BOSNIA AND HERZEGOVINA: LAND REGISTRATION PROJECT

SUPERVISION MISSION, NOVEMBER 22 – DECEMBER 3, 2010

AIDE MEMOIRE

1. A World Bank team\(^1\) visited Bosnia and Herzegovina (BiH) from November 22 to December 3, 2010 to review progress on the Land Registration Project. The purpose of the mission was to assess progress of the project activities, to follow up on actions that were agreed during the mission in June 2010 and to assess the views of government on possible future activities in the land administration sector. The mission met with representatives of the Entity level Ministries of Finance, the Assistant Minister of Justice in Republika Srpska (RS), Advisor to the Minister of Justice, Federation of Bosnia and Herzegovina (FBiH), the Assistant Minister of Finance, FBiH, representatives of the Ministry of Physical Planning and the Tax Administration in the FBiH, the Chairman of Land Administration Coordination and Advisory Board (LACAB), the Directors of the Geodetic Administrations (GA) in both Entities, the members of the Land Registration Units (LRUs) in both Entities and staff of the implementing agencies. The mission team visited the Registration offices in Mrkonjić Grad (RS), in Gradačac (FBiH) and in Tuzla (FBiH) and the Cadastre Offices in Šipovo (RS) and Gradačac (FBiH) and also met the contractors undertaking information technology and cadastre contracts. (See Annex 5, for a report on the Field visits.) A Donor Coordination meeting was held and attended by representatives from the FBiH and RS, European Union delegation, Germany, Norway, Netherlands and Sweden. Wrap up meetings were held in the FBiH on December 3, 2010. The contents of the Aide Memoire and agreed actions for the next few months (See Annex 2) were agreed. The mission would like to thank the management and staff of the implementing agencies for their cooperation and the assistance extended to the mission team.

Key Conclusions of the Mission

Overall progress

2. Overall this project continues to progress satisfactorily. The progress with fulfilling the agreed actions from the June 2010 visit, are contained in Annex 1. The project restructuring was finalized in July 2010 in order to amend some of the outcome indicators, and the project extension to March 31, 2012 was included within the restructuring. Procurement of various packages continues on time and the services provided by Land Registration Offices in both Entities continues to show improvement. Backlogs that remained in Tuzla, Mostar and Banja Luka continue to be reduced and it is expected that all backlogs will be cleared by the end on 2010, or early in 2011. The Doing Business report for 2011 shows that BiH has moved up 31 places in registering property – and the remaining delays are more due to the time it takes to pay taxes and prepare documents than the speed with which the LROs complete their tasks. In both Entities the renovation work of land registration offices and, to a limited extent, cadastre offices has helped to improve working conditions and service provision. Digitizing of records has proceeded well, both for the digitizing of land book folios and the cadastral maps. Targets are already over 90% achieved and it is expected that all targets will be achieved before the end of the project period.

\(^1\) The mission included Gavin Adlington (Task Team Leader), Anu Saxen (Senior Land Administration Specialist), Naima Hasci (Senior Social Scientist), Rumyana Tontchovska (FAO, Senior Land Administration IT Specialist), Mirjana Karahanovic (Operations Officer), Gerhard Muggenhuber (Cadastre Specialist), Olivera Jordanovic (Operations Officer), Nikola Kerleta (Procurement Analyst) and Lamija Marijanovic (Financial Management Specialist).
3. In the RS the Ministry of Justice (MoJ) have coordinated the establishment of “Land Books on-line” and the public can now access any information about property and property rights directly from the internet. Last month the database received 5,586 hits and this is a remarkably achievement. The RS GA have completed and approved their business plan, which includes service standards that must be applied, and have utilized the business plan to develop a five year strategy for their activities. The five year strategy is approved by government but has yet to be approved by the parliament. No English version is yet available, but it was encouraging to see that the RS GA do have a clear vision and strategy. The Bank team received some information as to the content and were a little concerned that the strategy focuses so heavily on geodetic surveying work.

4. The Bank team was particularly impressed with the speed with which backlogs are being reduced in Tuzla and the use of young lawyers to complete the work. This is an approach used throughout BiH and it has been very effective in both reducing backlogs and training a young cadre of well qualified potential registrars. The results of the Cadastral Survey work in the FBiH are also excellent. The pilot work in Čapljina and Gradačac has helped the MoJ and GA to assess the best methodologies for completing cadastre work and harmonization the records with the legal records, and now they have a good approach for completing this work across the Entity. Further work in Ljubuški and Travnik is ongoing. Unfortunately, similar efforts in RS have been unsuccessful because of their inability to complete the tenders and this issue does cause serious concern. See reference 5.iii below. In both entities the GAs signed contracts for further development of their Cadastre information systems with the main focus on the implementation of a new cadastre data model, integration of graphical and alphanumeric data, establishment of interface with the Land registration database and providing access to the cadastre data on the Internet. There is a significant delay in both entities in finalizing their ICT Strategies (with the exception of the RS GA).

5. There are three main issues of concern for the project:

i. A change in legislation in the RS is underway that will effectively give responsibility for the cadastre and registration of property rights to the GA as a single agency. The proposed law is expected to be approved and expected to become law in 2011. In principle the Bank supports the creation of a single agency, but the doubts of the timing for passing this law and the final format of the law is delaying the development of concepts for the long term strategy in the land administration sector and makes it difficult to foresee what may need to be included in the next phase of work in land administration in the RS. The Team is also concerned that the RS GA’s strategy is too narrowly focused on surveying.

ii. The covenant in the financing agreement that a draft long term strategy be agreed and provided to the Bank has not been met. The Land Administration Coordination and Advisory Board (LACAB) met during the course of the mission, on December 1, 2010, and were requested to move this forward as a matter of urgency. Although both Entities have a clear vision of the work they need to do in the future, the documentation of this vision has not been produced. The Bank team recommended that a consultant be hired (either through credit funds or through donor support) to put this draft strategy together. The RS LRU advised that they intended to hire a consultant using government funds to complete preparation of the RS strategy. As there is still some doubts over the long term strategy because of the imminent legal changes in the RS (referred above), it was agreed that the draft strategy be presented to the Bank by June 30, 2011. The Bank team reiterated the importance of meeting this covenant.
iii. The contract for cadastre mapping in the RS under subcomponent B2 has not been awarded. This contract was supposed to demonstrate a replicable methodology for undertaking cadastral survey work that was affordable and that could be completed in a timely fashion. The established methodology would be used for completing this work in a second phase that may be funded by the Bank. The bid evaluation committee has requested that the bid be cancelled even though there were compliant bids, and this is not normally allowed. The request from the bid evaluation committee to cancel the bid is under consideration by the Bank. The possibility that the work under this subcomponent is not concluded during the course of the project has implications for agreement of the methodology for undertaking this work in the second phase of work. The RS government is requested to address this issue as a matter of urgency.

Possibility for phase 2 of the Land Registration Project.

6. It had always been envisaged that the project was the first phase of a longer term program of work in the land administration sector. Primarily, the current project was designed to help: establish capacity at the MoJ for administering registration activity; improve facilities and efficiency of registration offices; pilot cadastral survey work and the harmonization of cadastre and registration records; and decide upon what other land administration activities (such as urban planning, legalization of informal developments, property tax systems, etc) should be addressed in a second phase.

   a. In the FBiH there is a clear strategy to complete the cadastre and to harmonize records with the LRO. Other aspects of land administration are the responsibility of the Cantons and municipal governments, who make their own policies and rules. However, they all need clear records about land ownership and location in order to manage their tasks. The completion of cadastre work and harmonization of records is considered the next logical phase of work for the FBiH.

   b. In the RS, the planning and tax authorities emphasized that their fundamental concern is the lack of harmonized records from the cadastre and land registries. Building permitting is held up primarily because of this issue, and the recently approved property tax law in the RS has not been implemented because of the problems associated with gathering this information. Thus, in the RS there is the same fundamental requirement for completing the cadastre and harmonizing the cadastre with the legal records. In addition, the tax authorities in the RS have a clear strategy for implementing the property tax. Once a property tax is implemented, taxes on transactions and inheritance will be replaced with the property tax. This will greatly facilitate the real estate market and, at the same time, greatly enhance the ability of local authorities to raise revenue for local services. Thus, the Bank team would advise that this issue be also considered for a second phase of work.

7. The Bank team advised that land administration is on the agenda for the upcoming Country Partnership Strategy discussions between the government and the Bank. In the event that the government and Bank management agree to include a second phase of support in the land administration sector, further discussions can be held. In the meantime the Bank team will provide a summary concept note to the LRUs by the end of January for informal discussions.
Project Progress

Information Communication Technology (ICT)

8. Both entities are making good progress in their IT systems development, using both government and project funds. The biggest challenge in the FBiH during the cadastre system roll-out will be the process of data migration and data quality control and acceptance due to the various cadastre systems and different data models in use. The Bank team is concerned that not all the municipal cadastre offices have sufficient capacity to perform quality control on the migrated data and that the data verification process will be delayed. It is necessary for 5 or 6 experts to be hired to support the data verification and data quality control process and this should be catered for in the procurement plan for 2011. Both entities need to finalize/amend their ICT Strategies to reflect the legal and organizational changes, the new IT related projects, the outsourcing policies, the management and coordination mechanisms and the necessary human capacity to manage the ongoing and the planned projects. The coordination mechanism between the FBiH and the RS IT working groups needs to be reestablished in order to ensure that common standards are used in line with the EU integration initiatives, such as the INSPIRE directive. Further details on the ICT activities can be found in Annex 3.

Cadastre

9. In both entities the Service standards and business plans have been developed and approved. This included the registration service standards, which are available in the MoJ web sites of both Entities. In the RS a 5 year work program has been developed by the GA. The impact of the new draft law on real estate cadastre in the RS and problems associated with the systematic cadastre work in the RS are referred in paragraph 5, above. In the FBiH, these pilot systematic survey, field investigation, and regularization of cadastral objects in 4 sites, as well as assessment of regulatory, post-conflict, and other constraints is well underway in two phases. The contract for work under the Phase 1 addressing three cadastral municipalities in Čapljina and Gradačac, signed in January 2010 was completed in late October. Data have already been forwarded to the Land Registry for completing the registration process. Contracts for Phase 2 addresses cadastral municipalities in Ljubuški, Mostar and Travnik, have been signed in September 2010 and works are ongoing.

10. The targets for digitizing of cadastre maps, with a total coverage of 1.9 million ha has been met with the governmental funds and the envisaged funds under the Bank financed project. In FBiH the work has been arranged in 8 phases with works under phase 1-5 (158,432 ha) already completed. Phase 6-8 (107,400 ha) is currently undergoing the quality assurance procedure and will be completed till the end of 2010. The Geodetic Administrations of both Entities are aware of the need to ensure that the data is regularly updated.

11. The Bank team was pleased to see the good cooperation on operational level for this project between the Cadastre, Land Registry, Spatial Planning, Tax Administration and Municipalities in both entities.

Registration

12. The Project continues to move towards its long term objective of improving transparency, speed, and accuracy to make transactions for clients wishing to buy, sell, inherit, mortgage, or lease property. The tendency of decline in the number of average days for registration continued. In 2010 51% of all cases are being registered within five working days. The registration of mortgages declined from 50 days in 2007 to less than 10 days in
2010. The digitization of land registry data is progressing very well. In RS, 578,000 folios (95%) have been converted, and in the FBIH, 897,000 folios (92%) are in digital form as of end of Sept. 2010, equality approximately 1.5 million folders. Both entities expect to complete digitization by the end of the year 2010 (subject to resolution of backlogs). Building renovations remain on track, bringing significant improvements in services and enabling staff to operate in a customer friendly, transparent manner. Renovation works have been completed in 12 LROs in RS and in 23 out of 28 Land Registry Offices in FBIH. Works are on-going in five additional LROs in RS and in one in FBIH. No solution has been found regarding the location of the Banja Luka LRO, since the space identified was too small to accommodate staff and clients. It was decided to construct a new building for the Banja Luka LRO on state-owned land. Funding for this has not yet been identified.

13. Work on reducing the case backlog is ongoing. In RS, the backlog was continuously reduced until the last quarter of 2009 with about 7,700 cases left. However since then the backlogs increased to 9401 as Sept. 30th 2010. The largest number of pending cases is still at the Basic Court in Banja Luka with 3,484 cases of backlogs. This increase is also related to the fact that the Constitutional Court of RS declared in February 2010 certain norms of the Law on Land Registry unconstitutional.

14. In the FBIH, the backlog has been reduced by 2/3 in percentage terms since mid-2007. Ten jurists have been hired in Tuzla and seven in Mostar to reduce the backlogs in the respective courts. The court in Banja Luka has followed this example, hiring 20 lawyers with project funds to process the backlogs. The remaining 3,484 cases in Banja Luka should be completed by end of 2010. Most of the remaining backlogs, in both Entities, concern problematic cases that are difficult to resolve – often requiring new submission of documents by the applicants.

15. A two-year public relation strategy, which includes the new service standards, in FBIH was developed, and launched in September 2010. With the new service standards in the RS, in 10 courts (80% of RS courts) mortgage registration times have been reduced from 10 days to 1 day. A real estate market research study will be conducted to get information on market development.

Policy Development and Project Management

16. The progress under this component has been limited. There is still no draft Policy and Strategy Document for completion of the long term goals in land administration. In FBIH the assessment of legal framework has been completed and it provides recommendations for the legislation reform which would enable development of an efficient land administration sector. In RS it is expected that they will unify cadastre registry and legal registry in the real estate cadastre placed with the Geodetic Administration. The draft Law on Cadastre which envisages one agency model was expected to be presented before the Parliament before the elections, but it was withdrawn. It could be presented again only when the new Parliament constitutes. It is not clear in which form the law would be finally adopted, which impacts finalization of the draft Land Administration Policy and Strategy document.

17. With exception of the Law on Spatial Planning and Construction (LSPC) being enforced in RS since mid June, there is no other change in legislation relevant for the land administration sector in either entity. There are significant delays in adopting key legislation that frames land administration sector. Results of systematic registration and legislation assessment performed in FBIH show that lack of legal reform could present a serious impediment to land administration sector development. Further details on the Policy Development and Project Management Component can be found in Annex 4.
Social (Social/Client Satisfaction Survey and Public Information Campaign)

18. To gain a better understanding of the social, vulnerability and governance issues surrounding the project activities a social assessment, a gender and land study and a public information campaign have been undertaken. The team met with the consultants, clarified the operational relevance of these studies, which are intended to be used for the policy reform dialogue so that the country’s land registration systems are more inclusive, transparent and accountable. Towards this objective the mission recommended methodological adjustments to include the officials from the cadastre and land registry offices in the focus groups, so that the results of the survey reflect the feedback from the service providers and users, any perceived inequities, potential negative distributional impacts and concomitant mitigation measures. The mission also wishes to recommend that the next round of these studies i) examine the social and poverty impacts of these reforms across municipalities; with particular focus on illegal settlements, property tax and inheritance laws. With regard to the PIC the mission recommends that alternative modalities (eg. street theatre) are used in the rural areas and municipalities to sensitize communities about the rights and responsibilities. A brief discussion on these social issues relating to the project can be found in Annex 6.

Donor Support

19. Support from GTZ, funded through the Austrian, German and Swedish governments, is due to end in February 2011. This support has been very important for providing the technical assistance needed to make the Land Registration project successful. The EU funding that will be providing a continuously operating reference network and national coverage of orthophotomapping in 2011 is key for the next phase of work in BiH for completing the cadastre, but will also be of great use to other sectors. The Norwegian government is starting a project to help supply equipment and manage the digital imagery being provide and to provide capacity building to both GAs. Donor support continues to be well coordinated and is providing good support in the sector.

Fiduciary

20. Financial Management. In December 2010 a review of the financial management arrangements at the LRUs was conducted. The review of the financial management arrangements concluded that the financial management system, including accounting, budgeting, independent audits and reporting, continues to be adequate and satisfies the Bank’s requirements. The audited financial statements for the year ended December 31, 2009 had been received by the Bank on time and were found to be acceptable to the Bank. The auditors issued an unqualified audit opinion on the project financial statements for the year ended 31 December 2009. Regular quarterly Interim Unaudited Financial Statement (IFRS) were submitted with a small delay and have been found acceptable to the Bank. The latest reviewed IFRs were for QIII 2010. The statements have been found acceptable to the Bank.

21. Procurement. The LRU units within the Line Ministries are responsible for carrying out the procurement activities, while the GA of FBiH and RS provide technical support in respect of component B of the project. In the Republika Srpska (RS) LRU there is part-time procurement officer, and in the FBiH LRU there is full time procurement officer. Both procurement officers have good knowledge on the Bank’s procurement procedures, gained over 10 years on various projects. Further strengthening of both, MoJs and the LRUs capacity in all phases of procurement, which also includes, but not limited to, planning, selecting/awarding contracts, keeping file-records, should be improved and
especially in managing contract implementation. In this respect, the Procurement Plan should be used as a management tool and both LRU should publish the procurement plans and contract awards on the World Bank external site in a systematic way. Closer communication and cooperation between staff of RS MoJ / RS LRU and RS GA would significantly improve project implementation.
Annex 1

Action list from June 2010

Section A relates to agreed actions for the project as a whole. Section B refers to specific actions relating to information communications technology (ICT). It was agreed that monthly updates would be provided for Section B.

A. Agreed Actions from June 2010
<table>
<thead>
<tr>
<th>N</th>
<th>Responsible</th>
<th>Comp</th>
<th>Action</th>
<th>Deadline</th>
<th>Status on December 3, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>End of Jan.2011</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>RS LRU and RS GA</td>
<td>B1</td>
<td>Submit the Draft Cadastre Service Standards to the Bank. GA and Bank review and comment on the Draft Cadastre Service Standards and forward the result to RS LRU. Submit revised (final) version on Cadastre Service Standards from consultant to the Bank.</td>
<td>July 31, 2010</td>
<td>Completed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Within 10 days from receipt of English version.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>August 31, 2010</td>
<td>Completed</td>
</tr>
<tr>
<td>3</td>
<td>RS LRU</td>
<td>B2</td>
<td>Pilot projects for the systematic registration: Submit to the Bank a revised bid evaluation report.</td>
<td>See note*</td>
<td>The RS requested cancelation of the tenders. See comments in para 5(iii) in the main text.</td>
</tr>
<tr>
<td>4</td>
<td>RS LRU and RS GA</td>
<td>B2</td>
<td>Commence work on pilot projects.</td>
<td>Sept. 1, 2010</td>
<td>As above.</td>
</tr>
<tr>
<td>5</td>
<td>RS GA and FBiH GA</td>
<td>B2</td>
<td>Submit to the Bank first draft reports from the pilot projects for systematic registration, addressing lessons learned and the need for improvement of applied methodologies strengthening the administrative processes between the cadastre, land registry, spatial planning and the municipalities.</td>
<td>FBiH end of Nov.2010</td>
<td>RS: not completed – as above. FBiH: the findings and recommendations were presented at the workshop during this mission.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>RS Oct. 30, 2010</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>FBiH and RS LRU</td>
<td>B4</td>
<td>Submit monthly IT progress reports according to the table provided in Section B of this Annex.</td>
<td>July 31, 2010 and monthly thereafter.</td>
<td>See table B, below</td>
</tr>
<tr>
<td>7</td>
<td>FBiH LRU and RS LRU</td>
<td>C2</td>
<td>Submit to the Bank, a Draft Policy and Strategy Document for completion of the long term goals in Land Administration.</td>
<td>October 20, 2010</td>
<td>FBiH. Not yet produced. The FBiH policy is said to be ready but not produced because they can not combine with the RS Strategy. An assessment of the legal framework with recommendations for further development has been completed. RS: GA prepared a five year business strategy (2011-2015). The draft Law on Cadastre.</td>
</tr>
</tbody>
</table>
B. ICT Agreed Actions. The monthly progress report should be filled for each row, even if deadlines are not yet due (indicate progress/status) and after deadlines (progress with implementation).
<table>
<thead>
<tr>
<th>No.</th>
<th>Responsible</th>
<th>Action</th>
<th>Deadline</th>
<th>Status on December 3rd, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>RS and FBiH LRU, IT WGs</td>
<td>Re-establish the coordination between the IT WGs, related to the Data Standards, Data Models, XML exchange file formats. Establish clear management and reporting mechanism for all ongoing IT related activities, under various sources of financing. Report monthly.</td>
<td></td>
<td>Not completed. There remains a reluctance to meet together.</td>
</tr>
<tr>
<td>2.</td>
<td>FBIH IT WG and RS IT WG and LRU</td>
<td>Submit short monthly progress reports at the end of each month, describing the progress, issues required management attention and the plan for the next month.</td>
<td>Monthly</td>
<td>FBIH Completed RS. Not Completed, no reasons given.</td>
</tr>
<tr>
<td>3.</td>
<td>FBIH IT WG and LRU</td>
<td>Submit to the Bank Overall ICT implementation plan – LARIS improvements, cadastre SW implementation, HW supply, cadastre data migration and data conversion, IT Strategy Dev., e-commerce strategy development.</td>
<td>July 30, 2010. Updated Plan will be submitted Monthly with the progress reports.</td>
<td>Completed.</td>
</tr>
<tr>
<td>4.</td>
<td>RS MoJ and RS GA and RS IT WG</td>
<td>Submit to the Bank Implementation plan for HW supply, e-Land Registration SW implementation, Cadastre SW implementation and</td>
<td>July 15, 2010 Updated Plan will be submitted Monthly with the progress reports.</td>
<td>Completed.</td>
</tr>
<tr>
<td>5.</td>
<td>FBIH LRU RS LRU</td>
<td>Submit to the Bank the draft final ICT Strategy • ToR for a consultant • contract signed</td>
<td>Sept. 30, 2010</td>
<td>FBIH: draft has been prepared but not delivered. RS: postponed to Sept. 30, 2011 due to the expected changes in the law on Cadastre</td>
</tr>
<tr>
<td>6.</td>
<td>RS LRU FBIH LRU</td>
<td>Submit to the Bank draft e-commerce Strategy – could be part of the ICT Strategy (this is an indicator from the PAD). • First draft • Final Strategy</td>
<td>Sept. 30, 2010</td>
<td>Completed</td>
</tr>
<tr>
<td>7.</td>
<td>RS GA</td>
<td>Submit to the Bank TS for the Cadastre application SW together with the implementation plan (contract signed with Gov. financing)</td>
<td>July 10, 2010</td>
<td>Completed</td>
</tr>
<tr>
<td>8.</td>
<td>RS IT WG and LRU</td>
<td>Submit to the Bank TS for Land Registration SW development/further improvements and cost estimation.</td>
<td>August 15, 2010</td>
<td>Cancelled due to the expected changes in the law on Cadastre</td>
</tr>
<tr>
<td>9.</td>
<td>FBIH IT WG and LRU</td>
<td>Submit to the Bank Revised TS for Land Registration SW development/further improvements and cost estimation.</td>
<td>July 20, 2010</td>
<td>Submitted on Dec. 2.</td>
</tr>
<tr>
<td>10.</td>
<td>FBIH LRU and FBIH GA</td>
<td>Submit to the Bank ToR for Cadastre SW implementation</td>
<td>July 15, 2010</td>
<td>Completed</td>
</tr>
<tr>
<td>11.</td>
<td>RS IT WG and FBIH IT WG</td>
<td>Submit to the Bank business processes related to the connectivity of the cadastre and land registry software and the agreed XML file format between the MoJ and GA. Report monthly on the progress achieved: agreed processes, agreed data, agreed format, etc.</td>
<td>Oct. 30, 2010</td>
<td>FBIH delayed – will be part of the ICT Strategy</td>
</tr>
</tbody>
</table>

**Coordination**

**Planning and Reporting**

**ICT Strategy and E-commerce Strategy**

**Application Software – Cadastre and Registration**
Annex 2: Action Plan agreed during the mission in November 2010

A. Agreed actions

<table>
<thead>
<tr>
<th>N</th>
<th>Responsible</th>
<th>Component</th>
<th>Action</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LACAB</td>
<td>C1</td>
<td>Submit the Draft Policy and Strategy document for bank review</td>
<td>June 30, 2011</td>
</tr>
<tr>
<td>2</td>
<td>LRUs</td>
<td>C1</td>
<td>Send social and institutional assessment draft report</td>
<td>Jan 31, 2011</td>
</tr>
<tr>
<td>3</td>
<td>LRUs in RS and FBiH</td>
<td>C5</td>
<td>Submit the procurement plan including LRU operating costs for bank review and NO</td>
<td>December 31, 2010</td>
</tr>
<tr>
<td>4</td>
<td>LRUs in RS and FBiH</td>
<td>B2</td>
<td>Submit a draft reports addressing lessons learned at Cadastre as well as at Land Registry from systematic registration and harmonization for (a) applied methodologies strengthening the administrative processes between the cadastre, land registry, spatial planning and the municipalities, (b) impact on specifications for future tenders.</td>
<td>April 30, 2011</td>
</tr>
<tr>
<td>5</td>
<td>WB</td>
<td>C4</td>
<td>Provide concept notes for comments</td>
<td>January 31, 2011</td>
</tr>
<tr>
<td>6</td>
<td>LRUs in RS and FBiH, IT-WG</td>
<td>B4</td>
<td>Re-establish the coordination between the IT WGs, related to the Data Standards, Data Models, XML exchange file formats. Establish clear management and reporting mechanism for all ongoing IT related activities, under various sources of financing.</td>
<td>Report monthly.</td>
</tr>
<tr>
<td>7</td>
<td>FBiH IT WG and RS IT WG and LRUs</td>
<td>B4</td>
<td>Submit short monthly progress reports at the end of each month, describing the progress, issues required management attention and the plan for the next month.</td>
<td>Monthly</td>
</tr>
<tr>
<td>8</td>
<td>FBiH LRU RS LRU</td>
<td>B4</td>
<td>Submit to the Bank the draft final ICT Strategy</td>
<td>Jan 15, 2010</td>
</tr>
<tr>
<td>9</td>
<td>FBiH IT WG RS IT WG</td>
<td>B4</td>
<td>Submit to the Bank business processes related to the connectivity of the cadastre and land registry software and the agreed XML file format between the Cadastre and Registration data.</td>
<td>June 30, 2011</td>
</tr>
<tr>
<td>10</td>
<td>FBiH GA</td>
<td>B4</td>
<td>Submit to the Bank TS and cost estimation for supply of HW</td>
<td>Dec. 20, 2010</td>
</tr>
</tbody>
</table>
Annex 3: ICT Activities

Registration Component.

Component A.4: Data harmonization, data entry and system integration.

In RS amendments to the Law on Land Registry have been prepared. Enacting this law will result in the development of rules on how to download the apartment data from the cadastre. At this stage of the project, in this segment, there will not be additional project activities.

In the RS the digital land registry database currently contains 578,636 folios of which 426,603 in the old survey, and 152,033 in the new survey. Temporary personnel hired from funds of the World Bank (so far, a total of 138 employees were engaged) entered most of the content of registers of old land books into electronic format (426,603 entries, or 94%); 27,397 folios or 6% remained to be digitized. 16 out of 19 basic courts in the RS completed the transfer of old land book data into digital form. The digitization reduced holding of the clients in the majority of land registry offices of basic courts to one day. By the end of the project, it is expected to transfer all the data in digital form. About 150,000 land folios have been harmonized (harmonization of land register and cadastre). All digitized data are available via the Internet.

In FBiH By the end of September 2010, in the FBiH 92% of the land registry folios has been digitized, constituting in 897,000 land registry folios being transferred into the electronically maintained land registry. An analysis shows that a total of 193,464 folios based on New Survey have been digitalized, constituting 21.6% of the total number of the digitalized land registry folios. Thus 88% of the target has been achieved and the remaining 25,000 folios will be processed thanks to component B2. In 19 LROs all folios are in digital form.

Backlog resolution in FBiH: In Tuzla only 500 difficult cases have been left pending, which shall be processed until end of Dec 2010. In Mostar until end of Oct 2010 3000 cases have been resolved. The remaining 5,000 cases which are still pending will not be processed until end of 2010. Due to renovation only 7 out of 10 jurists could be hired to work on it.

Cadastre Component.

Component B4 - Information Communication Technology (ICT)

Good progress has been made by both entities on most of the IT related activities. In the RS the Ministry of Justice (MoJ) has completed the establishment of “Land Books on-line” and the public can now access any information about property and property rights directly from the internet. The MoJ launched awareness campaign to present the new e-services to the citizens and leaflets and posters are available in the public places. During the first month the “Land Books on-line” system received 5,586 hits, which is a remarkable achievement. In both entities the GAs signed contracts for further development of their Cadastre information systems with the main focus on the implementation of a new cadastre data model, integration of graphical and alphanumeric data, establishment of interface with the Land registration database and providing access to the cadastre data on the Internet. In the FBiH the biggest challenge during the cadastre system roll-out will be the process of data migration and data quality control and acceptance. The Bank concern is that not all the municipal cadastre offices have sufficient capacity to perform quality control on the migrated data and that the data verification process will be delayed. It is highly recommended that 5 to 6 experts be hired to support the data verification and data quality control. The RS LRU signed a contract for supply of hardware and communication equipment for the LROs and is in a process of finalization of a contract signature for the supply of hardware and licenses for the RS Cadastre IT system. The FBiH LRU is at the final stage of tender procedure for supply of hardware for the LROs. The FBiH GA signed a contract for supply of necessary licenses for
the cadastre system roll-out, using government funds and a tender documentation for supply of hardware and communication equipment for the COs is under preparation.

**Key issues:**

i. There is a substantial delay in both entities in finalizing their ICT Strategies (with the exception of the RS GA). The RS LRU decided to delay the process of completion of the ICT Strategy until the expected legal and organizational changes become clear. The FBIH LRU signed a contract with an individual consultant to assist the finalization of the ICT Strategy, but again the first deliverable was submitted with a month delay. The Bank team recommends the FBIH LRU to coordinate the work of the IT Working Group and the IT consultant, who are working on the completion of the ICT Strategy.

ii. The Bank team is concerned about the significant delay in the FBIH in finalizing the tender documentation for further development of the Registration software (LARIS). The tender documents were provided to the Bank team on the last day of the visit, but any further delays will make it impossible to complete the planned activities prior to the project closing date. The Bank team recommends the FBIH MoJ and the GA to establish clear management and coordination mechanism for all IT related activities.

iii. The Bank team strongly recommends the LACAB to request re-establishment of the coordination mechanism between the FBIH and the RS IT working groups and to ensure that common standards and used to enable future data sharing between institutions. Such coordination is in line with the EU integration initiatives.

iv. The institutional capacity in both entities to manage the big volume of IT related work is limited with exception of the RS GA IT staff. It is highly recommended that the ICT Strategies be completed or updated and those to include appropriate outsourcing policy and plan sufficient human resources to manage the IT related projects. Project management and contracts management training is highly recommended for all members of the IT working groups.
Annex 4. Component C. - Policy Development and Project Management (Olivera)

Component C.1: Planning and development

In Republika Srpska the new Law on Spatial Planning and Construction envisages that the requests for legalization of illegal buildings could be submitted by the end of 2011, after which there will be no subsequent acceptance of legalization requests. It means that the illegal structures, for which the investors would not have requests submitted within the said deadline, would be demolished. The responsibility for formalization of illegal structures is given to the municipal authorities. They need to decide and issue an order on legalization by December 31, 2010. Municipalities also have the authority to decide on the legalization fees. The investors will have a year (Jan 1-Dec 3, 2011) to submit their requests.

Preceding law on spatial planning was also giving authority to local administration to make a decision on legalization and initiate the process, but the responsiveness of citizens and investors was low. There were two main reasons for this: 1) "subsequent issuance of construction permit", an institution allowed under the previous law, meaning that the investor had an option to obtain the construction permit after he would have started or even completed the construction; 2) social aspect of illegal construction, as most of the illegal structures present family houses of socially vulnerable people (displaced, war invalids). These people are not able to pay high legalization fees. This needs to be carefully considered by the local authorities when deciding on guiding principles and when setting up the fees scales for legalization.

Impediments to legalization are the lack of urban plans and unresolved property ownership rights as the result of legal registry not yet being up-to-date. In Republika Srpska there has been an interim mechanism put in place to facilitate the legalization process when there is one or both of the impediments are present. In case of the lack of urban plan it can be substituted by an expert opinion, where the expert is a legal entity licensed to work on urban planning. When there are unresolved ownership rights, an investor can still submit request for legalization and the authorities will delay their decision until these rights are resolved.

In RS there is an ongoing work on a Spatial Plans Rule Book. It is defining the types of spatial plans (SP) and specifying the content of each type of SP. It is proposed that SPs should recognize and include all existing objects, built with or without construction permit, and only those which could be considered risky (built on landslides, in river beds, etc) should be excluded.

In the FBiH, the recommendations coming out of the systematic cadastre pilots in Čapljina and Gradačac include those on the usefulness of the data collected on illegal structures. It is now on urban planning departments in municipalities to decide how to best utilize those data. For the pilot municipalities illegal buildings are entered into a separate layer in the cadastre, which will be a part of the formal cadastre plans, but not included in the cadastre registers. That layer could be seen and the data retrieved when there is a need for it, mainly for planning purposes. There is a very promising progress in Gradačac on starting using these data for dealing with informal developments in the municipality. Still there is no progress on the systematic cadastre in RS, therefore no recommendations are coming from the pilots yet.

The inception report under the second social – institutional assessment had been finalized and it is currently available in local language only. Currently the contractor is performing the field survey. The data should be processed and the draft report on quantitative and qualitative research results is expected to be finalized by Dec 31, 2010. The draft final report should be completed by Jan 21, 2010.
In FBiH the work on other studies under this component, such as strategies for dealing with issues such as privatization, restitution, land planning and development control, and land related disputes, are to be conducted in 2011.

**Component C.2: Policy and legislative change**

In RS a set of laws which included a draft Law on Cadastre, amendments to the Law on Property Rights, amendments to the Law on Privatization and a draft Law Construction Land, prepared by the Geodetic Administration have been submitted to the Parliament in August only to be withdrawn shortly after. These laws propose one agency model where keeping both registries becomes the responsibility of the Geodetic Administration. All draft laws that were in the Parliament and not adopted when elections were called would have to be submitted again when a new parliament constitutes.

The new Law on Spatial Planning and Construction was enacted in June 2010. Ministry of Spatial Planning, Construction and Environment is currently working on by-laws (three have already been prepared, one is under preparation).

The decision of the Constitutional Court of RS in which they declared the paragraphs of the law governing the jurisdiction of the land registry clerks for making the decision on registration unconstitutional made an impact on the registration process. Even with additional land registry staff employed under the project there has been an increase of the backlog of 10 percent in Banja Luka court since the enforcement of this decision, as reported by LRU during mission.

In FBiH a review of the legal framework and recommendations for the further development of the land administration sector was conducted by the FBiH LRU. Key recommendation identified in this study is that relevant institutions will strive to harmonize legislation between cantons to the extent possible. Institutions in the FBiH have identified necessary steps that have to be taken in order to improve the legal framework and to ensure a more efficient land administration sector. Some of the recommendations identified in this study and relevant to the reform of the legal framework of land administration, are as follows: i) enforcement of the Law on Real Rights ii) harmonization of the Law on Land Registry and the Law on Survey and Real Estate Cadastre; iii) harmonization of court fees; iv) enactment of new regulations that involve private sector (certified geodetic surveyors, notaries); v) simplification of the procedure of transcription of the Book on Deposited Contracts in the Land Registry; vi) introduction of e-services; vii) definition of legal framework for the resolution of illegal construction; viii) establishment of a property taxation system that would enable municipal financing.

The same study proposed a strategy for the legislation reform, with the enforcement of the Law on Real Rights as a key step in this reform. It should be followed with the parallel enactments of the Law on Land Registry and the Amendments to the Law on LR, and the Law on Survey and REC. The second step to be taken is to harmonize the Law on Spatial Planning and Use with the land administration regulation on the federal and cantonal level. Next should be the amendments to the Law on Construction Land and the Law on Expropriation. The last step is to change the laws that regulate agriculture land, forests and waters. The study finds that one cycle of reforms would not be sufficient and that there would be a need for a subsequent one to bring the land administration legal framework to a level that supports the development of this sector.

The legal framework assessment is an important contribution to the FBiH work on the land administration strategy. In RS, the Geodetic Administration presented its five year business strategy. Given the recent development in RS with the policy shift toward one agency model,
it seems that each entity will have to come with its own strategy for land administration. Given that a unified BiH draft land administration strategy presents a legal covenant and BiH is late in meeting it, the mission recommended LACAB to urgently discuss this issue and decide how the draft strategy would be developed.

In FBiH, there is no progress on the adoption of the several key laws: the Law on Land Registry, the Law on Cadastre, the Law on Rights in Rem; amendments to the Law on Property Relations, or Law on property tax.

Component C.3: Land related revenue

In RS the deadline for establishment of fiscal registry (fiscal cadastre) is extended to Dec 31, 2011. Within this deadline the Tax Authority needs to complete mass property valuation, establish citizens’ tax account and issue tax lists to local authorities as they would be in charge to collect this revenue. The extension of the deadline resulted in a sharp decrease in citizens’ interest to register in the fiscal cadastre. It is now a challenge for the Tax Authority to again raise the awareness among citizens for this process. There has been a regular communication between the Tax Authority (TA) and Geodetic Administration (GA) on the taxation that relate to agriculture and forestry land. However, the current system and the RE registry GA is running do not provide information in type, or form that the TA would need for the establishment fiscal registry. Given the importance of the tax reform (which envisages the substitution of the current three types of property tax with just one) to the real estate market, it is of a crucial importance to harmonize the GA and TA systems.

In FBiH there is no progress with property tax reform. Tax policy is fully decentralized to cantonal level and there are differences in terms of the type and the size of a tax. Overall it seems that there is little willingness to set up and enforce a property tax.

Component C.4: Preparation for phase 2

In RS, the GA presented its five year business strategy available in local language only. The strategy is seen to be a starting point for the discussion on the potential future activities in GA under Phase 2. The Bank team is concerned that the strategy is narrowly focused on surveying. The discussions with the Tax Administration and spatial planning people in RS showed that they place a priority in improved, harmonized and updated registries. Such registry is the key to improving the efficiency of their work.

In FBiH, a working group (WG) was established and tasked by the Land Administration Project Steering Board (members of the Board are two entity ministries of justice and directors of two entity GA) to develop a proposal for the Phase 2. A key priority is the harmonization of land registry and cadastre. Other activities suggested by the Bank team include the improvement of land registry and GA work processes, improvement of office facilities; staff capacity building through training; support to current activities on SDI financed by EU and other donors.

Component C.5: Project management

Overall Project Management continues to be satisfactory. In RS a new FM person has been engaged and LRU works in full capacity. There is a concern in regard to LRU operating costs financing after March 2011. The WB team recommends that LRU operating costs for the remaining duration of the Project are carefully considered when preparing the procurement plan for 2011.

In both entities, the M&E continues to be performed in a satisfactory manner and it continues to improve. Reports are submitted timely. There is sufficient level of details provided to understand the progress on each component.
In FBiH, M&E report now provides data on the real estate market and its trends. Some of the indicators though, such those under C3 and C5 lack description of progress and it is not clear whether it is because there was no progress or description was not provided for some other reason.

In RS an overview of economic trends in Republika Srpska is included in their progress reports. The M&E report still lacks comparison between reporting periods (between quarters and years) which makes the assessment of progress on targets difficult. Still there is no unified format which provides the three values: baseline, targets and current status of the indicator, which would provide clarity on whether there was a progress achieved and what was its scale/volume. The Team discussed and agreed with the RS LRU, to include such report in the future.

**Component C.6: Technical assistance and training**

TA continues to be provided by GTZ. It includes full time engaged economist and a cadastre in MoJ and a lawyer engaged on a part time basis.

Since the last mission, in FBiH the following training was provided:

i. Cadastre: Usage of the new technologies in cadastre – practical field work (total stations/ GPS/software solutions) – 4 seminars, 132 participants

ii. Spatial Planning: Contribution of the municipal services to the acceleration of Real Estate registration – 1 seminar, 28 participants

iii. Legal: Workshops for temporary assistants in the land registry courts – 5 workshops, 72 participants

In RS, three seminars on law on Rights in Rem were held since the last mission with 175 participants. More of the legal training depends on the progress with adoption of new laws.
Annex 5: Report on the Field Trip

The mission team visited the Registration Offices in Mrkonjić Grad (RS), in Tuzla(FBiH) and in Gradačac (FBiH), the Cadastre Offices in Šipovo (RS) and in Gradačac (FBiH). The Registration Offices in RS as well as in FBiH are organized as subunits of the Municipal Courts. The Cadastre Offices in RS are under the GA, in FBiH they are departments within the municipalities. These visits focused on the following items:

Pilot project on systematic registration and mapping in Gradačac (FBiH)

In FBiH two cadastral municipalities in the urban area of Gradačac (www.gradacac.ba) with about 47,000 inhabitants have been selected for Component B2 - Systematic Registration and Mapping, and situation analysis in selected sites. The contract was signed in January 2010 and has been completed by end of October. Data have already been forwarded to the Land Registry for completing the registration process. The contractor processed all the relevant cadastral data received from the cadastre office (mainly in digital form), related this information with data received from land registry, data collected in the field and requests from owners for updating. In the meanwhile the resulting data had been forwarded to the Land Registry for further processing. It is expected that the Land Registry will require up to 6 months for processing these workload of about 8,000 folios containing about 11,000 parcels. There is an excellent cooperation with the Land Registry of Gradačac.

Owners requested 912 buildings to be registered in cadastre out of which only a few could be registered because of lacking documentation. Comparing the results with an orthophoto (OP)-map proves that there are about 3,000 illegal buildings out of 12,000 buildings registered. All these missing buildings could be identified from OP-maps and could be visualized with unique identifiers in the cadastre without any expensive field survey. However the legal framework does not permit to process these data that way. It seems that the financial burden on owners on legalization of those construction sites is an obstacle and even the municipality does not show any ambition in overcoming these shortcomings. It can be concluded that a minimalistic approach for harmonization of data in cadastre and land registry does not necessarily require intensive fieldwork. The is a potential for simplifying the process of apartment registration which requires up to now a detailed survey plan with all rooms in order to identify and locate each apartment within a building. For future projects attentions should also be given to the experience of contractors in cadastral work. The feedback from the pilot project in Čapljina provides similar results. Feedbacks from pilot projects in Ljubuški and Travnik are not yet available because these projects just started in October 2010.

Land Registry Office (LR) in Mrkonjić and public display at Cadastre Office (CO) of Šipovo (RS)

The systematic cadastral survey is based on evidence from the old cadastral records, boundaries in the fields as demarcated by owners, orthofoto-map and field survey. The work team is composed of about 20 persons from private companies and 3 experts from cadastral office. In total 13 cadastral municipalities are processed within the year 2007-2011. Maximum effort has been given to inform and to retrieve information from person according the possession list in the cadastre as well as from potential owners including displaced persons.

Establishing new land registry records is a complex process which requires: (1) announcement on the blackboard of court for one month (2) clients application and (3) identification of parcels for which the LR uses the old survey and the cadastre refers to the new survey. There is an excellent cooperation between CO, LR and also with urban planning.
and mayors of municipalities in order to support owners in registration of buildings along the process from prove of ownership of parcel, urban planning permit and construction permit to the registration of buildings. Registration costs seem not to be a major obstacle for applicants. Fees are based on the law on contract fee which defines them as 0.2% of the value determined by the tax authority with a flat rate of 100 KM.

Altogether this is an expensive and lengthy process which finally results in updated and harmonized records at cadastre and land registry. The maintenance of all these records has been identified as a potential shortcoming because some owners seem to be reluctant to report changes in both public registers. In the RS, a pilot project, funded by donors, in two cadastre municipalities of Banja Luka was conducted. The results are being used to understand the scope of work, improve methodology and assess the cost of completing the harmonization task.

Land Registry Office (LR) in Tuzla coping with backlogs
In 2009 the LR in Tuzla had about 13500 backlogs which caused 90% of all complains at municipal court in Tuzla. Since April 2010 ten lawyers had been hired to process these cases. As of end of November 2010 there are only 500 remaining cases, which are the rather complex one. There are less than 1% of appeals against decisions of the LR. The illegal development in the city of Tuzla is more a problem for the municipality as for the LR.
Annex 6  Social Development

Social Assessment/Client Satisfaction Survey and Public Information Campaign. To gain a better understanding of the social, vulnerability and governance issues surrounding the project activities a social assessment and a public information campaign have been undertaken. The team met with the consultants, Prism Research who are conducting the social assessment. The mission expressed its appreciation for the consultants’ hard work and professionalism and discussed the study’s progress and methodology. The mission sought to strengthen the linkages between the social assessment and project impacts. The team of consultants informed the mission that the survey is already underway; and that the interviewers are currently in various sites in front of cadastral and registration offices interviewing the clients. The mission clarified the operational relevance of these studies, which are intended to be used for purposes of informing the policy reform dialogue so that the country’s land registration systems are more inclusive, transparent and accountable. Towards this objective the mission recommended that the methodology of the study be adjusted to include in the focus groups the officials from the cadastral and land registry offices, so that the results of the analysis and survey reflect the feedback from the service providers and users, any perceived inequities, potential negative distributional impacts and concomitant mitigation measures.

In this regard, the mission was informed that there are social safety laws and the example of the exemption of the required land registration co-payment fee for certain vulnerable groups (disabled, displaced, returnees etc.) was cited. The mission highlights such examples to make the study’s recommendations as concrete and actionable as possible, and in the context of the project components, activities and indicators. This would be useful not only for the remainder of this project but also for any future land registration reform. In addition, as the Country Partnership Strategy is developed over the next few months a brief land governance and social accountability discussion paper could be developed to feed into the CPS consultative process. It was agreed with the social assessment consultants that the final draft study will be submitted to the Bank for review and clearance in January 2011. The mission also wishes to recommend that the next round of these studies i) examine the social and poverty impacts of these reform across municipalities; with particular focus on illegal settlement, property tax and inheritance laws.

Gender and Land. With regard to gender mainstreaming, the team was informed that the demographic structures are well reflected in the cadastral and land registration data and documentation. Under the World Bank Gender Action Plan trust fund a consultant was hired to evaluate the gender dimensions of various land projects in the sub-region, including BiH. The mission recommends that once the study’s recommendation are ready that they be considered and mainstreamed into the instruments and tools used, where relevant by the cadastral and land registry offices at the municipality level.

Public Awareness Campaign is implemented in the FBiH only. The campaign in the FBiH has done very well using the web, PR articles in local daily newspapers and weekly magazines, radio, TV and press releases. This is an activity implemented by the PIC Committee in the FBiH in accordance with the developed strategy. Agency is hired using donor’s funds to implement activities. Where feasible the mission recommends that street theatre, popular songs and dances are used in the rural areas and municipalities during the spring and summer to sensitize communities about the rights and responsibilities, involving the local schools, students and artists.