved through separate contracts and user representatives were involved in the design of functionalities. National and international standards were complied with to ensure system interoperability with key government registers. The incremental, modular, improvements required short periods to implement and the user satisfaction was high. This did require a great deal of support from the Bank team, which was provided through the FAO cooperative program. At the time, it was common across the region to introduce sophisticated real property registration systems through a large development contract. Many of them took years to prepare and many years to implement, and some failed altogether. The process of preparation, contracting and implementation proved too challenging for public sector organizations with low ICT capacity to handle. The processing of large contracts was also too long and often technology advanced faster than the tendering and implementation period. In the BiH, these problems were avoided by building on the existing solutions and progressing incrementally from simple solutions step by

step towards more sophisticated solutions. The government's capacity increased along the process and big risks and failures were avoided. Thus it is recommended to: apply incremental approach to land administration ICT development in order to: serve the needs quickly with operational systems; make use of the latest technologies; and be able to mitigate risks effectively. Building in-house capacity is another great benefit of this approach.

Locally based real estate registration systems are no longer feasible in the 21st century. The decentralized dual agency real estate registration setup retained in the FBiH is a challenge for today's real estate registration domain, which operates joint ICT systems and infrastructure, and is linked to other public datasets. Real estate registration in the FBiH is already reliant on functioning ICT systems and the dependency will increase in the future. Clients will visit government offices less frequently and electronic services will prevail. This is all in line with improving governance in the e-government environment leading to improvements in service standards, linkages with related services in other agencies and greater utilization of the information available. The challenge lies in ensuring adequate funds and resources, and timely decisions in a coordinated manner for the required continuous investment in software, databases, licenses, equipment and networks. This is particularly challenging in the situation where the responsibilities are spread across the central-, cantonal- and municipal governments as in the FBiH. The project approach was understandable due to the initial low capacity in the client institutions, which were addressed through training, business planning and adoption of performance standards. However, the team remains concerned that a final sustainable set up for ensuring quality of service and efficiency in the FBiH is not yet established. This conclusion has had an impact on the new project design, which will have a strong focus in improving the institutional sustainability for real estate registration in both Entities. A modern real estate registration system needs to operate integrated information systems, draw information online from their original public source, have clearly designated hosts and well established long term financial arrangements.

An extensive results framework can be a positive factor in project implementation. By the time of the project design there was already an initial reporting system in place supported by the GTZ TA. The results framework of the project and the monitoring and evaluation system utilized were extensive compared to those normally used in Bank funded operations. However, this was a judgment call made during project preparation and it was felt that the detailed monitoring and evaluation work could be managed. Both Entity LRUs were able to develop and maintain solid monitoring and evaluation systems, which became important as a decision making tool and was used when allocating project resources to reach targets. The extensive monitoring was also excellent for the Bank team to monitor project progress. The quarterly reports were of a high standard, which greatly eased and helped to focus the team's technical work. The only downside is that the monitoring and evaluation functions were project focused and data collection ended when the project closed. However, the new project will continue to monitor many of the same indicators and the institutional knowledge is not lost. The new project will endeavor to integrate the new project's monitoring and evaluation function within the government's permanent systems during the project period. In conclusion, an extensive project results framework can be a positive asset, if the indicators reflect actual needs and the client has the capacity for proper monitoring.

Focus on what is achievable and build on successes: Projects in any country should focus on technical, practical reforms that can be delivered and incrementally developed, even if these appear to be very modest at the outset. The Project found low levels of capacity and a lack of readiness to undertake cadastral survey work because conventional methods were not affordable. It was only through prolonged work that the capacity increased and through pilot work that approaches for the cadastral survey work could be agreed. Ambitious activities should only be undertaken once they are demonstrated as successes, which can be built upon, and capacity has been proven. The lesson is that land projects require realistic aims and pragmatic approaches that increase in ambition success by success.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

Implementing agency representatives from both Entities have agreed and endorsed the content, ratings and lessons in the ICR (See Annex 7).

(b) Cofinanciers

n.a.

(c) Other partners and stakeholders

(e.g. NGOs/private sector/civil society)

GTZ, in their comments to the draft ICR, praised the cooperation with the World Bank as mutually beneficial, positive for the beneficiaries and a model that should be replicated in other projects. They acknowledged the moment of friction between the TA and the government, which stemmed from the differences over the funding of the local experts. They suggest that the transfer of responsibilities should be addressed at a very early stage of TA projects.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in US\$ million equivalent)

| Components | Appraisal Estimate (US\$ millions) | Actual/Latest Estimate (US\$ millions) | Percentage of Appraisal |
|--|---------------------------------------|---|----------------------------|
| Component A: Registration | 8.356 | 7.999 | 96% |
| Component B: Cadastre | 7.437 | 6.586 | 89% |
| Component C: Policy Development and Project Management | 1.206 | 1.351 | 112% |
| | | | |
| Total Baseline Cost | 17.000 | 15.936 | 94% |
| Physical Contingencies | | | |
| Price Contingencies | | | |
| Total Project Costs | 17.000 | 15.936 | 94% |
| | | | |
| | | | |
| Total Financing Required | 17.000 | 15.936 | 94% |
| | | | |

Note: The project's financing plan at Board presentation was used to calculate the appraisal estimates. There has been major changes in exchange rates and the loan was specified in XDR and most contracts denominated in Euro. The project costs in Annex 5 of the PAD were not used because they exceeded the financing plan. Contingencies could not be estimated using this method. Actual amounts were converted at the exchange rate of 1.258 EUR/1 US\$ (effective on June 30, 2012).

(b) Financing

| Source of Funds | Type of Cofinancing | Appraisal Estimate (US\$ millions) | Actual/Latest Estimate (US\$ millions) | Percentage of Appraisal |
|--|------------------------|--|--|----------------------------|
| Borrower | Joint | 2.000 | 2.396 | 120% |
| International Bank for Reconstruction and Development | Joint | 15.000 | 13.540 | 90% |

Annex 2. Outputs by Component

General

The project development objective was to *facilitate the orderly development of transparent land markets through registration of real estate rights and complimentary policies that enable transactions to be made with security and efficiency*. The LRP helped to improve the security of land rights and make transactions more efficient and transparent through its support to the registration of real estate rights in the local court based land registration offices in the FBiH and in the REC in the RS. This project was successful and achieved its development objective to develop land markets through secure and efficient real estate registration. The registration performance and quality have improved, backlogs have been reduced and customer satisfaction has improved. All three components of the Project mostly achieved or exceeded their targets. The real estate registration domain in both Entities has leapfrogged into the era of digital data, automated systems and online access to records.

Component A; Registration

The main focus of the project lay in this Component which was to develop a more efficient and transparent registration system in both Entities. This was to be done through: improving the transparency, speed and accuracy of transactions (buy, sell, inherit, mortgage, lease); increase the number of properties registered; and incorporate the apartment register (Book of Deposited Contracts) into the main land registry.

Summary. This component was, in general, implemented very well and resulted in more modern, complete, useable and customer friendly land registries serving customers in hours and days rather than in months as at the project start. Service standards and business plans were developed and implemented in the court land registries. Publicity campaigns were successfully conducted and information from the registry was made available online for both Sarajevo and Banja Luka. In the FBiH, 24 land registry offices, 4 land registry branch offices and 5 cadastre offices were renovated and equipped, and in the RS, 16 land registry offices and two cadastre offices were renovated. The backlog of unresolved cases was dramatically reduced and nearly all land book records have been digitized (99 percent in the FBiH and 98 percent in the RS). The outcome of all of this is that now in the FBiH the majority of transactions are complete within 5 days and while 39 percent of courts register mortgages within one day and 21 percent of courts register mortgages within 2-5 days; in the RS, 53 percent of transactions are completed within one day. IT system upgrades were introduced into the land registration software.

A1—Development of service standards and annual business plans: New business plans were developed and service standards adopted. The service standards include a number of key provisions to improve service to customers: providing special reception area for clients in land registry and cadastre offices; providing required assistance and counsel to clients in filling-in requests; enabling clients to comment on performance of staff either in written or verbal form (confidential address or phone number); displaying in a visible place in the court/municipality working hours of land registry or cadastre office and break time; providing a list of all types of documents that clients can obtain, and what is the procedure; displaying a list of all documents

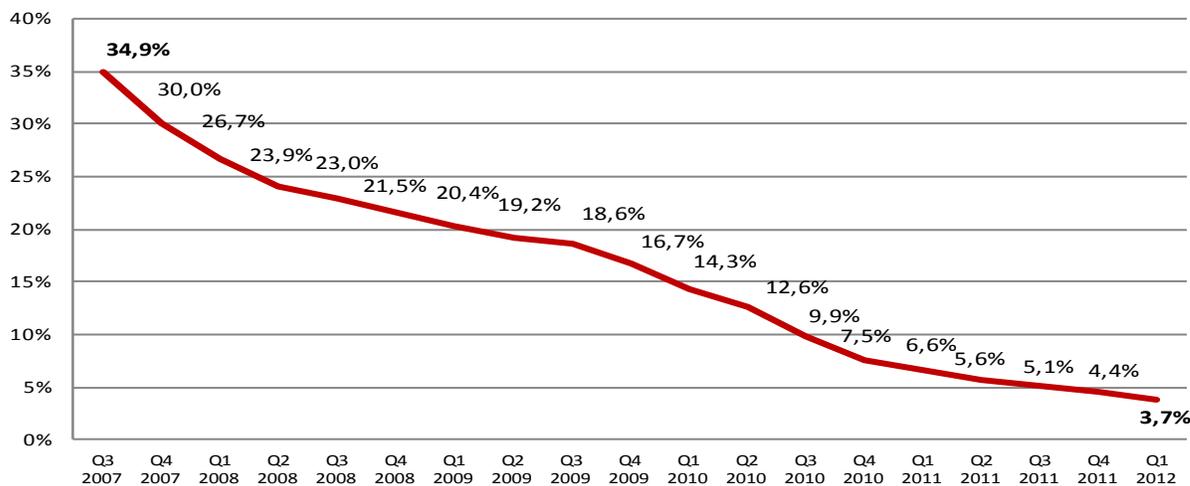
that clients must enclose for certain types of registration and various requests; ensuring that information about amounts of fees visible and available to all clients; providing printed brochures on land administration reform objectives and progress with the aim of keeping service users informed.

A2—Improvements to working conditions and public reception areas: The Project through this component provided good working conditions in the land registers held in local Courts through office renovations and supply of equipment, furniture and archives. Nearly all the land registration offices have been renovated: 24 offices in the FBiH representing 104 percent of the target and 16 in the RS representing 100 percent of the target. Better working conditions and proper customer reception areas improve service and reduce opportunities for corruption by separating front office (for receipt of requests for transactions) from back office where the work is completed.

A3—Apartment registration: The methodology for incorporating apartments into the court registers (FBiH) and into the REC (RS) has been developed. The original intention was to incorporate apartments directly into the property register; this was found to be difficult based on the existing legal framework. Following the mid-term review, the outcome indicator was changed to require the development of a methodology for incorporating apartments into the main land registry by the end of the Project. The issue of many apartment buildings lacking formal building permission and other documents needed for registration has also presented obstacles. A review of the legal framework in the FBiH was completed in November 2010, and it addresses these and other issues and the methodology for incorporating apartments in the FBiH has been completed and incorporated into a draft law. In the RS, apartment registration continues to be managed by the GA and under the law change creating a single entity for cadastre and registration in the RS all data on property will be merged into one system. The implementation of apartment registration is included in the new Real Estate Registration Project.

A4—Data harmonization, data entry and system integration: Backlogs have been virtually eliminated, and the data in the land registry books digitized (99 percent in the FBiH and 98 percent in the RS). In addition the Project has supported the updating and matching of land registry and cadastre records to improve the accuracy of the information and the speed of service: 23 percent of registry records in the FBiH and 26 percent in the RS—both exceeding the 20 percent target.

Percentage share of cumulative number of pending requests in cumulative number of total registration requests received in the FBiH:



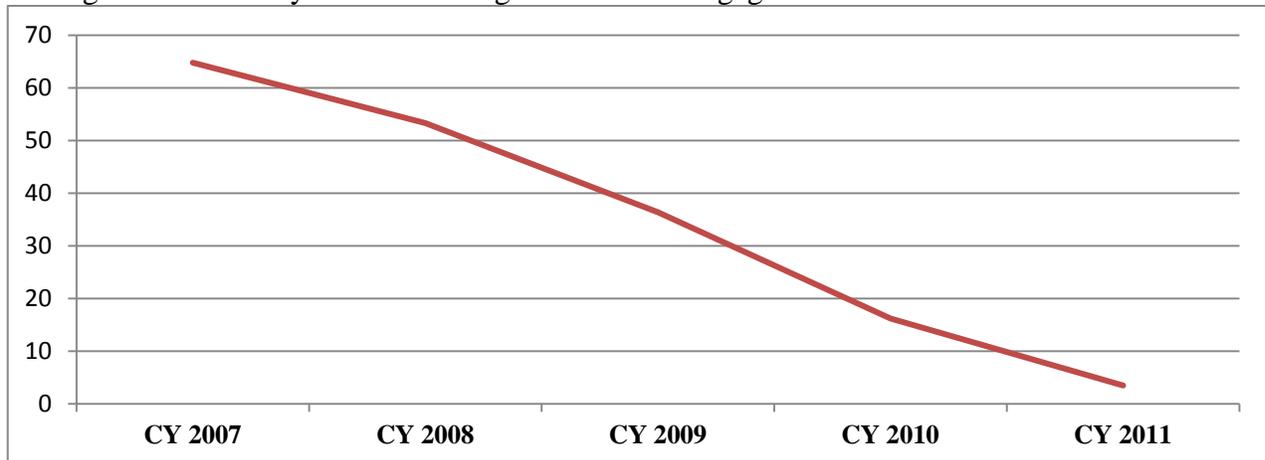
A5—Technical assistance and training: GTZ successfully provided the technical assistance for registration financed directly by grants from Sweden, Germany and Austria. The purpose of the preparation and implementation of the systematic training and education program was to strengthen employees' capacities, and thus strengthen the capacities of the land administration sector institutions, with the aim of improving efficiency and quality of the provision of services to users. In the FBiH, the systematic education was carried out in decentralized manner in order to ensure simpler access to education participants, thus achieving better results. Each seminar is implemented in the four locations in the Federation—Sarajevo, Mostar, Tuzla and Bihac. A total of 39 seminars attended by 1,047 participants were completed, of which 565 were Cadastre employees, 330 Land Registry Offices and 61 employees of the Administration for Spatial Planning. From the perspective of gender equality, 55 percent of attendees at the education or training events were women. Renovation and refurbishment of the four centers for education of the land administration sector were completed in Sarajevo, Gradacac, Capljina and Cazin.

In 2009, an International Congress on Land Administration was organized jointly by Entity MOJs and GAs with the technical support of SIDA/ADA/GTZ. The Congress was very successful with 370 participants attending from around the region. The education of staff in the RS covered twelve topics in IT, law and human resource management. The training was held in the Education Centers in Banja Luka and East Sarajevo during the months of September and October 2011. There were 82 seminars held, attended by 633 participants.

All of the above sub-components contributed to the timeliness and improved quality of services provided by the land registration offices in both Entities. In the FBiH the majority (60 percent) of transactions are completed within 5 days; in the RS, 53 percent of transactions are completed within one day. In the RS 53 percent of the registration offices register mortgages within a day and in the FBH 39 percent of the offices register mortgages within a day. The average time for the mortgage registration is 4 days in the FBiH, which represents a significant decrease from the

average of 65 days in 2007. These improvements in service times have been achieved while at the same time the number of requests has doubled in the land registry offices from 35,818 in 2006 to more than 70,000 in 2011.

Average number of days needed for registration of mortgages in the FBiH



The client surveys commissioned in 2010 confirmed a significant increase in user satisfaction with services provided. The improved service level was also confirmed in discussions with private sector representatives (several notaries and real estate brokers). For example, the land register in Sarajevo registers mortgages and property rights in a matter of days instead of the months or years it took to register property rights before the LRP. BH thus greatly improved its profile in the World Bank Doing Business annual report since 2007, from 331 days to register a property to 25 days in 2012. This compares well with the regional average of 30 days and OECD average of 26 days. IT systems have been introduced and solutions for online access to records established.

Component B; Cadastre

The objective of this component was to improve the efficiency and speed of providing cadastre data for registration of property rights; undertake pilots in systematic registration and digitize cadastre maps; and develop the cadastre IT system. All the activities have been satisfactorily completed in both Entities.

Summary. In both Entities service standards and business plans for land registry and the cadastre were developed and implemented. This led to better services, and better functioning of the land market. The pilot work to develop a methodology for gathering property data and to harmonize records in both Entities went well despite delays in the RS. Eight pilots (four in each Entity) to harmonize and update cadastre and land registration information were completed. Lessons learned and recommendations from the harmonization pilots impacted the design of the new project, which adopted a mainstreamed process for harmonizing land records. In addition, 1.39 million hectares of maps were digitized and converted into the new IT system allowing for faster access to, and updating of, cadastre plans. Both Entities developed and implemented good IT

systems for maintaining the cadastre. In the RS the system was completed and is now being upgraded to the new REC system. The RS GA has established a permanent Sector for Geoinformatics and has existing contracts for system maintenance and telecommunications. In the FBiH, the new comprehensive software is in use across the Federation.

B1- Provision of data services: The documents on service standards and business plans for the cadastre have been elaborated, accepted and are being implemented. In the FBiH three cadastre offices were renovated using project funds and another two using donor funds thereby improving working conditions for the staff and clients. In the FBiH, the Rulebook for cadastre services was completed in 2009 and service standards agreed in 2010 and provided in brochures in 2011. The E-commerce strategy, included within the adopted IT strategy and business plan, was agreed in 2011 and is under implementation. In the RS, the E-commerce strategy and service standards were completed and approved as part of the GA's plan for 2011-2015. Efficient services now provided by cadastral offices in both Entities. In both Entities cadastre extracts and copies of cadastre maps are provided within one day of the request for this information.

B2—Systematic registration and mapping: The harmonization pilots were completed in the FBiH in 2011 and in the RS in 2012—8 pilots in total. The experiences from the pilots helped in defining a model and specifications for completing this work which will be scaled up under the second phase project. In the FBiH, the systematic updating of the cadastre— in the Capljina and Gradacac municipalities - were completed with systematic survey, field investigation and regularization of 8,200 cadastral units. Systematic updating of the cadastre in Ljubuski and Travnik municipalities were also completed. The subcontractors completed their work on updating of the cadastral data which were transferred to the Land registry offices in Travnik and Ljubuski for the systematic registration of property in these cadastral municipalities and updating and renewal of the land registers.

B3—Digitizing cadastre maps: The majority of maps have been digitized covering 1.4 million ha in the BH and a total 1,609,202 land registry folios. In the RS, 150 cadastral municipalities, covering the area of 189,791 ha, was completed under the project. In the FBiH, the strategy for digitizing cadastre maps was developed and conversion of data in new format was performed using government and loan funds. Eight tenders were completed covering the surface area of 272,669 ha. The conversion of 427,000 ha in the new survey format was completed through government funds. Priority in digitalization in the FBiH has been given to the economically more important areas, municipalities that participate with its own funds in digitalization (co-financing arrangements) and municipalities covering the Corridor Vc (motorway construction).

B4—Information technology: In both entities a IT Strategy was completed providing the overall objective, activities, funding requirements and human resource requirements for IT development in the medium and long term. An initial IT solution to the cadastre system operated by the Entity level GAs was introduced. In the RS, the GA has a strong IT Unit with 24 staff members in two main locations. A sustainability plan was developed, which covers users and IT staff training, communication infrastructure, maintenance of the existing IT systems. The IT system was developed and rolled out to all GA offices. In the FBiH, the cadastre IT system has been rolled out in all the offices and a capable Geoinformatics department has been established in the FBiH GA. All 37 land registration offices (28 land register offices and 9 branch offices) in the FBiH operate

the recently upgraded land registration software called e-Grunt. The system covers a wide range of functionalities inclusive of the central database replication from the land registers.

B5—Technical assistance and training: The technical assistance support by GTZ/SIDA/ADA helped to organize systematic training and education of employees in the land administration sector in both Entities and achieved satisfactory results.

Component C; Policy development and project management

Project management in both Entities was good throughout the project and a great number of legislative initiatives were completed. Social surveys were done in 2005, 2007 and 2010, and a property market study was completed in 2012. Monitoring and evaluation work was excellent, and procurement and financial management efficiently completed.

Summary. The Land Administration Sector Policy and Strategy for the BiH, which includes plans for addressing a wider variety of land administration concerns, was completed and adopted and is a significant achievement for the future of land administration in the country. Good progress was also made in the development of legislation and in preparation of detailed plans for the future activities of the cadastre and registration services. Each Entity has prepared detailed plans with costs calculated for the land registration and cadastre activities that need to be undertaken over the next few years. The FBiH has a comprehensive program of activities developed and the RS has an officially approved mid-term program (MTP) for the coming five years (2011 to 2015). The RS Law on Cadastre that unified land registries to the cadastre was adopted initially in June 2011 and then after a constitutional challenge was revised and the new Survey and Cadastre law of the RS became effective in February 2012. The RS Law on Property Rights was also adopted. Policy options and legislation dealing with informal properties, planning and development and property taxes were also completed.

The major policy achievement was achieved in 2011 when the State level Land Administration Coordination Board (LACAB) produced a Land Administration Sector Policy and Strategy for Bosnia and Herzegovina, which further elaborated the vision 2016 and integrated Entity level Strategies into a joint Policy. Both Entities have prepared corresponding plans for implementation. The FBiH has a comprehensive program of activities developed and the RS GA have an officially approved mid-term program (MTP) for the coming five years (2011 to 2015). Both programs are logical and well prepared and were used as the base for the repeater project design.

The RS National Assembly adopted the new Law on Survey and Cadastre in 2011. In 2008, the RS adopted the Law on property rights (which together with the Law of Obligations is a cornerstone of any legislature) and the Law on Court Taxes and Fees (Official Gazette of the Republic of Srpska, No. 73/08). In early 2010, the Law on Property Rights was enacted. In the first quarter of 2011, the RS adopted the Law on Construction Land and proposed amendment to the Law on Privatization. RS passed a new Law on Construction and Spatial planning, which was published in the Official Gazette No. 55 of 14 June 2010. The Ministry of Finance, with the support of USAID, drafted the Law on Taxation of Property and it is currently working on

establishing the Fiscal Cadastre within the Tax Administration of Republic of Srpska. The Law on Electronic Signature and Law on E-business have been adopted, which are important pre-conditions for transition to e-Government.

In the FBiH, the draft the Law on Property (real estate rights) was scheduled for consideration by the House of Representatives of FBH Parliament on December, 2012. The draft Law on Cadastre in the FBiH was under discussion for several years and was finally withdrawn in the autumn of 2012. Instead, the Minister of MOJ has appointed a legislative commission to draft a new Law on Real Estate Cadastre and Surveys. Policy and development of legislation relating to planning, building permitting, informal constructions, property taxes and valuation methods were completed and the overarching issues relating to land administration and land management were constantly discussed and reviewed.

In the FBiH, the Public Information Campaign (PIC) was done in two phases. Phase I sensitized the public at large to the rationale and importance of land and real property registration, the rights and obligations of land and real estate owners as the public usually perceives the land registration and cadastre system as a basis for acquiring their rights, forgetting that ownership also presents obligation, i.e. to maintain the ownership records up-to-date. During the second phase, the PIC gradually shifted its messages from awareness raising to educating the public regarding the government's plans to improve the registration systems and, while new digital information archives and registries are put in place, encourage the citizens, municipal authorities as well as state and private enterprise managers and owners to register their properties in the revamped registration system. Additionally, the goal of the PIC was to develop communication capacity in responsible institutions in order to ensure adequate and timely provision of information to their clients beyond the Land Registration Project's lifetime.

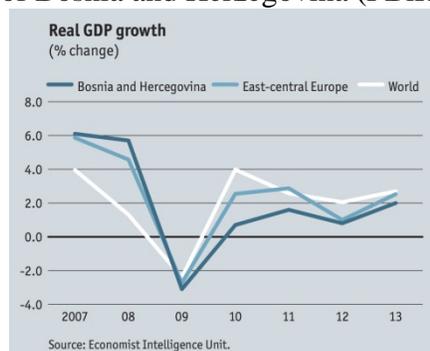
Both Entities prepared and passed general ICT strategies and progressed with the first phase of implementation. The repeater project will support further investment. The RS has a good ICT sustainability plan, a department for geoinformatics that maintains the systems (or supervises external contracts for some system requirements), including the telecommunications infrastructure. The FBiH passed a strategy on e-commerce for cadastral works; the FBiH courts are all linked to one wide area network, and plans for the establishment of a permanent IT telecommunication infrastructure for cadastral offices have been adopted and implementation has started.

In the RS, a new law in June 2011 unified the land register and cadastre into one centralized institution, the REC at the GA. Shortly thereafter, 16 of the 19 courts handed over their land registers, staff and some resources to the GA. The new law, however, was challenged in the Constitutional Court. The three remaining courts did not transfer their records as they were awaiting the Constitutional Court's decision. In the meantime, the RS government developed a revised law to address the constitutional concerns. The new Survey and Cadastre law in the RS was enacted and came into force on February 3, 2012 and the remaining three courts Bijeljina, Trebinje and Srebrenica proceeded to hand over their land books, staff and equipment to the GA. In October 2012, the BiH Constitutional Court determined that the Law was in accordance with BiH Constitution.

Preparation for further support in land administration in Phase 2 concluded in 2012 and was the basis for concluding negotiations and approval by the Board of a follow-up project.

Annex 3. Economic and Financial Analysis

Bosnia and Herzegovina's (BiH) economy has developed since the project's inception in 2007. Despite the economic crisis, GDP is at US\$18 billion now compared to US\$15 billion in 2007, although the GDP growth rate is relatively low at 1.8 percent as it is still recovering from the financial crisis. BiH has suffered a slightly slower recovery from the economic crisis than other similar Eastern European economies (see graph). As an upper middle income country and a potential European Union candidate country attempting to align with *acquis* requirements its economy still is faced with unique challenges compared to its neighbors. The central state-level BiH government was granted limited responsibilities under the 1995 Dayton peace agreement and includes two largely autonomous Entities: the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS). It also includes a self-governing district, Brčko, under the direct authority of the central state government. While its citizens and authorities have successfully restored peace in the nation, and per capita GDP has increased more than eightfold since 1995, the unique government structure makes for a complex and onerous policy-making environment which is often fragmented between the state and entities, leading to slow decision-making and an unclear division of powers (EIU, 2010 and 2009 EC Progress Report). As a result of these political intricacies investors often are hindered by a lack of information and delayed project preparation or forgone investments altogether. Since the financial crisis, the policy framework for the investment climate in Bosnia and Herzegovina has been set by the Stabilization and Associate Agreement with the EU (2008) and terms of the stand-by arrangement with IMF (2009).



Mortgage loans as a financial product were introduced only shortly before the crisis, and hence were not hit severely by high rates of defaults or foreclosures. According to the Central Bank of Bosnia and Herzegovina's 2010 Financial Stability Report, the quality of long-term claims on households such as housing loans was more susceptible to idiosyncratic risk than the worsening of macroeconomic conditions. For most banks in the system the share of housing loans as a proportion of total non-performing loans was not significant. Banks began reintroducing housing loans as a financial product last year because of an increase in activities in home construction. However, with consumer lending rates over 2 percent higher than the mortgage rate (10.0 percent and 7.7 percent Effective Interest Rate respectively), consumer lending is much more profitable for the banks; furthermore, interviews with bank associations confirmed that the banks often use consumer lending with guarantors in place of mortgage financing due to issues relating to the registration of property.

At the time of the project inception, lack of policy development in land administration and inefficiencies within the land registry services hindered business development and hence stifled real-estate investment in the country. Professionals, businesses and citizens alike were frustrated with long waiting times to process a transaction, the several trips required to the local offices to finalize a transaction, and high costs in the local registry and cadastre offices, all of which made it difficult to complete basic real estate transactions or borrow money based on

property as collateral. The project aimed to provide similar benefits as in other land administration projects, including increased security of tenure, a decrease in transaction costs, improved access to land administration services, and improved public sector management associated with improved governance.

According to the Study on Real Estate Market Dynamics,⁵ the land market is now functioning well in urban areas although it is hindered by uncertainties and delays in obtaining registration documents and construction permits. BiH is considered to have successfully completed the first phase on institutional building and establishment of basic registers along with the systems and services needed to maintain and update them. Now the entities need to work to reduce market distortions, encourage greater investment and growth by improving the quality of the data held in the registers, harmonize the entries and address the problems of illegal construction and idle land. Illegal properties are still not selling as they cannot be easily registered in the land book due to missing construction permits. Regardless, the GDP components related to real estate, renting services and imputed rent has grown over 50 percent since 2005 (Statistical Yearbook 2011). According to the Study on Real Estate Market Dynamics, the overarching problem at the current time is the lack of harmonization of the cadastre and the land register. Fortunately, a new Real Estate Registration project financed by the World Bank over the next five years will focus on harmonizing the cadastre and registration records in the country.

In the latest *Doing Business 2013*, the country ranked 93 out of a total of 185 countries for registering a property, improving by eight positions since the 2012 report. Although it still ranks below the average of other Eastern Europe (EE) & Central Asia (CA) countries in *number of procedures* (7 in BiH, 6 in EE & CA) and *cost measured as a percent of property value* (5.3 percent in BiH, 2.8 percent in EE & CA), it greatly improved its position 44 places from 2008, not least due to the benefits gained from the Land Registration Project. Furthermore, the effects of the Survey and Cadastre Law (2012) in Republika Srpska, which required the Geodetic Administration to take over Ministry of Justice land registries in all courts, are only beginning to be felt; the takeover should eliminate the need to travel to both a registration and cadastre office and result in a reduction in fees.

The Land Registration Project which ran from 2007-2012 made excellent progress technically in terms of digitizing the land register and cadastre maps and creating an operational IT system for the land registry. Operationally, the project was successful in eliminating the backlogs in the registry office which helped to reduce the number of days for processing applications for property and mortgage registrations. The renovation of the offices helped increase the operating efficiency in the offices, as did the training of staff and introduction of more streamlined processes.

⁵ Orgut, "Bosnia and Hercegovina: Federal Ministry of Justice: Study on real estate market dynamics, strategies for the resolution of problems of illegal construction and real estate disputes and the analysis of regulations regarding privatization". June 2012.

Efficiency Gains

According to the PAD, most requests took 30 to 90 days to complete, and a growing backlog of pending requests totaled over 200,000 at the project's inception. The Customer Survey of the Social and Institutional Analysis in 2005 found that approximately half of the respondents visited the land registry office some 2 to 5 times to resolve a transaction, 13 percent between 6 and 10 times and 11 percent made more than 10 visits. Each visit lasted approximately 50 minutes with long delays particularly in the Sarajevo office. This clearly had a negative impact on development of financial markets by creating uncertainty for potential investors.

The service standards introduced under the Project, combined with the nearly complete digitization⁶ of land records significantly reduced the time needed to register a transaction. The digitization, along with increased training and organization of personnel in land registry offices, led to the reduction in number of backlogs of unresolved cases,⁷ as the digitization contributed to the acceleration of processing the request. Due to these improvements, transactions are now completed within one working day for more than half of the clients (53 percent) in the RS. In the FBiH, 39 percent of courts register mortgages within one day and 21 percent of courts register mortgages within 2-5 days.

Fewer visits were also recorded in the latest Social Survey (2010); 35.8 percent of the respondents cited that they only had to visit the land registry office once in order to resolve a certain issue and the percentage of those who visited the land registry office more than five times had decreased significantly from 24.2 percent in 2005 to 15.3 percent in 2010. The estimated number of needed visits in order to resolve a certain problem is lowest with the second category courts.

As a result of the efficiency improvements in the operations within the registration offices there have been considerable improvements in the average time spent at the office per transaction. The average time spent at the office by the majority of clients per visit has been reduced to 30 minutes, down from 50 minutes; in addition, assuming that those clients on average needed to visit the offices 8 times, the average number of visits per transaction was reduced to 3.3 down from 3.9. Thus the average time spent at the office per transaction was reduced from 197 minutes to 99 minutes, which is a 50 percent improvement. As mentioned in the PAD, the opportunity cost in terms of lost wages of multiple trips to the registry office, especially for poorer people, may represent a significant portion of their income. This reduction in average time spent at the office per registration can therefore be translated into monetized economic benefits. At 114,000 transactions in 2011 and an hourly wage rate of BAM 5.25 (US\$3.24) this equates to an annual economic benefit of just over US\$602,057. These efficiency gains would be even larger if one

⁶ In the FBiH, 99% of the total number of the land registry folios were digitized (1,030,000), which is an increase of 966 percent in comparison to the baseline figure of 96,000. In the RS, 98 percent (or 454,000) of the entries were digitized from old books.

⁷ Backlogs have decreased from 35 percent in 2007 to 2.5 percent in 2012. In 2007 number of pending cases in 19 offices of basic courts in the RS was 17,346. Automation of courts, training of workers and reorganization, all funded from the loan has resulted in a reduction to 80,000 by 2010, a reduction of 54 percent. 8106 of these were in the Banja Luka land registry office, which has now been reduced to 2,000.

included the monetary benefit of the increased productivity of government workers in the registration offices implied by the faster transaction times.

Furthermore, the number of registration requests and registered mortgages significantly increased. In the FBiH, the number of registration requests was 70,561 in 2011, an increase of 37 percent since 2007 when 51,352 transactions were registered. It should be noted that the number of transaction requests in 2011 is an increase of 96 percent since 2006 when only 35,819 requests were registered. Registered mortgages increased over 44 percent from 4,405⁸ in 2007 to 6,357 in 2011. By the end of March 2012, a total of 60,349 mortgages were registered in the Electronically Maintained Land Registry. 45.3 percent of these were transferred from the old books, while 46.4 percent were newly submitted and registered requests for registration of mortgages. The remaining 8.3 percent were the mortgages that were taken over from the Real Estate Cadastre. In the RS, the number of registered transactions actually decreased 26 percent from 14,445 in 2007 to 10,657 in 2011. However, the number of registered mortgages in the RS in 2011 was 3,244 which is a significant increase of 138 percent since 2007. The increase of registered mortgages in both entities indicates a positive trend in the until recent non-existent mortgage market in BiH, however, it should be noted that the regulation of mortgages still fails to meet the new needs of the market, and new regulation of the mortgage law is needed for the modern banking sector.

Most importantly there is an evident trend in the increase in satisfaction with the services received in the municipality cadastres. In 2005, one-third of the respondents expressed satisfaction with received services while 52.8 percent in 2010 stated they are very satisfied with the services given to them in the cadastre. The same level of satisfaction was observed at both the registry and cadastre offices. Transparency has greatly increased as well; in the PAD, 13 percent of the respondents admitted to making informal payments in order to resolve issues, which averaged about one third of their cash costs, whilst only 4.3 percent of respondents affirmed that they needed to pay a bribe in the land registry office in the 2010 survey. The respondents who provided the bribe in most cases believed that bribery was part of the system of land administration. The digitization and decrease in backlogs which lead to an increase in quality of services provided also led to more up-to-date information, thus eliminating opportunities for corruption.

In the Customer Survey conducted before the PAD, there was a widespread perception that the land registry and cadastre offices do not treat clients equally, and those with personal or political connections receive much better services. The land registry and cadastral office clients believed some 10 percent of clients have been discriminated against because of their ethnic heritage or gender. According to the 2010 Social Survey the most frequent visitors to the land registry are unemployed citizens (51.4 percent), domestic workers (70 percent), and those who evaluate their socioeconomic status as “average” (52.3 percent). A consistent finding was that only a low percentage of respondents (approximately 5 percent) report being faced with some form of discrimination when visiting the registration office, and in fact, respondents who were more than

⁸ estimated

50 years of age (8.3 percent) and those who state that the economic status is above average (13 percent), more frequently reported having experiences with discrimination than those of other ages and economic status groups. The PAD also mentioned that poorer people have less access to information on land administration procedures, less bargaining power due to their poor access to land administration data, and are generally unaware of the availability of legal aid services. According to the 2010 Social Survey, close to one-half of respondents (41.4 percent of respondents) indicated that they are better or significantly better informed now compared to three years ago regarding the work of the land administration.

Digitization of the land records also made the introduction of online access to land registry data possible, which is becoming more popular as a source. A survey of professionals indicated at least half use the Internet to inform themselves about the land administration reform, although less than 10 percent indicated that they do this on a daily basis. As more services become available through an online system over the next few years, efficiency and transparency are expected to increase considerably.

Overall, the project was a success as measured by the majority of respondents (70 percent) in 2010 who stated there had been a general improvement in the work of the land administration sector since 2005. However, harmonization is still an issue. In 2010, 24 percent stated they had problems because the activities of the land registry office and cadastre were not harmonized, representing only a small improvement compared to 28 percent in 2005. In fact, in the survey of professionals, 95.3 percent emphasized harmonization of cadastre and land registry data as the top propriety. The developed strategy for digitization of cadastre maps in the FBiH and the conversion of data into a new format, as well as the actual conversion of 427,000 ha in the new format completed so far, are crucial as they serve as the basis for harmonization of data with the land registry and system integration and for the overall goal of implementing a digital land administration system which will publish all data from the land registry and cadastre. It will also contribute to even more improvements in efficiency and speed of providing data and service to the clients.

Fiscal Impact

According to the PAD, land registry fees collected annually throughout BiH totaled less than US\$1.6 million, compared to the estimated registry office annual operating costs of less than US\$2.6 million per year. It was noted in the PAD that the revision for the service standards and fees, combined with improved performance and a dramatic increase in the volume of transactions will ensure that the land registry offices operate on a full cost-recovery basis for each entity as a whole. In 2012, the revenue from real estate sales (including collection of fees gained from recording taxes on capital gains) was US\$10.43 million in the RS and US\$10.2 million in the FBiH. The annual cost of the real estate function in the RS was US\$23.75 million and US\$17.7 million in the FBiH, making the ratio of real estate registration revenues over costs 44 percent in the RS and 70 percent and 52 percent in the Land registry and Cadastre offices in the FBiH, respectively. However, through establishment and implementation of business plans for the registry and cadastral offices, both entities are strengthening their position by improving coordination among levels of government as expected in the PAD. In fact, respondents in the 2010 Social Survey most frequently stated they were somewhat satisfied with the cooperation

level of professional organizations regarding land administration reform to date. A sustainability model was attempted in the Real Estate Market study and its results show that currently the combined cadastral and land registry are operating on a 60 percent cost recovery basis, assuming the base assumptions are correct. A large proportion of the cadastral income is from the activity related to surveying, which will decrease with the introduction of private surveyors. However it is expected that the cadastre will cut staff in this process. The income of the land registry is currently flat but the introduction of new products and services (i.e., geoinformation and valuation) offer an opportunity to strengthen opportunities for income generation. The new project will aim to increase the sustainability of the registration offices and lower these percentages.

The Government has significantly benefitted from the increase in transactions due to the Project benefits through an increase in transfer tax revenue. While the possible benefits of the low property tax rate between 0.05 percent and 0.5 percent depending on the value of the property may be negligible, the transfer tax of 5 percent in the FBiH and 3 percent in the RS can result in large increase in tax revenue due to an increase in property prices and higher market turnover due to the investment in the registration system which would lead to the harmonization of dual records and mutual non-compliance in the current registration system. At the inception of the project the annual property transfer tax revenue was US\$123 million. Without the project, the estimated number would have increased to US\$159 million by 2012. The market stimulating effect of the project has, however, increased this number to an estimated US\$176 million in 2012, resulting in a flow of additional tax revenue of US\$52.18 million over six years. Assuming that about 40 percent of this increase is attributable to project activities this amounts to a Present Value (PV) in 2012 of US\$12.52 million at a 12 percent discount rate, a valuable contribution to the stretched government budget in BiH.

Economic Analysis

Model 1 analyzes the estimated increase in market transaction volume and value as a result of the improved registration services. This has most importantly led to direct increases in government tax revenues due to increases in transfer tax collection. The increase in market turnover size also translates to direct economic project benefits that can be monetized.

Model 2 analyzes the economic benefits through the lens of access to finance. Inefficient property registration systems as well as an underdeveloped mortgage market have resulted in higher interest rates as people have been forced to take out consumer loans instead of mortgages. Implementing a more efficient and secure system, together with benefits to the housing finance system provided by more accurate property records and elimination of registration delays, has reduced these spreads. Furthermore, the mortgage rates in BiH have gradually declined with a strengthening of both the financial sector and real estate registration institutions and an increase in total mortgage transactions, although currently the mortgage rate is relatively high (7.70 percent) when compared to a similar economy such as Slovenia, where the mortgage rate is around 3–4 percent.

Model 1 is considered the baseline scenario for the calculation of the Net Present Value (NPV) and Economic Rate of Return (ERR). The economic benefits identified in Model 2 are added to an expanded scenario.

Model 1—Property Market Dynamics

Investments in cadastre and registration systems improve access to finance and other investments in the housing market. Improvements are reflected in the number of transactions as well as the average property prices, the product of which determine the total market value. Using “with project” and “without project” scenarios, incremental market growth due to the project is estimated within the context of a macro model. The estimate has been adjusted for project coverage and then subjected to further downward adjustment to arrive at a calculation of incremental benefits attributable to the Project. A sensitivity analysis is also applied. Table 1 shows this approach.

During the course of the Project, market transactions increased from 65,797 in 2007 to 83,880 in 2012, while average property value increased from US\$46,715 to US\$54,400 (or 52,472 in 2007 dollars). Assumptions are applied to estimate the scenario without the Project. Under a conservative estimation, it is assumed that the Project had a 1 percent market stimulating effect, such that without it market transactions would have increased to 83,041 in 2012. For the estimation of average property values without the Project, it is assumed that the price in real terms would have increased at an annual rate of 3 percent reaching the value of US\$47,895 in 2012.

As a result the Project generated an average incremental market turnover of US\$104 million per annum, assuming a Project coverage rate of 40 percent. Furthermore, assuming that only 20 percent of the incremental turnover can be translated into Project benefits, the PV at a 12 percent interest rate of this increase in market turnover over 6 years is equal to US\$31 million. This is in addition to the aforementioned US\$12.52 million PV generated by the additional real estate tax collected.

Model 2—Mortgage Market Dynamics

As a result of improved access to finance consumers have increasingly had easier access to mortgages instead of consumer loans. This has led to direct economic benefits as the typical interest rate on a consumer loan is about 100-250 basis points higher than the interest on a mortgage. Table 2 outlines an approximation of benefits in the form of avoided interest payments by consumers. In order to be able to compare scenarios with and without the Project the average property value is assumed to increase along the same schedule in this model and the project is also assumed to have had no effect on the volume of property transactions per year.

It is assumed that before and continuing without the Project only 12 percent of all loans made to consumers are in the form of mortgages, while the remaining 88 percent are in the form of more expensive consumer loans with a guarantor. With the Project, however, we estimate that after the 6 years of implementation 30 percent of consumers taking out a loan of some kind to finance their home now have access to mortgages. The mortgage interest rates have been obtained from Raiffeisenbank Bosnia and Herzegovina, while the consumer loan interest rates are those published by the Central Bank of Bosnia and Herzegovina. The total number of mortgage

transactions for each year has been inferred by dividing the reported number of new mortgages by the percentage of total mortgage transactions that those represent. Assuming that the Project covers 40 percent of all mortgage transactions the avoided interest payments due to the increased access to mortgages amounts to a benefit with a PV of US\$15.65 million at a 12 percent discount rate over 6 years.

Table 1: Model 1 - With and Without Project Comparisons of Property Market Dynamics

| Years | Market Transactions Without Project | | | | Market Transactions With Project | | | | Coverage Rate by the Project (%) | Market Turnover | | | RETT Collections | |
|--------------|-------------------------------------|---------------------|--|---|----------------------------------|---------------------|--|---|----------------------------------|---------------------------------|---|--|---------------------------------|---|
| | Number | Average Value (USD) | Market Turnover or Total Value of All Trnscs (Million USD) | Real Estate Transfer tax levied at an average 4% on the value of transferred property | Number | Average Value (USD) | Market Turnover or Total Value of All Trnscs (Million USD) | Real Estate Transfer tax levied at an average 4% on the value of transferred property | | Incremental Value (Million USD) | Attributable to the Project (Million USD) | Conversion of Turnover into Project Benefits (Reducing by Factor of 5) (Million USD) | Incremental Value (Million USD) | Attributable to the Project (Million USD) |
| 2007 | 65,797 | 46,715 | 3,073.72 | 122.95 | 65,797 | 46,715 | 3,073.72 | 122.95 | 40% | - | - | - | - | - |
| 2008 | 82,822 | 46,949 | 3,888.41 | 155.54 | 83,659 | 47,814 | 4,000.04 | 160.00 | 40% | 111.63 | 44.65 | 4.47 | 4.47 | 1.79 |
| 2009 | 77,170 | 47,183 | 3,641.12 | 145.64 | 77,949 | 48,938 | 3,814.66 | 152.59 | 40% | 173.54 | 69.42 | 6.94 | 6.94 | 2.78 |
| 2010 | 81,344 | 47,419 | 3,857.30 | 154.29 | 82,166 | 50,089 | 4,115.59 | 164.62 | 40% | 258.29 | 103.32 | 10.33 | 10.33 | 4.13 |
| 2011 | 81,627 | 47,656 | 3,890.08 | 155.60 | 82,452 | 51,266 | 4,227.02 | 169.08 | 40% | 336.95 | 134.78 | 13.48 | 13.48 | 5.39 |
| 2012 | 83,041 | 47,895 | 3,977.24 | 159.09 | 83,880 | 52,472 | 4,401.35 | 176.05 | 40% | 424.11 | 169.65 | 16.96 | 16.96 | 6.79 |
| TOTAL | 471,802 | | | | 475,903 | | | | | | TOTAL | \$52.18 | TOTAL | \$20.87 |
| | | | | | | | | | | | PV | \$31.31 | PV | \$12.52 |

Table 2: Model 2 - With and Without Project Comparisons of Social Dynamics

| Years | Number of Transactions | Average Value | Cumulative Market Value USD Million | Without the Project | | | | | With Project | | | | | Incremental Benefits | | | |
|-------|------------------------|---------------|-------------------------------------|-----------------------------|-----------------------------|------------------------------|-------------------------|-----------------------|-----------------------------|-----------------------------|------------------------------|-------------------------|-----------------------|----------------------------|--|----------------------------------|----------------------|
| | | | | Consumer Loan Interest Rate | Mortgage Loan Interest Rate | Percentage of consumer loans | Percentage of Mortgages | Average Interest Rate | Consumer Loan Interest Rate | Mortgage Loan Interest Rate | Percentage of consumer loans | Percentage of Mortgages | Average Interest Rate | Interest rate differential | Annual Interest Payment differential USD million | Coverage Rate by the Project (%) | Incremental benefits |
| 2007 | 48,067 | 46,715 | 2,245 | 10.54% | 8.00% | 88% | 12% | 10.24% | 10.54% | 8.00% | 88% | 12% | 10.24% | - | - | 40% | |
| 2008 | 49,933 | 47,814 | 4,403 | 9.14% | 8.00% | 88% | 12% | 9.00% | 9.14% | 8.00% | 85% | 15% | 8.97% | 0.0003 | 1.5 | 40% | 0.60 |
| 2009 | 45,891 | 48,938 | 6,254 | 9.88% | 9.90% | 88% | 12% | 9.88% | 9.88% | 9.90% | 83% | 17% | 9.88% | (0.0000) | (0.1) | 40% | (0.02) |
| 2010 | 33,150 | 50,089 | 7,296 | 9.67% | 8.80% | 88% | 12% | 9.57% | 9.67% | 8.80% | 80% | 20% | 9.50% | 0.0007 | 5.1 | 40% | 2.03 |
| 2011 | 38,404 | 51,266 | 8,572 | 10.01% | 8.30% | 88% | 12% | 9.80% | 10.01% | 8.30% | 75% | 25% | 9.58% | 0.0022 | 19.1 | 40% | 7.62 |
| 2012 | 31,565 | 52,472 | 9,407 | 10.00% | 7.70% | 88% | 12% | 9.72% | 10.00% | 7.70% | 70% | 30% | 9.31% | 0.0041 | 38.9 | 40% | 15.58 |
| | | | | | | | | | | | | | | | | TOTAL | \$25.81 |
| | | | | | | | | | | | | | | | | PV | \$15.65 |

| Mortgages | | | | |
|------------------|-------|-------|--------|---------------------------------------|
| Year | RS | FBiH | Sum | Inferred total number of transactions |
| 2007 | 1363 | 4405 | 5768 | 48,067 |
| 2008 | 3124 | 4366 | 7490 | 49,933 |
| 2009 | 3209 | 4441 | 7650 | 45,891 |
| 2010 | 4004 | 2626 | 6630 | 33,150 |
| 2011 | 3244 | 6357 | 9601 | 38,404 |
| 2012 | | 9470 | 31,565 | |
| TOTAL | 14944 | 22195 | 46609 | 247,010 |
| <i>Estimated</i> | | | | |

Cost-Benefit Analysis

Model 1 is the baseline scenario for calculation of the NPV and ERR. The economic benefits of Model 2 are added to an expanded scenario. Assuming project costs of US\$15 million during the first year of the Project and a 12 percent discount rate, the baseline scenario has an NPV of US\$17.92 million and an ERR of 47 percent. Including the economic benefits of Model 2, the expanded scenario has an NPV of US\$31.89 million and an ERR of 61 percent. The economic analysis shows that the investments associated with the Project provided a reasonable economic return to BiH. Table 3 shows these calculations.

A sensitivity analysis is conducted to calculate these economic parameters under different assumptions for the Project’s market stimulating effect. Considering a market stimulating effect of 5 percent, under the baseline scenario the NPV is 37.90 million with an ERR 85 percent and under the expanded scenario the NVP is US\$51.87 million with an ERR 95 percent. If the market stimulating effect is increased to 10 percent, the baseline scenario gives an NVP of US\$62.88 million with an ERR of 133 percent and the expanded scenario an NPV of US\$76.85 million with an ERR 141 percent. Table 4 shows these results.

Table 3: Economic Returns

Baseline Scenario: Model 1

| Proj. Year | Benefits (Million USD) | Project Costs (Million USD) | Net Cash Flow (Million USD) |
|------------|------------------------|-----------------------------|-----------------------------|
| 2007 | - | 15.00 | (15.00) |
| 2008 | 4.47 | 0.0 | 4.47 |
| 2009 | 6.94 | 0.0 | 6.94 |
| 2010 | 10.33 | 0.0 | 10.33 |
| 2011 | 13.48 | 0.0 | 13.48 |
| 2012 | 16.96 | 0.0 | 16.96 |
| ERR | | | 47% |
| NPV | | | \$17.92 |

Expanded Scenario: Models 1 & 2

| Proj. Year | Benefits (Million USD) | Project Costs (Million USD) | Net Cash Flow (Million USD) |
|------------|------------------------|-----------------------------|-----------------------------|
| 2007 | - | 15.0 | (15) |
| 2008 | 5.07 | 0.0 | 5 |
| 2009 | 6.92 | 0.0 | 7 |
| 2010 | 12.36 | 0.0 | 12 |
| 2011 | 21.10 | 0.0 | 21 |
| 2012 | 32.54 | 0.0 | 33 |
| ERR | | | 61% |
| NPV | | | \$31.89 |

Table 4: Sensitivity Analysis

| Market Stimulating Effect | Model 1 | | Model 1 & 2 | |
|---------------------------|-------------------|------|-------------------|------|
| | NPV (Million USD) | ERR | NPV (Million USD) | ERR |
| 1% | \$17.92 | 47% | \$31.89 | 61% |
| 5% | \$37.90 | 85% | \$51.87 | 95% |
| 10% | \$62.88 | 133% | \$76.85 | 141% |

Table 4: Critical Parameters and Assumptions Leading to ERR Computation

| Parameter | Without Project | With Project | Comment |
|---|--|---|--|
| Number of Real Estate Transactions - Base Year | 65,797 transactions per year representing an overall turnover of less than 4%. | | Baseline indicator from MoJ and GA |
| Average Price of Property Transacted on the Market - Base Year | US\$46,715 in 2007 | | 47,000 euro (Sarajevo) and 36,000 euro (Tuzla) for average apartment size of 55 sqm sold in past two years. Data from Maho Taso, General Director of Prostor Ltd. Real Estate Agency |
| Rate of growth in real estate transactions | 99% of actual number of real estate transactions in given year (assumption is Project had a 1% market stimulating effect) | NA (Actual Number) | This is the hypothesized market spurring effect due to improved cadastre and registration services. Sensitivity analysis is conducted to measure parameters at 5% and 10% market effect. |
| Rate of Growth in Average Value (Price of Property) per transaction | 0.5% increase per annum | 2.4% growth per annum | The difference can be interpreted as the market premium on securely titled property. It is roughly equal to 20% as experienced in other countries. |
| Area Coverage or Market Penetration Rate by the Proposed Project | None | 40% | Assumption |
| Conversion of Market Turnover Values into Project Benefits | For both with or without project scenarios, it is assumed that approximately only 10% of the total number of transactions would actually result in appreciation of property value. | | This assumption is needed to eliminate the effects of double/triple counting of the same property being transacted on the market without impacting its price. |
| Consumer Loan | 10.54% (2007), 9.14% (2008), 9.88% (2009), 9.67% (2010), 10.01% (2011), 10% (2012) | | Actual Historical Numbers obtained from Central Bank of Bosnia |
| Mortgage loan interest rate | 8% (2007), 8% (2008), 9.99% (2009), 8.8% (2010), 8.3% (2011), 7.7% (2012) | | Data from Product Development Department for Retail and SME segment, Raiffeisen Bank, Sarajevo August 2012 |
| Real Estate Transfer Tax | 4% of the market value per current legislation. | 4% of the market value per current legislation. | 3.5% in the RS; 5% in the FBiH. Property tax is negligible (0.05-0.5% of value) |

1. Conversion rates as of 3/13/2012; 1 Bam to 0.67 US\$; 1 euro to 1.31 US\$

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

| Names | Title | Unit | Responsibility/ Specialty |
|------------------------|-------------------------------------|-------|------------------------------|
| Lending | | | |
| Gavin Adlington | Sr. Land Administration Specialist | ECSSD | Team leader |
| Jessica Mott | Sr. Natural Resources Economist | ECSSD | Land administration |
| Mirjana Karahasanovic | Operations Analyst | ECSHD | Operations |
| Nikola Kerleta | Procurement Analyst | ECSPS | Procurement |
| Sanjay Vani | Sr. FM Specialist | ECSPS | FM |
| Mark Walker | Lead Counsel | LEGEC | Legal |
| Stephen Butler | Legal Consultant | | Legal |
| Gerhard Muggenhuber | Cadastre Consultant | | Cadastre |
| Andrej Kwitowski | IT Consultant | | IT |
| Miroslav Ruzica | Sr. Social Scientist | PA9SS | Social |
| Hiwote Tadesse | Sr. Program Assistant | ECSSD | Operations |
| Nicholay Chistyakov | Sr. Finance Officer | LOAG1 | Finances |
| Samra Bajramovic | Program Assistant | ECCBA | Operations |
| Supervision/ICR | | | |
| Gavin Adlington | Lead Land Administration Specialist | ECSSD | Team leader |
| Mirjana Karahasanovic | Operations Officer | ECSHD | Operations |
| Nikola Kerleta | Procurement Analyst | ECSPS | Procurement |
| Gerhard Muggenhuber | Cadastre Consultant | | Cadastre |
| Tony Lamb | Legal and Registration Consultant | | Law, Registration |
| Rumyana Tonchovska | IT Consultant | | IT |
| Anna Georgieva | Senior Operations Officer | ECSSD | Operations, then team leader |
| Jeurg Kaufman | Cadastre Consultant | | Cadastre |
| Alexandra Montealegre | Junior Professional Associate | ECSSD | Operations |
| Lamija Hadzagic | FM Specialist | ECS03 | FM |
| Paula Lytle | SR Social Development Specialist | ECSSD | Social |
| Esma Kreso | Environmental Specialist | ECSSD | Environment |
| Anu Saxen | Sr. Land Policy Specialist | ECSSD | Land administration |

| | | | |
|---------------------|--------------------------------|-------|---------------------|
| Naima Hasci | Sr. Social Scientist | ECSSD | Social |
| Sandra Schlossar | Junior Professional Officer | ECSSD | Social |
| Bozena Lipej | Land Administration Consultant | | Cadastre |
| Mika Törhönen | Sr. Land Policy Specialist | ECSSD | Land administration |
| Samra Bajramovic | Program Assistant | ECCBA | Operations |
| Samantha De Martino | Junior Professional Associate | ECSSD | Operations |

(b) Staff Time and Cost

| Stage of project cycle | Staff Time and Cost (Bank Budget Only) | |
|------------------------|--|---|
| | No. of staff weeks | US\$ thousands (including travel and consultant costs) |
| Lending | | |
| FY06 | 32.7 | 224.42 |
| FY07 | 0 | 0.02 |
| Total: | 32.7 | 224.45 |
| Supervision/ICR | | |
| FY06 | 0.93 | 0.59 |
| FY07 | 11.54 | 58.01 |
| FY08 | 17.01 | 81.87 |
| FY09 | 29.8 | 124.91 |
| FY10 | 32.45 | 136.38 |
| FY11 | 23.21 | 137.65 |
| FY12 | 18.6 | 97.91 |
| FY13 | 11.8 | 43.56 |
| Total: | 145.34 | 680.87 |

Annex 5. Beneficiary Survey Results

Three customer satisfaction surveys were undertaken in connection with the Project: in 2005, 2007 and 2010 by a social research firm of users of the land registration and cadastre services—both members of the public and professionals. The final survey consolidates the results from all three, and the key findings are set out below.

Survey of citizens

The survey found that between 2005 and 2010 and on a number of bases, the citizens were more satisfied with the services of the land registries and cadastre, more informed about the services, and their cases were resolved more promptly. The most common service at the land registry was filing a request for information, and there was an increase in the number of visits that were resolved within 30 minutes: 49.4 percent in 2005 against 56.9 percent in 2010, and the number of visits per case was reduced significantly. Two-thirds of customers were men, and the most common age group was 36-50 years.

Most respondents advised that they completely received the service they needed at the land registries (60.4 percent) or that they were partially satisfied (33.4 percent). Similarly, at the cadastre offices, the level of satisfaction grew, with more than half the respondents saying that they were very satisfied with the services they received. A very low percentage reported discrimination, mostly on the basis of advanced age or low socio-economic status, but not on the basis of gender. Only a small percentage reported any form of corruption.

A significant problems noted by respondents was the lack of harmonized data between the land registries and cadastre. In focus groups, they reported problems as:

- in the FBiH, prolonged waiting in line, prolonged waiting for necessary documents to be issued, lack of information and (known) ways to attain it, inability to transact all the necessary procedures in one location, insufficient number of employees, and corruption;
- in the RS, long waits in lines, and waiting for the completion of procedures and the issuance of documents, inadequate facilities, mistakes in issued documents, lack of information and lack of adequate ways to gain it, high costs, scarce and inadequate staff members, and corruption.

They also noted that more information should be available, and that total costs should be lower. Few respondents reported that they used legal assistance in 2010 (only 11.5 percent), which is significantly down on 2005 (25.2 percent) and 2007 (15.7 percent).

Almost 30 percent of respondents stated that they had noticed publicity relating to the land registries and/or cadastre, and some 41.4 percent believed that they are better informed about the work of land administration. Radio and television were a common source (32.4 percent) of information.

Survey of professionals

Most respondents stated that they are ‘generally satisfied’ with the work of professional organizations that gather experts to deal with land administration reform issues. Overall, 63.7 percent of respondents state that they are either very or somewhat satisfied. Respondents most frequently stated that they are ‘somewhat satisfied’ (51.7 percent) with the cooperation level of professional organizations regarding land administration reform to date. Overall, the respondents are more satisfied than dissatisfied with this cooperation.

In 2010, respondents were asked how often, if at all, they use the Internet to inform themselves about the land administration reform. Around one-half of them stated that they ‘rarely’ use Internet for this purpose, and less than one in ten respondents indicated that they do on ‘an almost daily basis’.

Respondents were in general satisfied with the offer of training and professional seminars regarding the land administration reforms to date. 69.3 percent of respondents are somewhat or very satisfied with these trainings and seminars. Somewhat less than half of the respondents had had the opportunity to attend at least one seminar in the past three years (46.9 percent). Overall, the respondents are satisfied with what the seminars they attended had to offer (90.1 percent state that they are either ‘very’ or ‘somewhat satisfied’).

Respondents considered themselves to be fairly well informed regarding land administration in the BiH. Overall, 80.4 percent of respondents stated that they are either ‘very’ or ‘somewhat informed’ about land administration reforms in the BiH. Most of the respondents (57.4 percent) stated that they are better informed than they were three years ago.

In the 2010 survey, the respondents were more likely to have stated that their clients are ‘inadequately informed’ about procedures for registration of rights to immovable property (14 percent in 2010 compared to 8.8 percent in 2007). Respondents were also less likely to state that their clients are ‘somewhat informed’ (34.7 percent in 2007 compared to 23.8 percent in 2010).

In 2010, the ranking of priorities did not change, and again harmonization of cadastre and land registry data was emphasized as the top priority (95.3 percent). Also, digitalizing land registry records seems to have received more priority in 2010 (increasing from 84.5 percent in 2007 to 91.5 percent in 2010), even though its rank did not change. Respondents from each Entity specified different priorities for the improvement of land administration service.

The majority of respondents (68.6 percent) in 2010 stated that there had been a general improvement in the work of the land administration sector since 2007. Less than one-third believe that there was no change (27.3 percent), while only a small percentage of respondents state that the situation today is worse than in 2007 (4.2 percent).

As in 2007, so too in 2010, analysis of respondents' comments indicates that they felt it necessary to stress the importance of issues related to the legal framework, quality and number of employees in land registry offices, status and salaries of the land registry clerks, and the need to update land registry data.

According to participants in the FBiH and the RS, in the last five years there have been improvements in the area of land administration and registration of real estate. However, in focus groups, they noted the following problems:

- in the FBiH, the problems are tied to non-registered ownership of property; in the area of coordination of land registry offices and the cadastre; problems with high fees; ruined land registry books; and the imprecision of the Law on Land Registry;
- in the RS, the problems that participants reported facing in the RS are in regards to non-registered property; prolonged waiting for the completion of procedures; organization; unprofessional staff; and poor work conditions in the land registry office, cadastral office and urban planning office.

Participating professionals from the FBiH are satisfied with the speed of work in the land registry office, cadastral office and urban planning. They are also satisfied with the availability of information, but dissatisfied with the high fees of experts (lawyers, public notaries and others) and the high fees. Participating professionals from the RS are more satisfied with the speed of work of these services compared to earlier periods, but are dissatisfied with the organization of work in general, the behavior of staff members and the high fees.

Participating professionals believe that certain positive changes have been achieved with the land administration reforms. It seems that in the FBiH, the suggestion for further collaboration between the land registry office and the cadastral office is a priority. Professionals from the RS suggest the improvement of work conditions, professional development of staff, higher pay for the staff and stricter penalties for unprofessional behavior, as well as improvement at higher or broader levels, such as changes in legislation and society as a whole.

One of three participating professionals from the FBiH believes that it is possible to use informal ways to complete certain procedures in the land registry office, cadastral office and urban planning office. Surveyed professionals from the RS agree that the informal ways, that is bribery and corruption, are very much present in the land registry office, cadastral office and urban planning.

It seems that professionals from the FBiH and the RS are not much better informed through the media about land administration reforms than are citizens/clients. A couple of professionals stated that they been acquainted with the reform via the Internet, while others do not state that they have been informed through flyers, brochures or through any form of media.

Annex 6. Stakeholder Workshop Report and Results

N/A

Annex 7. Summary of Borrower's ICR and Comments on Draft ICR

The Ministries of Justice in the RS and the FBiH prepared and submitted to the World Bank ICRs for each Entity. Government representatives from both Entities had the opportunity to provide comments on the Bank's draft ICR during a workshop held on December 11, 2012 in Banja Luka. Summaries of the Borrower's ICRs and comments on the Bank's draft ICR are presented in this section.

Summary of the RS ICR

Context: The RS has made significant progress in post-conflict reconstruction, social integration and state building. All levels of governments are trying to encourage economic growth through provision of a business friendly environment, improvement in the quality of government services and reduction of corruption. Economic growth is highly dependent on the ability to transform real estate into an asset for production, housing, and collateral for investment capital. It is therefore imperative that a secure and publicly accepted means of registering and protecting property rights and transactions with property is in place.

Key Factors Affecting Implementation: The RS National Assembly adopted the Cadastre Law in June 2011 unifying the land registry and cadastre into one centralized institution, the Real Estate Cadastre. This law, however, was challenged in the Constitutional Court. The unification of the land registry and cadastre finally entered into force with the adoption of the Survey and Cadastre Law in February 2012.

Borrower's Performance: The borrower's performance can be assessed as satisfactory considering the dedication in achieving the project goals and support to the reforms in judicial sector, which are compliant to these goals. The Government has been meeting its obligations in respect of the deadlines, solving all the problems that appeared in the course of the project implementation and regularly performed its obligations in terms of co-financing. All project activities have been implemented effectively and efficiently.

Bank's Performance: The Bank's performance can be assessed as satisfactory. Almost all aspects of the bank's performance are of a high standard. The Bank's engagement and good project supervision contributed to its successful implementation. The cooperation between the Bank and Land registration unit has largely strengthened the project management.

Lessons Learned:

- Publishing the service standards for land registry offices on the web site of the Ministry of Justice contributed to accessibility and transparency of these services. The basic elements of the service standards for the cadastre have been translated

- into the work program of the Republic Geodetic Administration for the period 2011-2015. Such practice should be continued in the future.
- In future project, it is desirable to continue seeking donor funds, or similar financial instruments, in order to conduct complementary activities such as trainings, seminars, study tours, technical assistance, procurement of equipment, development of web sites, implementation of pilot projects, etc.
 - In future projects, a Project Implementation Unit should be better supported in terms of human resources, office space, equipment and finances.

Summary of the F BiH ICR

Context: Reform of the land administration sector of the F BiH implies implementation of demanding and complex activities. The vision of the land administration in the F BiH is development of efficient, secure and sustainable property registration system that will enable legal security on real estate market and provide security to the investors and foreign investors. Therefore, provision of services by the competent institutions throughout the F BiH needs to be ensured through reliable registration of ownership rights and other *in rem* rights to real estate, as well as through provision of complete information on restrictions of ownership rights and provision of up-to-date technical property data.

Key Factors Affecting Implementation: The Project faced a crisis in the second half of 2007. Due to weak institutional capacity at that time and overly strong presence of donor's projects in the land administration sector in both entities, relevant institution fought to establish a stronger implementation unit and take the full responsibility and ownership on the Project. Thanks to the support of the World Bank team, this objective was achieved. Another challenge was to improve the quality of service delivery. Institutions recognized the need to move from the mindset of an organization that receives and verifies 'applications' to one that provides customer services. In this regard, the reduction in levels of corruption, the adoption of service standards, and the public information campaigns have been fundamental for this process. Future challenges include further improving the quality of service delivery and explore possibilities to ensure self-financing of the sector. In this case, the quality of services will be directly linked to potential income generation.

Borrower's Performance: Overall borrower performance is considered satisfactory. The Government of the F BiH demonstrated its commitment to the Project through the regular budgetary contributions and remaining proactive and determined to make the property registration system simpler, faster and less costly in accordance with the adopted vision for Land Administration. The MOJ and GA were fully involved in project implementation. Cooperation between these two institutions was highly satisfactory.

Bank's Performance: (No rating provided). Good cooperation and communication with the World Bank team was established and maintained throughout the Project implementation, which helped immensely in timely obtaining “No-objections” required for the continuation and successful completion of the procurement processes. Support from the World Bank team was crucial in ensuring that the institutions gained full ownership over project implementation.

Lessons Learned:

- Successful implementation of reforms requires a systematic approach in proactive communication targeting the general population and groups of stakeholders. The public information and awareness campaign added real value to the modernization of land administration system in the FBiH. It contributed to improving the image of the institutions and strengthening confidence in the land administration system. Increasing the understanding of the system, procedures, rights and obligations ensured that citizens became informed costumers.
- The successful M&E system established within the implementation unit allowed the Borrower and the World Bank team to assess progress against the baseline and future targets as well as to make necessary modifications in the Project implementation plan, to identify activities which were lagging and to respond in a timely manner to identified issues and challenges. The results framework included well-defined baseline data and clear targets, which contributed to the success of the M&E system.

Comments on Bank's Draft ICR

A meeting was held on December 11, 2012 in Banja Luka with representatives from the GAs and MOJs of both Entities and the World Bank to discuss the Bank's Draft ICR. Mr. Gavin Adlington from the World Bank opened the meeting explaining the purpose and structure of the ICR, and mentioning that all ratings in the Project had been considered satisfactory. Mr. Mika Törhönen (primary author of the ICR) confirmed that the sector in BiH had dramatically improved since the Project started.

Overall, government representatives from both Entities agreed and endorsed the content and ratings in the ICR. Some comments were provided for further clarification:

- *Results Framework (PDO Indicator 9 and Intermediate Indicator 13):* The review confirmed that no canton/municipality decided to apply the property tax in the FBiH.
- *Donor Support (Section 2.2):* The review acknowledged that the support received from GTZ was important, but disagreed with its characterization as vital. The technical assistance provided by GTZ had strengths, but also weakness in the systematic approach.
- *Assessment of Outcomes (Section 3.1):* The review rectified that the new cadastral software had been roll out in all cadastral offices in the FBiH and that a

- permanent sector for Geoinformatics had been established in the FBiH (similar to the RS GA).
- *Outputs by Components (Annex 2)*: The review rectified that the 2009 International Congress on Land Administration was held jointly by the GAs and MOJs in both Entities.

During the meeting, the representative of the FBiH GA mentioned the recent appointment of a commission to draft a *Law on Surveys and Registration of Real Estate*. The World Bank representatives acknowledged this action as a very positive development towards addressing the sector's structural problems. Nonetheless, with regards to sustainability, the World Bank representatives expressed concern about the fact that the FBiH MOJ has not contracted the communication lines from land registers to the server and has not contracted maintenance for the land register software.

The reviewed endorsed the lessons learned in the ICR. The World Bank representatives considered that Project design was appropriate for the prevailing context at appraisal. A representative from the RS GA mentioned that the participation of government staff during Project preparation was limited, but that during implementation they took ownership of Project. The World Bank representatives stated that there had been considerable and detailed participation of government staff in the RS during project preparation, but that all these people had been replaced during the early years of the project when management of the GA changed. The Bank team acknowledged that the government's decision to redirect IT development towards a step-by-step approach was appropriate and commended them on this decision. Flexibility in Project design and activities is always necessary.

The meeting concluded by highlighting the success of the Project and the beginning of the follow-up operation—the Real Estate Registration Project. The World Bank representatives encouraged the government agencies to prepare multimedia material to share this successful experience with the general public nationwide and internationally.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

Comments Received from GIZ (the Former GTZ):

The GIZ team “fully agree[s] with you that there was an excellent, always very open and constructive cooperation with the World Bank for the benefit of both and especially for the Bosnian partner institutions.” Synergies were well used where possible. They also think that the approach was well balanced between the Technical Cooperation with funding from Swedish, Austrian and German governments, and the Financial assistance provided by the World Bank and all in all an example of harmonizing both instrument which could be applied in similar cases.

The GIZ team agreed with the characterization of donor assistance in the Project. The team “most welcomed that somewhere in the mid of the project the Bosnian partner took over more responsibility and ownership which actually was important in view of sustainability.” The GIZ team clarified that some friction arose between the entity governments and then GTZ over the payment of local experts, which were supposed to be covered by counterpart funds. The GIZ team agreed with the conclusion that the dialogue between government and donors and the transfer of responsibilities should be clear from a very early stage.

Comments received from Mr. Reinhold Baeuerle (Co-Financing Coordinator, B3, Central Europe and Central Asia) on December 4, 2012.

Annex 9. List of Supporting Documents

Project Appraisal Document, Bosnia and Herzegovina, Land Registration Project, March 28, 2006 Report No 35630-BA

Financing Agreement, Amendment to Financing Agreement

Project Appraisal Document. Bosnia and Herzegovina Real Estate registration Project (P128950). Report No: 72449-BA. September 24, 2012.

Restructuring Paper, July 7, 2010

Restructuring Paper, March 8, 2012

Social and Institutional Analysis, December 2005, Prism Research

Social Assessment for Land Administration Project, December 2007, Prism Research

Social Assessment for Land Administration Reform, 2010, Prism Research

Draft Policy and Strategy of Land Administration in BiH, July 2011, Land Administration Coordination and Advisory Board of BiH

Quarterly reports of LRUs

ICR by the FBiH LRU, and the RS LRU

Aide Memoires, ISRs for the Project

BOSNIA AND HERZEGOVINA

- SELECTED TOWNS
- ⊕ NATIONAL CAPITAL
- MAIN RIVERS
- MAIN ROADS
- RAILROADS
- ⋯ INTER-ENTITY BOUNDARY LINES
- INTERNATIONAL BOUNDARIES

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