

# **AN OVERVIEW ON LAND ADMINISTRATION AND MANAGEMENT PROJECTS IN CENTRAL AND EASTERN EUROPE COUNTRIES**

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## **Abstract**

In Central and Eastern Europe countries (CEEC), Land Administration and Management (LAM) has been included within 37 projects, 21 of which were ‘stand-alone’ Land Administration and Management Projects (LAMP). Over US\$1 billion in loan or credit funds from the Bank has augmented government programs and assistance from bilateral donors in a region that has seen a greater level of land and property redistribution than has been experienced anywhere else in history. The injection of funds through making property assets more liquid and the establishment of effective and efficient property registration systems that have allowed or promoted the introduction of these assets into the economy have been a major factor in the positive economic trends that have been seen in the region.

The stage of establishing the initial cadasters and property registration systems in CEEC has been largely successful and there are only a few countries left in the region still lacking this basic infrastructure. The stage is now set for consolidating the gains and building upon the results of these projects. It is estimated that real estate markets may contribute up to 25% of GDP in a developed country, and that the share of global capital stock represented by real estate is about two thirds.

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**Keywords:** Property, land, registration, projects, real estate

## **Chapter 1**

### **The land agenda in cee and central asia**

#### **Projects in CEE and Central Asia**

The CEEC and Central Asia region can be considered to comprise: (1) The Commonwealth of Independent States (CIS) comprising 12 countries of the former Soviet Union, excluding Lithuania, Latvia and Estonia;<sup>5</sup> (2) Central and Eastern Europe (CEE) comprising the former socialist bloc countries in the Balkans, Baltics, and Central and Eastern Europe;<sup>6</sup> and (3) Turkey.

Over the past 13 years, 36 projects involving land administration have either been implemented or are under implementation; there is one further project in the pipeline. Of these, 21 are ‘stand-alone’ land administration projects as they deal with only land administration issues, while 16 are larger projects that have significant land administration components. Twenty-two projects are currently active and the pipeline project is expected to be submitted for Board consideration this year (2009). The loan and credit amounts associated with land administration are in excess of US\$1 billion, but this is just a small part of the funds expended in the sector as counterpart funds, other donors, and the governments’ own programs are often larger.

The purpose of this paper is to report on the work and outcomes of the LAMPs in the CEEC and Central Asia region, which has generally been positive, and to highlight the emerging need for further Bank support in order to capitalize on the investments already made and to help countries develop further.

LAMPs in CEEC and Central Asia have benefitted generally from good inter-donor coordination and much of the technical assistance from international experts has been provided by donors from various countries in tandem with the projects funded by the Bank. Donor funds from Sweden, the USA, the Netherlands, Austria, Germany, the UK, Switzerland, Norway and the EU have all been of critical importance.

#### **Background**

It has been estimated that real estate markets may contribute as much as 15-25% of GDP in a developed country, while the share of global capital

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<sup>5</sup> Russia, Belarus, Moldova, Ukraine, Georgia, Armenia, Azerbaijan, Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan.

<sup>6</sup> Albania, Serbia, Montenegro, Bosnia and Herzegovina, Croatia, Slovenia, Macedonia, Bulgaria, Romania, Hungary, Czech, Slovakia, Poland, Lithuania, Latvia, Estonia. Kosovo is included, but it is currently under the administration of the United Nations Interim Administration Mission in Kosovo (UNMIK) under terms of UN Security Council Resolution 1244 (1999).

stock represented by real estate is estimated at two thirds.<sup>7</sup> Real Estate (here defined as land and the property attached to the land) is also the principal asset (and therefore wealth) that is held by individuals. Once a country has made the political decision to allow capitalism to operate, it becomes a necessity to support the development of stable, transparent and efficient real estate markets. This is needed for land acquisition (for development), asset re-allocation (for both business and private purposes), and as a source of credit.

Shortly after the collapse of the socialist systems in the early 1990s a number of studies were completed by the Bank to assess what needed to be done in the real estate sector.<sup>8</sup> The Bank initially focused on the need to reform the agriculture sector and concluded that land reform and farm privatization were key issues to resolve. Problems relating to skewed ownership patterns,<sup>9</sup> customary tenure<sup>10</sup> and dysfunctional real estate registration systems<sup>11</sup> that were common in other regions were not the main areas of concern in CEEC and Central Asia Region. The focus in CEEC and Central Asia Region, then, was generally the redistribution of land from State ownership to the public, and the establishment of new land administration systems were included as components of larger land or farm reform projects.

In the CEEC there was often a focus on the restitution of property rights to those that were dispossessed unfairly during, and after, the Second

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<sup>7</sup> 'The Economist'. May 29, 2003.

<sup>8</sup> The most recent full summary is found in *Agriculture in Transition: Land Policies and Evolving Farm Structures in Post-Soviet Countries*. Lexington Books (2004). The bibliography at the back of this book includes a full reference to the numerous studies conducted since the early 1990s.

<sup>9</sup> Many areas in South America and South Asia have problems because large tracts of land are owned by a few private individuals, while much of the population are landless and have few opportunities to get out of poverty. Often large tracts of land remain unused or under-utilized at a time when the poor are desperately in need of land. Although CEEC and Central Asia had huge areas of 'skewed' ownership because the State had taken over large tracts, it was not as problematic as other regions. The State could develop a policy for changing ownership patterns without having to satisfy or compensate wealthy individual land holders.

<sup>10</sup> Many areas of Africa and South East Asia have historical tenure patterns relying on unwritten records and equity of land use established through community decision making and tradition. As land becomes more scarce (and valuable) and population mobility increases, some of these systems are breaking down.

<sup>11</sup> Many countries around the world have cadasters and registration systems that have been established for a long time. Following years of corruption, poor government and inefficiencies the systems have become a huge constraint on property markets. Legal documents and records may go back over a hundred years, but may also be contradictory or fraudulent. CEEC and Central Asia countries were fortunate that they were starting from 'scratch'. Although they had historical records about properties, they did not tend to have a history of conflicting or unclear legal documentation or seriously dysfunctional government held records.

World War. In the countries of the CIS and Albania land and property rights were distributed according to rules established in each of those countries.<sup>12</sup> Large Collective and State farms were no longer considered viable and land and property in urban areas was to be privatized. The rules were usually based on current occupancy and the rights established through working in State or Collective farms and enterprises. The amount of land and property redistribution achieved in the region is unparalleled historically, and the assets brought into the economy (for use by the private sector) in both rural and urban areas are immense. In the rural sector, for example, approximately 35% of the 412 million people in CEEC and Central Asia are classified as rural dwellers. Moreover, there are approximately 30 million small private farms in an area that was previously characterized by State or Collective farms. In Russia alone 129 million hectares were redistributed to individual households by 1998 (this equals the surface area of Germany, France, UK and the Benelux countries put together).<sup>13</sup> In urban areas there has been a massive assignment of apartments and other dwelling units to the population, usually free of charge. Businesses, and the property they were occupying, have also been transferred to private ownership at minimal cost. *The injection of liquid assets into the economy is enormous. It has benefitted hundreds of millions of people and been a major factor in transforming the economy of the region.*

The studies completed in the mid-1990's led to policy decisions that we are still benefiting from today as our portfolio grows. In the LAM sector it was recognized quite early on that for economic growth to be sustainable it is not enough to just privatize, it is necessary to also establish secure cadastral and registration systems that give confidence to investors and (a) permit the real estate market to grow; (b) allow credit to be given using real estate as collateral; and (c) form the basis for property taxes and municipal development. It was also recognized that this was not a 'rural' or an 'urban' phenomenon, but that the requirements cross the urban and rural divide. Additionally, it was decided that the initial focus should be on privatization and registration. At this early stage the introduction of property taxes could be complex and might inhibit the public from accepting their new land and property rights. More 'control'<sup>14</sup> through promoting planning and land use

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<sup>12</sup> In Albania legislation has recently been passed for the restitution of property rights and is being considered in some of the countries of the former Yugoslavia.

<sup>13</sup> Overchuk, AL 2004 'Mass valuation in the Russian Federation'.

<sup>14</sup> The countries in CEE and Central Asia had historically based their land administration and management systems on central planning and control. At this early stage it was felt that an approach that was less constrained by central government was needed. At the time there was not a great deal of analysis looking into urban planning and individual project team

monitoring could also wait until property rights were established. Of course, each country had its own priorities and these policies were adapted to country needs and internal requirements.

There have been very positive results in most of the Bank funded projects undertaken in the CEE and Central Asia region, but the registration of property rights is only one part of the land administration and management agenda. Even if we include assistance that has been provided in planning, building permitting, legislation permitting greater investment, the injection of real property assets into the economy, etc., the increases in real estate market activity cannot be attributed to these issues alone. The overall economic climate, banking capacities and political stability will have a greater impact. However, by ensuring that land administration and management systems are in place and effective, we ensure that economic growth is not hindered or halted because of the lack of such systems.

It should also be recognized that the Bank's interventions have generally supported the governments' own programs and have been working in association with government counterparts and many bilateral donors. It has been common for bilateral donors to provide technical assistance and support or establish pilot programs prior to the Bank providing the needed capital for investment and rolling out systems. For example, in Bosnia and Herzegovina, the Austrian, Swedish and German governments had helped with consultancies to develop the legal framework, basic software, and procedures, and then the Bank brought the funds for building renovations, cadastral survey, etc. In Kyrgyzstan, USAID funded the early pilot work that enabled a larger Bank funded intervention to be successfully implemented. Achievements in the region are a mixture of the combined efforts of many, and not attributable to one organization.

There are many definitions of land administration. The UN Land Administration guidelines from 1996 states: *"the process of determining, recording and disseminating information about ownership, value and use of land when implementing land management policies."* The fundamental role of land administration in the national wealth is clearly outlined in subsequent chapters, but the very fact that 'land' is a primary factor of production in classic economic theory and that between a half and three quarters of a nation's capital wealth are its property assets, the importance of recording, managing and using property assets effectively are crucial.

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leaders were not inclined to include planning systems, as it would have been made the projects much more complex and less manageable.

## Chapter 2

### The economic impact of lamps

#### Introduction

This chapter utilizes and ultimately expands upon an existing conceptual framework (as adapted from Byamugisha<sup>15</sup>) to guide the empirical analysis of the effects of LAMPs on development and economic growth. The framework has a broader view and represents an improvement upon most current and past investigations which have focused on one, or few, sectors. LAMPs generally affect many sectors and the economy as a whole. The methodology also builds upon the well-tested conceptual framework that links landownership security to farm productivity (Feder's work<sup>16</sup>), and is supported by the theory of positive information and transaction costs. The framework is built around five linkages in order to map the relationship between real estate registration and financial development and economic growth. These linkages as cited by Byamugisha<sup>17</sup> are:

- a. the land tenure security and investment incentives linkage;
- b. the land title, collateral and credit linkage;
- c. the land markets, transactions and efficiency linkage;
- d. the labor mobility and efficiency linkage; and
- e. the land liquidity, deposit mobilization and investment linkage.

One important aspect of this methodological framework is that these linkages are not totally independent from one another and there are cases of overlaps. Also, the above described framework is a partial one because its emphasis lies on the establishment of linkages for development and economic growth emanating from private ownership in real estate. We will hence supplement the framework by adding to it further linkages to account for the public sector impacts such as fiscal income linkage and trade linkage.

A schematic representation of the basic five linkages, expanded to include sub-links, is shown below.

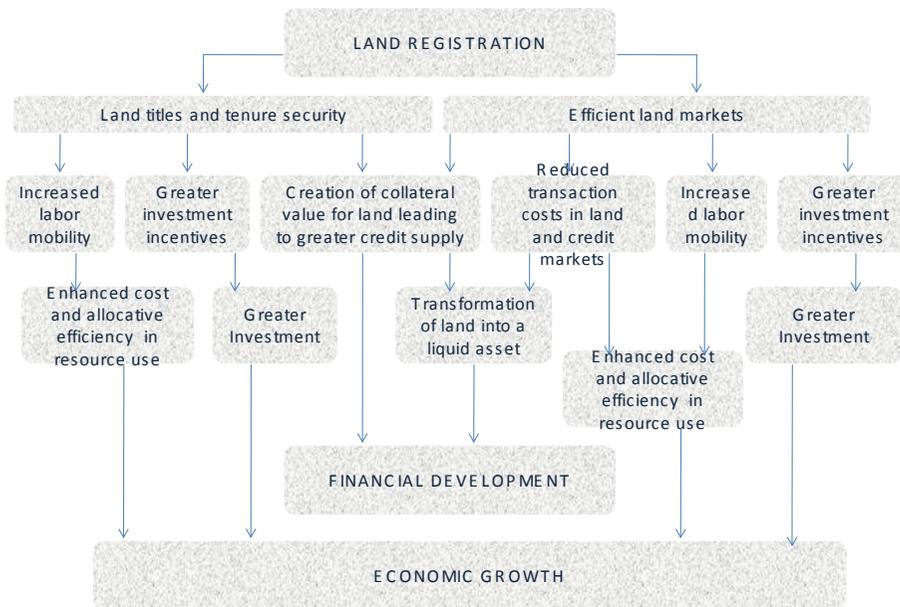
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<sup>15</sup> Byamugisha, F. The Effects of Land Registration on Financial Development and Economic Growth: A theoretical and Conceptual Framework, World Bank Policy Research Working Paper no. 2240

<sup>16</sup> Feder. G. Land policies and evolving farm structures in transition countries.

<sup>17</sup> The term 'land' in Byamagusha's and Feder's work should be read to include all fixtures permanently affixed to the land.

**A Conceptual Framework Linking LAMPs to Financial Development and Economic Growth**



## Overview of Economic Benefits from Land Administration and Management Projects (LAMPs)

Formal property rights in real estate, achieved through LAMPs, have numerous benefits. Focusing narrowly on the economic ones, these benefits can be summarized as:

- Assurance - clear definition of rights to enable the owner to defend those rights against the claims of others;
- Conflict management – enable conflicts over real estate to be solved more easily, reducing costs and time associated with disputes;
- Credit – to enable use of real estate as good collateral for loans from credit institutions;
- Improvements to land - increased tenure security from a title provides adequate certainty and incentives to the owner to invest in long term land improvements;
- Productivity - increased tenure security and access to credit promotes investment and increased productivity;
- Liquidity - formalization of rights promotes cost-effective exchange and the unlocking of resources embedded in real estate;

- Labor mobility - opening up real estate markets and increased tenure security promotes labor mobility in search of higher returns for labor while real estate is sold or rented out;
- Property values - expected increases in productivity and incomes associated with titling raise the property values of real estate;
- Public sector income – cadaster and registration provides the necessary information to facilitate the assessment and collection of land-related taxes (property and transfer taxes);
- Public services - increased revenues from land and property together with improved cadastral data availability provide great savings in expenditures and facilitation of the planning and financing of infrastructure services—such as public transport and utilities.

Project documents usually justify financing of investments in LAMPs on the basis of economic returns, while also taking into account the need to provide for the necessary social and environmental safeguards. In this vein, considerable research was carried out on the conceptualization and measurement of the economic benefits particularly following the seminal work by Feder et. al in 1988. Through these sector studies, the economic effects of land titling on land productivity and rural or urban real estate incomes have been quantified. Attempts have been made also to estimate economy-wide effects by measuring the relationship between real estate registration on one hand and financial development and economic growth on the other, such as Byamugisha work. Indeed, the “Doing Business” reports produced by the Bank annually include the registration of property rights as one of the major indicators for ‘ease of doing business’ in a country.

Specific objectives and related benefits from the formalization of property rights have varied with the stages of economic development of the countries and regions. In the CEEC and Central Asia Region, the objectives and expected benefits have been primarily aligned with the creation of private ownership and the transferability of property rights. A remaining important benefit that has not been adequately quantified is the value of cadastral data as the basis for land information systems (LIS) for other central and local government bodies.

### **Poverty Reduction and LAMPs**

Poverty reduction is as economic a consideration as it is social. This type of far-reaching impact is usually the less discerned and mostly unaccounted for impact of LAMPs. It can be argued that access to assets, rather than access to income, is a more fundamental issue in sustained

reduction of poverty. Simple examples in the poorer countries of the region have shown that:

- In Moldova and Kyrgyzstan, where land has been privatized and efficient registry systems have been established, the rural population is using their property in the villages as collateral to access credit for agricultural inputs and business development.
- In Albania, where land has been privatized but the registry system is not so efficient, the level of accessing credit is much lower. (It is also much lower in Azerbaijan where privatization occurred early on, but the registry system is only now being established).<sup>18</sup>
- In Tajikistan, where neither the land privatization moved forward nor was the registry system established, there is very little opportunity for the poor to utilize property assets for investment.

Despite the critical importance of this linkage few countries engaged in processes of land policy reform in the CEEC and Central Asia region have paid serious attention to this critical connection. One reason for this phenomenon is that the linkages between land and the wider development agenda have often not been articulated with sufficient clarity and rigor. Secure access to land and an environment of good governance of land resources (including access to common lands and their products) are key objectives in reducing the vulnerability of the poor. To this end, there has been considerable work in Kyrgyzstan to help with the management of pasture lands, and in Turkey to promote simple land consolidation programs that include irrigation and local roads.<sup>19</sup>

It worth noting that rural land by itself is rarely used for collateral in the CEEC and Central Asia region. Agricultural land sales are rare and the area of the land holding following the restitution or privatization programs is usually small. This provides little security to a lender because the value of the asset is low and not easily tradable. In rural areas it is more common for real estate in the village to be used for collateral. However, during the final

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<sup>18</sup> In Moldova there were 17,400 mortgages registered in 2007 of which one third were for agricultural areas. For the first half of 2008 Kyrgyzstan registered 27,700 mortgages to a value of US\$900 million. Neither Moldova nor Kyrgyzstan had recorded any mortgages before 1999. In the much richer country of Azerbaijan only 11,000 mortgages were registered in 2006.

<sup>19</sup> So far the Bank funded project in Turkey has included 65,662 ha in 77 villages. The program is very popular with villagers who claim that their costs are greatly reduced and that the irrigation provided and access roads have made a great difference in their productivity.

project review in Armenia in 2004 a representative of a local bank informed the team that the ‘title’ document basically provided the bank with assurance that the person was local and would not disappear with funds that were lent. They have no desire to foreclose and loans were based on good business plans. Loans tended to be short term and comparatively low in value (a few thousand dollars). The speed and cost of registration were such that it was a simple matter to register the loan as a mortgage and this provided added security.

Naturally, the economic impact of LAMPs and which of the above linkages would be triggered is closely correlated with the nature of the initial intervention model adopted by the specific LAMP, depending upon which stage of development the country is in. It usually takes many years for the benefits of interventions through a LAMP to be realized, but changes have been so rapid in the CEEC and Central Asia region that some impacts can already be seen. It should, however, be noted when drawing comparisons that there are cultural issues that affect the dynamics of the property markets, especially with regard to the frequency of moving house, sentiment concerning land that has recently been restituted or a reluctance to get into debt by mortgaging.

## **Conclusion**

Of the 37 land projects in the CEEC and Central Asia Region over the past 13 years, some 21 are stand-alone land administration (registration and cadaster) projects and most of the lessons learned relate to these projects.<sup>20</sup> This Chapter covers the practical lessons learned about how to implement projects and ensure they are successful. The first, and most important lesson learned is that the policy, law and institutions need to be in place before a project should commence. Once these are in place there are many common elements that have characterized successful projects in LAM.

Often CEEC and Central Asia Region country governments had developed legal frameworks and assigned institutional responsibilities before the Bank become involved with LAM. Sometimes there had been some involvement by Bank advisors (including the inclusion of some conditionality in structural adjustment loans) or by bilateral donors, but on the whole the changes were so rapid that governments made urgent decisions based on necessity. In many countries of the region in the early to mid-1990’s currencies were devalued drastically, savings soon became worthless,

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<sup>20</sup> In the early years land issues were included as part of larger projects in the Agriculture sector, but it soon became apparent that LAM: (a) covered both urban and rural areas, and the greatest demand was in urban areas; (b) often involved agencies that had little relationship to the Ministry of Agriculture; and (c) were complex. It was therefore decided that ‘cadaster and registration’ needed to be ‘stand-alone’ projects.

salaries were not being paid to government workers, utilities were failing and simple laws had to be passed quickly. Civil Codes, Land Codes and laws affecting real estate registration often contradicted each other or contradicted other laws that were being passed at the same time. Many decisions were made for political popularity or out of dire need. For example: (i) in Tajikistan legislation was passed in 1998 allowing the public to locate, occupy and utilize defined land areas lands. This was done to ensure people had access to land to grow food and avoid starvation; (ii) in Kazakhstan the registration of property rights was established by a simple Presidential decree in 1995 (and not changed even by the end of the Bank funded project in 2000); and (iii) in Kyrgyz Republic in 1999 people were still often paying for services (including registration services) with sacks of wheat. Privatization was often done very quickly with little oversight regarding accuracy (and sometimes fairness) of the process, and unpaid government officials were unsure how to register the changes and were often tempted with ‘under-the-counter’ payments.

There were common activities in most Bank funded projects that flowed from necessity:

- a. Reviews of real estate policies, laws and regulations to make them consistent and meet the standards of international good practice;
- b. Assistance with institutional development, including building works, furniture and equipment;
- c. Capacity building, especially providing training and assistance with study tours to see how such systems worked in countries with developed real estate markets;
- d. Information technology for land administration;
- e. Surveying methodology and systematic registration of real estate rights;
- f. Improving service delivery through improving management, establishing service standards and establishing monitoring and evaluation systems;
- g. Public awareness campaigns, improving transparency and provision of directed assistance to the more vulnerable members of the community; and
- h. Developing a more business oriented land administration service.

### **Some important things on Policy, Legal and Institutional Frameworks**

The basic legal framework includes the necessary laws for land administration (land code/property law; registration and cadaster laws) and most countries of the region now have good basic legislation. Additional

legislation that supports mortgaging, multi-occupancy apartment blocks, changes of land use, property taxes, restitution, compulsory purchase, valuation and real estate agency, etc. are mostly completed. Regulations governing cadastral survey, compensation for mistakes, registration office procedures, land allocation, dispute resolution, etc. have also been prepared, or are under preparation in most countries. The review of these issues in all project preparation has been highly beneficial. The basic legal framework and clear institutional roles and responsibilities for implementing the law need to be addressed and agreed if the project is to be successful. Other than the basic laws and institutional responsibilities it is unusual to have the full legal framework in place, and projects also often require amendments to the basic laws during the course of the project.

So there is need to focus on:

- a. The basic legal right to own property and transfer it, and the institutional responsibility for doing so, are pre-requisites for LAMPs - but refinement of policy, laws, regulations and procedures should be a project activity.
- b. An overarching Ministry, agency or commission making policy decisions is preferable for developing a land policy environment in which all LAM activities are catered for.

Policy and legal development is an area that still needs substantial input in the CEEC and Central Asia region.

### **Case study: LAMP in Albania**

#### **Security of Tenure and Registration of Immovable Property Rights**

##### **Re-engineering of office functions and quality improvement**

This sub-component supported the IPRO in enhancing their management effectiveness, improving human resources policies, and also improving its service delivery and transparency. It included the re-engineering of the workflow in IPRO, the re-design of business processes through the introduction of more rigorous systems of case management and quality control, and business/human resource planning. This sub- component also supported the remedial work required to bring existing kartela and cadastral map information up to the prescribed standards.

- The re-engineering of office functions and quality improvement were linked closely with the ICT sub-component. ALBSReP is the fully automated system with internal controls for case management and quality control components. The IPRO drafted detailed Instructions for use of ALBSReP to maintain new first registration data. With regard to improving existing data, the new registration law approved in March 2012 included a provision for initiating the process and

more detailed procedures and regulations were under development, but not completed at the end of the project. The general regulations are planned to be completed by May 2015.

- Significant institutional changes have been implemented. The IPRO became a self- financing agency as of April 1, 2013. In order to support the new structure a Strategic Business Plan (SBP) was developed through a Sida Twinning project. The IPRO Steering Board approved the final version of the SBP. The importance of adopting the SBP is highlighted by the fact that IPRO had to return over US\$5 million to the State Budget for 2013 because it did not have the funds allocated to properly planned activities for the much needed investments. Key highlights of the Strategic Business Plan include:

**IPRO Business Aim:**

IPRO registers immovable properties, ownership titles and other real rights, maintains and administers the register of properties, the cadastral maps and legal documentation, which proves ownership rights of citizens, natural and legal persons, in order to assure legal certainty in relation to the immovable property actions.

**IPRO Vision 2018:**

IPRO, as a self-funded and client-oriented organization administers and guarantees full, accurate, sustainable and up-to-date registration of immovable property information, and it provides geospatial information and other related services. Products and services are provided with effectiveness, efficacy, in a transparent and non-discriminatory manner. IPRO through its products and services, in line with the EU standards and best international practices contributes

to the building and stability of the real estate market and it therefore supports the social and economic development of Albania.

**Strategies:**

- Provision of standard qualitative data for all the properties.
- Improvement of client-oriented services.
- Improvement of the management system and building of technical capacities of the staff.
- Extension of the scope of activities.

**Objectives:**

- **Provision of standard qualitative data for all the properties**

- Completion of initial registration of all the cadastral zones until the second quarter of 2014.
- Completion of initial registration of all the remaining cadastral zones until the fourth quarter of 2016.
- Functioning of ALBSReP in 10 big offices, until the second quarter of 2014.
- Functioning of ALBSReP in remaining offices, until the fourth quarter of 2015.
- The information found in IPRO is improved and updated to meet the requirements foreseen by law 33/2012 and as such, they may be used in the ALBSReP system within the fourth quarter of 2018.
- **Improvement of client-oriented services**
  - Reduction of the time period of provision of services for the services of x % until the fourth quarter of 2016.
  - Setting up of the focus groups for seven big segments of the market according to Chapter 5.4 within the first quarter of 2014.
  - Client Satisfaction Survey must indicate that more than 70% of clients are "satisfied" or "very much satisfied" within the fourth quarter of 2016.
  - Legitimate facilitators are provided with access to the existing information in the online ALBSReP system within the fourth quarter of 2014.
- **Improvement of the management systems and building of technical capacities of the staff**
  - Reconstruction/Construction of local offices with the proper infrastructure, in line with the economic standards of the offices, within the fourth quarter of 2018.
  - Installation of the Financial Management System, including the Financial Management Manual and Software within the fourth quarter of 2014.
  - Imposition of the Performance Indicators for the work processes, services, staff and drafting of performance assessment methodology within the second quarter of 2015.
  - Preparation of the regulatory framework of human resources and drafting of the long-term training strategy within the second quarter of 2014.
  - Design and installation of intranet within the second quarter of 2017.

- **Extension of the scope of activities**
  - ALBPOS made operational and maintenance within the second quarter of 2014.
  - ALBPOS business plan completed within the second quarter of 2014.
  - Structure and necessary capacities for valuation of properties within the fourth quarter of 2017.
  - Interface of the Civil Register, Address Register and other valid databases within the fourth quarter of 2014.
- The Prime Minister's Office is now overseeing improvements to key agencies across the public sector, including IPRO. Set of deliverables within a 100 and 300 days has been delivered to the Prime Minister's Office from IPRO. These deliverables have been directly derived from the Strategic Business Plan.
- The implementation of the ALBSReP solution and the proposed implementation of a one-stop-shop by the Prime Minister's Office provides IPRO with the opportunity to rationalize the District Office network of 35 offices and create centralized service centers to process the transactions. This would lower the costs of operations and reduce the capacity building issues in District Offices.

### **Information Technology Development**

The sub-component supported the further implementation of automated systems to support the re-engineered workflow and the IPRO Registration Automation Strategy. The implementation focused on the larger urban district offices. The project also financed data conversion, data improvement and the creation of digital archives of key property records. The target of this sub-component was to fully computerize ten IPRO district offices. This means i) connectivity and networking with the central office; ii) integration of software and hardware, iii) data migration and iv) trained and competent staff capable to use and maintain the system.

- By the end of the project in June 30, 2014 the ICT system (ALBSReP) was in operation 17 District Offices (including Tirana, Durres, Elbasan, Fier, Shkodra, Laç, Lezhe and Lushnje), despite a delay of more than a year due to the lack of a contract for communication lines to connect the 10 largest local offices with the main data center in Tirana. This ICT solution includes the scanned digital archives and scanning of incoming documents in the larger 11 offices. Progress has been made in completing the indices of the scanned documents with missing indices (about 15% of documents were not properly indexed – close to 2 millions documents). This has been reduced to 2.8% of scanned documents. By October

31, 2014, ALBSReP had been installed in all 35 District Offices to support the front and back office functionalities to maintain the first registration data and there is a central database that manages the data from all 35 offices.

- Online services to the notaries is fully operational and a new service layer had been developed to provide all types of information (scanned documents, alphanumeric and graphical) to key external users, subject to signed agreements and based on the existing legal regulations. The system is ready to share information with key government registers, such as civil register, business register and tax register. Gender disaggregated data has been generated from the new IT system; this is an additional achievement.
- The ICT system (ALBSReP) and its development have been a key success in this project. Some of the key success factors have been:
  - **Software Development Team composition:** The software development team had a clear structure and was led by a senior software development team leader and clear planning and reporting mechanisms were on place. The local software development team was supported by an international quality assurance expert (responsible for system quality assurance, capacity building as well as advising the decision makers on the progress, key issues and possible solutions) and a senior solution architect (responsible for design of the system architecture and technical platform, including oversight of supply of hardware and integration). In addition there was a twining project that SIDA financed, during the inception phase that strengthened the system design.
  - **Rational Unified Process (RUP) methodology:** RUP was selected and introduced to manage the ICT system design and development and was strictly followed right from the beginning.
  - **Adoption of International Standards:** The ALBSReP solution was the first in Europe to adopt the Land Administration Domain Model (LADM) ISO standard.
  - **System Documentation:** The ALBSReP solution has been fully documented by the system developers.
  - **Three level ICT management structure:** This effective structure was established from the beginning with clear reporting mechanism (decision making body, project manager and working groups and contractors plus quality assurance advisors).
  - **Training and capacity building:** Capacity building of the

IT team was an integral part of planned program and regularly provided through on the job training, provided by the quality assurance expert.

- **IPRO IT Directorate structure:** The IT Directorate was reviewed and re-organized in a modern and effective way. The Software Development Unit was established and staff hired. The Maintenance and Support Unit was strengthened with two additional system and DB administrators to create effective sustainability of the unit.
- **High-level political support:** This top-level support ensured adequate resources and enforced excellent communications.
- **Excellent Stakeholder Engagement:** Regular video-conferencing and meetings during the supervision missions were organized with the members of the decision making body (mainly with the Deputy Minister of Ministry of Innovation and ICT, the prime minister adviser on ICT and the Director of Agency for Information Technology), IPRO IT project manager and the Bank team followed up on the progress and efficiently resolved any critical issues.
- **Clarity on Roles & Responsibilities:** The IPRO board has approved the IPS Security Instruction. This is a very important document that details who has access to which part of the system and what are their roles and responsibilities.
- No progress was made in finding a temporary solution for the Disaster Recovery Center. This will now wait until the Ministry of Innovation completes their disaster recovery center for all government institutions; a feasibility study is currently performed. The ALBSReP system is fully centralized (both instances of the ALBSReP are located in the same building) and the Bank team raised the risk of delaying the disaster recovery center to the Government of Albania for a long time.
- KPMG, Italy were hired as independent quality assurance and quality control experts to support the IPRO to supervise the supply and integration contract, to perform software quality assurance and quality control, define procedures for system final acceptance and guide the software development team. This was designed to add considerable value to the development of the ALBSReP system and lower the corresponding risks. This added value was not delivered as the contract with the IT supplier was terminated for lack of performance.
- The introduction of the ALBSReP system to the District Offices staff

required training, not only on the IT system use, but also legal and procedural training. This training and associated support was limited and significantly reduced the effective use of the ALBSReP system.

- In August 2014, the contractors delivering the ICT infrastructure had their contract terminated due to non-performance on the integration component of their contract. The contractor has challenged this move by IPRO and the dispute is being managed initially through arbitration. No alternative source of support has been identified by IPRO, exposing IPRO to further risk.

### **Summary**

The project benefits for the Albania Land Administration and Management Project come from seven channels: residential property market development, MSME development, productivity gains from e-governance, fiscal revenue gains from property taxation, fiscal savings from IPRO self-financing, municipal infrastructure development, and potential future savings from emergency response.

### **Beneficiary Survey Results**

#### Customer Satisfaction Surveys

Three customer satisfaction surveys were conducted during the course of the project implementation. The main objective was to assess the project performance indicator for Component A: “IPRO customer satisfaction improved from very poor to very good”

The first Customer Satisfaction Survey was conducted in the period September – December 2012 and the final report was delivered in February 2011. The general level of client satisfaction was assessed to be “average”. This rate of satisfaction is also reflected in the Monitoring Indicators table. The general conclusion of the Report was: Overall, we assess that IPRO regional offices have improved the quality of services for customers, by encouraging the development of a real estate market. However, we notice that there is room and opportunity for further improvement in the overall function of customers’ services and increasing of security when performing transactions with immovable properties in favor of the national economy in general.

The second customer satisfaction survey was conducted in the period November 2012 – January 2013. The final report was provided in March 2013.

The consultant's report recommended improvements in the following areas:

- **Improving service quality:**

Time spent at IPRO service desks to obtain a service needs to be reduced. For this reason it is recommended an increase in the number of service desks that have direct contact with clients as well as proper training of recently hired staff. This would improve staff efficiency and would reduce the time of waiting in line. In addition, it should be noted that the staff work performance indicators does not currently exist. In this regard it is recommended the establishment of such performance indicators and their continuous monitoring. In April 2013, when IPRO turned into a self-financing institution, fees were more than doubled which might have contributed to the slight decrease in customer satisfaction levels to some extent. The rationale behind this might be that while fees for the same services were increased, the efficiency of service delivery did not match such an increase, failing to meet people's expectations about possible efficiency improvement due to higher fees. Overall, the perception that fees are high should be understood by taking into consideration that the economic situation has worsened overall (increase in unemployment for example), and taking into account that the increase in fees was not accompanied by the provision of a new service or faster service delivery.

In addition, the increase of fees was not based on a cost-based analysis. The establishment of fees should derive from a cost-based analysis, where the fees cover the overall service cost plus a specific margin. In the current situation, the revenues exceed to a great extent IPRO costs. Thus, it is recommended the conduction of a cost-based analysis, in order for the service fees to cover the basis cost elements and a small margin.

Another aspect that needs a specific attention is the free services that IPRO provides for public institutions. Currently the public institutions do not pay any fees for service delivery at IPRO. This means that the other customers take on the weight of paying for them. In this regard, it is recommended that public institutions, which benefit from free services from IPRO pay for these services. This would reduce the burden placed on private customers who have to compensate for this. Institutions exempted from paying for IPRO services could include budgeting institutions such as: the army, the police, the prosecution etc. The expenses of these institutions, which are

estimated to be nonetheless small, could be paid by the government budget for example.

Another aspect that might change and it comes as a recommendation as well, is related to the annual fiscal profit of IPRO. Currently, IPRO functions as a self-financing institution and the profit goes to the government budget at the end of the year. This means that the new fiscal year of IPRO starts with a balance sheet of zero profits.

In this situation it is recommended that the profit that IPRO generates remains at IPRO and is used for further investments, improvements etc.

- **Access to Information and Public Awareness**

The results of the survey indicate that the information offices at IPRO remain the main source of information. This leads to long lines at IPROs and to longer waiting hours. To mitigate long lines and waiting hours IPRO should try to provide comparable information through other sources such as for example: media, online portal of IPRO etc. This would facilitate individuals living in more remote areas, for which it is difficult to travel to IPROs, so that they have access to information related to IPRO services as well. In this way time would be used more efficiently and the finalization of procedures would be made easier. All of this in turn would be translated into a higher level of customer satisfaction. In this regard, IPRO should work on raising the public awareness for using such sources.

More public awareness campaigns regarding first registration procedures are recommended, in order to encourage new customers to register their properties, especially in rural areas.

According to the results of the survey only a small number of customers have used the electronic registry, which calls for more campaigns for the purpose of informing customers about the benefits of using the electronic registry as a faster and costless service.

- **Increase of System Efficiency**

The further expansion of electronic services should continue and the implementation of the automatic registration system should be extended to all local IPROs, which would bring considerable improvement in timeframes of transactions finalizations.

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Law No. 7983, of 27.7.1995 on purchasing agricultural land, pastures and meadows

Law No. 8053, of 21.12.1995, on transfer of agricultural land in ownership without payment

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