A. Country and Sector Background

1. **Country Background.** The Kyrgyz Republic is a land-locked mountainous country with a population of 5.2 million, which faces formidable geographic barriers to obtain a high, sustained rate of economic growth. Its isolation is a significant barrier for international trade and transport, which is further hampered by inadequate physical infrastructure and protectionists policy in neighboring countries. In addition, poor governance and low institutional and technical capacity have limited implementation of reforms in many areas. Despite these challenges, the country succeeded in achieving economic growth around 4 percent and reducing poverty significantly during the late 1990s and early 2000s through prudent macroeconomic management and structural reforms in some areas, including land administration. This growth has resulted in a significant decrease in the proportion of the populating living below the poverty line – estimated at 43 percent in 2005. The Kyrgyz Republic is still in the process of building the State. The political environment is turbulent, marked by the 2005 March revolution and subsequent instability, with on-going disputes for power within and between Government, Parliament, and
In this complex political environment, the process of building consensus for reforms is difficult.

2. **Country Strategy.** The Government’s Country Development Strategy (CDS) for 2007-2010 focuses on four strategic pillars – growth oriented economic development and improving the business environment, governance and transparency in public administration, human development, and environmental sustainability. The Kyrgyz Government has identified that a reliable and well-functioning system for registration of rights in immovable property is a key government priority in the Country Development Strategy, and important for private sector development in both rural and urban areas as well as for public sector management.

3. **Results of the first Land Registration and Real Estate Project (LRERP).** The first Land and Real Estate Registration Project (IDA Credit 3370 KG) has helped the Government to develop land administration services and data essential for a well performing land and real estate market. Project impacts have significantly exceeded original expectations, and are particularly remarkable given the fact that a unified land administration agency and an official transparent land and real estate market did not exist at all prior to the project. With project support, the State Agency on Registration of Rights to Immovable Property (Gosregister) established the legal and administrative basis for registration of land and real estate (including secondary transactions), opened and equipped 50 offices around the country, conducted extensive training of officials and real estate professionals, and established a computerized registration system that has been installed in 27 local offices. As of August 2007, the LRERP had supported the systematic registration of over 2.5 million land parcels and real estate objects (houses, apartments), more than four times the expectations of 600,000 objects mentioned in the PAD. Registry transactions are relatively efficient by international standards, and cadastral information is more accessible. Sales, leases and mortgages have grown significantly, as has fiscal revenue. Benefits include economic growth and other benefits associated with the increased tenure security, improved access to investment capital, and more efficient use of land and real estate assets, stemming from an efficient system for land and real estate transactions. The systematic registration program began in urban and municipal areas in 2000, and was extended into rural lands in 2004. The project has developed and used procedures for regularizing titles when documentation is incomplete or when discrepancies exist between documents and the situation on the ground, thereby improving access and social inclusion. Project management has also undertaken measures to address good governance and financial sustainability. The development objective and implementation have been rated as highly satisfactory since November 2004. A total of over SDR 7 million out of SDR 7.1 million IDA Credit is expected to be spent by December 31, 2007.

B. Objectives

4. **Project Objective.** The objective of the Second Land and Real Estate Registration Project (SLRERP) would be to support development of markets for land and real estate and the more intensive and effective use of land and real estate through the further development of a reliable and well-functioning system for registration of rights in immovable property. The original project was highly successful, and the repeater project would build on that success by expanding and deepening these investments.

5. **Outcomes.** Project outcomes by the end of 2011 would include:
Improved functioning of, and access to sales and long-term lease markets in land and real estate, as evidenced by an increase of at least 26 percent above the number of transactions in 2007.

Increased access to credit, as evidenced by an increase of at least 31 percent above the number of transactions in 2007.

Property rights clear, secure, and reflected in a publicly accessible information base, as evidenced by an increase in the number of land and real estate units in the registry system, and continued improvements in the quality of registry operations, communications, and reputation.

A financially and institutionally sustainable land administration system, as evidenced by implementation of organizational and financing reforms.

The outcomes will be measured through analysis of operational data collected by the Performance and Communications Unit (formerly the Monitoring Unit).

C. Project components

6. Components and result indicators. The specific component would comprise:

(a) Organizational Development and Improved Services (US$4.2 million). This component would develop Gosregister as an organization, and also improve Gosregister’s services and management of its resources.

(i) Performance, Strategy, and Communications, resulting in a permanent unit which has the capacity and resources to monitor all aspects of Gosregister performance, recommend strategic and other improvements, and communicate effectively with all stakeholders.

(ii) Information Technology Support, resulting in an integrated registration and cadastre IT system and WEB Portal that benefits the private and public sector and establishment of a permanent unit which has the resources and capacity to provide ongoing IT maintenance and development support for all of Gosregister including the local headquarters.

(iii) Agency Financial Management and Procurement, resulting in a robust automated accounting and reporting system installed and internal audit function established covering entire registry network, and subject to a decision to proceed with major Gosregister reorganization/consolidation, establishment of corporate financial management practices including improved financial reporting and an external audit.

(iv) Records Management Improvement, resulting in improved climate control and back-up arrangements for archives in all offices, digital archive completed in Bishkek and Osh, and imaging of current records operational in all offices.

(v) Organizational Structure and Facilities, resulting in all operational and capital maintenance expenses, including those of headquarters functions, covered by income from registration.

(vi) Project Management which ensures completion of the project on schedule.

(b) Expanding Spatial and Legal Land and Real Estate Data (US$ 2.7 million). This project would expand the scope of Gosregister’s information assets.

(i) Systematic Registration, resulting in at least systematic registration of 120,000 land and real estate objects mostly in novostroiki areas and 70,000 public land and real estate objects in urban areas.
(ii) *Upgrading Cadastral Mapping*, resulting in maps based on satellite images or orthophotomaps covering 7 million hectares (ha) of arable and nearby pasture lands being used by local authorities and projects, and production of orthophotomaps covering 34,000 ha in 23 towns.

(iii) *Valuation Support*, resulting in development and operation of valuation software, subject to parliamentary approval of implementing regulations, and improved access to real estate market information.

(c) **Professional Development and Standards** (US$ 0.5 million).

(i) *Human Resource Development for Gosregister staff*, resulting in at least 45 courses with 900 participants which upgrade technical skills in operational systems and service standards as well as more general analytical and service delivery skills.

(ii) *Support for Education and Professional Bodies*, resulting in upgraded curricula in educational institutions that teach land and real property economics; at least 9 courses with 900 participants addressing land real property economics, valuation, land management, land administration, land law, surveying and related subjects; and improved licensing arrangements and standards for relevant private sector contractors.

7. **Beneficiaries.** The target beneficiaries are those who hold rights in land and real estate or who would like to acquire such rights, plus government authorities (national, regional and local) who manage public land. Other beneficiaries would be those wanting to make use of the information base that has been developed by the LRERP, and real estate professionals (including banks, surveyors, notaries, lawyers, property developers and real estate agents) who rely on information held by Gosregister to conduct their businesses.

D. **Rationale for Bank Involvement**

8. **Country Support Strategy.** The proposed project supports the recently approved Joint Country Support Strategy (JCSS) which builds on the government’s development goals as described in the CDS for the period 2007 to 2010. In particular the proposed project supports the CDS pillars of economic development and improved business environment, governance and transparency in public administration, and human development and the three associated JCSS objectives (a) economic management consistent with strong and sustained pro-poor growth, (b) reducing corruption, improving governance, and effective public administration, (c) building sustainable human and social capital through education. The project will improve the security of property rights and the performance of property markets, by supporting the completion and expansion of national land title data base (both legal and spatial), and by building institutional capacity to support secondary transactions (such as transfers and mortgages). These improvements will facilitate private investment. The project will introduce improved governance measures in the areas of Gosregister’s public service, finance, management and reporting, and it will assist with the management of public land. The project will also include extensive training for government officials and private sector land professionals, thereby improving the business environment and developing human resource capital.

9. **The Case for a Repeater Project.** The country would further benefit from an expansion and deepening of the support provided under the LRERP. Institutionally and financially sustainable arrangements need to be established for functions which have been financed to date by the project. The majority of local registry offices (being state owned enterprises) are now self-financing out of revenues generated from services rendered. However, operations of Gosregister headquarters, as a State agency, are currently financed by a combination of regular
government budget, contributions as part of surplus distribution from local registry offices and
the IDA Credit (for Project Implementation Unit (PIU) activities including all local consultants).
Under the repeater project, alternative arrangements will be developed to enable registry revenue
to be used to finance key functions related to entire network such as performance monitoring and
information technology support. Agency practices including financial management and
procurement for registry operations, records management, and support for strategy development
and communications also require improvement. Some types of real property still need to be
included in the registry system – these include properties in some of the “novostroiki” (informal
urban settlement) areas as well as non-private lands such as urban parks, government properties,
land around apartments, and pastures. Cadastral mapping needs to be gradually upgraded.

10. **Government Request and Project Timing.** The government has requested additional
support to strengthen land administration and cadastral cartography, timed to ensure continuity
between the first and second projects. Although a shortage of FY07 IDA financing for the
Kyrgyz Republic precluded project approval early in calendar 2008, interim financing during
2008 will be possible through a combination of remaining LRERP funds (with an extension of
the closing date), and government budget. The government is proposing that a portion of the
government financing be retroactively financed that to the extent could be potentially eligible by
the repeater project grant. The proposed start in late calendar 2008 should help Gosregister
maintain key headquarters functions (M&E and IT), keep development momentum, and
maximize the overlap with the ongoing Swedish International Development Agency (SIDA)
project, which runs through calendar 2009.

11. **Value Added by the Bank.** The World Bank is well-placed to continue support through
a repeater project. As evidenced by the strong results of the LRERP, the Bank has developed a
very effective relationship with the main implementing agency, Gosregister, as well as the
Swedesurvey team which is implementing the SIDA financed technical assistance and training
for Gosregister. At the sectoral level, the Bank has been the lead donor for the land
administration throughout the world, including projects in closely related countries which were
part of the former Soviet Union. Hence the Bank financed support can take into consideration a
variety of potential approaches and past experiences, and avoid biases associated with sole
reliance on a bilateral donor whose experience may be limited to only one or a few countries. At
the inter-sectoral level, the Government needs to strengthen the links between the expanded
registration system and the larger picture of development of markets for land and real estate.
With its full program of support with the Government in the areas of urban infrastructure
development, rural development, privatization, banking reform and fiscal reform, the Bank is
able to foster these links.

E. **Financing**

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<thead>
<tr>
<th>Source:</th>
<th>($m.)</th>
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<tr>
<td>BORROWER/RECIPIENT</td>
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<tr>
<td>IDA GRANT FOR DEBT VULNERABLE</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7.5</strong></td>
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F. **Implementation**

12. **Other donors.** A major success of the LRERP has been cooperation with other donors,
and the SLRERP would continue this. The Swedish International Development Association
SIDA has provided the bulk of the technical assistance since project commencement in almost all areas of project activity. Current SIDA efforts are focused on the automated registration system implementation, land information system development, cadastral surveying and database development, legislative support, business development, and capacity building, and this support will continue through 2009, but then end. The Swiss and Japanese have provided specific assistance during the early years of the LRERP in the areas of mapping. Several donors, including the United States Agency for International Development (USAID), Swiss Development Corporation (SDC), and United Kingdom Department for International Development (DFID) have been providing complementary support in legal aid which has helped to ensure social inclusion and due process in the provision of Gosregister services.

13. **Other Bank initiatives.** The SLRERP strongly complements other Bank initiatives. SLRERP will strengthen the enabling environment for the ongoing Bank-financed Agro-Business and Marketing Project as well as irrigation projects. The SLRERP maps on rural areas and a pilot survey of pasture areas will directly support the upcoming Agricultural Investment and Services Project. Further, the SLRERP will directly support and complement the upcoming Bishkek and Osh Urban Infrastructure Project through its strategic analysis, IT initiatives, systematic registration of novostroiki and of urban non-private properties, and orthomapping of urban areas. It also is linked to ongoing Bank work on private sector development and public sector management.

14. **Gosregister.** The State Agency on Registration of Rights to Immovable Property was created in 1999 by combining the State agencies on land engineering, geodesy and cartography, and the urban and regional bureaus of technical inventory. It is a decentralized organisation, with 50 local offices that operate as independent, self funding units and a headquarters in Bishkek (with some staff located in regional centers) that is funded primarily from the central budget. Staff include managers, cadastral specialists, lawyers, registration officers, and general administrative staff. There are 40 employees at the central level, 30 at the inter-regional level, and 1440 in the local offices. Gosregister has a variety of responsibilities in addition to registration of immovable property and transactions (such as sale and mortgages), including providing technical inventory services, supervision of cadastral standards, mapping, land use classification, and land management.

15. **Project Implementation Unit.** The LRERP has been managed by a small capable Project Implementation Unit (PIU) operating within Gosregister headquarters. PIU staff included a project manager and others in associated administrative unit, a procurement specialist, a training coordinator, staff in the project financial management unit, monitoring staff, and information technology staff. The PIU has maintained arrangements for project financial management and procurement. The monitoring unit compiles comprehensive monitoring reports which measure indicators on the scope and efficiency of systematic registration activities, registry operations, and other project related investments and activities. The information technology unit oversees the various IT design and installation contracts. During the repeater project, these M&E and IT functions would be mainstreamed into headquarters operations, with arrangements made for reliable post-project financing.

G. **Sustainability**

16. **Sustainable institutional development.** In relation to organizational development and improved services, sustainability will depend on making continuous improvement, and outward
looking attitude and customer focus an integral part of Gosregister. Gosregister has already demonstrated that it is a progressive and open organization, as evidenced by a wide ranging and in depth customer survey conducted in mid-2007, and its focus throughout the LRERP’s implementation period on introducing various innovations to improve efficiency, foster good governance, and address registration problems. In relation to the expanded spatial and legal data, the system’s sustainability will depend on how often the data is utilized by the public. Under the LRERP, public acceptance of Gosregister and use of its services has been very high, as evidence by the high numbers of transactions presented to Gosregister for registration during 2007. With the SLRERP, Gosregister’s preliminary steps towards a modern and open organization can continue to develop.

17. **Sustainable financing.** A major feature of the SLRERP will be to provide the support required to enable Gosregister to become financially sustainable. Right now, each local registry office is a separate self-financing enterprise, but only 23 of the 50 offices are in strong financial shape and would be able to finance such expenses such as incentive payments to staff for good performance, or begin to cover the costs of maintaining and replacing capital assets, or paying the full costs of support they receive from headquarters. Gosregister headquarters functions, including those which were established and financed within the PIU of the LRERP, such as monitoring and IT, rely either on funds from the regular government budget which are insufficient, or on project financing, which is not sustainable. Ideally, it would be desirable to reorganize all the local registries and most of the headquarters into a single public enterprise, but it is not clear whether this will be feasible given the current political uncertainties. But even if this is not feasible, it is essential that Gosregister introduce new arrangements to use registry income to cover the costs of key headquarter functions, and to find more efficient ways of delivering registry services to remote areas. The SLRERP will support the introduction of, and foster such arrangements.

**H. Lessons Learned from Past Operations in the Country/Sector**

18. The SLRERP design builds on lessons learned from other countries about land administration which were already reflected in the LRERP, as well as lessons learned from the implementation of the LRERP. These include:

(a) The establishment of a *single organizational framework* responsible for registering rights as well as maintaining the cadastre is recognized worldwide as an example of good practice. However, the current reliance on separate self-financed local registry offices and a budget-funded headquarters has shortcomings, which need to be addressed, within what is feasible in the current political context.

(b) The use of *low cost procedures for systematic registration and attention to cost-efficiency* in all aspects of project financed expenditure has been admirable. This orientation towards cost-effectiveness now needs to be broadened to include a focus on ongoing operational costs. The SLRERP’s improvement of registry office financial management, and analyzing this in relationship to other aspects of operations such as service standards and fees, should help Gosregister to gradually become more operationally efficient and financially sustainable. This support should help Gosregister to develop practical strategies for problematic issues, e.g., how to phase out reliance on technical inventory revenue and how to serve remote areas on a more cost-effective basis.

(c) The LRERP includes a number of measures to address *good governance*. The SLRERP will continue these measures, and build on them, with a particular focus on more effective
communication, which was identified in a recent customer survey as an area needed requiring more attention and support.

I. Safeguard Policies (including public consultation)

The environmental assessment policy is the only safeguard triggered. No safeguard issues arose under the first project. SLRERP environmental effects, if any, will be minor and/or indirect. It will include small scale civil works connected to building rehabilitation. To allow the flexibility to expand office exteriors or to address hazards if they are encountered, the environmental assessment is rated category B. An environmental management framework (EMF) containing a simple environmental management plan (EMP) template has been prepared in accordance with Bank guidelines and the Borrower’s legal and regulatory framework. The EMP is tailored to small civil works, where contractor’s environmental awareness and capacities are expected to be low. The EMP thus is designed to be practical, descriptive, implementation-oriented. The EMP states anticipated environmental impacts and provides on site measures to control emissions (e.g., dust, noise, and exhaust fumes) and manage wastewater discharge and solid waste. It provides measures to avoid the use of hazardous substances, such as toxic paints, solvents or cleaning agents. Moreover, it addresses traffic safety in the immediate vicinity of the construction sites. The EMP will be part of the tender specifications, will be priced during the bidding process and included into the works contracts.

Among property owners, the increase tenure security and improved land allocation resulting from the SLRERP is likely to induce environmentally positive behavioral changes through better property management. The project is also likely to contribute to improvements in information and the regulatory framework in ways that facilitate better public sector management of land use. The implementing agency also developed a good track record on social aspects, including the regularization of about 600,000 land and real estate units.

Gosregister is undertaking a process of public consultation on the proposed project, including the Environmental Management Framework.

J. List of Factual Technical Documents


Gosregister, Detailed Cost Estimates, September, 2007

Gosregister, Environmental Management Plan, January 2008

Gosregister, Semi-Annual Monitoring Reports, January and June 2007

Gosregister, Manual on Cadastral Surveying Practice, October 2007

Satana, Suha, Economic and Fiscal Analysis for the Ongoing and Repeater Project, December, 2007


World Bank, Urban “Novostroiki” Settlements in Kyrgyz Republic: Issues And Options, January 2007

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