1. Country and Sector Background
Legal Framework. Croatia like other neighboring countries has had a parcel based registration system and the associated cadastre system since the 1880s. Cadastral records are located at the municipal level cadastre offices (deconcentrated regional and branch offices of the State Geodetic Administration, in total 116 offices), while the land registry function is handled by 104 Land Registry Offices of the Municipal Courts. Issues.

Croatia needs to stimulate foreign direct investments to address its development needs, and streamline administrative and legal procedures to be in line with European Union standards. There are two main issues affecting property registration and security of titles: the inconsistency of data and the backlogs of claims in the court system. Mismatch of Cadastre and Land-Books Data. Many of the problems in land and real estate markets and in efficient implementation of the property laws can be traced to the condition of the registries. They derive from the unprecedented increase in numbers of transactions since privatization started in 1992, and the related failure to maintain the link between the land book and the cadastre systems during the communist time, which has resulted in significant discrepancies between the official records and the actual state of title on the ground. At present, data defining property in the court registries differ as much as 50 percent of the cases from those in the cadastre offices (range 10 to 90 percent). Court Backlogs. The efficiency of the land registration system varies across the nation according to the management, staff and office resources, and the degree of computerization of the land records. In municipal courts backlogs range...
from several months in the smaller cities to three years in Zagreb, and even longer in some coastal cities. This increases the use of informal transactions and makes the possibility of corruption more likely.

2. Objectives
The objective of the proposed project is to build an efficient land administration system with the purpose of contributing to the development of efficient real property markets. This will be achieved by addressing aspects of the supporting infrastructure, especially the real property registration system in the municipal courts, the cadastre system that is operated by the State Geodetic Administration (SGA) at the regional and branch office levels, and the private sector support professionals. The project will (i) accelerate registration in both the cadastre and real property registration systems; (ii) streamline both systems and the associated transaction processes; (iii) harmonize data and ensure that they match with reality by undertaking cadastre re-survey, and land book registration correction and renewal in a systematic manner in selected areas of the country; (iv) improve customer relations and service provision, as well as organize awareness campaigns among stakeholders, aimed at support professionals, financial institutions, and real property holders; and (v) address the impediments to the operation of an efficient mortgage system. The implementation of integrated cadastre and registration systems to cover the whole country will have to be phased over a period of fifteen years. The proposed project will cover the first five years of this comprehensive program, and be focused on selected urban and rural areas. The criteria for the selection of the priority areas will be confirmed during appraisal, but will be mainly driven by the demand of municipalities through the mayors, together with a beneficiary assessment that will provide critical inputs for the project design.

3. Rationale for Bank’s Involvement
By supporting this project, the Bank will contribute to speeding up the transition to a market economy in a crucial domain in which public involvement and positive externalities are an important element. The Bank brings to the task experience gained from operational involvement in this field in Bulgaria, Slovenia, Albania, Romania, Russia, Moldova, Kazakhstan, Kyrgyzstan and many other countries. The Bank is able to involve other donors in ways the Borrower and other donors alone cannot.

4. Description
The project would involve the following four components: Component A - Real Property Registration System Development; Component B - Cadastre System Development; Component C - Inter-institutional Operations and Information Technology; Component D - Project Management, Training and Monitoring. The project would be implemented in a five-year timeframe.

Component A - Real Property Registration System Development. This component would focus on improving the land book registration system that operates in the municipal courts under the Land Registration Act, 1996, thus increasing the security of property rights over real property and transactions conducted under this system. The component would support the organization and training of the Land Registration Management Unit that has been established in the Ministry of Justice to have oversight of the property registration function, with the goal that operations be run along business/corporate plan lines, including the monitoring and evaluation of
property registration. The component would address the present registration backlogs, and focus on improving and streamlining demand-driven transaction processing, both systematic and sporadic first-time registration, and apartment registration. It would address computerization of registration in the registry offices of the four major cities and about 20 other offices. It would also pilot in project years 2 through 5 a program to provide legal advice to low income owners on property registration related issues.

Component B - Cadastre System Development. This component would focus on the improvement and streamlining of the new integrated cadastre system (under the Law of State Survey and Real Estate Cadastre, 1999), and ensure that the system is maintained up-to-date in the regional and branch offices, operated by the State Geodetic Administration (SGA) and in the Zagreb city cadastre office. The component would focus on developing affordable technical standards and regulations, building a cadastre based on business/corporate plan principles, training staff and the private sector, upgrading equipment and offices, implementing quality control mechanisms, and developing and implementing an information system, and a multi-spatial information system. Operations to up-date the cadastre in about 5 percent of the country would be undertaken where possible under component C.

Component C - Inter-institutional Operations and Information Technology. This component would develop and implement joint field operations for the cadastre and land book registration systems, particularly a program to achieve harmonization of data between the municipal cadastre offices and court registry offices. It would do this using joint systematic registration and cadastre methods with the two institutions working together, and data verification and conversion. It would design and implement joint information and communications technology and management systems in the two institutions and associated offices.

Component D - Project Management, Training and Monitoring. This component will support: (i) Project management by the PIU and the institutional teams in MOJ and SGA; (ii) The improvement of the legal framework for real property matters; (iii) The design and implementation of a common information and communications technology/information management (ICT/IM) strategy for SGA and MOJ and associated offices; (iv) The provision of training for SGA, MOJ, LRMU and the land registries, and the Zagreb City Cadastre Office; (v) A public awareness campaign and consensus building strategies; (vi) A Service Commercialization and Marketing sub-component including the development and testing of One-Stop-Shop approaches for registration and cadastre; (vii) Pilot activities for simplifying the existing procedures for registering apartments, and resulting improvements to operations; and (viii) Project monitoring, evaluation, reporting, including the social aspects, and customer surveys in the cadastre offices and land book offices.

5. Financing

<table>
<thead>
<tr>
<th>Source</th>
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<tr>
<td>BORROWER</td>
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6. Implementation

The institutional set up for the project will be organized on three levels: (i) a Project Steering Committee will provide direction and guidance to the project; (ii) a Project Implementation Unit (PIU) that will coordinate and implement most of the project’s activities, along with being responsible for procuring and supervising them, and (iii) agency teams in the MOJ and SGA responsible for ensuring quality under the project, preparing TORs for activities to be procured under the project and supervising the PIU. Following is a description of the responsibilities of each of these three levels of implementation.

Project Steering Committee. A project preparation steering committee (PSC) was established in late July 2001. This PSC provides guidance to SGA and MOJ in the preparation of the project, and the PSC duties include: taking major decisions as presented to it by the PIU and the agency teams in MOJ and SGA, reviewing the mid-term and final reports for the project scope, the priority area focus, and the planned budgets, coordinating donors’ interventions, and guiding the project through Government and Parliament. It is envisaged that it would meet about once every two months. At present the PSC is made up of representatives of the Ministry of Justice (MOJ), the Ministry of Environmental Protection and Physical Planning (MEPPP), SGA, the Supreme Court, and the Office for Legislation of the GOC. For project implementation, membership of the PSC will be extended to include representatives of MOF, the land book offices, and the head of the PIU as secretary. An Advisory Committee would support the PSC on project related matters, and would include representatives of the Ministry of Agriculture and Forestry, the Ministry of European Integration, the Association of Cities, NGOs concerned with real property, real property owners associations, donor agency experts, expert university faculty staff from geodesy as well as from law schools, and other members as appropriate.

Project Implementation Unit (PIU). One PIU would be established with staff members from both institutions and consultants, and will be directly subordinated to the PSC, for the reason that there are two major equal partners in the project and the coordination of their respective activities is essential for the success of the project. The PIU will be responsible for project implementation, and serve as a secretariat to the PSC, and ensure the coordination of the activities related to the improvement of the property registration and cadastre systems implemented respectively by the MOJ and SGA. Agency Teams. Staff of MOJ and SGA will be appointed to guide, monitor and supervise the work of the PIU in the execution of components A - Real Property Registration System Development - and B - Cadastre System Development - respectively, and support the PIU in the execution of components C - Inter-agency Operations and Information Technology - and D - Project Management, Training and Monitoring. A Land Registration Management Unit within MOJ has been established to have oversight of real property registration in the 112 municipal courts in Croatia. As part of the project this unit would manage the renewal and modernization program in the court real property registry offices, coordinate with SGA, support the registry managers in the municipal courts, undertake planning and set priorities for and ensure that the courts have the resources to do the project tasks, monitor outcomes and implementation, development of the annual work plan and budget for the project, and review the laws and regulations on an on-going basis. In SGA, a cadastre department is responsible for the activities proposed under the
project, and will have oversight of the reform of the cadastre in the 116 regional and branch offices. Retroactive Financing. The option of retroactive financing will be used to fund eligible expenditures for preparation activities incurred before project effectiveness. Procurement will be done according to World Bank rules, and the approval of the World Bank will be requested whenever necessary.

7. Sustainability
The project will explore possibilities of partial/full cost recovery to cover the cost of maintenance of the cadastre and real property registration system within the structure of corporate/business plans that will be developed. Experience in other countries indicates that local real property registration and cadastre offices can become self-financing from fees for recording of transactions, registration, maps and other enquiries, once the investment in initial registration is made. Currently the cadastre offices recover about 20 percent of their costs while the registry offices in the municipal courts substantially recover their costs.

8. Lessons learned from past operations in the country/sector
Previous experience of land registration in other East European countries indicates that such projects must be highly focused on attainable objectives and targets. The necessary commitment from the Government, including legislation and a simple institutional set up, are critical for the success of the project. In the ECA region in 2002, there are currently 16 projects in as many countries with land administration components, with 8 of them classified as stand-alone projects. This experience indicates that there is a need for such projects to have a strong focus on land administration, to have solid government support and simple institutional frameworks. Often the ministries of justice in several projects have needed to strengthen their focus on real property registration by measures that have included establishing a land registration division or department to manage and to have oversight over the registry function as operated in the courts. Moreover, the management issues in land administration projects have been recognised as being more important than technical issues. Previous experience in related projects in Slovenia, Romania and lately in Bulgaria has shown the need for a single strong PIU that would work in cooperation with teams in the two partner agencies, which for Croatia means the State Geodetic Administration and the Ministry of Justice.

9. Program of Targeted Intervention (PTI) N

10. Environment Aspects (including any public consultation)
Issues: The project does not trigger any safeguards’ policy. However, the project will not be implemented in forestry areas until guidelines satisfactory to the Bank will be prepared, which might include: collection sources of existing information, institutional consultation at the municipal level, community participation requirements, tenure considerations, delimitation of public and private lands, consultation requirements with land communities, public inspection and appeals, and approvals.

11. Contact Point:
Task Manager
12. For information on other project related documents contact:
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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

This PID was processed by the InfoShop during the week ending May 31, 2002.