

# World Bank Experience in Land Administration in the Transition Economies of Eastern Europe and Central Asia

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## **I. Introduction and Background**

Within the Europe and Central Asia (ECA) region the World Bank has been involved in over 30 land administration projects (or major components of projects). For many of the land administration agencies involved these projects require a major transition - moving from centrally controlled, output oriented, technical organizations to becoming efficient, self-sustaining organizations providing quality customer services in order to enable the real estate market to work. This transition has legal, organizational, technical, staffing and financial dimensions that all have to be addressed. The World Bank supports these institutional reforms and sees them as an integral part of the overall land administration and property rights reform process. This reform process has varied across the region, partly due to the countries' different histories and conditions. For example, during the socialist period:

- some countries did not permit private ownership of any land or real property;
- some countries allowed ownership of dwellings in towns but not ownership of land;
- some countries allowed ownership of land and buildings but it was discouraged and large tracts of land or major businesses were nationalized; and
- some countries restricted sales and leases and let their ownership records become outdated.

While there was no uniformity amongst the states it was clear that with the advent of reforms and moving toward a market economy each country did have substantial need to develop its land administration system if the market was to become operational – market economies are based on the ability to have secure and tradable rights and access to land and buildings, and the ability to raise capital using real estate as collateral.

Currently the World Bank finances projects in the ECA region focused on land administration and supporting secure and efficient property markets. Early projects were focused on farm restructuring, cadastre and titling as the necessary pre-conditions for an active property market. More recently, Bank financed projects seek to address some of the more complex issues of improving customer service, organizational efficiency, and land policy.

There is a progression that has been needed in the region in order to establish reforms. Some countries are more advanced along this process than others and history has also played a role. A simplified representation could be:

***Stage 1- Assign Property Rights to individuals and companies***

- *Business and Enterprise Privatization*
- *Farm Privatization – Mainly CIS countries*
- *Restitution of Property Rights –non-CIS countries urban and rural*

*Bank projects completed in: Latvia, Estonia, Georgia, Armenia, Azerbaijan, Kyrgyzstan. Ongoing in: Ukraine, Tajikistan.*

***Stage 2- Protect Property Rights and Encourage Real Estate Markets to Operate Efficiently***

- *Establish Cadastres and Property Registers*
- *Systematic Registration of Property Rights*
- *Efficiency in registration (IT systems, service standards, sustainability)*
- *Legal Aide*
- *Public acceptance, Mortgage finance, Realtors*

*Bank projects completed in: Georgia, Armenia, Slovenia, Kazakhstan, Moldova, Russia, Romania. Ongoing in: Azerbaijan, Kyrgyzstan, Ukraine, Bulgaria, Croatia, Macedonia, Serbia, Bosnia, Russia, Turkey, Albania, Kosovo, Montenegro.*

***Stage 3- Efficiency in the management and administration of property***

- *Improved Planning systems*
- *Municipal Finances and Property Taxes*
- *Efficient Management of State and Municipal Property*

*Bank projects ongoing or planned in: Azerbaijan, Albania, Montenegro.*

The above 'stages' are a generalization and the individual conditions of a country may dictate that some of the stages overlap or are completed in a different order. The Bank has mostly supported Stages 1 and 2, though many client countries have begun to recognize the need for reform along Stage 3. The bulk of current projects are focused on Stage 2 and developing efficient land administration systems to support the property market. A full list of projects is supplied as an attachment.

## **II. Institutional Development**

Once the legal framework for private ownership has been established, a responsive and accountable system of land administration is needed to support property markets. Throughout the region insecure and uncertain property rights continue to be a barrier to investment and a constraint on economic development. The World Bank is supporting many transition countries to build more effective and efficient land administration systems focused on customer service with the objective of supporting land and property market development. However many of the agencies responsible for managing land administration services lack the institutional capacity and necessary human resources and skills. Projects therefore need

to also support institutional and human development. This is a complex and challenging task, however necessary if real reform is to be possible. Institutional development involves not only training and human resource development, but also organizational and financing aspects, as well as improving access and transparency. Bank funded projects include specific components and activities designed to enhance and build the capacity of these agencies and their staff to provide a better, more affordable and more accessible service in an increasingly global environment. To do this requires understanding the organizations involved and the institutional set-up. Most countries begin the reform process with institutions already in place and this can have an impact on the pace and ease of reform.

### **Single Agency Model**

The UNECE guidelines for land administration recommend that a single agency be responsible for land administration. Single agencies have certain advantages: they can operate more efficiently and cheaply than multiple agency models; the cadastre and legal data are naturally linked and harmonized; automation is simpler and less costly; and it is easier to be financially self-sustainable. However, each country has its own history with established traditions, strong institutional rivalry and differing policy objectives. Thus, although some countries used the described logic to implement new improved single agency systems, the 'preferred' model was not always possible or agreed by other countries.

### **Central European Model**

Many countries in southeastern Europe inherited the central European model of land administration with a land book system operated by the municipal courts, usually under the Ministry of Justice. Separate cadastre agencies manage the cadastre in these countries (including Slovenia, Croatia, Bosnia-Herzegovina, Bulgaria, northern Serbia). The difficulty is in bringing together these two different agencies with different cultures to create integrated records and services to support customers and the property market.

Several of the transition countries of central and eastern Europe that had a tradition of two agencies based on the Austrian and German models took the opportunity to convert to a single agency when they re-established their cadastral and registration systems. (Czech Republic, Slovakia, Hungary, Lithuania, Latvia). Romania recently combined its land book registration system with the cadastre creating a new National Agency for Cadastre and Real Estate Publicity. Serbia has also chosen a single agency and the Republic Geodetic Authority is taking over the registration function from the land book courts. These countries now have very effective registration systems, often providing on-line services, while those that retained dual systems based on local courts and cadastre offices (Poland, Slovenia, Croatia, Estonia, Bulgaria) have many hurdles still to overcome. The largest backlogs of registration applications in the region are found in Slovenia and Croatia. However, most problems relate to the coordination of activities and lack of harmonization of records with the cadastral agencies.

If institutional integration is not possible for political or other reasons, than information technology provides an additional opportunity. Croatia has chosen integration via

information technology, along the lines of Austria. A new IT system is currently under development that will have only one database of real estate information including the cadastre and registration. The relevant agency will be responsible for maintaining its part of the data but for customers the goal is one record of location, ownership, encumbrances, etc.

### **Commonwealth of Independent States**

In the countries of the former Soviet Union the previous systems were focused on technical inventory and treated land and buildings separately in separate agencies<sup>1</sup>. The objective in these countries is to bring together the records on land and buildings and again to move towards supporting the property market with a streamlined, customer oriented land administration system. As change has occurred, several countries have unified their institutions into a new unified cadastre and registration agency. This enables property rights to be recorded without fear of overlap and providing good service to those that want to be involved in raising capital through mortgage or to otherwise deal with their property. They are self-funding and thus do not require government subventions. Countries such as Moldova, Kyrgyzstan, Armenia and Belarus took this approach and have benefited from reduced bureaucracy and very rapid growth in real estate market activity. In Kazakhstan the Ministry of Justice took over the Bureau of Technical Inventory (BTI) to create a new registration service and they operate a separate cadastre (land and buildings) run by the land agency. The land agency relies on government budget and is often unable to complete all the work it needs to do, while the registration service continues to operate efficiently with a good income.

Azerbaijan has established a unified registration and cadastre system based on the old BTI and their initial progress is very positive. In Russia and Ukraine attempts to build registration systems in new organizations not utilizing the previous capacities of BTIs has not progressed well and the public suffer from insecurity, very high fees and slow procedures. In Georgia a similar attempt to establish a registration system based on the land agency without BTI involvement ended in failure and the government disbanding both the BTI and the land agency to establish a new agency for registration under the Ministry of Justice.

### **Improving Service**

Regardless of the institutional model de facto or chosen, improving the efficiency, effectiveness and transparency of the land administration system is necessary if these agencies are to support property market development.

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<sup>1</sup> Bureau of Technical Inventory (BTI) recorded buildings and Land Committees recorded the land. Sometimes Property Committees or other agencies were responsible for commercial properties, government properties, restricted access properties, multiple occupancy properties, etc.

## Registering Property

Region or Economy	Procedures (number)	Time (days)	Cost (% of property value)
East Asia & Pacific	4.2	85.8	4
Europe & Central Asia	6.4	102.0	2.7
Latin America & Caribbean	6.6	77.4	6
Middle East & North Africa	6.6	49.4	6.9
OECD	4.7	31.8	4.3
South Asia	5.8	118.6	5.3
Sub-Saharan Africa	7	109.9	11.6

Source: Doing Business Database, <http://www.doingbusiness.org/>

In many countries in the region cadastre agencies continued to function throughout the socialist period – maintaining cadastre records and topographic maps. The focus was on technical work and included the land use and production capacity of the land, which was required for central planning. Today as these organizations modernize, often taking on the registration function as well, they are having to turn themselves into service oriented organizations that look outward in terms of products and services needed by citizens and the property market. These cadastre-based agencies may have strong technical skills but they often have limited capacity in information technology, customer service and business planning – essential skills in today’s market economies. For the cadastre agencies the future is less about precise maps and control of information for state uses, and more about integrated real property information packaged and readily available (via the web) to the property market. Services need to be provided quickly and cheaply – but many cadastral agencies just can not manage this.

Registrars and others involved in registration are having to change their approach as well to one that facilitates the transaction and provides a guarantee instead of focusing solely on checking documents against the existing laws and regulations. For the registration services, especially those in the municipal courts, the changes ahead are also difficult. Courts are not naturally suited to registration, which is essentially an administrative function. There are no ‘plaintiffs and defendants’ for registration and courts are normally more concerned with judgments made by applicants than customer service. However, the delegation of registration from judges to trained and authorized clerks (often called ‘registrars’) is helping to improve customer service and efficiency in several countries. The challenges are immense because transaction numbers are increasing exponentially. Shortly after the system was established in Kazakhstan the number of transactions doubled for three consecutive years. In Macedonia, the numbers of transactions increased by 27% from 2005 to 2006 and the number of mortgages increased by 40% over the same period. This trend is reflected in most countries of the region in most years. Some countries lagging behind in the numbers of mortgages issued because the banks are slow to realize the potential and most countries will still see great expansion in the numbers of transactions they will have to deal with over the coming years.

The idea that the citizen or customer is central to the work of land administration agencies requires a change in orientation. In Western Europe it is often the customers, particularly professional customers such as banks that have driven technical innovation and improved data access. Some of these same professional customers (particularly the banks and notaries) are also now beginning to require more sophisticated services from the cadastre and registration agencies. In the Czech Republic, Estonia and Lithuania on-line access to registration information is already available. In the new Bank financed project in Azerbaijan the notaries want online access to registration information and in other new projects for Bosnia-Herzegovina and Montenegro internet access is an expected output. In Romania notaries were one of the first customers to request improved information access and the banks are now interested.

Cadastre agencies have been particularly challenged to reform their methodologies and technologies for cadastre surveying. Modern trends and technology that simplify the field work and increase efficiency have not always been welcome as they have had staffing implications for many agencies. But some advances have been welcomed including the establishment of Continuously Operating Reference Systems that allow GPS equipment to be used easily and cheaply by both the government sector and the private sector to survey property boundaries. In other cases the production of orthophotomaps is being used for analyzing the accuracy of cadastral information and as a base for cadastral index mapping, though this has been a more difficult change in the way these agencies work. How the new technology and methods impact the human resources of these agencies should not be underestimated. It is the human resources who must lead the reform process and often building human capacity is as, if not more, important than technological improvements.

### **Building Human Capacity**

The institutional and technological changes in these land administration agencies require equally large investments in human capital. World Bank financed projects include funding for training and staff development. Other donors such as Norway, Sweden, Germany, Netherlands, the European Union and others have joined us in this support. Training activities may be part of a separate project component or integrated into technical components. Training plans combine structured classroom training with on-the-job skills development in areas such as legal and technical procedures, information technology, GIS, management, customer service, and professional skills. In Croatia staff of the cadastre agency and the courts have participated in more than 400 training courses since 2002.

The first land administration project in Russia (LARIS) had a very heavy focus on training, that included a substantial number of overseas visits and training programs in order to understand how modern market economies function in the whole land administration sector. They also established regional training centers to impart the gathered knowledge. Local offices then had the basis for improving their own cadastral systems successfully. This was considered the most successful part of the LARIS project, which ran from 1994 to 2004. In Georgia (using KfW funds from Germany) and in Kyrgyzstan (using Bank funds) basic training was provided en masse to large groups (several hundred in total) of people hired mostly from outside the land administration sector and these teams completed the systematic

registration quickly and cheaply. In Georgia the average cost per parcel for a fully digital cadastre was about US\$8 and in Kyrgyzstan, where labor is much cheaper, it was about US\$2-3 per parcel for both the cadastral work and legal registration.

Training may not always be enough. Though there is a great deal of IT related training under such projects, retaining qualified IT staff is often a matter of salary levels and well trained staff continue to leave government employment. This is an issue that governments have to resolve in general across the public administration. Some land administration agencies are in a position to go off-budget (Romania, Azerbaijan) and can set their own salary levels (within certain guidelines) allowing them to pay higher salaries for such high demand skills.

Often improving the functioning of the public sector is not enough. Land administration systems are also dependent on a wide range of private sector professions – lawyers, notaries, surveyors. Bank financed projects, as well as those of other donors, have often sought to help establish the private sector, particularly surveyors, through contracting and training. In some countries the establishment of a private surveying sector where none previously existed has been a highly beneficial output (Macedonia, Serbia, Estonia and Moldova are good examples). In other projects the strengthening of the private sector has been an additional outcome of the reform of the land administration system and the funds injected. In Armenia the banks developed new mortgage departments to deal with the increase in mortgage activity (47% rise between 2002 and 2003) and in Kyrgyzstan the annual number of mortgages doubled between 2002 and 2006 (from 22,387 to 43,001), and the value of those mortgages increased from US\$84.8 million in 2002 to US\$723.7 million in 2006. In Romania the private sector grew and expanded during the course of the project responding to projects contracting needs including cadastre surveying, data entry, digitization of cadastre plans, and document scanning.

In a number of countries Bank and donor financed projects are also helping to build the capacity to manage human resources and provide on-going professional training and development. Knowing the skill sets that are required not just for today but for the future work of the agency and recruiting and retaining those staff requires advance planning that is in line with business needs. In Macedonia and Serbia the WB financed projects together with SIDA are providing assistance to prepare a human resource strategy as part of the overall strategic planning process.

### **The Role of Information Technology**

This need for improved information access and data packaging requires more and better information technology. Within Bank financed projects land administration information systems have been developed either through large contracts bid out to the private sector or through building systems in-house. The 'in-house' approach has generally been more successful because the systems can be built in a modular form as the agencies build their own capacity to utilize and manage the different modules and technology. Moldova was the first to establish such a system developed by the agency's own staff with technical support, packaged software and equipment financed by the project. In Armenia, Kazakhstan and Azerbaijan foreign companies produced workable software but in all cases parallel locally

produced software was eventually the preferred option. In Kyrgyzstan, Russia and Ukraine systems with varying degrees of functionality were produced internally. In Romania a functional system externally tendered was established after many difficult years. There are ongoing contracts to international contractors in Croatia and Bulgaria.

The further advantage of in-house development is that the agencies can also retain the specialists (or local companies) to amend and maintain the software. Large internationally bid contracts have proven to be very difficult to manage and very slow to produce a functioning system.

But information technology is only a tool – it allows for better data integration and access. IT also provides land administration agencies with great potential for data packaging and sales. But this requires not just the right technical platform and skilled IT staff, but also an understanding of the market and its data needs. Examples of some systems developed under Bank funded projects:

<u>Country</u>	<u>Method of development</u>	<u>Comments</u>
Armenia and Azerbaijan	International contractor followed by internal development.	The systems developed were good, but the agencies were reluctant to rely on outside support after the projects were completed, so they developed their own systems internally.
Bulgaria, Croatia, Serbia, Romania	Large international tenders combining registration, cadastre and telecommunications.	Romanian system took 3.5 years to develop and had many problems during development. It now works well. Bulgarian contract is a year old and having the same problems experienced by Romania. Croatian and Serbian systems still under development. Tend to be very expensive to develop and maintain.
Kazakhstan	International consultant and local development.	Systems were developed in parallel. Both worked well. The major cities used the internally developed system and the smaller towns used the consultant's system.
Kyrgyzstan	Small local contractor.	Systems being built slowly using a local company. Extremely cost effective in comparison with international bids. System works very well, but graphics not yet developed.
Moldova	Built internally by the agency.	Works very well. Cost effective method.
Russia	Built by enterprises belonging to the agencies and local private contractors.	Systems function well.
Slovenia	Built internally and by local contractors.	Works well.

## **Business Planning**

In many countries with advanced land administration systems registration is a self-funding, revenue generating activity and there is an international trend to ensure that services are provided in a business-like and cost effective manner. But achieving this requires strategic planning and analysis that is often a foreign concept to traditionally state funded, output based organizations such as cadastre agencies.

Several WB financed projects include strategic and business planning components or activities that seek to develop the necessary documents as well as the capacity and understanding needed for this increasingly modern business of land administration. In Serbia, the Republic Geodetic Authority has plans to become a self-financing agency and the WB is supporting this through strategic and business plan development, including human resource requirements, client communication approaches, projected revenue, service standards, and market analysis for future products and services. In Kyrgyzstan the agency has almost reached total self-financing status and in Moldova and Kazakhstan they had to be self-funding from the day the registration agency was established.

These projects present the opportunity to build more openness and transparency into the land administration systems and demonstrate the benefits not just to clients, but to the agencies themselves – in terms of increased revenues (from more customers served and more services provided). The treasuries of these countries are often trying to cut the level of staff in the public service and to reduce the burden on the treasury, so it is a good opportunity to establish self-funding, business oriented agencies.

To reach a level of revenue sufficient for self-financing, many agencies in the region are having to improve the service provided to citizens. They are also having to reach out to their customers and clients to educate and inform them about the needs and benefits of registration. Regular awareness and publicity campaigns are forcing these agencies to explain what they do and why it matters to individuals and the society at large. Regular customer surveys are providing annual feedback on the quality of service provided. Linking these activities so that customer surveys inform the upcoming public information campaigns as well as the annual business planning is also necessary.

## **Building Public Awareness and Access**

Most Bank funded Projects include financing for public awareness and education campaigns. In the ECA countries the public perception and knowledge of land administration systems and their services are often limited, out-dated and negative. This is often confirmed in focus groups and wider customer surveys often performed during project preparation. Improving the image of these agencies, as well as the service provided, is important to build confidence in the land administration system. Citizens need to become informed consumers and understand the land administration system, the services provided, and the roles and

responsibilities, including of citizens themselves.

These public information and awareness campaigns present many challenges to land administration agencies, not the least of which is explaining what they do to citizens and seeing them as customers. However, they can be successful and have been in countries such as Croatia and Kyrgyz Republic. In Kyrgyzstan the public awareness campaign included TV and radio slots and the use of bill-boards, advertisements on buses and mass production of leaflets and brochures. The new agency “Gosregister” is now well known throughout the country. In Armenia the cadastral agency included the legal reduction of the time for registration (from 15 days to 7) and halving the cost as part of their successful campaign that led to much greater public acceptance and use of the registration system

Access to land administration services is not restricted in law, however in practice many poorer citizens lack the knowledge to access the complete range of services. In many countries the original privatization of land and property was not always fair or without problems and it is the less influential members of society that suffered most. The cost of notaries and other private sector professionals may also be prohibitive. Bilateral donors (for example, USAID in Moldova and Switzerland in Kyrgyzstan) have been especially effective in providing legal aide to citizens that could not otherwise have their complaints resolved.

### **III. Conclusions and Future Directions**

The experience with Bank funded projects in land administration has generally been positive and the cadastral and registration systems established have helped to facilitate the rapid economic growth seen in the region over the last few years. There will be much greater growth, especially in the mortgage market, in the next few years and consequently much greater demand on the services provided by land administration agencies.

Land and property represent a substantial asset of any economy and land information is needed for the orderly development of any country. Regions and municipalities need information about land use and ownership in order to plan for infrastructure projects and direct private sector development. Such information is also necessary for environmental protection and planning, and for tourism development. Increasingly ministries of finance are looking to property taxation as a major source of revenue and information on land ownership is essential. Good land information is also needed for improved land policy and strategic decision making.

Increasingly World Bank client countries are asking for support in these areas and we are responding. A new project under preparation in Montenegro will work with the existing land administration agency to complete the real estate cadastre and improve services, but it will also provide good land information to, and work closely with, the municipalities to improve urban planning.

Increased automation and access to information through the internet are key to being able to meet the demands of the public and the professionals dealing with real estate. Modern surveying methods and continuous improvement in the process of registration, making it

simpler and quicker, will continue to be expected, but now with greater integration with the municipal needs in urban planning, property taxes and basic information for other, multiple, purposes. The Bank is looking towards the future and moving towards financing the stage three agenda - where the property market operates within improved planning frameworks and with property taxation playing a bigger role in public sector finance.

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**Attachment.** “Land” projects undertaken by the ECA Region of the World Bank

<u>Country</u>	<u>Project Name</u>	<u>Dates</u>	<u>Stage</u>
Albania	Agriculture Services (Part)	2001-2008	2
Albania	Land Administration and Management	2007-2011	2 and 3
Armenia	Title Registration	1999-2004	2
Azerbaijan	Farm Privatization	1997-2003	1
Azerbaijan	Agricultural Development and Credit (Part)	1999-2006	1 and 2
Azerbaijan	Real Estate Registration	2007-2013	2 and 3
Bosnia and Herzegovina	Land Registration	2007-2011	2 and 3
Bulgaria	Registration and Cadastre	2001-2008	2
Croatia	Real Property Registration and Cadastre	2003-2008	2
Estonia	Agriculture Project (Part)	1997-2002	1
Georgia	Agricultural Development Project (Part)	1997-2003	2
Georgia	Rural Development Project (Part)	2005-2010	2
Kazakhstan	Real Estate Registration Pilot	1997-2000	2
Kosovo	Business Environment Technical Assistance (Part)	2005-2010	2
Kosovo	Real Estate Cadastre	2009-2013	2
Kyrgyzstan	Agricultural Support Services (Part)	1998-2008	1
Kyrgyzstan	Land and Real Estate Registration	2000-2007	2

Kyrgyzstan	Second Land and Real Estate Registration	2008-2011	2
Latvia	Rural Development Project (Part)	1998-2001	1
Macedonia	Real Estate Cadastre and Registration	2005-2009	2
Moldova	First Cadastre Project	1999-2007	2
Moldova	Rural Investment and Services (Part)	2006-2010	2
Montenegro	Land Administration and Management	2008-2013	2 and 3
Poland	Strengthening the Process of Land Administration and Registration in Poland (small grant)	2001-2004	2
Romania	General Cadastre and Land Registration	1998-2006	2
Romania	Farm Restructuring (Part)	2008-2013	2
Russia	Land Reform Implementation Support	1994-2004	2
Russia	Housing (Part)	1993-2003	2
Russia	Cadastre Development	2005-2010	2
Russia	Registration	2007-2013	2
Serbia	Real Estate Cadastre and Registration	2004-2010	2
Slovenia	Real Estate Registration Modernization	1999-2005	2
Tajikistan	Farm Privatization Support (Part)	1999-2005	1
Tajikistan	Land Registration and Cadastre Systems for Sustainable Agriculture (Part)	2005-2010	1
Turkey	Agriculture Reform Implementation (Part)	2001-2008	2
Turkey	Land Registration and Cadastre Modernization	2008-2013	2
Ukraine	Rural Land Titling and Cadastre System Development	2004-2012	1 and 2