1. Project Data:

<table>
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<tr>
<th>Project ID</th>
<th>Project Name</th>
<th>Project Costs (US$M):</th>
<th>Appraisal</th>
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<td></td>
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<td>9.5</td>
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<td>Sector Board</td>
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<td>04/27/2006</td>
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<td>Closing Date :</td>
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<td>03/31/2011 06/30/2012</td>
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Country: Bosnia and Herzegovina

2. Project Objectives and Components:

a. Objectives:

According to the Project Appraisal Document (PAD):

“The project objective is to facilitate the orderly development of transparent land markets through the registration of real estate rights and complementary policies that enable transactions to be made with security and efficiency” (PAD, p. 4).

The Financing Agreement contained an identical statement of the project’s objective.

A project restructuring changed the targets for intermediate outcomes but did not alter the project development objective.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components:

1. Registration

(Expected cost at appraisal, US$9.7 million; Actual cost at closing, US$8.0 million).

This component was intended to increase the transparency, speed and accuracy of registering transactions. Activities included: (i) development of service standards; (ii) improvement of offices; (iii) inclusion of apartments in the registration system; and (iv) harmonization of cadastre records with land registry records.

2. Cadastre
This component was meant to increase the efficiency and speed of providing data on property units for clients wishing to register their property rights. Activities included: (i) development of service standards and business plans for cadastral agencies; (ii) systematic surveying, mapping and situation analysis at eight sites; (iii) digitization of cadastral maps; and (iv) development of information communications technology.

**3. Policy Development and Project Management**

(Expected cost at appraisal, US$2.7 million; Actual cost at closing, US$1.4 million)

This component was intended to develop the strategies and draft legislation required for removing the current impediments to business development and economic growth. Activities included: (i) analysis of land use planning and procedures for issuing construction permits; (ii) policies and procedures governing land privatization; and (iii) revenue generation from property taxes, transaction taxes and other fees.

Note: In the course of project implementation, the pre-existing split between the administrative units comprising the nation of Bosnia and Herzegovina hardened. The nation comprises into two political Entities (the Federation of Bosnia and Herzegovina and the Republic Srpska, each presiding over roughly one-half of national territory) plus the self-governing Brcko District. The project covered the two Entities but not Brcko.

d. **Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

- **Project Cost**
  
  At appraisal, total project costs were estimated at US$22.9 million, comprising US$21.5 million for the three components and US$1.4 million in price and physical contingencies. At closing, the actual project cost was US$15.9 million.

- **Financing**
  
  Bank financing was estimated at US$10.4 million at appraisal; actual financing was US$9.5, with US$0.9 million canceled.

- **Borrower Contribution**
  
  The Borrower’s contribution was estimated at US$2.0 million at appraisal, rising to US$2.4 million at closing.

- **Dates**
  
  In July 2010, when the project was restructured, the closing date was extended by one year to ensure continuity and to allow preparation of the planned second project. In March 2012, a further three month extension of the closing date was agreed to allow completion of final contracts for cadastre services and for upgrading information technology.

3. **Relevance of Objectives & Design:**

a. **Relevance of Objectives:**

  Rating: High

  Partly as a result of wars, land and property records deteriorated, complicating real estate transactions and making it difficult to borrow using land as collateral. Taxes imposed during the socialist period discouraged people from registering changes in ownership and even when the Land Books were maintained they were not up to date. A land registry law was passed in 2002. In support of the country’s strategic goal of creating a better business environment, the FY08-11 Country Partnership Strategy (which remained current when the project closed) included as an outcome the “development of transparent land markets through registration of real estate” (CPS, p. 72).

b. **Relevance of Design:**

  Rating: Substantial

  Design was based on the assumption that the rules for cost-effective procedures had to be in place before project startup but a complete cadastre was not needed for progress to be made in developing the land market. Therefore, project design entailed pressing ahead with registration before the cadastre database was complete. Rather than
opting for systematic adjudication (which would have entailed a simultaneous upgrading of cadastre and registry spanning all properties in a given area, the cost to the landowner being subsidized by the project), the approach taken involved demand-driven, sporadic adjudication, the cost of which was substantially born by the landowners who requested the service. The designers of the project backed this approach because it kept costs low. (“Lessons learned from similar projects in the Balkan region show that it is counter-productive to embark on systematic cadastral work before ensuring that the regulations and methodologies for undertaking the work are cost effective and sustainable. There are traditions in the region that require large amounts of data that may not be used and accuracies that are unnecessary for land markets to operate” [PAD, p. 6].) The potential risk that sporadic adjudication would exclude the poor was deemed limited because, compared to most countries where the Bank has favored systematic adjudication, in Bosnia-Herzegovina (BiH) the gap between rich and poor was less marked and and administration services were more affordable. The project team told IEG that in countries with an active land market like BiH, the first priority was to increase the efficiency of (and reduce corruption in) land registration; gaps in the cadastral database could be filled in piecemeal, in step with the demand for registration.

Although Bank good practice favored a single agency handling both registry and cadastre, the design of the project did not insist on this. This made sense because previous attempts to integrate registry and cadastre had stalled; and because other donors were supporting the dual agency model when the project was being prepared.

The project aimed to make land markets more transparent (a) by increasing the quantity and quality of registry and cadastre information, (b) by increasing timeliness, both of access to information and of registration procedures, and (c) by strengthening the laws, policies and procedures needed to prevent fraud and protect the integrity and sustainability of land administration services.

Component 1 addressed (a) by reconciling records in the registry and cadastre and, for the first time, adding records on apartments to the land registry; it addressed (b) by defining registry service standards, upgrading offices and training registry staff.

Component 2 addressed (a) by developing a communications strategy, with provision for marketing digital maps and cadastral data; it addressed (b) by defining cadastre service standards, installing the technology to link the registry and cadastre databases, and training cadastre staff; and it addressed (c) by regularizing land records through systematic survey in 8 selected sites, aiming to thereby resolve conflicts over land rights;

Component 3 addressed (c) by reviewing laws bearing on the resolution of conflicts, issuing of construction permits, privatization and restitution, and illegal encroachment; and by developing procedures for sharing information and revenue between different branches of government, and improving the collection of property taxes. This was in line with lessons learned from other projects in the region, which had shown that if the system for land use planning and the granting of construction permits is not reformed the gains from improved registry services will be limited.

4. Achievement of Objectives (Efficacy):

**Project Development Objective: Facilitate the orderly development of transparent land markets**

**Rating: Substantial**

The quantity and quality of property information increased, although by less than expected at appraisal. Across the two Entities, maps covering 1.3 million ha were digitized (the target was to cover 1.4 million ha). At appraisal it was expected that 50 percent of registry folders to be updated and reconciled with existing cadastral data. When the project was restructured in 2010 this target was scaled back to 20 percent. The Federation of Bosnia and Herzegovina achieved 23 percent and the Republic Srpska 26 percent. (The ICR does not report how much cover varied between town and countryside.) The aim of including apartments in the land registry was not achieved. In the course of project implementation a reassessment of the existing law by Ministry of Justice legal experts made it clear that, contrary to expectations at appraisal, apartments could not be included in the land registry. (Apartments already registered in the Book of Deposited Contracts could not be added to the land registry unless land and building were registered.) When the project was restructured in 2010, the expectation of what could be achieved by closing was scaled back to “developing a method” for incorporating apartments, rather than actual incorporation of the 300,000 apartment contracts.

Despite the substantial reduction in the targets for reconciling registry and cadastre information, project implementation resulted in the development of reconciliation methodologies that could be applied nationwide; and there was reasonable expectation that the work would be completed under the follow-on project, provision for which had been made at the outset. When the project was prepared it was impossible to foresee how long the reconciliation would take.
The timeliness of access to property information increased. By closing, a computerized information system had been developed for both Entities, and was fully functioning in the Republic Srpska. On-line access to information was due to be achieved throughout the country but when the ICR was completed it was only available in Banja Luka. In both Entities, digital data from the cadastre were made available within one day. It was expected that the data from all registry folders would be made accessible. By closing, 99 percent of these data were available in the Federation of Bosnia and Herzegovina and 98 percent in Republic Srpska.

The timeliness of service delivery increased but by somewhat less than expected. The target for registering property rights was for 95 percent of cases to be completed within 24 hours; by closing, 51 percent of cases were completed within 5 days (Federation of Bosnia and Herzegovina), while in Republic Srpska, 53 percent of cases were completed in one day. Service standards were developed and enforced. Based on surveys in 2005, 2007, and 2010, customers reported a fall in the amount of time spent in the registry and cadastre offices and in the number of visits needed to complete a transaction. Sixty percent of customers said they were satisfied with services provided by land registries, and just over 50 percent expressed satisfaction with the services at cadastre offices.

Laws, policies and procedures were reformed to increase transparency and strengthen the operation of land administration services. Laws and policies were developed to address illegal development, encroachments, privatization, restitution and planning. Also, laws were drafted governing the use of electronic systems, mortgages, appraisals, transaction and property taxes, restitution, planning, third-party mediation, and the use of state and municipal land; most of these laws were adopted. As expected at appraisal, property rights were systematically registered at 8 sites and lessons were learned about impediments to property development. Strategies for generating land-related revenue were developed; the Republic Srpska adopted a property tax but none of the local governments in the Federation of Bosnia and Herzegovina chose to implement this proposal.

5. Efficiency:

Rating: Substantial

The measurement of efficiency improvements was based on the increased timeliness and reduced unit cost of land administration services and the positive fiscal impact of collecting more fees for the services provided. This was sensible. Estimating an economic rate of return based on differences in land values before and after registration (an approach often taken in other land administration projects) does not accurately measure benefits because property price trends are likely to be driven by the overall buoyancy of the economy rather than by changes wrought by the project. The project's facilitation of transactions (time saved) generated a Present Value of US$13 million, when the estimated "without project" revenue is deducted from the actual "with project" revenue, and a discount rate of 12 percent is applied.

The increased timeliness of property registration was reported in the previous section. On average, the time spent at the registry halved: multiplying the time saved per transaction by the number of transactions in 2011 yielded an annual saving of US$602,057. Between 2007 and 2011 the number of mortgage registrations increased by 44 percent in the Federation of Bosnia and Herzegovina and by 138 percent in the Republic Srpska.

The increased number of transactions boosted the revenue that government collected from transaction tax. At project startup the annual property transfer tax revenue was US$123 million, rising to US$176 million in 2012. Not all of this increase was attributable to the project: the ICR conservatively assumed that without the project, revenue would have risen to 59 million by 2012.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

<table>
<thead>
<tr>
<th>Rate Available?</th>
<th>Point Value</th>
<th>Coverage/Scope*</th>
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<tbody>
<tr>
<td>Appraisal</td>
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<td></td>
</tr>
<tr>
<td>ICR estimate</td>
<td>No</td>
<td></td>
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</tbody>
</table>

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

Development of a transparent land market was a highly relevant objective, explicitly acknowledged in the Bank's
Country Partnership Strategy. The project design was substantially relevant because project components and activities were well chosen, the decision not to press for a single agency (registry/cadastre) was practical, and the need for a phased approach was acknowledged at the outset. Improvements in the timeliness of service delivery and the reduced cost of transactions contributed to a substantial achievement of project objectives and also warranted that efficiency be rated substantial. Some of the positive fiscal impact from increased collection of tax revenues would have occurred without the project (because economic growth increased the number of transactions), but the reduction in transaction times was driven by the project. Added to this were the improvements that the project affected in the legal and policy framework for land administration (registration and cadastre) and land management (planning, taxation).

Outcome Rating: Satisfactory

7. Rationale for Risk to Development Outcome Rating:

Politically, the Federation of Bosnia and Herzegovina and the Republic Srpska moved further apart during project implementation, making it harder to carry out an integrated, nationwide approach to land administration. Risks are now significant for the Federation and low for the Republic. In the Federation, the Land Registration Unit (LRU) was shut down when the project closed, calling for remediation by the follow-on project: there was no office in the Ministry of Justice to assume the oversight of local courts that the LRU had previously provided. This problem was avoided in the Republic because the courts were stripped of responsibility for land registration. In the Federation, there is no guarantee of sufficient financing to continue to support the reforms—funds are needed to maintain the new equipment, continue training and to pay for maintenance of information technology. At project closing, the Ministry of Justice had not managed to finance the communication lines, or the maintenance contracts of the land registration software in use in the court land registers. Action now being taken under the follow-on project are helping to contain these risks. In the Republic, a law was passed unifying the registry and cadastre, a measure that will likely increase efficiency and improve customer service by facilitating information flow.

Risk to Development Outcome Rating: Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

Given the political flux in the nation of Bosnia and Herzegovina, the project preparation team needed to design a project that would be sufficiently flexible to allow for adjustment to unforeseen contingencies; and they also needed to be realistic about what could be achieved in the short span of a first project, building in plans for a follow-on project from the start. Thanks to the specialized land administration expertise of the project team, and the lessons they had learned from work on similar projects in the region, these requirements were largely met. In hindsight, the designers of the project acknowledged that the targets set were too ambitious; but they also made a reasonable case that it was impossible to predict beforehand what was achievable.

Overall, the project design matched the needs and capacity of country, identified the elements of a well-functioning land administration system, and matched these elements with appropriate components. There was some underestimation of risks (particularly, the time needed to reconcile cadastre and registry information) but design was flexible enough to allow for mitigation. Monitoring and evaluation was overburdened by the number of performance indicators and targets but built effectively on existing institutions. The provision for measuring efficiency was realistic. During preparation the assessment of existing laws bearing on apartments and the identification of the number of offices that the project would renovate could have been more thorough.

Quality-at-Entry Rating: Satisfactory

b. Quality of supervision:

During project implementation, the two Entities pulled further apart, increasing the demands made on the Bank’s team: in effect, they were called on to supervise two projects, each in a separate country. The same highly-qualified team involved in preparation continued to work on the project during implementation. Solid support was also received from land administration experts working in the Food and Agriculture Organization of the United Nations. Supervision reports showed that the Bank team was quick to identify implementation problems and to take remedial action. As soon as it became apparent that appraisal targets were unrealistic the
Bank moved to restructure the project. The Bank also coordinated its work carefully with a parallel technical assistance initiative (provided to the government outside the project), which was sponsored by German bilateral aid, despite the philosophical differences between the two agencies concerning the merits of a single agency registry-cadastre.

<table>
<thead>
<tr>
<th>Quality of Supervision Rating</th>
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</thead>
<tbody>
<tr>
<td>Overall Bank Performance Rating</td>
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</tr>
</tbody>
</table>

9. Assessment of Borrower Performance:

a. Government Performance:

The State government (which represented the whole nation of Bosnia-Herzegovina) had a limited role in the project, participating in negotiations and signing the financing agreement. It was also represented on the Land Administration Coordination and Advisory Board (LACAB), which was set up to coordinate the two Entities covered by the project, each of whom had their own land administration institutions. LACAB developed a joint strategy (not approved until 2011), and did a reasonable job of ensuring that the two Entities subscribed to the same higher-level goals, even if the means to achieving these goals differed. LACAB made an important contribution to legal reform even though, after the first year of the project, the task of coordinating the Entities became harder to discharge.

| Government Performance Rating | Satisfactory |

b. Implementing Agency Performance:

The Ministries of Justice in each Entity housed a Land Registration Unit (LRU) that was responsible for project implementation. Although there were initial difficulties in mastering Bank project and disbursement procedures, the staff in the two LRUs remained committed to the project. Implementation also benefited from solid support by the Geodetic Authorities and the courts administration in both Entities.

| Implementing Agency Performance Rating | Satisfactory |
| Overall Borrower Performance Rating | Satisfactory |

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The project built on an existing arrangement: when it was prepared the Ministries of Justice and Geodetic Authorities had, for the previous two years, been using German technical assistance to monitor the land market. The project team aimed to use data from court registration offices to monitor the growth in property markets and customer survey data to improve services. It was planned to submit quarterly reports to the Advisory Board. It was agreed that, before project closing, separate surveys of land markets and of customer satisfaction would be used to assess achievement of project objectives. While the results framework was generally sound, there were too many performance indicators and targets.

b. M&E Implementation:

Building on the existing M&E arrangements, the Ministries of Justice and Geodetic Agencies continued to supply information on the operation of land markets and progress with land registration. Social surveys were conducted in 2005, 2007 and 2010. Real estate market studies were carried out in 2012. Quarterly reports were prepared throughout implementation, drawing on the comprehensive indicators that had been specified.

c. M&E Utilization:
Data on registration backlogs and delays in the digitization of land records were used to support the recruitment of temporary staff who would tackle these bottlenecks. The quarterly reports and the feedback from supervision missions triggered remedial actions when project activities were not being implemented as expected.

**M&E Quality Rating**: Substantial

### 11. Other Issues

**a. Safeguards:**

This was a Category B project. The relevant safeguard policies were OP4.01 Environmental Assessment and OP4.11 Physical Cultural Resources. Compliance with each policy was rated satisfactory throughout implementation (ICR, p. 8).

**b. Fiduciary Compliance:**

Audits were performed on time with clean opinions and quarterly financial management reports were submitted on time and found acceptable to the Bank. Procurement was implemented in accordance with Bank rules and post reviews found no outstanding issues (ICR, p. 8).

**c. Unintended Impacts (positive or negative):**

A new law was passed unifying the land registry and the cadastre in the Republic Srpska. This was not expected when the project was appraised. The new law was consistent with the objectives of the project, and may ultimately help to streamline property transactions—-at closing, registry and cadastre were still not fully harmonized (ICR, p. 17). Through the training it provided the project also had the unanticipated effect of creating linkages between public surveyors in Bosnia Herzegovina and their counterparts in other countries.

**d. Other:**

Contrary to hopes when the project was prepared, the two Entities that comprise Bosnia and Herzegovina moved politically further apart during project implementation, requiring the Bank to be sensitive to the different needs of each jurisdiction.

### 12. Ratings:

<table>
<thead>
<tr>
<th></th>
<th>ICR</th>
<th>IEG Review</th>
<th>Reason for Disagreement /Comments</th>
</tr>
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<tbody>
<tr>
<td><strong>Outcome:</strong></td>
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<td>Satisfactory</td>
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<td><strong>Risk to Development Outcome:</strong></td>
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<td><strong>Bank Performance:</strong></td>
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<td><strong>Quality of ICR:</strong></td>
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</table>

**NOTES:**
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

### 13. Lessons:
The following lessons are adapted from the ICR:

In ECA countries, facilitation of emerging real property markets requires efficient registration systems to be quickly established so that (sporadic, on-demand) registration can keep pace with the rising number of transactions.

It may be advisable for projects to take an incremental approach to upgrading information technology rather than financing a large development contract to introduce sophisticated real property registration systems, which may take years to prepare and implement and are not guaranteed to work.

Where land registration responsibilities are divided between central, municipal and local governments (the case for that half of Bosnia and Herzegovina governed by the Federation), the coordination of information and the sustainability of financing may be harder to achieve compared to administrations (like the Republic, which controls the other half of the country) where services are fully integrated.

In addition, IEG derives the following lesson:

To minimize costs and increase the credibility of land administration services, a case can be made for strengthening sporadic adjudication by giving first priority to customers wishing to register property. Rather than striving to perfect and harmonize cadastral and registry data in a limited area (systematic adjudication), in certain countries it makes sense to work with the existing (incomplete) cadastral data, allowing for piecemeal improvements to be made in line with customer demand (and willingness to pay). In other countries where people are poorly informed about land rights and where the poor cannot afford land administration services, systematic adjudication may be more appropriate.

14. Assessment Recommended?  ○ Yes ● No

15. Comments on Quality of ICR:

The ICR is clearly and concisely written. It is internally consistent and the evidence presented is sufficient to support the ratings. The analysis of efficiency is of a particularly high standard, combining thoroughness with the avoidance of unrealistic assumptions. The lessons are original, fully developed and well supported by the evidence.

a. Quality of ICR Rating : Satisfactory