PROJECT PERFORMANCE ASSESSMENT REPORT

SLOVENIA

REAL ESTATE REGISTRATION MODERNIZATION PROJECT
(LOAN NUMBER 44980)

June 23, 2010

Sector Evaluations (IEGSE)
Independent Evaluation Group (World Bank)
Currency Equivalents (annual averages)

Currency Unit = EURO

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Abbreviations and Acronyms

CAS  Country Assistance Strategy
DO   Development Objective
ECA  Europe and Central Asia Region
EU   European Union
FY   Financial Year
IBRD International Bank for Reconstruction and Development
ICR  Implementation Completion Report
IEG  Independent Evaluation Group
IT   Information Technology
M&E  Monitoring & Evaluation
MAFF Ministry of Agriculture, Forestry and Food
MESP Ministry of Environment and Spatial Planning
MOF  Ministry of Finance
MOJ  Ministry of Justice
OECD Organization for Economic Cooperation and Development
PAD  Project Appraisal Document
PCO  Project Coordination Office
PPAR Project Performance Assessment Report
RERMP Real Estate Registration Modernization Project
SMA  Surveying and Mapping Authority of the Republic of Slovenia

Fiscal Year

January 1 - December 31
About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank’s self-evaluation process and to verify that the Bank’s work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEGWB annually assesses about 25 percent of the Bank’s lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEGWB staff examine project files and other documents, interview operational staff, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEGWB peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. IEGWB incorporates the comments as relevant. The completed PPAR is then sent to the borrower for review; the borrowers’ comments are attached to the document that is sent to the Bank’s Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEGWB Rating System

IEGWB’s use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEGWB evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEGWB website: http://worldbank.org/ieg).

**Outcome:** The extent to which the operation’s major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. **Relevance** includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project’s objectives are consistent with the country’s current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project’s design is consistent with the stated objectives. **Efficacy** is the extent to which the project’s objectives were achieved, or are expected to be achieved, taking into account their relative importance. **Efficiency** is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. **Possible ratings for Outcome:** Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Risk to Development Outcome:** The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). **Possible ratings for Risk to Development Outcome:** High Significant, Moderate, Negligible to Low, Not Evaluable.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. **Possible ratings for Bank Performance:** Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. **Possible ratings for Borrower Performance:** Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.
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This report was prepared by Keith Oblitas (Consultant), who assessed the project in December, 2009. The Task Manager is John Heath and Marie Charles provided administrative support.
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Bank performance
Quality at entry
Quality of Supervision
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Government
Implementing agencies

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Principal Ratings

**SLOVENIA REAL ESTATE REGISTRATION MODERNIZATION PROJECT**

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* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

**SLOVENIA REAL ESTATE REGISTRATION MODERNIZATION PROJECT**

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Preface

This is the Project Performance Assessment Report of the Real Estate Registration Modernization Project in Slovenia. The project was approved in June 1999 and closed six years later and as scheduled in June 2005. Actual project costs amounted to EURO 25 million ($31.2 million) compared with the appraisal estimate of EURO 27 million ($28.7 million). The project received a Bank Loan of EURO 14.1 million ($15.0 million equivalent) At project closure, the Loan had been drawn down by EURO 12.9 million. The EU contributed EURO 3.0 million to the project for technical assistance and computer equipment. Government’s counterpart financing was EURO 9.1 million. There were no changes in project objectives and no major changes in components.

The report presents IEG findings based on review of the projects implementation completion report, appraisal report, legal documents, sector reports, and other relevant material; and a mission to Slovenia in December 2009. The mission visited project sites, and held discussions with government officials and agencies, project directors and staff, beneficiaries, the private sector, key donors and NGOs.

The Real Estate Registration Modernization Project was chosen for assessment because the project exhibits several interesting design features: first, Slovenia has adopted a multi-agency approach to land administration, whereas a number of countries have all land administration activities under one agency. Slovenia’s experience would add understanding on the relative merits of different institutional choices. Second, the project’s actions to improve the efficiency of land administration processes can be considered including issues encountered and how they have been addressed. And third, Slovenia chose to include components such as mortgage finance reform which complement but go beyond typical activities in a land administration project. How this has fared would be of interest. This PPAR is undertaken as part of a series of PPARs of several similar land administration projects in the ECA Region.

Following IEG procedures, copies of the PPAR were sent to relevant government officials and agencies for their review and comments. Comments from the Borrower were taken into account and included in Appendix D.
Summary

This Project Performance Assessment Report reviews the experience and lessons of the Real Estate Registration and Modernization Project (RERMP) in Slovenia. The project’s objective was to: Improve the efficiency and effectiveness of real estate administration systems in Slovenia, including improvement of the real estate registration system, upgrading the legal framework for real estate transactions, establishment of an agricultural land use monitoring system to meet European Union accession requirements, and designing and testing of a market-based property tax and valuation system. This fitted well with the growth-oriented development strategy for Slovenia pursued by both the Slovenian Government and the Bank. Growth of the economy was below potential due to the country’s cumbersome legal, regulatory and institutional framework, which resulted in an unsupportive business environment. Hence, the strategy was strongly focused on boosting the economy, with the private sector as the main engine of growth. Development of the land market was a fundamental part of the strategy. As a basic factor of production, land (and all immovable property) needed to be securely owned and readily tradable through an efficient market facilitated by effective land administration services. Another need was to prepare Slovenia for accession to the EU for which one requirement was the development of a land-use monitoring system.

Slovenia’s land administration was very far from satisfying these needs. Constraints included: fragmented records of land ownership between different government agencies, and discrepancies between such records; inadequate legislation and regulation; land and property possession which was frequently without official records of ownership; infrequent land sales as the buyer had no guarantee that the land was legitimately owned by the seller; low land prices for the same reason; disincentives for productivity enhancing investment on the land due to uncertainty of land ownership and therefore of returns to investment; and, very limited acceptance by financial institutions of land as collateral for credit.

The overall project objective to improve Slovenia’s land administration services was, thus, a relevant part of Slovenia’s development strategy. The project’s four sub-objectives were also relevant: improving the efficiency and effectiveness of land administration was a basic requirement; establishing a satisfactory legal framework was essential to underpin the reform actions; establishment of an agricultural land use monitoring system was one of the accession requirements of the EU; and piloting a new real estate tax system would provide the base for better fiscal management.

RERMP’s design reflected the four sub-objectives but raised a number of issues. First, the project was ambitious in the number and diversity of its components. There were eight components, all justifiable in themselves but, taken together presenting a formidable challenge for implementation. Further, most of the components were to be rolled out to national coverage, and all of them were innovatory and unfamiliar to Slovenia. Second, the project covered a swathe of activities, not just core land administration functions but also activities such as a component to develop a mortgage finance system, usually considered beyond the purview of a land administration project. Third, five institutions were involved in
project implementation making coordination difficult. These factors alone made the project a complex program to implement.

But even these complications were trumped by two overarching choices which proved to be the dominating influences on RERMP’s issues and implementation throughout, and even beyond, the project period. The first issue was the acceptance by the Bank of Government’s strongly held view that land administration should remain under two separate agencies, the current and historically long-standing system used in Slovenia, and also found in a number of other countries. This “dual agency” system had cadastre under a land planning agency and registration under the Supreme Court and its district courts. Bank experience in other countries was that a single-agency approach was more effective than a dual agency, the main factor being that coordination between activities was much easier and operations more effective.

Nevertheless, the decision to go ahead with the project despite the known disadvantages of a dual agency approach was justifiable in Slovenia’s particular circumstances. The preparation team accepted that one institution combining registration with cadastre was not a politically acceptable option and went forward with a second-best institutional structure. There were alternatives, amongst them: to walk away from the project; to maintain a dialogue while waiting until a better institutional arrangement was found; or to adjust and downsize the registration component. While all these options have their respective merits, the decision to accept Government’s dual agency institutional structure and go ahead without delay met the pressing strategic need to enhance economic growth.

The second overarching issue was that land registration was one of many responsibilities of the Supreme Court and district courts. The courts had no particular expertise in land administration, and in any case had little time for it. At time of appraisal, this situation was not expected to be a major issue, but as it turned out, the management of land registration by the courts became the project’s most critical problem. Insufficient staff working full-time on land administration, and lack of full-time field supervisors, might have been predicted to be a major constraint, and this turned out to be the case.

Project design did, however, establish a good coordination system, which partly mitigated these problems. A senior level Program Council, and, for hands-on management, a Project Coordination Office (the latter met weekly in the first years of the project) were established, and served to improve inter-agency communication.

Another strategic choice in RERMP’s design was the inclusion of several components that were not central to land administration. Whereas a straightforward project focused on land administration alone would typically be preferred, RERMP included a housing finance and mortgage reform component, which is in the banking rather than land domain. Yet, development of financial instruments in the property market is a core need for developing the land market, and could enhance the market impact of land registration. As a consequence it contributed to the RERMP’s overarching goal to improve the efficiency and effectiveness of land administration. There can be no hard and fast rule for such ancillary components, if any, but RERMP illustrates the potential benefits that might be present if the broader environment for the land market is considered.
Despite RERMP’s complexity and institutional issues, it was largely successful in meeting its objectives. A good legal framework was set up and provided the legislative base for land administration (Objective II), the land use monitoring system was established and met the requirements for EU accession (Objective III), and a property-based tax and valuation system was designed (Objective IV). Improving the real estate registration system (Objective I) had a mixed performance. On the cadastral side, all targets were achieved: 2000 cadastral maps, nearly covering the country, were prepared as against a target of 1700 maps. The intended 44 registration offices were set up, and digitization and information technology were introduced. Registration achievements were partial. Before RERMP, registration of land transactions took over 20 months and there was a backlog of about 200,000 unsolved cases (registration requests that had not been processed). This dysfunctional situation has been substantially improved – average processing time is now 1½ months and the backlog has reduced to 50,000. Registration time in Slovenia is now comparable to the Eastern Europe and Central Asia average, although it must be said that Slovenia still has substantial room for improvement – for instance, registration takes less than two weeks in several ECA countries.

RERMP’s Efficiency was Substantial. RERMP’s objectives and implementation targets were largely attained while project expenditures were EURO 25 million compared with the appraisal estimate of project costs of EURO 27 million. Benefits were considerable. The aggregate value of house mortgages grew from a minimal value ($15 million) before the project to $100 million by 2005; the share of mortgage-based loans in total bank lending grew from 14 percent in 1998 to 51 percent in 2003; and annual interest rates for mortgages fell from 15 to 7 percent between 1998–2000 and 2004–05. The increases in the mortgage market will mostly have been driven by macro-variables such as GDP growth and the general investment climate. But the improving land administration service can be expected to have played an important facilitating role (for instance, banks are reluctant to lend against land collateral, when it is not certain whether the prospective borrower even owns the land).

Risks to Development Outcome are Moderate. Continued financial and political support by Government will be required; hence a risk that successor governments might give less priority to land administration. However, demand by clients for a good service would be a counteracting force. The ultimate solution to such problems is for the service to be financially self-sufficient, an area where Slovenia has made only modest progress.

RERMP’s Outcome was Satisfactory overall, although implementation confronted a number of difficulties, RERMP’s objectives were relevant, the project broadly met its objectives, and its facilitating role in an expanding land market indicates its economic viability.

The performances of the Bank and borrower were Satisfactory albeit uneven. The Bank brought good technical skills to the project, and applied these pragmatically, both during preparation and implementation, to the particular situation in Slovenia – establishing a strong coordination system, for instance, helped reduce the disadvantages of a multi-agency project. The Government mustered the political support needed for the program, passed a number of Acts required for the project and helped resolve difficulties. And the five agencies succeeded in implementing their parts of the project. For the Supreme Court and the district courts, this is still a work in progress, although performance is improving over time.
The project presented a number of strategic choices, and on the whole these were well handled. Faced with a second-best institutional structure, the decision was made to go ahead and some practical measures were taken to help coordinate the different agencies. Given the strategic importance of developing an effective land administration service and preparing for EU accession, the Bank went ahead. This was at risk of failure, but, even if only partially successful, was in the best interests of Slovenia, although the path to be taken with the dual-agency structure could be expected to be difficult. This could, however, have been much easier if there had been sufficient staff and full-time managers for registration, answerable to a specialized line agency. Finally, RERMP illustrates through components such as mortgage financing reform that (on a case by case basis and taking implementation capacity into account) financing activities that are not directly related to the land service can add value to the benefits from land administration by itself.

The design and implementation of the Slovenia RERMP yields the following main lessons:

- **A multi-agency institutional structure for land administration has inherent disadvantages compared with a single agency; particularly in coordination and in prospects for attaining financial self-sufficiency.** The division of land administration activities between two institutions, one for cadastre and the other for land registration, resulted in coordination difficulties between the institutions. Also, the possibility of financial self-sufficiency by cross-subsidization from the higher revenues of registration to cadastre with lower earning possibilities, is made difficult by the institutional divide.

- **Where a multi-agency institutional model is accepted as unavoidable, practical steps to reduce the disadvantages of these arrangements should be integrated in project design.** Two main steps were taken to reduce the disadvantages: (i) a strong coordination mechanism comprising a well staffed project coordination office and a more senior-level multi-agency council was created; and (ii) an information technology system which enabled data to be shared between the institutions was established.

- **A land administration agency needs to exist uniquely for that task, be operationally independent and have full-time specialist staff.** These features were not enjoyed by the Supreme Court and the district courts responsible for the project’s land registration. Court judges had many demands on their time besides registration, and there was no institutional structure for specialist field supervision of registration activities.

- **Actions beyond the core activities of land administration should be considered if they significantly enhance project impact and are within the project’s implementation capacity.** RERMP’s housing finance and mortgage reform component is in the banking rather than land domain, but was a significant contributor to the project’s goal to improve the efficiency of the land market. While a focused land administration project would generally be preferred, addition to a project of a high impact ancillary component may be beneficial if manageable by the institution concerned.
- Legislative reforms are an essential concomitant to establishing a land administration program. Development of a legal base for land administration was prioritized in order to provide a structured legislative framework. Laws were proactively amended as experience was gained, and legislation in related sectors (mortgages, taxes) was also approved.

Vinod Thomas
Director-General
Evaluation
1. Slovenia’s development and land market issues

1.1 At the time when Slovenia declared Independence from the former Yugoslavia in 1991, the new nation, of all the transition countries, had some of the most favorable conditions for restructuring to a market economy. While a small country – only some 2 million people – Slovenia was one of the wealthiest of the new nations. It had a skilled labor force and a relatively high urban population (some 50 percent compared with about one-third for Kyrgyzstan and Uzbekistan). This was reflected in the high proportion (95 percent) of value added from the industrial and services sector. These sectors typically had higher factor productivity than in agriculture. It also had a port to the Adriatic Sea enabling maritime trade, and it had well-established trade links with the West. As a result, Slovenia was able to quickly redirect Eastern European market outlets to western countries. Economic turnaround was, thus, faster than for most of the former Eastern-block countries.¹

1.2 Notwithstanding this initial success, structural reform of the economy has taken longer. Various Bank and other reports have commented on the persistence of such structural problems. Key constraints noted during the preparation and early implementation phases of the Real Estate Registration Modernization Project relate to rigidities in the financial sector and in factor markets (labor, land), which translated to a low private sector presence (in 1996 the private sector’s part of GDP was only 40 percent). As a result of these constraints, Slovenia’s economic growth has been lower than potential.² In essence, Slovenia’s below-potential economic development has been held up by its unsupportive business environment.

1.3 In response to this situation, Government and the Bank articulated a growth oriented development strategy - “The overarching development objective for Slovenia is to achieve faster, sustainable growth” - with the private sector as ”the main engine of growth” (CAS, 1997). The reform program was also intended to prepare Slovenia for accession to the European Economic Union (EU), and the competition within this market and the world economy that would result. Enhancing domestic savings, attracting foreign capital, increasing investment rates, and raising the productivity of investments were amongst the changes which would be necessary. A basic need was to increase the efficiency of the land market, but market development was constrained by an underdeveloped and unwieldy governance. This was articulated in the 1997 CAS - “Special attention will need to be given to developing the legal, regulatory and institutional framework for markets that remain very weak in Slovenia today, such as the markets for land.”

1.4 Constraints for land included: fragmented records of land ownership between different government agencies, and discrepancies between such records; inadequate legislation and regulation; land and property possession which was frequently without official records of ownership; the risk, especially for households with little social influence,

² Slovenia’s per capita GDP growth in 2005-2006 was 5.4 percent. Per capita GDP growth in 2006-2007 was between 6 and 8 percent for Bulgaria, Kyrgyz and Uzbekistan (Source: World Development Reports 2008 and 2009, World Bank).
of eviction from their customarily owned property by more powerful persons; infrequent land sales as the buyer had no guarantee that the land was legitimately owned by the seller; low land prices for the same reason; and very limited acceptance by financial institutions of land as collateral for credit. Clearly, the land market was highly inefficient, and likely to be one of the factors impeding Slovenia’s economic development. It was in this environment that the Real Estate Registration Modernization Project (RERMP) was conceived and designed.

2. Objectives and Implementation

Development Objective

2.1 RERMP’s objective was: “To improve the efficiency and effectiveness of real estate administration systems in Slovenia. This will include improvement of the real estate registration system, upgrading the legal framework for real estate transactions, establishment of an agricultural land use monitoring system to meet European Union accession requirements, and designing and testing of a market-based property tax and valuation system.” (Source: PAD)

Design

2.2 The project comprised eight components (Box 1) supporting between them the project’s principal objective, and its four sub-objectives: (i) Improvement of the real-estate registration system – Components A (Improving Land and Building Cadastre); B (Improving Land Registration); and C (Developing an Apartment Registration System); (ii) upgrading the legal framework for real estate transactions – Components G (Legal Framework for Property Registration) and F (Housing Finance and Mortgage Reform); (iii) establish land use monitoring for EU accession (component D); and (iv) market based property tax and valuation (component title same as objective).

3. The Loan Agreement has identical wording for the main objective (viz. “to improve the efficiency and effectiveness of real estate administration systems in Slovenia.”) but does not have the four sub-objectives provided in the PAD. The PAD version is taken here as it better provides the intention of the project as discussed in the PAD text.
Box 1: Objectives and Components of the Slovenia Real Estate Registration Modernization Project

Development Objective:

“To improve the efficiency and effectiveness of real estate administration systems in Slovenia. This will include improvement of the real estate registration system, upgrading the legal framework for real estate transactions, establishment of an agricultural land use monitoring system to meet European Union accession requirements, and designing and testing of a market-based property tax and valuation system.” (Source PAD)

Components:

Component A – Land and Building Cadastre: Complete creation of digital cadastral maps nation-wide, establishment of computerized data-linkages between SMA and other agencies, and surveying, cadastre and registration of buildings. (Cost estimate at Appraisal EURO 12.4 million; actual costs EURO 9.8 million).

Component B – Land Register: Improve efficiency of land registration, computerize the land register, remove backlogs in registry offices of unfinished registrations, and create computer linkages between SMA and the Supreme Court. (Cost estimate at Appraisal EURO 3.7 million; actual costs EURO 5.7 million).

Component C: Apartment Registration Development: Design and pilot a system for rapid registration of apartments, and prepare an associated legislative and policy framework. (Cost estimate at Appraisal EURO 2.6 million; actual costs EURO 2.8 million).

Component D: Agricultural Land Use Monitoring: Develop a land use monitoring system compatible with the EU Common Agricultural Policy. (Cost estimate at Appraisal EURO 3.0 million; actual costs EURO 2.9 million)

Component E: Real Estate Tax and Valuation System: Develop a real estate property tax system and an associated real estate valuation system, including a legislative and policy framework, and test in two municipalities. (Cost estimate at Appraisal EURO 2.2 million; actual costs EURO 1.4 million)

Component F: Housing Finance and Mortgage Reform: Improve the legal framework for housing finance, especially mortgage financing. (Cost estimate at Appraisal EURO 0.2 million; actual costs EURO 0.1 million)

Component G: Legal Framework for Property Ownership: Improve the legal framework for property ownership and registration. (Cost estimate at Appraisal EURO 0.2 million; actual costs EURO 0.1 million)

Component H: Project Coordination Support and Strategic Studies: Consultancies and training to assist the Project Coordination Office with project management and to develop strategies for information technology and management, and for cost recovery. (Cost estimate at Appraisal EURO 2.8 million; actual costs EURO 2.2 million)

Financing:

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Source for Development Objective – PAD. Source for Components and costs – PAD and ICR.
Implementation and Institutional arrangements

IMPLEMENTATION

2.3 Slovenia RERMP was approved by the World Bank Board in June 1999 and closed six years later as scheduled in June 2005. Actual project costs amounted to EURO 25 million compared with the appraisal estimate of EURO 27 million. At project closure, the Bank Loan of EURO 14.1 million had been drawn down by EURO 12.9 million. The EU contributed EURO 3.0 million to the project for technical assistance and computer equipment. Government’s counterpart financing was EURO 9.1 million. There were no changes in project objectives and no major changes in components. No environmental or social assessments were undertaken during project preparation as the project was assessed to have no adverse social and environmental impacts. Project implementation was largely at or ahead of schedule and appraisal targets were mostly met or exceeded (Table 2).

INSTITUTIONAL ARRANGEMENTS

2.4 RERMP involved five agencies: The Surveying and Mapping Authority of the Republic of Slovenia (SMA) was responsible for land cadastre, developing a legal framework, and project coordination (components A, G and H), and, supported by the Ministry of Justice (MOJ), for apartment registration (component C). The Supreme Court, supported by SMA, was responsible for land registration (component B). The Ministry of Agriculture, Forestry and Food (MAFF) was responsible for agriculture land use monitoring (component D). The Ministry of Finance was responsible for developing a real estate tax and valuation system (component E) and for Housing Finance and Mortgage Reform (component F). The Ministry of Environment and Spatial Planning (MESP) was the parent Ministry for SMA. This multi-agency arrangement was very far from the “Single Agency System” followed by some countries such as the Kyrgyzstan Land and Real Estate Registration Project, where all land administration activities were under one institution.

2.5 Slovenia did, nevertheless, endeavor to coordinate the various institutions and activities involved with the RERMP. Government established a senior-level body – the Program Council – chaired by the Minister of Environment and Spatial Planning and with representatives from across the agencies involved, for oversight and policy making. A Project Coordination Office (PCO) was also established in The Ministry of Environment and Spatial Planning’s SMA. The PCO was charged with hands-on monitoring, coordination and quality control of the project, and was also the Secretariat of the Program Council. The Program Council met about three times per year and, for hands-on implementation, the PCO and involved agencies met about weekly at the beginning of the project and bi-weekly in later years.4 These arrangements were sensible and undoubtedly helped, although the cadastral work of SMA and the registration activities under the Supreme Court were never fully harmonized.

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4. It was decided to continue the Program Council after the project. The PCO has been absorbed into SMA, but SMA’s organization and staff responsibilities are continuing the PCOs coordination functions.
Monitoring and Evaluation

2.6 **Design.** Monitoring and evaluation was coordinated by the PCO. The PAD provides minimal details on how M&E was to be done, what data would be collected, and how it would be analyzed and for what purpose. A conceptual framework analyzing what data was important for the project would have been desirable. Nevertheless, a good management information system (MIS) was created with data to be collected that was relevant to project management. The M&E program could have been broader however. Data collected was largely restricted to measuring project progress and performance. Assessment of project outcomes such as changes in investment levels, incomes and social impacts were not considered. Also, benefits from land registration were seen from a land market perspective, without also considering the possible benefits from investment on registered properties where no transaction takes place. Taking the good MIS system but limited inclusion of outcome and productivity measures, the Design of RERMP’s M&E program is assessed *Modest.*

2.7 **Implementation.** By their nature, most project components provided at least some relevant data: monitoring of agricultural land use is itself a monitoring exercise; the digitized property registry is a nation-wide resource; and the Supreme Court measures registration backlogs for all of the county courts. There was a monthly monitoring report coordinated by the PCO, consolidating progress and performance data for each project component and this proved useful for the project’s managers. Implementation is rated *Substantial.*

2.8 **Utilization.** The monthly reporting system (MIS), informing managers, staff and policy makers on program implementation and progress, is a relevant informational base for the Project and Program Council meetings. The usage of these monitoring reports in the meetings, and the continued production and use of the reports after the project period indicates that the monitoring system is appreciated and useful. Utilization of M&E data was *Substantial.*

2.9 Taking account of the design, implementation and utilization of RERMP’s M&E system, overall performance of M&E is assessed *Substantial.* Operational monitoring was timely and became a key management tool, but there was limited attention to outcome and the broader impacts of a land administration program.

3. Ratings

Outcome

3.1 Considering the Relevance, Efficacy and Efficiency of the Slovenia Real Estate Registration Modernization Project, the project’s outcome is rated *Satisfactory.* The results are summarized in Table 1 and amplified below.
Table 1: Slovenia Real Estate Registration Modernization Project: Ratings of Objectives and Outcome

<table>
<thead>
<tr>
<th>Development Objective</th>
<th>Relevance</th>
<th>Efficacy</th>
<th>Efficiency*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main objective:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To improve the efficiency and effectiveness of real estate administration systems in Slovenia.</td>
<td>Substantial</td>
<td>Substantial</td>
<td>Substantial</td>
</tr>
<tr>
<td>Sub-objectives:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1: Improve the real estate registration (and cadastre) system.</td>
<td>Substantial</td>
<td>Substantial</td>
<td></td>
</tr>
<tr>
<td>2: Upgrade the legal framework for real estate transactions.</td>
<td>Substantial</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>3: Establish an agricultural land use monitoring system to meet European Union accession requirements.</td>
<td>Substantial</td>
<td>Substantial</td>
<td></td>
</tr>
<tr>
<td>4: Design and test a market-based property tax and valuation system.</td>
<td>Substantial</td>
<td>Substantial</td>
<td></td>
</tr>
</tbody>
</table>

Overall Project Outcome: Satisfactory

N.B. IEG usually rates efficiency for the project as a whole.

Relevance

3.2 RERMP’s objectives were: “To improve the efficiency and effectiveness of real estate administration systems in Slovenia. This will include improvement of the real estate registration system, upgrading the legal framework for real estate transactions, establishment of an agricultural land use monitoring system to meet European Union accession requirements, and designing and testing of a market-based property tax and valuation system.”

Relevance of Objectives

3.3 Slovenia’s goal to accelerate economic growth required structural reforms on many fronts, not least of which was land (Section 1). International experience has shown that an efficiently functioning land market is one of the reforms that can contribute to such an enhanced growth path. Thus, improving the efficiency and effectiveness of land administration was very relevant to the country’s aspirations.

3.4 All four of the RERMP’s sub-objectives were also relevant. Extension and improvement of land cadastre and registration (sub-objective 1) was a basic requirement for a national land administration system. Establishing a satisfactory legal framework (sub-objective 2) was essential to underpin the reform actions. The establishment of an agricultural land use monitoring system (sub-objective 3) was one of the accession
requirements of the EU. And piloting a new real estate tax system (sub-objective 4) provided the base for better fiscal management. Relevance of Objectives is thus rated Substantial.

RELEVANCE OF DESIGN

3.5 The project’s design was in most respects well suited to achieve the project’s objectives. As indicated above, there was a component or more than one component supporting each of the four objectives, and most components were adequately designed to provide the support needed. In particular, the technical aspects of design were well prepared and remained valid throughout project implementation. The main issues were more strategic in nature: the choice between a single agency or multiple agencies to implement the project; insufficient full-time staff and management for one of the institutions; and the inclusion of some components which went beyond the specific needs of a land administration service. These issues are discussed below.

3.6 The project was ambitious in several ways: (i) the eight components provided an extensive array of actions that needed to be undertaken; (ii) although piloting was used in instances where an activity was completely new, the scale of activities was large and mostly to national coverage – the cadastral work was rolled out country-wide, the network of offices for both cadastre and registration, the information technology, the legal framework and agricultural monitoring were also at national scale. And, even if an activity had been implemented before, RERMP introduced challenging changes in implementation processes, technology and service standards; (iii) digitization and information technology was to be introduced in a major program; (iv) the project’s significant changes in legislation and policies would need review and steerage through the political processes; and (v) as indicated below, the institutional structure was highly complex.

3.7 The most significant decision during project design, which was ultimately vindicated, was to accept the division of land administration responsibilities between two main institutions. This “dual-agency” institutional structure had cadastral under SMA, and registration through the Supreme Court and its network of county courts. Moreover, the RERMP had other institutions – the Ministry of Agriculture, Forestry and Food and the Ministry of Finance – implementing parts of the project, making RERMP’s institutional structure what might be termed a “multi-agency” approach. The involvement of multiple institutions made project implementation inherently complex, and far from the much simpler “single agency” model typically espoused by land administration specialists. RERMP’s senior level “Program Council” and weekly project meetings involving all agencies helped in this regard, although coordination was always a challenge.

3.8 The key gap in design was to presume that the county court system would be able to effectively implement registration activities within its existing structure. Property registration was only one of the responsibilities of court judges and there was no field-level entity to supervise registration activities. This situation was the main source of the registration difficulties that the RERMP encountered. A specialist agency with focused, full-time management and staff would have been a better choice.
3.9 As indicated above, with eight components and five institutions, RERMP’s design is far more complex than typical land administration projects in the ECA Region. Moreover, the scope of the project goes beyond what is specifically needed for land administration. Two of RERMP’s components stand out: the Real Estate Tax and Valuation System component, and the Housing Finance and Mortgage Reform component. Neither of these is necessary for a land administration service, and their inclusion, thus contributing to the project’s complexity, departs from usually considered “good practice.” Nevertheless, both components were successful. Thus, RERMP illustrates that though simple land administration projects may be easier to implement than projects such as RERMP, a more complex project can be made to work. In part this was because of the generally high administrative capacity in Slovenia, but it was also facilitated by the design of RERMP’s institutional structure. RERMP’s Program Council and PCO provided an effective bridge between institutions, and the Ministry of Finance took on the Real Estate Tax and Valuation component and the Housing Finance and Mortgage Reform component in full, in effect relieving the PCO from management of these two components. In turn, the Ministry of Finance provided the necessary staffing to implement the components. Hence, the strategic decision to include these additional activities paid off.

3.10 Summary of Relevance of Design. In an ideal world, the project would have addressed each of the above issues; in particular different agencies dealing with cadastre and land registration, and the overcharged court judges for registration activities. But the Government was insistent on using its dual-agency approach, entrenched over many years. The Bank had to make a basic decision whether to accept this institutional arrangement or cancel, delay or reduce the project. It made a strategic choice to work within the existing institutional set-up. Furthermore, in an effort to address a number of critical constraints to land markets, the project took on a number of ancillary components. These components were successful. But they introduced a further level of complexity, covering a number of issues and areas not usually found in land projects. As a result of these design choices, the project carried definite risks. But a pragmatic approach to institutional design enabled a complicated and not ideal situation to ultimately succeed. Relevance of design is rated Substantial. In combination with the Substantial relevance of the project’s objectives, RERMP’s overall relevance is also rated Substantial.

Efficacy

3.11 The Efficacy of each of the project’s four sub-objectives is reviewed below. Preceding this, Table 2 summarizes achievements for each of the project’s 10 monitorable indicators as listed in the PAD. Eight indicators were fully achieved and the remaining two were partially achieved.
Table 2: Slovenia – Progress and Output Indicators

<table>
<thead>
<tr>
<th>Moniterable Indicator</th>
<th>Target</th>
<th>Actual at Project Completion</th>
<th>Status of Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce registration times to 6 days</td>
<td>As stated (target revised to 20 days at mid-term review)</td>
<td>90 days in 31 courts 3-6 months in 11 courts 10-11 months in 2 courts</td>
<td>Partially achieved</td>
</tr>
<tr>
<td>Reduce discrepancies in owner names between registry and cadastre</td>
<td>From 20 % to 5 %</td>
<td>Reduced to 3 %</td>
<td>Achieved</td>
</tr>
<tr>
<td>Submit law and procedures for apartment registration</td>
<td>As stated</td>
<td>Law in place</td>
<td>Achieved</td>
</tr>
<tr>
<td>Improve legal framework for mortgages</td>
<td>Relevant legislation</td>
<td>New mortgage law submitted to Parliament</td>
<td>Achieved</td>
</tr>
<tr>
<td>Install agricultural land use monitoring system</td>
<td>Meet EU requirements</td>
<td>New land use monitoring system in place and meets EU requirements</td>
<td>Achieved</td>
</tr>
<tr>
<td>Design and test property tax system</td>
<td>Do in 2 municipalities</td>
<td>Completed pilots in 3 municipalities. New mortgage law submitted to Parliament Estate tax law prepared</td>
<td>Achieved</td>
</tr>
<tr>
<td>Upgrade 1700 cadastral maps</td>
<td>1700 maps</td>
<td>2035 maps prepared</td>
<td>Achieved</td>
</tr>
<tr>
<td>Computerize all 44 registry offices</td>
<td>As stated</td>
<td>44 offices computerized</td>
<td>Achieved</td>
</tr>
<tr>
<td>Clear land registry backlogs</td>
<td>Clear backlogs</td>
<td>Backlog reduced by 44 %</td>
<td>Partially achieved</td>
</tr>
<tr>
<td>Strategic studies for cost recovery, IT and management strategy</td>
<td>As stated</td>
<td>Studies completed on cost recovery and information technology</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

Sources: SMA, Supreme Court and ICR

**Efficacy for improving the real estate registration system**

3.12 The first sub-objective aimed at: “improvement of the real estate registration system.”

3.13 Three project components supported this objective: (a) The Land and Building Cadastre component was to complete a nation-wide, digitized cadastral map; (b) the Land Register component aimed to improve the efficiency of registration, remove backlogs of unfinished registrations at registry offices, and create computer linkages between the SMA
and the Supreme Court; and (c) the apartment registration component was to pilot a registration system for apartments.  

**GENERAL AND CADAstral IMPROVEMENTS**

3.14 In most respects, improvement in the real estate registration system has been substantial. Four of RERMP’s six monitorable indicators that were related to land registration have been met or exceeded: (i) the country’s 44 registry offices have been computerized; (ii) preparation of cadastral maps exceeded plans, reaching full national coverage; (iii) the major discrepancies in owner names between cadastral and registry data was reduced from an unworkable 20 percent before the project to three percent by project end, below the project target of five percent; and (iv) an apartment registration law was passed.

**DIGITIZATION**

3.15 A big step forward has been the digitization of data, and computerization of procedures that were introduced under the project. An increasing number of registration offices are using computerized systems and some 86 percent of data are now digitized. The information system allows transparent access to data by professionals and the public, and is updated daily. The system has become fully functional only in the last two years, but is beginning to have impact. The Supreme Court and SMA advised the IEG mission that the system would provide a natural bridge between them, and that registration processes could be speeded up. A businessman welcomed the transparency of information and transactions and the much easier access to land administration information compared with 12 months earlier.

**IMPROVEMENTS IN REGISTRATION OF TRANSACTIONS**

3.16 Achievements with registration of transactions have been less than intended, although progress was made. The intentions were: (i) to increase efficiency, in particular to reduce the time for registering property transactions; and (ii) to clear a backlog of unprocessed registration applications.

3.17 Registration efficiency has improved considerably from the dysfunctional situation before the project. At that time (late 1990s), registration typically took over 20 months. There was also a large backlog (“unsolved cases”) of unprocessed applications in the registration offices (about 200,000 in 2002) which took time to reduce. A significant contributor to the backlog was a wave of additional demands for registration after the Apartment Registration Law was updated. This allowed apartment owners to register their apartments individually whereas before only the entire building could be registered. The law’s update was not anticipated and the resultant increase in registrations overwhelmed the Land Registry Offices, causing the backlog to increase by some 2000 cases per month. Nevertheless, as

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5. Together, these three components were the main project expenditure, costing $18.3 million at completion or 73 percent of total project costs (Box 1). SMA’s cadastral work was RERMP’s largest component, representing 77 percent of the total costs of cadastral and registration combined (appraisal estimate) and 63 percent of costs at project completion.
shown in Figure 1, the backlog progressively reduced during the project period, to 100,000 unsolved cases by 2005, and has reduced further after project closure, to about 50,000 in 2009.

**Figure 1: Reducing the backlogs**

3.18 Table 3 shows a major improvement, both during the project and since the project, in the time taken by the courts to register a transaction. The extraordinary delays of the past have been substantially reduced, and 40 out of 44 courts now have transaction times of less than three months. However, as a number of sources commented to the IEG mission, the capacity of the courts in land administration still has substantial scope for further improvement. This is confirmed if comparison is made with land registration times in more efficient countries where registration time (all processes including the time taken by other institutions) can be less than two weeks (Appendix A, Table 2). Slovenia is well behind Kyrgyz (5 days) and Bulgaria (7-14 days) in the time taken for registration (IEG mission estimates). That said, the typical range of days taken for registration in Slovenia of 32 to 56 days (IEG estimate) is, at the high end of the range, about comparable to the ECA average of 60 days and, at the low end, is not far from the average for OECD countries of 25 days (ECA and OECD data from Doing Business, 2010).

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6. The estimated registration times for Slovenia, Kyrgyz and Bulgaria are all IEG mission estimates (December 2009), based on data and interviews with agency staff, supplemented by feedback from clients and other professionals and agencies involved with land registration.

7. Comparison with the targeted registration time set at appraisal of six days is not made here as, given Slovenia’s pre-project situation, the target was completely unrealistic in the first place. The revision to 20 days made at project mid-term was also unrealistic in the short (project period) term.
Table 3: Slovenia – Transaction Registration Time for the County Courts

<table>
<thead>
<tr>
<th>TIME TAKEN FOR REGISTRATION</th>
<th>January 2003</th>
<th>May 2005</th>
<th>November 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 month</td>
<td>0</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>1 – 3 months</td>
<td>6</td>
<td>20</td>
<td>26</td>
</tr>
<tr>
<td>3 – 6 months</td>
<td>12</td>
<td>20</td>
<td>4</td>
</tr>
<tr>
<td>6 – 9 months</td>
<td>9</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>9 – 12 months</td>
<td>6</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Over 12 months</td>
<td>11</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Supreme Court

3.19 Slovenia’s registration efficiency can also be gauged by three comparators commonly used in land administration: (i) the number of procedures involved in registering a property transaction; (ii) the time taken (as above); and (iii) the registration costs. As estimated in Appendix A Table 1, based on the IEG mission’s interviews with clients and court staff, land registration in Slovenia in 2009 involved six procedures; costs were about 2.0 percent of the property value; and, inclusive of all actions taken by other institutions, the process typically took between 32 – 56 days. (Registration time, costs and number of procedures refer to all actions and institutions involved in registration – i.e. the whole registration process as relevant to the client.) The main change since the beginning of RERMP is in the time taken to register a transaction. Reducing the typical time for registering a transaction from 20 months to 1 ½ months is a significant improvement. As concerns, the number of procedures involved in registering a land transaction, Slovenia is in the range typical in a number of other countries. Slovenia’s six procedures are about the same as the averages for ECA (6 procedures) and OECD countries (5 procedures). Slovenia’s registration costs as a percentage of property costs of 2.0 percent are lower than in nearly all of the comparator countries shown in Appendix A, Table 2: registration costs average 2.2 percent for ECA countries, and the average for OECD countries is 4.6 percent.

3.20 In summary, for the three criteria commonly used to compare the overall efficiency of land registration across countries: (i) Slovenia has lower costs than most other countries; (ii) is in the typical range for the number of procedures involved, and, (iii) Slovenia is about comparable to the average time for ECA and for OECD countries. Considering the distance that Slovenia has travelled since the pre-project situation of 20 months for registering a transaction, the situation today is a noteworthy achievement. Nevertheless, Slovenia’s registration time is still well below potential (as exemplified, for instance, by Kyrgyz and Bulgaria). The clear ongoing and future challenge for Slovenia is to reduce registration time to levels comparable with the most efficient ECA countries.

8. Reference to registration in this report, unless specifically stated otherwise to refer to the Registration and/or Cadastre agencies handling registration, refers to the total processes, time and costs required for registration including actions from other institutions. For instance, time might include the time taken by the municipality and other government agencies which need to approve certain papers during the registration process. And a lawyer and notary might also be involved etc.
Table 4: Relative Efficiency of Land Administration in Slovenia

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Procedures</th>
<th>Time (Days)</th>
<th>Costs as Percent of Property Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>6</td>
<td>32 – 56 or more</td>
<td>2.0 %</td>
</tr>
<tr>
<td>Europe and Central Asia average</td>
<td>6</td>
<td>60</td>
<td>2.2 %</td>
</tr>
<tr>
<td>Kyrgyz</td>
<td>3</td>
<td>5</td>
<td>0.2 %</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>7</td>
<td>7-14</td>
<td>2.5 %</td>
</tr>
</tbody>
</table>

N.B. Data is for all institutions, procedures, costs and total time for Land Registration. Costs include taxes and client services such as from notaries and lawyers. Source: IEG PPAR mission estimates except Eastern Europe and Central Asia for which Doing Business 2010 is used.

COVERAGE

3.21 Geographic coverage. RERMP was a national project with offices and services distributed throughout the country. Equipped land registration offices were established at each of the country’s 44 county courts, and 9 cadastre offices were established regionally. By the end of the project, cadastral maps were created for virtually the entire country. Digitization of data was also nearly complete. A registration office was generally within 25 kilometers of a householder. Monthly registrations data show that all 44 registration offices are functional, indicating that there is no particular difference in access to land administration services between urban and rural areas.

3.22 Social inclusion. Under Slovenian law there is no difference between the rights of men and women, or any discrimination against the poor. All persons consulted in Slovenia considered that social inequality was not an issue for RERMP, and project design and M&E reflect this view. Data is not disaggregated by the gender of property owners, or by incomes. And there are no specific features of the project that would help protect the welfare of women and the poor. Where issues arise, the law courts are the mechanism for redressing problems.

3.23 This assessment is likely to be substantially correct. Slovenia is a sophisticated country with a literacy rate of almost 100 percent, a per capita income of $27,000 (about $10,000 at the time of RERMP’s appraisal), and with an egalitarian outlook and an established legal system. Moreover, the quite dense network of registration offices provides ready access to offices even in more remote lower-income areas. Nevertheless, it would be desirable to examine social inclusion issues more probingly. For instance, would the access to law courts, and the affordability of associated costs, be as attainable for a modest income farmer as for a business man? Experience in a number of other countries suggests that there
may be social equity issues in land administration programs that are not easy to detect\(^9\), and that there may be simple actions that might make a difference.\(^{10}\)

**SUMMARY ACHIEVEMENTS FOR LAND REGISTRATION**

3.24 Performance was strong as concerns establishing the 44 registration offices, land cadastre, digitization and information technology, which were all rolled out nationally and were of good quality. Several activities such as cadastral mapping and registration of apartments progressed well beyond initial intentions. Registration of transactions was the weak link. The backlog of registrations of property transactions reduced substantially, as did the processing times in the courts. But the time taken to register a transaction, while improving, would still need major reductions if processing time is to reach efficiency levels such as in Kyrgyz. Given this situation, the overall achievement for land registration is assessed *modest*.

**Upgrading the legal framework**

3.25 Sub-objective 2 was to: “*upgrade the legal framework for real estate transactions.*”

3.26 Two laws prepared and enacted during the RERMP period formed the legal base for much of the legislative reforms promoted by the project: (i) a “Real Property Code” approved by Parliament in 2002, and covering titling, tenure security, interactions between neighbors and land-based credit; and (ii) a Land Register Law (2003) providing the legislative underpinning for property registration processes. These were followed over the project period and to the present by a number of other laws on specialist topics. The main laws are listed in Table 5.

3.27 Clearly, Slovenia has been prolific in its development of land related legislation. Further, the legislation has covered not just the legal framework for cadastre and registration, but also important features needed for development of the broader land market: mortgages; taxation; and finance. Development of the legislation was a participatory process led by the Ministry of Justice, and with land related institutions and civil society involved, including from Ljubljana University and international experts. Study tours helped inform the preparation teams. By project completion, Slovenia’s land legislation was at a point acceptable for EU accession. This was a considerable achievement given the situation prevailing in the 1990s (one legal specialist at Ljubljana University summarized the legislation then as having been a “Black Hole.”).

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\(^9\) As expressed in a recent Bank study, “Legislation and procedures that appear gender neutral because they do not make a distinction between the rights of men and women, may, nevertheless, affect men and women in very different ways, given how traditional gender relationships and stereotypes affect access to information, resources and power.” (in Land Reform and Farm Restructuring in Transition Countries. The Experience of Bulgaria, Moldova, Azerbaijan and Kazakhstan; N. Dudwick, K. Fock and D. Sedik; World Bank, 2007)

\(^{10}\) For instance, in Bulgaria, registration offices offer free legal services to clients needing assistance.
Housing finance and mortgages reform. RERMP’s legislative reforms included a specific focus on improving the efficiency of mortgage-based financing and facilitating development of mortgage banking. These activities commenced with an analysis and workshops with bankers to identify the legal and systemic issues related to expanding and increasing the efficiency of the mortgage market. A technical report and policy paper were prepared, followed by drafting of a Mortgage and Municipal Bond Act in 2004, which was passed in 2006. Legislation to further develop the law was prepared in 2009. The legislation provides the rules and rights for mortgage financing, and, according to one banker consulted by the IEG mission, has been well received by both bankers and citizens – the legislation, has been an enabling factor for the explosive growth of the mortgage market (Table 6), and financers and property owners alike were beneficiaries. In summary, the objective to “upgrade the legal framework for real estate transactions “ has been more than achieved: (i) the legislative framework required “creating” more than “updating”; (ii) it provided a comprehensive base for the RERMP, going beyond transactions to backstop all project activities; and (iv) it delivered extra mileage in land market activities such as mortgage reform. Efficacy was High.

Agricultural land use monitoring

Sub-objective 3 was to: “establish an agricultural land use monitoring system to meet European Union accession requirements”

The Efficacy of this objective was Substantial. The underlying goal was to establish an agricultural land use monitoring system acceptable under the EU Common Agricultural Policy

11. Reform of housing finance and mortgages is not specifically mentioned in RERMP’s objectives, but is a clearly specified project component in the PAD, and is primarily concerned with reforming legislation. It therefore fits naturally under the upgrading of the legal framework objective, and is treated as such here.
Policy to enable receipt of EU agricultural subsidies. A start had been made to this process, but, when the project was starting up, only one-third of agricultural land area had been covered. The MAFF, the implementer of the monitoring system, developed and put into operation an improved digitized data system, which covered agricultural and forest land parcels nation-wide. The EU’s Joint Research Center has approved this system, fully satisfying the purpose under this objective

**Developing property tax and valuation systems**

3.31 Sub-objective 4 was: “designing and testing a market-based property tax and valuation system.”

3.32 The intention was to develop a new, unified system for valuing property, including mass valuations of similar properties, and to develop a tax system to handle such valuations. Main achievements were: (i) passing of a Law on Real Estate Mass Appraisal in 2006; (ii) successful piloting of the valuation and tax systems in three municipalities (two municipalities had been planned); and (iii) institutional strengthening in the Ministry of Finance and selected municipalities. The national real estate register (under the registration component) is expected to be complete in 2010, providing scope for applying the new valuation and land tax systems country-wide. A draft Real Estate Tax Law was finalized in 2009 and is expected to be passed in 2010.

3.33 The utility of the new valuation and tax systems is quite broad, going beyond the evident usage for land taxation purposes. Other points mentioned to the IEG mission by the manager of the program were that the system could be used for determining sales taxes, valuations for compulsory purchase; gift taxes; inheritance taxes; social subsidies; foreclosures; better organization of land administration data; and for EU monitoring purposes. The efficacy of this sub-objective was substantial.

**RERMP’s overall efficacy**

3.34 In most respects RERMP achieved or exceeded its objectives. The sub-objectives to develop land use monitoring and a property based tax system were fully achieved (Substantial efficacies), a legislative base for land administration was successfully established, and additional legislation supported the land finance market – a High Efficacy.

3.35 For RERMP’s first sub-objective – improvement of the real estate registration and cadastre system – performance was mixed. On the cadastral side, SMA exceeded property registration targets, developed an information technology system, prepared digitized cadastral maps covering the country, and substantially reduced discrepancies in owner names between cadastre and registry. For these activities efficacy was High. Transaction registrations fell short of targets, although progress was made - the backlog of unprocessed registrations was nearly halved (but not eliminated as planned, in part because of the major expansion in demand when individual apartments were allowed to register independently of other units). Typical registration time was reduced from a dysfunctional 3 to 12 months to about 1 ½ months. Undoubtedly this was progress and it took Slovenia to below the average for ECA countries, although property registration in Slovenia still took longer than Kyrgyz
and Bulgaria. Registration time in Slovenia is also longer than the (unrealistic) target of 6 days set at appraisal. In summary, progress was made improving efficiency for registering transactions, but achievement against targets was Modest. Registration was RERMP’s second largest component (after cadastre), and its modest performance must be considered a significant shortfall. Thus, while cadastre went well, RERMP’s overall performance against the registration and cadastre objective is also rated Modest.

3.36 For RERMP’s overall efficacy, account is taken of the efficacies for three of the project’s four sub-objectives of substantial or higher, and the substantial efficacy of the cadastral half of the fourth sub-objective. For the other half of this sub-objective, achievements were less than intended. But, even here, progress was made and a foundation laid for the further development of land registration that occurred after project closure. Beyond the evaluation of these four sub-objectives, however, the most important consideration is whether RERMP’s over-arching objective has been achieved. The overall “efficiency and effectiveness of real estate administration systems in Slovenia” has undoubtedly “improved.” RERMP’s overall efficacy is assessed Substantial.

Efficiency

3.37 A first consideration is the efficiency with which project resources have been used to achieve the project’s objectives. From this criterion the project’s efficiency was substantial. All project components were implemented and, as indicated in the discussion of efficacy, RERMP’s objectives were largely achieved. Meanwhile, costs were contained - actual project expenditures were EURO 25 million compared with the appraisal estimate of project costs of EURO 27 million. The smaller project components (apartment registration, land use monitoring, tax and valuation systems, housing finance and mortgage reform, and building the legal framework) appear to have been particularly cost efficient. Their combined cost was EURO 7 million, slightly less than the EURO 8 million planned at appraisal. While it is difficult to quantify the benefits from these components, they are likely to have leveraged economic benefits well in excess of their costs. The agricultural land use monitoring component (EURO 3 million actual costs) for instance was the base for assessing agricultural subsidies from the EU, and the legislative and procedural changes introduced under the mortgage finance reform component (EURO 0.1 million) provided a more secure environment for investment. Of the two big components, the actual costs of cadastre at EURO 10 million were lower than the appraisal estimate of EURO 12.4 million. Land registration (EURO 5.7 million) was the only component that exceeded appraisal expectations (EURO 3.7 million), apparently due to higher than expected investment costs (field offices, computers), and use of consultants. However, the project investments have significantly improved operating efficiency. Discrepancies in owner names between registry and cadastre were reduced from a dysfunctional 20 percent to three percent, registration time was reduced from 20 months to 1 ½ months and the cost of registration at 2 percent of property value is comparatively low by international standards.

12. Few countries have reached a registration efficiency (all processes) of six days. At project mid-term the target was raised to 20 days.
An economic rate of return was not calculated for the RERMP; hence assessment of the project’s efficiency must rely primarily on proxies such as observed trends in market variables. The house mortgage market has developed rapidly, both in aggregate value which has grown at an annual average of 43 percent, and in the share of mortgage-based loans in total bank lending: in the five year period 1998 to 2003, mortgage -secured loans grew from 14 to 51 percent (Table 6). Another proxy is how the land market’s efficiency has developed (Table 7). From 1998 to 2005, real estate mortgage rates fell substantially – from 16 to 6 percent in five years. Market confidence in the real estate market has also grown – the “spread” (the difference between the market rate and the Treasury Bill rate), falling from a baseline (pre-project) average of 550 basis points (average from 1998 to 2000) to an average spread of about 300 basis points in 2004-2005, for a considerable reduction of 250 basis points or 2.5 percentage points.

Table 6: Growth of Slovenia’s Mortgage Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Aggregate Value of Mortgage-based Housing Loans (in US$ Million, 2005 constant terms)</th>
<th>Share of Mortgage-based Housing Loans in Overall Bank Lending for Housing (in Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>15.2</td>
<td>14.4 %</td>
</tr>
<tr>
<td>1999</td>
<td>29.8</td>
<td>17.7 %</td>
</tr>
<tr>
<td>2000</td>
<td>21.6</td>
<td>21.1 %</td>
</tr>
<tr>
<td>2001</td>
<td>35.2</td>
<td>33.0 %</td>
</tr>
<tr>
<td>2002</td>
<td>61.1</td>
<td>46.9 %</td>
</tr>
<tr>
<td>2003</td>
<td>91.6</td>
<td>51.5 %</td>
</tr>
<tr>
<td>2004</td>
<td>96.8</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>101.6</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Results of the Real Estate Modernization Project (2000 – 2005), Government of Slovenia

Table 7: Financial Efficiency of Slovenia’s Real Estate Mortgage Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Treasury Bill Rates (percent per annum)</th>
<th>Mortgage Rates (percent per annum)</th>
<th>Spread (Difference between Mortgage Rate and Treasury Bill Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>8.0</td>
<td>16.2</td>
<td>820</td>
</tr>
<tr>
<td>1999</td>
<td>8.63</td>
<td>12.4</td>
<td>377</td>
</tr>
<tr>
<td>2000</td>
<td>10.9</td>
<td>15.4</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Average for 1998 to 2000 = 550)</td>
</tr>
<tr>
<td>2001</td>
<td>10.9</td>
<td>14.8</td>
<td>390</td>
</tr>
<tr>
<td>2002</td>
<td>8.7</td>
<td>13.5</td>
<td>477</td>
</tr>
<tr>
<td>2003</td>
<td>6.5</td>
<td>10.8</td>
<td>477</td>
</tr>
<tr>
<td>2004</td>
<td>4.2</td>
<td>7.6</td>
<td>343</td>
</tr>
<tr>
<td>2005</td>
<td>3.7</td>
<td>6.4</td>
<td>270</td>
</tr>
</tbody>
</table>

Source: IMF International Financial Statistics as reported in ICR
3.39 Major trends such as Slovenia’s economic growth and the stimulus from EU accession will have been the main drivers for development of the land market. Nevertheless, a developing land administration service can be expected to have played at least a facilitating role. Based on international experience, this could be along the following lines. With accurate and formal registration, backed by the law, land and property become securely owned. With tenure security, property owners can invest with confidence, and a secure environment for buying and selling is established. In parallel, lending agencies are more willing to lend against collateral secured by reliable ownership; and interest rates on mortgages may fall, providing a reinforcing cycle of positive influences.  

3.40 Finally, the bottom line is that the business community and property owners want the land administration program to continue and further develop, and, at least for transaction registrations, are willing to pay for these services at rates covering service costs – an unequivocal demonstration that the program has generated value added. RERMP’s Efficiency is assessed Substantial.

Reaching beyond land administration

3.41 A feature of the RERMP is that it has components additional to those conventionally found in a “good practice” ECA land administration project, where activities are limited in number and usually focused on land administration alone. This “good practice” approach has evident advantages in making implementation as straightforward as possible. The RERMP, however, goes beyond this model, adding complexity. The agricultural land use monitoring, and the real estate tax and valuation components are beyond typical land administration activities. And the housing finance and mortgage reform component is in the banking rather than land domain. Yet, development of financial instruments in the property market is a core need for developing the land market, and could enhance the market impact of land registration. As a consequence it contributed to the RERMP’s overarching goal to improve the efficiency and effectiveness of land administration. There can be no hard and fast rule for such ancillary components, if any, but RERMP illustrates the potential benefits that might be present if the broader environment for the land market is considered. (Of interest is that implementation of the housing finance and mortgage reform component did not add unduly to the PCO’s work pressures, as the component was exclusively managed by the Ministry of Finance.) Two other factors were important to success: first, Slovenia’s generally good governance and educated workforce; and second, RERMP’s effective interagency coordination arrangements.

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13. It is noteworthy that in the discussion of benefits in the PAD and ICR, the bulk of the data available to assess the impacts of RERMP are market-related. Yet efficiency of land market transactions would have been only one factor for enhancing land’s economic benefits - investments by property owners can also improve land productivity without exchange of ownership. Thus, conceivably, RERMP might have had greater economic impact if benefits had been seen in a broader perspective. For instance, might there be practical and low-cost opportunities (legal, financial, regulatory, etc.) to enhance the business environment for investing on the land? As example, getting a construction permit, commonly associated with buying land, involves 15 procedures and the typical time required is 208 days, making the purchase of land for investing on the property a daunting decision (from Doing Business, 2009). The evident caveats apply, however, in particular, to avoid undue project complexity.

14. Similarly, the Real Estate Tax and Valuation System component was also managed by the Ministry of Finance, and the Agricultural Land Use Monitoring component was managed by the MAFF.
Risk to development outcome

3.42 There are two principal risks: inadequate future funding; and the possibility of wavering political support as government administrations change. Most officials met by the IEG mission considered that dependence on the Government budget was much less desirable than full financial independence. However, as part of cadastral activities are public services and are not charged for, this might require some cross-subsidization from the registration service. This would be more easily done if registration and cadastre were under a single-agency. A self-sufficient agency would also be more able to operate in case of varying future political support.

3.43 In effect, there are structural reasons why the land administration program in Slovenia is continually beholden to the good will and continuous effort of a number of parties. Funding requires continuous recognition that the institutions concerned should be regularly provided with government funds; the efficiency of registration relies on a court system with many other duties besides land administration; and cooperation between registration and cadastre assumes continued individual and institutional efforts at both ministerial and agency levels.

3.44 There are, nevertheless, a number of indications that Government and the implementing agencies are committed to supporting good quality continuation of the land administration program. The term of the Program Council was extended by decree at the end of the project. The Council and managers of the program still meet regularly. Passing of new land legislation is prolific and more is under preparation. Most land administration activities have improved since RERMP’s closure (e.g., reductions promoted by the Supreme Court in the registration backlog). Another factor is the demand, likely to become more assertive over time, of the clients. In IEG meetings with persons from the banking, real estate and business sectors, and with house-owners, interest was consistently expressed in the continuation and further improvement of land administration services. Given these factors, Risk to Development Outcome is rated Moderate.

Slovenia’s Multi-agency experience

3.45 Dual/Multi-agency issues. Slovenia has by now gained substantial experience in administering land through two separate agencies – SMA for cadastre and the Supreme Court for registration. The MOF and MAFF have also been involved. A complete inventory of the relative advantages and disadvantages of a multi versus single agency institutional structure is not attempted in this review. However, from IEG mission discussions and site visits, Slovenia demonstrates that when cadastre and registration are located in separate entities, and in particular when the registration function is within an organization that also has many non-land related functions, problems of coordination and performance are likely to emerge. The difficulties of the land registration program are one such issue although the program’s problems may have been as much a product of the lack of a full-time agency dedicated only to land administration than because registration was under a separate entity. Thus, the Bulgaria Registration Cadastre Project also had a separate registration institution, which, after a delay creating the agency, achieved its registration targets. The difference was that
Bulgaria’s institution was an agency dedicated only to land registration and had its own full-time staff, both in headquarters and field offices. Another of RERMP’s problems was inadequate communication between SMA and the Supreme Court during the first years of the project. Then there are the more difficult prospects for cadastre to become financially self-sufficient under a separate agency than if the two agencies were merged (para. 3.40) 15. And finally, there is some duplication of work and facilities between cadastre and registration. Nevertheless, a shared data system has been established, which has significantly enhanced communication between the two agencies. The advantage of a single agency is generally recognized in Slovenia. In fact, in December 2005, the ICR commented that Government intended to establish a joint agency in 2008, 16 but a legislative proposal to this effect was subsequently removed. However, in its comments on the draft PPAR (June 2010, Appendix D), the Supreme Court has advised that a single national land registration court with a chief registrar is planned to be created in 2010. 17

3.46 Addressing the issues. The RERMP brought in a number of features to address some of these problems. The Project Coordination Office served to connect the work of the different institutions, and a senior level “Program Council” was created (and still exists) to monitor progress and address problems. Also, all cadastral and registration records were progressively digitized in a harmonized system common to both agencies. And finally, an information technology system was established, updated on a daily basis, with individual records for all landowners, transparently available to both SMA and the Supreme Court (and also the general public and other government agencies). These initiatives have helped Slovenia to reduce the coordination inefficiencies inherent in a dual-agency land administration system.

3.47 Multi-agency impacts. RERMP’s “multi-agency” approach is really a dual-agency model with additional agencies added for specific components. Four of the project’s eight components were implemented by institutions other than the SMA and Supreme Court. Yet these additions were not particularly burdensome for RERMP’s management. This was because the components were made the direct responsibility of the agency/ministry concerned, with the PCO and Program Council only playing a monitoring and coordination role. With such delegation and monitoring, multiple agencies do not appear to have been significantly more difficult than a dual-agency institutional structure. Rather, the significant change in complexity is when cadastre and registration are in separate agencies.

15. Both cadastre and registration can be self-reliant from fees (e.g. Bulgaria), although, because part of cadastral work has a public goods element (systematic land surveying and mapping) it is easier when registration activities can part-subsidize cadastre (e.g. Kyrgyz). With two agencies, financial inter-linkages become more difficult than with a single agency, and pragmatic solutions would clearly be needed.
16. As stated in the ICR (page 13): “In November 2005 the Government initiated the activity of joining all real estate data (land cadastre, building cadastre and land registry) with the final aim of establishing a new joint agency for real estate management to be established by 2008 and fully operational by 2010.
17. Specifically, the Supreme Court in its comments on the draft PPAR (June 14, 2010, refer Appendix D), advised that a new legislation was currently being prepared which stipulates that land registration is to remain within the courts system, but that the new legislation is “also introducing a single Land Register Court for the entire country, which is supposed to start operating November 15, 2010. Such a solution will also put into practice the proposal of the World Bank to introduce a “Chief Registrar” which will function as a single national registration court.”
3.48 Would land administration have been better with one agency? RERMP’s one significant problem – the delays in registration of transactions – was primarily due to factors independent of the number of agencies. With many other calls on their time, registration often took a back seat for court judges. The registration program also had no full-time central management with authority to insist on actions by the county courts. And, quite simply, there were not enough staff in the courts. Such constraints were seen by a number of persons interviewed as more relevant in practice than the number of agencies involved. Nevertheless, a single agency was generally considered to have inherent efficiency advantages over a dual-agency approach. The IEG mission’s observations are consistent with these views.

4. Bank and Borrower Performance

Bank performance

QUALITY AT ENTRY

4.1 The Slovenia RERMP’s design was different from many, and perhaps the bulk, of land administration projects in ECA. While there is no prototype, sharply focused projects limited as far as possible to cadastre and registration alone are typically preferred. A single rather than a double agency has also been favored, and, indeed, was also strongly advocated by the Bank to the Slovenia Government during project preparation. The RERMP bucked all of these “good practices.” First, the project was highly complex involving eight components with very different activities. Second, activities going beyond cadastre and registration alone were included in the project. And third, the institutional arrangements, involving five institutions, including separate institutions for registration and cadastre, were a polarity apart from a single implementing agency. It was a risky decision to go ahead with such a complex and multi-institution project – but the project in most respects worked, and the ancillary components filled important needs. The Bank had successfully gauged Slovenia’s generally good institutional capacity when assessing what the project could achieve in a not ideal situation.

4.2 Project design was practical for all project components except registration. The decision to have a high-level Program Council across all institutions and a hands-on Project Coordination Office helped integrate the work program, and, as consistently mentioned to the IEG mission by staff in the implementing agencies and Government, the Bank’s technical expertise was strong.

4.3 The decision to go ahead with the project despite its institutional weaknesses was justifiable in Slovenia’s particular circumstances. The preparation team accepted that one

18. In its comments on the draft PPAR (Appendix D), the Supreme Court has stated that court staff were adequately trained and working full-time on the project. (The staffing comment would have applied for the staff working with the court judges.). The comment on staffing in paragraph 3.48 has been adjusted to clarify this.
institution combining registration with cadastre was not an option and went forward with a second-best institutional structure. There were alternatives, amongst them: to walk away from the project; to maintain a dialogue while waiting until a better institutional arrangement was found; or to adjust and downsize the registration component. While all these options have their respective merits, the decision to accept Government’s dual agency institutional structure and go ahead without delay met an important strategic need. An improved land administration system and land market was a requirement for Slovenia’s accession to the European Union. And an efficient land market was a key part of Slovenia’s market-based economic growth strategy. This judgment has been broadly vindicated by the project’s achievements. The project had significant benefits in terms of land market development, was economically viable and enabled Slovenia to meet its EU requirements. Quality at Entry is rated Satisfactory.

QUALITY OF SUPERVISION

4.4 The Bank continued to provide good technical support to the implementing agencies. The Bank team worked closely with Government and the PCO to resolve difficulties and help with new initiatives. Supervision budgets, averaging $78,000 per annum, were adequate, and missions were regular, providing the means to monitor and guide RERMP’s implementation throughout the project period. The Bank could have done more to resolve implementation difficulties with land registration – for instance, procurement of a consulting firm to provide extra staff to help clear the backlog was unsuccessful, and alternatives could have been tried. But overall, the Bank helped steer a complex project to a largely satisfactory outcome. Quality of supervision is rated Satisfactory. Considering both quality at entry and supervision, the overall performance of the Bank was Satisfactory.

Borrower performance

GOVERNMENT

4.5 The Program Council at senior government level was effective in helping coordinate the different ministries and agencies involved in the project. Government very wisely minimized staff turn-over in the PCO and implementing agencies. This was particularly so in the PCO where the same key staff continued throughout project implementation. The Government was highly effective in mustering the political support to pass the acts supporting the project. The backlog problem could have been more proficiently addressed if extra full-time staff had been recruited for the courts - registration time, while now comparable to the ECA average, is still more than in a number of comparator countries. However, the Supreme Court’s initiatives since project closure have helped further reduce the gap, and improvements have been particularly marked in the past 12 months.

4.6 While Government could have performed better with the land registration aspects of the project, the bottom line is that a complex project, across multiple institutions, with major

19. “Given the 250-year history of the court based title registration system, the unified system was not considered a feasible option at the time, and the Bank and Government agreed to design the project based on the existing system.” (ICR page 12).
legislation, and requiring concerted decisions, was promoted by Government and made to succeed. Government performance is rated Satisfactory.

IMPLEMENTING AGENCIES

4.7 The five agencies involved managed their respective components well, although this was not so until the later years of the project as concerns the regional courts. The PCO did an excellent job coordinating project activities. Practically all activities were new to Slovenia so the agencies had to learn as they proceeded. They took these activities from scratch to proficiency. Of note - all of the programs are continuing and expanding. Overall, the performance of the implementing agencies was Satisfactory. Taking account of the performance of Government and of the implementing agencies, overall borrower performance was Satisfactory.

5. Lessons

5.1 The design and implementation of the Slovenia RERMP yields the following main lessons:

(i) A multi-agency institutional structure for land administration has inherent disadvantages compared with a single agency: particularly in coordination and in prospects for attaining financial self-sufficiency. The division of land administration activities between SMA for cadastre and the Supreme Court for registration (other agencies involved in RERMP were for ancillary activities rather than central land administration activities), resulted in coordination difficulties between the two agencies in the first several years of the project. Also, with cadastre separate from registration, cross-subsidization from the higher revenues of registration to cadastre with lower earning possibilities is made difficult by the institutional divide (paras. 3.45 to 3.48).

(ii) Where a multi-agency institutional model is accepted as unavoidable, practical steps to reduce the disadvantages of these arrangements should be integrated in project design. An existing dual structure was strongly favored by Government. In this second-best situation, two main steps were taken under RERMP which proved useful in reducing the disadvantages: (i) a strong coordination mechanism comprising a well-staffed PCO with minimal staff turnover, and a more senior level multi-agency Program Council was created - both bodies met regularly and were actively supported by Government (para. 2.5); and (ii) The digitization information technology system, established in the later years of the project, enables data to be shared between SMA and the Supreme Court (paras. 3.15 and 3.45).

(iii) A land administration agency needs to exist uniquely for that task, be operationally independent and have full-time specialist staff. (This applies whether the institution is a single agency combining cadastre and registration, or whether the agency handles cadastre or registration alone.) These features were not enjoyed by the Supreme Court and the county courts responsible for RERMP’s land registration. Court judges had many demands on their time. There was no field supervision, nor any accountability of court staff to land registration (paras. 3.8, 3.45 and 3.48).
(iv) Actions beyond the core activities of land administration should be considered if they significantly enhance project impact and are within the project’s implementation capacity. RERMP’s housing finance and mortgage reform component is in the banking rather than land domain, but was a significant contributor to RERMP’s goal to improve the efficiency of the land market. Inclusion of this component was within Slovenia’s implementation capacity. While a focused land administration project would generally be preferred, addition to a project of a high impact ancillary component may be beneficial if manageable by the institution concerned (paras. 3.9 and 3.41).

(v) Legislative reforms are an essential concomitant to establishing a land administration program. Development of a legal base for land administration, which was minimal before RERMP, was, appropriately, prioritized by Government and the Bank, and laws were passed to provide a structured legislative framework. Laws were proactively amended as experience was gained, and legislation in related sectors (mortgages, taxes) was also approved (paras. 3.26 and 3.27 and Table 5).
## Appendix A. Tables

### Appendix A - Table 1: Slovenia - Efficiency of Land Registration

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Time</th>
<th>Costs</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Obtain land registry extract from Land Registry</td>
<td>8-10 days</td>
<td>9.85 Euro for paper process</td>
<td>Can be longer (to about 30 days)</td>
</tr>
<tr>
<td></td>
<td>(½ hour if</td>
<td>(1 Euro on line)</td>
<td>(IT is planned to speed up process)</td>
</tr>
<tr>
<td></td>
<td>done on-line</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Present tax declaration to Tax Authority, and land tax is assessed</td>
<td>10 days</td>
<td>No costs</td>
<td>2% of Euro equivalent of assumed property price of $375,000 (A $375,000 price has also been assumed for the PPAR calculation in other countries. (Exchange rate of $1.4 to 1 Euro)</td>
</tr>
<tr>
<td></td>
<td>typical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Pay tax at Tax Administration Office</td>
<td>1 day</td>
<td>2 %</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Obtain land register permission from the seller</td>
<td>1 day</td>
<td>No fee</td>
<td></td>
</tr>
<tr>
<td>5. Certification of signatures on land registry permission</td>
<td>1 day</td>
<td>Notary: 98 Euro</td>
<td></td>
</tr>
<tr>
<td>6. Submit proposal for entry in Land Registry</td>
<td>3 days + 8 to</td>
<td>Euro 8 (proposal fee) plus</td>
<td>3 days comprise 1 day submission + 2 days to obtain seal</td>
</tr>
<tr>
<td></td>
<td>30 days</td>
<td>Euro 82 (registration fee)</td>
<td>The 8 to 30 days is the time taken by the Registry Office. This is quite variable and can be longer</td>
</tr>
<tr>
<td></td>
<td>for registration process</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTALS:**

- Total cost: Euro 5550
- Costs are expressed as % of Property value:

**TOTALS: 6 PROCEDURES**

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Time</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>32 to 56 days</td>
<td>2.0 %</td>
<td></td>
</tr>
</tbody>
</table>

Note: The figures here are IEG mission estimates. The figures in “Doing Business” are the same as IEG’s for the number of procedures and the costs of registration. However, for the time involved in registration, Doing Business has a much higher figure (391 days). Doing Business’ reports the same figure of 391 days for the last six years (2005 to 2010). In the early-mid 2000s that figure might have been correct, but appears outdated now.

Sources: IEG mission interviews with project staff, notary and clients, December 2009, and Doing Business Slovenia 2009 and 2010
### Appendix A - Table 2: Efficiency of Land Administration in Slovenia and Internationally

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Number of Procedures</th>
<th>Time (days)</th>
<th>Costs as percent of property value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>6</td>
<td>32 – 56 or more</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Regional Comparisons</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OECD countries</td>
<td>5</td>
<td>25</td>
<td>4.6</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia</td>
<td>6</td>
<td>60</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Country Comparisons</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kyrgyz</td>
<td>3</td>
<td>5</td>
<td>0.2</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>7</td>
<td>7-14</td>
<td>2.5</td>
</tr>
<tr>
<td>Serbia</td>
<td>6</td>
<td>111</td>
<td>2.8</td>
</tr>
<tr>
<td>Hungary</td>
<td>4</td>
<td>17</td>
<td>11.0</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>4</td>
<td>78</td>
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<tr>
<td>Slovakia</td>
<td>3</td>
<td>17</td>
<td>0.1</td>
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</tbody>
</table>

1/ NOTE: All figures in table include all procedures, institutions and costs involved, and costs include taxes and client services from notaries and lawyers.

2/ Assuming no untoward delays. From IEG mission interviews, a longer time period is not uncommon.

Sources: IEG PPAR mission estimates for Slovenia, Bulgaria and Kyrgyz; and Doing Business 2010 for other countries.
Appendix B. Basic Data Sheet

SLOVENIA REAL ESTATE REGISTRATION MODERNIZATION PROJECT -
(Loan 44980)

Key Project Data *(amounts in Euro million)*

<table>
<thead>
<tr>
<th></th>
<th>Appraisal estimate</th>
<th>Actual or current estimate</th>
<th>Actual as % of appraisal estimate</th>
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<tr>
<td>Total project costs</td>
<td>27.1</td>
<td>25.0</td>
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<tr>
<td>IBRD Loan</td>
<td>14.1</td>
<td>13.0</td>
<td>92</td>
</tr>
<tr>
<td>Cofinancing</td>
<td>3.0</td>
<td>3.0</td>
<td>-</td>
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<tr>
<td>Borrower</td>
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<td>9.0</td>
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</table>

Project Dates

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<th>Original</th>
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<tbody>
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<td>Board approval</td>
<td></td>
<td>06/22/1999</td>
</tr>
<tr>
<td>Effectiveness</td>
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<td>02/16/2000</td>
</tr>
<tr>
<td>Closing date</td>
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Staff Inputs

<table>
<thead>
<tr>
<th>Identification/Preparation/Appraisal</th>
<th>Actual/Latest Estimate</th>
<th>US$ ('000)</th>
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</thead>
<tbody>
<tr>
<td>No. Staff weeks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
<td>208</td>
</tr>
<tr>
<td>Supervision</td>
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<td>470</td>
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<tr>
<td>ICR</td>
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<td>29</td>
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<tr>
<td>Total</td>
<td>119</td>
<td>707</td>
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## Mission Data

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<tr>
<th>Activity</th>
<th>Date</th>
<th>No. of persons</th>
<th>Specializations represented</th>
<th>Performance</th>
<th>Rating</th>
<th>Development Objectives</th>
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<td>11/15/1998</td>
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<td>Appraisal/Negotiations</td>
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<td>05/10/1999</td>
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<td></td>
<td>10/03/2005</td>
<td>1</td>
<td>TTL</td>
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</tbody>
</table>

Appendix C. Principal Persons Met

(In alphabetical order)

Alenka Jelenc Puklavec, Supreme Court Judge
Alenka Rotter, Secretary, Ministry of Agriculture, Forestry and Food
Ales Sfliskar, Head, Cadastre and Project Director
Bojan Mursec, Director, Center for Information Technology, Supreme Court
Borut Czar, Head, Land Registration, Project Coordination Office
Bozena Liipej, GM, Geodetski Zavod Land Engineering & former Project Director
Breda Gruden, Managing Director, MISKA, FMC (Private Consultants)
Dusan Hocevar, Director, ZBS Bank Neva Zibrik, Head, Taxation of Property Rights Division, Ministry of Finance
Ema Pogorelcnik, Head, Building Cadastre
Eter Prauz, Judge
Franci Gerbec, Profundis, Inc.
Iain Shuker, Sector Leader, World Bank
Igor Bevc, Department for Tax and Customs Policy, Ministry of Finance
Igor Blazina, Director, Gospodarska Zbornica
Irena Vodopivec, Head, Financial Systems Department, Ministry of Finance
Ljudmilla Avbelj, Head, Agricultural Land Use Monitoring
Marina Korosec, Head, Land Cadastre
Martin Smodis, Head, Mass Real Estate Valuation, Surveying and Mapping Authority
Miha Juhart, Professor and Vice-Dean, University of Ljubljana
Sonja Anadoli, Director, Zdruzenje Bank (ZBS), Slovenia
Sonja Bukovec, State Secretary, Ministry of Agriculture, Forestry and Food
Thomas Krelj, Real Estate Agent
Tomaz Petek, Secretary/Manager, Surveying and Mapping Authority
Vesna Pavlic, Judge
Victoria Stanley, Senior Operations Officer, World Bank
Zibric Neva, Manager, Property Tax and Valuation
Zoran Kus, State Secretary, Ministry of Environment and Spatial Planning
Appendix D. Borrower Comments

Letter from Ministry of Environment and Spatial Planning

Ref.: 35.127 - 63/2010 L
Date: 16 June 2010

WORLD BANK

Monika Huppi
INDEPENDENT EVALUATION GROUP
Sector Evaluation Division - Manager

Dear Madam,

Thank you for sending us draft Project Performance Assessment Report (PPAR) for Real Estate Registration Modernisation Project (Loan No. 4498). In past few days our colleagues read this document and they could conclude that all relevant facts and data are collected and used in accordance of existing situation about Real Estate Registration Modernisation Project.

We would like to inform you that Ministry of the Environment and Spatial planning does not have any comment on the report.

Best regards,

Zoran Kus
STATE SECRETARY
Letter from the Supreme Court

Attn.:
Mr. John Heath (jheath@worldbank.org)
Mrs. Monika Huppi (mhuppi@worldbank.org)
Mr. Zoran Kus
Mrs. Helena Kamnar
other recepients

No.: Sp 3/2010-ZK/SB
Date: June 14, 2010

Re: Slovenia - Real Estate Registration Modernization Project (Loan No. 4498); Draft Project Assessment Report

Dear Sirs,

Thank you for the Draft Project Performance Assessment Report of the Real Estate Registration Modernization Project in Slovenia, which we have received on June 2, 2010. As requested, we would like to provide some comments, as we are certain that they will be beneficial to the preparation of the final report.

Firstly, we would like to comment on the assessment of court staff being „the most critical design shortfall“ (3.8.), which we find completely incorrect. From the very start of the project, and even prior to that, as the project of Land Registration Reform started well before the World Bank project itself, the judiciary has ensured a sufficiently strong and professional personnel structure, which was dedicated to the project full-time. The findings mentioned in 3.48 seem to be similarly incorrect or based on incorrect information. We therefore cannot agree with the finding that the courts were not prepared or could not ensure specialist cadre of full-time registration staff. The staff working at the Land Register has excellent and continuous professional training for both the existing as well as new staff members, thus ensuring adequate levels of professionalism and dedication. At the beginning of the project some personnel structures had to be adjusted to the existing numbers of new cases and of the staff. This was temporarily solved by the courts by assigning either the personnel or cases to other courts in order to ensure their timely processing.

The project of Land Registration Reform has started well before the start of the World Bank RERMP and is still in progress. It is a permanently on-going project and its position within
the judicial branch ensures its sustainability and independence. The same view has also been upheld by the Constitutional Court of Slovenia (decision U-II-464/06). Land Register is a part of the judiciary, and as such does not „rely on a continuing proactive Supreme Court and county court judges despite their many other activities,“ as had been suggested in the draft report. Also, the issues of funding and functioning of the Land Register are not and cannot be subject of the decisions of the government or the executive branch. We therefore find the findings in 3.43 slightly unusual.

A meeting with the representative of the World Bank was held at the Supreme Court on December 2, 2009. The idea of a single agency system had not been mentioned or presented at this meeting, otherwise we would have been happy to provide information and comments on this issue at the time. We would therefore like to point out that a legislative proposal of a similar nature had been removed from the procedure, and that the amendments to the Law on Land Register to this effect have already been dismissed in the past.

A new legislation is currently being prepared, which does not include such a solution, but does specifically stipulate that land registration is subject to the judicial decision making process, and therefore remains within the courts system. The new legislation is also introducing a single Land Register court for the entire country, which is supposed start operating November 15, 2010. Such a solution will also put into practice the proposal of the World Bank to introduce a „chief registrar,” which will function as a single national land registration court.

We would also like to express our surprise, that despite the meeting with the representative of the World bank, the final report still seems to be primarily based on his initial assumptions (which we believe were based on informal sources and do not represent the official position of the state, but may rather follow their own individual interests), and that the information provided by the Supreme Court and its report had been used selectively.

We have also identified certain discrepancies of the referenced sources. For example, the Draft report references Doing Business 2010. However, the data in this report is not consistent with the data presented in the WB Draft Report. We therefore conclude, that the comparisons of registration procedures between Slovenia and the countries, which are used in the report as comparative or potential benchmarks, could also be incorrect or incomparable.

Yours sincerely,

Supreme Court of Slovenia
President ad interim
Alenka Jelenc Puklavec