

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

Report No.: AB1436

<b>Project Name</b>	Registration Project
<b>Region</b>	EUROPE AND CENTRAL ASIA
<b>Sector</b>	General public administration sector (50%);Law and justice (25%);Housing finance and real estate markets (25%)
<b>Project ID</b>	P093050
<b>Borrower(s)</b>	REPUBLIC OF RUSSIAN FEDERATION
<b>Implementing Agency</b>	Ministry of Justice Zhitnaya St. 14 Moscow Contact: Ms. Tatiana Gorlatch Advisor to the Minister/Project Director tel. 7-095-955-57-35 email: <tatiana.gorlatch@minjust.ru>
<b>Environment Category</b>	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	March 7, 2005
<b>Date of Appraisal Authorization</b>	March 14, 2005
<b>Date of Board Approval</b>	September 22, 2005

1. Country and Sector Background

Markets for land and real estate in the Russian Federation are under-developed and inefficient by the standards of developed market economies. This is caused by continued lack of clarity on land ownership, complicated and costly procedures associated with transactions – especially for new development -- and reluctance of municipal governments to switch from lease payments for municipally owned land to potential tax payments from privatized land. Inefficiency of land and real estate registration processes constrain the development of market relations in various sectors of the economy and limit the ability of the population to derive full benefits from their legislated property rights. Lack of effective information flows between system of registration of rights and the agencies that have been responsible for cadastre (physical identification and description of real property objects) has complicated the process of registration and contributed to higher transactions costs.

The system of registration of rights in Russia has developed following adoption of the Registration Law in 1997. The Law placed responsibility on the Subjects of the Federation (SOFs) to set up and manage registration systems in accordance with Federally established guidelines. The regions were largely successful in dealing with this task, though there is variation in the quality of the registration systems across the country. The registration systems were established on a self-financing basis, being able to reinvest retained earnings. This was an essential element in getting the systems operational in relatively short order, but also provided incentive to complicate procedures unnecessarily as a means of generating additional income.

In 2004, Government took the decision to Federalize the regional registration systems, moving them into Federal ownership and introducing more standard procedures for operation of the system across the country. The decision was also taken to move the registration system from a self-financing basis onto the Federal Budget, following a broader Government principle of moving all State-provided services onto budget financing. These changes represent both opportunities and challenges. There is now an opportunity to introduce sweeping improvements to how registration of rights is conducted. At the same time, the movement of staff onto the civil service pay scales has resulted in significant cuts in pay for staff, in some regions amounting to as much as 75 percent.

Government is moving forward with an agenda to improve how immovable property is managed. A set of legislation and regulatory documents are in the process of preparation or have already been submitted to the Duma for consideration aimed at rationalizing the cadastre, improving how immovable property is valued for tax purposes, and putting in place a more appropriate balance between public and private sectors in how immovable property markets operate. The Government is committed to putting in place a unified State cadastre of immovable property. This has not existed heretofore, as the land cadastre did not include information on buildings, which was kept by other organizations separately. Such a unification of immovable property in a single cadastre is common practice around the world. The failure to establish a unified cadastre has imposed high costs in terms of coordination of information and processing of market transactions in immovable property.

Other parts of the Government's plan call for rationalization and simplification of the regulatory environment. At present, clients are required to go to the land cadastre offices for documentation for each transaction involving land, and for those conducting transactions with buildings or apartments, they are also required to go through the Bureaus of Technical Inventory (BTIs) for additional documentation and clearance. This adds unnecessary time and expense to the process. The BTIs continue to conduct "technical inventory" survey of real estate on a monopoly basis. Lastly, current procedures require new survey for every transaction. Government has recently eliminated the need for resurveying of land in cases where there has been no change in the identity of the property. This agreement needs to be expanded to include the "technical inventory" surveys, and commensurate changes introduced in the appropriate normative and regulatory documents. The need for such surveys should be determined by the parties to the transaction themselves and not the State. Once a property is recorded in the unified State Cadastre of Immovable Property, that information should suffice for the purpose of subsequent transactions unless and until there is a change in the property identification (change in parcel boundaries, new construction or demolition). As is the case in countries around the world, it will be in the interest of the parties involved in registration to ensure that the information contained in the unified State Cadastre is accurate.

The legislative and regulatory basis for the Project exists. The Law on Registration, adopted in 1997, has undergone a number of rounds of amendment. In 2004 the Federal Registration Service was established as part of the Ministry of Justice and will have capacity to oversee intended changes in the system of registration of rights.

## 2. Objectives

The project development objective is to simplify and improve procedures for registration of rights in immovable property and to improve the information flow from the registry to users so as to facilitate the development of real property markets, improve the quality of services provided, and strengthen the linkages with other organizations dealing with real property. These other organizations will include the Federal Cadastre Agency, the Tax Authorities, municipal government, and representatives of the private sector, such as notaries and real estate brokers.

The outcome indicator for the Project will be the number of market transactions in immovable property taking place in regions participating in the Project. Statistical information is regularly collected by the Government. Baseline data will be set for each participating region for the year prior to entry into the Project. Growth of 3 percent will be expected annually.

Key results indicators will be:

- Reduced time required for registration of rights
- Increased client satisfaction with the Registration System
- Elimination of the need to register documents when registering rights
- Elimination of the need for survey (technical inventory) for secondary transactions in immovable property
- Increased number of registrations of rights per staff of the Registration Service
- Reduced time for the provision of information from the registry
- Increased number of information requests

Currently, the Law on Registration stipulates that registration of rights be carried out within 30 days of submission of documents. A goal of the Project will be to establish standards of service approaching those of modern registration systems worldwide. This will be made possible through implementation of the unified registration software and the changes in registration procedures. For initial registrations (registration of properties not previously entered into the system), it is intended to set a standard of 20 days for completion of registration. This period will be required for initial verification of information concerning a property. For secondary transactions (those for which the properties in question have previously been registered), a substantial reduction in the amount of time required for registration is anticipated. No more than 2 days will be required for the completion of registration of rights for secondary transactions. While a substantial improvement over current practice, this would not reach current best international practice of a few hours.

Improvement in the quality of client services provided by the Registration System will be an important indicator of project results. This indicator will be evaluated on the basis of information collected by the social assessment surveys that will be conducted intermittently over the life of the Project. In each participating region, an assessment will be conducted prior to initiation of project activities to establish baseline measures for this indicator.

The indicators for simplification of procedures (elimination of need for registration of documents when registering rights, and elimination of the need for survey or technical inventory of

properties for secondary transactions) will be readily monitorable through the work on the legal and regulatory documents under the Project.

Data for number of registrations of rights per staff will be readily obtainable from data collected by the Registration Service, as will the number of information requests handled by the participating registration offices. Currently, information requests received by the registration system are to be processed within 5 days. Communication links with other Government bodies is cumbersome, with data exchange with the Cadastre Agency offices typically occurring from once every ten days to once a month. The information linkages to be installed under the Project will allow for information requests to be processed within 30 minutes and for daily data sharing with other Government bodies. Information on this indicator will come from the social assessment surveys and from the Registration Service.

The project will directly address two of the three priority areas included in the CAS approved on June 6, 2002 -- strengthening public sector management, and improving the business environment and enhancing competition. Under the first point the Project will contribute to enhancing accountability mechanisms and information flows within and across different levels of government, improve the efficiency and quality of public service delivery, and improve fiscal management. Under the second point the Project will simplify and rationalize the process of registration of rights and strengthen the protection of property rights.

The CAS is built upon a cross-sectoral approach to improving the environment for economic development in Russia, while addressing important social and environmental issues. The Registration Project reflects that cross-sectoral orientation and is directly tied to the Government's strategy to improve the functioning of the public sector, and to foster growth through improved functioning of markets.

The Project is also consistent with the emerging country partnership strategy. It will address two of the four pillars of that strategy, namely: (i) improving the efficiency of Federal programs and Federal budgetary expenditures; and (ii) supporting regional development.

The Project is being developed in coordination with an approved Government investment program, "The Federal Program for the Phased Improvement of the System of State Registration of Rights in Immovable Property".

### 3. Rationale for Bank Involvement

The Bank has been actively engaged with the Government on the issue of real property markets and has an established track record in the areas of registration of rights and cadastre in many of the CIS countries.. The Bank is able to provide expertise not only on best practices for the registration system with a knowledge of how the Russian registration has evolved, but to place its advice in the broader context of market development.

The Registration Project will be implemented in parallel with a World Bank financed Cadastre Project, which is managed by the Federal Agency for Cadastre of the Ministry of Economic

Development and Trade. The Bank's involvement in both projects will help ensure that the needed coordination between the two systems in terms of participating regions, and information linkage solutions, are consistent and work together. The Bank's involvement will help ensure that issues of improvements in the quality of services provided to the public, a high priority for the Government, will receive due attention during implementation.

The IFC, through the Foreign Investment Advisory Service (FIAS) has been working with Government on measures to simplify the process of business development. As part of that effort FIAS has been advising Government on measures to improve and clarify the procedures by which land is made available for the purposes of business development, and ways in which security of tenure in land can be strengthened in a way supportive of economic growth. The work on both the Registration and Cadastre projects is being coordinated with the FIAS program so as to provide a full and coherent combination of measures dealing with immovable property and its role in economic development.

#### 4. Description

The Project will be composed of four components: (1) Institutional Development of the Registration Service; (2) Informatics; (3) Improvement of Professional Skills; and (4) Project Management. Summary descriptions of these are provided in this section, and detailed descriptions are provided in Annex 4.

The Project will run for 6 years and will be implemented in [25] of the 77 Territorial Regions of the Registration Service [*number of regions and municipalities to be confirmed at appraisal*]. This represents roughly one-third coverage of the country as a whole. Implementation of a unified registration information system, included in the Informatics Component, will be split into three phases: (1) the pilot phase, covering 3 regions; (2) the first roll-out phase of 10 additional regions; and (3) the second roll-out phase of an additional 12 regions. It is expected that 5 years will be required to complete these three phases, keeping in mind the need to develop and test the unified registration software and to incorporate lessons from the pilot phase into the subsequent phases. Implementation of the other elements of the Project is not tied to this phasing.

The three regions to include in the pilot phase are under consideration *and will be discussed at appraisal*. Other participating regions will be selected during project implementation. An important criterion for the Registration Service will be the relative strengths and weaknesses of each of the Territorial Registration services. Selection will need to be coordinated, however, with selection of regions for participation in the Cadastre Project, as more effective linkage between the immovable property cadastre and the system of registration of rights is an important developmental goal of both projects. While complete overlap of regions participating in both projects is not anticipated, a sufficient degree of overlap will be necessary to allow for testing and implementing the improved information linkages between the two systems. An additional criterion for selection of regions could be the commitment of government administration in a given Subject of the Federation (SOF) to support the needed institutional and policy changes foreseen under the Project.

Some elements of the Project will have impact beyond the 25 participating regions. This includes the legal and regulatory reform, training programs, development of service standards, various elements of the improved availability of information. *[To be reviewed at Appraisal]*

*[all component numbers subject to review at Appraisal]*

**1. Institutional Development of the Registration Service (\$25 million – of which IBRD loan \$14 million and Government budget \$11 million: 28% of the Loan)**

The objective of this component is to improve the functioning of the offices of the Registration Service through an upgrading of operational and normative procedures and improving service delivery to clients. Federalization of the system of registration of rights presents unique opportunities and challenges with respect to the improvement of client services and overall efficiency of the system. The primary opportunity will be in reviewing and revising existing operating procedures and introducing service standards nationwide. The challenge will be in dealing with the financing cuts associated with movement of the system onto the Budget. The objectives of this component is to reduce the time necessary for registration of rights – from the time applications are received until the rights in question are registered and the client – by bringing this more into line with established service standards in developed market economies and to improve the quality of services provided in terms of information availability and improving customer reception areas where needed. The level of client services will be monitored as part of the social assessments to be carried out over the life of the Project. The registration offices are faced with increasing problems in managing their document archives. In the higher-volume offices, the amount of space required and the cost of archive maintenance are already beyond what can be sustained. This component will develop a document storage strategy involving centralized archival storage at the regional level and the use of scanned copies for reference and information purposes.

Specific tasks to be undertaken include:

- (i) Full legal and regulatory analysis and development of draft legislation as needed to improve the operation of the registration system;
- (ii) Development of a set of service standards for the registration system and monitoring of their implementation;
- (iii) Renovations to the local registration offices involved in the Project to improve the quality of client services;
- (iv) Provision of better information to the public and professional community;
- (v) Development and implementation of a modern document archival system for the Registration Service.

**2. Informatics (\$40 million – of which IBRD loan \$31 million and Government budget \$9 million: 62% of the Loan)**

The objectives of the Informatics Component is to develop an efficient software application for registration and information transfer, to convert existing data into the new system, and to ensure that the system is operational in all regions involved in the Project. Until 2005, each SOF was responsible for managing its own system for registration of rights. It is estimated that there are about 50 different registration software applications in use around the country. Under this component, a standardized registration software will be developed and implemented. This has

the advantage of ensuring consistent service standards, procedures and legal security, while easing the transfer of data across regions and making possible registration of rights in an object from any location in the country. This component will finance the ICT equipment necessary for operation of the unified registration information system. Existing data will need to be converting for use in the new standardized format. It is highly unlikely that direct conversion will be possible for all data in the existing systems to the new unified system. The Project will finance equipment for the data conversion and hire companies on a tender basis to be responsible for the data conversion. All registration data held at the local offices will be backed up at the regional level. An 'exchange server' will have a copy of this back up data base, which will be used as the source of information for queries and registration applications from other regions.

Specific tasks to be undertaken include:

- (i) Development, testing and roll-out of the unified registration software;
- (ii) Conversion of existing data to the format required for the unified registration software in regions participating in the Project;
- (iii) Delivery and installation of the equipment suitable for running the new unified information system.

**3. Improvement of professional skills of registration staff (\$2.5 million – of which IBRD loan \$2.2 million and Government budget \$0.3 million: 4% of the Loan)**

The changes envisaged under this project will have major implications for the staff of the Registration Service. Training programs are required to: (i) provide guidance on policies involving improvement of customer services and a focus on quality of service; (ii) ensure all staff understand and apply the new regulations and procedures being applied throughout the federation; (iii) understand and correctly utilize the registration system software; (iv) understand and correctly utilize WEB sites and technology; (v) appreciate the relationship between registration, economic development and the roles of other government agencies; and (vi) understand best practice for registration as used in other countries. The goal of this component is to enhance the knowledge and skills of registration staff in these areas through development of an overall training strategy for the Registration Service, development and conducting of specialized training courses, establishment of a remote training facility, provision of an operational manual for registration to staff, conducting foreign training and study tours, and conducting seminars within Russia.

Specific tasks to be undertaken include:

- (i) Development of an overall training strategy
- (ii) Development and conducting of training on specialized courses and themes
- (iii) Establishment of a remote training facility
- (iv) Conducting a program of foreign training and study tours
- (v) Creation, printing and distribution of operational manuals for registration staff
- (vi) Conducting seminars in Russia
- (vii) Participation in relevant international conferences

**4. Project Management (\$3.3 million – of which IBRD loan \$2.8 million and Government budget \$0.5 million: 5.6% of the Loan)**

The Registration Service is responsible for the project and achievement of the project objectives. A Project Working Group is established by the Director of the Registration Service to provide conceptual leadership to project implementation and to monitor project progress. A Project Implementation Unit (PIU) will be hired to manage the financial accounting and reporting, and procurement activity under the Project. The PIU will be responsible for the other administrative activities associated with implementation. To that end, three technical specialists will be hired to oversee the logistics of contract execution. One will be responsible for training (Component 3) and another for information technology (Component 2). The third specialist will be responsible for coordinating with the participating regions and those aspects of project monitoring that depend on the flow of information from the regions to the Federal level. In addition, the PIU will include support staff in the form of an office manager and translator. The PIU will be hired following a competitive tender for provision of these services. *[The relative responsibilities of the PIU, the Federal Registration Service, and the Project Working Group will be finalized at appraisal.]*

#### 5. Financing

Source:	(\$m.)
BORROWER	14
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	50
Total	64

#### 6. Implementation

The Project is being implemented in conjunction with the Federal Program “Phased Improvement in the System of State Registration of Rights and Transactions in Immovable Property (2002-2007)”.

The Project will be implemented by the Federal Registration Service of the Ministry of Justice (Registration Service) through the existing network of registration offices at the regional and local levels. The Registration Service will provide conceptual leadership for the various project components and sub-components, and will designate responsible staff for each part of the Project. A Project Implementation Unit (PIU) will be used for the Project and will be responsible for the following areas: procurement, financial management and accounting, and administrative oversight of project implementation measures. This will include obtaining necessary Government and World Bank clearances for specific project implementation steps, preparation of financial management reports (FMRs) and other project reports, maintenance of the project procurement plan, and preparation of annual project budgets for clearance by the Government and the Bank.

*Selection of the PIU, completion of the assessment of the financial management and procurement capacity of the PIU to implement the project, and completion of any steps identified by the Financial Management Specialist as needed to be taken by the PIU with regard to financial management will be a condition of Negotiations.* The PIU will be required to enter into an agency agreement with the MOF and the Registration Service, clarifying these organizations’



relative roles and responsibilities in project implementation. *Signing of this Agency Agreement, and adequate staffing of the PIU, with resources and terms of reference satisfactory to the Bank will be a condition of effectiveness.*

*[Roles of the Scientific Center for Legal Information and the Russian Institute for Registration Rights to be reviewed and agreed at appraisal.]*

At the regional level, responsibility for project implementation will be placed with the Head of the Territorial Office (TO) of the Registration Service. The Head will be authorized to assign specific project implementation functions to his staff as appropriate and will be responsible for coordination with regional government.

## 7. Sustainability

The decision to move the system of registration of rights from a self-financing basis to a budget funded activity has raised important issues about its longer term sustainability (see the next Section on risks). The Project can assist in implementing the institutional restructuring of the registration system, but Government will need to carefully assess the ongoing financial requirements for maintaining a reliable and efficient system. The Project will be helping to finance a large communications and information system. The maintenance costs for keeping the system operational will be significant. In the view of the Bank, maintenance costs will be manageable within expected budgetary allocations of the Service for the life of the Project (*to be confirmed at appraisal*). However, for sustainability beyond this point, Government will need to look at a qualitative increase in budgetary allocations in support of the registration system. The economic and financial benefits to be derived from the planned upgrade in registration system capabilities will justify their continued maintenance (and further improvement) over time.

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

The experience with implementation of Bank projects in Russia underscores the importance of close cooperation between project implementation units and the designated implementing agencies of Government. For the Registration Project, the PIU will be linked to the Registration Service through the Project Working Group, which will be made up of staff of the Service responsible for specific parts of the Project. The PIU will report directly to the Registration Service.

Experience in Russia also shows the need to keep project design simple and focused if implementation is to be successful. The Project is focused on key development aspects of the system of registration of rights and the Registration Service is well placed to oversee the implementation of these measures.

Attempts have been made over the last 10 years in Russia to more effectively link registration of rights with cadastral functions of property identification. These attempts have generally involved piloting approaches at the local or regional levels. Included among these was the Registration Component of the World Bank financed Housing Project. While some useful

experience was generated using this approach, it has become obvious that systematic improvement in cooperation between the system of registration of rights and the cadastre requires resolution of basic institutional and legal/normative issues at the Federal level. That is the approach being employed under the Registration Project. Establishment of the Federal Registration Service also represents an important advantage for achieving the project objectives.

The Project will address improved information linkages not only with the cadastre, but with the tax authorities, municipal government, and others. The Project design will need to remain sufficiently flexible to take advantage of further advances in ICT that occur during implementation.

The Registration Project will incorporate a stronger program of monitoring than existed for earlier Bank financed projects in Russia. More attention will be given to making the registration system more responsive to the needs of clients and in improving the overall level of service.

#### 9. Safeguard Policies (including public consultation)

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
<a href="#">Environmental Assessment (OP/BP/GP 4.01)</a>	<input type="checkbox"/>	<input checked="" 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"/>
Cultural Property ( <a href="#">OPN 11.03</a> , being revised as OP 4.11)	<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="#">OD 4.20</a> , being revised as OP 4.10)	<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/GP 7.60</a> )*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways ( <a href="#">OP/BP/GP 7.50</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>

#### 10. List of Factual Technical Documents

##### 11. Contact point

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\* *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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