

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted: 06/29/2015	
Country:	Ukraine		
Project ID:	P035777		
		Appraisal	Actual
Project Name:	Rural Land Titling & Cadastre Development Project	Project Costs (US\$M):	350.5
			86.4
L/C Number:	L4709	Loan/Credit (US\$M):	195.1
			84.0
Sector Board:	Agriculture and Rural Development	Cofinancing (US\$M):	
Cofinanciers:		Board Approval Date:	06/24/2003
		Closing Date:	06/30/2012
			04/30/2013
Sector(s):	General agriculture fishing and forestry sector (85%); Agricultural extension and research (10%); Central government administration (5%)		
Theme(s):	Rural markets (25% - P); State-owned enterprise restructuring and privatization (25% - P); Personal and property rights (25% - P); Legal institutions for a market economy (25% - P)		
Prepared by:	Reviewed by:	ICR Review Coordinator:	Group:
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2. Project Objectives and Components:

a. Objectives:

ORIGINAL

According to the Loan Agreement (LA), on which IEG's assessment is based,

"The objectives of the Project are to assist the Borrower in: (i) privatization of the lands of state and communal farm enterprises, agencies and organizations through transfer to the employees of these enterprises, agencies and organizations as well as retirees from among them, designating for each of them a land parcel (share); (ii) allocating land parcels to owners of land parcels (shares) in kind (on site) and issuing state land deeds to them; (iii) encouraging the restructuring of farm enterprises into more efficient units, with due consideration for environmental and social safeguards; and (iv) establishing a cadastre and title registry system where rights to immovable property can be adequately registered" (LA, p. 19).

The Project Appraisal Document (PAD) offered a different formulation:

"The objective of this project is to establish a national cadastre and title registry system, allocate land parcels to individuals in rural areas on an equitable basis, establish their property rights by issuing state deeds for land, and encourage the restructuring of farms into more efficient units, with due consideration for environmental and social safeguards" (PAD, p. 2).

REVISED

The revised statement of Project Development Objectives (PDO), which was adopted as part of the Level 1 restructuring in November 2008, was to assist the Borrower in: "(i) privatization of the lands of state and communal farm enterprises, agencies and organizations through transfer to the employees of these enterprises, agencies and organizations as well as retirees from among them, designating for each of them a land parcel (share); (ii) allocating land parcels to owners of land parcels (shares) in kind (on site) and issuing state deeds to them; and (iii) establishing a land cadastre" (2008 Project Paper).

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

Yes

If yes, did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval: 11/27/2008

c. Components:

Component 1: Institutional Development and Legal Reform

(Estimated cost at appraisal, US\$ 5.0 million; Actual cost at closing, US\$ 4.8 million)

(a) Assist the State Committee of Ukraine for Land Resources (SCLR) in reorganizing, focusing on land use regulation, improving zoning regulation and monitoring of zoning compliance.

(b) Prepare the legislation required for improving land use management.

Component 2: Public Awareness

(Estimated cost at appraisal, US\$ 2.8 million; Actual cost at closing, US\$ 1.9 million)

Provide information on land use rights, obligations and legal procedures to all potential recipients of state deeds for land.

Component 3: Training

(Estimated cost at appraisal, US\$ 3.1 million; Actual cost at closing, US\$ 2.4 million)

(a) Provide short-term training in land management and land survey to those responsible for restructuring large farms and converting land share certificates to state deeds.

(b) Provide long-term training in land management to the students and faculty of the Agrarian Universities in Odessa, Lviv, Harkiv and Kiev.

Component 4: Land Survey Works

(Estimated cost at appraisal, US\$ 80.0 million; Actual cost at closing, US\$ 68.2 million)

Privatize collective farms and issue state deeds to individual landowners, conducting surveys of land and assets to be transferred and identifying title holders.

Component 5: Cadastre System Development

(Estimated cost at appraisal, US\$ 185.9 million; Actual cost at closing, US\$ 2.3 million)

Develop the computerized cadastre and registry needed to register titles and record ownership transfer, mortgages and property restrictions, upgrading 662 offices nationwide.

Component 6: Farm Restructuring Services

(Estimated cost at appraisal, US\$ 17.2 million; Actual cost at closing, US\$ 0.0 million)

Advise land owners on their legal rights and obligations following farm restructuring.

Component 7: Project Implementation

(Estimated cost at appraisal, US\$ 6.9 million; Actual cost at closing, US\$ 4.9 million)

Support the Project Implementation Unit and hire representatives for 24 regional offices.

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

Project Cost

At appraisal, the estimated cost of the components listed above totaled US\$ 300.9 million, on top of which US\$ 50.0 million was budgeted to cover physical and price contingencies and the front-end fee. At closing, the actual cost of the components added up to US\$ 84.4 million, with a further US\$ 2.0 million spent on the front-end fee.

Financing

At appraisal, IBRD funding was estimated at US\$ 195.1 million; actual funding was US\$ 84.0 million.

Borrower Contribution

At appraisal, the Borrower was expected to contribute US\$ 155.4 million to the project cost; the actual contribution was US\$ 2.3 million. The ICR does not explain what the Borrower was expected to finance and what it ultimately financed but presumably the large discrepancy is an integral part of the cancellation of funds for Component 5 (particularly the dropping of support for the State Agency for Land Resources of Ukraine and the State Land Cadastre Center).

Dates

In May 2012, the closing date was extended from June 2012 to April 2013, to allow sufficient time for nationwide roll out of the information technology system and data upload.

3. Relevance of Objectives & Design:**a. Relevance of Objectives:****ORIGINAL****Rating: Modest**

The President of Ukraine's Program of Economic Reforms 2010-2014 included the goal of efficient operation of the land market and makes reference to the completion of issuing state deeds and the electronic land cadastre system. The FY12-16 Country Partnership Strategy (which was current when the project closed) includes among its country development goals "Ensure efficient operation of land market". The expected outcome is "Increased efficiency of cadastral registration", which is consistent with the aim of the project that is being assessed. The CPS notes that agricultural potential is constrained by the lack of a transparent land market.

However, moving to a single-agency model that would integrate the registry and cadastre lacked support from the related agencies in Ukraine. Although integration is often recommended by the Bank as 'good practice,' if the technology for transferring data between the registry and the cadastre is in place, it is not indispensable and, in this case, the failure to integrate was not likely to compromise the achievement of project objectives. Also, the farm restructuring envisaged by the original PDO was not relevant: contrary to the Bank's expectations, farm restructuring in Ukraine did not prompt a shift to small-scale farming because most of those assigned rights to the small properties that were created chose to rent them out to larger operators rather than farm the land themselves.

REVISED**Rating: Substantial**

Dropping the objectives of integrating registry and cadastre and restructuring farms made the project more relevant to the political and institutional context of Ukraine.

b. Relevance of Design:

ORIGINAL

Rating: Modest

The components and activities were broadly relevant to the post-Soviet context, attempting as they did to address the full complement of policy, institutional and legal/regulatory aspects for rural land privatization, development of a modern land administration system, and provision of farm advisory services. The education and training components and the legal/regulatory component supported development of an effective land administration framework. However, the Bank overestimated the ability of the government to manage the complex activities and underestimated the rivalry between institutions, which would slow project implementation. Also, there was little government support for farm restructuring (Component 6): inclusion of this component reduced support for the overall project.

REVISED

Rating: Substantial

The statement of project development objectives was revised to remove reference to integrating the registry and cadastre, a proposal that faced opposition from groups in the registry concerned that their power to extract rents would be undermined by a merger of the two agencies.

The words "encourage the restructuring of farm enterprises into more efficient units, with due consideration for environmental and social safeguards" were deleted from the PDO, in view of the Borrower's lack of support for this objective. Dropping the related activities (Component 6) eased implementation without making a substantial difference to the scale of farm enterprise and contingent employment given that those assigned rights to small parcels were unwilling to become small-scale farmers (see Section 3a above).

4. Achievement of Objectives (Efficacy):

ORIGINAL

Privatize the lands of state and communal farm enterprises, agencies and organizations (Rating: Substantial).

Although most of the steps toward privatization had been carried out before the project (ownership of collectives had been transferred to their members in undivided shares; land share certificates for undemarcated parcels had been issued), the third stage--issuing state deeds for demarcated parcels--was critical for finalizing privatization because it gave deeds holders the right to rent out their land. The project made possible the technical mapping work that is a prerequisite for opening up an agricultural land market (although there is still a ban on the sale of farm holdings). The ICR cites interview evidence suggesting that most of the rural population wants the ban to stay in place, fearing that its removal would create pressures leading to the loss of land rights. Achievement of the privatization objective was accomplished simultaneously through successful completion of the project activities that are described under the following objective.

Allocate land parcels and issue state land deeds (Rating: Substantial).

The project helped bring the process of rural land titling to a satisfactory conclusion. There was a slight shortfall in the number of titles ("individual state acts for rural land parcels") issued under the project: 711,678, rather than the expected 800,000. But this was due to the substitution of other funding sources, not to the failure to title. Targets were met for development of the regulatory framework, production of orthophoto maps and cadastral index maps for the entire country, development of the national cadastre

system, and the registration of titles in that system. Survey results and responses to the publicity campaigns show that many people became more knowledgeable about their land rights and that the state deed to a particular property was seen as a more robust form of right than a share of an undivided field.

Restructure farm enterprises into more efficient units (Rating: Negligible).

No progress was made toward this objective for reasons outlined in Section 3 above.

Establish a cadastre and title registry system (Rating: Negligible).

The single-agency model of cadastre and registry was not achieved.

REVISED

Privatize the lands of state and communal farm enterprises, agencies and organizations (Rating: Substantial).

See above

Allocate land parcels and issue state land deeds (Rating: Substantial).

See above

Establish a land cadastre (Rating: Substantial).

The information technology (IT) installed by the project allows the public to access the cadastre data for land and data for all registered parcels were loaded into the system. A new law was introduced requiring cadastre data (held by the cadastral agency, SLCC) to flow into the legal registry database managed by the Ministry of Justice. Although the country did not adopt the single-agency model that was envisaged at project preparation, the system that the project helped set up now allows for streamlined data transfer. The new IT system has reduced the cost of land parcel registration by two-thirds, and has halved the cost of obtaining a cadastral extract. As a result of project activities, cadastre offices now offer more efficient services to citizens: business processes have been reengineered, spatial data exists for the entire country, the cadastre system is uniform throughout the country, and data is accessible via the SLCC's web portal. The average time for registrations has fallen to 21 minutes (from application acceptance in the system to issuance of the registration certificate) and requires only one visit to the cadastre office; previously, several visits were needed and registration took days or weeks to complete. According to a beneficiary survey sponsored by the project, customers are highly satisfied with the IT system that makes rapid registration possible. The beneficiaries surveyed made no reference to the need for clients to pay bribes to expedite registration; this may reflect a reduced incidence of corruption but the ICR does not discuss this.

5. Efficiency:

At appraisal, no ex ante economic rate of return was estimated; and no targets were set for lowering the cost of land registration or the time taken to complete the transaction. The ICR therefore reports only ex post measures of efficiency.

The economic analysis in the ICR assumes that the project facilitated the leasing out of land, which in principle made it easier for land to be transferred from less-productive to more-productive farmers. Between 2010 and 2012, the percentage of landowners that obtained money for renting their land increased from 84 to 95 percent. During the same period, the average annual rent per hectare increased from US\$ 68 to US\$ 76. (In 2003, it is estimated that only 13 percent of land share owners received monetary payments and the average payment was only \$22 per hectare.) Although the increase in land

rents was probably driven in part by factors outside the project (economic growth, increased population density) it is plausible to assume that the benefits from increased rental income are largely a measure of the incremental return on agricultural land. Expenditures refer to investment costs incurred under the World Bank loan and the government's contribution, as well as the cadastral agency's recurrent costs. The estimate of net benefits yields a Net Present value of US\$ 33.3 million and an Economic rate of return of 22 percent.

The reduction in transaction costs is the other efficiency measure deployed by the ICR. The IT system set up under the project reduced the cost of land parcel registration by two-thirds, and it halved the cost of obtaining a cadastral extract. The introduction of the new system and procedures during the project, when fully and consistently implemented, allowed the average time for registrations to fall to 21 minutes (from application acceptance in the system to issuance of the registration certificate) and required only one visit to the cadastre office; previously, several visits were needed and registration took days or weeks to complete". The cost of systematic titling under the project was roughly US\$ 16 / parcel, which is in line with regional norms.

Efficiency is rated **substantial**.

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

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	Yes	22%	100%

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

6. Outcome:

The project was substantially relevant. Although cadastre-registry integration was not achieved and small-scale farming was not promoted, the project provided secure title for land holders and contributed to the development of land markets. The project resulted in important efficiency gains in terms of reduced transaction costs and improved service delivery.

Under the *original objectives* the project is rated highly unsatisfactory, because relevance of objectives and design was modest, two objectives were achieved to a negligible degree, two objectives were substantially achieved and efficiency was rated substantial. Under the *revised objectives* the project is rated satisfactory, because relevance of objectives and design was substantial, all three objectives were achieved to a substantial degree and efficiency was rated substantial. Because only 24 percent of the loan had been disbursed when the project objectives were formally revised, applying the weighting procedure for split ratings, the aggregate outcome is moderately satisfactory.

a. Outcome Rating: Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

There is some risk that information, records, the IT system and staff knowledge will not be maintained, a problem noted towards the end of implementation. Also, project monitoring arrangements did not survive loan closing and there is no indication of how well these responsibilities are being handled by the land administration agencies. But the cadastral agency, SLCC, has a clear and stable mandate and appears to enjoy government support. SLCC has continued to maintain the system and invest in improvements

since the loan closed. The results and performance of the system were widely publicized under the project and public demand for information on land rights has grown. There is probably a broad constituency in favor of consolidating the results achieved. There may even be some pressure to extend the project-sponsored reforms by removing the ban on sales of farmland. However, at present, the government appears not to support lifting of the ban. It may be a while before the overarching original goal of promoting rural land markets (see Section 3a above) is realized. The ICR does not discuss the impact of the recent insurgency but this may well be expected to hamper the operation of land markets in the contested areas.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

The project team was well qualified and had previous experience of tackling post-Soviet land administration challenges. But they misread the political economy in Ukraine, underestimating the opposition to introduction of a single-agency registry and cadastre and overlooking the lack of government commitment to the objective of creating efficient small-scale farms. Also, the results framework was poorly designed. The attempt at linkage with the Programmatic Adjustment Loan--which included a condition requiring introduction of the single-agency model--proved ineffective (government ignored the condition but the loan was disbursed). In other respects, project design was too complex. These shortcomings had to be remedied through cancellations and restructuring, which could have been avoided.

Quality-at-Entry Rating : Moderately Unsatisfactory

b. Quality of supervision:

The project had three Washington-based task team leaders (TTLs) over the life of the project. The second TTL had been part of the initial design team and provided continuity throughout implementation. The last TTL spoke Russian, helping to strengthen the relationship between the project team and the cadastral agency. There were regular supervision missions, supplemented as needed by video conferences. In the last year before closing, a video conference was organized weekly, helping to step up the pace of implementation. The team responded rapidly to the need to revise project objectives, although it ducked the opportunity to revamp the results framework. The team could have asked more of the government and the land administration agencies (it didn't press for agreed actions to be taken in a timely way), and the lack of coordination between the team working on this project and the team working on the Programmatic Adjustment Loan (PAL) made it easier for the government to flout the single-agency condition attached to the PAL.

Quality of Supervision Rating : Moderately Satisfactory

Overall Bank Performance Rating : Moderately Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The Ministry of Justice did not raise objections with the Bank about unification of registry and cadastre when the project was negotiated. But after the loan became effective it blocked unification. Revision of

the project objectives (Level 1 restructuring) took two years to complete, mainly because the government dragged its feet. The government is responsible for the many changes in staffing of the project management unit, which reduced its operating efficiency. Government commitment picked up towards the end of the project, and it mobilized funds from various sources, helping to ensure that the project almost met its target for issuing state deeds.

Government Performance Rating

Moderately Unsatisfactory

b. Implementing Agency Performance:

The cadastral agency resisted opening its operations to public scrutiny: the ICR (p. 8) refers to the "the secretive nature of the SLCC's operations. This ultimately led to the cancellation of funds for some project activities. The project management unit initially performed poorly on procurement and financial management, partly because SLCC was obstructive. This led to slow disbursements in the first half of the project. Performance improved toward the end of implementation.

Implementing Agency Performance Rating :

Moderately Unsatisfactory

Overall Borrower Performance Rating :

Moderately Unsatisfactory

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

a. M&E Design:

The results framework would have been stronger if it had spelled out the factors bearing on the creation of more efficient and transparent land markets and indicated which of those factors the project could be expected to influence: this would allow for a more rounded treatment of attribution. The PDO indicators referred to outputs (e.g. number of state acts issued) and beneficiary perceptions, when they should have addressed more squarely to outcomes. There were no indicators or targets bearing on the cost of registering land, or the time needed to do so. Baseline data were not collected and targets were not specified. When the project objectives were formally revised, the opportunity to revamp the results framework was not seized.

b. M&E Implementation:

The Project Management Unit had an M&E specialist and the Bank team provided support and guidance on collection and review of data for each indicator. In 2004 and 2005 there were independent surveys on the impact of land titling and public attitudes to land reform. In 2010, another independent survey assessed the status of land reform. In general, the surveys conducted relied too much on beneficiary perceptions, with no attempt to compare the changes in the behavior and livelihoods of beneficiaries relative to a control group of non-beneficiaries.

c. M&E Utilization:

Given the limited scope of project monitoring, the information produced was of limited use for refining land administration strategy. After the loan closed, the cadastral agency made no further use of the project monitoring system or the data it generated. The services of the project M&E officer were not retained.

M&E Quality Rating: Negligible

11. Other Issues

a. Safeguards:

This Category F project had one safeguard, requiring an environmental assessment. This assessment found that dividing holdings into smaller parcels could have adverse effects on the environment but the reasons for this were not spelled out in the project appraisal document. In any event, the project manual outlined the steps needed to ensure no damage to the environment resulted from property division. An environmental safeguards specialist carried out regular review and the safeguard rating was consistently satisfactory.

b. Fiduciary Compliance:

Staff in the Project Management Unit initially lacked knowledge of Bank procurement procedures, leading to delays, particularly in processing large mapping and IT contracts. Performance improved over time. Financial management was weak, with little cooperation from the cadastral agency and frequent delays in paying contracts. However, all audits were unqualified.

c. Unintended Impacts (positive or negative):

The project led to the production of aerial photographs and digital base maps for the entire country. Although these products were created specifically for cadastral registration they also allowed the government to quickly obtain comprehensive data about nationwide land use, thus serving multiple planning needs.

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Moderately Satisfactory	Moderately Satisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance:	Moderately Satisfactory	Moderately Satisfactory	
Borrower Performance:	Moderately Satisfactory	Moderately Unsatisfactory	The Ministry of Justice and the cadastral agency were not transparent in dealing with the Bank and government delayed the much-needed restructuring.
Quality of ICR:		Satisfactory	

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 ICR lists the following lessons:

- Land administration interventions tend to be long and complex, involving a heavy investment in preparation; they tend to work best when there is a programmatic approach involving a series of investment projects, possibly with supporting policy-based operations.
- High level political support and direction is essential for any project that seeks to introduce fundamental reforms (such as land privatization), and from the start project teams need to realistically assess the political economy.
- When projects prove to be unworkable it is advisable to restructure as soon as possible.
- Expert consultants are often needed to advise on the procurement of the complex mapping and information technology typically applied to land administration; the Bank may not have the necessary skills in-house.

14. Assessment Recommended? Yes No

15. Comments on Quality of ICR:

The ICR presents a clear and detailed account of project achievements and shortcomings. However, evidence presented in the section on the achievement of project development outcomes was not organized by objective as it should have been. Also, the ICR presents evidence that the government and the implementing agency performed poorly up until the final phase of implementation but this is not reflected in the proposed rating.

a. Quality of ICR Rating: Satisfactory