

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: AB3670

<b>Project Name</b>	Land Administration and Management Project
<b>Region</b>	EUROPE AND CENTRAL ASIA
<b>Sector</b>	Housing finance and real estate markets (50%);Sub-national government administration (30%);Central government administration (20%)
<b>Project ID</b>	P106906
<b>Borrower(s)</b>	GOVERNMENT OF MONTENEGRO
<b>Implementing Agency</b>	Ministry of Economic Development (MED) and The Real Estate Administration Department (READ) of the Ministry of Finance.
<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	March 24, 2008
<b>Date of Appraisal Authorization</b>	March 7, 2008
<b>Date of Board Approval</b>	July 2008

1. Country and Sector Background

Montenegro officially declared independence on June 3, 2006 and became a member of the World Bank Group on January 18, 2007. The republic is located on the southeastern coast of the Adriatic Sea. It has a total area of about 13,938 sq. km and a current estimated population of about 675,000. Montenegro's Mediterranean climate and natural beauty have helped the country to develop a thriving tourist industry, both along the coast and in the mountainous interior. In socialist times the economy became industrialized, but this was drastically reduced during the post-socialist period and there has been a major privatization programme. Manufacturing, particularly the aluminum industry, still makes up 25 percent of the total economy and over 50 percent of all exports. However, the current high interest in investing in Montenegro is primarily in the tourism sector which accounts for 15 percent of GDP and employs almost 17 percent of the workforce.

The recent Foreign Investment Advisory Service (FIAS) report of October 2007 and the Country Partnership Strategy (CPS) have both identified problems with the provision of municipal licenses and permits for businesses, and delays in property registration as the main constraints on investment. While Montenegro's overall Doing Business rating is quite strong, it has slipped to third in the Western Balkans and 81<sup>st</sup> in the world, with a number of indicators signaling a lack of transparency and consistency in the excessive administrative and regulatory procedures. The latest Doing Business survey in 2007 identified licensing and permitting requirements (180 days to build a warehouse) and registering property (8 steps and 86 days) as among the key constraints to doing business in Montenegro. The municipalities in particular face difficulties in providing building permits and monitoring construction at a time of a construction boom and record levels of potential foreign and local investment. This is partly due to a lack of up-to-date urban and spatial plans in almost all 21 municipalities. In turn the spatial and urban plans require production of base maps and up-to-date cadastre plans.

The government of Montenegro (GOM) has recognized these impediments to foreign and domestic investment. By signing the Stabilization and Association Agreement (SAA) with the EU in March 2007 Montenegro has committed to implementing comprehensive reforms to harmonize policies and legislation with the EU, and the country now faces the considerable challenge of strengthening its limited administrative capacity to implement the EU compliant legal and regulatory framework. Serious resource limitations are evident in the public service at the national and municipal levels.

Recent changes to the legal framework mean that the basic laws are in place to support more efficiency in the planning, cadastre and permitting sectors. The GOM's commitment to resolving these issues is strong as illustrated by new laws on planning, a new national spatial plan and a five year work plan for the real estate cadastre.

## 2. Objectives

The development objective of the Project would be: *to improve the efficiency of permitting and property registration*. The beneficiaries of the investment will be: (a) the public living within the municipalities as more order is brought to the built environment; and (b) the business community as more transparent and efficient processes are facilitated. The level of informal development should be drastically reduced, such that unsustainable and unattractive developments are curtailed, yet the business community and the private citizen will be able to develop their own assets with greater ease and security. By the end of the Project it should be possible for the public to easily access information about the processes required to develop a business or property and to have access to the legal situation concerning a property, and the zone plans and forms and procedures for applying to develop a property or obtain the necessary construction permits. This should result in less illegal developments and greater investment through formal procedures. The outcomes will be measured by a reduction in percentage of time spent on the compliance with the regulatory requirements, reduction in the number of steps and days required for permits or other documents, and better access to information.

The first CPS for Montenegro for the period FY07 to FY10 was approved by the Board in May 2007. For this period the country has identified three key priorities: (i) enhancing sustainable economic growth, through increasing economic freedoms and strengthening the role of the private sector; (ii) building institutions and the rule of law; and (iii) improving the standard of living of citizens, through efficient education, health and social protection systems. Any proposed intervention also needs to be designed within the over-arching goal of the government for Euro-Atlantic integration, particularly with the EU. The proposed Project is closely linked to priorities (i) and (ii) and meeting EU standards in the sector.

## 3. Rationale for Bank Involvement

The Bank is currently implementing many similar projects in several countries of former Yugoslavia and around the region dealing with land administration and these have generally progressed well. A new project in Albania is combining improvements in land administration and urban planning. The GOM has recognized the expertise that the Bank can provide and approached the country office specifically for assistance in land administration and improving the business climate.

#### 4. Description

The Project will have three components as follows:

(A) Real Estate Administration This component concentrates on improving registration services to the public by improving the facilities at local offices, especially in Podgorica where the majority of transactions occur. Nationally there will be improved service standards through improved technology and completion of at least 100,000 hectares of cadastre and registration records in selected areas. The Project will help READ to bring all forms of land and property records available to municipalities and other users 'on-line' and ensure that the READ will be able to provide basic maps in a timely manner to municipalities for planning and management purposes. The activities under the Project fit within the READ five year plan for 2008 to 2013, and includes four subcomponents: (i) improving registration services; (ii) information system development; (iii) provision of basic maps; and (iv) building the real estate cadastre REC).

(B) Improving Planning and Permitting This component will support the Ministry of Economic Development (MED) to improve the planning and permitting processes and strengthen the capacity of MED to support the planning sector in Montenegro. This component will also support those municipalities that have limited funds to develop spatial and general plans in line with the recently approved national spatial plan. Podgorica municipality and the coastal municipalities can afford to develop their own urban plans, but all municipalities will benefit from the Project-sponsored planning standards and manuals and information systems that will streamline and improve the planning and permitting process. There are four subcomponents: (i) improving the planning process and support to the Ministry of Economic Development; (ii) improving the planning process at municipal level and completion of plans; (iii) improving construction permitting and inspection; and (iv) support to the business environment.

(C) Project Management This component will support a Project Coordination Unit (PCU) to assist MED and the municipalities with implementation of Component B and the existing Technical Services Unit (TSU) under the MOF that will be responsible for fiduciary control and management. The PCU will also be responsible for monitoring and evaluation of Project activities and results.

#### 5. Financing

Source:	(€m)
Borrower	11
International Bank for Reconstruction and Development	11
Total	22

#### 6. Implementation

There are two primary implementing agencies: the READ and the MED. In addition the Project will work with all 21 municipalities as planning, permitting and inspections are primarily

implemented at the local level. The MED is divided into departments with Deputy Ministers responsible for each department. The Department for Urban Planning is responsible for the activities within Component B that directly support MED. The capacity within MED is limited and a Project Coordination Unit (PCU) will be established to assist MED with implementing its activities under the Project and to coordinate the activities benefitting the municipalities. It has been agreed that the municipalities in order to be able to participate in the Project and benefit from the loan funds should agree to provide some co-financing and to designate a responsible person in the municipality to coordinate with the Project. This agreement would be approved by each municipal parliament/council.

The READ report to the MOF, but is a separate Administration with sectors and departments responsible for geodesy, photogrammetry, cartography, surveying, planning, finance, human resources and the maintenance of the REC for ongoing registration. There are branch offices in each of the municipalities. The READ has a comprehensive five year plan for 2008 to 2013 and it has the capacity to manage Component A of the Project using existing human resources.

A Project Steering Committee (PSC) will be established to make decisions on principle issues affecting overall Project implementation; to receive and approve annual work plans and to approve quarterly reports. The PSC will comprise officials from the MOF, MED, READ and the Union of Municipalities. The READ and MED have appointed Component Coordinators from within their departments for each of Components A and B in order to supervise the management of these components. The PCU will include specialists to help the MED to implement Component B and specifically to coordinate the activities that will benefit the municipalities. The PCU will also be responsible for monitoring and evaluation and ICT procurement and advice for the whole Project. One of the goals of the Project is to build up sufficient capacity within MED and the municipalities for planning and permitting and to be able to carry on without additional support by the end of the Project. The PCU therefore will only exist for the duration of the Project to support the additional coordination and monitoring created by the Project and to assist in the capacity building.

The existing Technical Services Unit (TSU) within the MOF are already responsible for the fiduciary aspects of World Bank projects and they will manage the financial management and procurement for this Project also.

GTZ have been involved in Montenegro over the past few years trying to help municipalities develop improved planning systems. The work has mainly been in the form of technical assistance, but GTZ have also supplied some software and equipment to municipalities. They have supported the elaboration of terms of reference for the preparation of various types of urban plans and implementation of a GIS for real estate taxation. They have provided some assistance to develop planning standards. UNDP have provided assistance to the housing and planning sectors since 2004. They provided assistance with the drafting of the Law on Physical Planning and Development (promulgated in May 2005) and the draft National Spatial Plan (NSP), which is now under consideration by parliament. They will continue to provide technical and financial assistance to municipalities in preparation of local spatial and General Urban Plans (GUPs). During Project preparation there has been continual coordination with both GTZ and UNDP and lists of municipalities and the plans being prepared under each project have been made. The Project will only be developing urban plans for those areas not covered by GTZ and UNDP. The

technical assistance provided by GTZ and UNDP will continue in parallel with the Project and coordination will continue.

## 7. Sustainability

The READ is a budget organization, but its income is directly related to the services provided with the revenues going directly to the GOM. The READ are understood to be an essential organization from which a great deal of revenue is derived. There is a three per cent tax on transactions, substantial fees are collected for registration and the information held in the REC is a basis for property taxes. The direct and indirect income derived from READ's services greatly exceeds the cost of those services. As the Project progresses and information systems are developed the need for providing an office in all municipalities will be reviewed, however the essential functions of READ and the data it maintains will continue to serve essential functions for the government.

The municipalities and central government stand to benefit most from this Project. The current chaotic situation that has driven investors to other locations or enabled buildings to be constructed without permission has an enormous negative impact because income and property taxes, infrastructure fees and fees for services are dramatically lower than the potential. Already the Podgorica and the coastal municipalities are well funded from the income they receive, and apart from this, each municipality will be able to increase income and provide better services to citizens following the assistance provided under the Project. The poorer municipalities that currently have difficulties providing services to citizens will be more able to do so following successful implementation of the Project.

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

There have been other projects in former Yugoslavia and the Balkans involving real estate cadastre and it has been extremely difficult to change the approaches used in technical disciplines, even when those approaches are outdated or time consuming and expensive. The most successful approach has been to gradually assist the implementing agencies to make changes as they appreciate best practice models in the rest of Europe and can accommodate improvements within their own legislation and practice. The REC, urban planning and permitting procedures in Montenegro are similar in this respect to the other countries of the region and this approach is to be adopted here also. Information Communication Technology (ICT) has proven to be extremely difficult and time consuming to implement throughout the region and yet it is a fundamental requirement for transparency, improving services and EU access expectations. ICT project management procedures are integrated into the Project design to ensure that this vital activity is successfully implemented.

## 9. Safeguard Policies (including public consultation)

<b>Safeguard Policies Triggered by the Project</b>	Yes	No
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management ( <a href="#">OP 4.09</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Physical Cultural Resources ( <a href="#">OP/BP 4.11</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests ( <a href="#">OP/BP 4.36</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>

---

## 10. List of Factual Technical Documents

Medium Term Programme, 2008 to 2013. Real Estate Administration Department, Ministry of Finance.

Legal and Institutional Assessment. Lamb and Scepanovic.

Situation Analysis for Montenegro Cadastre and Planning Issues. D'Urso.

Physical Plan of the Republic of Montenegro. Government of Montenegro.

Elimination of Barriers for the Development of Entrepreneurship in Montenegro. Government of Montenegro.

## 11. Contact point

Contact: Gavin P. Adlington

Title: Senior Land Administration Specialist

Tel: 202 458 1612

Fax: 202 477 3285

Email: [gadlington@worldbank.org](mailto:gadlington@worldbank.org)

Location: Washington

## 12. For more information contact:

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Email: [pic@worldbank.org](mailto:pic@worldbank.org)

Web: <http://www.worldbank.org/infoshop>

---

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

