

Document of  
The World Bank

Report No: NCO00004089

NOTE ON CANCELLED OPERATION REPORT  
(IDA-57820)

ON A

CREDIT

IN THE AMOUNT OF SDR 7.3 MILLION  
(US\$ 10.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF TAJIKISTAN

FOR A

REAL ESTATE REGISTRATION PROJECT

April 12, 2017

Social, Urban, Rural and Resilience Global Practice  
EUROPE AND CENTRAL ASIA Region

**CURRENCY EQUIVALENTS**  
(Exchange Rate Effective December 31, 2015)

SDR 0.722 = US\$1.0  
US\$1.386 = SDR 1.0

**FISCAL YEAR**  
January 1 – December 31

**ABBREVIATIONS AND ACRONYMS**

BTI	Bureau of Technical Inventory
CPS	Country Partnership Strategy
DSA	Debt Sustainability Analysis
ECA	Europe and Central Asia Region
FA	Financing Agreement (IDA)
FPSP	Farm Privatization Support Project
GDP	Gross National Product
GNI	Gross National Income
IDA	International Development Association, ‘the Association’
IG	Implementation Group
IT/ICT	Information Technology; Information and Communication Technology
KPI	Key Performance Indicator
LRCSP	Land Registration and Cadaster System Project
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
MOJ	Ministry of Justice
MZ	Markaz Zemin (cadaster offices)
NGO	Non-governmental Organization
PAC	Public Awareness Campaign
PDO	Project Development Objective
POM	Project Operational Manual
SA	Social Assessment
SCLMG	State Committee for Land Management and Geodesy
SCISPM	State Committee for Investment and State Property Management
SUERIP	State Unitary Enterprise for Registration of Immovable Property
TOR	Terms of Reference
USAID	United States Agency for International Development
WB	World Bank, ‘the Bank’

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**TAJIKISTAN**  
**Real Estate Registration Project**

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MAP

A. Basic Information			
Country:	Tajikistan	Project Name:	Real Estate Registration Project
Project ID:	P154561	L/C/TF Number(s):	IDA-57820
NCO Date:	03/14/2017		
Lending Instrument:	IPF	Borrower:	REPUBLIC OF TAJIKISTAN
Original Total Commitment:	XDR 7.30M	Disbursed Amount:	XDR 0.00M
Revised Amount:	XDR 0.00M		
<b>Environmental Category: B</b>			
<b>Implementing Agencies:</b> SUERIP			
<b>Cofinanciers and Other External Partners:</b>			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	04/02/2015	Effectiveness:		
Appraisal:	09/28/2015	Closing:	04/30/2021	01/05/2017
Approval:	04/04/2016			

C. Ratings Summary	
<b>Performance Rating by NCO</b>	
Outcomes:	Not Applicable
Risk to Development Outcome:	Not Applicable
Bank Performance:	Moderately Satisfactory
Borrower Performance:	Moderately Unsatisfactory

D. Sector and Theme Codes		
	Original	
<b>Major Sector/Sector</b>		
Agriculture, Fishing and Forestry		
Other Agriculture, Fishing and Forestry	20	20
Public Administration		
Central Government (Central Agencies)	49	49

Information and Communications Technologies		
Other Information and Communications Technologies	8	8
ICT Services	15	15
Public Administration - Information and Communications Technologies	8	8
<b>Major Theme/Theme/Sub Theme</b>		
Public Sector Management		
Rule of Law	20	20
Personal and Property Rights	20	20
Urban and Rural Development		
Rural Development	80	80
Land Administration and Management	80	80

<b>E. Bank Staff</b>		
Positions	At NCO	At Approval
Vice President:	Cyril E Muller	Cyril E Muller
Country Director:	Lilia Burunciuc	Mariam J. Sherman
Practice Manager/Manager:	Jorge A. Munoz	Jorge A. Munoz
Project Team Leader:	Victoria Stanley	Victoria Stanley
NCO Team Leader:	Victoria Stanley	

## **F. Ratings of Project Performance in ISRs**

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
2	10/17/2016	Satisfactory	Moderately Satisfactory	0.00
1	05/27/2016	Satisfactory	Satisfactory	0.00

# 1. Context, Project Development Objectives, and Design

## Country and Sector Background

1. Tajikistan's economic growth over the five years 2010 – 2014 averaged 7.1 percent. In the first half of 2015 it moderated to 6.4 percent from 6.7 percent a year earlier as activity slowed in almost all sectors. Weaker world economic growth and lower prices for cotton and aluminum adversely affected the major export-oriented industries, pushing total industrial growth below 3 percent from nearly 7 percent a year earlier. The spillover effect from the slowdown in Russia and the continued depreciation of the Russian ruble (RUR) affect Tajikistan largely through the remittances channel, the return of migrant workers, and trade. As a result, the value of remittance inflows in US dollars declined by almost 32 percent in the first seven months of 2015. The slowdown in remittances affected domestic demand, which in turn depressed growth in services, the major contributor to economic growth in the past.

2. With a population of 8.2 million and a GNI per capita of US\$1,080 (2014), Tajikistan is the poorest country in the ECA region. However poverty substantially declined between 1999 and 2014 (from 81 percent to about 32 percent); extreme poverty dropped even faster—from 73 percent to 14 percent during the same period; and growth benefits were widely shared - consumption by the bottom 40 percent grew faster than that of the population at large. Between 1999 and 2009, the period for which micro data are available, more than one million rural people were lifted out of poverty. While poverty dropped substantially nationwide, Khatlon and Gorno Badakshan Autonomous Oblast lagged, and remain the poorest regions. From a gender perspective, poverty reduction for women was lower than for men, thereby widening an already existing gender gap.

3. The Bank has been active in the land sector in Tajikistan for more than a decade, beginning in 1999 with the Bank-financed Farm Privatization Support Project (FPSP) and continuing over the past decade with the Land Registration and Cadaster System for Sustainable Agriculture Project (LRCSP, P089566). LRCSP supported the issuance of inheritable land use rights certificates for over one hundred thousand families in rural areas with some 40 percent of such certificates issued to women. The next step for the government is to allow these rights to become tradable and thereby facilitate the functioning of rural land markets, which would also support access to credit. To support such a market, a reliable, transparent, and efficient land registration system is needed.

4. While all land in Tajikistan remains in state ownership, the rights to immovable property in urban and rural areas (houses, apartments) have been privatized and are currently bought and sold. However the current system offers little tenure security as the legal rights are not registered, nor is the current information connected to the cadaster which records the location of all parcels and buildings. Both foreign and domestic investment remains low in Tajikistan compared to the region, averaging about 2.8 percent (net inflows as percentage of GDP)<sup>1</sup> for the period 2010 - 2014. One of the obstacles

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<sup>1</sup> World Bank Data Bank, <http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>

cited by investors for this low investment is weak rule of law, especially as regards property rights. Creating a registration system will strengthen the legal enforcement of property rights by providing a system for registration of all legal rights to land and property (inheritance, ownership and use) that is connected to the properties physical location, and that is transparent, efficient and accessible to all.

5. Until 2008 the competencies for land administration (property registry and cadastre) activities were divided among various institutions, namely the State Committee for Land Management and Geodesy (SCLMG), the Bureau of Technical Inventory (BTI), and the State Enterprise Markaz Zamin (MZ). The Law on State Registration of 2008 created the possibility to establish a unitary property registration entity. Based on the 2008 Law on State Registration, BTIs that maintain an inventory of property records (but not legal rights) and the MZ that managed the cadastre were merged to create the State Unitary Enterprise for Registration of Immovable Property (SUERIP), established in January 2015.

### **Project Development Objective and Components**

6. To support the broader goal of providing enhanced tenure security and support to the property market, the specific development objective of the Project is: ***to support the implementation of a reliable, transparent and efficient real estate registration system nationwide.***

7. The Project components included:

A) Real Estate Registration System Development to support the establishment of a national real estate registration system and the institutional development of SUERIP. The component would include: physical infrastructure improvements, improving customer services and transparency, support to planning and institutional sustainability, support further development of policy and the regulatory framework for registration, and support training activities.

B) Software Development and Data Management to support the design, development, testing and implementation of software for immovable property registration, and the provision of the required hardware for the end users, and launch a web portal for access to immovable property information by professionals and the public. This Component will also support data management activities such as digitizing/conversion of paper documents to electronic format for integration into a database management system and for migration of the data into the immovable property registration system.

C) Public Awareness and Education, Monitoring and Evaluation, and Project Management to support SUERIP to manage the project through financing a small project implementation group, monitoring and evaluation, and public awareness and education campaigns and outreach activities. Public awareness and education activities would explain registration services, requirements and benefits to the

public as well as special groups (e.g., women, rural citizens, and elderly). Monitoring and evaluation would include gender disaggregated data on registration as are already collected for issuance of use rights certificates. Monitoring would also include a citizen feedback mechanism to track improvements in customer service and confidence in the system. The component will also support strengthening SUERIP's grievance redress mechanism for registration.

### Project Cost and Financing

8. The Project was to be financed with a SRD 7.3 million (US\$10.0 million equivalent) credit from the International Development Association (IDA) and was an investment project.

Project Components	Project cost (in USD Million)	IDA Financing (in USD Million)	% Financing <sup>2</sup>
1. Real Estate Registration System Development	2.80	2.80	100%
2. Software Development and Data Management	5.90	5.90	100%
3. Public Awareness and Education, Monitoring and Evaluation, Project Management	1.30	1.30	100%
<b>Total Costs</b>			
Total Project Costs	10.00	10.00	
<b>Total Financing Required</b>	10.00	10.00	

### Implementation Arrangements

9. The Project was to be implemented by SUERIP as the sole entity in Tajikistan responsible for land registration. SUERIP had the mandate, technical staff and local offices needed for a national registration system. SUERIP was to implement the Project and its parent entity, the State Committee for Land Management and Geodesy (SCLMG) would chair the Steering Committee. The Steering Committee will include membership from SLCMG, SUERIP, Ministry of Finance (MOF) and others as agreed with the Bank, and would approve annual work plans and budgets and deal with overarching policy issues.

10. The SCLMG was to appoint a Project Director who was a SUERIP employee and who would report to the SUERIP Director. SUERIP was also to appoint Component

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<sup>2</sup> Exclusive of VAT and customs duties and fees.

Coordinators for each of the three project components. To support project implementation SUERIP was to be supported by a small Project Implementation Group (IG) located within SUERIP to provide specialized project management assistance, specifically financial management, procurement, and monitoring and evaluation (M&E). Other specialists may be hired on an as needed basis to supplement SUERIP's capacity (for example, an IT specialist). These specialists were to be hired as consultants under the consulting services category.

## **Risks**

11. The risks were assessed as substantial, but moderate after mitigation. In terms of country level risks, the government had shown strong commitment to the land sector through 10+ years of engagement with the Bank and its interest in continuing the cooperation. The long term engagement of other donors, particularly USAID (which plans to continue its support) was also considered important.

12. Project level risks were assessed as: a) a new institution with insufficient human capacity to implement the Project; b) technical capacity is weak and the resources for the Project are limited (US\$10 million); and c) exclusion of vulnerable groups from registration benefits. The institutional and capacity risks are substantial, particularly for IT related activities. The project design was focused on building capacity and sustainability for IT and other technical activities throughout implementation. Training needs were assessed and substantial training planned throughout the Project. The technical risks were mitigated through the project design by focusing on human capacity development throughout the life cycle of the Project, as well as keeping the design focused on the key activity of setting up a well-functioning registration service. Fiduciary risks were rated substantial and mitigation measures included the hiring of experienced FM and procurement consultants in the IG, and installation of proper accounting software in SUERIP.

13. Regarding social and stakeholder risks, a Social Assessment (SA) was prepared to better understand the social context of land, potential vulnerable groups and potential unintended outcomes. The SA identified specific design elements (which were detailed in the Project Operations Manual - POM) to promote inclusion in a context-responsive manner such as public awareness, customer service, and transparency in operations. The Project design also focused on building SUERIP's capacity for public awareness and education, and engaging citizens and customers, so that these activities were sustainable. Forms of engagement planned for project implementation include a customer satisfaction survey and associated focus group discussions and a Public Awareness and Education Campaign (PAC).

## **Quality at Entry**

14. Building on the Bank's experience in Tajikistan in the land sector, the Bank team carried out extensive assessments including the social assessment, a capacity assessment and training plan, a legal review, and a financial assessment of SUERIP which was to be

responsible for repayment of the credit through an on-lending arrangement with the Ministry of Finance. The Bank team worked closely with SUEIRP over the course of eight months to design and prepare the Project in a fully collaborative manner. SUEIRP management participated in the social assessment consultations and demonstrated its commitment to responding to social issues. SUEIRP also prepared all of the necessary documents and met the effectiveness conditions (but one to be discussed below).

## **2. Post-Approval Experience and Reasons for Cancellation**

15. At the start of Project preparation, Tajikistan was a recipient of IDA grants, and Project design began under financing terms of a blend of IDA grant and credit. However, in June 2015 prior to Project Appraisal, Tajikistan's IDA borrowing terms changed to 100% credit.

16. The Ministry of Finance (MOF) requested an on-lending arrangement with SUEIRP – a state enterprise – to repay the IDA credit. Since SUEIRP is a revenue-earning entity a financial analysis was undertaken as per Bank requirements to develop projections for revenues and expenditures. These revenues are derived from fees charged for SUEIRP's services, including registration, technical inventory, and other related services. The results of the analysis indicated that SUEIRP would generate a positive cash balance for the forecast period covering 2015-2027. Therefore, internally generated SUEIRP savings over the first 12 to 15 years would most likely be sufficient to cover the principal of the government sub-loan of US\$10 million (the IDA credit on-lent by MOF to SUEIRP). The analysis further found that if an interest rate of some 5% were applied to the on-lent funds by the government, repayment would take up to 17 years, but would still be feasible.

17. Prior to negotiations draft terms for the subsidiary agreement were proposed and clearly communicated to all parties. During the negotiations of the IDA Financing Agreement (FA) the proposed terms were negotiated and included in the FA: total credit amount denominated in USD, on IDA terms (75 basis points) plus 4.25% mark-up, to take into account currency fluctuations, payable over 16 years, inclusive of a 4 year grace period. A subsidiary agreement was to be signed between MOF, on behalf of the government and SUEIRP according to the above terms. The signing of the subsidiary agreement was further agreed as an effectiveness condition.

18. The original effectiveness deadline was 5 September 2016 and over the course of the summer the Bank team and SUEIRP worked to meet the effectiveness conditions including the preparation of an Operations Manual, installation of necessary financial management software in SUEIRP and the contracting of a qualified FM specialist. These conditions were all effectively met by the deadline, however the subsidiary agreement had not been signed and SUEIRP was questioning the terms.

19. The effectiveness deadline was extended twice more to October 5, 2016 and again to January 5, 2017 during which time numerous meetings were held with MOF and

SUERIP to discuss the terms of the subsidiary agreement and possible solutions. MOF was firm that the subsidiary agreement terms remain as negotiated in the financing agreement and SUERIP was equally firm that they could not meet these conditions, however, SUERIP failed to provide any data to support their claim.

20. In a letter of January 4, 2017 MOF reiterated that SUERIP was “not able to accept the terms and conditions of the Subsidiary Agreement under the above-mentioned Project” (RERP) and that MOF wished to ‘redirect’ the funds from RERP to another project. This was later discussed with the ECA Vice President in a meeting on January 17, 2017 with the First Deputy Prime Minister, and again during a meeting between the Country Manager and the Chairman of the SCLMG on February 13, 2017. During the latter meeting, it was confirmed that the Government of Tajikistan did not wish to proceed with the Project. Based on the Project’s failure to become effective a cancellation notice was sent on March 17, 2017 effective January 5, 2017.

21. The main implication of the failure of the Project to become effective is that SUERIP and the citizens of Tajikistan will not benefit from the project activities to implement a land administration system and the investment the Project would have provided to modernize the system. While the SUERIP management is committed to its task (as demonstrated by their efforts to meet all other effectiveness conditions) and SUERIP has continued with its activities to support the new registration system in Tajikistan, the results of SUERIP’s efforts will lack the technical assistance and investment the Project would have provided.

### **3. Assessment of Bank Performance**

Rating: Moderately Satisfactory

22. The Country Partnership Strategy (CPS) for 2015-2018 stresses the need to alter the current consumption-driven growth model to achieve the authorities’ objectives by creating jobs that will absorb the employable youth and create economic wealth and the Project was provided for under the Private Sector Led Growth Pillar of the CPS. By strengthening the role of the private sector, the objective was to create enabling conditions to expand micro, small and medium-sized enterprises and thereby create jobs. The Project was to directly contribute to this outcome by supporting the implementation of a unified registration system nationwide, which would improve tenure security and reduce transaction costs for property transactions.

23. The Bank team worked diligently with SUERIP to design a project that was implementable given the extreme capacity constraints and that would deliver quick results for SUERIP, the government of Tajikistan, the private sector and citizens. The Project was designed to build a professional registration system to serve a wide range of beneficiaries. The social assessment identified key issues and the Project was designed to ensure all groups benefitted. Numerous assessments were prepared by the Bank team and the Project was well designed and followed good practices for land projects in the region.

24. In retrospect the Bank could have more closely monitored the discussions between MOF and SUERIP on the terms of the subsidiary agreement. This might have alerted the Bank to the lack of agreement earlier and allowed time for resolution before the negotiations of the FA.

#### **4. Assessment of Borrower Performance**

Rating: Moderately Unsatisfactory

26. SUERIP was a good partner in the preparation of the Project and worked hard to meet all deadlines and requirements. SUERIP also demonstrated its continued commitment to the Project by meeting all of the effectiveness conditions on time, other than the signing of the subsidiary agreement.

#### **5. Lessons Learned**

27. As the Project was never implemented there are limited lessons learned, however the two below may be relevant to other similar situations.

28. The change in financing terms during project preparation from a blend of grant and credit to full credit created a changing landscape for SUERIP in terms of its need to repay – going from 55% credit funds to 100%. Such macro considerations can have a direct impact on projects beyond what technical teams can manage.

29. The inclusion of the on-lending terms in the IDA Financing Agreement made it much more difficult for SUERIP and MOF to re-negotiate the terms later on, particularly as they were not prepared for the discussion at the IDA negotiations. In retrospect it would have allowed more flexibility for all if the specific terms were not included in the FA – only the condition to have a subsidiary agreement signed and acceptable to the Bank.

## Annex 1. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members - Preparation

Name	Role	Title	Specialization	Unit
Victoria Stanley	Team Leader (ADM Responsible)	Senior Rural Development Specialist		GSULN
Dilshod Karimova	Procurement Specialist (ADM Responsible)	Procurement Specialist	Procurement Specialist	GGO03
Niso Bazidova	Financial Management Specialist	Financial Management Analyst		GGO21
Alexander Rukavishnikov	Team Member	Senior Procurement Specialist		GGO03
Angela Nyawira Khaminwa	Safeguards Specialist	Senior Social Development Specialist	Social Specialist	GSU03
Anthony John Lamb	Team Member	Consultant	Registration Specialist	GSULN
Bobojon Yatimov	Team Member	Sr Agricultural Spec.		GFA03
German Stanislavovich Kust	Environmental Specialist	Consultant	Environmental Specialist	GENDR
Igor Popiv	Team Member	Consultant	IT Specialist	GSULN
Jasna Mestnik	Team Member	Finance Officer	Finance Officer	WFALA
Lisa Lui	Counsel	Lead Counsel		LEGLE
Nandita Jain	Team Member	Consultant	M&E Specialist	GEN03
Nodira Pirmanova	Team Member	Temporary		ECCTJ
Stamatis Kotouzas	Team Member	Land Administration Specialist		GSULN
Ivan Earl Ford	Team Member	Cadaster and Registration Specialist	FAO	

<b>(b) Staff Time and Cost</b>		
<b>Stage of Project Cycle</b>	<b>Staff Time and Cost (Bank Budget Only)</b>	
	<b>No. of staff weeks</b>	<b>USD (including travel and consultant costs)</b>
<b>Lending</b>		
<b>FY15</b>	5.2	127,776
<b>FY16</b>	14.7	147,889
<b>Total:</b>	19.9	275,665
<b>Supervision/NCO – FY17</b>	6.3	49,012
<b>Total:</b>	26.3	324,677

