1. Country and Sector Background

a) The Government’s strategy, as described in the Program of the Government of the Republic of Croatia for the 2009-2011, emphasizes reforms which promote macroeconomic stability as the basis for accelerated recovery in the post-crisis period. To achieve macroeconomic stability and growth recovery, the Government, among other things, plans to: (i) accelerate judicial and public administration reforms, (ii) complete the privatization process and tackle corruption, (iii) intensify development of small and medium enterprises and increase agricultural competitiveness while pursuing a balanced development of all regions, (iv) foster the tourism sector with further development of infrastructure, and (v) promote a knowledge-based society.

b) To date, Croatia has closed 26 out of 35 negotiations chapters with the European Commission (EC), and expects to close all the chapters by mid-2011. According to the 2010 EU Progress Report, Croatia continues to meet the political criteria and has made progress in most areas, including intensified efforts on the rule of law. Croatia aims to accede to EU by end-2012. As Croatia enters the final phase of the process of accession to the EU, the country is focused on the necessary reforms and policy making for...
accession, but continues to concentrate on completing its transition to a market economy, fostering greater competitiveness and building institutional capacity it will need as an EU member state. Improving tenure security and strengthening the land administration system is crucial for accelerating the judicial and public administration reforms, the fight against corruption, and completing the privatization process.

c) The Bank and government of Croatia have had a successful cooperation in the land sector since 2000. The Real Property Registration and Cadastre Project (RPRCP), which closed on June 30, 2010, successfully completed the first phase of the reform of the land registry and cadastre in Croatia by simplifying procedures, improving efficiency of services, increasing transparency and access to information, and developing joint procedures and a common land database under the Joint Information System (JIS).

d) The development of the JIS under the RPRCP created a single database of cadastre and registry information and integrated business processes bringing the two institutions together in one land administration system. The JIS has been piloted in 2010 and the rollout of the system has begun. In order to maximize the impact of the JIS it is necessary to complete the rollout of the system nationwide in a short time. The JIS will provide complete data – including land registry and cadastre information – in one database, thereby facilitating access to the data by citizens, and the public and private sectors.

e) It is now possible to maximize the use of land registry and cadastre information by focusing on making it available to other government entities and the private sector. This will support better service provision by the public sector through e-government and online platforms, reduce costs, and help to stimulate private sector growth. Institutional restructuring of the State Geodetic Administration (SGA) and the land registry function within the Ministry of Justice (MOJ) will be needed to support further automation and streamlining of functions.

f) To support e-government requirements, the EU has recognized the importance of spatial data and issued the INSPIRE Directive (2007). INSPIRE establishes the legal framework for setting up and operating a spatial data infrastructure to enable effective sharing of spatial data locally, and across borders and held by, or on behalf of, a public authority/government. For Croatia to adopt INSPIRE requires the establishment of a National Spatial Data Infrastructure (NSDI) so that agencies that have geographic information can share or link information, reduce duplication of costs, and improve the quality of public services. NSDI is a fundamental part of e-government initiatives, essential for government services, including environmental monitoring and proper monitoring of agricultural subsides. The proposed Project will support the implementation of NSDI in Croatia, including the legal, institutional and technical aspects. The JIS rollout will support NSDI implementation but providing unified property information in one system linking ownership and other data directly to the geographic location of the property.

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1 Directive no. 2007/2/EC and entered into force on 15 May 2007; not an accession requirement but a requirement for all member states.
2. Objectives

g) Project Development objective: The objective of the proposed Project would be: to modernize the land administration and management system to improve the efficiency, transparency and cost effectiveness of government services.

3. Rationale for Bank Involvement

h) The Bank has had a successful cooperation with the government on the land sector under the RPRCP. In addition, the Bank has an on-going investment project with MOJ supporting the judicial reform. The ILAS Project builds on these successful collaborations and continues the land administration reform and further supports the judicial reform necessary for EU accession. The Bank has implemented numerous land administration projects throughout the region and has a successful track record in this sector. Several other projects in the region have already begun work on NSDI and the Project will benefit from this earlier experience. Finally, the JIS implementation under the RPRCP has provided good lessons learned for the Bank and the client which will be applied under ILAS to ensure timely implementation.

4. Description

i) Project description: The proposed project would focus on further improving the real property registration system managed by MOJ and SGA, and support the development of an NSDI. The proposed project would have four main components:

- **Component A – Land Registration System Development** which would focus on further simplification and automation of the land registration system operated in the municipal courts under MOJ.
- **Component B – Spatial Information and Cadastre System Modernization** would focus on improving the quality and presentation of spatial data managed and maintained by SGA and implementation of a national spatial data infrastructure (NSDI), in line with the EU INSPIRE Directive.
- **Component C – Improving Digital Services** would support further development of the JIS and completion of the JIS roll-out to all cadastre and land registry offices, and the establishment of a structure and strengthening institutional capacities to manage the JIS operation and further development;
- **Component D – Project Management, M&E and Training.** This Component will support a small Project Management Unit (PMU) responsible for fiduciary functions and monitoring and evaluation; funds for training under the Project and for improving the education programs of both the geodetic and legal faculties to bring them more in line with the modernization of the land administration system.

5. Financing

<table>
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<tr>
<th>Source</th>
<th>(EURO m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>1.5</td>
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</table>
6. Implementation

j) The implementing agencies will continue as under the RPRCP. MOJ responsible for the land registration component A; SGA responsible for the cadastre component B; and both institutions responsible for the JIS component C. Component D will be implemented by the PMU with input from SGA and MOJ. The Land Registration Management Unit has been designed by MOJ as the responsible unit for implementation of all Project activities for MOJ; SGA has appointed a Coordinator for Components B, C and D to ensure the flow of information and decision making related to these components.

k) Implementation will be the responsibility of MOJ and SGA, but a Project Management Unit (PMU) will perform all fiduciary functions (procurement, financial management) and Monitoring and Evaluation. Qualified fiduciary staff (consultants) and systems put in place for the RPRCP are being maintained through government funds and the provision of Project Preparation Facility (PPF) advance. This will improve implementation as these consultants are experienced in Bank procedures. Monitoring and evaluation is now done fully by the two implementing agencies with the PMU simply consolidating the data for reporting to the Bank.

7. Sustainability

l) This Project builds on the reforms, organizational development and capacity developed under the Real Property Registration and Cadastre Project. Both implementing agencies have full ownership of the reform program in the land administration system and fully support the additional activities and reforms to be implemented under ILAS.

8. Lessons Learned from Past Operations in the Country/Sector

m) The RPRCP has been successfully completed and the cooperation with the implementing agencies continues to be productive. The main lessons learned relate to the implementation of the JIS which was difficult and delayed. Any support for additional JIS functionality to be financed by the new Project will require that the requirements documents (technical specifications) will be completed during preparation to ensure timely implementation. During the RPRCP, capacity was built within the implementing agencies and the PMU for further IT development.

9. Safeguard Policies (including public consultation)

n) ILAS project has triggered two World Bank safeguards policies: OP/BP 4.01 Environmental Assessment and OP/BP 4.11 Physical Cultural Resources. The Project has been classified as environmental Category B in accordance with the Bank’s Operational Policy on Environmental Assessment (OP/BP 4.01) due to anticipated rehabilitation and construction of buildings, primarily cadastre offices and data facilities.
Due to the fact that some of these buildings are in historic, cultural areas, OP 4.11 on Physical Cultural Resources has been triggered and specific provisions will be included in the overall Environmental Management Framework (EMF).

o) As the exact number and place of rehabilitation and construction is not fully confirmed, an EMF for the Project has been prepared as part of the Project Operation Manual (POM). It provides environmental screening procedures, the nature of Environmental Management Plan which should be prepared for each construction or extension, and an example of the environmental issues associated with rehabilitation that will be addressed through the permitting, construction, contracting, and operations of the new and/or rehabilitated facilities. These environmental issues will be addressed and ensured through a series of local permits, through contractor contracts, through site supervising engineer oversight, through the local municipality requirements, and through oversight by Project Unit and one person will be designated for the issues of the project environmental compliance. The EMF will be disclosed prior to appraisal on the Project’s website. There is no involuntary resettlement.

<table>
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<tbody>
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<td><strong>Environmental Assessment (OP/BP 4.01)</strong></td>
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<td>Projects on International Waterways (OP/BP 7.50)</td>
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<tr>
<td>Projects in Disputed Areas (OP/BP 7.60)*</td>
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<td>[X]</td>
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</tbody>
</table>

10. List of Factual Technical Documents

Environmental Management Framework
Project Operations Manual
Document Management Strategy for Land Registry
JIS Roll-out and Training Plan

11. Contact point
Contact: Victoria Stanley
Title: Senior Operations Officer
Tel: (202) 458-7811
Fax:

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties’ claims on the disputed areas
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