



1. Project Data

Project ID

P106906

Project Name

LAND ADMIN & MGT

Country

Montenegro

Practice Area(Lead)

Social, Urban, Rural and Resilience Global Practice

L/C/TF Number(s)

IBRD-76470

Closing Date (Original)

30-Apr-2014

Total Project Cost (USD)

32,310,000.00

Bank Approval Date

09-Dec-2008

Closing Date (Actual)

29-Feb-2016

IBRD/IDA (USD)
Grants (USD)

Original Commitment

16,200,000.00

0.00

Revised Commitment

16,200,000.00

0.00

Actual

14,093,091.26

0.00

Prepared by

Victor M. Vergara

Reviewed by

John R. Eriksson

ICR Review Coordinator

Christopher David Nelson

Group

IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

Project Portal Project Development Objective

To improve the efficiency of permitting and property registration system.

Financial Agreement Development Objective

The objective of the Project is to improve the efficiency of the Borrower's permitting and property registration system.

- IEG adopts the Financial Agreement statement of the project Development Objective



b. Were the project objectives/key associated outcome targets revised during implementation?
No

c. Will a split evaluation be undertaken?
No

d. Components

Original Components

Component A: Real Estate Administration (Appraisal 22.74 USD million - Actual 29.04 USD million). The objective of this component was to improve registration services for the public by improving the facilities at local offices, especially in Podgorica where the majority of transactions take place. Nationally, the Project was to introduce improved service standards through modern technology and completion of at least 100,000 hectares of cadastre and registration records in selected areas. The Project was to help the Real Estate Administration Department (READ) to bring all forms of land and property records online and make them available to municipalities and other users, and ensure that READ would be able to provide basic maps in a timely manner to municipalities for planning and management purposes. The four subcomponents under this component were: (a) improving registration services; (b) information system development; (c) provision of base maps; and (d) completing the Real Estate Cadastre (REC).

Component B: Improving Planning and Permitting (Appraisal 7.67 USD million - Actual 7.57 USD million) . The objective of this component was to support the Ministry of Economic Development (MED) and subsequently to support the Ministry of Sustainable Development and Tourism (MSDT); see Section 1.7) (the Ministry) to improve the planning and permitting processes and strengthen the capacity of the Ministry to support the planning sector in Montenegro. This component was to support those municipalities that have limited funds to develop spatial and general plans in line with the National Spatial Plan (NSP) that was approved in 2008. The four subcomponents were: (a) improving the planning process and support to the Ministry; (b) improving the planning process at municipal level and completion of plans; (c) improving construction permitting and inspection; and (d) supporting the business environment.

Component C: Project Management (Appraisal 1.65 USD million - Actual 1.59 USD million) . The objective of this component was to support a Project Coordination Unit (PCU) to assist the Ministry with implementation of Component B and the existing Technical Services Unit (TSU) under the Ministry of Finance (MoF) that would be responsible for fiduciary control and management. The PCU would also be responsible for monitoring and evaluation of all Project activities and results. Project management of Component A was left to READ as its capacity was seen as sufficient.

Revised Components

Two revisions were made to the original Project components:

In July 2011, the description of Component A was revised to add the construction of the new READ building, along with its design. Simultaneously, EUR 400,000 were reallocated from Category 1 (goods, works, consultant services, training and operating costs) to a new Category 5 (purchase of office space) (ICR p 4)

In April 2013, Subcomponent B4. Business Environment Improvement—which provided technical assistance and training to improve aspects of business licensing and permitting not related to construction



permits—was dropped because MSDT felt it was no longer necessary after the GoM restructuring that rendered the original beneficiary department, Department of Industry and Entrepreneurship at the MED, separate from the MSDT. The Bank agreed to this as this subcomponent did not affect the achievement of the PDO, which was "to improve the efficiency of [construction] permitting and the property registration system." (ICR p 4)

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Source	Type of Financing	Appraisal Estimate	Actual	% of Appraisal
Borrower	Co Financing	16.92	22.12	130.7%
IBRD	Loan Funds	16.2	16.12	99.5%
Total		33.12	38.24	115.4

Calculated from ICR p. 24.Costs in USD million.

Co financing actuals reflect cost overruns of the READ building

Restructurings

There were a total of five Level II project restructurings, including three Project extensions for a cumulative period of 22 months (ICR p 4) . These changes are described below:

(1) In April 2010, a correction was made in the Loan Agreement (LA) to correctly reflect operating costs in Schedule 2 of the Withdrawal Table.

(2) In July 2011, the Project description was revised to allow for the purchase of real estate by READ. A reallocation of loan proceeds was undertaken for this purpose, and a new legal covenant and disbursement condition was added. In addition, the Project description was clarified to refer to 'construction' along with the 'design' of new buildings for READ.

(3) In April 2013, subcomponent B4 on Business Environment Improvement was dropped and the Project closing date was extended by 12 months from April 30, 2014 to April 30, 2015 to allow for READ ICT system upgrade, meet the Real Estate Cadaster (REC) creation target to larger extent, and complete the READ building. Also, several modifications were made to the Results Framework to reflect these changes (see ICR section 1.3 for changes to PDO indicators and section 1.6 for changes to intermediate indicators). 41.7% of loan was disbursed by April 2013 when a restructuring revised certain PDO indicators. The remaining 58.3% of the loan disbursements were carried out after the restructuring.

(4) In March 2015, the Project closing date was extended by eight months from April 30, 2015 to December 31, 2015 for three reasons. First, to allow for the completion of a significant portion of the REC—from an estimated 35% by April 30, 2015 to 70% by December 31, 2015. Second, the extension would give sufficient time to provide training to external users and allow for system tests. Third, the extension would allow construction of the new READ headquarters building to be finalized and for the building to become operational.

(5) In December 2015, the Project closing date was extended by another two months from December 31, 2015 to February 29, 2016 to allow for the installation and testing of the Information Technology (IT) equipment in the new READ headquarters building in Podgorica as well as the purchase of the local office



in Niksic.

Since neither the PDO nor associated outcome targets were revised, IEG does not split ratings between original and revised assessments of relevance of objectives or design, or the efficiency of achievements of sub-objectives.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The development objective of the Project was relevant during preparation and implementation. In transition countries like Montenegro, improving land administration through a reliable and efficient registration and cadaster system is important for economic growth. Similarly, streamlining planning and permitting processes is basic for improving the overall investment climate and ultimately attract investors. The Montenegro Economic Reform Program (MERP) for the 2016-2018 period includes a reform measure that underscores the significance of registration, planning, and permitting in the country's economic development agenda. The Bank's Country Partnership Framework (CPF) FY12-15 notes that the targets related to streamlining of property registration and business permitting - which were a priority action - were achieved. The new CPF FY16-20 states that a follow-on project could be included in the lending portfolio to build on this Project's work.

Rating

Substantial

b. Relevance of Design

The Project design was based on extensive experience in countries with similar needs and conditions, as well as investigative and analytical work conducted during project preparation. It closely focused on a series of efficient and effective activities that could deliver improvements to the existing systems to deal with the pressing land administration and urban planning issues facing Montenegro at the time and which have remained important.

The project developed a Results Framework with a clear statement of objectives as well as intermediate and final outcomes. The innovative nature of project design which integrates land administration and land use planning was an important step in breaking the silos between the Urban and Land Administration practices within the Bank. Given the experience of teams working on Land Administration projects the causal link between Bank funding, outputs and intended outcomes was clear. A key weakness to the design was corrected in the midterm review and it may have reflected the innovative aspect of the project which for the first time in the Land Administration team portfolio merged land administration and planning. This design weakness resulted from the Project's reliance on the generation of revenue from a transfer tax which in many settings is considered a distortive and inefficient tax. Furthermore, the design also relied on increased yield in



property tax revenue which can be challenging and has had mixed results in World Bank projects. Shortcomings in the initial design came to light when the PDO indicators needed to be revised. The April 2013 restructuring addressed these issues, redirecting the Project's focus on key activities to achieve the PDO.

The project developed a Results Framework with a clear statement of objectives as well as intermediate and final outcomes. The innovative nature of project design which integrates land administration and land use planning was an important step in breaking the silos between the Urban and Land Administration practices within the Bank. Given the experience of teams working on Land Administration projects the causal link between Bank funding, outputs and intended outcomes was clear. A key weakness to the design was corrected in the midterm review and it may have reflected the innovative aspect of the project which for the first time in the Land Administration team portfolio merged land administration and planning. The design of the project relied on the generation of revenue from a transfer tax which in many settings is considered a distortive and inefficient tax. Furthermore, the design also relied on increased yield in property tax revenue which can be challenging and has had mixed results in World Bank projects. Shortcomings in the initial design came to light when the PDO indicators needed to be revised. The April 2013 restructuring addressed these issues, redirecting the Project's focus on key activities to achieve the PDO.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Improving the Efficiency of Property Registration System

Rationale

Outputs (extracted and adapted for ICR page iii, iv, and v)

- The average number of days to complete recording of purchase/sale of property in land administration system was reduced to 4.0 days against a target of 8 days and a baseline of 25 days.
- The percentage of customers satisfied with services for real estate registration and planning and permitting was increased to 4.02 for legal entities and 4.21 for natural persons against a target of 4.47 for legal and 4.38 for natural persons and a baseline of 3.77 for legal entities and 3.79 for natural persons.
- Automated systems for the Real Estate Cadaster developed and used by professional users: Target achieved.
- 14 Real Estate Administration Department offices physical layout improved for better customer service against a target of 12
- Improved procedures for registration prepared and in use in all offices:



- 2.9 % pending cases at cadastral offices against a target of 8% and a baseline in cities ranging from 15.7 to 33.2%.
- 10,474 (Male: 7,081 Female: 3, 393) persons involved in participatory planning process in targeted municipalities under the project against a target of 10,940 (7590 males and 3350 female).
- 2,542 staff trained in planning process against a target of 1,900 and a baseline of 0. Indicator added at the time of April 2013 restructuring. 134% achievement of target.

Outcomes

Given the combination of outputs and the project indicators the project increased the efficiency of the property registration system. From a client perspective, the processing time for property registration was reduced, representing an 84% decrease in time taken to record transactions. From a qualitative perspective the percentage of customers satisfied with services for real estate registration and planning and permitting increased, almost reaching the targets (see above) for both legal entities and natural persons. In addition, reducing pending cases at cadastral offices coincided with the promulgation of an amendment to the Law of State Survey and Real Estate Cadaster, based on the standards achieved in the project.

On the ground changes were visible both in the introduction of new real estate cadaster systems. Among the outcomes were legal amendments made after consultation with public and private sector stakeholders and introduction of an online system of notaries with time stamped e-signatures. Along with the reforms to systems the project outcome included physical transformation of the layout of the 14 offices as well as having introduced capacity building to staff. Additionally, 96,861 hectares formally established in the Real Estate Cadaster and public display were completed for 156,585 hectares; and 178,917 new parcel records were created with the production of base maps and cadastral mapping of 217,755 hectares with ownership clarified and up-to-date titles recorded in READ's IT systems.

Rating

Substantial

Objective 2

Objective

Improving the Efficiency of Permitting

Rationale

Outputs (extracted and adapted for ICR page iii, iv, and v):

Improving the efficiency of Permitting

- Construction permit processing time was reduced to 28-43 against a target of 30 -60 days and a baseline of 180 to 365 days.
- The percentage of customers satisfied with services for real estate registration and planning and permitting was increased to 4.02 for legal entities and 4.21 for natural persons against a target of 4.47 for legal and 4.38 for natural persons and a baseline of 3.77 for legal entities and 3.79 for natural persons.



- 29 land use plans prepared in targeted municipalities against a target of 3 and a baseline of zero.
- 94% decrease in number of new illegally constructed buildings against a target of 95%.
- Decrease in time for MSDT approval of local spatial plans and urban plans to 20 days from a target of 60 to 120 days and a baseline of 120 to 365 days.

Outcome

Reducing the construction permit processing time generated efficiency gains by decreasing wait time of the public from 6 months to 28 days for permits not requiring environmental assessment (EA), and an 88% decrease from 12 months to 43 days for permits requiring an EA. This coincided with improved customer satisfaction with planning and permitting (as noted above). The project enabled more informed local decision making as land use plans prepared in targeted municipalities generated professionally vetted outputs, including 7 Spatial Urban Plans and 22 Detailed Urban Plans in 10 municipalities. The process was successful and it motivated an additional two Spatial Urban Plans to be partially financed by the Land Administration Project.

The project had additional outcomes including the establishment of the Real Estate Administration Geoportal, which is the first step towards implementing the INSPIRE Directive, a mandatory requirement for EU membership; 96,861 hectares were formally established in the Real Estate Cadaster; and public display was completed for 156,585 hectares.

Rating

Substantial

5. Efficiency

In the absence of ex post data consistent with the ex ante data used in the PAD, the ICR (annex 3 pp 37-40) took a different approach to determining the Project's impact on the investment climate and its economic benefits. The ICR quantified the productivity gains and estimated monetary value resulting from time saving following from the legal and regulatory reforms, streamlining of business process and upgrading information technology. The main results of these efforts were:

- 68% decrease in the average number of days to record a transaction, from 25 days in 2008 to eight days in 2015; and
- 84% decrease in the time to obtain a construction permit that did not require an environmental assessment (from six months to 28 days)
- 88% decrease in the time to obtain a construction permit that required an environmental assessment (from 12 months to 43 days).

These decreases represent gains in the overall productivity in these sectors. These gains were quantified by applying the average daily wage in Montenegro to each day that was "saved" as a result of the Project. In



other words, this quantification is based on the value of someone's time in Montenegro. The online system has also enabled certain activities to be processed online, which also leads to cost savings related to travel and by extension the carbon footprint. For simplicity, these benefits were not quantified.

For Component A (which received the bulk of the investment), the analysis considers the total number of requests received every year minus those that could not be processed (i.e. added to the backlog). The model uses actual data from 2008 to 2015. The 2016-2020 data is estimated on the basis of the following assumptions:

1. The total number of requests increased by 2% each year against the last 3-year average of 3%; and
 2. The number of unprocessed requests decreased by 20% each year against the last 3-year average of 32%
- Based on this assumption, the monetary value for time savings for Component A for the 2008-2020 period are shown in Table 2 and the sensitivity analysis is shown in Table 3 of the ICR.

NPV and IRR Analysis (ICRp. 38 and table 3 p. 40 and PAD Anex 3)

The original project design presented a comprehensive economic and financial analysis with three parts: (a) economic analysis - targeting on the gains of the general public, (b) financial analysis - looking into how the READ and municipalities budget and finance would be impacted and (c) fiscal impact - investigating the anticipate impact on the collection and allocation of public revenues resulting incrementally from implementing the proposed project. As appraised, the project projected incremental value of mortgages and sales of EUR 407 million in the final project year and EUR 1.514 billion at the end of the 10th years as well as incremental fiscal revenue of EUR 178 million which was never monitored as the indicator was dropped. Even with the high level of incremental revenue resulting from the project as outlined in the PAD the project ERR was estimated at 24%.

With the revised approach - which excludes significant economic and fiscal benefits and does not account for component B -- the total Project NPV is estimated to be EUR 128.7 million and the IRR is estimated at 49%. The simplified economic analysis takes an unconventional approach of imputing time value of savings based on idle actors who are assumed not to be productive while waiting for permits to be issued. While efficiency gains are clearly achieved - it would be necessary to establish a more robust methodology to quantify benefits and the rate of return as well as considering component B. The justification of the project design as appraised rested largely on realizing market and fiscal benefits which were no longer monitored as of April 2013.

Investment Climate

The Project stopped tracking investment activity in target municipalities after the 2013 restructuring. However, improvements in registration and permitting were believed to have had a positive impact on the investment climate. While these benefits could not be quantified due to a lack of data, the ICR presents benefits generated by the project through anecdotal evidence (ICR p 38).

Efficiency Rating

Modest

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



	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	24.00	48.90 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	48.60	42.20 <input type="checkbox"/> Not Applicable

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

6. Outcome

The overall outcome rating is assessed as Moderately Satisfactory based on: (a) Substantial ratings for relevance of objectives and of design; (b) Substantial rating for efficacy in achieving the first and second objectives; and (c) Modest rating for efficiency with respect to the use of Bank and GoM resources to achieve Project objectives and outcomes.

The ICR unnecessarily presents a split evaluation as the PDO was not modified through the level 2 restructuring. Given that Relevance of Objectives, Relevance of Design, and Efficacy of each of the two Objectives are rated Substantial, and Efficiency is rated Modest, the Development Outcome rating is Moderately Satisfactory.

a. Outcome Rating

Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating

Regulatory Reforms: Regulatory roadblocks are common and challenging aspects with respect to achieving outcomes and securing sustainability. The Project contributed to improving laws and by-laws related to registration as well as planning and permitting, creating an environment conducive to the long-term efficient and transparent processing of customer requests as the practices are now embedded in the country's regulatory framework.

IT Solutions: The modernization of IT systems at READ and the implementation of IT solutions at MSDT have standardized and automated business processes at both agencies. As a result, service standard and delivery have improved and access to reliable information has increased. The online system for notaries has embedded the notaries' work into the registration process with time-stamped e-signatures, which have made real estate transactions more secure and reduced the time commercial banks spend to verify transactions and determine lien priority. Both READ and MSDT continue to invest in the maintenance, upgrade, and improvement of their respective IT infrastructures.

Establishment of Standardized Planning Processes: The Project financed the development of urban plans in only the northern municipalities. At the same time, the standards, manuals and IT systems developed under the



Project apply to all municipalities in the country. This way, the Project has delivered the infrastructure for improved planning and permitting processes even in municipalities not included in the Land Administration and Management Project.

Training and Capacity Building: Both READ and MSDT along with municipalities and urban and construction inspectors benefitted from training, workshops and study tours that were financed by the Project. This has increased both agencies' capacities and raised the quality of work they perform and deliver. Moreover, the Project supported MSDT in working with the Faculty of Architecture in Podgorica to further develop the urban planning curriculum, which will help educate the next generation of urban planners in Montenegro.

a. Risk to Development Outcome Rating

Negligible

8. Assessment of Bank Performance

a. Quality-at-Entry

The ICRR concurs with the ICR that the Project design was relatively simple, effective and consistent with the GoM's priorities as well as those outlined in the CPS FY07-10. The Project design drew on previous projects' lessons, especially on the pace of the program and putting in place effective implementation arrangements plus thorough preparation, which drew on existing studies and Bank funded studies. Risks were appropriately identified and addressed with the help of realistic and effective mitigation measures. It is also clear that the choice of PDO indicators focusing on incremental local revenue generation was conceptually flawed and needed to be corrected with the April 2013 restructuring.

Even though Involuntary Resettlement (OP 4.12) was not triggered as the Project did not deal with land acquisition, the design relied on a social assessment that informed detailed mitigation measures for the social risk linked to illegal structures and people occupying them. The Project also took sufficient care to build in capacity building measures to guarantee long-term success and sustainability.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank's supervision was characterized by: (a) regular, well-documented missions with diligent follow-up on action plans; (b) leveraging the Bank-FAO partnership agreement to bring in consultants to advise READ and MSDT on IT systems development and urban planning; (c) quick diagnosis of implementation and sustainability issues, and proactivity in seeking restructurings to address them; (d) flexibility in responding to changed circumstances; and (e) strong support related to procurement, financial management, and environmental safeguards. Against these positive aspects, there was the problem of contract management for the REC, READ HQ, and IT contracts where the Bank could have pushed remedial measures more strongly



and mitigated the lack of capacity by relying on fewer large contracts. In addition, It is also clear that the choice of PDO indicators was conceptually flawed and the design issue needed to be corrected with the April 2013 restructuring. However, the Bank team did not put into place corresponding monitoring and evaluation measures associated with the new PDO indicators to ensure a robust ex-post economic analysis.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance

The ICR documents that throughout the Project, the GoM remained committed to the Project - even through the setbacks associated with the global financial crisis - and gave its prompt support whenever needed. The Project was unusual in its high degree of counterpart funding (51% vs. the Bank's 49%). The GoM originally had set aside sufficient funds to finance the Project. However, the Global Financial Crisis led to unexpected fiscal stress, which had a cascading effect on the GoM's ability to provide counterpart funding. This particularly affected the construction of the new READ building in Podgorica, which was over 75% financed by the GoM.

Government Performance Rating

Satisfactory

b. Implementing Agency Performance

READ and MSDT (the former Ministry of Economic Development) were active in the design and preparation of the Project. A PCU was established in MSDT with the prime purpose of providing link between the municipalities and MSDT (ICR P 37). However, as with all Bank-financed projects, the implementing agencies needed time to understand the Bank's procedures and policies. Overall the implementing agencies performed well but there were periods when the action plans were either being fulfilled with delays or not being fulfilled. The Project also suffered from poor contract management related to major contracts: (a) REC surveying in Plav municipality failed twice; (b) both READ and Directorate of Public Works struggled to manage the READ HQ contract; and (c) the late launch of the IT system upgrade at READ only after the Bank proposed a restructuring to drop it. M&E was also an issue for two reasons. First, there were some inconsistencies in the way that the M&E indicators were being calculated and the Bank had to step in several times to correct and/or fine-tune the methodology. Second, the M&E specialist changed four times over the course of the Project contributing to a lack of continuity and consistent methodology over the Project period. In this context the ISRs from December 2010 to December 2012 rated Implementation Process Moderately Unsatisfactory.



Implementing Agency Performance Rating

Moderately Unsatisfactory

Overall Borrower Performance Rating

Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

According to the ICR - READ already had in-house capacity to track information related to the establishment of the REC, transactions and the utilization of their services. The capacity at MSDT was weaker as there was no mechanism at the time to gather data on urban planning and permitting because each municipality maintained its own database with no standard methodology or reporting to the center. During preparation, the Project had to visit each municipality to collect the baseline data. An M&E plan was developed and a dedicated PCU staff member was hired to focus on it. The targets set were ambitious without being unreasonable. The choice of PDO indicators however proved to be flawed as several had to be dropped and replaced with April 2013 restructuring. A social assessment was also carried out in municipalities where the Project planned to support the development of urban plans. This was done to determine the socio-economic profile of municipality residents and the extent of illegal buildings and their use (e.g. primary residence, vacation home, source of rental income). The Project also benefited from two studies that provided additional social background data: (a) UNDP-financed focus groups in all municipalities on spatial planning, illegal buildings, and proposed law on legalization; and (b) GIZ-financed customer survey

b. M&E Implementation

According to the ICR - based on the PAD's indicators and indicators added at the April 2013 restructuring, data were routinely collected and reported throughout the project period. However, it is clear from the approach taken in the ex-post economic analysis that the M&E framework was not adjusted accordingly to ensure robust evaluation. The change of focus of the PDO from enhanced efficiency resulting in increased property transfer and property tax revenue yield to measures of efficiency largely focused on saving in time of clients and human resources by the public sector -- required a deeper and more significant changes. A regular program of customer surveys also provided important quantitative and qualitative information about service delivery at READ and its local offices. Due to the lack of a centralized IT system initially, MSDT manually collected and aggregated planning and permitting data from the municipalities. M&E capacity and skills were developed over time providing useful inputs to the development of MSDT's various strategies and policies. M&E however suffered as the concerned specialist changed four times, contributing to some methodological inconsistencies. It is clear that the project implementation should have structured a team of at least two staff rather than a single person in this critical aspect of the project. The methodology for the calculation of indicators had to be refined several times so it would be accurate and consistent. The Bank comments were incorporated swiftly by the M&E staff in the PCU.



c. M&E Utilization

According to the ICR - M&E reports were closely considered and used by READ, MSDT, PCU and the Bank team, primarily as a tool to monitor and report on project progress. Over the course of the Project, both READ and MSDT began to use these reports to identify issues with local offices and municipalities respectively, and began to develop remedial measures to ensure that progress remained on track. One of the successes of the Project is that the M&E framework developed for Component B is being used at MSDT to coordinate planning and permitting activities across Project and non-Project municipalities

M&E Quality Rating

Modest

11. Other Issues

a. Safeguards

The Project was rated Category B for environmental safeguards. The main activities that required site-specific Environmental Management Plans (EMPs) were: (a) the construction of the READ headquarters building; and (b) the reconstruction/renovation of several local offices. During the Project preparation phase, the GoM prepared: (a) a site-specific EMP for construction of READ headquarters building; and (b) an environmental check-list for minor civil works activities, related to reconstruction of local offices. Documents were prepared and disclosed in accordance with the relevant Bank policies. During implementation, regular environmental safeguards reviews were performed and respective findings included in the aides-memoire, in the sections related to civil works and construction progress and/or environmental safeguards. No major non-conformities were reported during the construction works on READ headquarters, and minor issues, where noted, were dealt with promptly by the Contractor. No environmental incidents were recorded during implementation. Rehabilitation of several local offices was undertaken in accordance with the environmental checklists and in line with the national requirements for construction material/waste management. The works were supervised by READ engineers.

b. Fiduciary Compliance

The financial management (FM) arrangements of the Project were assessed as satisfactory throughout the Project. The TSU under the MoF was in charge of financial management and procurement. According to the ICR - FM functions were adequately staffed with an experienced and qualified senior finance officer and assistant finance officer working on all of the Bank-financed projects in Montenegro. The system of internal controls for the Project were assessed as adequate. A clean opinion was issued by the auditors on the Project financial statements throughout the implementation period, although the audits were delivered with three to four months delay. Quarterly interim financial reports were submitted on a timely basis to the Bank and were



assessed as reliable. The flow of funds was adequate.

c. Unintended impacts (Positive or Negative)

The Project had a positive impact on private sector capacity, particularly for urban planners who employed the consultative planning process as required under the Project. This was a major learning exercise for them and there was strong opposition in the beginning because Montenegrin law prescribed participation only at the draft plan stage, so planners saw the Project requirements as unnecessary additional work. However, with time they realized that participation were provided from an earlier stage then the stages from draft plan to final plan would get accomplished much quicker, with fewer changes, and higher public satisfaction. With this approach there were also no issues when a plan reached a local assembly for adoption as all matters would have been clarified beforehand. Broader public involvement also guaranteed stronger ownership so when representatives in the local government changed, they would embrace the plan as their own and would not start developing a new one as was often the case in the past.

d. Other

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Moderately Satisfactory	There were shortcomings with regards to the efficiency of the project.
Risk to Development Outcome	Negligible	Negligible	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Modest	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons



From ICR Reviewer

Breaking World Bank silos on land administration and land use planning: Integrated projects addressing both land administration and land use planning have the potential of producing important development impact.

Under the current structure of the Social, Urban, Rural and Resilience GP - similar projects should be easier to staff and manage ensuring seamless project teams capable of encompassing.

Revision of PDO indicators requires the project team to plan ahead with a revised approach to undertake the economic analysis during the preparation of the ICR. Adapting piecemeal economic analysis upon the closure of the project does not yield the necessary rigor to establish with certainty the efficacy of the use of World Bank and counterpart resources.

From ICR

Designing robust PDO indicators: The external shock caused by the global financial crisis and the subsequent dropping of the indicator tracking the real estate transfer tax and property tax receipts exposes an important issue in the design of indicators. To the extent possible, PDO indicators should be directly affected by project activities or outcomes, and be relatively shielded from market fluctuations. □

Active implementation support can deliver strong development outcomes: During project implementation, the team responded quickly with appropriate restructurings that reallocated funds, adjusted Project targets, and extended the Project closing date.

Innovative approaches may be risky but can pay off: Testing a new approach under a project can be risky as the chances for success or failure are often the same. A full participatory approach to planning under this project was one such approach that proved to be challenging from an implementation point of view. Eventually people started believing in the process and began taking ownership. At the end, the planning process took much more time than anticipated at the design stage. The Project consequently had to be restructured. However, the participatory approach to planning under the Project proved successful.

14. Assessment Recommended?

Yes

Please explain

The project provides a unique opportunity to learn and document the synergies of having land administration and land use planning in a single project contributing to sustainable urban development. It would be useful to confirm this conclusion from the experience of other similar projects

15. Comments on Quality of ICR

The ICR was generally well prepared and laid out a critical and objective assessment of the project design and implementation. However, two areas of improvement were identified.

First, the split evaluation in this instance was unnecessary given that there were not significant changes to the



key associated outcome targets. The PDO remained unchanged and concentrating on explaining the various pre and post restructure achievements made the narrative difficult to disentangle.

Second, the economic analysis of the project was weak and there is no clear narrative of alternative approaches to carry out the economic analysis given the changes in PDO indicators. While it is understandable that there were contradictions in the approach taken in the economic analysis between the PAD and the ICR, the revised economic analysis carried out for the ICR lacks rigor and yields an ERR almost 100% points higher than the ex-ante PAD analysis -- which included very significant fiscal and economic returns. In addition, the economic analysis did not consider or address component B (Improving Planning) which comprised a critical aspect of the project.

a. Quality of ICR Rating

Modest