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The World Bank

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IMPLEMENTATION COMPLETION AND RESULTS REPORT  
(IDA-39080)

ON A

CREDIT

IN THE AMOUNT OF SDR 20.1 MILLION  
(US\$ 30.0 MILLION EQUIVALENT)

TO

REPUBLIC OF SERBIA

FOR A

REAL ESTATE CADASTRE AND REGISTRATION PROJECT

September 4, 2012

Sustainable Development Department  
Environmental and Natural Resource Management Unit  
Europe and Central Asia Region

## CURRENCY EQUIVALENTS

(Exchange Rate Effective 03/31/2012)

Currency Unit = Serbian dinars (RSD)

1.00 = US\$ 0.0120

US\$ 1.00 = 83.555

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AGROS	Active Geodetic Reference Network of Serbia
CARDS	Community Assistance for Reconstruction, Development and Stabilization, an EU instrument for financial assistance in the Western Balkans
CEM	Country Economic Memorandum
CM	Cadastre Municipality
CORS	Continuously Operating Reference Station
CPS	Country Partnership Strategy
DCA	Development Credit Agreement (legal agreement)
EC	European Commission
EPN	EUREF Permanent Network
ERR	Economic Rate of Return
EU	European Union
EUREF	International Association of Geodesy (IAG) Reference Frame Sub-Commission for Europe
FAO	Food and Agriculture Organization (of the UN)
FLOSS	Free / Libre Open Source Software
FMR	Financial Management Report
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geographic Information System
GNSS	Global Navigation Satellite System
GOS	Government of the Republic of Serbia
GPS	Global Positioning System
ICT	Information and Communications Technologies
IDP	Internally Displaced Persons
INSPIRE	Infrastructure for Spatial Information in Europe, an EU Directive
JICA	Japanese International Cooperation Agency
LAN	Local Area Network
LCO	Local Cadastre Office
M&E	Monitoring and Evaluation
MoF	Ministry of Finance (GOS)
MoJ	Ministry of Justice
MTR	Mid-Term Review

NKOSK	National Mortgage Insurance Corporation of Ministry of Finance
NSDI	National Spatial Data Infrastructure
PIP	Project Implementation Plan
PIU	Project Implementation Unit (within RGZ)
PAD	Project Appraisal Document
PAC	Public Awareness Campaign
PDO	Project Development Objective
PHRD	Japan Policy and Human Resources Development Fund
R&D	Research and Development
REC	Real Estate Cadastre
RGZ	Republic Geodetic Authority (GOS)
SOLA	Solutions for Open Land Administration of FAO
SSCR Law	Law on State Land Survey, Cadastre, and Registration of Real Estate Rights (1992)
TSS	Transitional Support Strategy for Serbia and Montenegro (World Bank)
WAN	Wide Area Network

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**SERBIA**  
**REAL ESTATE CADASTRE AND REGISTRATION PROJECT**

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**SERBIA**  
**REAL ESTATE CADASTRE AND REGISTRATION PROJECT**

**DATA SHEET**

<b>A. Basic Information</b>			
Country:	Serbia	Project Name:	Real Estate Cadastre & Registration Project (Serbia)
Project ID:	P078311	L/C/TF Number(s):	IDA-39080
ICR Date:	09/04/2012	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	GOVERNMENT OF SERBIA AND MONTENEGRO
Original Total Commitment:	XDR 20.10M	Disbursed Amount:	XDR 19.25M
Revised Amount:	XDR 20.10M		
<b>Environmental Category: C</b>			
<b>Implementing Agencies:</b> Republic Geodetic Authority			
<b>Cofinanciers and Other External Partners:</b>			

<b>B. Key Dates</b>				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	04/03/2003	Effectiveness:	11/03/2004	11/03/2004
Appraisal:	02/09/2004	Restructuring(s):		05/24/2010 08/03/2010 08/09/2011 02/01/2012 02/17/2012
Approval:	05/25/2004	Mid-term Review:	02/08/2008	02/08/2008
		Closing:	10/31/2010	03/31/2012

<b>C. Ratings Summary</b>	
<b>C.1 Performance Rating by ICR</b>	
Outcomes:	Satisfactory
Risk to Development Outcome:	Low or Negligible
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

<b>C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)</b>			
<b>Bank</b>	<b>Ratings</b>	<b>Borrower</b>	<b>Ratings</b>
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
<b>Overall Bank Performance:</b>	Satisfactory	<b>Overall Borrower Performance:</b>	Satisfactory

<b>C.3 Quality at Entry and Implementation Performance Indicators</b>			
<b>Implementation Performance</b>	<b>Indicators</b>	<b>QAG Assessments (if any)</b>	<b>Rating</b>
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	Satisfactory
DO rating before Closing/Inactive status:	Satisfactory		

<b>D. Sector and Theme Codes</b>		
	<b>Original</b>	<b>Actual</b>
<b>Sector Code (as % of total Bank financing)</b>		
General agriculture, fishing and forestry sector	30	30
Housing finance	30	30
Information technology	20	20
Law and justice	5	5
Sub-national government administration	15	15
<b>Theme Code (as % of total Bank financing)</b>		
Land administration and management	33	33
Other accountability/anti-corruption	17	17
Other urban development	17	17
Personal and property rights	33	33

<b>E. Bank Staff</b>		
<b>Positions</b>	<b>At ICR</b>	<b>At Approval</b>
Vice President:	Philippe H. Le Houerou	Shigeo Katsu
Country Director:	Jane Armitage	Orsalia Kalantzopoulos
Sector Manager:	Kulsum Ahmed	Joseph R. Goldberg
Project Team Leader:	Gavin P. Adlington	Lynn C. Holstein



ICR Team Leader:	Johannes Maria Adrianus De Jong	
ICR Primary Author:	Johannes Maria Adrianus De Jong	
	Samantha Ashley De Martino	

## F. Results Framework Analysis

### Project Development Objectives (from Project Appraisal Document)

The project seeks to increase confidence and lower transaction costs by building a more efficient property registration and cadastre system, with the purpose of contributing to the development of effective real property markets.

This will be achieved through two components: Operational Development and Support (including formation of the real estate cadastre in priority urban areas, support for secondary transaction system, focused support for the REC in Belgrade, IT systems modernization, and legal extension services); and Capacity Building and Institutional Strengthening (including public awareness campaigns, business planning, training, IT strategy, legal framework completion).

### Revised Project Development Objectives (as approved by original approving authority)

N.A.

#### (a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Increased number of transactions in land and real estate; increased proportion of mortgages.			
Value quantitative or Qualitative)	100,000 transactions, including 2.9% mortgages.	25% increase over the baseline figures.		127,403 transactions and 36,495 mortgages.
Date achieved	12/31/2003	10/31/2010		12/31/2011
Comments (incl. % achievement)	Targets achieved; 27% more transactions and 24% are mortgages (is more than 700% increase for mortgages).			
<b>Indicator 2 :</b>	Increased satisfaction of customers with the cadastre and registration services provided.			
Value quantitative or Qualitative)	62%	25% increase on the baseline figure.		25% increase.
Date achieved	04/01/2004	10/31/2010		12/31/2011
Comments (incl. % achievement)	Target achieved; 87% of customers are satisfied with registration services.			

**(b) Intermediate Outcome Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Creation of Real Estate Cadastre (REC) for 1940 sq.km. in 50 cities and towns, and for 30 cadastral municipalities (CM) in Belgrade.			
Value (quantitative or Qualitative)	0 sq.km. in cities and towns; 1 CM in Belgrade.	1,940 sq.km. in cities and towns; 37 CMs in Belgrade.		3,874 sq.km. in cities and towns; 61 CMs in Belgrade.
Date achieved	12/31/2003	10/31/2010		03/31/2012
Comments (incl. % achievement)	Target was well exceeded: by 100% in cities and towns; by 65% in Belgrade.			
<b>Indicator 2 :</b>	Time taken to register a transaction.			
Value (quantitative or Qualitative)	More than 60 days (estimate).	5 days	5 days	54% in 5 days or less; 46% between 5 and 10 days.
Date achieved	12/31/2003	10/31/2010	12/31/2011	03/31/2012
Comments (incl. % achievement)	The average time for the standard service was 7 days, which is very good by international standards and a great improvement. For the 'fast-track' service (for clients who are willing to pay more), the 5-day target was reached for all transactions.			
<b>Indicator 3 :</b>	Cadastre offices retrofitted and improved with new ICT hardware, software and infrastructure.			
Value (quantitative or Qualitative)	0 offices	52 offices		66 offices equipped with hardware and infrastructure.
Date achieved	12/31/2003	10/31/2010		03/31/2012
Comments (incl. % achievement)	The new ICT software was not implemented, due to the cancellation of the contract. The old software was improved and continues to be used.			
<b>Indicator 4 :</b>	Construct, equip and maintain Geodetic Reference Framework.			
Value (quantitative or Qualitative)	0 stations	27 stations		33 stations
Date achieved	12/31/2003	10/31/2010		12/15/2011
Comments (incl. % achievement)	All reference stations have been established and are operational. The target was exceeded by 22%.			
<b>Indicator 5 :</b>	Digital cadastre mapping.			
Value (quantitative or Qualitative)	0 hectares vectorized	103,000 ha vectorized at scale 1:500 (16,000 ha); 1:1000 (41,000	95,000 ha vectorized at scale 1:500 (8,000 ha);	1,993,318 ha vectorized at scale 1:500 (8,218 ha); 1:1000 (62,986 ha);

		ha); 1:2500 (46,000 ha).	1:1000 (41,000 ha); 1:2500 (46,000 ha).	1:2500 (1,862,114 ha).
Date achieved	12/31/2003	06/01/2004	02/08/2008	12/31/2011
Comments (incl. % achievement)	The target was exceeded by more than 600%.			
<b>Indicator 6 :</b>	Offices which provide legal extension services.			
Value (quantitative or Qualitative)	0 offices	30 offices		63 offices
Date achieved	12/31/2003	10/31/2010		12/31/2011
Comments (incl. % achievement)	RGZ now provides legal aid to clients at its own offices. The original target has been more than doubled.			
<b>Indicator 7 :</b>	Development and implementation of a strategic business plan.			
Value (quantitative or Qualitative)	No plan.	Corporate strategy and business plan approved.		Strategy and business plan for 2011 completed.
Date achieved	12/31/2003	10/31/2010		12/31/2011
Comments (incl. % achievement)	The target has been achieved.			

## G. Ratings of Project Performance in ISRs

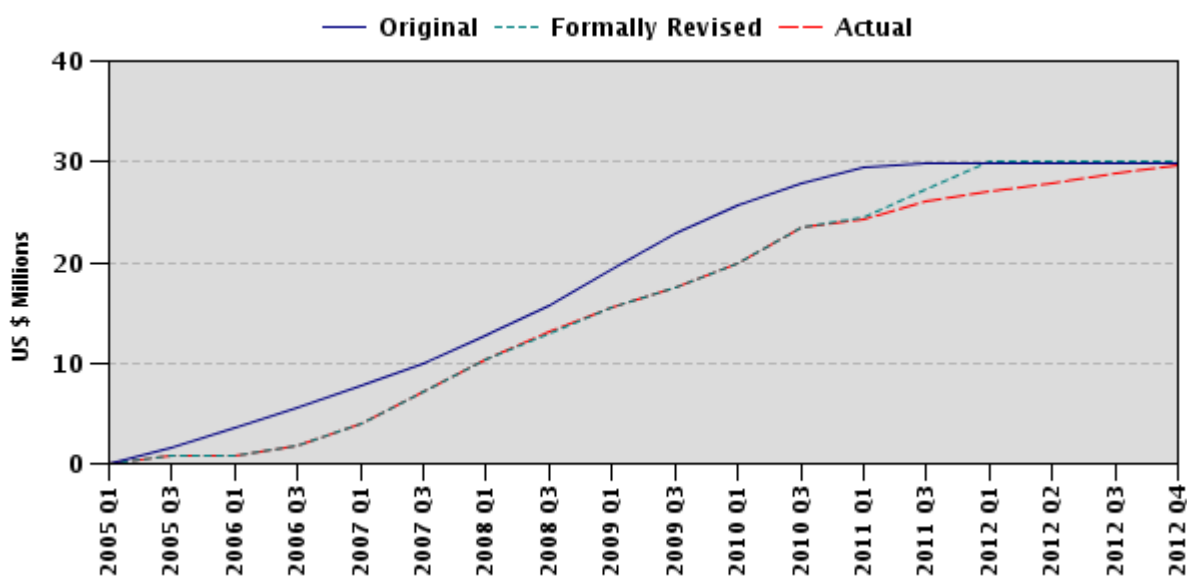
No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/17/2004	Satisfactory	Satisfactory	0.00
2	09/02/2004	Satisfactory	Satisfactory	0.00
3	01/07/2005	Satisfactory	Satisfactory	0.00
4	06/24/2005	Satisfactory	Satisfactory	0.72
5	02/15/2006	Moderately Satisfactory	Moderately Satisfactory	1.76
6	06/26/2006	Satisfactory	Satisfactory	2.11
7	08/15/2006	Satisfactory	Satisfactory	3.34
8	11/02/2006	Satisfactory	Satisfactory	4.63
9	06/15/2007	Moderately Satisfactory	Moderately Satisfactory	8.16
10	11/09/2007	Satisfactory	Satisfactory	10.45
11	02/11/2008	Satisfactory	Satisfactory	12.72
12	07/08/2008	Satisfactory	Satisfactory	14.41
13	12/14/2008	Satisfactory	Satisfactory	16.77
14	06/29/2009	Moderately Satisfactory	Moderately Satisfactory	19.25
15	10/08/2009	Satisfactory	Satisfactory	19.94
16	04/19/2010	Satisfactory	Satisfactory	23.55

17	06/30/2010	Satisfactory	Satisfactory	23.55
18	11/07/2010	Satisfactory	Satisfactory	25.24
19	05/18/2011	Satisfactory	Moderately Satisfactory	26.61
20	08/29/2011	Satisfactory	Moderately Satisfactory	27.18
21	02/22/2012	Satisfactory	Satisfactory	28.15

## H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
05/24/2010	N	S	S	23.55	Extension and reallocation of funds.
08/03/2010		S	S	24.36	Two changes to loan schedules.
08/09/2011		S	MS	27.18	Reallocation of funds, extension of closing date and approval of grace period.
02/01/2012		S	MS	28.15	Reallocation of funds.
02/17/2012		S	MS	28.15	Extension of project closure.

## I. Disbursement Profile



# 1. Project Context, Development Objectives and Design

## 1.1 Context at Appraisal

**Country context.** The turbulent recent history of Serbia, combined with nearly 60 years of socialism, left much of the country's property records and land administration system in a poor state. Over 70% of apartments were not registered in a viable registration system, land transactions in rural areas were often not legally registered, illegal building had escalated, a significant backlog had emerged in the civil courts where about 20% of cases were land or property related, property registers and cadastral maps were out-of-date or incomplete, and there was a mismatch between land parcel records in cadastre offices and those in the legal registers or "land books" maintained by municipal courts. In addition, only 20% of the country was covered by the land book system, meaning that the remainder had only a land parcel inventory system.

**Government strategy.** The Government of Serbia (GOS) recognized that an effective national property rights system was a prerequisite for economic growth and broadening economic prosperity, particularly through land and housing development, wise stewardship of natural resources, increased use of property as collateral for credit purposes, increased property tax collection and increased efficiency of real property markets. A high-level government committee headed by the prime minister was established in 2002, with a focus on real property registration, real property markets, privatization and property rights. The GOS strategy also included priority support for the creation of a Real Estate Cadastre (REC) nationwide and efforts to address illegal construction. Also in 2002, the Law on State Land Survey, Cadastre and Registration of Real Estate Rights (SSCR Law) was amended to cover many of the functions necessary for the introduction of a secure cadastre and real property registration system, and the GOS confirmed the single agency model to administer both real property registration and cadastre, which had been adopted in 1992.

**Rationale for Bank involvement.** With three basic pre-requisites for a successful program satisfied – a satisfactory law, a viable single agency, and high level government commitment – Bank support could readily contribute to improving cadastre and registration operation in Serbia, thereby speeding up the transition to a market economy in a crucial domain in which public involvement and positive externalities were important elements. The Bank had already carried out a number of land administration projects across the region and in most of the Republic of Serbia's neighboring countries. The Bank brought to the task experience gained from operational involvement in this field in Armenia, Bulgaria, Croatia, Georgia, Kazakhstan, Moldova, Romania, Russia, Slovenia and many other countries.

The Republic of Serbia had achieved good donor coordination in this area; a donor conference for land administration was convened by the GOS in 2002 and continued in 2004 with regular donor meetings for international financial support. However the Bank was able to involve other donors in ways the Borrower and other donors alone could not, by providing a framework for project interaction.

**Higher level objectives to which the project contributes.** The Transitional Support Strategy (TSS) for Serbia and Montenegro was updated and approved by the World Bank Board on March 16, 2004 (IDA / R2004-0035). The Real Estate Cadastre and Registration project was included in the TSS Update as part of the FY04 program. The proposed project would help support two of the GOS's four Near and Medium Term Reform Agenda goals as contained in the TSS: (i) stimulating near-term growth and creating the basis for a sustainable supply response; and (ii) improving governance and building effective institutions.

The TSS update identified the requirements for stimulating growth and creating the basis for a sustainable supply response, including that property rights and claims would be recognized, contracts could be enforced, and a level playing field to exist between the existing enterprise sector and the new private sector; and strengthening the legal and institutional framework for improved real property registration.

## **1.2 Original Project Development Objectives and Key Indicators**

The Project Development Objective (PDO) was to increase confidence and lower transaction costs by building a more efficient property registration and cadastre system, with the purpose of contributing to the development of effective real property markets.

To achieve this objective, the Project was to support both operational functions and improvement of the REC, as well as institutional development of the registration and cadastre authority – the Republic Geodetic Authority (RGZ). Sustainability of the integrated registration and cadastre system in RGZ and its local offices was to be achieved by supporting business process improvement and better planning of cost recovery, plus improving RGZ's out-sourcing approach, the wider use of publicity and public information campaigns, and supporting the accelerated transfer of the land book data from the courts to RGZ.

Key Indicators linked to the PDO were:

- increase in the number of transactions occurring in land and real estate, and increased volume of mortgages; and
- increased satisfaction with services provided by the registration and cadastre system.

Intermediate Operational Development results were measured by:

- percentage completion of the REC; and
- renewed RGZ offices with a modern Information and Communications Technologies (ICT) system.

Intermediate Institutional Development results were measured by:

- reduction in transaction turnaround times; and
- percentage of customers satisfied with services.

These indicators were to be measured by annual customer surveys, regular project monitoring of the RGZ offices and other means.

### **1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification**

The PDO was not revised during the Project.

### **1.4 Main Beneficiaries,**

The direct beneficiaries were to be the property owners and cadastre and real estate professionals such as surveyors and lawyers in those Cadastral Municipalities (CMs) chosen for Project support in creation of the REC. Similarly, RGZ staff in renovated offices was to benefit from working conditions. Furthermore, academic institutions, the private sector and other civil society groups were expected to benefit from the Project.

The institutional and the legal frameworks that were to be improved in the course of the Project affected all persons and entities with rights to real property throughout the whole of Serbia, and the facilitators of the real estate market in both the public and private sectors. These included the municipal authorities, urban planners, (mortgage) banks, real estate agencies, real estate appraisers, private land surveying companies and lawyers working on property cases. And of course, all prospective owners of property rights, being the general public.

### **1.5 Original Components**

The Project was composed of two components, both aimed at increasing the efficiency of the registration and cadastre system:

#### **Component 1: Operational Development and Support**

The objective of the Operational Development and Support component was to support RGZ to speed-up the completion of the REC and to deliver quality services throughout the whole country. The Project supported RGZ to complete the REC in an accelerated time frame in the priority urban and related rural areas, and further develop the ongoing or “maintenance” registration system for registering transactions (such as sales and mortgages), focusing on improving customer service. The improvements to ICT, strengthening of secondary transactions and improvements to the control network were expected to benefit all RGZ offices and therefore all Serbian real property owners. The legal extension subcomponent targeted the poor and otherwise disadvantaged groups and real property owners.

Specific tasks (subcomponents) undertaken included:

- control network improvements, including support for the continuous operating network of Global Positioning System (GPS) stations;
- digital cadastre mapping (up-dating and conversion; renewal);
- REC formation involving data collection, delimitation, adjudication, survey and registration;
- focused support for REC creation in Belgrade;

- strengthening of the secondary transaction system (REC maintenance), especially the registration of sales, mortgages, subdivisions - including facilities improvements (office building and renovations, and office equipment);
- information and communications technology (ICT) systems modernization for REC; and
- provision of legal extension services for low-income property owners.

### **Component 2 Capacity Building and Institutional Strengthening.**

The objective of the Capacity Building and Institutional Strengthening component was to provide institutional development, capacity building and project management for RGZ. While RGZ staff appeared to be the direct beneficiaries of this component, the improvements to business processes, legal framework and customer service were expected to benefit all those who used the registration and cadastre system.

Specific tasks (subcomponents) undertaken included:

- legal framework completion;
- research and development, strategy and business plan development and implementation, including a cost recovery strategy, and business process improvements;
- ICT strategy development and implementation;
- customer publicity and information campaigns, including outreach to real estate market professionals (real estate agents, bankers, lawyers, etc.);
- training and human resource development;
- project management for both headquarters and regional offices; and
- monitoring and evaluation, customer surveys and special studies.

### **1.6 Revised Components**

The components were not revised during the Project.

### **1.7 Other significant changes**

**The State Union of Serbia and Montenegro** was dissolved on June 5, 2006. The Republic of Serbia took over all obligations of the Project on the same date. Since the original goals of the Project set out in the PAD were destined only for Serbia, the dissolution had no effect on the Project. The new Constitution adopted on November 8, 2006 did not affect the Project.

**REC targets adjusted.** REC creation under the Project was executed for more CMs than designed in the PAD. The original target was set at 91 CMs, and adjusted to 225 CMs during the Project. Due to delays in obtaining land book data in the urban areas from the courts, the commissions responsible for creation of the REC moved to peri-urban areas that were not covered by the land books and that could be completed much more quickly. When all basic data from the land books became available in 2009, the commissions were able to return to the urban areas and finish creating the REC, using both Project and RGZ funds. Completion was made possible by a short extension of the closing date of the Project.



In May 2010, an **amendment** was made to the dates set in the Project Appraisal Document (PAD) for reducing the time to register a transfer of real property. The dates were extended by one year to ‘ten days by the end of 2010 and five days by the end of 2011’. This extension was a result of delays and then ultimately the cancellation of the development of an integrated ICT system, as well as problems encountered by delays in the municipal courts handing over the land books to RGZ, causing a delay in the creation of the REC.

A **second amendment** in May 2011 waived a requirement to establish RGZ as an executive agency within the lifetime of the Project. The executive status was intended to enable RGZ to work as an agency with financial and managerial independence from central government. In its Five-Year Strategic Business and Annual Business Plan dated March 2010, RGZ concluded that the initial expectations for becoming self-financing and creating an executive agency could not be met within the time frame of the Project. In the same period the Serbian real estate market had been heavily hit in the financial crisis, with a substantial reduction nationwide in sales and mortgages, greatly reducing the fees collected by RGZ and thus its potential source of income.

**Time extensions.** The closing date of the Project was extended three times throughout its execution, from October 31, 2010 as stated in the Development Credit Agreement (DCA), to March 31, 2012. These extensions were due to the need for additional time to finalize the REC creation and the availability of extra funds due to cancellation of the ICT contract. Extreme weather due to heavy snow hampered delivery of goods in the final month of execution of the Project, requiring the third extension.

## **2. Key Factors Affecting Implementation and Outcomes**

### **2.1 Project Preparation, Design and Quality at Entry**

**Soundness of background analysis.** The Project was prepared by a large and experienced team of experts, using the Japan Policy and Human Resources Development (PHRD) Fund. RGZ had the vision for the development of a land administration system but needed the expertise and support from the Bank. Good technical assistance, utilizing the PHRD grant, was considered necessary, partly due to the lateness in development of the registration and cadastre system in Serbia compared to neighboring countries. The lessons learned there could be applied to Serbia.

The preparation under PHRD funding was thorough and formed the basis for the execution of the Project. Support was provided in the areas of ICT, capacity building, digitizing of cadastre maps, the legal framework, business practices to improve customer services, improvement of REC services, human resources development and monitoring and evaluation. PHRD funds also supported development of an ICT strategy, a land market study, a strategic business plan, a social assessment and customer survey, and an assessment of the real property market. At initial project preparation, US\$ 9 million IDA funding was available. During the two months before appraisal, an additional US\$ 21 million became available for the Project, determining the final funds for the Project at US\$ 30 million. Despite the short notice, , the expert team was able to adapt the project implementation plan prior to appraisal.

**Parallel funding.** Much work was done by both RGZ and the Bank to bring in other donors. After the donor conference for land administration in 2002 and the subsequent regular donor meetings, the Bank's additional funds proved to be an extra leverage for other donors to provide funds for land administration development. Assistance was given at the start of the Project by Sweden, Norway, Germany and the European Commission (EC), for well-defined and independently manageable activities that supported components of the Project. This was coordinated well by RGZ through the Project Implementation Unit (PIU). Funds made available by Norway and Sweden for digitizing and training made it possible to reassign the Bank's funds to other components, such as an increased area for REC creation. At the time that the Project started, more than 40% of Serbia had already been covered by REC, primarily in rural areas. With Bank funding, the Project was able to accelerate the creation of the REC, particularly in the more difficult and time-consuming urban areas.

**Risk assessment.** Overall Project risk was assessed as *Moderate* at appraisal, with two elements to be *Substantial*. The first risk was related directly to the PDO and concerned the SSCR law being reversed to allow the courts to continue with registration; thus creating dual agencies for registration and cadastre. This risk was mitigated by improving the service standards and REC coverage throughout the Project, and in 2009 the single agency model was endorsed by the SSCR law, thus eliminating the risk identified at appraisal. The second substantial risk related to the implementation of the ICT system, with lessons learned in projects in other countries showing that this would be difficult to implement fully. This risk did materialize and at the end of the Project there was no system for the integration of both alphanumeric and graphical data in a single database due to cancellation of the software development contract. Overall the risk assessment at appraisal proved to be accurate.

## 2.2 Implementation

**Real Estate Cadastre.** A major goal of the Project was to further extend the REC, particularly to urban areas, so as to develop the real estate market by ensuring legal security for the property owners and other holders of rights. This was done using both accelerated and standard procedures, depending on the reliability of the registration data obtained from either the land books or the land parcel inventory system. The accelerated procedure required only a notice of registration to the formal owner, with right to appeal, while the standard procedure required publication in the public media to verify claims on property. As soon as it gained experience, RGZ realized that the objective of 89 CMs set out in the PAD was easily within reach, and it extended the target to 225 CMs in urban and peri-urban areas when handing over of the land books by the municipal courts was delayed. This took place only in 2009. Outside the scope of the Project, RGZ was developing the REC in rural regions and it was nearly completed (99.4%) for the whole country by closure of the Project.

**Development Objectives.** The Mid Term Review (MTR) at the beginning of 2008 showed that RGZ was speeding up registration and improving the quality of data and services. There was much progress in the development of a new Law on State Surveying and Real Estate Cadastre, which was adopted in 2009, and that would replace the SSCR Law. The new draft law stipulated numerous improvements, leading towards faster and more efficient rights registration within the REC, together with adequate resolution to various business procedures of RGZ, including expansion of its range of duties. The real property market was becoming more active, requiring

RGZ to anticipate future demands. The mortgage market was also developing strongly, caused in part by the establishment of the National Mortgage Insurance Corporation (NKOSK) under the Ministry of Finance (MoF), an incentive of the GOS to stimulate mortgages for families with low incomes.

**The institutional arrangements** had been agreed upon in the DCA and the Project Council was established 1½ years after the start of the Project. The Council was a high-level, inter-ministerial committee with a mandate to ensure coordination and communication among the involved ministries, with representation of the Ministry of Capital Investments, Ministry of International Economic Relations and the Ministry of Finance. The MTR noted reduced commitment of the Council until the appointment of the incumbent RGZ Director, but once re-established in 2009, the Council proved to be very beneficial to the advance of the Project. An Advisory Expert Group (user council) with representation of stakeholders and universities was intended to be established but apart from two user workshops, the Group was never formally set up. This was a missed opportunity and cooperation with the real estate market professionals would have further assisted RGZ in developing responses to user demands within the Project.

In 2008, the influence of the world-wide financial crisis was being felt in Serbia, and the growing real estate market was plummeting. The number of transactions registered fell by 15% and the mortgages by 33%, thereby also reducing the fees collected by RGZ. As noted, this was a major reason for postponing RGZ's plans for the executive agency status. The real estate market is now growing again and there had been good growth in 2011 and 2012.

**Software development.** The contract for software development for the integration of alphanumerical and graphical data into one database was awarded and began in 2008. The Bank had noted that 13 months was a short time frame for development, testing and integration of the data, and training of RGZ staff. A number of events took place which affected the client's trust in the successful execution of the contract:

- the contractor's project manager was changed directly after contract award after agreement by the client;
- severe delays in finalizing the Project Plan and the Business Analysis containing functional specifications and the data model resulted in the first extension of the contract;
- contractor's request to remove essential modules, to add additional functionality at high costs and to replace the software environment for the graphical component;
- postponement of delivery of the software in various stages of its development, making it impossible to be used by RGZ for testing of the data.

Communications and trust were restored only temporarily when the contractor took internal measures after receiving the client's Notice of Supplier's Default. However, when the graphical component proved not to meet the contractual requirements, the client initiated the first discussions to terminate the contract. Despite several attempts by client and contractor, with the Bank's mediation using expertise of independent consultants, RGZ terminated the contract three years after its signing.

Although a disappointment to the Project, the cancellation of the contract did not substantially influence the PDO goals. The envisaged ICT system was to allow registration in a centralized

database, thereby increasing the speed of registration of property transfers and mortgages, facilitating workflow management and making data analysis easier. Existing software and systems were improved and hardware and software licenses supplied, but this was not as good as implementing the new system with integrated alphanumeric and graphical components. Consequently, RGZ has made a new ICT strategy for the development of the required software.

**AGROS.** International recognition of a very successful implementation of the AGROS<sup>1</sup> Continuously Operating Reference Station (CORS) Network of Serbia was demonstrated by RGZ being appointed as the Local Analysis Centre with responsibility to control 42 regional stations in the European network. Commendably, RGZ has continued to improve its CORS network and services by incorporating the existing private sector CORS and control centre on the basis of an agreement for shared use of the CORS infrastructure and sharing out the user fees for the CORS services.

**Scanning of data.** A major achievement of RGZ was the establishment of a center for scanning maps and paper archives, including the land books. Norwegian funding enabled RGZ to set up a permanent facility for creating a digital archive, replacing the paper archives located at its local offices. The Project funded the renovation of the space in the building for the digital archive.

**Customer satisfaction.** The results of the third customer satisfaction survey in the last year of the Project ranked RGZ third among the most trustworthy institutions in the country, immediately after the church and the police. The survey provided a valuable input on how to address both short-term and long-term operational issues that RGZ still had to address, and included a broad spectrum of issues requiring policy formulation by government. A general complaint by the public was that the REC registration was too complicated, despite the attempt by the 2009 Law on State Cadastre and REC to simplify procedures. Other areas for improvement, based on the survey findings, were RGZ's communication program to regularly update the progress of key RGZ activities to the stakeholders; monitoring of public perception of RGZ activities; and managing expectations in relation to benefits from land administration.

**Training.** The execution of the Project's training plan was very successful, with more than 8,000 training days provided to staff in areas such as system administration, business and graphical applications, human resource management, establishment and maintenance of the REC, geographic information system (GIS) and implementation of new laws. Training was conducted primarily in RGZ's own training center at its head office, which was refurbished and equipped using Project funds. Study tours to Scotland, the Netherlands, Norway and Sweden helped senior RGZ managers and staff to broaden their perspectives. Findings and observations of the study tours proved to be highly valuable, directly feeding into the design and implementation of land administration activities. RGZ was also very successful in utilizing the training programs offered by other donors. Further, the Project supported the First Serbian Geodetic Congress, held in December 2011 and organized by RGZ, marking 175 years of the surveying profession in Serbia. More than 400 participants from 23 countries attended the congress.

**Risk.** The Project was never at risk throughout its life cycle.

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<sup>1</sup> Active Geodetic Reference Network of Serbia

### **2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization**

**Design.** A customer satisfaction survey and a social assessment were carried out in the preparation phase using PHRD funds; the Bank supported a land market study. The results provided baseline data on the real estate market, social conditions in the housing sector and the quality of services. RGZ already had in-house capacity for input and output reporting and regularly did so. An M&E plan was developed and extra training in M&E was built into the capacity building component of the Project.

**Implementation.** In the beginning of the Project, RGZ perceived that M&E reporting was set up to satisfy the conditions of the Bank, noting only the internal progress of the Project through quarterly tables with indicators in relation to the PDO. Standard forms had been developed containing fields which were difficult to understand and irrelevant to the real estate market. The Bank was adamant in collecting and maintaining the baseline data to show the progress of the Project and the impact on the real estate market for the whole of Serbia.

During a Bank mission in the second year of the Project, meetings were held with RGZ staff and stakeholders to assess the effects of the Project on the daily activities of real estate agents, lawyers, banks, developers and other real estate professionals. All representatives interviewed demonstrated a positive attitude to the Project and were satisfied with the results that RGZ was making. These results were a good incentive for RGZ to improve M&E reporting.

Two independent customer satisfaction surveys were conducted in 2008 and 2011, and they gave information on the perception of the general public and the professional players of the real estate market. M&E reporting continued to improve significantly throughout the Project, and with the appointment of a full-time M&E officer in 2009, RGZ was fully committed to collecting the required data for both external and internal analysis. Although initial ownership of the M&E system was weak and early reports were poor, the results matrix and reporting was greatly improved and deemed adequate for most of the project implementation period.

A land market study was prepared during the last month of the Project to report on the status of the market and the satisfaction of the professional customers at completion of the Project. The study noted that there is more clarity in the legal framework on the registration of property, making for faster procedures and improved quality. The market players also recognize that the speed of registration will be increased in the future once the REC has been fully created.

**Utilization.** Besides monitoring its internal activities, by the end of the Project, RGZ was providing online data for both government and the private sector on the real estate market. The Bank is confident that RGZ will continue to provide the market with transparent data, such as numbers of transactions and mortgages, and customer satisfaction rating. In the future, RGZ can extend this service by providing, for example, geo-located selling prices, gender and age of buyers (subject to privacy laws), and other data relevant to the real estate market. RGZ can learn from registration and cadastre organizations in other countries on data collection and dissemination to the society.

## 2.4 Safeguard and Fiduciary Compliance

The Project's compliance with the Bank's **safeguards policies** were reviewed at entry to ensure that all potential issues had been taken into account in the Project's design. It was concluded that only the Environmental Assessment safeguard policies were triggered by the Project. Although not required, the Bank carried out a social assessment to determine the extent of illegal buildings and the influence of the Internally Displaced Persons (IDPs) on the proposed project. These problems were considered significant; however, the decision was taken to continue with the Project since a registration and cadastre system is a basic piece of administrative infrastructure for legalization of such buildings and housing of IDPs. The resolution of the illegal buildings issue was not part of the Project design.

The **environmental category rating** was C, and no assessment was required. Part of the REC creation was dedicated to improving customer service. Renovation and refurbishment of a number of existing local cadastre offices (LCOs) was carried out and two new structures were built. Although it was not required, the Bank's environmental specialist did conduct an assessment in April 2009 and concluded that all the civil works financed under the Project were environmentally safe and in compliance with local legislation and standards. Other than construction and renovation of office space, the Project did not support other civil works, land conversion, resource extraction or any activities that could potentially damage the environment.

The **procurement** activities under the Project were rated as Satisfactory. The PIU had gradually gained experience during the execution of the Project and effectively managed more than 700 individual contracts. From the RGZ side however, contract management was not always its strong side. This is demonstrated, for example, by RGZ not always responding timely in writing to contract obligations and by often changing procurement plans.

**Financial management** of the project by the PIU was satisfactory. The Project used a suitable, automated accounting system, had well qualified staff, and prepared accounts and reports in a satisfactory manner. The PIU needed to work hard to maintain quality accounts because it was difficult for them to identify RGZ counterpart transactions relating to the Project and to verify those transactions in the reports provided by the central Treasury system. This could have been improved by clearer identification of counterpart transactions in the Treasury accounting system by establishing a sub-account for RGZ counterpart payments. The project financial statements audits were essential considering the complex relationship between the Project, RGZ and the Treasury, and the audit reports did not identify any major issues. Initially, a limited scope entity audit of RGZ (more precisely the audits of a number of regional centers each year) was also required. However, the conclusion was that such audits did not add sufficient value to warrant the costs, and the entity audit requirement was permanently waived starting 2009.

## 2.5 Post-completion Operation/Next Phase

**ICT renewal.** RGZ have adequate ongoing ICT infrastructure, but must give attention to renewing its ICT system, integrating both the alpha-numerical and the graphical data into a unified and centralized information system. A new strategy has been developed, which takes into account the ever-changing pace of software and hardware development. The current strategy includes the use of open-source software (which was not an option in the early years of the

project). This is cheaper to procure, but will require more ICT expertise at RGZ to implement and maintain the software. Support may be given by external companies in this respect, but a thorough knowledge by dedicated staff needs to be present within the organization to manage such a system.

**Cost recovery and independent status.** As noted, the obligation to implement the executive agency structure including full cost recovery was waived during the Project. The real estate market had been heavily hit by the economic recession, reducing the number of registrations of transactions and mortgages as the primary potential source of income of RGZ. The Business Plan adopted in 2010 reasoned that a self-supporting independent status was viable only in 2013, and RGZ prepared scenarios in this timeframe. The project was restructured in 2010 to amend the loan covenant and results framework to take this into account.

During the last year of the Project, the GOS made a proposal for a new project on the management of land resources based on REC data, covering a number of issues that still need to be addressed, but were not included in the project design. This includes proposals to deal with informal developments, fragmented land parcels in rural areas, condominium rights and associations and conversion of land still held in State ownership to the current users of that land.

### **3. Assessment of Outcomes**

#### **3.1 Relevance of Objectives, Design and Implementation**

Improving land administration through a reliable and efficient registration and cadastre system was a high priority for the GOS well before the start of the Project and remains so at completion. Before the Project started, a substantial part of the country had already been recorded in a unified cadastral registration system (the REC), and the support of the Bank for the Project was the push which RGZ needed to develop the REC further. The CPS 2004-2007 was built on three pillars – create a smaller, more sustainable, more efficient public sector; create a larger, more dynamic private sector; and reduce poverty levels and improve social protection and access to public services. The Project has firmly supported these pillars, improving RGZ’s operations and resources, providing transparency for an efficient real estate market for use by both the public and private sectors, and improving protection of property rights.

The Project continued to build on the priorities identified by the GOS in the CPS 2008-2011: encouraging dynamic private sector led growth to ensure incomes to converge with European levels; providing opportunities and broadening participation in growth; and managing emerging environmental and disaster risks. The development of a National Spatial Data Infrastructure (NSDI) in the context of the European Union’s (EU) INSPIRE initiative has progressed well and this will further stimulate cooperation and coordination in all aspects of land management.

#### **3.2 Achievement of Project Development Objectives**

The Project did indeed contribute to the development of an effective real property market. To do this, the Project was to increase confidence and lower transaction costs, by building an efficient property registration and cadastre system.

**Increasing confidence.** This was achieved by accelerating the property registration process through improvements and support to the operations to create the REC. By completion of the Project, the REC had been created for nearly the whole country, which was an enormous feat considering the challenges at the start of the Project. The stakeholder workshop held at completion of the Project concluded that the REC was a valuable asset to the real property market, and welcomed dialogue between the public and private sectors; thus setting a footprint for further cooperation. As previously stated RGZ is now considered the third most trustworthy national institution behind the church and the police.

**Lowering transaction costs.** These costs are described under 3.3 Efficiency, and more detailed in the Economic and Financial Analysis (Annex 3). Reduction in time to register and greater volumes being processed without increasing staff numbers has effectively lowered transaction costs to the government and the public. The transaction cost in terms of fees to the individual are not lower than at the beginning of the Project, but the savings in: time to register and associated reduction in delays in accessing property or mortgage financing; reduced numbers of visits to the office; and ease of registering are significant. The detailed calculations for the ERR and other analyses are provided in more detail in Annex 3.

**Building an efficient property registration and cadastre system.** The Project supported both operational functions as well as institutional development for RGZ. Creation of the REC involved data collection, delimitation of boundaries through surveying, comparison of the records of land books and land cadastre, adjudication and registration. The geodetic reference system was improved, a digital cadastral mapping unit was set up for updating and converting paper maps, the maintenance registration system was strengthened for the registration of sales, mortgages and subdivisions, and legal services were provided for low-income property owners. The institutional framework was strengthened by customer publicity and information campaigns to both the general public and professional groups such as real estate agents, lawyers and banks. Further, there was substantial support for training and developing human resources, monitoring and evaluation, customer surveys and project management. A large number of RGZ offices were also renovated or newly constructed, and supplied with modern equipment.

The cancellation of the software development contract hampered the implementation of a centralized ICT system, but minimally affected achieving the PDO and meeting the targets for the key indicators. The processing time for registering transactions was improved drastically but the five-day target was not achieved for all offices. At project completion, RGZ was developing a strategic plan for the development of a unified, centralized information system, including workflow management procedures. Much of the ICT infrastructure, which was provided by the Project, is already in place.

In relation to the **key indicators**, the following results were achieved:

- increase in the number of transactions occurring in land and real estate by 27%, and nine-fold increase in the number of mortgages; and
- 35% increase in satisfaction with services provided by the registry and cadastre system.



Intermediate Operational Development results were:

- 99.4% completion of the REC; and
- 39 renewed or newly constructed LCOs with modern ICT equipment.

Intermediate Institutional Development results were:

- reduction in transaction turnaround times from 186 days to 7 days (average); and
- 87% of customers satisfied with service.

These results were generally higher than the PDO goals set out at the start of the Project. The figures for the transaction turnaround times can be confusing. Doing Business 2005 reported that it took 186 days to register a property in 2005 and this improved to 5 days by the time Doing Business 2012 was published. In fact, the 5 days is for those willing to pay an additional fee and the average is 7 days. Doing Business assesses the time to register from the parties agreeing the transaction and therefore includes the time for drawing up documents and paying fees before the property gets to the registry office. It was estimated in 2005 that it took over 60 days just for the registry office work. The improvements are dramatic, whichever base line data is used.

### **3.3 Efficiency**

The Project was developed to improve the REC and registration services in order to alleviate the major constraints on the development of real estate markets in Serbia. Benefits to both individuals and Serbian society were measured in facilitated real estate transactions consisting of property sales and leases, accelerated access to building land and land acquisitions for builders and developers, and enhanced procedures for the privatization of State-owned assets that occupy land. Another facet of the Project was the anticipated reduced per unit cost of service delivery to clients.

Transactions, measured as applications for change of ownership by RGZ, have increased dramatically since the Project's inception; the total number of transactions in 2005 was 290,309. After a small dip due to the financial crisis, the annual number of transactions was still 28% higher at 370,947 by the end of 2010. The number of sale transactions as recorded by the GOS Tax Authority increased over 8% from 128,936 in 2005 to 140,874 by 2011. Mortgages have also greatly increased during the Project's lifetime. The number of mortgages registered at RGZ in 2005 was 8,664, while in 2010 it was 259% greater at 31,125, and in 2011 it was 373% greater at 40,941 (please refer to Annex 3 for all graphs).

It should be noted that the rate of growth of the real estate market before the financial crisis was steadily increasing from 10% in 2006 to another 15% in 2007 in terms of transactions recorded by the Tax Authority. The rate of growth of mortgage transactions fell from 118% to a still respectable 38% increase in the same time period. However, the crisis had devastating effects on economies throughout the world and Serbia was no exception; transactions as recorded by the Tax Authority declined at the rate of 2% but mortgages declined at the rate of 25%. Transactions are still on the decline, suffering a drop of 13.6% when comparing 2011 to 2008, but recovery was quick in the mortgage market: mortgages were growing fast at 25% in 2010 and 32% in

2011. With the measures taken by the GOS in stimulating home ownership for the lower income bracket by the National Mortgage Insurance Bank NKOSK (please refer to Annex 3 for details), there may be even faster rates of growth in the next few years.

RGZ has increased its efficiency in registering transactions. Most registrations were still being done by the Land Book offices in 2005 because the bulk of the systematic creation of the REC for urban areas was not completed. For RGZ, in 2005, the time needed to register was 27 days for a sale transaction and 13 days for a mortgage. By 2010, it took 23 days to register a sale transaction and nine days to register a mortgage. By the end of 2011, 54% of the transactions were registered in five days or less, and the rest were completed within ten days, averaging a little more than seven days country-wide. A fast-track five-day service is available for clients prepared to pay double fees for registration. It takes less than eight days to register a mortgage in all LCOs. The implementation of a unified and centralized ICT system, once developed, will further reduce the time to an estimated five days or fewer for all LCOs. It is commendable that RGZ have not only increased the efficiency of their services, but have done so at a time that they had to take over all the registration work in urban areas from the Land Book offices.

However, the cost of service delivery to clients in terms of fees has not improved. Costs to register a transaction and mortgage in 2005 were 3615.90 dinar (US\$ 42.55) and 6026.50 dinar (US\$ 70.92), respectively. By 2011, the costs to register a transaction and mortgage increased to 6,872 dinar (US\$ 80.87) and to 0.2% of the value secured by the mortgage, respectively, due to high inflation in local currency and euro-denominated fees. Although these figures are still low by international standards, further efficiency improvements can still be made to bring the costs down.

Accelerated access for builders and developers on land and privatization of State-owned land are two issues that are still not resolved. However, these issues were not under the direct mandate of RGZ during the Project, and they were not part of the Project design. The 2009 Law on State Survey and REC identifies a large expanse of new activities under RGZ's mandate, including property valuation, utilities cadastre, address registry, land use cadastre and land consolidation. These activities should improve the current situation; however it will take a concerted effort.

The indicative economic rate of return (ERR) adopted from the approach used in the PAD is based on an estimation of the expected impact on the overall land markets as a result of the improvements made to the public services provided by RGZ, particularly regarding title security and efficiency in market transactions. These improvements were measured by the increased *number of transactions* as well as the *average property prices*, compared to baseline estimates without the Project, the product of which would determine the total market value. In this context, the average property price is a weighted measure for a property pool consisting of houses, apartments and enterprises.

The PAD estimated an ERR of 30%. The current ERR based on actual ex-post project data is 128%. The key parameter driving this analysis is the number of REC folios to be completed under the Project, which was estimated at 596,000 for the project life. However, the number actually completed under the Project was 964,642, which was 162% above the project target as assumed by the PAD, and this fundamentally changed all of the assumptions thereafter in the

model created for the PAD. Also, the number of transactions expected to be completed per year with the Project was only 26,322 for 2011. Actual transactions in Serbia far exceeded these expectations, reaching 140,874 in 2011. This in turn greatly increased the market turnover rates to more than 13% in 2011. Therefore, the ERR greatly exceeded the PAD's assumptions. To control for the fact that not all of this growth can be attributed to the Project, the incremental net benefits to transacting parties have been reduced to only 5% of market turnover as opposed to 20% of market turnover, as assumed in the PAD, and then only 70% of this was attributed to the World Bank investment as only that is the portion of total project costs covered by the Bank loan with the remainder provided by the GOS and parallel financing from Norway. At a discount rate of 10%, the net present value of economic benefits directly attributable to the Project was estimated to equal US\$ 90 million in the PAD, three times greater than the amount of funds invested. Today, the net present value of economic benefits attributable to the Project equal US\$ 178.83 million, which is nearly double the original target. Please refer to Annex 3 for the model.

### **3.4 Justification of Overall Outcome Rating**

Rating: Satisfactory

Both RGZ and the Bank were optimistic in the goals set out at the start of the Project. Although the creation of the REC was already well underway, the Project gave the necessary impetus to finish it, particularly in the urban areas. In most of the PDO goals, RGZ performed well, and the key indicators showed that the end results were often higher than the targets set. Great improvements were made in the quality of services provided for registering property transactions.

During the development of the Continuously Operating Reference Stations (CORS), RGZ cooperated with the private sector, sharing a joint geodetic reference infrastructure with more stations established at completion than planned, giving more stability to the network. The joint network is functioning well and Serbia has received high international recognition, being appointed as the Local Analysis Center in the region. The target for digital cadastre mapping was also well exceeded.

In its results matrix on current operational projects in Serbia, the CPS 2012-2015 concluded that the real estate cadastre and registration was functioning relatively well, and that notable progress had been made in the creation of a more efficient property market through improvements in both registration and financing. The availability of secure land titles, it noted, was already having a substantial effect on the use of mortgage backed financing. The Bank was instrumental in achieving these positive outcomes through its support and the Project is considered to be very successful.

The latest World Bank Doing Business indicators show that Serbia has improved in terms of registering property from the 98<sup>th</sup> to 39<sup>th</sup> ranking globally. This was due to the reduced time needed to complete registration, from 91 days in 2010 to five days in 2012, using the fast-track option. The five-day option for all transactions would have been feasible if the ICT software had been developed and implemented. At completion, 54% of all offices recorded transaction times of five days or fewer, the rest between six and ten days.

Despite the set-back with the cancelled ICT software contract, the overall outcome rating of the Project is satisfactory. The real estate market is facilitated by the REC throughout the whole country and registration turn-around times have greatly improved, and these achievements override the delayed unified ICT system. RGZ has developed a strategic plan and is giving priority to its development and implementation, so further improvements can soon be expected, thereby increasing efficiency and reducing the cost of registering property.

### **3.5 Overarching Themes, Other Outcomes and Impacts**

#### **(a) Poverty Impacts, Gender Aspects, and Social Development**

The social assessment and a special study on minority and gender issues pointed out a number of social issues relevant to the Project. These issues included ethnic diversity concentrated in specific regions; Roma people, the majority of which live in poor settlements; and gender. The PAD noted that the position of ethnic minorities was no different from that of the majority Serb population with regard to property issues. The PAD also made a provision of legal extension services for low-income property owners; RGZ provided assistance in the registration process for everyone who asked for it, and gave free legal support to persons who were not able to pay for it. Gender issues were addressed in the social and customer satisfaction surveys, but no positive action was included in the project to improve the balance of registered owners between men and women. The reports concluded that there is no legal discrimination and spouses are protected in law even if they are not registered, but traditionally it is far more likely that the male partner will be registered as the owner.

#### **(b) Institutional Change/Strengthening**

With the constrained real estate market in the 1980s and 1990s, RGZ had ceased to function at optimal level. However, throughout the Project, RGZ has developed itself from a reactive to a proactive government institution. The 2009 Law on State Survey and REC identifies a number of new duties to be carried out by the agency, and RGZ is ambitious in including these duties into its daily business. Besides the REC, RGZ is already carrying out or anticipating responsibility for property valuation, utilities cadastre, address registry, land use cadastre and land consolidation. It is also taking a leading role in NSDI, and is researching the introduction of a three dimensional (3D) cadastre. This demonstrates that RGZ is seriously expanding its responsibilities to related fields.

Serbia still has many challenges and RGZ can play an important role in land administration related issues. This will require both the expertise and good judgment of RGZ for the successful implementation and efficiency of land management in general, thereby confirming the role of RGZ in this broad field.

#### **(c) Other Unintended Outcomes and Impacts (positive or negative)**

The completion of the REC at finalization of the Project was an enormous achievement, and RGZ did far more than was anticipated when the Project started. The impact of creating the REC has been very beneficial to the real estate market; and buying and selling with financial support of mortgages had become common practice, as seen in the statistics on real estate. The development of AGROS in combination with the private sector, including the role of RGZ as regional coordinator of satellite data for accurate surveying, has been internationally recognized.

RGZ are an ambitious organization and are willing to accept responsibility of land management issues, basic mapping needs, etc. This does have a downside however. The key task of maintaining the registration and cadastre system needs to continue to be at the forefront so that legal security in real property is maintained, thereby continuing to facilitate the real estate market in registering transfers and mortgages. It is important for RGZ to focus on this key task, also keeping in mind that this will be the basic source of income for the agency as an independent public body in the near future.

### **3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops**

A quick assessment of the real estate market was carried out at completion of the Project, with interviews with the beneficiary and stakeholders on the effects of the Project on the real estate market and the contribution of RGZ to the registration process. Customer satisfaction surveys were also carried out towards the end of the project. The studies noted that there is more clarity in the legal framework on the registration of property, making for faster procedures and improved quality. The market players also recognized that the speed and ease of registration were greatly improved and the quality of services had improved. Improved office facilities made it much more reassuring and simple to go through the process of registration, and there is confidence that greater efficiencies will be achieved once the REC records are fully automated and available on-line. (This is the next phase of work that RGZ are planning).

A stakeholder workshop was held at completion of the Project, attended by facilitators of the real estate market and universities. Points raised were the need for online publication of prices of services and increased involvement of private surveyors. Moreover, RGZ should show more presence at relevant business forums. The workshop concluded that the REC was a valuable asset to the real estate market.

## **4. Assessment of Risk to Development Outcome**

Rating: Low

A number of risks were defined in the PAD although none ranked as High Risk. The reversal of the SSCR law was identified as a substantial risk, which would have resulted in a dual agency responsibility for cadastre and land registration. A substantial risk was also identified for the full implementation of the ICT system.

Legal changes in support of the single agency model for the REC had already reduced the institutional risks at the start of the Project. The legal framework was further strengthened during the Project, and the new SSCR law was passed in 2009. Together with the handing over to RGZ of the land books by the municipal courts in the same year, this eliminated the threat of reversing the earlier SSCR law, which would allow the courts to continue with property registration. This would have eliminated the unified system.

The ICT system was not fully implemented at completion of the Project, due to the cancellation of the contract for software development. The hardware and infrastructure however are completely in place, and RGZ is taking all possible steps to develop and implement the required

software. With the knowledge acquired during the Project and the ICT Strategic Plan prepared at the end of the Project, there is every confidence that it will be successful in this endeavor.

The PAD identified a number of modest risks and corresponding risk mitigation measures. At completion of the Project, the REC had nationwide coverage and the beneficiaries were generally satisfied with how RGZ was registering property and transactions, thus practically eliminating the reputational and political risk to the government; it was clear from the start of the Project that the primary role of RGZ was to establish the REC. Illegal constructions, privatization, restitution and land consolidation still remain significant issues for the country and these exerted pressure on the Project. Although these issues were not included in the Project, a sound registration and cadastre system is an essential infrastructure for addressing them.

A new risk has arisen from the success of the Project and RGZ in creating the REC. This has resulted in a large increase in the number of cases that need to be processed by the LCOs – most transactions with urban land had previously been registered at the municipal courts using the land books system. Now, however, all transactions come to the LCOs for registration. In the main urban areas, this has resulted in significant pressure on staff and facilities, particularly in some of the Belgrade LCOs, caused additionally by the increase in the number of registrations. RGZ are looking at how to expand premises and increase staff numbers in order to avoid the risk that backlogs will begin to emerge. RGZ is fully aware of this risk and has taken a variety of steps to address it, although cooperation of municipal authorities to provide additional space is probably required.

## **5. Assessment of Bank and Borrower Performance**

### **5.1 Bank Performance**

#### **(a) Bank Performance in Ensuring Quality at Entry**

Rating: Satisfactory

The Bank team was well experienced and knowledgeable, applying a successful model to local conditions. RGZ was very motivated in accelerating the creation of the REC, which it had already started, and the Bank provided sound advice and assistance in this process. Good preparation using PHRD funding was fundamental for the successful implementation of the Project and the acquired knowledge proved to be a worthy asset during its execution.

#### **(b) Quality of Supervision**

Rating: Satisfactory

Bank supervision took place on a regular basis, providing appropriate and well targeted advice and observations. The *aides memoires* provided evidence of regular supervision and professional advice given by the Bank's experts throughout the Project. The Bank responded adequately to the daily issues. However, the contract for the unified ICT software dragged on too long, and more direct supervisory support of the Bank could have reduced the time needed to decide on cancellation of the contract. This would then have given more time to reconsider further steps and develop a new ICT strategy.

The fiduciary and safeguards policies were well managed and reported.

### **(c) Justification of Rating for Overall Bank Performance**

Rating: Satisfactory

The Bank's performance was adequate to the tasks and facilitated the success of the Project.

## **5.2 Borrower Performance**

### **(a) Government Performance**

Rating: Satisfactory

The GOS visibly supported the Project, beginning with the opening address given by the Deputy Minister for Capital Investments (known as Ministry of Infrastructure at Project closure) at the official launch of the Project in November 2004. Implementation was done by RGZ and the GOS did not hamper progress of the Project through political intervention. It was also responsible for the establishment of the Project Council, which proved particularly beneficial to the Project by lobbying the Minister of Justice to ensure that the municipal courts transferred the land books to RGZ.

### **(b) Implementing Agency or Agencies Performance**

Rating: Satisfactory

As noted, RGZ was well motivated in creating the nationwide REC. The advice given and the actions agreed upon in the *aides memoires* were followed up and performance was generally rated better than for previous missions. Most ratings were judged as satisfactory or moderately satisfactory. The political vacuum after the national elections in 2007 caused delays and management of RGZ changed three times during the Project, but has remained steady for the past five years.

### **(c) Justification of Rating for Overall Borrower Performance**

Rating: Satisfactory

With the completion of the REC and the general satisfaction demonstrated by the latest customer survey, RGZ had shown its commitment to the Project. Cooperation between RGZ and the Bank was satisfactory throughout the Project's execution.

## **6. Lessons Learned**

The lessons learned were:

- The Project was assisted by existing institutional arrangements and a satisfactory legal framework before its appraisal. The SSCR law had embraced the single-agency model for cadastre and land registration and the Government of Serbia had given the Project its full support. The lesson learned is that agreed institutional arrangements, legal framework, a viable single agency and government commitment are basic prerequisites for implementing cadastre and land registration projects.
- The Republic of Serbia had achieved good donor coordination in the area of cadastre and land registration; the Bank's involvement provided a framework for project interaction with parallel donors. Good coordination of parallel funding is a requirement for the implementation of a successful project.

- Cost recovery was one of the specific tasks of the Project, resulting in financial independence from government. This goal was waived during the Project, due largely to the effects of the financial crisis on the real estate market and the resulting loss of potential income due to registration of fewer transactions. However, in the course of the Project, RGZ had taken over responsibility for a number of new and existing land-related activities from other public institutions, requiring additional public funding and thereby becoming more dependent on government. The lesson learned is that, if RGZ truly seeks financial independence, it should concentrate its efforts on its facilitating role in the land market and charging acceptable fees for registering property and mortgages. Fees need to be underpinned by the internal costs of RGZ requiring understanding of production norms, a cost-recovery plan and legislation to separate RGZ financially from government.
  
- On the development of ICT, the roles of the client, the contractor and the Bank should be improved and recognized during the implementation of the Project.
  - The capacity of the client to manage large ICT contracts needs more support from independent ICT specialists. The client should be aware of the complexity of managing large ICT contracts and have more training to support him in this task. The client can then be more critical in monitoring the contents and progress of such contracts, scrutinize the reports produced by the contractor throughout the Project and take remedial steps if necessary.
  - Interaction between the client and the ICT contractor needs to be strengthened, starting from the beginning of the contract; the contract should not be treated as a turn-key project. The lesson learned is that the client and contractor should form managerial and technical commissions to discuss and monitor the software to be produced by the contractor and the data to be supplied by the client.
  - The PAD had noted a substantial risk in the implementation of the ICT system, and international technical assistance and supervision from the Bank were advised as risk mitigation measures. The Bank provided support on ICT issues during the missions and generally provided good advice. In view of the complexity of developing ICT systems a greater level of monitoring between the supervision missions would have been advisable and more insistence that the Borrower regularly utilizes external support for ICT project management would have been useful. As the Bank supports many projects involving ICT, it would be worth considering having full time expertise at the Bank to monitor how the various ICT systems are being managed.
  - Agreements on major project issues/activities should be detailed and documented with precision so as to avoid any misinterpretation later on. The client should keep sufficient written notes of the progress, challenges and agreements made during the ICT development.
  
- The PAD did include establishment of a user council (Expert Advisory Group) to provide feedback to RGZ about client issues. Such a forum is necessary to understand the functioning of the real estate market and to initiate development of products for which there is a demand. On the other hand, the market can understand the internal challenges faced by the government organization. Dialogue creates understanding of each others' needs, and creates a mechanism for common planning for solutions to joint problems.



The role of the user council as a discussion forum and advisor to public and private sectors of the market was never fully understood by either sectors, and only two meetings took place. The lesson learned is that a common forum for public/private dialog is relevant for the development of real estate markets and should receive maximum attention in project preparation.

- There was a small research and development (R&D) component in the Project. However, R&D deserves more attention and needs to be promoted. A land registration and cadastre organization in any country is a key player in the real estate market and by nature and law it collects much data on property transfers and mortgages. This basic information can be aggregated and analyzed for statistical use for government, the private sector and the general public. RGZ could research the needs for generic data by its users through a marketing-, communications- or research and development department, thereby increasing its income and facilitating the functioning of the market by providing access to its accumulated data.

## **7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners**

### **(a) Borrower/implementing agencies**

RGZ thanked the World Bank team for the wholehearted support and professionalism that made outstanding results possible during project implementation. Benefits of this project are of great importance to the citizens of the Republic of Serbia and development of the real estate market, as the main driver of economic development.

Project implementation analysis in all segments was satisfactory which makes RGZ very proud and at the same time grateful for such assessment. Most of the project goals had been significantly exceeded, including the creation of REC in the Republic of Serbia.

Successful project implementation helped Serbia to make significant progress in the area of registration services improvement; according to the Doing Business 2012 study conducted by the World Bank, where Serbia jumped from a rank 97 to 38 in one year. At the same time, the RGZ ranks third among Serbian institutions for citizens' confidence.

Successful project implementation has provided conditions for further improvement in the field of land administration and land resources management. RGZ will therefore continue its strong support to all activities in the domain of land administration and land resources management.

### **(b) Cofinanciers**

Although the Project enjoyed the donor support from Norway, Sweden, Germany, France, Japan and the European Commission, there were no Cofinanciers within the Project. An overview of donor support is given in Annex 2.a.

### **(c) Other partners and stakeholders**

No comments were received.

## Annex 1. Project Costs and Financing

### (a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Operational Development and Support	29.015	32.372	112
Capacity Building and Institutional Strengthening	5.043	4.128	82
<b>Total Baseline Cost</b>	34.058		
Physical Contingencies	1.434		
Price Contingencies	4.021		
<b>Total Project Costs</b>	39.514	36.50	92
<b>Total Financing Required</b>	30.00	29.30	98

### (b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		9.51	7.20	76
International Development Association (IDA)		30.00	29.30	98

## **Annex 2. Outputs by Component**

### Component A: Operational Development and Support.

This component consists of seven sub-components:

#### A.1. Control network improvements, including support for the continuous operating network of GPS stations;

At the start of the Project, there were three map projection systems in Serbia, creating problems in relating geographic data to one single reference. To eliminate this problem, RGZ was already developing a primary nationwide geodetic network which was connected to the European Reference System called EUREF<sup>2</sup>. To facilitate the rapid application of modern and efficient surveying technologies for cadastre works, the real time satellite positioning system AGROS<sup>3</sup> needed to be completed. This network would then form the basic geodetic infrastructure required for the long-term operation of survey work in Serbia. Furthermore, a pricing policy for supply of positional data to the private sector and other government bodies needed to be developed.

During the Project, AGROS was transformed by incorporating the existing private CORS network and control system into AGROS on the basis of an agreement for shared use of the CORS infrastructure and sharing the user fee charged according to the single schedule of fees. The joint network now has:

- a) 45 stations in 41 locations, of which 13 are GNSS<sup>4</sup> (8 private, 5 RGZ property), and the remaining 28 are GPS receiving stations;
- b) 2 control centers (main center and back-up); and
- c) responsibility for the maintenance of the surveying reference system of the Republic of Serbia.

The joint network is functioning well and has received high international recognition, as demonstrated by the appointment of RGZ as a Local Analysis Centre in the region, controlling 42 regional stations in the EPN (the EUREF Permanent Network). The agreements for data exchange with the neighboring countries are ongoing and will be concluded in 2012. To support the direct data exchange from other networks, RGZ will have to finalize the acquisition of software licenses for the use of the respective stations under the Project.

The sub-component has exceeded significantly its target value of constructing 27 CORS stations covering the territory of Serbia, and maintaining 30 CORS stations. The forthcoming replacement of the GPS stations with GNSS stations will follow a step-by-step approach, such an investment emphasizes the requirement for better financial independence of RGZ.

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<sup>2</sup> EUREF stands for the International Association of Geodesy (IAG) Reference Frame Sub-Commission for Europe

<sup>3</sup> The Serbian Continuously Operating Reference Station (CORS) Network to improve the accuracy of surveying.

<sup>4</sup> Global Navigation Satellite System

Swedish support was valuable in providing expertise in densification of the CORS network, capacity building and customer-oriented services. At the end of the Project, 282 paid clients were making regular use of this data, and this number was still growing. Free data was provided to universities and government departments. This component has exceeded the target values significantly, and is assessed as “very successful”. With the establishment of the AGROS system, a first prerequisite for establishing a National Spatial Data Infrastructure (NSDI) has been provided. This is in accordance with the European INSPIRE directive of March 2007, requiring the establishment of this infrastructure within five years.

## A.2. Digital cadastre mapping (up-dating and conversion; renewal):

The establishment of the REC requires cadastral maps in digital format. The conversion process of the analog (paper-based) maps requires two phases: (i) scanning to raster format, and (ii) vectorization of the cadastral boundaries.

The Project targets for building the digital cadastre mapping capacity were achieved in all aspects, as follows:

- i. mass scanning of cadastre map sheets was completed for 100% of the territory of Serbia, largely exceeding the target;
- ii. vectorization of cadastre mapping was completed as follows:

<u>Map Scale</u>	<u>Result</u>	<u>Target</u>
1:1000	62,986 ha (154%)	41,000 ha
1:500	8,218 ha (103%)	8,000 ha*
1:2500	1,862,114 ha (3,948%)	46,000 ha

\* reduced at Mid-Term Review from 16,000 hectares

The cadastre map conversion program was achieved and significantly exceeded the Project targets, on its way to delivering cadastre map services and maintenance by digital technology on the basis of the planned complete digital cadastre mapping coverage of Serbia by the end of 2013, using RGZ’s own resources. Digital vectorized cadastre maps are officially maintained in 1,529 CMs (33.8%) and are at an advanced vectorization stage in another 801 CMs (17.7%); by the end of the Project, digital mapping technologies are used for service delivery and map maintenance in more than 50% of the CMs (41% of the territory).

In parallel, RGZ has very successfully coordinated the inputs from several donors (Japan, Norway, EU, France) in the field of digital topographic mapping, large-scale orthophoto mapping, Geographic Information System (GIS) and remote sensing applications, thus making successful steps for the establishment of the fundamental data sets in the course of development of the Serbian NSDI. The Japanese JICA<sup>5</sup> project, which supported the development of the state base (topographic) map at 1:10,000 and 1:5,000 scales, was successfully completed, and final

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<sup>5</sup> Japanese International Cooperation Agency

results were officially reported in February 2012. The EU-CARDS<sup>6</sup> project, which financed the production of digital orthophotos for Serbia, was completed and all orthophoto maps covering Serbia with resolution of 40 cm for non-urban areas and 20 cm or 10 cm (Belgrade) for urban areas are now accessible on RGZ's website. The French project took aerial photos in the southern part of Serbia in October 2011, and the first satellite imagery, remote sensing and LiDAR<sup>7</sup> tests and trainings were realized.

A.3 and A.4 Real estate cadastre (REC) formation involving data collection, delimitation, adjudication, survey and registration, including Belgrade;

In December 2003, data on real estate had been established in 44.4% of the 4,521 CMs, particularly in the rural areas. In order to complete the REC for the whole country, two procedures were agreed upon; (i) an accelerated procedure for 30% of CMs, and (ii) a public display procedure only for 70% of CMs. In terms of priorities for the implementation of the REC, the SSCR law 1992 and amendments of 2002 specified a priority to finalize the cadastre mapping coverage by 2005 in those rural CMs where no land book existed and which were to be subject to the accelerated procedure.

RGZ undertook the REC creation for rural CMs using its own resources, forming commissions consisting of a lawyer, a surveyor and a local representative. The Project concentrated on urban areas, where the legalization of illegal buildings, the expected privatization of urban land, and the emerging real estate market demanded quick action. The Project targets were to complete the REC for approximately 1,940 sq km of urban land within 54 selected urban municipalities and 37 CMs within the city of Belgrade. Registration was limited to cadastral data and land books, but did not include land use and fertility grades for simplification purposes.

The establishment of the REC by accelerated procedure did not include public display. However, owners and users were notified by mail and public posting. The SSCR Law provided for a 5-year period to correct errors in the rights or the parcel recorded in the REC. All the rest of the updating, including surveys of buildings, was left for registration on demand and performed by the private sector surveyors. As this work was technically and legally more straightforward and carried out with RGZ's own resources, the Project concentrated on sites that required conversion of land book data and the full public display and adjudication procedure. The 91 CMs were selected on this basis.

With reference to the CMs where REC creation was supported by the Project, the REC was fully established in the 134<sup>8</sup> CMs added to the Project in 2007, and in all 91 CMs— both in greater Belgrade (Component A4) and the 54 towns (Component A3). This achievement, and particularly the full REC coverage of Belgrade within the last two years of the Project, exceeded

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<sup>6</sup> Community Assistance for Reconstruction, Development and Stabilization, an EU instrument for financial assistance in the Western Balkans

<sup>7</sup> Light Detection and Ranging, an optical remote sensing technology that can measure the distance to a target by illuminating the target with light, often using pulses from a laser (Source: Wikipedia)

<sup>8</sup> The municipal courts handed over the Land Books only in 2009, making it necessary for RGZ to extend the number of CMs to areas not covered by the Land Books so as to allow the commissions to continue their work.

the original Project targets by more than twofold and within the original Project budget. This was a highly commendable Project output.

Thanks to the dedication and full mobilization of RGZ for the completion of the REC before Project completion, coverage expanded dynamically and was completed for all 4,521 CMs in Serbia. RGZ had redirected its human resources flexibly to problematic areas, and completed all REC creation work by the Project completion, thus very successfully achieving this paramount target.

#### A.5. Improving Registration Services to the Public:

The economic impact of the Project was to be greatly influenced by the quality of service, timely provisions of services and the perceived legal integrity of the property rights record. To gain public confidence in the unified system and the unified records of the REC, RGZ needed to establish respect for the legal integrity of its property rights records. The process of registration of the transfer of rights (including mortgages and leases) must be seen by the public to be simple, legally sound, inexpensive, rapid and reliable. At the start of the Project, RGZ offices were still developing and improving their procedures and office infrastructure, and the aim was to provide client accepted records in a user-friendly environment and a ‘five day’ registration service for a standard transaction involving no boundary changes.

Despite the very positive improvements in the efficiency of registering property transactions in Serbia, as reflected in the 2012 Doing Business survey, the last M&E report showed that the target service standard of five days for registration had not been achieved at Project completion. This was due in the first place to the lack of unified software and modern ICT system for REC, but also to the mobilization of all RGZ resources in the REC creation, which had reduced RGZ’s capacity to speed up registration services for maintenance registration. However, RGZ management confirmed their commitment to meeting this service standard even without a new unified software solution. RGZ has taken certain steps to improve the time for registration by:

- i. introducing the ‘fast track’ procedure, with a higher fee, for a standard sale registration;
- ii. establishing RGZ ‘windows’ in urban municipalities in Belgrade and other municipalities with a high transaction rate, where citizens could submit their request for cadastre service; and
- iii. introducing a system for citizens to receive text message notifications when their request had been processed.

The trend shown in the last year for quick growth in the demand for REC services with the successful completion of REC was reinforced by reported increased activity of the Serbian real estate markets in the last months of the Project.

Throughout the Project, a total of 39 LCOs benefited from renovation works done mainly on the client service area; this included two newly-constructed buildings.

#### A.6. Information and communications technology (ICT) systems modernization for REC;

The modernization of the ICT system was a requirement to improve the REC services to the public, making it possible for the individual LCOs to operate more efficiently and effectively. The system was to be integrated with other RGZ activities and to be linked to other government services, such as planning or property tax collection. This would facilitate WEB based technology for providing information to the public and professional users, a standard objective seen internationally.

The project component included the supply of hardware, software development for the integration of alphanumeric and graphical data into one database, communication equipment, and development of local area network (LAN) and Wide area network (WAN) for the selected 52 LCOs. All of the above plans, with the exception of the software development, were carried out for 66 offices, thereby exceeding the target by 27%. The unified cadastre software however was not completed and the contract with the supplier was cancelled in March 2011.

The contract for the unified cadastre software was signed in March 2008, and planned to be completed in April 2009. The components were (i) prototype development, (ii) data migration, (iii) testing, (iv) pilot implementation, (v) roll-out in two phases – phase one in the 45 selected high priority LCOs (10 centers and 35 offices), and phase two in the rest of the selected offices, and (vi) training and maintenance of the new system. The Bank had noted that 13 months was a short time frame to develop and implement the software including testing and integration of the data, and training of RGZ staff.

A number of events took place which affected the client's trust in the successful execution of the contract:

- The contractor's project manager was changed directly after contract award, but eventually agreed upon by the client;
- Severe delays in finalizing the Project Plan and the Business Analysis containing functional specifications and the data model resulted in the first extension of the contract;
- The contractor's request to remove essential modules, to add additional functionality at high costs and to replace the software environment for the graphical component;
- Delivery of the software was postponed at various stages of its development. The software was necessary for RGZ to test the data.
- At this stage of the contract (13 months after signing), the client sent the contractor a Notice of Supplier's Default, listing all activities which the client considered to be late or ineffectual. The contractor accepted the claims of the client, replaced its project manager and presented the client a list of measures and promises for improved communications.
- Communications did improve but not the expected progress. New software releases were repeatedly delayed and did not include the functionality agreed in the Business Analysis.
- The quality of the data presented problems at this stage and after meetings between client and contractor on data migration issues, RGZ provided the contractor a 'clean' data set.
- Using the new data in the following version of the software brought to light improvements in the alphanumeric part of the software but less stability of the graphical application compared to the earlier version of the software. And only a small number of the remarks made by the client had been addressed.

- In a subsequent meeting with the client, the contractor announced its wish to replace its subcontractor. However, besides responsibility for the graphical application, the subcontractor was also the main driver for the data model, the larger part of the business analysis and the migration. Replacement would also require further extension of the contract. This was not acceptable for the client.

Despite several attempts by client and contractor, and technical support of the Bank offering the expertise of independent consultants, RGZ terminated the contract three years after its signing. This left RGZ without the expected new software, and it had therefore to proceed with its existing software, with limitations of efficiency and service delivery.

The first alert was given by the Bank 15 months after the contract between RGZ and the contractor was signed, and two months after the initially planned delivery of the software. At this stage, critical notes were made on the communication between RGZ and the contractor. Separate missions were carried out by external consultants during the contract and objective advice was given, such as splitting the alphanumerical component and the graphical component so as to concentrate development of a country-wide database for alphanumerical data only. It is widely recognized that the combination of the alphanumerical component with the graphical component often leads to technical problems. Attention to the graphical component would follow once the alphanumerical database was operational. However, RGZ rejected this proposed solution, having set its goals on a unified system. During the September 2009 supervision mission, it was accepted by all parties that an integrated system would be difficult to implement, yet the contract was cancelled only eighteen months later. Given that the planning of the software development was a critical issue of the Project, an alternative plan for development could have been made during that period, in combination with an extension of the Project.

On the cancellation of the software development contract, questions need to be raised on the roles of RGZ, the contractor and the Bank during the execution of the contract.

- The management of RGZ changed three times during the Project and this had consequences for the ICT contract. The requirements were defined under different leadership than the implementation, creating misalignment between expectations and results.
- The contractor changed its key staff directly after the contract was signed. Although accepted by the client, such replacement should have been scrutinized more thoroughly and only have been accepted after careful examination of the quality and experience of new staff, including a limited probation period to test capability of the execution of the contract. Action should have been taken earlier once it became evident that new staff was not suitable to carry on the assignment at hand.
- The capacity of the client to manage large ICT contracts needs more support from independent ICT specialists. The client should be even more aware than it was of the complexity of managing large ICT contracts and have more training to support him in this field. He can then be more critical in monitoring the contents and progress of such contracts, scrutinize the reports produced by the contractor throughout the Project and take remedial steps if necessary. Experience in a similar project in Macedonia showed that an external ICT specialist was beneficial as independent quality assurance supervisor.



- Communications between contractor and client were not fully effective throughout the contract. Although monthly reports were produced by the contractor, the intermediate results of the contract did not reflect the progress assumed to be made. Client and contractor should form managerial and technical commissions to discuss and monitor the software to be produced by the contractor and the data to be supplied by the client.
- Given the record of the failure rate of large ICT implementation worldwide, and the recent experience of the Bank in similar projects in Bulgaria, Romania and Croatia, the Bank should have been more alert in recognizing the problems in the contract and carry out continuous ICT monitoring by its own experts, with additional technical support by contracted external ICT experts. The PAD had noted a substantial risk in the full implementation of the ICT system and international technical assistance and supervision from the Bank were advised as risk mitigation measures.

RGZ adjusted its ICT strategy a month prior to project completion, but more attention needed to be given to important management capacities such as planning, financing, human resources and method of implementation. The Bank provided support in defining these criteria but the ICT implementation fell outside the time limit of the Project. In 2012, RGZ is seriously considering the application of FLOSS<sup>9</sup> software development techniques, similar to the ones employed in the FAO SOLA project<sup>10</sup> as an alternative.

#### A.7. Provision of legal extension services for low-income property owners.

RGZ developed a Strategy for Legal Aid to Individuals with Rights in Immovable Property in Serbia in 2006, thus meeting one of the required targets. This strategy, however, was not implemented after two failed selection procedures for consultants to implement the strategy. An independent review in 2009 concluded that RGZ had met the requirements of the DCA's legal aid covenant through the legal aid services provided directly by staff of RGZ. The following missions verified that free legal aid services were rendered in all LCOs, and the services were satisfactory. The number of the LCOs was 158 until the 2011 reorganization at RGZ, which plans to reduce this number to 38 regional offices, with support of 120 outlying servicing bureaus. There are 61 LCOs that provide legal aid and regularly report on it to RGZ's head office. Thus, the target for this subcomponent, which is to expand legal extension to 30 cities and towns, has been exceeded in the Project. The M&E officer in the PIU regularly monitored the number of offices reporting legal aid delivery as well as the type and number of requests in these offices, and analyzed the data for eventual improvement of the service. Since the establishment of the monitoring system for this type of legal services at RGZ in August 2009, there were nearly 15,000 cases reported of requests for legal aid being met.

The findings of the second customer satisfaction survey in May 2011 showed a high satisfaction rate among customers who used the RGZ legal aid. Of those who used it, 74% were satisfied or very satisfied, which is an excellent result. However, there is a low awareness among citizens

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<sup>9</sup> Free / Libre Open Source Software. This entails the use of free software licenses and keeping the development tools or code openly available to an agreed group of developers.

<sup>10</sup> Solutions for Open Land Administration of Food and Agriculture Organization (FAO), <http://www.fao.org/nr/tenure/sola/en/>

about this service. Some 72% of citizens interviewed did not know about the legal aid provided by RGZ, while 86% said that they would have used it had they known about it. Several recommendations on improving legal aid service were made on the basis of the survey results, such as:

- i. extending working hours for legal aid;
- ii. providing more lawyers in the LCOs where the demand is high; and
- iii. providing the staff working on legal aid with training on communication skills, etc.

#### Component B: Capacity Building and Institutional Strengthening.

This component consists of eight sub-components:

##### B.1. Strategy and business plan development and implementation including a cost recovery strategy, and business process improvements;

RGZ developed a long-term corporate strategy (2006-2015) early on during the Project. With the financial crisis, a new strategy had to incorporate its effects on the business of RGZ and its ambitions as an executive agency with financial independence. An extensive Strategic Business Plan 2010-2014 was prepared in 2009, covering both technical and financial issues. Market research was done on the current products of RGZ and new products analyzed for use in the public and private sectors. One of the conclusions was that self-financing was not feasible given the current financial situation in Serbia, and the plan forecasted 2013 to be the first possible year for self-sustainability. RGZ is strongly committed to independence and is currently preparing plans to become financially independent in that year.

The Bank supported the advice given and the standpoint of RGZ by waiving the requirement to become an executive agency before Project completion. Financial independence could be adopted in incremental phases, as carried out in Slovenia in the beginning of the last decade. In the immediate future, this would assure the sustainability of investments made so far in technology and equipment modernization, office renovation, digital archive, etc. At completion, the organization was about 70% self-supporting, but all funds generated are channeled directly to the government. In return, RGZ receives a budget for carrying out its legal tasks in accordance with the Law on State Survey and REC of 2009, but investments in, for example, new AGROS stations and computer hardware and software will need to be considered and justified. The economy of Serbia is expected to grow in the future and with it, the real estate market, thus generating more potential income for RGZ in registering transfers of property and mortgages. Once independent, RGZ could decide its own investments, based on the requirements of the clients which it services.

The independent status would also allow development of a marketing plan in the RGZ strategy. With the growing number of tasks of RGZ and its ambition in the future, a mechanism for discussing the facilitating role of RGZ with the professional real estate market players and the fellow public sector organizations will become necessary. The establishment of a reliable and fast registration and cadastre system is a requirement for a successful real estate market, and should facilitate the market. RGZ should take a leading role in the discussion with the partners at

management and implementation levels. The implementation of a marketing strategy is typically a task reserved for staff with marketing capacities, offering the services of RGZ in accordance with the requirements of the players of the market. Marketing personnel may also be chosen and trained from within its current staff.

### B.2. ICT strategy development and implementation;

After the cancellation of the ICT contract for software development, RGZ adjusted its strategy to modular development of the ICT system, starting with the use of open source software for the integration of alphanumerical and graphical data in a single database. This requires a strong ICT team to develop such a system, which RGZ does not have in sufficient numbers. Staff are paid two to three times less than in the private sector, and with a small number of staff with open source knowledge, its capacity is limited. Training is given to keep personnel on board, but there is substantial risk of losing staff. There are no plans to increase salaries of ICT staff. Under these circumstances it is clear that RGZ will have to continue to rely on external support to develop software both in terms of financing and in terms of technical assistance.

Prior to project completion, RGZ prepared a new ICT strategy. The Bank provided support in defining issues relating to planning, financing, human resources and methods of implementation, which RGZ included in its strategy plan. The ICT implementation falls outside the time limit of the Project.

In 2011, an agreement was signed to establish an NSDI and a national geo-portal within the context of the INSPIRE directive, using Norwegian funds. This is to be completed 31 December 2012.

### B.3. Legal framework completion;

The Law on State Survey and REC entered into force on September 11, 2009. It stipulates numerous improvements, leading towards faster and more efficient rights registration within the REC, together with adequate resolutions to various business procedures of RGZ. The Law also expands the range of duties of RGZ.

To implement the Law, RGZ prepared 17 regulations to further define the tasks to be done and the legal provisions. These regulations were approved by Ministry of Justice (MoJ) and signed by the director general of RGZ. These are:

1. Digital orthophoto (Official Gazette RS, nr 27/10);
2. License for geodetic organization operation and geodetic license (Official Gazette RS, nr 33/10);
3. Performing professional supervision and review and acceptance of work (Official Gazette RS, nr 43/10);
4. Utilities survey and cadastre (Official Gazette RS, nr 63/10);
5. Cartographic publications issuing (Official Gazette RS, nr 36/10);
6. State border survey and register (Official Gazette RS, nr 44/10);
7. Address register;
8. Technical documentation for performing geodetic works and journal of works;

9. Cadastral survey and Real Estate Cadastre;
10. Method of keeping, using, presentation and issuing data held by RGZ;
11. Geodetic-cadastral information system;
12. Real estate appraisal;
13. Basic geodetic works;
14. Cadastral classification and land fertility evaluation;
15. Topographic survey and topographic-cartographic products;
16. Division of map sheets in state projection;
17. Producing and maintaining geodetic bases in engineering-technical fields.

Other relevant laws which complement the legal framework on immovable property, but outside the responsibility of RGZ are the:

- Law on Construction and Planning, which was passed in July 2009 and regulates ownership of land, including land under buildings. This was in accordance with the 2006 Constitution of the Republic of Serbia, which reinstated private ownership rights. It also regulates construction land and the legalization of buildings without building permits, making it possible to register this property at RGZ. Owners of illegal objects (that is, objects without the required building permits) are registered as holders of rights to the building but not as legal owners until the formalization has taken place. There is a market in these objects and taxes are paid when rights are transferred. The prices are lower than the official market, with all risks taken by the new right holder. These objects are in the process of legalization by the municipalities. Once building permits have been issued, the registration can take place.
- draft Property Code which was published in draft form on the Ministry of Finance (MoF) website for public comment but has not been enacted.
- Law on Restitution and Compensation, which was passed in September 2011. The GOS established a Restitution Agency which has issued invitations to owners of property nationalized after World War II to file claims for restitution for two years as from March 1, 2012. Property to be returned or compensated includes real estate, construction land, agricultural land, forests, residential and office buildings, apartments, as well as movable property and companies. About 150,000 claims are expected, estimated at 4.5 billion Euros.
- Law on Notaries, which was passed in 2010 and expected to be operational in September 2012. Several seminars have taken place to inform the legal profession and train interested lawyers to become certified notaries. The MoJ will decide on the numbers of notaries needed per city or region. The notary will replace the law courts in simple issues but will not act as treasurer (escrow function) in the transfer of property. This will therefore simplify the registration of immovable property but the procedure will not change significantly.

RGZ has regularly published a bulletin on legal issues for internal and external use. At the end of the Project, the seventh edition had been issued, and all editions have proven to be very popular. The bulletin includes a question and answer section that staff report to be very useful.

#### B.4. Customer publicity and information campaigns, including outreach to other professionals (real estate agents, bankers, advocates, etc.);

The social assessment at the start of the Project confirmed that the public was not aware of the REC developments, even though more than 40% of the area of Serbia had already been recorded in the REC. This was largely because nearly all of this area completed was rural, where populations were less dense and transactions are rare. The project would be focusing on the more difficult urban setting. The foreign mortgage banks had entered Serbia only in 2001 and the property market needed to be established in combination with the legal security offered by a well-functioning REC. The relationship between RGZ and the professional market players was also underdeveloped at the time and much attention needed to be spent to improve the cooperation between the public and the private sectors. At that stage, conferences had been organized for the professional users, with television coverage, a web-site was being created, and quarterly magazines on the activities of RGZ for professional sector were distributed. Despite this attention, RGZ needed to create more awareness to both the professional users and the general public.

In 2007, a Public Awareness Campaign (PAC) was initiated to raise public understanding and mobilize support for the implementation of government reform of the real property registration system. Specifically, the purpose of the PAC was to:

- educate the general public about the reforms and procedures in the country's real property registration system;
- improve the public image of RGZ, particularly at the local level;
- build communication capacity in RGZ and its LCOs and at relevant ministries; and
- inform owners about the benefits of property registration and the establishment of an effective REC.

The completed products included RGZ's visual identity, a list of FAQs (frequently asked questions) and answers on REC, a step by step guide to REC registration, pamphlets, posters and promotion materials, newspaper, public transport and billboard advertisements, radio and television clips, internet banners and media coverage reports. Further products included a brochure on the reforms in the field of property registration, a compendium of existing regulations, a public relations manual for the work with customers, notice boards for LCOs, a multimedia presentation and a CD business-card on REC, monthly video programs and radio reports, and a standard form for a short TV commercial. The key awareness raising materials were translated to Bosnian, Croatian and Hungarian languages, thus providing information to minority groups. The PAC also made good use of events such as the opening of new LCOs or the completion of the REC in a particular district for the purpose of public relations.

The demand for information grew significantly in the following months as a result of the PAC. The customer satisfaction survey conducted in 2008 showed that the campaign had been noticed and had raised the interest of the public, resulting in increased number of calls to RGZ. The establishment of a helpdesk would have supported RGZ in successfully dealing with this challenge but it was never set up. The increased interest also showed that the role had been

mainly unclear; the difference between real property registration and legalization of illegal buildings had often not been recognized.

For the professional players of the market and European partners, RGZ published biannually a professional journal GeodetskaSluzba (Geodetic Service) in both the Serbian and English languages on the developments on geodesy, cartography and REC at the agency. The Bulletin of Cadastral Legal Practice was also published biannually. For its staff and internal market, RGZ issued the monthly magazine RGZ Info.

RGZ also maintained good communications of its core activities online. It established, maintained and improved its website <http://www.rgz.gov.rs> in both Serbian and English, making more information available to the private and professional users online, which was in line with the recommendation of the customer satisfaction survey. Special attention to land registration and cadastre and the role of RGZ was given in a television news program in September 2011. The portal <http://www.geomreze.rgz.gov.rs> was set up specifically for professionals of the surveying sector. It launched its geo-portal <http://www.geosrbija.rs> in 2011, attracting more than 600,000 visits per month with frequent positive reactions of users. In the last quarter of 2011, a promotional film was made and put on the RGZ website<sup>11</sup> on the services of RGZ and the implementation and results of the Project, including the involvement of the Bank. It attracted significant attention and resulted in numerous interviews being given by RGZ management to different media.

#### B.5. Training and human resource development;

Even as one of the larger employers in the GOS, there was little documentation on human resources in RGZ at the start of the Project, and no defined strategy beyond systemization to periodically review and adjust the numbers and caliber of staff. The GOS had developed a human resource management system for placement in ministries and agencies, and a training plan had to be developed at RGZ to comply with this system.

Other donor support (EU, Sweden, Norway, Germany and France) also contained some form of training, and RGZ agreed with the Bank to prepare one integral training plan for all training needs. The Bank also recommended that RGZ set up a training unit.

The training plan was developed taking into account the training needs and priorities, target groups and selection criteria for trainers and trainees, available resources, the different donors' training priorities and time considerations. The plan included a five year training strategy with a timeline, necessary budget for each activity and their resources (donor support). An annual training plan was written prior to the year of execution. A permanent training unit at RGZ was established and a training coordinator appointed, assisted by one staff member in each department. RGZ was strongly committed to staff training.

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<sup>11</sup>[http://www.rgz.gov.rs/template1a.asp?PageName=2011\\_10\\_03\\_04&LanguageID=3](http://www.rgz.gov.rs/template1a.asp?PageName=2011_10_03_04&LanguageID=3), and <http://www.youtube.com/watch?v=v119ICEr4YM>

The training subcomponent was successfully implemented throughout the Project, with numerous training courses, workshops, sessions and other events. Training for more than 8,000 person days were given in real estate market and administration, cadastre, registration, law and ICT, including user ICT training and management, with hundreds of workshops and other training events organized; thus raising the competence level of RGZ. The achieved training outputs exceeded the requirements in almost every item. Eleven areas were covered and included REC, modern ICT concepts, software and hardware, real estate markets and valuation, study tours and conferences, legal issues and project implementation. The evaluation questionnaires indicated satisfaction with the level of training.

In terms of achievement of the Project targets, all of the indicators were satisfactory.

The Project also supported the first geodetic congress held in Serbia to mark 175 years of surveying profession. There were more than 400 participants from 23 countries attending the congress. High level government officials, representatives of the donor community and international finance institutes attended the congress opening session, and the event attracted substantial media coverage. RGZ presented the latest achievements of geodetic science and profession in Serbia around five topics: 1) GNSS (Global Navigation Satellite System) technologies; 2) INSPIRE; 3) Property valuation and management; 4) 3D cadastre; and 5) Remote sensing as support to regional development.

#### B.6. Project management for both headquarters and regional offices;

The DCA set up conditions to maintain project arrangements satisfactory to the Bank. These included a Project Council, an Advisory Expert Group and a PIU.

Prior to establishing the Project Council, a Project center was created to advance the Project through its development. The center, whose steering committee constituted the management board of RGZ, served as a liaison between RGZ and the PIU. The Project Council was only established a year after the start of the Project. The Council is a high-level, inter-ministerial committee to ensure coordination and communication among the involved ministries, and consists of representation of Ministry of Infrastructure, Ministry of Economy and Regional Development, and Ministry of Finance. Once established, the Council has been very beneficial to the advance of the Project.

A representation of professionals of the real estate market met at the start of the Project, which clearly showed the demand for consultation with users and stakeholders of the property market. The consensus of the group was that efficient and fast registration of properties and transactions would be a key element to promoting entrepreneurship and attracting investors. Despite the recognition of the need for consultation, the Clients' Advisory Group was set up only after the Mid-Term Review of the Project in February 2008 and met only twice. This was a missed opportunity, and cooperation with the real estate market professionals would have assisted RGZ in developing user demands within the Project. However, in mitigation RGZ claimed that it was difficult to get private sector people to give up their time and attend meetings. RGZ organized two workshops in 2009 with the Advisory Expert Group and Citizens Advisory Group, with participation by ministries, agencies, banks and scientific institutions.

The PIU was set up at the start of the Project, under direct responsibility of the management of RGZ. It collaborated closely with the Project center, and met weekly with the Board of Directors of RGZ. The PIU consisted of a project manager, a secretary/interpreter, and experts in procurement, ICT, finances, training, surveying, civil engineering and M&E. The PIU was responsible for administration and project management, financial management and reporting, procurement of works, goods and technical services, technical support concerning ICT, legal issues, cadastre and survey, project activities planning, quality control and contract implementation, M&E and document archiving.

There were some delays in implementing the procurement activities after the highly experienced procurement officer resigned in the last year of the Project. Although advertizing of the position locally did not produce a satisfactory result, an experienced part-time consultant from Bosnia and Herzegovina was contracted for the remainder of the Project. While the procurement specialist provided support with the preparation of tender documents, evaluation and reporting, the daily contract management and procurement supervision continued to be a task shared between the members of the PIU and coordinated by the head of the PIU.

The overall Project management throughout the Project was satisfactory.

#### B.7. Research and development:

RGZ does not have a special organizational unit that deals with R&D; this task is entrusted to each organizational unit within the RGZ and within each organizational unit's scope of competences.

In 2007, RGZ investigated the increased scope of work and workload for the REC when the land books offices were to close and hand over the books to RGZ. A pilot project was planned in 2008 to test sporadic, on demand registration. Tests were also planned to utilize existing orthophoto maps in Belgrade and Niš to improve the rate of completing the REC, improve document management, understand the implications and opportunities for utilizing the information system for multiple purposes to other agencies, and to provide model offices with improved standards and targets. The pilot project however was not carried out when new management decided to continue with the systematic approach of real estate registration.

Further R&D activities were implemented mostly in 2008 and 2009, and covered technical topics such as the use of AGROS and orthophoto maps for cadastral surveys, improvement of REC creation and maintenance procedures, and establishing the NSDI, including aspects of the implementation of ISO 19100 Geographic Information Quality Standards. This work has had a positive impact on the progress towards establishment of the NSDI of Serbia.

However, R&D deserves more attention and needs to be promoted. A land registry and cadastre organization in any country is a key player in the real estate market and by nature and law it collects much data on property transfers and registration of mortgages. This basic information can be aggregated and analyzed for statistical use for government, the private sector and the



general public. RGZ should research the needs for generic data by its users through its own marketing, communications or research and development department.

B.8. Monitoring and evaluation, customer surveys, and special studies.

There are no further remarks than the ones made under Chapter 2.3 of the main report and Annex 5.

## **Annex 2a. Donor support**

Parallel donor support was funded by the European Union, Norway, Sweden, Germany, France and Japan for well-defined activities. The donor support consisted of the following:

### **European Union - European Agency for Reconstruction**

Project title	: EU-CARDS partnership program.
Worth	: €5 million (about USD 6.5 million)
Support provided	: Digital orthophoto map production and technology implementation : RGZ was provided with production equipment for digital orthophoto maps, used as a GIS basis to update existing maps, transform maps into the state co-ordinate system, NSDI, urban development design and planning.
Duration	: November 2005 - December 2010.

### **Kingdom of Norway**

Project title	: Statens Kartverk Twinning Project
Worth	: €2.62 million (about USD 3.28 million)
Support provided	: Support was given in the establishment of a scanning center, a digital archive, a web-portal, assistance in GIS and an NSDI strategy in compliance with EU- INSPIRE Directive. Further support was given in the development of NSDI.
Duration	: 2005 - 2012

### **Kingdom of Sweden**

Project title	: Capacity building for Real Estate Cadastre and Registration Project
Worth	: €4.7 million (about USD 5.88 million)
Support provided	: Capacity and competence of the RGA to realize its development goal is strengthened and sustained for the future. This was provided by SIDA (Swedish International Development Cooperation Agency) and Lantmäteriet (Swedish Mapping, Cadastral and Land Registration Authority)
Duration	: 2006 - 2012

### **Federal Republic of Germany**

Project title	: Land management and real property registration
Worth	: €2.0 million (about USD 2.5 million)
Support provided	: Land management process improvement and efficacy increasing, provided by GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit).
Duration	: 2003 - 2012

## **Republic of France**

Project title : Property valuation  
Worth : €0.47 million (about USD 0.59 million)  
Support provided : Perception of valuation, collecting French experience, designing methodology of (mass) valuation and legal framework; resulting in a draft law with provisions for maintaining a property valuation register.  
Duration : One year

## **State of Japan**

Project title : Project preparation using PHRD grant  
Worth : USD 0.38 million  
Support provided : Financing of the Project Implementation Plan (PIP) to support the GOS in the preparation of the World Bank project.  
Duration : 2003 - 2004

Project title : Capacity Development of Digital Base State Mapping using JICA funds  
Worth : €1.5 million (about USD 1.88 million)  
Support provided : Establishment of a digital base mapping system including map maintenance; assistance in making regulations; and development of a training program.  
Duration : 2011 - 2012

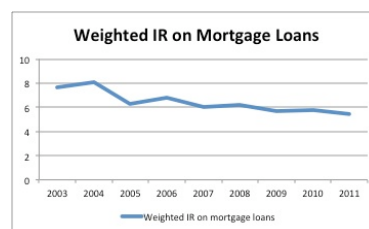
### Annex 3. Economic and Financial Analysis

The main goal of the Project was to build a more efficient property registration and cadastre system by increasing the area covered by the REC and improving registration services, in order to remove constraints on the development of land markets in Serbia. Implementation of the Project was to result in benefits to individuals and society via (a) facilitated real estate transactions consisting of property sales and leases; (b) accelerated access to building land and land acquisitions for builders and developers; and (c) enhanced procedures for the privatization of State-owned assets which occupy land. However, (b) and (c) were not direct mandates under the Project objectives, and thus the Project is not judged against them. Builders and developers were also to be able to build faster and transact more freely, owing to an enhanced process for land acquisition that would be afforded by the unified REC supported under the project. A reduced per unit cost of service delivery to the clients, reflected in the future fee structure of RGZ, was to accompany these improvements.

#### *Operating constraints on the Land Market*

At the time of the Project's inception, according to the economic annex in the PAD, approximately one million illegally constructed buildings existed, of which 200,000 were in Belgrade alone. The status of "land user" did not provide sufficient security to investors, especially in the cases of property rights ambiguities, which could stifle investment. Private land ownership needed to be reinstated in urban areas to enable the transition toward a mature land market. Ownership rights were not secure and land management was far from optimal, with the result that the real estate market was restrained in its functioning and domestic and foreign investors could not invest in a reliable manner. The mortgage system was hardly available, and mortgage owners had little security. A direct consequence was that more than 70% of apartments had not been registered, illegal settlements and structures had been erected in the vicinity of major large cities, and land-related civil disputes constituted at least 30% of the total cases in the judicial system. Furthermore, data on the parcels in the cadastre did not match the data from the land books and the situation in the field, causing long delays when the need arose to correct it.

Although some of the same constraints still remain, the situation has greatly improved. Property rights are more secure as conceived by the GOS; an increasingly well functioning mortgage market has arisen; and the interest rate on mortgage loans has decreased 222 basis points from 7.67% in 2003 to 5.45% in 2011, which can be at least partly attributed to the trust in the now reliable property registration and cadastre system.



According to Serbian Daily News<sup>12</sup>, by the end of 2011, there were a total of 85,676 mortgages in Serbia, 59,000 of which are indexed to the euro, and 22,700 tied to the Swiss franc. The average euro-indexed loan stood at EUR 33,000 (about US\$ 43,000) and the Swiss franc-tied loan at CHF 47,000 (about US\$ 51,000). The default rate on home loans was at 1.3% at the end

<sup>12</sup> Reported on January 18<sup>th</sup>, 2012

of 2011, which is below default rates on other types of lending. The State guarantees payments of the mortgages for families with incomes lower than 150,000 dinars (about US\$ 1,765) per month at favorable interest rates at 1.5% to 4% below normal rates. The costs of the state guarantee are 1.5% to 3% of the loan, to be paid once at loan issuance. The Government recently made a decision to ease requirements for state home loan subsidies for prospective home owners, and this cuts the down payment from 10% to 5% with the Government's participation increasing from the current 15% to 20%, as the Central Bank demanded a 20% down-payment, an amount that is not affordable by many. Concurrently, the maximum annual interest rate for these home loans will be lowered from the current 4.9% plus the six-month Euribor to 4.5% plus the six-month Euribor, which is currently at 1.4%. With the government investing heavily in the home loan subsidies, it can be expected that the number of home loans will increase in the future.

This creates an unusual relationship between the interest rate set by the Central Bank and the interest rates charged on home loans. Under normal conditions, the interest rates on home loans would be expected to exceed the Central Bank interest rate by a small margin, usually 0.5%, so that banks are able to make a profit. Due to the subsidized home owner rates, however, the banks in effect receive their payback in the form of a subsidy and are mandated by law to charge an interest rate below market rates.

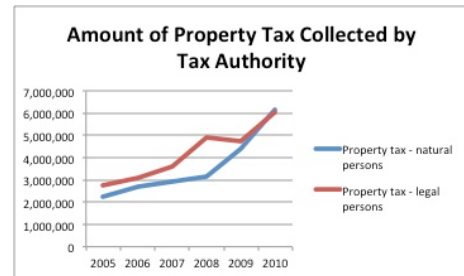


While the interest rate on mortgages has decreased significantly, the security of property rights continues to be threatened by the ongoing restitution issue, which was not to be addressed by the Project. However, the Serbian government has recently greatly improved the environment for security of property rights in this respect by enacting the Law on Restitution and Compensation in September 2011. If implemented promptly and with adequate resources, this reform will help to clarify ownership issues and thereby make property investments more secure, and therefore more attractive to investors.

Issues over land ownership rights have been cited in the economic annex in the PAD as well as in interviews with private stakeholders in Serbia such as the American Chamber of Commerce. Conversion of property rights to full ownership rights was made possible under the 2009 Law on Spatial Planning and Construction, which was a key component in the process of building more robustness into property rights as citizens and legal entities holding use rights to real property are now entitled to convert those rights to full ownership. However, several factors have led to frustrations in the conversion process and have created possible threats to existing ownership rights. These factors are: weaknesses in implementation, a lack of training of officials executing the conversions, and the absence of critical regulations. As a result, conversions have not been completed in a timely manner. This in turn has meant that in many cases evidence of ownership could not be provided in time to obtain construction permits, leading to delays and cancellations of construction activity. Progress on the implementation of regulations and guidelines with regards to the mid-2011 amendments made to the 2009 Law on Spatial Planning and

Construction has been good. Valuation methods have been clarified and by September 2011, a decree on the conversion process had been adopted.<sup>13</sup>

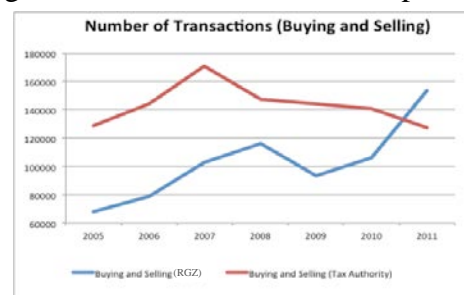
The economic annex of the PAD also discussed the issue of illegal buildings, which is still a major constraint in Serbia today and often is a direct consequence of problems with the issuance of construction permits. The number of illegal properties is still commonly thought to exceed one million. Illegal buildings generally cannot be used as security for mortgages and are hence thought of as “dead capital” in the words of Hernando de Soto. The loss in foregone property tax payments for local municipality services and lost contributions from the infrastructure fee required as part of the process for obtaining a permit can be as high as 80 million euro (about US\$ 105 million) annually in taxes and 1.6 billion euro (about US\$ 2.1 billion) in infrastructure fees over the last two decades.



Despite the remaining problems, the value of land and real estate has increased since Project commencement. The global financial crisis caused prices to drop from their 2007 highs, but they remain well above the figure for 2005, as shown on from the total value of real estate for which transfer tax was collected by the GOS Tax Authority. Similarly, the amount of property tax being collected by the Authority has increased, as the Authority becomes aware of more properties through the REC.

Further, the successes of the Project can be used as the basis for resolving some of the current land-related challenges facing the country today. The market for buying, selling and leasing real estate is more efficient, the mortgage market has developed, government officials are well educated and experienced, there have been positive legislative reforms in recent years, and the REC is fully established across the country. Serbia’s progress towards EU membership has added another positive element.

Transactions, measured as applications for change of ownership by RGZ, have increased dramatically since the Project’s inception; the total number of transactions in 2005 was 290,309. After a small dip due to the global recession, the annual number of transactions was still 28% higher at 370,947 by the end of 2010. The number of sale transactions as recorded by the Tax Authority increased over 8% from 128,936 in 2005 to 140,874 by 2011.

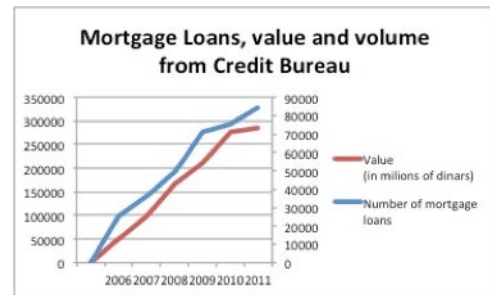


Mortgages have greatly increased during the Project’s lifetime. The number of mortgages registered at RGZ in

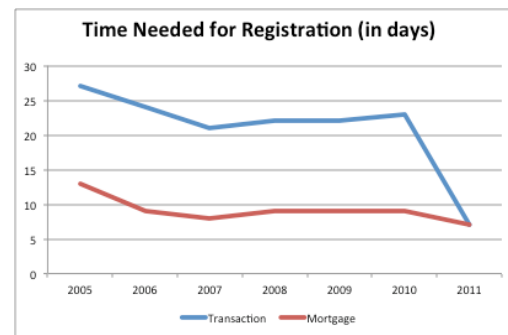
<sup>13</sup> More information can be found from the Land Chapter in the Serbia Country Economic Memorandum, 2011

2005 was 8,664, while in 2010 it was 259% greater at 31,125, and 373% greater at 40,941 by 2011.

It should be noted that the rate of growth of the real estate market before the financial crisis was steadily increasing from 10% in 2006 to another 15% in 2007 in terms of transactions recorded by the Tax Authority. The rate of growth of mortgage transactions fell from 118% to a still respectable 38% rate of growth in the same time period. The crisis had devastating effects on economies throughout the world and Serbia was no exception; while transactions as recorded by the Tax Authority only declined at the rate of 2%, mortgages declined at the rate of 25%. Transactions are still on the decline, suffering a drop of 13.6% when comparing 2011 to 2008. However, recovery was quick in the mortgage market; mortgages were growing fast at 25% in 2010 and 32% in 2011. With the measures taken by the GOS in stimulating home ownership for the lower income bracket by the National Mortgage Insurance Bank (NKOSK), there may be even faster rates of growth in the next few years.



RGZ has increased its efficiency in registering transactions. In 2005, the time needed to register was 27 days per transaction and 13 days for a mortgage. By 2010, it took 23 days to register a transaction and 9 days to register a mortgage. By the end of 2011, 54% of the transactions are registered in five days or less, and the rest are completed within ten days, and it takes less than eight days to register a mortgage in all LCOs. The implementation of a new IT system, once developed, should even further reduce the time to five days or fewer for all offices of RGZ.



However, the cost of service delivery to the clients has not improved. Costs to register a transaction and mortgage in 2005 were 3615.90 dinar (US\$ 42.55) and 6026.50 dinar (US\$ 70.92), respectively. By 2011, the costs to register a transaction and mortgage increased to 6,872 dinar (US\$ 80.87) and to 0.2% of the value secured by the mortgage, respectively, due to high inflation in local currency and euro-denominated fees. The cost to register a property can be as high as 17,389 dinar (US\$ 204.63), which includes the cost for the geodetic survey in the field, mapping, registering in the REC on the existing owner, and changing the ownership. With an average monthly salary of 36,639 dinar (US\$ 431.16), the cost to register a transaction is over 15% of the monthly salary and nearly 50% of the average monthly salary to register a property. Further improvements still need to be made to bring the costs down.

As mentioned earlier in the ICR, accelerated access for builders and developers on land and privatization of state owned land are two issues that are also still not resolved. However, these issues were never under the direct mandate of RGZ during the Project, and they were not part of the Project design. The 2009 Law on State Survey and REC identifies a large expanse of new activities under RGZ mandate, including property valuation, utilities cadastre, address registry,

land use cadastre and land consolidation. These activities should improve the current situation, although it will take a concerted effort, and create the infrastructure for addressing the outstanding issues.

The indicative economic rate of return (ERR) is adopted from the approach used in the PAD and is based on an estimation of the expected impact on the overall land markets as a result of the improvements made to the public services provided by RGZ, particularly regarding title security and efficiency in market transactions. These improvements were measured by the increased *number of transactions* as well as the *average property prices*, compared to baseline estimates without the Project, the product of which would determine the total market value. In this context, the average property price is a weighted measure for a property pool consisting of houses, apartments, and enterprises.

The PAD estimated an ERR of 30%. The current ERR based on actual ex-post project data is 128%. The key parameter driving this analysis is the number of REC folios that were to be completed under the Project, which was estimated at 596,000 for the Project life. However, the amount expected to be actually completed under the project is 964,642, which is 162% above the number assumed by the PAD, and this fundamentally changed all of the assumptions thereafter in the model created for the PAD. Also, the number of transactions expected to be completed per year with the Project was only 26,322 for 2011. Actual transactions in Serbia far exceeded these expectations, reaching 140,874 in 2011. This in turn greatly increased the market turnover rates to over 13% in 2011. Therefore, the ERR greatly exceeded the PAD's assumptions. To control for the fact that not all of this growth can be attributed to this Project, the incremental net benefits to transacting parties have been reduced to only 5% of market turnover as opposed to 20% of market turnover, as assumed in the PAD and then only 70% of this was attributed to the World Bank investment as only that is the portion of total project costs covered by the Bank loan with the remainder provided by the GOS and parallel financing from Norway. At a discount rate of 10%, the net present value of economic benefits directly attributable to the Project was said to equal US\$ 90 million in the PAD, three times greater than the amount of funds invested. Today, the net present value of economic benefits attributable to the Project equal US\$ 178.83 million, which is nearly double the original target.

Please see below for the model.



**With and Without Project Comparisons Using Projections for Property Markets**

		Implementation Period						Operational Period		
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 15	Year 20
Number of Properties	Unit	1,057,961	1,057,961	1,057,961	1,057,961	1,057,961	1,057,961	1,057,961	1,057,961	1,057,961
<b>Without Project</b>										
Average Property Price (Serbia)	US\$/RSD	58366	60153	60865	77131	88456	98714	100,000	100,000	100,000
Market Turnover	%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Number of Transactions	Number	116,375.71	116,376	116,376	116,376	116,376	116,376	116,376	116,376	116,376
Market Turnover (Size)	US\$ Million	6,792	7,000	7,083	8,976	10,294	11,488	11638	11638	11638
<b>With Project</b>										
REC Expansion	%	0%	24%	24%	24%	24%	5%			
REC Expansion - Cumulative	%	5%	15%	25%	50%	75%	91%	100%	100%	100%
Properties in REC	Number	52,898.05	158,694	264,490	528,981	793,471	964,642	1,057,961	1,057,961	1,057,961
Properties not yet in REC	Number	1,005,063	899,267	793,471	528,981	264,490	93,319	-	-	-
CMs		3,311	3,520	3,711	3,915	4,018	4,143			
<i>Computation For Properties (or Market Segment) in REC</i>										
Market Premium for Properties in REC	Percent	1.00%	1.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Market Turnover with REC	Percent	12.19%	13.61%	16.15%	13.95%	13.61%	13.32%	14.41%	15.91%	17.57%
Number of Transactions for Properties in REC	Number	6,446.80	21,600.60	42,717	73,787	107,973	128,448	152,487	168,357	185,880
Average Property Price	US\$	58,955	60,761	62,107	78,705	91,192	101,767	103,000	103,000	103,000
Market Segment Turnover (Size) for Properties in REC	US\$ Million	380.07	1,312	2,653	5,807	9,846	13,072	15,706	17,341	19,146
<i>Computation for Properties (Market Segment) Not Yet in REC</i>										
Number of Transactions	Number	122,489	122,403	128,152	73,787	35,991	12,426	-	-	-
Market Size	US\$ Million	7149	7363	7800	5691	3184	1227			
<i>Recap of REC and Non-REC Market Segments</i>										
Number of Transactions	Number	128936	144004	170869	147574	143964	140874	152,487	168,357	185,880
Market Turnover (Size)	US\$ Million	7,529	8,675	10,453	11,499	13,030	14,298	15,706	17,341	19,146
<b>Results of Analysis</b>										
Value of Incremental Market Turnover	US\$ Million	736.89	1,675.06	3,369.81	2,522.51	2,735.74	2,810.49	4,068.54	5,703.25	7,508.09
Incremental Net Benefits to Transacting Parties	US\$ Million	36.84	67.00	112.33	72.07	68.39	62.46	339.05	475.27	625.67
of which attributable to Bank Loan	US\$ Million	25.90	47.10	78.97	50.67	48.08	43.91			
Project Costs - IDA +GOVT	US\$ Million	-6.58	-7.28	-9.89	-7.32	-5.91	-2.54			
Parallel Finance - Norway	US\$ Million	-1.25	-1.88							
Cash Flow	US\$ Million	18.07	37.94	69.08	43.35	42.17	41.37	339.05	475.27	625.67
IRR Cashflow	-30.00	25.90	47.10	78.97	50.67	48.08	43.91			
IRR		128%		NPV@10		\$178.83	Million			

## Annex 4. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
<b>Lending</b>			
Lynn Holstein	Senior Land Administration Specialist and Task Team Leader	ECSSD	
Victoria Stanley	Senior Analyst	ECSSD	
Miroslav Ruzica	Sr Social Scientist	ECSSD	
Ireneusz M. Smolewski	Senior Procurement Specialist	ECSPS	
Jonathan Pavluk	Sr Council	LEGEC	
Jonathan Formoso	Sr Finance Officer	LOAG3	
Michael Gascoyne	Sr Financial Management Specialist	ECSPS	
Miroslav Frick	Project Analyst	ECCYU	
Maria Bouquet	Lawyer and YP	ECSSD	
Rory O’Sullivan	Country Manager	ECCYU	
Stephen B. Butler	Real Estate Lawyer		
Vladimir Evtimov	Cadastre and Registration Specialist	FAO	
Gavin P. Adlington	Project management and Registration Specialist		
Suha Satana	Economist, FM Specialist		
Rumyana Tonchovska	ICT Specialist		
Ron Logan	Institutional Specialist		
Helge Onsrud	Cadastre/registration Specialist		
<b>Supervision/ICR</b>			
Lynn Holstein	Lead Land Administration Specialist and Task Team Leader	ECSS3	
Gavin P. Adlington	Lead Land Administration Specialist and Task Team Leader	ECSS3	
Stephen B. Butler	Consultant	MNSPR	
Aleksandar Crnomarkovic	Financial Management Specialist	ECSO3	
Michael Gascoyne	Sr Resource Management Officer	WBICA	
Anna Georgieva	Country Sector Coordinator	ECSSD	
Vivien Gyuris	Consultant	ECSS6	
Lewis Raymond Hawke	Sr Financial Management Specialist	ECSO3	
Nikola Ille	Sr Environmental Specialist	ECSS3	
Olivera Jordanovic	Operations Officer	ECSS3	
Nikola Kerleta	Procurement Analyst	ECSO2	
Alexandra Cristina Montealegre	Junior Professional Associate	ECSS3	
Cesar Niculescu	Environmental Spec.	ECSS3	
Ireneusz M. Smolewski	Senior Procurement Specialist	ECSO2	

Victoria Stanley	Senior Operations Officer	ECSS3	
Yan Zhang	Country Sector Coordinator	EASPS	
Samantha Ashley De Martino	Junior Professional Associate	ECSS3	
Johannes M.A. de Jong	Sr Land Administration Specialist	ECSS3	
Mika Törhönen	Land Specialist	FAO	
Chukwudi Okafor	Social Specialist	ECSS3	
Rumyana Tonchovska	ICT Specialist	FAO	
Ron Logan	Institutional Specialist	ECSS3	
Suha Satana	Economist	ECSS3	
Angelo Durso	Cadastre Consultant	ECSS3	
Jürg Kaufmann	Geodesist Consultant	ECSS3	
Tony Lamb	Legal Consultant	ECSS3	
Vladimir Evtimov	Land Specialist	FAO	
Tuomo Heinonen	Real Estate Market Specialist	FAO	

**(b) Staff Time and Cost**

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
<b>Lending</b>		
FY03	39.9	129.08
FY04	20.7	291.67
<b>Total:</b>	60.6	420.75
<b>Supervision/ICR</b>		
FY04	1.0	6.38
FY05	25.9	134.43
FY06	31.3	102.75
FY07	21.2	105.77
FY08	22.7	110.03
FY09	33.9	139.07
FY10	28.0	144.12
FY11	21.4	118.73
FY12	21.2	80.93
<b>Total:</b>	206.6	942.21

## **Annex 5. Beneficiary Survey Results**

Before starting the Project, a broad social assessment related to land issues was carried out. The assessment was done among 1,000 randomly chosen persons living throughout Serbia. One of the most important issues raised was the problem of buildings constructed without the required construction and development permits, including extensions, alterations or reconstructions. In Belgrade, some 200,000 apartments and houses are estimated to be illegally built, and 1,250,000 in the whole of Serbia. The challenge to legalize these constructions was considered too large to solve at the time of preparing the Project. There was no institutional and legal framework in place to solve the issue, nor was there a solid recognition and wish of government at all levels to resolve the problem. However, the GOS recognized the importance of an effective national property rights system as a prerequisite for economic growth and broadening economic prosperity through land and housing development, wise stewardship of natural resources, increased use of property as collateral for credit purposes, increased property tax collection, and efficient land markets. Further, a property rights system would form the basic infrastructure for the legalization of illegal constructions.

Further, the survey showed that the general public had difficulties distinguishing between legalization and registration of real property, presenting a challenge for RGZ to inform both the public and the real estate professionals such as brokers, lawyers and mortgage bankers, and to monitor customer satisfaction during project progress.

During the Project, customer satisfaction surveys were carried out in 2008 and in 2011.

### Customer satisfaction survey 2008

At the time the survey was done, Serbia was enjoying a growth rate of 7.5% of Gross Domestic Product (GDP) and the majority of interviewees were of the opinion that Serbia was moving forward in development. Net wages had doubled since the survey held in 2004 and the number of persons entering the residential property market was growing. Although only 26% of the population was aware of REC restructuring, 98% of the citizens said that registration should take place at a single organization.

The survey showed that the public needed to be better informed on the implications of registering property; 67% thought their property was registered; 70% thought they would benefit from cadastre reconstruction; 80% had faith in what RGZ was doing; and 77% were satisfied with the overall service of RGZ. However, the professional users and the private citizens who had been in contact with RGZ noted a number of problems. These were the quality of information provided, the complexity of procedures, inconsistent expertise of staff in providing correct information quickly, courtesy of staff, unfriendly reception areas, short visiting hours, long queues and the price of services.

### Customer satisfaction survey 2011

The results of the third customer satisfaction survey ranked RGZ third among the most trustworthy institutions in the country, immediately after the church and the police. The survey provided a valuable input on how to address both short-term and long-term

operational issues that RGZ still had to address, and entailed a broad spectrum of issues requiring policy formation by government. A general complaint by the public was that the REC registration was too complicated, despite the attempt by the 2009 Law on State Cadastre and REC to simplify procedures. Other areas for improvement, based on the survey findings, were RGZ's communication program to regularly update the progress of key RGZ activities to the stakeholders; monitoring of public perception of RGZ activities; and managing expectations in relation to benefits from land administration.

## **Annex 6. Stakeholder Workshop Report and Results**

A stakeholder workshop was held on May 23, 2012, attended by 30 persons, predominantly from the private sector and universities. The improved services offered by RGZ were much valued by the stakeholders of the real estate market. Suggestions were made for RGZ to show more presence at business forums and to interact more frequently with the private sector. Prices of services offered by RGZ should be published on its website. In response, RGZ said that services depend on a number of variables, making publication complicated. Other suggestions were made on more online information, stronger involvement of the private sector, particularly surveyors, which are currently estimated at 1,500 professionals, and implementation of land consolidation tools.

A quick assessment of the real estate market was prepared at the end of the Project to report on the status of the market and the satisfaction of the professional customers at completion of the Project. The study noted that there is more clarity in the legal framework on the registration of property, making for faster procedures and improved quality. The market players also recognize that the speed of registration will be increased in the future now that the REC has been fully created.

## **Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR**

The decade following the breakup of former Yugoslavia had been very difficult for the Republic of Serbia. Conflicts in the region, inefficient economic management, weak governance and international isolation had contributed for the GDP to drop to less than a half of the 1989 value, with the external debt exceeding 130 percent of GDP and annual inflation higher than 113 percent. Statistical data for 2002 indicate that 10 percent of citizens of the Republic of Serbia lived in absolute poverty, with some 600,000 refugees and IDPs placing additional pressure on overloaded social services.

The consequences of this situation were:

- More than 75 percent of apartments had not been registered in a sustainable registration system;
- Land transactions in rural areas had not been legally registered for the most part;
- Vast number of illegally developed buildings – there were some 1,200,000 in Belgrade only;
- Unfinished cases had been piling up in municipal courts, with some 20 percent of disputes relating to land or property (records);
- Cadastral maps were outdated or incomplete and there was no match between land parcel in land cadastre offices and the land courts;
- Only 20 percents of the territory had been covered by the land registry system in the municipal courts, while the remaining territory was covered by land cadastre only.

After the elections in 2000, there had been significant changes as against the 1990's. The average annual growth of GDP was more than 4 percent during the period 2001 – 2003, inflation decreased to the upper single-digit level and reforms and economic restructuring was initiated.

A reform plan by GOS was formulated early 2001, relating the following fields: establishment of a modern State, based on the rule of the law; revitalization of the economy; and poverty alleviation and upgrading social protection.

GOS had understood that an efficient property rights system was the prerequisite for economic development and expansion of economic prosperity through the development of housing settlements and commercial areas, improved natural resources management, increased use of property as collateral and efficient property markets.

In 2002, a high-level governmental committee was established, presided by the Prime Minister, which focused on land registration, property markets, privatization and property rights. The government strategy also included provision of priority support for the Real Estate Cadastre, to be established on the entire territory, and efforts to resolve the issues of illegal development.

Amendments to the SSCR Law 1992 were passed in 2002, so as to cover the majority of functions necessary for the introduction of a secure property rights registration system. GOS had thereby confirmed the single institution model adopted in 1992.

In July 2002, GOS had addressed the World Bank with a request to support the resolution of property-related issues, with the contract on credit with the World Bank signed on June 9<sup>th</sup>, 2004.

### **Project Development Objective and Key Indicators**

The overall objective of the Project was to increase confidence and lower transaction costs by building a more efficient property registration and cadastre system, with the purpose of contributing to the development of effective real property market.

To achieve this objective, the Project would support both operational tasks and improvement of the REC, as well as institutional development of RGZ. To achieve sustainability of the integrated cadastre and land registration system at RGZ and its local offices, the Project would support business process improvement and accelerated transfer of the registry system from the courts to RGZ.

Key performance indicators were:

- 1) increase in the number of transactions occurring in land and real estate, and increased volume of mortgages;
- 2) increased satisfaction with services provided by the registry and cadastre systems. Intermediate Operational Development results will be measured by:
  - a. percentage completion of the real estate cadastre;
  - b. overhauled RGZ offices with modern ICT system.

Intermediate Institutional Development results will be measured by:

- a) reduction in transaction turn-around times; and
- b) percentage of customer satisfaction with services provided.

### **Increase in transaction number**

Data collected during project implementation (2005 – 2012) indicate constant growth in number of transaction, except for the period of global economic crisis.

### **Customer satisfaction**

Ownership of real estate is relatively widely present among the adult population in Serbia; bearing in mind that  $\frac{3}{4}$  of citizens own some type of real estate.

Citizens mostly note the importance of property rights registration, believing that it is important to register property rights for each real estate, for the purpose of efficient property rights protection. In the opinion of most of the citizens, local real estate cadastre offices of RGZ were perceived to be responsible for property rights registration.

Apart from positive valuation of reform influence, citizens generally had optimistic attitudes regarding sustainability of this reform in Serbia.

On the level of confidence of citizens in public institutions, RGZ was placed third, together with the police, directly after the institutions with traditionally the highest level of citizens' confidence, such as church and military. This is considered a success and reflects optimism in Serbia's economic future, despite the generally negative perception of the citizens of Serbia on the current economic situation. Another success factor was the perceived satisfactory quality of services provided by local RGZ offices.

### **Service Provision Quality**

The quality of services provided by the RGZ was reflected through a number of project developments. Reconstructed offices facilitate easy access to information and provide pleasant atmosphere at all local offices with skilled and friendly staff. Users of the local cadastre offices are familiar with services that offices provide. Citizens are generally



satisfied with services provided, but simplicity of registration and the time needed for resolution of individual claims would improve the score.

The use of internet is relatively low in Serbia, with only a little more than one-third of the adult population making use of this form of information resources. Citizens who have visited the website of RGZ usually consult the basic information about REC at least once. This includes addresses and contact information about services of RGZ and forms for submitting requests. The quality of internet services is highly valued. On the other hand, RGZ developed a wide range of service for the professional users including banks, real estate agencies, surveying companies etc. Services include the central register of mortgages, the NSDI portal and the geo-portal.

### **Percentage of the Real Estate Cadastre Established**

At the end of the Project, REC had been established for 99.4% of Serbia, significantly exceeding the original project plans. The remaining 0.6 % will be completed by August 2012.

### **Decrease of Time Necessary for Transaction Registration**

Citizens can obtain advice from RGZ experts regarding issues in the field of property rights registration. Clients with the prerequisites and knowledge may access the REC data online. Property rights registration has been simplified and accelerated. Most of the local offices complete secondary transactions within 5 days.

## **Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders**

The GOS was the only cofinancier of the Project, with financial input of 5.74 million Euro's (USD 7.2 million). RGZ was the beneficiary and partner.

A number of activities related to the project were financed by other donors and described in the report.

## **Annex 9. List of Supporting Documents**

Project Appraisal Document, Serbia and Montenegro, Real Estate Cadastre and Registration Project for Serbia, April 26, 2004 Report 28484

Loan Agreement and amendments

Borrower's Project Implementation Plan and annexes, March 2004

Annual Work Plan RGZ

Monitoring and Evaluation Reports

Project Annual Reports

Aides Memoire, ISRs for the Project

Review of Legal Aide Services, January 2010

Country Economic Memorandum, December 2011

UNECE Country Profile on Housing Sector for Serbia and Montenegro, 2006

Five-Year Strategic Business and Annual Business Plan of RGZ, March 2010

Technical Report, Project Monitoring and Evaluation and Real Estate Markets, Feb 2009

Country Partnership Strategy, 2008 – 2011, 2012 – 2015

RGZ Bulletin 2010

Doing Business Report 2012

Customer Satisfaction Reports 2008 and 2011

Quick Assessment of the Serbian Real Estate Markets, March 31, 2012