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The World Bank

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PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED LOAN  
IN THE AMOUNT OF EURO 33.5 MILLION (US\$30.0 MILLION EQUIVALENT)  
TO THE  
REPUBLIC OF BULGARIA  
FOR A  
REGISTRATION AND CADASTRE PROJECT  
May 25, 2001

**Environmentally and Socially Sustainable Development Unit  
Europe and Central Asia Region**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective April 19, 2001)

Currency Unit = BGN

BGN 1 = US\$0.4556

US\$1 = BGN 2.1947

All currency amounts in this document are  
in US\$ and are shown in Euro in  
the Loan Agreement

## FISCAL YEAR

January 1 -- December 31

## ABBREVIATIONS AND ACRONYMS

BNB	Bulgarian National Bank
CA	Cadastre Agency
CAS	Country Assistance Strategy
CBO	Community Based Organization
CEM	Country Economic Memorandum
COM	Council of Ministers
EU	European Union
FMS	Financial Management System
GOB	Government of Bulgaria
IS	Information System
IT	Information Technology
LACI	Loan Administrative Change Initiative
MAF	Ministry of Agriculture and Forestry
MOF	Ministry of Finance
MOJ	Ministry of Justice
MRDPW	Ministry of Regional Development and Public Works
MTS	Municipal Technical Service (Unit in the Municipality)
NGO	Non-governmental Organization
PIU	Project Implementation Unit
PMR	Project Management Reports
SA	Special Account
SC	(Project) Steering Committee
SIL	Specific Investment Loan
TA	Technical Assistance

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**BULGARIA**  
**REGISTRATION AND CADASTRE PROJECT**

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MAP(S)

IBRD No. 31395

BULGARIA  
REGISTRATION AND CADASTRE PROJECT

**Project Appraisal Document**

Europe and Central Asia Region  
ECSSD

<b>Date:</b> May 25, 2001 <b>Country Director:</b> Andrew N. Vorkink <b>Project ID:</b> P055021 <b>Lending Instrument:</b> Specific Investment Loan (SIL)	<b>Team Leader:</b> Lynn C. Holstein <b>Sector Manager:</b> Joseph R. Goldberg <b>Sector(s):</b> VM - Natural Resources Management <b>Theme(s):</b> Public Sector <b>Poverty Targeted Intervention:</b> N
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**Program Financing Data**

Loan     Credit     Grant     Guarantee     Other:

**For Loans/Credits/Others:**

**Amount (US\$m):** 30.0 million equivalent (Euro 33.5 million)

**Proposed Terms (IBRD):** Variable Spread & Rate Single Currency Loan (VSCL)

**Grace period (years):** 5

**Years to maturity:** 20

**Commitment fee:** 0.75%

**Front end fee on Bank loan:** 1.00%

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER		7.07	0.00	7.07
IBRD		20.19	9.81	30.00
<b>Total:</b>		27.26	9.81	37.07

**Borrower:** BULGARIA

**Responsible agency:** CADASTRE AGENCY, MRDPW, AND MINISTRY OF JUSTICE

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**Estimated disbursements ( Bank FY/US\$m):**

FY	2002	2003	2004	2005	2006	2007		
<b>Annual</b>	2.50	4.50	7.00	7.00	6.00	3.00		
<b>Cumulative</b>	2.50	7.00	14.00	21.00	27.00	30.00		

**Project implementation period:** 2001-2007

**Expected effectiveness date:** 09/01/2001    **Expected closing date:** 03/01/2007

## **A. Project Development Objective**

### **1. Project development objective: (see Annex 1)**

The development objective of the proposed project is to improve the coverage, completeness, accuracy and responsiveness of the cadastre and real property registration systems and, therefore, contribute to the development of secure tenure of real property (and hence investments in housing, agriculture, commerce, manufacturing, and services), and of an efficient real property market, which is one of the requirements of EU accession.

The project's support for productivity and economic growth would contribute to raising incomes and thereby reducing poverty. The project is hence consistent with the CAS as land tenure security and development of land markets are important for accelerating Bulgaria's structural reforms and private sector development, key requirements for sustainable economic growth. The proposed project also contributes to the achievement of the CAS objective by supporting secure property rights held by the public to the largest class of assets in the country (land and real property), and hence the development of a real property market in Bulgaria.

The project will help create an institutional infrastructure that assures real property rights, and the means by which those rights can be securely traded, thus encouraging long-term investments. This will be achieved by (i) addressing the inefficiencies caused by the current cadastre and property registration systems, that are unreliable and whose data are not current, (ii) increasing the awareness of the rights and duties under the new systems among stakeholders, and (iii) undertaking the registration of parcels and real property rights in selected parts of the country.

The implementation of an integrated cadastre and registration system to cover the whole country would be phased over a period of fifteen years. The proposed project will cover the first five full years of this comprehensive program, and be focused on selected rural and urban areas. The proposed project will support the improvements of the linkages between the cadastre and property registration systems that will then be replicated in the rest of the country.

### **2. Key performance indicators: (see Annex 1)**

The success of the project in achieving the above-mentioned objective will be measured in terms of:

- coverage as percentage of urban and rural plots accurately described as to ownership, location, and boundaries, in integrated cadastre and real property registers;
- reduced transaction turn around time according to the following



New land market professions emerged: realtors, developers, land valuers.

The restitution program generated large numbers of private landowners. The farmland restitution, which was practically completed in the year 2000, produced nearly 8.3 million individual plots, belonging to approximately 1.9 million former owners. The forest restitution, 85% of which had been completed by April 2001, will generate a further 0.2 million individual plots. The ongoing restitution and privatization of state and municipal properties established a multitude of new owners and frequently new plots. Following the restitution process, further subdivisions are ongoing of nearly all the inherited real estate. The liberalized urban land markets, with leases and sales, brought about a boom in the number of transactions in land.

Issues to be addressed. With the adoption of a market economy in the country, improvements in land administration institutions and practice were demanded. This land administration reform was called upon to solve a number of critical issues, including the fragmentation of land records, the lack of tenure security and the lack of trust in government institutions.

Incompleteness and fragmentation of land records. Cadastral mapping in Bulgaria has never achieved full coverage of the territory of the country. The present cadastral mapping is fragmentary, since the administration of farmlands, forests and urbanized lands has never been in one single government institution. Likewise, the land registration function for private and public land has never been uniform and in one register. Land data are kept by different agencies, as well as with private surveying companies.

Inadequate security and clarity of ownership. The urban planning "courtyard regulation", which in the past could utterly change property boundaries and transfer ownership by administrative acts, caused insecurity and litigation. Though recently abolished, this regime still causes ambiguity of boundaries and disputes. The issue was further complicated by cumbersome urban planning procedures, inadequate resources and staffing, lack of uniform professional standards, etc. In peri-urban zones the land records for rural and urban areas frequently do not correlate with gaps and overlaps in documented ownership. Both in urban and rural territories the present maintenance system and technology for up-dating land records does not guarantee a reliable, continuous or timely update. In consequence, the functioning of the real estate market is impaired by the poor quality of the official land records and land information services. This has resulted in numerous disputes and it is estimated that 40% of all civil court cases relate to land tenure issues. There are also clear problems with apartments in condominium buildings because of the lack of maintenance and investment in jointly owned common parts and condominium property. The ownership of these common parts has not yet been defined.

Credibility gap towards government land administration institutions. The lack of a streamlined system makes it difficult for owners or their representatives (real estate agents, lawyers, notaries) to trace real estate records. Especially among poorer rural residents, or isolated ethnic and religious communities who are less able to understand the law and who have lower capacity to articulate their concerns, there is a distrust of administrative institutions. Former experiences in resolving inheritance procedures, and more recent attempts to defend their real property rights and interests in the restitution schemes have eroded trust in the integrity of institutions. Frequently there is insufficient public awareness of the individual land rights and obligations, and no easy and inexpensive legal advice available. This is further complicated by the poor implementation of construction and development controls and land taxation. After the economic collapse in the country, many citizens lost their money to construction companies that never finished the construction for which they had been paid and to realtors who did not properly check the validity of the sale.

New Cadastre Infrastructure. To respond to these issues and create a viable environment for land markets, the Government passed a Law on Cadastre and Property Register in April 2000, and a new Cadastre Agency (CA) was established on January 1, 2001 to implement the cadastral aspects of the law. The new agency is currently being set up. It now has its headquarters in Sofia, and twenty-eight regional cadastre offices are set up in the administrative centers of the regions. The new integrated cadastre and property registration systems will be implemented following a gradual process. In order to avoid any disruptions to the rural land markets, the Land Commissions, so far involved in the restitution of rural land, will continue to keep a database for rural land property ownership until the regional cadastre offices are ready to receive this information. The Land Commissions databases will gradually decrease as the databases in the regional cadastre offices increase. Once the data on rural areas will have been completely transferred to the Cadastre Agency, the Land Commissions will keep the functions related to the maintenance of data on land use according to the requirements set by the Common Agricultural Policy and other programs of the European Union.

In the case of urban land, some of the existing municipal cadastres are large organizations providing a comprehensive service to local administrations. Others are smaller or less effective. The range of activities and the amount of work vary between offices like Sofia or Varna with sophisticated computerised systems and staff of over a hundred to small offices with a few people working in a paper environment. Each municipality must be looked at independently as they have different resources and capabilities. In general, the municipal cadastres (within the Municipal Technical Services (MTS) which undertake building permitting, development control and cadastre services) will continue to operate as they now do, but will be given methodological guidance and will be monitored by the regional offices of the Cadastre

Agency. The municipal cadastres will relinquish their data and part of the cadastre function to the regional cadastre offices, and maintain the function of providing a service to the clients (i.e. owners of real properties, Government departments and organizations, notaries, lawyers, courts, surveying companies, real estate agencies, banks, etc.). They will be linked to the database of the regional cadastre office and, in exchange for fees, they will provide a service to the citizens in terms of query results about properties, excerpts of plans of real property, query results about the property status of a person, certificates of cadastral status, copy of cadastre map, etc.

New System in the District Courts. The legal rights part of the registration system is conducted by the 112 district courts under the oversight of the Ministry of Justice (MOJ). They record legal rights and the owners of those rights, to real property. Under the project, a new system of legal registration will be introduced that is based on real property units. It will eventually replace the existing so-called "entry book system," which is a transaction or person based system, that only operates when documents are transacted and registered in the courts. Currently the entry book system is estimated to cover less than 50% of the total number of parcels in Bulgaria.

The proposed information system in the 28 cadastre offices will store large amounts of graphic information, and it will be linked to the new property based legal registration system in the district courts, on the basis of the identifier of immovable property.

Implementation of the Program. To implement the program described above in the whole country, the Government foresees that it will take fifteen years. A long-term program and an annual plan were approved by the Government in 2001. On this basis, the Cadastre Agency will first recruit staff and organize its procedures. Following this, the Cadastre Agency will gather the base materials required for preparation of index maps. The Agency will initially concentrate on a few areas and gradually increase its activity. MOJ intends to have all 112 district courts prepare preliminary lots, so that a near automatic download into the new system can take place as soon as the software for linking the cadastre and property registration systems is developed. The preparation of the preliminary lots would be an office conversion exercise. Some offices have computers and have been provided with the software, but 88 of the 112 offices have retained their purely paper based system, thus the creation of the preliminary lots will be a long-term activity. The Minister will incrementally declare areas that are subject to the Law, and sporadic registration, which involves creation of preliminary lots, will commence from the date of declaration. Systematic registration areas will be selected in coordination with the Cadastre Agency and the preliminary lots prepared on a systematic basis.

The activities of the Cadastre Agency and MOJ will commence in

Dobrich, making use of the work done under the EU Phare and Dutch Matra projects, that could not be finalized because of the absence of a legal basis at the time it was conducted. This will be considered as an operational trial, and further areas will then be selected and systematic registration will commence. Following this another series of court districts will be selected, up to 8, and systematic registration will commence. Sites around Sofia will be among those selected, for initial operations, jointly by the MOJ working group and the Cadastre Agency. The major cities will not be tackled until such time as the experience from these initial sites is analyzed. The Sofia City Court will work with the existing municipal cadastre in Sofia, until the Cadastre Agency acquires the resources to manage this work.

Over the five-year period of the project, it is expected that data on 65,000 hectares of urban real properties territories will be transferred from about 80 MTS offices to the regional cadastre offices and, if necessary surveyed, adjudicated, and registered, while in rural areas data and land records for 30% of the 260 Land Commissions offices (about 80 offices) will be converted into the new cadastre and registration systems.

### **3. Sector issues to be addressed by the project and strategic choices:**

The project will support the setting up of the Cadastre Agency and of a unit within the Ministry of Justice responsible for property registration, and the activities to be undertaken in the first five years of the Government's program for the creation of a unified cadastre and property registration system (i.e., design and implementation of the IT system, creation of preliminary lots, digitalization of mapping, and survey and adjudication). The project will therefore help the Government in its complex program, and ensure that enough attention is provided to the creation of institutional capacity. The project will focus on the development of the Cadastre Agency to run along business lines including cost recovery to ensure that the system is sustainable, institutional strengthening in the district courts in their function of property registration, the training of professionals, and the development of legal support for the most disadvantaged. Without these activities, the technical side of the project may not be sustainable.

The project will ultimately benefit different sectors of the economy, namely it will improve access to information concerning the land market, protect the environment by making it easier to identify polluters, improve tax collection, and over the long run contribute to reducing land fragmentation by lowering transaction costs and thus encouraging owners to transact.

## **C. Project Description Summary**

**1. Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The project would consist of four components: Component A - Cadastre System Development; Component B – Property Registration System Development; Component C – Cadastre and Property Registration Operations; Component D – Project Management and Development of a Policy and Legal Framework. The project would be implemented in a five-year timeframe. A description of the proposed components follows.

Component A - Cadastre System Development. This component would help build the capacity of the newly established Cadastre Agency to design and implement a unified national cadastre system, with its newly opened 28 regional cadastre offices. This support would include office renovations, equipment (hardware, software, furniture, vehicles) and technical assistance for the headquarters. Technical assistance will be provided to allow the Cadastre Agency to develop systems to transfer records from the about 80 municipal offices and 80 land commissions (the project will cover about 30% of the existing land commission offices in the country), to develop and implement an IT strategy for cadastre purposes, to develop a strategy that will allow the Agency to be run along business lines including partial cost-recovery, to define cadastre office procedures including operational service standards when dealing with customers, and a human resources strategy. The human resources strategy would include the definition of detailed job descriptions, training programs, and the design of a system of performance standards and incentives to be applied in the day-to-day activities of the Agency.

Component B – Property Registration System Development. This component would support capacity building in the district courts and the Ministry of Justice for the implementation of the new real property based registration system in the 112 district courts, and help build oversight of the system in the Ministry of Justice. The objective of the component would be to establish an efficient real property registration system that lowers transaction costs and reduces transaction processing times. The component would support the refurbishing of entry courts' offices, and the purchase of equipment (hardware, software, furniture and vehicles). Procedures would be developed to transfer the data from the old entry-book systems to the new systems. Technical assistance will be provided for the development of a strategy to run the registration system along business principles including cost recovery, as well as the development of a paper records strategy, the definition of streamlined transaction procedures with set service delivery times, and a human resources strategy. An IT plan for the registration function will also be developed and implemented.

Component C – Cadastre and Property Registration Operations. This component would support mass registration and the joint conversion of parcels in the operation of the new property-based registration and the new cadastre systems, plus the creation of an effective data link and exchange between all the agencies involved. It would finance part of the geodetic network densification, cadastre surveying and adjudication and associated digital mapping, data entry of preliminary lots for mass registration, the design and implementation of joint information technology and management systems in both the cadastre and the property registry, service contracts for maintenance, supervision and quality control. It would support the creation of an urban cadastre and property registration in settlements, apartments and enterprises, and the conversion of the restituted farm- and forest- real property rights into the new systems. The project will finance the data entry, cleaning, conversion, and transfer of about 2.4 million of the 8 million total rural parcels from the land commission offices to the new cadastre offices and court systems - using contractors. Under the project, 600,000 urban and settlement properties would also be converted or re-surveyed and registered into the cadastre and property registry.

Component D – Project Management and Development of a Policy and Legal Framework. This component would provide partial support for the Project Implementation Unit (PIU), training activities, and technical assistance. The project will finance training programs for staff of the Cadastre Agency and the cadastre regional offices, the staff and judges of the district courts offices, the Ministry of Justice, private survey and data entry contractors, notaries, real estate agents and bankers. The training would be largely

undertaken by the University of Architecture, Civil Engineering and Geodesy, within the Faculty of Geodesy. University staff would initially participate in study tours or seminars organized by international experts, and then carry out the training in house. The project will also finance technical assistance to (i) complete the legal framework for the cadastre and property registration systems, e.g., draft the necessary regulations for the implementation of the Law on Cadastre and Property Register, and propose amendments to improve the condominium provisions in the Ownership Law, and the foreclosure provisions in the mortgage system; (ii) design and implement an information technology and information management strategy allowing the linking of data from MRDPW, MOJ, MAF, MOF, municipalities and others, that would be developed in the context of the national IT and communications strategy of the Council of Ministers; (iii) conduct a public awareness campaign with the double purpose of targeting professionals and landholders, making them aware of their rights and duties in the new systems, and increasing public knowledge of the cadastre and property registration systems; (iv) provide legal support to the most disadvantaged citizens (low income citizens, minorities and women) in relationship to their property rights. Lawyers will be financed under the project to provide legal extension services in the villages and towns; and (v) undertake monitoring, evaluation, and social assessment studies, that would focus on: (a) monitoring the efficiency of management of project implementation using indicators related to the successful delivery of project products and outcomes to users, both the Government and the landholders; and (b) monitoring at regular intervals the social impacts of the project. These activities will aim to increase the trust of citizens in public institutions dealing with cadastre and property registration.

<b>Component</b>	<b>Sector</b>	<b>Indicative Costs (US\$M)</b>	<b>% of Total</b>	<b>Bank-financing (US\$M)</b>	<b>% of Bank-financing</b>
Cadastre System Development	Institutional Development	5.45	14.7	4.26	14.2
Property Registration System Development	Institutional Development	6.17	16.6	4.94	16.5
Cadastre and Property Registration Operations	Institutional Development	23.54	63.5	19.25	64.2
Project Management and Development of a Policy and Legal Framework	Institutional Development	1.61	4.3	1.25	4.2
<b>Total Project Costs</b>		36.77	99.2	29.70	99.0
Front-end fee		0.30	0.8	0.30	1.0
<b>Total Financing Required</b>		37.07	100.0	30.00	100.0

## **2. Key policy and institutional reforms supported by the project:**

The project would support Government's commitment to implement the Law on Cadastre and Property Register, which is expected to secure property rights and therefore help foster private sector development in the country. The Government is committed to activating the land market through laws clarifying and regulating land transactions. During preparation the project supported the drafting of regulations to implement the Law. The project will continue this work during implementation by financing a specific activity under component D to complete the legislative framework in relation to mortgages and condominiums, satisfactory to the Bank.

During negotiations, the following principles were confirmed: (i) no new (re)-surveying will be undertaken when converting the restituted farm-land and forest-land parcels, with property rights now registered in the land commissions, into the new cadastre systems and the new property registration system. Only office based data checks and verification will be undertaken, and the quality of the surveys will be up-graded over time by data from the managing bodies of the technical infrastructure, upon parcel division, consolidation, or by other means; (ii) a cadastre strategy would be formulated and developed jointly with the Ministry of Agriculture and Forestry, the Ministry of Finance (property tax) and the Cadastre Agency. An important consideration here would be the development and implementation of information technology and information management strategies under Component D of the Project; (iii) actions under Chapter 5 and Chapter 9 of the Law on Cadastre and Property Register will be done in a coordinated and where possible synchronized manner, using ex-officio actions with minimum or no fees levied on beneficiaries, in the systematic creation of the cadastre and property registers; and (iv) international and domestic contracted companies would be provided with the necessary maps, cadastre data, registers, and aerial photography to undertake the contract in a timely manner at low transaction costs and according to the established procedures, with the maximum assistance by the Cadastre Agency.

## **3. Benefits and target population:**

The project is expected to benefit significantly the development of real property markets and, especially, of the agricultural land market in Bulgaria. The primary beneficiaries will be farmers, small and medium enterprises, urban and rural property owners. Ultimately the project will benefit the expansion of private business and contribute to increased business activity and economic growth.

EU accession. In the light of EU accession planned for 2006, the development of the real property markets is seen as a priority and is strongly supported by the Government of Bulgaria. One of the requirements of EU accession is efficient and developed factor markets. The project will contribute to improving one of the most important factor-markets, land, by introducing a parcel-based registration system and a unified cadastre, thus helping to make property rights more secure.

Creation of Real Property markets. The proposed project is expected to contribute significantly to more active real property markets. Work on reforms in the sector of land registration and cadastre started in 1991, when the process of land restitution was just beginning. Restitution of urban property to former owners was completed relatively quickly, while farm land restitution proved to be a more complex and slower process, continuing throughout the last decade. The result was that most of the property rights documents issued for the restituted or privatized properties were not registered in systems that gave publicity and rapid information access to those rights. Most of them are still in government agencies or commissions with difficult information access. Also they are not in common cadastre systems as they are recorded in either municipalities, commissions or central government agencies. By the start of 2001, land restitution to former land owners was almost completed (99%), re-establishing in a model of farming characteristic of the pre-Second World War period with considerable fragmentation of land. From the legislative point of view the prerequisites for an active land market are now in place and the market is slowly picking up, especially in the North-East grain-growing region. The project will contribute to this process by securing property rights, introducing common systems, therefore making land transactions more secure. In the long-run, this should create incentives for farmers to sell and buy land and would also help create conditions for the consolidation of plots.

Access to credit. In the last few years, all research and surveys carried out in the sector indicate that the major problem for those employed in agriculture is denied access to credit. In general commercial banks do not accept agricultural land and farm property as collateral. At the same time this is the only collateral farmers can offer. As a result of the project, farmers will have secure property rights over their land. This will facilitate their access to credit, as lenders will be assured that the borrower is indeed the owner. Access to credit should lead to higher productivity and higher land prices, since farmers are expected to start investing in their land.

Reduction in the cases of fraud. The positive impact of the project on the real estate market will be first felt in larger towns, where property values are higher. At present, cases of fraud related to urban real estate transactions are common and a serious impediment to purchases, sales and investments. The old owner-based system of property registration makes checks difficult and slow. The linkages between the two parts of the registration system (entry courts and cadastre) are poor. The project will support the gradual introduction of the parcel-based registration system, and the creation of an effective data link and exchange between all the agencies involved. This will contribute to make transactions more secure, thereby reducing the number of court cases.

Improvement of the registration service. The project will help build the newly established Cadastre Agency and a unified national cadastre and property registration system. Thus, in the course of the project, the government agencies involved will provide improved standards of service, which ultimately will benefit all citizens.

#### **4. Institutional and implementation arrangements:**

Steering Committee. The Interdepartmental Working Group for Coordination and Control of the Activities for Establishing the Cadastre and Property Register (Steering Committee), consisting of Deputy Ministers from MOJ, MRDPW, MOF and MAF, the Director of the Cadastre Agency, and senior officials from the Supreme Judicial Council, the Council of Ministers, the National Association of Municipalities, the Union of Notaries, the Union of Surveyors and Land Managers, and the Ministry of Defense (Military Topographic Service of the Army), has been officially established by a decision of the Council of Ministers to coordinate and control project implementation, and as agreed during negotiations, review and approve the annual work plans and budgets of the project. The Steering Committee will be co-chaired by a representative of the Ministry of Justice and a representative of the Ministry of Regional Development and Public Works to ensure balance in the split of functions between MOJ and MRDPW, and continuity in the works of the Steering Committee. Between Steering Committee meetings, the two chairmen will act on behalf of the Steering Committee.

Project Implementation Unit. A Project Implementation Unit (PIU) has been established in the Cadastre Agency to implement all components of the project, with four key professional staff already working. At negotiations the Government gave its assurance that the PIU would be officially established by a COM decree within 90 days from April 11, 2001. The PIU will be fully in charge of all payments, procurement, contracting, disbursement, reporting, accounting, consolidation, planning, budgeting and auditing relating to the project. In particular, the PIU will:

- serve as the secretariat to the Steering Committee. The Project Director will take part in all meetings of the Steering Committee;
- work as a liaison with all Ministries involved in supporting the implementation of the project as well as the Bank;
- be responsible for the preparation of the annual work plan and the related budget proposal for the approval of the Steering Committee, and guide the budget approval process with the Government;
- be responsible for all activities related to procurement on the basis of TOR and technical specifications prepared with the assistance of the Cadastre Agency and the Ministry of Justice;
- supervise and pay contractors;
- create a system of accounting and auditing of the project acceptable to the Government and the Bank;
- coordinate the financial management of the project, including preparing requests for replenishment of the Special Account; and
- establish a monitoring and evaluation function including annual and sub-annual reporting processes on all project performance indicators.

The PIU will consist of a Project Director, a Technical Coordinator, a Property Registration Specialist, a Procurement Specialist, an Accountant/Disbursement Specialist, a Financial Manager, a Monitoring and Evaluation Specialist, and an Assistant. The Project Director, the Procurement Specialist, Financial Management Specialist, and the Accountant were appointed as a condition of negotiations. The Project Director will report to the responsible Deputy Ministers of Justice and Regional Development and Public Works on a regular basis on progress in project implementation. It is envisaged that, after the project is completed, the activities related to public awareness and legal advice to the most disadvantaged will be carried out by the Cadastre Agency and the property registration unit to be created within MOJ. Considering the multi-agency nature of the project, it was agreed that to facilitate decision making, the Project Director would be able to form limited life "task teams" across ministries focused on solving specific issues or addressing components or sub-components, with the formation of the teams subject to review by the Steering Committee.

Project Teams in the Line Ministries. Staff of the Cadastre Agency and the Ministry of Justice will be appointed to work on a full-time basis to undertake technical tasks, and monitor and supervise the work of the PIU in the execution of the project. To fulfill these functions the Minister of Justice will designate staff of the Inspectorate, which is currently responsible for overseeing the work of the district courts. As of January 1, 2002, these functions will be taken over by a Property Registration Control and Management Unit to be established within MOJ for the technical direction, inspection, monitoring and evaluation of the real property registration activities of the district courts. Organizational structure and qualification requirements of employees will be established by the Minister. Each Project Team will have the necessary office facilities, and the operational costs of the Project Teams will be borne by the respective Ministry. Each project team will:

- cooperate at the central level with the PIU, supplying information on project implementation;
- cooperate with the PIU in preparing annual work and budget plans for the project;
- program, coordinate and monitor the activities it is responsible for, and prepare proposals for updating the project implementation plan. These proposals will be submitted to the Steering Committee for approval;
- check whether components are carried out in accordance with the project implementation plan and the policy of its ministry;
- prepare technical specifications and terms of reference, sit in the evaluation committee to select contractors.

While the PIU will have responsibility for all implementation, the Project Team within the Cadastre Agency will be responsible for preparing technical specifications, terms of reference, and monitoring the quality of work for the activities financed under component A - cadastre system development, whereas the Project Team within the Ministry of Justice will be responsible for preparing technical specifications, terms of reference, and monitoring the quality of work for the activities financed under component B - property registration system development. For the joint activities relating to components C and D, TOR and technical specifications will have to be prepared in coordination by the two Project Teams, managed by the PIU.

Related Functions in Various Ministries. The 2000 Law on Cadastre and Property Register focuses on two related functions in two organizations: the cadastre to be established in the MRDPW within the new Cadastre Agency, and the related property register to be set-up in the district courts. Regulations and other actions are to be taken by the Ministry of Justice. The Law also mentions that other related functions, e.g. creation of specialized maps and registers, must be linked to the cadastral information system. This includes specialized data on land use in the Ministry of Agriculture and Forestry, the property tax data in the Ministry of Finance, and the building and real property data held in the municipalities. The Law contains provisions that regulate the initial transfer of data stored by the specialized agencies to the Cadastre Agency, and the use of basic cadastre data by specialized agencies.

There are complexities in the above situation that arise from the holding of data by the Ministry of Finance (MOF) for property tax purposes. These data were collected as a result of declarative submissions from landholders and field surveys undertaken during the last three years in the absence of an active cadastre agency. The property tax agency has now a mandate to set-up a "regional information system" in support to municipalities which would collect the data of the municipalities related to buildings, cadastre, planning, and property tax for multiple uses as determined by the municipalities.

The cadastre agency is new, and it has a clear mandate to collect all basic cadastre data from

municipalities, state government departments, including the Ministry of Finance, Agriculture and Forests (land commissions), and others. While the Law states that the cadastre agency should use those data, it does not state that the Cadastre Agency should undertake the property tax function, nor the building approval function of the municipality. The final control of the data for those functions will still remain with those agencies responsible for managing them.

The implementation of the project will be clarified by putting in place an "implementation agreement" between the main ministries and agencies (see section G).

Financial management. During negotiations, it was agreed that the Government will establish and maintain a project financial management system (FMS) in a format acceptable to the Bank, and in accordance with OP/BP 10.02 and LACI requirements. A financial management consultant was appointed to develop the financial management system for the project, in accordance with the Bank's OP/BP 10.02 and LACI requirements, based on terms of reference agreed by the Government and the Bank. The consultant, together with the PIU's key staff and the Bank's financial management specialist, has developed, customized and installed the draft version of the system which features a customized accounting software fully developed to respond to the project specifics. The appropriate initial training was provided to the PIU staff. The format of the Project Management Reports was agreed with the PIU and the consultant.

A Special Account will be opened at the Bulgarian National Bank (BNB). The Government's contribution will be received in a separate sub-account of the main budgetary account of the MRDPW, opened also at BNB, and it will be used specifically for the Bulgarian Government contribution to the project.

The PIU, will maintain the project accounts in accordance with International Accounting Standards (IAS) and Bulgarian Statutory Accounting Standards and will report to the World Bank and the Bulgarian Government.

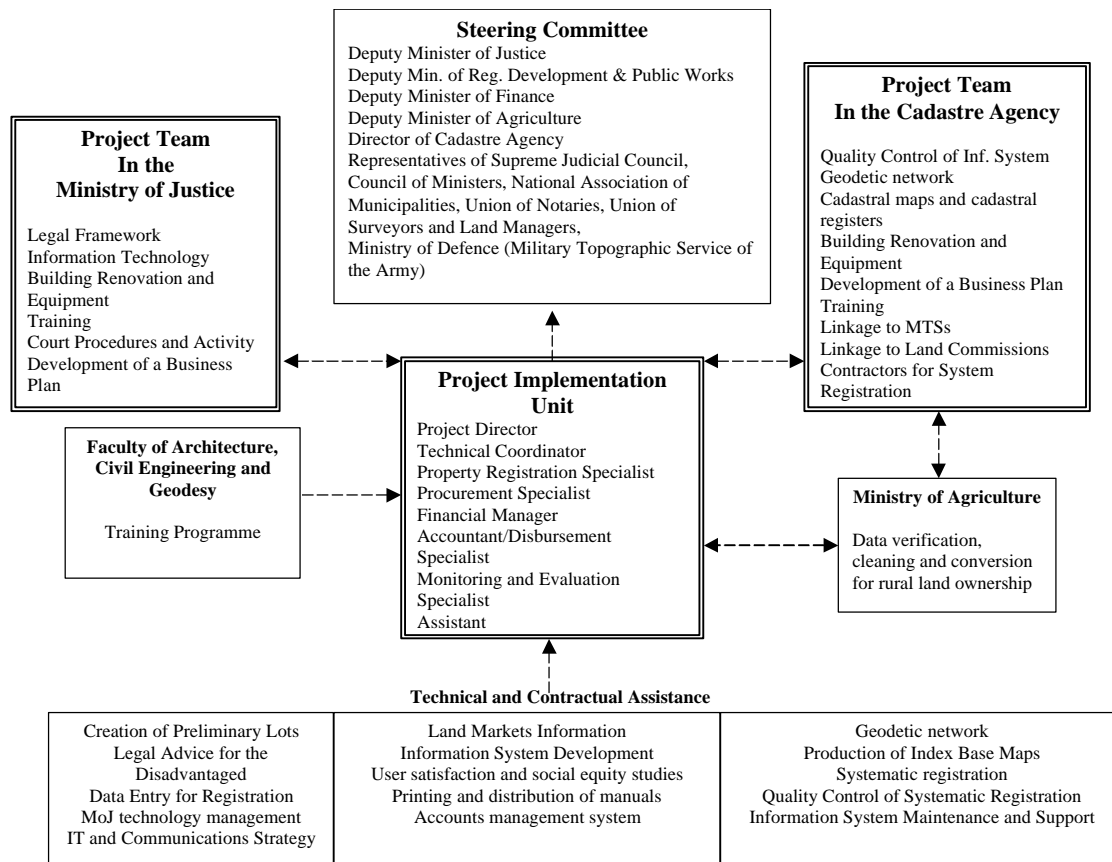
The project annual financial statements will be audited each fiscal year in accordance with Bank guidelines, by independent auditors acceptable to the Bank. The selection of auditors, satisfactory to the Bank, is a condition of effectiveness. Copies of the audit reports will be submitted to the Bank within six months of the close of Bulgaria's fiscal year (calendar year). The audit report will cover the project financial statements, Special and Project Accounts' Statements, as well as all the Statement of Expenses (SOEs) and PMRs used for withdrawals from the SA.

A World Bank Financial Management Specialist has performed a detailed assessment of the FMS in accordance with the Bank's OP/BP 10.02 and LACI requirements. It was determined that the Project FMS meets the minimum Bank financial management requirements and a FMS Annex 4-B (LACI certification) was issued on May 21, 2001. Additional actions and steps agreed with the borrower to strengthen the system are included in the Action Plan, presented in the Annex 6.

Monitoring, evaluation, and social monitoring studies. Monitoring and evaluation under the project would focus on the efficient management of project implementation by looking at: (i) indicators related to the successful delivery of project products and outcomes to its users, both the Government and the landholders; and (ii) the social impacts of the project to be monitored at regular intervals. Monitoring of project management would be done by the PIU and would include the establishment of a project information system with regular data entry and a range of reports. The social monitoring would include: 'user satisfaction' surveys of the services being provided under this project and the progress being made in fulfilling targets. They will take into account the impact of the project and land market changes on the various sectors of society, including the poor, ethnic minorities, women, the elderly and the disadvantaged.

In areas where new cadastre surveys and registration are undertaken, sample surveys will be run of the desired social development outcomes and effectiveness of different components. These surveys will be done every second year during the project, so that project activities can be adjusted accordingly. This could include monitoring the extent of property disputes and dispute resolution (parcel boundaries, tenure rights) or the identification of factors that prevent or discourage people from registering property (transaction costs, backlogs, high informal costs). The PIU will be supported by international and local consultants in undertaking these tasks. During negotiations the Government agreed to the indicators as shown in Annex 1, column 2.

## **Project Management**



## **D. Project Rationale**

### **1. Project alternatives considered and reasons for rejection:**

**One agency model.** The option of having one agency responsible for the cadastre and property registration activities was initially considered but then rejected because of the enactment of the Law on Cadastre and Property Register, in April 2000 that established the dual agency system. The project will ensure coordination by involving, to the largest extent possible both agencies, the Cadastre Agency and the Ministry of Justice in all stages of implementation, in the Steering Committee, in the PIU, and in drafting joint regulations based on the Cadastre and Property Registry Law.

**Pilot approach.** The option of limiting the coverage of the project to specific pilot areas was abandoned in favor of an approach that would coordinate the project with the Government strategy. The project would

support the first five years of the implementation of a unified cadastre and property registration system, concentrating on those areas that will be progressively considered ready to start transacting on the basis of conaion system,cel- ofadym,

Agency and the MAF, and will be used by both agencies. As the cadastre database is to be the base information for all 'special cadastres', this project will both help create the basic cadastre and the 'special cadastre' of the MAF. Transfer of data between the two systems will be made easier because the same software will be in use.

Under the EU financed project, the main Land Commission in each region will become a regional center that holds the data for Land Commissions throughout the region. The municipal Land Commissions will develop into client reception and advisory offices, which are linked to the regional Land Commission where the data is maintained. There will be ultimately a direct link between the Regional Land Commission and the Regional Cadastre Agency. These arrangements are described and confirmed in a memorandum of understanding between the MAF and the Ministry of Regional Development and Public Works, signed in February 2001.

### **3. Lessons learned and reflected in the project design:**

In the ECA region in 2001, there were about 15 projects in as many countries with land administration components, with 8 of them classified as stand-alone projects. This experience indicates that there is a need for projects with a strong focus on land administration, and it is not enough to try to accomplish these complex objectives just through a component within a broader operation, at least at this initial stage when the institutional arrangements for guaranteeing security of land and real estate tenure have to be established. The experience also points out that land administration projects should have solid government support and a simple institutional framework. In the case of Bulgaria, it proved impossible to achieve the Bank's preferred one agency model for the land administration system. About 18 months were spent trying to achieve this outcome by the project team, and several sections of civil society and the Government. When Parliament enacted the April 2000 Cadastre and Registration Law, it put in place the two agencies model. Upon request from the Government of Bulgaria, the Bank decided to support the two agency model (which prevails in many developed countries) and focused on ways to achieve good linkages and cooperation between the cadastre and the property registration systems.

Previous experience also showed the need for a single strong PIU that would work in cooperation with teams in the two partner agencies, the Cadastre Agency and the Ministry of Justice.

### **4. Indications of borrower commitment and ownership:**

In early 2000, the Government of Bulgaria strongly focused on the process of rationalizing land administration, and hence the project, resulting in the passage of the Law on Cadastre and Property Register in April 2000. Several regulations under this law have already been passed, but another 7 are due for adoption by December 2001. The Government followed this with the establishment of the new Executive Cadastre Agency on January 1, 2001. As of February 2001, some 86 staff were working for the agency. A multi-ministry Steering Committee for the project was established by ministerial orders from both the Ministries of Justice and Regional Development and Public Works, and its first meeting was held in February 2001. The Steering Committee was then approved by the COM, by Decree No. 219, April 9, 2001. Buildings have been allocated to the Cadastre Agency for its headquarters and for most of its planned 28 regional offices. The above actions are considered to represent a firm commitment to the objectives of the project.

### **5. Value added of Bank support in this project:**

Assistance from other donors in the area of land reform has significantly reduced in recent years. Support

from the Bank, at this stage, will allow the fragmented registration effort to develop into a fully integrated, comprehensive, rational system that would actually work. The Bank will contribute to speeding up the transition to a market economy in a crucial domain in which public involvement and positive externalities are important. Besides, through this operation, the Bank will have an opportunity to advise and assist in resolving any continuing impasse among ministries regarding the legislative and institutional changes required to sustain private ownership of land and immovable property and facilitate the operation of the land market (see also Section 3 above).

## **E. Summary Project Analysis** (Detailed assessments are in the project file, see Annex 8)

### **1. Economic (see Annex 4):**

Cost benefit      NPV=US\$ million; ERR = % (see Annex 4)

Cost effectiveness

Other (specify)

Improved security of tenure. The project will help develop efficient land transaction and administration systems which will contribute to a significant increase in agriculture and other income per unit of land, as well as industrial, commercial and residential lands. Individual income will increase: (a) through more efficient utilization of land resources by providing individual landholders greater control over management of their own land; (b) through a full range of market choices over optimal utilization of their holdings (sales, leases, etc.); and (c) through access to capital through simplified and secured credit arrangements. A more efficient system will also save large amounts of time in transacting or dealing with disputes. This will have very large consequent saving to both the Government and the individual, also freeing their time and resources for other activities.

Improved access to credit at lower costs. Individuals and companies applying for a bank loan or a mortgage will benefit from the project. Presently banks require collateral of up to 200-250%. The increased security of tenure as a result of the project would bring down the demand for collateral. Thus costs of debts will decrease and access to credit will increase. The valuation of property for mortgage, presently at 35-60% of the property value, will increase.

Increase in investments. The security of tenure and of the property related information provided by the project will contribute to the increase of domestic and foreign investments, thus bringing revenues to the state and to property owners thanks to the rising demand for real estate and a more active real estate market.

Better access to land market information. The new telecom linkages to be made under the project between the 112 entry courts and 28 regional cadastre offices through the unified IT system will ensure fewer errors and the increasing reliability of entered data. This will increase benefits to property owners, whether individuals, companies or state bodies holding property.

Savings in transaction costs. Currently BGN 10 million per year from the state budget are spent on "technical activities" due to the imperfect cadastral system and the obsolete or non-existing office equipment (the manual drawing of maps instead of digitalized data and computerized service). Once the new system is introduced, this expense will no longer be necessary, providing for considerable savings to the budget.

## **2. Financial (see Annex 4 and Annex 5):**

NPV=US\$ million; FRR = % (see Annex 4)

The existing legal registration system that operates in the 112 district courts nationwide under the responsibility of the Ministry of Justice already achieves full cost recovery through the collection of fees and taxes. However, the funds collected are paid directly into the Government's budget, and are not kept by MOJ. For some types of property fees and taxes are set too high, and they sometimes deter the registration of a transaction. Fee structures for property registration need to be improved to allow the new system to be more responsive to customer demands, also considering that in the future courts will be working with the new cadastre agency and its regional offices, and they would in some cases provide joint services and products.

The cadastre system is new, and it will need substantial investments over the next 5 years to build and develop structures, many of which have been neglected for the past twenty years. In the former times, the cadastre system operated under the state budget as well as working with municipal and local governments under cost-sharing arrangements, sometimes as high as 50% in the case of large municipalities. Now that the new Cadastre Agency has been established as an executive agency, it is able to collect fees for services and products provided, at rates to be approved by the Council of Ministers. Under the new Law on Cadastre and Property Registration, funds for the Cadastre Agency can be provided from the state budget, the collection of fees, other revenues allowed by the Council of Ministers, as well as from funds from national and regional programs, international programs, projects and agreements. It should be noted, however, that according to best international practice cadastre agencies can at best achieve a 75% cost recovery as some of their tasks are classed as public goods (e.g., geodetic control, and small scale cadastre mapping). The challenge will be to set the fees at a level to ensure access to the products by customers as well to ensure some cost recovery.

Both MOJ and the Cadastre Agency have agreed that they need financial planning to be able to recommend to the Council of Ministers fees that are affordable and that would allow targeted cost recovery measures to be achieved. Components A and B would support the cadastre and registration systems, that indeed operate as a monopoly, to plan their activities along business lines. It is noted that first-time registration under the Law (Chapters 5 and 9), will be free, as well the legal extension services to low-income landholders.

### **Fiscal Impact:**

The project will improve the data collection by the Cadastre Agency and property registration system. Over time this will result in indirect improvements to the property tax system, and thus in significant revenues to the Government. At this stage, it is not possible to estimate the net increase in property tax revenues as a result of the new property registration system.

The property registration system is already recovering costs and a number of measures will be taken under the project to ensure the Cadastre Agency operates along business lines. The project will finance TA for the development of a business strategy for the Cadastre Agency including cost-recovery to reduce their

dependence on direct budgetary allocations.

### **3. Technical:**

The technical solutions proposed in this project for upgrading the registration system and cadastre are standard for OECD countries. All of the systems development, surveying, mapping and data entry will be contracted out to private sector companies through competitive procedures. The government agencies responsible for implementation will be equipped with computers and software and staff will be trained to manage and monitor the quality of work of contractors to be hired under the project. Four important principles were confirmed by the Government of Bulgaria during negotiations, that will guide the project technically. See Section G, under the heading "Assurances and Confirmations Made During Negotiations."

### **4. Institutional:**

Since the Law on Cadastre and Property Register of April 2000 established the dual-agency cadastre and registration system, the project will work with two main partners: the newly established Cadastre Agency within the Ministry of Regional Development and Public Works, and the Ministry of Justice. The need for close cooperation between the two agencies will require the presence of a strong and well-trained PIU. A description of the institutional arrangements within these agencies follows.

#### **4.1 Executing agencies:**

Cadastre Agency. The Cadastre Agency (CA) is a newly established executive agency in the Ministry of Regional Development and Public Works (MRDPW). The agency was created on January 1, 2001 under the Law on Cadastre and Property Register. Apart from the headquarters in Sofia with 56 employees, there are 28 regional cadastre offices with a number of staff varying between 4 and 15 employees. Premises for the headquarters of the CA have been identified, but they need refurbishing, furniture, archives, computers, office equipment and vehicles. Similarly, the hardware and software necessary for the technology for setting up and maintaining cadastral mapping and registers, as well as for delivery of services to the public, are not yet in place. As a newly formed agency, the CA staff needs training. The project will help the CA in its effort to carry out renovation of buildings and premises of CA, purchase the necessary furniture, equipment and vehicles. The CA staff will undergo the relevant modules of the training program run within the project framework. The development and implementation of the information system (IS) will be contracted out. Data capture and verification will also be contracted out.

Ministry of Justice and Registry Offices at the District Courts. The Ministry of Justice, in compliance with the Judiciary Powers Act, shall establish the administrative and technical conditions for the courts and the judge-registrars to fulfill their functions (which are functions of the independent judiciary power). These conditions imply also training of staff and the provision of other material and technical prerequisites for the introduction of the new land registration system. The link between the Executive and the Judiciary branches is the Inspectorate in the MOJ. The Inspectorate has 17 employees (10 inspectors and 7 controllers, 1 inspector manages the link between the Notary Chamber and the Registry Offices, and 1 controller is in charge for the Registry Offices). The Inspectorate is not experienced in running such projects, but will play a role somewhat similar to the role of the CA, until a Property Registration Control and Management Unit (PRCM) will be created. The Inspectorate will be supported by the administrative and financial unit of the Supreme Judiciary Council, and the Directorates/Departments in MOJ, that are in charge of financial management, economic activities, property management, IT services and public relations. In terms of staff, 6 - 8 people in these units will have responsibilities related to the implementation of the project as a part of their job descriptions. As of January 1, 2002, the PRCM unit will be created within MOJ to deal with all the functions of the Ministry in relations to property registration. The project will support MOJ in

developing a business strategy for the property registration function in the district courts,, including a cost-recovery strategy, streamlining business processing of transactions in the district courts, a human resources strategy, and the definition of processing standards, and times for customer service provision.

In the 112 district courts there are 90 judge-registrars employed, who report to the district court chairperson. Where no judge-registrar is appointed or no notary is registered, their function is executed by judges or judge-bailiffs. The work of the registrars is supported by district book-keepers. As a rule, there is a shortage of suitable premises, furniture, archives, computers and office equipment in the district courts, as well as a shortage of IT expertise. Similarly, the hardware and software necessary for the technology for setting up and maintaining the property register, as well as for delivery of services to the public, is not in place. The project will finance civil works for repairs of the premises, as well as purchase of the necessary furniture and equipment. The staff of the registry courts (judge-registrars and support staff) will undergo the relevant modules of the training program. The development and implementation of the IS, data entry and preparation of preliminary folios will be contracted out, as well as system administration and maintenance.

#### 4.2 Project management:

Project Implementation Unit. A Project Implementation Unit (PIU) has been established in the Cadastre Agency to implement the tasks foreseen under the project. The PIU while small at present, will consist of eight staff members. The Project Director will respond directly to the responsible Deputy Ministers of Justice and Regional Development and Public Works on a biweekly basis on progress in project implementation. For specific technical tasks (i.e. preparing technical specifications), the PIU will be supported by staff of the Cadastre Agency and the Ministry of Justice who will be appointed on a full-time basis to monitor and supervise progress under the project.

#### 4.3 Procurement issues:

Primary responsibility for overseeing implementation of procurement procedures will rest with the staff of the PIU. All agencies involved have some degree of experience in international procurement in accordance with the public procurement law. MOJ has a procurement officer for all activities related to civil works, and MRDPW previously hosted PIUs for Bank-financed projects, therefore developing experience in international procurement. In order to further strength these agencies, the following actions are proposed:

- A Procurement Officer for the PIU was recruited before negotiations with appropriate qualifications to assist the PIU in the preparation of bidding/request for proposal documents.
- Initiating a Project Launch Workshop as part of the project implementation/capacity building initiatives, especially in procurement.
- The Procurement Officer shall attend training in procurement management.
- Monitoring of the procurement activities in the project by the Bank every 6 months.
- Periodic ex-post review by the Bank of 1 in 5 contracts.

#### 4.4 Financial management issues:

A Bulgaria Country Financial Accountability Assessment has yet to be undertaken. The current World Bank loan portfolio was reviewed in February 2001 by a Joint Country/Bank portfolio team and all projects were rated satisfactory and three highly satisfactory. All projects in the review satisfied the Bank's auditing requirements with no issues. For this project, the flow of funds will be from the World Bank loan account to a Special Account in the Bulgarian National Bank (BNB), managed by the PIU. The PIU will be responsible for procurement and disbursement. No project financial management will be done by the district courts of the Ministry of Justice, or by regional offices of the cadastre agency. The accountant and the financial manager will be subject to continuing education and training during the project with training

plans made on an annual basis.

The Project faces two major risks in the financial management area. One risk is the PIU assuming the authority and responsibility for every aspect of the project, thereby exposing it to possible risks of collusion and corruption. To address this risk: (i) all payment orders will be signed jointly by the Project Director, the Finance Manager and the Executive Director of the Cadastre Agency, and (ii) the beneficiaries' representatives will certify that the works have been done, the goods have been delivered and the services have been rendered before the payments are made by the PIU. In addition, these representatives will also be invited in the offers' evaluation commissions and be involved in the development of the technical specifications. Moreover, the complete segregation of duties amongst PIU staff members will have to be achieved, i.e. the functions of implementing and overseeing will not reside with the same PIU member. In addition, the project financial statements, as well as the Cadastre Agency's financial statements will have to be audited by an external auditor, acceptable to the World Bank. The second risk is that the project is exposed to delays in payments to suppliers: (i) due to the signatures required on both Bank Loan funds and Government contributions, and (ii) inadequate counterpart funds in the Government project accounts. The experience on existing projects indicate that this risk to a large extent is contained by adequate supervision by the Bank and has not been a problem so far.

**5. Environmental:** Environmental Category: C (Not Required)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

The project has been rated as category C. The project will have a positive environmental impact since it will provide the legal framework on which to build databases or specialized cadastre for managing farm and forestry lands and green areas in urban settlements. For a further analysis of the environmental matters see annex 12.

5.2 What are the main features of the EMP and are they adequate?

n/a

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: n/a

n/a

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

n/a

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

n/a

**6. Social:**

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

A Social Assessment was conducted, consisting of three main activities: site visits to regional and local cadastre offices and land commissions and to two villages located outside Balchik and Sofia; a social assessment study of 17 villages and 600 informants; and a one-day Stakeholders Workshop with key

stakeholders in Sofia. The social assessment study was conducted primarily in the rural regions of the country -- mountainous villages where the majority population is Turkish, Bulgarian Muslim (Pomak) and Roma -- and in the larger cities of Sofia and Varna where the population is mostly Bulgarian. The social assessment consisted of qualitative semi-structured interviews with the key stakeholders, including titled and untitled property owners, real estate agents, notaries, and land commission personnel. The Stakeholders Workshop provided a forum for the Government of Bulgaria and the Bank to disclose information to the participants about the proposed project and about changes in the Law on Cadastre and Property Registration and for the participants to state their views about how the current registration and cadastre systems can be improved. The Workshop was attended by over 60 participants, broadly representative of the main stakeholder groups, including representatives from MOJ, MAF, MRDPW, the newly established Cadastre Agency, the World Bank, non-governmental organizations (NGO), community-based organizations (CBO), a the orthodox church, servicing agents (real estate agents, bankers, creditors, notaries, lawyers), IT and geodesy specialists, and academic scholars.

The main stakeholder groups were identified. The main institutional actors are: MRDPW, MOJ, MAF, and their corresponding agencies, including employees of the Cadastre Agency, land commissions, regional, city, and local cadastre offices, and entry book offices. Other key stakeholders include: notaries, judges, lawyers, real estate agents, cartographers, surveyors, IT specialists, tax authorities, owners of residential apartments, villages, houses and land, owners of corporate real estate, foreign and local investors, and prospective buyers and sellers.

Main beneficiaries include: residents, especially the poor, the elderly, women, and ethnic minorities who are particularly vulnerable to property risk (through high transaction costs and poor land security) and municipalities (through a stagnant tax base and weak environmental protection).

The main social issues are:

Differential access to land and other resources (including credit and legal assistance) resulting in tenure insecurity:

*Ethnic minorities.* The Roma often follow their own customs and traditions and, according to one survey, seldom use the formal court system by choice. Often this is due to their low level of education with regard to access to land and property rights and their low income levels. The project team interviews showed that Roma women would use free legal advice on land issues, if it were offered, and they were very enthusiastic about such an opportunity. It is also clear though that only a small proportion of ethnic and religious minorities have legal ownership of land and the majority did not have access to the property privatization process.

*Women.* In Bulgaria women are accorded the same status as men in the laws regulating private property and inheritance. The Family Code is based on the philosophy of community property. The priority of the Code is equity between spouses and within the family. In addition to the Family Code, there is also an Inheritance Code, which guides testacy and intestacy. Joint property laws and child protection legislation generally work in favor of mothers who are almost certainly awarded use of the apartment. In several other respects though, women are constrained in their access to real property as they often lack access to information about laws and their rights, and have fewer resources to take legal action. They are therefore less able to defend their interests and protect themselves against any attempts at property rights discrimination.

*Poor and elderly populations, primarily those living in the rural areas.* Poverty in Bulgaria is much more

severe in the rural areas than in the urban areas. A large proportion of the rural poor are the former collective farm workers, who were rarely entitled to land under the farm and forest-land restitution processes, and elderly pensioners. By virtue of their poverty status and low employment prospects, they lack sufficient capital to buy land or to develop it fully, and must rely on informal credit mechanisms to purchase the necessary farm inputs just to get by every year. The elderly are also constrained by their age, limited physical mobility, poor nutrition, lack of information and ability to fully understand information, and lower status in society.

Affordability concerns: The process of effective registration is complex and cumbersome, requiring numerous visits to the land commissions. Transaction costs in terms of time and money are thus high for the consumer. Whereas the fees, which are set by the law, are not considered to be expensive to the majority of the population, indirect costs, such as transportation costs and illegal payments, and legal fees needed to resolve a property dispute, can be substantial. In the rural areas, bus fare to and from the municipal cadastre agency can be as high as 10 percent of the average monthly pension.

Social incohesion resulting from new regulation boundaries: New regulation boundary lines were established to replace the original boundaries separating rural properties. The regulation lines partition the land into uniform rectangular parcels. These parcels often intersect the original boundaries and buildings of one or more adjacent properties. Owners continue to recognize the old boundaries until they want to sell or register the property; then they must settle all outstanding claims with their neighbors, such as exchanging areas and giving and receiving compensation. The land commissions presiding over some villages have reallocated the land parcels, completing displacing owners from their land. Owners are to be allocated comparable parcels of land and compensated for any loss of land, however those who were to receive comparable parcels complain that they received smaller parcels with lower quality soil and those who lost land have yet to receive compensation. In general, the new land policies have increased the social tension in rural communities giving rise to property disputes with the municipality and among neighbors and reducing incentives to develop or transact the land. The village leaders are ill-equipped to resolve the disputes or to negotiate with the land commissions.

Weak public institutions: Responsibility for the current systems of land cadastre and property registration rests with two ministries. Few horizontal linkages exist between the ministries and their corresponding agencies leading to duplication of roles and functions. Labor is unevenly distributed both across and within agencies, and labor shortages and excesses are clearly visible. Ministerial agencies tend to be organized vertically in which one work task feeds into another. In some agencies, such as the entry book office, certain tasks are performed twice (first entered into the computer and then recorded by hand). Agencies are thus slow to act and cannot readily respond to changes in the law. In the rural areas, there is a backlog of unprocessed claims resulting from farmland restitution because the land commissions are under-staffed. All the agencies experience financing problems and are in need of hardware and other material inputs. Low salary levels also inhibit their ability to attract well-qualified staff. The only revenue generation activity for the cadastre and registration agencies are fees for public services which are well below cost recovery. Agencies are generally not customer oriented and have little knowledge of their client base.

Lack of trust in public and private institutions: Rural and urban residents perceive the public and private institutions overseeing the property registration process in a negative light. They question the working capability and authority of governmental institutions to process claims and resolve disputes in a fair and efficient manner and doubt the integrity of both private and public institutions to act honestly on their behalf.

In light of these findings, the project will strive to achieve three broad social development outcomes:

(1) increase tenure security through increased access to and greater efficiency of cadastre and property registration systems;

(2) promote improved real property and social relations within communities, helped by the publicity campaigns and legal extension services supported under the project; and

(3) strengthen public institutions and build citizens' trust in governmental authority and private servicing agents, again helped by publicity campaigns and the legal extension service.

Specific recommendations to achieve these social development outcomes, as well as larger project objectives, were made at the Stakeholders Workshop. They include:

- cadastre information systems need to be united and made identical;
- procedures and the number of agencies need to be streamlined;
- agencies need to adopt a client-friendly orientation;
- civil servants need to be trained;
- legal consultative services concerning land need to be provided to villagers, women, the elderly, and other groups who have difficulty articulating and defending their interests;
- cost of services should be reduced and made affordable to disadvantaged groups;
- confidence in government institutions needs to be increased in the country through the adoption of stable laws, transparent procedures, and an effective public awareness campaign;
- cadastre data should be publicly available and easily accessible;
- greater control and oversight of cadastre agencies is needed; and
- penalties for non-compliance with the Law are needed.

The issues mentioned above will be addressed by the project through the following activities.

Components A and B: Assistance will be provided to the Cadastre Agency and the unit responsible for property registration functions to be created within the Ministry of Justice with the purpose of building institutional capacity of regional cadastre offices and district courts through the recruitment of qualified personnel, developing a strategy for human resource management, defining agency procedures and job descriptions that will then have to be disclosed to personnel, adopting performance standards for salary levels and promotion, and adopting quality assurance guidelines. The quality assurance guidelines and performance standards should be consistently applied across all regional cadastre offices. The function of the Cadastre Agency will be to conduct annual inspections of the regional cadastre offices and maintain oversight of their performance. The assistance to the Cadastre Agency and the MOJ will also include the development of a cost recovery strategy which analyzes the affordability of fees and other direct and indirect costs associated with property registration and cadastre.

Component D: A legal extension service will be established in selected project areas to provide legal advice to property and land heirs and owners on matters pertaining to the establishment of property rights, titling, leasing arrangements with the voluntary cooperatives, etc. It could also give advice to those involved in court cases concerning land. A public awareness campaign will be financed to inform the public about the Law on Cadastre and Property Register, 2000 (and any subsequent amendments and regulations); about systematic registration; about the role and function of the legal extension service activities; about the public's rights and responsibilities in securing property and the various mechanisms for obtaining redress; and about the procedures and fees for registering transactions. Beneficiary surveys on customer satisfaction will be run at least every two years as part of the monitoring and evaluation activities to help the PIU staff

identify areas for training of agency personnel and other mechanisms to enhance customer relations and agency performance.

## 6.2 Participatory Approach: How are key stakeholders participating in the project?

During project preparation consultations took place with the key stakeholder groups in the form of three activities: fact-finding missions to the countryside, in-depth interviews, and a stakeholders workshop. All three consultations lead to two-way discussions among multiple parties, resulting in a concrete set of recommendations for project design and implementation. During implementation, stakeholders will be able to voice their opinions about the project through the beneficiary surveys.

## 6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

A representative of the National Association of Municipalities has been appointed to participate in the work of the Steering Committee, and this will ensure that the interests of the municipal technical services are going to be considered during project implementation. The legal extension officers to be mobilized under the project will coordinate their activities with regional and local NGOs and community based organizations.

## 6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

The legal extension service officers will work directly with the regional courts so that their activities are well-coordinated. Also there will be beneficiary surveys.

## 6.5 How will the project monitor performance in terms of social development outcomes?

Key monitoring indicators measuring progress toward the three social development outcomes have been designed and integrated in overall project monitoring and evaluation. A list of the indicators are provided in Annex 1. Information for the indicators will be routinely collected through the beneficiary surveys and information obtained during the registration process. The indicators will be monitored by PIU staff who will respond to any downward trends by making changes to the project implementation arrangements.

## 7. Safeguard Policies:

### 7.1 Do any of the following safeguard policies apply to the project?

Policy	Applicability
<b>Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Natural habitats (OP 4.04, BP 4.04, GP 4.04)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Forestry (OP 4.36, GP 4.36)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Pest Management (OP 4.09)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Cultural Property (OPN 11.03)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Indigenous Peoples (OD 4.20)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Involuntary Resettlement (OD 4.30)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Safety of Dams (OP 4.37, BP 4.37)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No

### 7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

n/a

## F. Sustainability and Risks

### 1. Sustainability:

The project will support the Cadastre Agency and the Property Registration Control and Management unit within the MOJ, in developing systems that will be run along business lines including cost recovery considerations, and supported by viable human resources plans. Assistance will be provided to the two agencies in planning the resources necessary to perform cadastre and property registration activities, setting up fee structures, planning human resources needed to fulfill cadastre and property registration activities, and office procedures in terms of service standards and processing times. With review by customer surveys, such actions will help ensure the sustainability of the cadastre and property registration systems.

### 2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
<b>From Outputs to Objective</b>		
Government withdraws its support	N	The justification of the project is well substantiated. The Government showed its support in approving the State Guarantee for the Loan, and the long-term plan for the implementation of the Law on Cadastre and Property Register relies on the support from the project. The project will have to be ratified by the new Parliament after elections.
Prevalence of departmental interests and lack of cohesion within the Steering Committee and Project overall	M	The Steering Committee (SC) will be co-chaired by the Deputy Ministers of Justice and Regional Development and Public Works to ensure a balance of power between the two agencies and continuity in the work of the SC, since the two chairmen will act on behalf of the SC between meetings.
Mistrust and non-cooperation on the part of the citizens, negative attitude towards registration of transactions.	M	The project will support public awareness campaign and public relations programs with the aim to provide clear messages, emphasizing the individual benefits for property owners
Relationships break down between the Cadastre Agency and the property tax department of the MOF and data fails to be made available to CA and shared	S	The Law is clear that information must be made available by the tax administration to the Cadastre Agency. In addition, both the CA and MOF are members of the SC, and implementation agreements were agreed in principle between the project's stakeholders by negotiations, and will be signed by effectiveness. Some regulations will be jointly developed.
Staff from the regional cadastre offices and the district courts are not willing to participate in the training	N	The training programs will be targeted to the needs of the professionals dealing with the implementation of the new Law. The training modules will be subject to constant evaluation and changes will be made if necessary
Citizens are reluctant to receive advice	M	Broad publicity will be given of the kind of

from the legal extension agents		service that citizens can receive from the legal extension agents and coordination will be established with other types of legal assistance provided to citizens and financed by other donors (e.g., UNDP)
The municipalities fail to transfer data to the new regional cadastre offices and no long term agreements are established between them.	S	It is covered in the Law with a time period and geographic area. A model agreement will be drawn up for use of the Cadastre Agency in negotiating agreements on a case-by-case basis with the municipalities. An action plan will be made in the SC as well.
Data are not exchanged between the cadastre agency and the district court registration office	S	It is covered by many articles in the Law including those concerning computers. MRDPW and MOJ are represented in the Steering Committee, and the Deputy Ministers from MRDPW and MOJ are the joint heads of the Project. Regulations will further re-inforce this exchange.
<b>From Components to Outputs</b>		
Lack of cooperation between the PIU and the project teams within the Cadastre Agency and the Ministry of Justice in the implementation of joint activities	M	The Project Director will respond to both the Deputy Ministers of Justice and Regional Development, and the Steering Committee will maintain oversight over project implementation.
The Land Commissions fail to supply data to the regional offices of the Cadastre Agency	S	Even though the supply of information by the Land Commissions to the regional cadastre offices is required under the Law within a set period after a request is made, incentives will be necessary. An agreement has been signed between CA and MAF, and the signing of an implementation agreement between the project agencies is a condition of effectiveness.
<b>Overall Risk Rating</b>	M	There is a strong multi-agency steering committee with a COM mandate

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N(Negligible or Low Risk)

### 3. Possible Controversial Aspects:

The project will involve two main agencies, the Cadastre Agency and the Ministry of Justice. Moreover, links will have to be created with other Government agencies, especially MAF and MOF for their role in relations to specialized cadastres and the property taxation systems. The participation of several agencies in the implementation of the project will require substantial coordination on the part of the PIU, whose staff will need to be trained. The property tax system implementers have started a regional information system (RIS) initiative that ranges across sectors. This project will have to carefully complement this RIS effort by the tax administration.

## **G. Main Loan Conditions**

### **1. Effectiveness Condition**

- (i) a firm of independent auditors, satisfactory to the Bank, has been selected;
- (ii) a Sub-account has been opened in the budget account of MRDPW in the BNB on terms and conditions satisfactory to the Bank, and the Borrower has ensured that sufficient funds for the first year of Project implementation are available;
- (iii) an implementation agreement between the project agencies (MOJ, MRDPW, MAF and MOF) has entered into force.

### **2. Other [classify according to covenant types used in the Legal Agreements.]**

- *Project Management:*

- (i) During project implementation, the Government will maintain at all times a Project Implementation Unit with functions and responsibilities acceptable to the Bank and with a Project Director and key staff with suitable qualifications, experience and terms of reference satisfactory to the Bank;
- (ii) During project implementation, the Government will maintain at all times a Project Steering Committee co-chaired by the Deputy Ministers of Justice and Regional Development and Public Works, with the Project Director as a member, and with members and terms of reference satisfactory to the Bank;
- (iii) By January 1, 2002, the Ministry of Justice will officially establish, and budget for, a Property Registration Control and Management Unit to have oversight of the property registration activity as operated by the district court system, and in association with the PIU, oversee the implementation of the MOJ related project functions;

*Implementation:*

- (iv) The Government will ensure that business plans are developed and implemented under the project in the Cadastre Agency and in the district courts for their cadastre and real property registration functions, respectively. These business plans would incorporate dated cost recovery targets. Their implementation will start by February 1, 2003;
- (v) The Government will submit to the Parliament draft legislation or amendments, satisfactory to the Bank, to improve the system of mortgage of real property and condominiums, with the aim of achieving a satisfactory and viable supply of funds using real property as collateral, and an efficient and equitable foreclosure procedure, by July 1, 2003;
- (vi) The Government in developing and framing the regulations under the Law on Cadastre and Property Register, particularly those to be developed jointly between the Ministry of Justice and Ministry for Regional Development and Public Works, would be guided by the principles of customer service, customer convenience, service delivery standards, performing only necessary checks, with an aim of joint procedures and services by the regional cadastre offices and the district court registration offices. Regulations, satisfactory to the Bank, for Article 6 and Article 7 will be promulgated by February 1, 2003;

(vii) The Government will develop and implement an information technology/information management strategy, satisfactory to the Bank, for the agencies in the Registration and Cadastre Project and for the users of the systems in those agencies. This would involve CA, MOJ and the district courts (in their registration function), the land commissions, the Ministry of Agriculture and Forestry, the Ministry of Finance in its property tax function as well as the notaries. A strategy, satisfactory to the Bank, will be implemented by April 1, 2003;

(viii) The PIU will have prepared a mid-term review report by September 1, 2004 highlighting both the progress and constraints in the implementation at that date. The mid-term report would be used as the basis for a joint MOJ, CA, World Bank mid-term review mission. During the mid-term review of the Project, an assessment of the Government's "Long-term Plan of Activities for the Creation of the Cadastre and the Property Register" will be included as part of an action plan for further implementation. Thereafter the Government will take those measures required to successfully achieve the objectives of the project;

(ix) The PIU would have the project accounts audited (including the special account and all statements of expenditures) in accordance with International Standards on Auditing (ISA), by a firm of independent auditors, acceptable to the World Bank. Audit reports would be submitted to the World Bank within six months after the end of each fiscal year;

(x) The Project Steering Committee shall adopt an action plan for the purpose of carrying out the Project by not later than December 31, 2001;

(xi) The PIU shall prepare by not later than December 31 of each year a draft annual working plan (AWP) satisfactory to the Bank and the Project Steering Committee, integrating the results of the monitoring and evaluation activities and setting forth the annual work program (including the annual budget) for the implementation of the Project for the following calendar year, which is revised annually and incorporated in the PIP.

## **H. Readiness for Implementation**

- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
- 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

## **I. Compliance with Bank Policies**

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

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Lynn C. Holstein  
**Team Leader**

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Joseph R. Goldberg  
**Sector Manager**

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Andrew N. Vorkink  
**Country Director**

**Annex 1: Project Design Summary**  
**BULGARIA: REGISTRATION AND CADASTRE PROJECT**

<b>Hierarchy of Objectives</b>	<b>Key Performance Indicators</b>	<b>Monitoring &amp; Evaluation</b>	<b>Critical Assumptions</b>
<p><b>Sector-related CAS Goal:</b></p> <ul style="list-style-type: none"> <li>● Building the public framework for a well functioning market economy and preparing for EU accession</li> <li>● Promoting social capital and reducing poverty</li> </ul>	<p><b>Sector Indicators:</b></p> <ul style="list-style-type: none"> <li>● Well-functioning real property sale and lease markets</li> <li>● Number of private sector land holders registered under the Project</li> <li>● Setting up of a functioning human resources management and information systems in the real property agencies</li> <li>● Improved transparency, security and reduced turn-around times in real property market transactions</li> </ul>	<p><b>Sector/ country reports:</b></p> <ul style="list-style-type: none"> <li>● Periodic country economic reports</li> <li>● Cadastre and registration office reports</li> <li>● Project regular monitoring and evaluation reports</li> </ul>	<p><b>(from Goal to Bank Mission)</b></p> <ul style="list-style-type: none"> <li>● Land security enhances productivity and resources management and investment</li> <li>● New businesses will generate income and therefore reduce poverty</li> <li>● General improvement of economic conditions</li> </ul>

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<p><b>Project Development Objective:</b></p> <ul style="list-style-type: none"> <li>● Improve the coverage, completeness, accuracy and responsiveness of the cadastre and real property registration systems and, therefore, contribute to the development of secure tenure of real estate (and hence investments in housing, agriculture, commerce, manufacturing, and services), and of an efficient real property market</li> </ul>	<p><b>Outcome / Impact Indicators:</b></p> <ul style="list-style-type: none"> <li>● Coverage measured as percentage of urban and rural plots accurately described as to ownership, location, and boundaries, in integrated cadastre and real property registers</li> <li>● Reduced transaction turn around time according to the following parameters: <ul style="list-style-type: none"> <li>- the districts entry courts would achieve less than the following maximum processing times for the registration of sales and mortgages in cases of undisputed transfer of ownership: by December 31, 2002: 5 days; by December 31, 2003: 4 days; by December 31, 2004: 2 days; by December 31, 2005: 1 day</li> <li>- the districts entry courts would achieve rapid delivery times for the supply of information from the registration system: by December 31, 2002: 3 days; by December 31, 2003: 2 days; by December 31, 2004: same day; by December 31, 2005, 3 hours</li> <li>- the regional cadastre offices would supply cadastre maps and other information (for set fees) to customers in a period equal to or less than: by December 20, 2002: 25 days; by December 20, 2003: 15 days; by December 20, 2004: 7 days; December 20, 2005: 3 days</li> </ul> </li> <li>● Reduced cost of land and property transactions</li> </ul>	<p><b>Project reports:</b></p> <ul style="list-style-type: none"> <li>● Monitoring and evaluation system reports</li> <li>● Project progress reports</li> </ul>	<p><b>(from Objective to Goal)</b></p> <ul style="list-style-type: none"> <li>● By fostering certainty of property rights, the project will stimulate growth of the private sector</li> <li>● By streamlining and making operations more transparent and making records more accessible, there will be less room for corruption within the cadastre and registration systems</li> <li>● Public and Government support to the registration of real property transactions remains strong</li> <li>● No new legal impediments to the development of an efficient land market</li> </ul>

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<p><b>Output from each Component:</b></p> <p><b>Component A - Cadastre System Development</b></p> <ul style="list-style-type: none"> <li>● Design and implement a unified cadastre system nationwide in regional offices, including restituted farm and forestry real properties and urban properties</li> <li>● National cadastre information system network established</li> <li>● Business plan approach followed by the Cadastre Agency</li> </ul> <p><b>Component B - Real Property System Development</b></p> <ul style="list-style-type: none"> <li>● Up-grade the registration system in selected areas to undertake both demand driven and allow systematic first time registration</li> <li>● Develop a structural unit to manage real property registration in the MOJ, run along business principles</li> </ul> <p><b>Component C - Cadastre and Real Property</b></p>	<p><b>Output Indicators:</b></p> <ul style="list-style-type: none"> <li>● 14 regional offices up-graded by December 31, 2003, and the remaining 14 by December 31, 2004, with affordable technical standards development and regulations, staff training, equipment up-grading, office up-grading, private sector re-training, information system development and implementation, and able to handle customer transactions</li> <li>● Operations undertaken to up-date the cadastre in 30% of the country</li> <li>● Grievance procedures are drafted into legislation and passed</li> <li>● Quality assurance guidelines are drafted and placed into regulations</li> <li>● Performance standards are drafted into regulations</li> <li>● IT systems introduced</li> <li>● Business plan introduced in the new unit</li> <li>● Human resource plan introduced</li> <li>● Quality assurance guidelines adopted and applied by the property registration office in the courts</li> <li>● Performance standards adopted and applied by the district courts</li> <li>● Percent increase in the number of requests for deeds per quarter</li> <li>● Number of requests for deeds broken down by gender and ethnicity</li> <li>● 480 control stations established and surveyed</li> </ul>	<p><b>Project reports:</b></p> <ul style="list-style-type: none"> <li>● Monitoring and evaluation system reports</li> <li>● Project progress reports</li> <li>● Supervision reports</li> <li>● Beneficiary surveys</li> </ul> <ul style="list-style-type: none"> <li>● Monitoring and evaluation system reports</li> <li>● Project progress reports</li> <li>● Supervision reports</li> <li>● Beneficiary surveys</li> </ul> <ul style="list-style-type: none"> <li>● Monitoring and evaluation system reports</li> </ul>	<p><b>(from Outputs to Objective)</b></p> <ul style="list-style-type: none"> <li>● Continuing support from MRDPW</li> <li>● Continuing MOJ support</li> <li>● PIU has the support of the MOJ and CA</li> </ul>

<p><b>Registration Operations</b></p> <ul style="list-style-type: none"> <li>● Establish an improved geodetic control network</li> <li>● Carry out systematic cadastre survey and mapping plus adjudication and registration in the cadastre system</li> <li>● Create preliminary lots in the district court system and link them to the cadastre system</li> <li>● Design and implement joint information technology cadastre and registration information systems</li> </ul>	<ul style="list-style-type: none"> <li>● 7700 sq km of cadastre maps up-dated, surveyed and digitized</li> <li>● 2.0 million real parcel objects formed into preliminary lots in the court registry offices</li> <li>● 28 cadastre and 112 court offices connected in a unified information system, and staff trained in its use</li> </ul>	<ul style="list-style-type: none"> <li>● Project progress reports</li> <li>● Supervision reports</li> <li>● Beneficiary surveys</li> </ul>	<ul style="list-style-type: none"> <li>● Costs of operations are not excessive</li> <li>● CA is willing to cooperate with MOJ, MAF, and the municipalities</li> <li>● Private sector contractors are well trained and their returns are adequate</li> <li>● Courts prepared to undertake ex-officio actions for first time registration</li> <li>● Satisfactory dispute settlement mechanisms in place</li> </ul>
<p><b>Component D - Project Management and Development of a Policy and Legal Framework</b></p> <ul style="list-style-type: none"> <li>● Set up a Project Implementation Unit (PIU) within the CA</li> <li>● Complete legal framework for the cadastre and property registration systems</li> <li>● Carry out a land market study</li> <li>● Development and implementation of an information technology and information management strategy for service provision linking MRDPW, MOJ, MAF, MOF, municipalities and others</li> <li>● Establish training programs for cadastre and real property registration staff and others</li> <li>● Conduct public awareness campaigns</li> <li>● Provide legal advice to the</li> </ul>	<ul style="list-style-type: none"> <li>● PIU set up and functioning efficiently, with PIU staff trained</li> <li>● Amendments to the mortgage law submitted to Parliament</li> <li>● All regional cadastre offices staff trained</li> <li>● All district courts registration staff trained</li> <li>● Judge workshops held on the new Law</li> <li>● Increased land holders knowledge of cadastre and property registration systems and their rights and duties</li> <li>● Increased knowledge of the systems by notaries and other support professionals</li> <li>● Legal advisory extension service established in selected locations, first on a limited basis, then extended into other project areas</li> <li>● Number of disputes filed</li> </ul>	<ul style="list-style-type: none"> <li>● Monitoring and evaluation system reports</li> <li>● Project progress reports</li> <li>● Supervision reports</li> <li>● Beneficiary surveys</li> <li>● Training evaluation reports</li> </ul>	<ul style="list-style-type: none"> <li>● Effective coordination among the stakeholders in managing the project at the level of the SC and PIU</li> <li>● Government willingness to undertake studies and implement their findings as far as amendments to the legislation are concerned</li> <li>● Willingness of staff from the regional cadastre offices and the district courts to participate in the training</li> <li>● Willingness of the citizens to receive advice from the legal extension agents</li> </ul>

<p>most disadvantaged citizens on a regular basis in the municipalities and in the registry offices in selected district courts</p>	<p>with the legal advisory extension service per quarter</p> <ul style="list-style-type: none"> <li>● Number of disputes resolved by the legal advisory extension service per quarter</li> <li>● Percent of users satisfied with the legal advisory extension service</li> </ul>		
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## **Annex 2: Detailed Project Description**

### **BULGARIA: REGISTRATION AND CADASTRE PROJECT**

**Project Description.** The project consists of four components: Component A - Cadastre System Development; Component B – Property Registration System Development; Component C – Cadastre and Property Registration Operations; Component D – Project Management and Development of a Policy and Legal Framework. The project will be implemented in a five years timeframe. A description of the proposed components follows.

#### **By Component:**

##### **Project Component 1 - US\$5.45 million**

**Component A - Cadastre System Development.** This component would help build the capacity of the newly established Cadastre Agency to design and conduct a unified national cadastre system in both rural and urban areas. Transactions in the system would be done within set processing times. This support will be provided in the context of cooperative arrangements with municipal cadastre offices and Land Commissions. It would support the headquarters and the 28 regional offices. The specific assistance includes office renovations, the purchase of equipment (computers, software, furniture, vehicles, materials) and technical assistance for institutional development. Assistance to the Municipal Cadastres will be given on an ‘as needed’ basis dependent on the requirements of each individual Municipal Cadastre. This will be in the form of consumable, equipment or other goods and supplies.

Civil works. Civil works for the Cadastre Agency is a major item because the agency is newly established. Offices in Sofia and in the regions have been located, but they are often in buildings that have become dilapidated through disuse. A comprehensive analysis of: buildings available, renovation costs and time schedules for the work, is in the PIP. A building has been allocated to house the headquarters of the new agency, but this building is in a very poor state of repair and requires substantial renovations.

The office of the City Cadastre and that of the Sofia Oblast will be located in Pavlova. The renovations of offices in Varna, Plovdiv, Burgas and Rouse are separated as they are major offices and will cater for major cities and their surrounding regions. These offices require major refurbishment and each will be tendered separately. The remainder of the renovations will be conducted locally.

Furniture, equipment, vehicles and other goods. A total of 30 vehicles will be purchased. This comprises one for each regional cadastre office and two for the headquarters. Transport is essential to conduct quality checks of fieldwork and to make regular visits to the Municipal Technical Services (MTS) and district courts.

Each office will require new furniture, purpose built archives and office equipment including photocopiers, fax machines, lamps, etc. In addition each office will require a bulk supply of paper (normal and drafting paper), file covers, forms, registration cards, etc. During systematic registration work this will comprise many hundreds of thousands of properties. The requirements for hardware and software are outlined in the PIP.

In transferring records and maps currently held within the MTS to the new regional cadastre offices, the project will support the MTS with hardware and software. Contractors to the CA will undertake the main data conversion tasks, consisting mainly of conversion of records held in paper and map form. Furthermore, under the project two regional CA staff would be located at the entry court registration offices to provide support to the MTS. After relinquishing their cadastre functions, the MTS office will continue with their other functions including building permit approvals and planning. Arrangements for the Sofia MTS and those in the next four largest cities of Bulgaria are to be agreed by the CA and the municipalities on a case by case basis in the fourth year of the project (2005). This would allow for the use of the experience gained with smaller offices. In larger cities, a network arrangement may be used whereby the MTS could retain the right to use and supply the cadastre data to customers under a fee sharing arrangement, with the regional cadastre offices maintaining the data up-to-date in their databases.

Institutional development. Within the framework of a business plan, the project would support the CA in developing plans for:

- managing paper records (including mass records for systematic registration);
- defining office procedures in terms of service standards and processing times; each check will be evaluated as to the costs and to the risks in not undertaking checks at all;
- developing a strategy for human resources in accordance with the training activities to be financed under the project. This would include detailed job descriptions for staff employed by the Agency and its regional offices, the development of training programs in subjects related to the operations of the cadastre and project management, and the design of a system of performance standards and incentives to be applied in the day-to-day activities of the Agency;
- determining financial costs to perform cadastral activities, and the level of fees for providing cadastral services. A strategy will be developed to run the Agency along business lines that would lead to partial cost-recovery (the cadastre function has a social good function within it that no one customer will pay for including the geodetic function and small scale cadastre mapping).

contracted tasks. These would be to help develop procedures and strategies described above and also for scientific analysis, studies or development of ordinances. These other tasks are not defined but might include such items as the use of satellite imagery, better methods for digitizing maps, production of regulations or manuals, developing a small software product, etc. These small tasks cannot always be foreseen when a new agency is being established, but it is necessary to ensure that there is a budget to cater for the activity.

A contract will be awarded to an IT company to manage and administer the information system developed. This would include the provision of 'help desk' facilities and all aspects of system administration. It is unlikely that the Cadastre Agency will be able to recruit such specialists and it is essential that the system is properly maintained.

Costs (expressed as US\$'000)

Activity	Bank Financing	Counterpart Financing	Total
Civil Works	862	216	1078
Vehicles	316	79	395
Hardware	802	201	1003
Office equipment	130	33	163
Computer and software for municipalities	360	90	449
Software	338	85	423
Archive stationary	83	21	104
Furniture	295	74	369
TA for cadastre and mapping	105	0	105
TA for business plan and HR strategy	132	0	132
TA for management of records	39	0	39
Local consultants	31	0	31
Operational support for IT system	267	67	334
Design of renovations	41	10	51
Recurrent costs	458	311	769
<b>TOTAL</b>	<b>4260</b>	<b>1185</b>	<b>5445</b>

**Project Component 2 - US\$6.17 million**

**Component B – Property Registration System Development.** This component would support capacity building in the district courts and the Ministry of Justice for the implementation of the new real property based registration system in the 112 district courts, and help build oversight of the system in the Ministry of Justice. The objective of the component would be to establish an efficient real property registration system that lowers transaction costs and reduces transaction processing times. The component would finance refurbishment of existing buildings, and equipment (hardware, software, office equipment and furniture). During the first year of the project, the district courts will commence the initial data entry of existing data into a standard software package and commence creation of preliminary lots. This is a major task that will require contracting of local data entry and local para-legal personnel in each court district.

Civil works. An analysis of the existing status of the buildings of the 112 district courts and the cost of refurbishment is included in the PIP.

Furniture, equipment, vehicle and other goods. The most immediate need is for computers and software to conduct the initial data entry of data now available in paper format in the entry books. A list showing the area of land involved, the number of entries and the current and required computers is in the PIP. Each office will require additional furniture,

purpose built archives and office equipment including photocopiers, fax machines, lamps, etc. In addition each office will require a bulk supply of paper, file covers, ledgers, forms, registration cards, etc. The project will also finance the purchase of a vehicle for the unit responsible for property registration in MOJ.

Institutional development. Within the framework of a business plan, the project would support the unit responsible for functions related to property registration in developing plans for:

- a strategy for managing paper records and reducing the volume of paper records collected;
- defining regulations for the implementation of the Law on Cadastre and Property Registration;
- defining office procedures including service standards and processing times, including reviewing the transaction process with the aim to minimize the number of checks by using risk management techniques, i.e. if the risk of not checking a certain item is small, then it should not be done;
- developing a strategy for human resources in accordance with the training activities to be financed under the project. This would include detailed job descriptions for staff employed by the unit in MOJ and the district courts, the development of training programs in subjects related to the operations of property registration, and the design of a system of performance standards and incentives to be applied in the day-to-day activities;
- determining financial costs to perform registration activities, and the level of fees for providing registration services. While cost recovery is already achieved by the current entry book system, costs of registration and fees will have to be reviewed under the new arrangements, and ways to improve service always able to be funded.

An allocation is reserved for local consultants to be contracted to work on specific tasks. These would be to help develop procedures and strategies described above and also for scientific analysis, studies or development of ordinances.

A contract will be awarded to an IT company to manage and administer the information system developed. This would include the provision of 'help desk' facilities and all aspects of system administration. It is unlikely that the Ministry of Justice will be able to recruit such specialists and it is essential that the system is properly maintained.

The project will also finance the creation of databases with the data currently available in entry books. This will constitute the first step for the creation of preliminary lots.

Costs (expressed as US\$'000)

Activity	Bank Financing	Counterpart Financing	Total
Refurbishing of the 112 district courts	817	204	1021
Vehicle	13	3	16
Hardware	1031	258	1288
Office equipment	454	114	568
Software (basic and software for initial data entry)	482	121	603
Archive Stationary	253	63	316
Furniture (office and archive)	272	68	340
TA for management of records	39	0	39
TA for law and registration	106	0	106
TA for business plan and HR strategy	132	0	132
Local Consultants	36	0	36
Operational support for IT system	320	80	400
Design of renovations	54	0	54
Technical services for data entry	822	205	1027
Recurrent costs	115	108	222
<b>TOTAL</b>	<b>4946</b>	<b>1224</b>	<b>6169</b>

### Project Component 3 - US\$ 23.54 million

**Component C – Cadastre and Property Registration Operations.** This component would undertake joint operations for the cadastre and property registration systems, for the 28 regional office cadastre systems and the 112 registration systems in the district courts. The work primarily involves densification of the geodetic network system, undertaking mass registration and conversion particularly involving cadastral survey and mapping, data conversion and entry, and developing and implementing an information technology framework and design to link the cadastre and property registration functions in the multiple offices. During the project about two million rural parcels and 600,000 urban and settlement properties (representing approximately 65,000 ha) would be converted into the new cadastre and registration system.

Geodetic Network. The existing geodetic network is considered inadequate for the new registration system for a variety of reasons:

- The Law on Cadastre and Property Register requires cadastre maps to be prepared in a uniform national coordinate system;
- The existing grid is of poor quality and causes problems in boundary definition at the peripheries where different zones meet;
- Modern GPS survey equipment functions better and in 'real time' if it utilizes internationally accepted coordinate systems;

- The digital mapping being incorporated within the national information system for cadastre would function more efficiently and with less complications if it is based on only one coordinate system;
- Other agencies would benefit from unique national coordinate system (i.e. cartographers, road developers, civil aviation, etc.)

The project will, therefore, support the construction and measurement of about 430 control points amounting to a density of one point every 250 sq. km (i.e., about 16 km x 16 km). The contract will include the adjustment of the network and transformation of all existing coordinates in the various local coordinate systems into the new system which will be based on Euref. The planned density of points would be a transition step toward the use of continuously operating GPS systems in Bulgaria, within the decade.

Survey and adjudication. The strategy for survey and adjudication will be subject to operational trials or pilot operations in the first year of the project from which lessons will be carefully evaluated and applied to the on-going operations. In rural areas, little or no new (re-)surveying will be undertaken for farmland and forest-land areas (where real property restitution has taken place in the past 8 years). About 2 million restituted parcels will be converted into the new cadastre system, and then into the new real property registration system in the courts. Much of this data is held in the land commissions in the municipalities and consists of digital and paper records. Under the project, data matching and map sheet edge matching will be undertaken. Though some of the surveys in these rural areas are of uneven quality, they will still be converted into the new systems. It is expected that such poor quality parcel surveys will be up-graded over time when a parcel division or consolidation takes place. The project supports this strategy, as it will make maximum use of the existing surveys, data and records, and procedures that the Government of Bulgaria invested some US\$80 million during the last several years.

In the settlement and urban areas, a large percentage of re-surveying is expected as a result of the past courtyard regulations, the restitution of parcels during recent years, and the lack of maintenance of the cadastre maps over the last 20 years. The work will be done in two parts, the first will be an assessment of the currency and quality of the existing cadastral information to determine areas in need of up-dating and re-surveying compared with those that are satisfactory. The work during this stage will include the digitalization of the existing cadastre plans. In the second part, under a separate contract, cadastre surveys will be undertaken in the selected areas as determined in the first stage, to reflect the current physical and legal situation with landholders pointing out their boundaries and showing their documentation. The results of this process are to be made available to everybody during a public viewing period, during which landholders and others will be able to appeal the results for particular parcels. The overall process will be supervised by separate quality control and supervision contractors, under the management of the

regional cadastre office.

Systematic registration methods will be used, i.e. joint teams will undertake activities related to surveying, cadastre, and registration in the cadastre, followed by registration in the entry office in the court system. In other countries this has achieved significant cost savings as compared to separate efforts.

Each cadastral office will require a set of base maps upon which to plot cadastral data. An analysis of the existing mapping available is contained in the PIP. The set of base maps will show all the regional, district and registration zone boundaries and one set is required for each office. It is estimated to cost US\$1,000 per region.

Contracts will be awarded to undertake systematic registration for a complete court district. The schedule for undertaking this work is enclosed in the PIP. The contracts will be in two phases. The first contract would gather data (from maps, legal information, Ministry of Finance, and any other source) and prepare preliminary cadastre maps and registers based on this office exercise with minimal (if any) field investigation. During this process the areas that require survey or clarification would be identified and these identified areas would then be subject of a second tender (using a different company) who would carry out the necessary survey and investigation work for only those sites identified. The preliminary plans will be in digital form and completed for the whole country in the first five years. Further surveys will be completed as and when funds become available (and by sporadic methods) over the next 15 years. The full process includes:

#### Stage I:

- Gather information from the preliminary lots prepared by the registration offices;
- Collect and analyze the existing mapping;
- Download existing data held by the Land Commissions into their own system;
- Access the existing information held by the municipal cadastres;
- Access information held by Ministry of Finance and any other source;
- Undertake simple investigative surveys if required;
- Prepare digital cadastral maps and legal registers for those sites where there are no outstanding issues to resolve; and
- Identify those sites that need further survey and investigation work (this is most likely to include contact zones between rural and urban areas and sites where 'regulation plans', restitution and physical possession are unclear);

#### Stage II:

- Assist the regional cadastre offices to conduct a public information

campaign for urban residents to ensure they are involved in the systematic registration activity;

- Conduct surveys in rural to urban 'contact zones' to ensure that all properties are correctly identified on the index maps;
- Meet the owners in urban areas to confirm boundaries and check their documentation;
- Compare documentation with the ground situation for all properties;
- Deal with anomalies and disputes where possible, refer others to the Project Implementation Unit;
- Update index maps and registers prepared under the first contract to reflect the current physical and legal situation;
- Conduct the public viewing period as required under the Law on Cadastre and Property Register;
- Present the finished product in electronic format to the Project Implementation Unit;
- Cooperate with the contractors responsible for Quality Control; and
- Make any corrections instructed by the Project Implementation Unit.

A separate Quality Control contract will be awarded to monitor the work of contractors and verify/evaluate the finished product. Once the contracts are completed, checked and accepted the records will be delivered to the regional cadastre office and the district court to include in their databases.

Information system. The design and implementation of joint information technology and management systems in both the cadastre and the property registry will be contracted according to the conceptual design prepared in Annex 4 'Information Technology Expert group Final Report' of the PIP. The main contract will be tendered by ICB using a two stage process. Management and Quality Control will be the responsibility of the Cadastre Agency. Ongoing software support and system administration will also be contracted, but to a local company, in the second half of the project. Once the computer system is completed the manuals developed will need to be printed and distributed. This will form a part of the main development contract.

Once the above contracts are completed and the new software has been installed at the regional cadastre offices and entry book offices, the existing records at these offices will be entered into the new software. Data entry for these offices will require some interactive verification, conversion of existing records held at the entry book offices (possibly both digital and paper records) and conversion of work done under the systematic registration or sporadic registration at both the regional cadastre offices and the entry book offices. The contracts for this 'additional data entry' will be small contracts based at district level. They will commence after the software has been installed and this will be in 2003 at the earliest.

Data verification, cleaning and conversion of land commissions records.

The EU project will prepare the software for both the Cadastre Agency and the MAF, although there will be considerable application development under this project also. The cost of converting the Land Commission data and entering it into the new system will be paid for under this project. Both the Cadastre Agency and the MAF will be recipients of that data. The data currently held by the Land Commissions is of varying quality. There was little quality control during the previous projects that gathered the data and there are many instances of very poor accuracy and gross errors. The edge-matching between different settlements was usually not checked and there are often cases of poor alignment of physical features (such as roads or rivers) when joining the digital maps for settlements. Major problems occur where rural data and municipal data are combined.

The MAF will divide the country into four zones and the Project Implementation Unit will contract four Quality Control contractors estimated at US\$50,000 each contract. The country would be divided into 4 sectors and there will be one contract for each sector. The remaining US\$800,000 in the budget will be used for contracting companies that will convert and clean the existing Land Commission databases. The MAF will be responsible, under the oversight of the PIU, for contracting these survey companies for checking the quality of maps, correcting gross errors, converting the data (graphical and attribute) into new formats compatible with new information system and 'edge matching' them so that they form a continuous map. Contracts and payments would be made by the Project Implementation Unit upon receipt and review of suitable documentation from Regional Land Commissions.

Costs (expressed as US\$'000)

<b>Activity</b>	<b>Bank Financing</b>	<b>Counterpart Financing</b>	<b>Total</b>
Geodetic network	485	29	514
Survey and adjudication	12873	3218	16091
Design and implementation of the information system	2646	245	2891
Creation of preliminary lots	1485	371	1857
Cadastre office management contracts	626	156	782
Data verification and conversion	906	227	1133
Quality control for survey and adjudication	225	56	281
<b>TOTAL</b>	<b>19247</b>	<b>4302</b>	<b>23549</b>

**Project Component 4 - US\$1.61 million**

**Component D – Project Management and Development of a Policy and Legal Framework.** This component would finance the costs of:

- A Project Implementation Unit (PIU) responsible for the overall coordination and implementation of the activities under the project;
- Training; and
- Technical assistance for (i) completing the legal framework for the cadastre and property registration systems, especially looking for gaps and overlaps in the laws, and improving the condominium provisions in the law and improvements to the mortgage system; (ii) designing and implementing an information technology and information management strategy for linking MRDPW, MOJ, MAF, MOF, municipalities and others, that would be developed in the context of the national IT and communications strategy of the Council of Ministers, (iii) conducting a public awareness campaigns to increase public, landholders, and the professionals' knowledge of cadastre and property registration systems, including rights and duties of property holders; (v) providing legal and rural development support to the most disadvantaged citizens (low income citizens, minorities and women) in relationship to their property rights; and (vi) designing and setting up a system that would monitor the impact of the proposed project on beneficiaries, including customer surveys.

Project management. The Project will be coordinated by a Steering Committee (SC), which includes the deputy ministers of MRDPW, MOJ, MAF and MOF. The Director of the Cadastre Agency and representatives from the Council of Ministers, the Supreme Judicial Council, the National Association of Municipalities, the Union of Surveyors, the Notaries Chamber and the Ministry of Defense will also be on the SC. The SC will be co-chaired by the Deputy Ministers of Justice and Regional Development and Public Works, who will be entitled to take decisions on behalf of the SC when this is not in session.

A Project Implementation Unit (PIU) will be established to undertake all project management activities (including planning, financial management, reporting, disbursement, procurement, implementation and monitoring and evaluation functions). The PIU will report to the SC through the Project Director. The PIU will also consist of a financial manager, an accountant, a procurement officer, a monitoring and evaluation officer, a technical specialist, a property registration specialist, and an administrative assistant (also in charge of translations, office management and other secretarial work).

The PIU will be established as an independent body reporting to the SC, and physically located within the Cadastre Agency. The PIU will have the status of a Directorate of the Cadastre Agency. The staff of the PIU will be appointed or contracted by the Ministry of Regional Development and Public Works. Candidates for at least two positions, i.e. the property registration specialist and one of the fiduciary responsibilities, will be nominated by the Ministry of Justice. Under project execution the PIU will work in close cooperation with all the parties involved in the project, in particular with the project teams, to be established within the Cadastre Agency and the Ministry of Justice.

The project teams will be mainly responsible for drafting technical specifications, terms of reference, legal documents and norms. The project teams will also assist the PIU's monitoring and evaluation officer with project evaluation, supervision of implementation, technical monitoring, etc. In this respect, the PIU will use as needed qualified staff from the project teams and the ministries involved in various specialized fields of activity, as well as making use of any external consultants, if needed. The Project Team within the Cadastre Agency will be responsible for preparing technical specifications, terms of reference, and monitoring the quality of work for the activities financed under component A - cadastre system development, whereas the Project Team within the Ministry of Justice will be responsible for preparing technical specifications, terms of reference, and monitoring the quality of work for the activities financed under component B - property registration system development. For the joint activities relating to components C and D, TOR and technical specifications will have to be prepared in coordination by the two Project Teams.

Training. The project will finance training programs for employees of the Cadastre Agency and the District Courts as well as private contractors, notaries and staff of the Ministry of Justice. These programs will include subjects related to technical skills, as well as relevant procedures of the new law and its ordinances. It is foreseen that the training would be undertaken by the University of Architecture, Civil Engineering and Geodesy. On the basis of a Memorandum of Understanding to be agreed by the University, the Cadastre Agency and the Ministry of Justice soon after loan approval, a unit will be created within the Faculty to organize modules of training. It is foreseen that 2,000 people will be trained over a period of five years, and the courses will be divided in five modules: basic computer skills, cadastre, property registration, information technologies, and management and marketing. Each training course will have an average duration of 10 days and 15 trainees. Procurement of software and hardware for the unit will be the responsibility of the PIU, and expenditures for travel and subsistence as well as actual preparation and delivery of training courses will be reimbursed to the training unit by the

PIU on the basis of deliverables (e.g. number of training days delivered). The qualifications of the trainers and the schedule of fees they will receive will be set in the initial MOU. University staff would initially participate in seminars organized by international experts, and then carry out the training in house (training the trainers). The equipment and other goods necessary for conducting the training program would be purchased together with the other major items under the project. Training requirements would be surveyed each year by the University, and the annual program, the budget and the rates would be agreed with the PIU.

Training programs would be held in specific subjects related to the operation of the cadastre and property rights registration system. Workshops for district court judges, notaries and other real property professionals will also be held.

Legal framework, including condominium and mortgage provisions.

Regulations and procedures for the registration and cadastral system will continue to be developed over the coming years, and a review of the Law on Cadastre and Property Registration and related laws and regulations will be done for gaps, overlaps and omissions. Procedure manuals will be developed and ambiguities clarified. There are issues with regard to foreclosure, methods of sale upon foreclosure and priorities with regard to mortgage legislation and the regulations and procedures relating to the ownership and use of common land around apartments that need improvement. The Ministry of Justice does not have sufficient staff to deal with these issues in addition to their normal duties. Contracts will be awarded to report on and deal with these issues. These contracts will be awarded based on specific TOR prepared during the project and awarded to individual consultants.

Policy environment for land markets. During project preparation a study into urban property markets was conducted. The report outlined several factors that are inhibiting market activity. The primary problem, of tenure insecurity, is being dealt with by this project, but there is also a serious lack of price information about sales and leases and problems with valuation methods and standards that should be used when pricing property for investment or lending. The professional community also needs to be more organised and pro-active. These issues can be addressed by conducting market research studies. The professional

community can be motivated through seminars, workshops and involvement with international bodies working in the same fields. Funds

the national strategy.

Public awareness campaign. Public confidence in the new cadastre and registration system and the process of converting from the existing system to the new system is of paramount importance. The Community Relations and Communications (CRC) or Public Awareness Strategy will be developed early in the project and concentrate on developing support of landholders and on the cooperation from the key professionals involved in land market activity. This will include notaries, real estate agents, banks and other lending agencies, surveyors, developers, land economists, et al. Stakeholder communications and information sharing will primarily be through the media, publicity campaigns, forums, extension, village meetings, doorstep meetings, letters, and communications with agencies, NGOs, municipal authorities and the property owners themselves.

The media used in the Community Relations and Communications program will include: TV, radio, newspapers, news-sheets, brochures, local community methods, and limited regional TV. Brochures and leaflets will be designed with regard to the different audiences and include different products for the general public, the professional community and the banking and business management. Training of the systematic field parties will include the need for public relations and communications and a Community Relations and Communications manual will be developed.

Legal extension services for the most disadvantaged citizens. It has been estimated that up to 40% of all court cases refer to property ownership issues. This is expensive in terms of court time and for the individuals involved in the cases. It also takes large numbers of property out of the real estate market while the cases are resolved. The project is designed to help deal with these issues and to save disputes from going to court and prevent them from occurring in the future. However, it is important that customers have a mechanism in which they can complain if service is inadequate or can get advice if they have problems or do not understand their legal rights and duties. This is particularly important in rural areas where the public are less aware of their rights and do not have access to the legal remedies in towns because of cost or accessibility. These legal extension officers will be based at the district court level but will have visits on a bi-monthly basis to the municipalities. Requests for information will be able to be made as well through the municipal technical service offices.

Customer satisfaction surveys have been referred above, but it is also considered necessary to contract an independent legal specialist to provide the advice and assistance necessary to deal with cases referred. The contractor would coordinate with the regional cadastre offices and the district registration offices to ensure that: (a) meetings with the public can be held in municipalities on scheduled times, e.g. on a monthly basis; (b) a complaints procedure is in place; (c) information is prominently

displayed and explanatory leaflets produced; (d) applications for assistance in legal matters can be made; and (e) regular reports are made on issues being dealt with.

Costs (expressed as US\$'000)

<b>Activity</b>	<b>Bank Financing</b>	<b>Counterpart Financing</b>	<b>Total</b>
Staff of the PIU	0	221	221
Vehicles	10	3	13
Office equipment	26	6	32
Training	344	30	374
Study on policy environment for land markets	37	9	46
Monitoring and evaluation study	82	21	103
Public awareness and community relations campaign	163	41	204
IT and IM strategy	10	0	10
TA to complete the legal framework	43	0	43
Translation and other services	25	0	25
Audit	103	0	103
Legal service to the most disadvantaged	370	0	370
Operating costs	35	28	63
<b>TOTAL</b>	<b>1247</b>	<b>359</b>	<b>1606</b>

**Annex 3: Estimated Project Costs**  
**BULGARIA: REGISTRATION AND CADASTRE PROJECT**

<b>Project Cost By Component</b>	<b>Local US \$million</b>	<b>Foreign US \$million</b>	<b>Total US \$million</b>
Cadastre System Development	3.09	2.02	5.11
Property Registration System Development	3.69	2.07	5.76
Cadastre and Property Registration Operations	17.65	4.31	21.96
Project Management and Development of a Policy and Legal Framework	1.42	0.13	1.55
<b>Total Baseline Cost</b>	<b>25.85</b>	<b>8.53</b>	<b>34.38</b>
<b>Physical Contingencies</b>	<b>1.19</b>	<b>0.43</b>	<b>1.62</b>
<b>Price Contingencies</b>	<b>0.22</b>	<b>0.55</b>	<b>0.77</b>
<b>Total Project Costs</b>	<b>27.26</b>	<b>9.51</b>	<b>36.77</b>
Front-end fee		0.30	0.30
<b>Total Financing Required</b>	<b>27.26</b>	<b>9.81</b>	<b>37.07</b>

<b>Project Cost By Category</b>	<b>Local US \$million</b>	<b>Foreign US \$million</b>	<b>Total US \$million</b>
<b>Consultancy Services</b>	0.42	0.46	0.88
<b>Works</b>	2.10	0.00	2.10
<b>Goods</b>	2.09	3.84	5.93
<b>Technical Services</b>	21.28	5.16	26.44
<b>Training</b>	0.32	0.05	0.37
<b>Recurrent</b>	1.05	0.00	1.05
<b>Total Project Costs</b>	<b>27.26</b>	<b>9.51</b>	<b>36.77</b>
Front-end fee		0.30	0.30
<b>Total Financing Required</b>	<b>27.26</b>	<b>9.81</b>	<b>37.07</b>

<sup>1</sup> Identifiable taxes and duties are 6.6 (US\$m) and the total project cost, net of taxes, is 30.47 (US\$m). Therefore, the project cost sharing ratio is 98.46% of total project cost net of taxes.

## **Annex 4: Cost Effectiveness Analysis Summary**

### **BULGARIA: REGISTRATION AND CADASTRE PROJECT**

#### **Summary of benefits and costs:**

The Government of Bulgaria has set the development of land markets as a priority in its long-term policy, laying considerable hope on the proposed Registration and Cadastre project. The project is expected to play a key role in land market development, by introducing improvements into the operation of the real property markets, thus increasing security of tenure, and reducing costs. The project will also help increase domestic and foreign investments, improve rural land markets, reduce transaction times and improve access to credit at lower costs. There will also be a financial impact with increased revenues and taxes resulting from the Project.

#### **1.1. Increase in transaction numbers**

Currently the interest of buyers in acquiring real estate, either urban or rural, is weak. There is enough supply, but no demand. Some of the reasons stem from purely economic factors: the low standard of living and low incomes level (average salary in 2000 at about \$150/monthly), mainly as regards urban property; specific problems related to developments in the agricultural sector such as land fragmentation, denied access to credit, lack of sales outlet for ready produce, low producer prices, etc. As the standard of living gradually rises and with the emergence of a middle class of entrepreneurs and other higher income groups, demand for real estate will increase. A very important impediment, however, in dealing with real estate (purchase, sale, mortgage) lies in the present person-based system of registration when dealing with real property. The lot is opened in the name of a person transferring property rights or establishing other real rights. The access to information in the entry court offices is difficult with no subsequent guarantees that the information provided is accurate due to the sheer information volume, the age of the system, poor quality paper-based records in books, and the incompleteness of information. The project will provide for accurate and trustworthy information on property rights and would enable the minimizing of fraud (such as the common practice of multiple simultaneous sale of the same property to different clients). The accuracy of the information will result from the new cadastre system which will define the boundaries of each property and have a unique identification number, the cadastre and the property rights system will be connected, the entries will be made in lots based on property and give a complete picture of the property status, including entries not made currently, such as wills and statement-of-fact notarized deeds. The connection in real time between the 112 entry courts and 28 regional cadastre offices through the unified IT system is a main element of the project minimizing possible errors and increasing reliability of entered data. This will free the real estate market and increase benefits to property owners, whether individuals, companies or state bodies holding property.

#### **1.2. Growth in foreign investments**

Due to the low prices of real estate in Bulgaria (as compared to the EU), and business-related factors (such as geographic location of the country, fertile land etc.) there is some interest in acquiring both urban and rural real estate by foreign companies and individuals. The law does not pose an impediment to ownership of buildings by foreign persons or companies. For foreign persons or companies, however, to be able to buy land they must be registered as a company in Bulgaria, or participate in a joint venture or (for individuals) be permanent residents. It is expected that following EU accession, planned for 2006, foreign persons/entities will be granted the right to buy land. Whether this right is granted directly after accession or following a transition period (as requested also by other candidate countries) it is important that a proper

and effective cadastre and property registration system be in place by then. The experience of a number of foreign citizens and companies in acquiring property in Bulgaria has been negative due to the current cadastre and property registration system. Businessmen wishing to lease agricultural land report of difficulties in identifying the owners of the numerous fragmented land plots which have to be consolidated for modern farming technology to be applied. It is difficult to establish the actual owners of property, while the presentation of official and seemingly bona fide documentation does not guarantee the trustworthiness of the information and there is no insurance against fraud. This factor has played a substantial role in causing the loss of prospective foreign investors. The security of tenure and of the property related information provided by the project will contribute to the increase of foreign investments, thus bringing revenues to the state and to property owners thanks to the rising demand for real estate and more active real estate market.

### **1.3. Wide customer base**

The establishment of a proper and well-functioning cadastre system, and Cadastre Agency, capable of providing effective service as well as a new property based registration system will lead to a wide customer base and demand for the services offered. In the first place the created unified cadastre will be one of the basic information systems in the country and a basis for the specialized cadastres including the fiscal, the cadastres on vine yards, forests, polluted areas etc. Ministries and state entities, large service providers such as the Bulgarian Telecommunications Company (a state monopoly), will be users of the Cadastre Agency. While provision of data to ministries and state bodies by the Cadastre Agency will be without payment (a policy rightly under review), they will at least exchange information, while on the other hand companies will be required to pay for data and documentation. The Cadastre Agency is expected to have a fairly large client base including banks, law firms, courts, land survey companies, construction companies, architects, real estate companies, public notaries, all types of private companies and individuals interested in acquiring/selling/mortgaging property. With the establishment of a unified IT data system the Cadastre Agency will be able to provide information services also to organizations and individuals abroad through the Internet.

### **1.4. Improved rural land markets**

Together with the implementation of the unified registration and cadastre project, the ongoing process of land consolidation is expected to help activate the land market and increase land value and productivity. Restitution to former land owners is completed for 99.6 percent of the land defined for restitution (5 655 800 ha). Over 90 percent of land owners have ownership documents equivalent to notary deeds. With the completion of the process, some 3 to 5 mln land owners are estimated to be impacted. The farming structure is highly dichotomized with land use dominated by small farms. Over half of the farms have a size of less than 0.2 ha. During the past decade rural land transactions were rare. According to a land survey carried out by MAF no farm land deals were registered in 1998 as restitution was not yet completed and ownership documents were lacking. In 1999 supply greatly outweighed demand, while in 2000 the rural land market became more active. Some 10710 land transactions were registered in 2000 involving about 17,800 hectares. The number of registered deeds by notaries stands at 6000, but they represent the voluntary division of plots between heirs of former owners. Farm land prices remain very low compared to EU levels but in 2000 register an increase by 30 percent against the prices in 1999. Average prices are at 1200-2300 lv/ha. The speeding up of land restitution and issuing of ownership documents is a main factor behind the increase of farm land transactions. The demand is for plots over 10 ha and thus the trade is more active in the North-East (Dobruja) where individual land plots are larger. The Dobruja region is specialized in growing cereal crops which have a good sales outlet and are one of the few agricultural crops yielding good profits to farmers. These two factors explain increased demand for land in the region. (State

and tendencies in the development of the land market in Bulgaria, Sapi & Land commissions with MAF, November 2000)

The proposed project is also expected to influence positively land productivity. The fragmentation of land is one of the main problems in the Bulgarian agribusiness sector where developments in the past decade have been characterized by falling output and quality. A recent FAO survey in Bulgaria demonstrated that the existing fragmentation leads to:

- Increased expenses for fuel and lubricants
- Losses in time for land farming
- Increased labor costs
- Fall in output levels
- Poor quality of land cultivation and fall in yields

The survey "Aspects of land consolidation in Bulgaria," FAO comparative study on land fragmentation in four CEECs, November 2000, demonstrates the direct correlation between land plot size and the economic performance of the farm. It also shows that land consolidation by administrative methods would not be welcomed by land owners. The natural process of land consolidation, leading to increased land value and productivity, is in course with the development of the land market, aided by the proposed registration and cadastre project. Currently the Ministry of Agriculture and Forestry has prepared a Land Consolidation Act and is establishing a Land Consolidation Agency. For the GOB the development of the land market is a priority, especially in view to EU accession, and both the proposed Registration and Cadastre project and the efforts in land consolidation are expected to stir up the land market, thereby boosting productivity in the sector.

## **2. Reduced transaction times and costs**

The project would contribute significantly to saving clients' time in obtaining documentation and information pertaining to property rights/status and maps/sketches. Currently the time for issuing a sketch "drawn" by the cadastral services is 2 weeks. The service pertaining to the issuing of sketches in the 260 technical services with the municipalities is presently performed with the use of such tools as the tape and pole. 90 percent of the cadastral plans are not digitalized. The sketches are made manually, copied on sketching paper by hand. With the computerization of the offices and the introduction of the new IT system the information pertaining to the issuing of sketches will be computerized and the efforts and time spent on issuing sketches will be minimized, thus bringing considerable savings in time to clients requesting the service. The service will not only become considerably quicker, but also of much higher quality and cheaper. This service will be provided on the spot if clients come to the new cadastral office, or take one week if the sketch is to be delivered by the cadastral officers to the home of the client.

The issuing of a certificate pertaining to property rights by entry courts to clients applying for a bank loan against property mortgage, currently takes about 20 days. This is due to the fact that only about 20 percent of the courts are computerized and the data are difficult to access. With the computerization of entry courts during the course of the project, the time for providing this service will be considerably shortened. The time saved on manual tasks and laborious paper work will allow civil servants to increase the effectiveness of their work and use more time to provide better customer service.

Currently 10 mln leva a year from the state budget are spent on "technical activities" necessary due to the imperfect cadastral system and obsolete or lack of office equipment (the manual drawing of maps instead of digitalized data and computerized service). Once the new system is introduced, this expense will no

longer be necessary, providing for considerable savings to the budget.

With the deficiencies of the present system the courts are engaged in numerous cases concerning property rights disputes. Especially common are the cases of multiple sale of the same real estate to different buyers. The investigation and prosecution of such cases involves considerable expenses in time and costs to the state, and the losses to the bona fide buyers. The project will lead to the minimization in the occurrence of such cases.

The project will lead to cost savings of about 30 percent for the tax inspection offices with the MOF as the change of property status data entered by the entry courts will be accessible to the tax office through the unified IT system.

### 3. Improved access to credit at lower costs

Individuals and companies applying for a bank loan and mortgaging property will benefit from the project. Presently banks require collateral of up to 200-250 percent. The increased security of tenure as a result of the project would bring down the demand for collateral. Thus costs to debtors will decrease and access to credit will increase. The valuation of property for mortgage, presently at 35-60 percent of the property value, will increase.

### 4. Also the Project will result in Increased revenues

There will be increases in the fees collected for information and documentation services provided as a result of the project. Increased revenues are expected not as a result of the increase in tariff levels, which are determined by the state, but mainly following the increased number of real estate transactions once the system becomes secure and effective. Currently the number of real estate transaction a year is about 300,000. There is a trend to decline in the number of transactions due to the general economic downturn and falling living standards in the last few years. With the picking up of economic growth, observed in the second half of 2000, and provided the projected 5 percent annual growth of GDP is achieved, the number of transactions is expected to increase in the coming years.

#### Real estate transaction numbers in Bulgaria in 1995-2000

Years	TOTAL	Check of circumstance	Donations	Sales	Superficia	Mortgages	Barthers	Testament	Statement -of-fact	Notary cases	Mortgages	Interdiction s
1995	280105	33733	32439	95135	10969	10136	3167	6219	16646	40297	8023	3647
1996	292991	29451	43918	99701	8722	3724	3061	5942	29686	32183	3771	3975
1997	510717	58169	140609	142461	12606	4400	5339	6520	42137	59257	4544	2578
1998	337512	38938	32017	65179	3055	12122	1623	5120	46743	70000	11300	2774
1999	299043	32955	27624	90119	1281	17875	1452	3343	21482	63765	11179	3881
I-IV 2000	92730	5442	11455	43111	375	10828	760	1677	5577	6485	6904	2437

Source: Cadastre Agency

While it is difficult to project the exact increase in real estate transactions, according to the Cadastre Agency it is possible to expect a rise in transaction numbers by 5-10 percent a year. The current tariffs for transactions are set at levels conforming to the low average income and living standards, so as to be affordable to citizens. No drastic change in tariff levels is foreseen for the next few years. The tariffs set by entry courts are based on the property evaluation. Thus it is impossible to forecast accurately the increased revenues to the state through the entry courts from property transactions. The foreseen change in the future activity of the entry courts would be to use the actual sales price of the real estate instead of the used so far evaluation for taxation purposes.

#### Local Taxes and Fees Act -- fees for technical services

<b>Services</b>	<b>Fee</b>
For the issuance of a cadastral excerpt of a real property	from 2 to 5 leva
For the issuance of a cadastral excerpt of a real property with indication of construction precept	from 5 to 10 leva
For the re-validation of cadastral excerpts issued more than six months before	from 0.5 to 2 leva
For the validation of copies from documents and copies of cadastral plans	from 1 to 3 leva

*Source: Cadastre Agency*

#### **Tariff for the fees collected by the land ownership bodies under MAF**

<b>Services</b>	<b>Fee</b>
For the preparation of a cadastral excerpt for agricultural land property	1 lev
For the issuance of copy of decision of a land commission	0.3 leva
For the validation of an issued cadastral excerpt of agricultural land property	0.3 leva
For the re-validation of cadastral excerpts issued more than six months before	0.3 leva
Written query result for property from the Register of Owners	0.3 leva
Data for the features of a property -- type of long-term usage, type of the title of ownership	0.6 leva
Certificate with respect to the features of a property required for tax evaluation	0.5 leva
For the preparation of a draft design for partition, for each property	1 leva
Entering a modification in the Property Register	0.6 leva
Tracing the boundaries of properties -- 5 leva for each point	not more than 25 leva
Entering a modification in the Register of Owners	0.6 leva
Preparation of a copy of a tracing slip, for each property	1 leva
Preparation of copy of map or part of a map-per square meter: <ul style="list-style-type: none"> <li>· on tracing paper</li> <li>· on heliographic paper</li> <li>· on permanent paper</li> </ul>	6 leva 4 leva 12.5 leva
Provision of co-ordinates for a point with distance measurements	1 leva
Provision of co-ordinates of a boundary point of property	0.4 leva
Surveying and co-ordinating boundaries of properties -5 leva each	not more than 25 leva

*Source: Cadastre Agency*

## Tariff of notarial fees as per the Notaries and Notarial Activities Act

Services	Fee
Statement-of-fact notarial deeds concerning agricultural land and forests	10 leva
Contracts for voluntary partition of agricultural land and forests	10 leva
Notarial fees established on the basis of the amount of the material interest: To 100 leva From 100.01 to 1 000 leva From 1 000.01 to 10 000 leva From 1 000.01 to 50 000 leva From 50 000.01 to 100 000 leva Over 100 000 leva	15 leva 15 +1.5 percent for the part over 100 28.5 + 1 percent for the part over 1 000 118.5 +0.5 for the part over 10 000 318.5 +0.2 percent for the part over 50 000 418 + 0.1 percent for the part over 100 000 leva but not more than 3 000 leva

Source: Cadastre Agency

## Tariffs of entry courts

For registration in the Property Register	1/1000 of the declared material interest but not less than 5 leva
For provision of information from notarial books and registers in the Registry Office: · orally provided information with respect to a deed or concerning a person · issuance of certificate for executed deeds or per person	1 leva  5 leva

Source: Cadastre Agency

## 5. Increase in revenues of entry courts

The entry courts are currently the main revenue earner in the cadastre and property registration (the entry-book) system. The records kept on paper in these courts date back from 1910. With the implementation of the project (the change from person-base to property-based system and introduction of IT), the revenues brought to the state by the entry courts are expected to increase. National data on the revenues ensuing to the state budget from the work of the entry courts are not available and thus it is not possible to determine exactly the future revenues. Only in the Sofia entry court in 1999 revenues from fees on entry of sales transactions amounted to 955 230 226 BGL and from the entry of mortgage deals to 2 182 553 581 BGL.

Currently the entry courts source their revenues mainly from:

- Entries in the entry books for which the fees are equal to 1/1000 of the property value.
- Information on status of real estate (100-200 inquiries a day only for Sofia)
- Certificates on real estate required for credit applications
- Taxes on testaments
- Copies of lost documents from archives.

The main benefit to the entry courts ensuing from the property-based registration system is through increased:

- Accuracy of information
- Completeness of information
- Easy access to information.

With the new Cadastre and Property Register Law, enacted in April 2000, statement-of-fact notary deeds and wills will also be entered by the entry courts, and consequently fees will be levied on this service as well (equal to 1/1000 of the property value). The revenues following this change are expected to be considerable, although an exact calculation cannot be made due to the fact that fees depend on the value of the property. In 1999, in Sofia the number of wills involving real estate was 1050, and of statement-of-fact notary deeds 4015.

## **7. Better tax collection**

The project is expected to increase property tax collection revenues. Currently due to the person-based system and obsolete keeping of entry records there are "white spots" regarding the information on property ownership. This concerns mainly buildings in city centers, not present in cadastral maps and as property entries in courts (e.g., unidentified property on Saborna street in the centre of Sofia). Currently a very small part of cadastral plans are digitized and many settlements do not have updated plans. About 1000 settlements, mainly in mountain regions, have no cadastral maps. Data on owners and ownership documents are lacking for about 35 percent of the property parcels in the cadastral plan. In the course of the project the state will be able to identify state property and to obtain documents proving ownership for state companies, which are currently lacking.

### **Main Assumptions:**

The current economic conditions will continue to improve.

### **Cost-effectiveness indicators:<sup>2</sup>**

**Annex 5: Financial Summary**  
**BULGARIA: REGISTRATION AND CADASTRE PROJECT**

Years Ending  
2006

	IMPLEMENTATION PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Total Financing Required</b>							
<b>Project Costs</b>							
Investment Costs	1.2	7.1	6.9	6.6	7.3	6.7	0.0
Recurrent Costs	0.0	0.1	0.1	0.2	0.2	0.3	0.0
<b>Total Project Costs</b>	1.2	7.2	7.0	6.8	7.5	7.0	0.0
Front-end fee	0.3	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Financing</b>	1.5	7.2	7.0	6.8	7.5	7.0	0.0

<b>Financing</b>							
IBRD/IDA	1.0	5.9	5.7	5.5	6.2	5.7	0.0
Government	0.5	1.3	1.3	1.3	1.3	1.3	0.0
Central	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provincial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-financiers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Project Financing</b>	1.5	7.2	7.0	6.8	7.5	7.0	0.0

	OPERATIONAL PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Total Financing Required</b>							
<b>Project Costs</b>							
Investment Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurrent Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Project Costs</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Front-end fee	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Financing</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<b>Financing</b>							
IBRD/IDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provincial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-financiers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Project Financing</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**Main assumptions:**

## **Annex 6: Procurement and Disbursement Arrangements**

### **BULGARIA: REGISTRATION AND CADASTRE PROJECT**

#### **Procurement**

Procurement of goods, technical services and works will be done in accordance with World Bank *Guidelines: Procurement under the IBRD Loans and IDA Credits* (issued in January 1995, revised January and August 1996, September 1997, and January 1999). Consulting Services, technical assistance and training will be procured in accordance with the Guidelines - Selection and Employment of Consultants by World Bank Borrowers, January 1997, revised September 1997 and January 1999. The Bank's Standard Bidding Documents, Request for Proposals and Forms of Consultants' Contract will be used. A General Procurement Notice (GPN) will be published in the Development Business of the UN in June, 2001.

#### **Procurement Responsibilities**

The Project Implementation Unit, that reports to Cadastre Agency and the Ministry of Justice, will manage procurement procedures supported by at least one full-time procurement officer responsible for all procurement. The procurement officer will have the support of the project teams in the Cadastre Agency and in the Ministry of Justice and their technical staff. The procurement officer will be appointed before negotiations.

#### **Procurement Methods (Table A)**

The project includes procurement of civil works, goods, technical services, works and consultant services. A detailed procurement plan for these needs has been prepared and included in the Project Implementation Plan (PIP). During project implementation, the procurement plan will be updated every six months.

The Project procurement arrangements are shown in Table A below.

#### **Thresholds for Procurement Methods for Works, Goods and Technical Services**

The following thresholds are proposed (the aggregates are given in the footnotes to Table A):

- (i) ICB for goods = US\$100,000 or more per contract.
- (ii) ICB for Technical Services = US\$150,000 or more per

contract.

(iii) NCB for Technical Services = contracts estimated to cost less than US\$ 150,000 per contract.

(iv) NCB for furniture = contracts estimated at less than US\$100,000 each.

(v) International Shopping = Less than US\$100,000 per contract. (IS can be used to procure equipment, materials or commodities which are off-the-shelf. The award shall be made on the basis of obtaining and comparing price quotations from at least three suppliers from two countries);

(vi) National Shopping = Less than US\$50,000 per contract (based on obtaining minimum three quotations from domestic suppliers);

(vii) NCB for Works = Less than US\$500,000 per contract; and

(viii) Minor Works = Less than US\$50,000 per contract.

ICB and NCB thresholds for technical services. The ICB and NCB thresholds for technical services will be reviewed by the Bank on an annual basis. Should it be determined that under the NCB procedure there is adequate competition within the country, and that the capacity of the domestic firms to compete for contracts and perform them in a cost effective and timely manner has improved, the Bank would consider raising the ICB threshold from US\$150,000 per contract to US\$250,000 per contract at the end of the first year after loan effectiveness, to US\$350,000 per contract at the end of the second year, and to US\$500,000 per contract at the end of the third year. As a result, the threshold for NCB would increase accordingly. For this purpose, the Bank staff would conduct periodic capacity assessments.

ICB management contractor. Before the third year of the project, two cadastral survey contracts would be procured for approximately US\$1 million and US\$2 million respectively. The signing of the first contract should take place 18 months after effectiveness, and the bidding process for the second slice should start about 24 months after effectiveness. For these contracts, management contractors would be procured through ICB (see footnote 1/). The management contractor would be responsible for subcontracting these surveys to domestic subcontractors and for managing them. If this approach succeeds, more management contractor contracts would be bid through ICB.

NCB will be subject to the conditions that a point system of evaluation will not be used; domestic preference will not be applied; international bidders will not be excluded from bidding; and the first NCB bidding documents will be prepared and submitted to the Bank for review and no-objection before any NCB tender is issued. No bids will be rejected at the bid opening. All bids submitted on or before the deadline for submission of bids will be opened and read out at public bid opening; local bidders shall demonstrate availability of obtaining securities and reasonable access to credit; bid evaluation criteria shall be pre-disclosed to bidders; and technical specifications shall be clearly written. These conditions shall be discussed at the negotiations and made part of the Loan Agreement.

Two stage bid for goods and services. Starting in 2002 a two stage bid for information system design, implementation, supply of customized software, communications, data entry design, and goods, for both the cadastre and new registration system would be bid. This US\$2.9 million equivalent package would be bid according to the Bank's "Procurement of Information Systems, Equipment, Software and Services, Two-stage Bidding," SBD Trial Edition, March 1996, revised August 2000 or an agreed up-date of this trial edition.

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1/ In construction, a management Contractor usually does not perform the work directly but contracts out and manages the work of other Contractors, taking the full responsibility and risk for price, quality, and timely performance. Conversely, a construction manager is a Consultant for, or agent of, the Borrower, but does not take on such risks. If financed by the Bank, the services of the construction manager should be procured under the Consultant Guidelines.

## **Consulting Services**

Consultants' Services will be selected in accordance with the Bank Guidelines issued in January 1997 and revised in 1997 and 1999, and for this project will include Quality and Cost Based Selection (QCBS), Consultants Qualifications (CQ), Least Cost Selection (LCS), and individual consultants (IC). QCBS selection over US\$200,000 will be advertised in Development Business and in a national newspaper for expressions of interest, from which a short list will be drawn. For contracts estimated to cost less than US\$200,000, short lists may be based solely on national firms. The contract for auditing will be procured following the LCS method. Contracts estimated at less than US\$100,000 each for legal advice, study tours, cadastre management services, quality control, and publicity campaigns will be procured following the CQ. Individual consultants will be selected in accordance with Part V of the Consultants Guidelines. All individual contracts will be advertised. The project includes training in new cadastral technology, legal matters, cadastral survey, and equipment. This training will be organized by the University of Architecture Civil Engineering and Geodesy, Sofia as the implementing agency of the Government. Training costs (estimated at US\$0.222 million) will be incurred in accordance with annual training programs prepared by the PIU in cooperation with the University of Architecture Civil Engineering and Geodesy. The aggregate amounts for consultants services are shown in the footnotes to Table A.

## **Training**

A schedule for training activities will be prepared on an annual basis as part of the annual work plan process and submitted to IBRD for no-objection.

## **Bank's Prior Review Thresholds (see Table B)**

Prior review thresholds are as follows:

- (a) Goods: All ICB, first NCB, IS and NS packages.
- (b) Technical Services: All ICB packages and the first NCB package.
- (c) Works: First NCB and first two MW
- (d) Consulting Services: Bank prior review will be required for all terms of reference, irrespective of the contract value.
- (e) All consultant contracts with consulting firms estimated to cost US\$200,000 or more per contract (Full Review).

(f) All contracts with consulting firms estimated to cost between US\$100,000 and US\$200,000 per contract (Partial Review).

(g) All consultant contract with individuals estimated to cost US\$25,000 or more per contract.

(h) Contracts less than US\$25,000 with individuals; terms of reference.

Under Service Delivery Contracts for component B and C a large number of clerks, students, and others will be hired for collection of data on a contractual basis. These contracts will be advertised locally. Terms and conditions of contracts and unit rates will be agreed with the Bank before the selection process begins.

### **Incremental Operating Costs**

The Loan will finance on a declining basis part of the incremental operations costs of about US\$0.61 million including some of the funds for the operation of the PIU to coordinate and administer the project. These will be incurred in accordance to an annual budget that the PIU will prepare and submit to the Bank for its approval before any expenditures are incurred.

### **Post Review**

All contracts not subject to the Bank's prior review will be subject to ex-post review, on a selective basis. One out of five contracts for goods, works, technical services and consulting services will be subject to ex-post review. Supervision missions will include a procurement specialist especially in the first year, whose main responsibility will be to conduct ex-post reviews of the procurement process and documentation, and provide his or her findings.

### **Disbursement**

Allocation of loan proceeds (Table C): Table C shows the allocation of loan proceeds for civil works, goods, technical services and consulting services, recurrent costs, and PIU operating costs.

Special account: To facilitate timely project implementation, the PIU will establish, maintain, and operate, under conditions acceptable to IBRD, a Special Account denominated in EUR in the Bulgarian National Bank. The maximum authorized allocation of the Special Account (SA) will be limited to US\$1 million. However, during the initial stage of the project, an amount limited

to US\$0.5 million will be deposited in the Special Account. When the amount disbursed reaches US\$3 million, the amount deposited in the SA will be increased to the full amount of US\$1 million. Replenishment applications should be submitted at least every two months and must include reconciled bank statements as well as other appropriate supporting documents. The minimum amount of each application should be 20% of the authorized allocation.

Use of statements of expenditures (SOEs): The project will disburse on the basis of the submission of SOEs, until acceptable mechanisms for PMR-disbursement are in place. The use of SOE-based disbursement will be reviewed in September 2003.

The reimbursement of expenditures made from the Special Account may be made on the basis of certified Statements of Expenditures (SOEs), for the following items:

Works, goods and technical services: contracts amounting to less than US\$150,000 per contract.

Consulting services–firms: contracts amounting to less than US\$100,000 per contract.

Consulting services–individuals: contracts amounting to less than US\$25,000 per contract.

Training and operating costs: all contracts.

Therefore, expenditures above these thresholds will be fully documented.

## **Financial Management**

A financial management system (FMS) for the Registration and Cadastre Project, including accounting, reporting, planning, budgeting, auditing and proper internal control systems was established prior to Board presentation.

Prior to Board presentation, the FMS was subject to a detailed review and assessment carried out by a Bank certified Financial Management Specialist, in accordance with the Bank's OP/BP 10.02, the Project Financial Management Manual and the Loan Administrative Change Initiative (LACI) Implementation Handbook. The FMS meets the minimum Bank financial management requirements and the FM Annex 4-B LACI Certification was issued by a World Bank financial management specialist.

An action plan was prepared, with the remaining actions agreed to further enhance and strengthen the system and enable the development of appropriate project management reports (PMRs) in view of the future transition to PMR-based disbursements (see Table AA in this Annex 6).

## ***Project Accounting***

The PMU will be responsible for the project's overall financial management system. All procurement, financial management and disbursement procedures for the Project will be centralized at the PIU and be in accordance with the relevant Bank guidelines.

The PIU will maintain all documentation related to project expenditures and keep financial records in accordance with sound accounting practices. The PIU will be mainly responsible for keeping the full accounting records of the Project, executing all payments, operating the accounting software, handling the Special Account (SA) and the Project Account (PA - Government contributions), preparing all bidding documents, reporting both to the Bank and the Government, planning, budgeting, disbursing and auditing.

The accountant will handle all financial accounting records, ensure that accounting records are kept up to date within the accounting software and will be in charge of the petty cash arrangements. The Financial Manager will supervise the accountant and will be responsible for the planning, budgeting, auditing and reporting aspects, and will report to the PIU Director. She/he will also establish permanent contacts with the beneficiaries, the accounting departments of the MRDPW and CA, auditors and MOF.

No project funds may be passed over to beneficiaries or any other parties. The PIU is the only entity authorized to make payments to suppliers.

Training for the Financial Manager and the Accountant has already been achieved with the FMS but more is necessary, mainly on the Bank's financial management and disbursement procedures. It is recommended that the specialized training courses offered in Turin (Italy) by the ILO Training Institute and other similar courses are considered. It is advisable that the training is taken at an early stage of the project (either before and/or shortly after effectiveness).

The PIU will prepare reports showing detailed budgeted and actual expenditures, uses of funds by source, summary of withdrawals and forecasts, statements of progress achieved and the objectives for the forthcoming quarter and semester.

All the original project documents, contracts, payment orders, bank statements and all other relevant accounting documents will be kept by the PIU, filed on a timely basis and organized in a manner to ensure the full audit trail with the accounting software records.

Detailed accounts will be kept for each project component and its sub-components. The accounts also reflect: the status of payment against each contract; utilization of the Special Account (SA) and replenishments made by the Bank; utilization of the Bulgarian Government contribution and uses of the funds. The PIU will prepare reports showing detailed budgeted and actual expenditures, uses of funds by source, summary of withdrawals and forecasts, statements of progress achieved to date and the objectives for the forthcoming quarter and semester. The PIU will submit the quarterly Project Management Reports (PMRs) to the Bank starting with the period ended September 30, 2002 and quarterly thereafter, no later than 45 days after the relevant quarter's end.

The budgeting and financial forecasting are an integral part in the process of preparing the PMRs. These activities will involve the PIU Director, the Finance Manager and the Procurement Specialist.

### ***Accounting Software System***

The accounting software system was developed, customized and installed by the financial management consultant appointed. The system was tailored to fully respond to the specifics of the Project. The system features a customized chart of accounts, detailed financial statements, reporting formats and methods, etc. The system produces reports for expenditures by project components, sub-components and activities, by categories and procurement methods.

The system produces a trial balance, balance sheet, a statement of sources and uses of funds, income and expenditure statement and special and project account statements.

Usual journals and ledgers are also produced by the system, such as separate journals for works, consulting and training, and operating costs. The ledgers used are the bank accounts ledger, the accounts receivable and accounts payable ledgers, the general ledger and a fixed assets register.

The software system is able to produce all the quarterly Project Management Reports as requested by the Bank's LACI Implementation Handbook and the Project Financial Management Manual.

### ***Special and Project Accounts and Flow of Funds***

The Loan Agreement will be signed between the Bank and the MOF. The MOF has authorized the MRDPW, through the Cadastre Agency, to handle the loan amounts. The PIU established within the Cadastre Agency will be in fully in charge of operating the SA. The SA is to be opened at the BNB, as mentioned in the Loan Agreement.

The PIU will use a separate Project Account for the Government contributions. This will be a sub-account of the main budgetary MRDPW account, opened also at the BNB, and will only be used for the Government contribution.

### ***Internal Controls***

The PIU will adhere to sound internal control procedures and practices, to ensure that the Project funds are used with economy and efficiency and only for the purposes intended. The PIU will report to the SC and relevant Deputy Ministers and will inform in a timely manner about project implementation and progress.

All PIU staff must become familiar with the WB regulations (legal, disbursement, procurement, financial management, etc) applicable to their relevant area. A Financial Management Manual was developed (draft version) by the financial management consultant appointed, documenting all the various types of financial transactions, approval and authorization steps, the flow of documents within the PIU and between the PIU and the beneficiaries, the accounting departments of the MRDPW and CA, the MOF, PIU's staff responsibilities and measures to ensure a complete segregation of duties, as well as other internal control procedures. The manual also documents the day-to-day internal procedures for each type of activity (such as correspondence handling, contracting and payment procedures, operation of all bank accounts, petty cash, authorization mechanism, reporting, budgeting, planning, filling, etc.).

During the recent past some concerns have been raised concerning fraud, waste and abuse of donor funds in the region. Perceived corruption as reported in the press is principally in the area of procurement. The risk that the Bank's funds will not be used as intended for financing the defined investment program is judged as acceptable by introducing several measures, in principal the 'ring-fencing' of the Project through the establishment of the PIU, segregation of duties within the PIU, requiring beneficiaries' representatives to certify the works done before payments are made by the PIU, proper supervision from the Bank's teams and an independent yearly audit of project funds by a reputable independent audit firm, acceptable to the Bank.

### ***Auditing***

For Bank reporting purposes, the annual financial statements of the project will be prepared in accordance with International Accounting Standards (IAS) and audited by independent auditors, acceptable to the Bank, in accordance with the International Standards on Auditing (ISA) and the Bank guidelines on auditing and financial reporting such as the World Bank Financial Accounting Reporting and Auditing Handbook and the World Bank Project Financial Management Manual. The cost of the audits are to be financed from the Loan.

The PIU will also prepare, for Government reporting purposes, financial statements in accordance with Bulgarian Statutory Accounting Standards.

**Table AA- Agreed Financial Management Action Plan**

<i>Action</i>	<i>Responsibility</i>	<i>Due date</i>
<b>Establishment of financial management system</b>		
Prepare a TOR acceptable to the Bank for the project's accounting software system	PIU / Bank	done
Select consultant and accounting software system	PIU / Bank	done
Conclude contract with the accounting software	PIU / Bank / FM	done

system supplier (financial management expert - FM consultant) and actual start of activity	consultant	
Initial installation and customization of the accounting software system and provision of appropriate initial training	FM consultant	done
Initial draft accounting manual documenting the project's accounting and internal controls procedures	FM consultant	done
Final draft accounting manual documenting the project's accounting and internal controls procedures	FM consultant	5/31/2001
Final customization and complete implementation of the accounting software system, including full English language capability, full automation and final test run	FM consultant	5/31/2001
Completion of training to PIU staff	FM consultant	5/31/2001
<b>Administrative arrangements and staffing</b>		
Allocate suitable fully equipped space to PIU	Cadastre Ag.	done
Appoint PIU director acceptable to the WB	SC / Bank	done
Select suitable key staff (Financial Manager and Accountant)	PIU / SC	done
Key staff appointment and actual start of activity	PIU	done
<b>Audit arrangements</b>		
Present shortlist of auditors for no-objection to the WB	PIU	done
Confirm no-objection to shortlist of auditors	Bank	done
Send RFP for no-objection to the Bank	PIU	5/25/2001
Confirm no-objection to RFP	Bank	6/10/2001
Send RFP to shortlisted auditors	PIU	6/15/2001
Submission and opening of the offers	PIU	7/16/2001
Final evaluation and recommendation for selection	PIU / Bank	8/15/2001
Conclude contract with selected auditors	PIU	9/15/2001
<b>Certification of financial management</b>		

<b>arrangements</b>		
Bank Financial Management Specialist to visit project prior to project board presentation to confirm adequacy of project's financial management arrangements and, if appropriate, to issue the FM certificate 'Annex 4-B'	Bank FMS	done
Bank Financial Management Specialist to visit project prior to project effectiveness to follow up and confirm adequacy of project's financial management aspects	Bank FMS	10/1/2001
<b>Project Management Reporting</b>		
Agree upon the final formats of the quarterly Project Management Reports (PMRs)	PIU / Bank / FM consultant	done
Final customization of the PMRs, full linkage with the accounting system, PMR training provided and test run	FM consultant	5/31/2001
Produce first set of PMRs as at September 30, 2001 and quarterly thereafter	PIU	11/15/2001
Consider disbursing on the basis of submitted PMRs	Borrower/Bank	8/1/2002

### **Implementation Schedule**

The project will be implemented over a five-year period though disbursed over 6 years.

Procurement methods (Table A)

**Table A: Project Costs by Procurement Arrangements**  
(US\$ million equivalent)

Expenditure Category	Procurement Method <sup>1</sup>				Total Cost
	ICB	NCB	Other <sup>2</sup>	N.B.F.	
<b>1. Works</b>	0.00 (0.00)	0.71 (0.56)	1.39 (1.11)	0.00 (0.00)	2.10 (1.67)
<b>2. Goods</b>	6.64 (5.64)	0.34 (0.27)	2.21 (1.77)	0.00 (0.00)	9.19 (7.68)
<b>3. Services</b>	3.48	13.06	0.00	0.00	16.54
<b>Technical Services</b>	(2.86)	(10.45)	(0.00)	(0.00)	(13.31)
<b>4. Miscellaneous</b>	0.00	0.00	4.78	0.22	5.00
<b>Consultants Services and Training</b>	(0.00)	(0.00)	(4.12)	(0.00)	(4.12)
<b>5. Front-end fee</b>	0.00 (0.00)	0.00 (0.00)	0.30 (0.30)	0.00 (0.00)	0.30 (0.30)
<b>6. Services Contracts</b>	0.00 (0.00)	0.00 (0.00)	2.88 (2.31)	0.00 (0.00)	2.88 (2.31)
<b>7. Recurrent Costs</b>	0.00 (0.00)	0.00 (0.00)	1.05 (0.61)	0.00 (0.00)	1.05 (0.61)
<b>Total</b>	10.12 (8.50)	14.11 (11.28)	12.61 (10.22)	0.22 (0.00)	37.06 (30.00)

<sup>1/</sup> Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

<sup>2/</sup> A break-down of "other" is as follows:

1. Works: MW (US\$1.39 million)
2. Goods: IS (US\$1.52 million); NS contracts (US\$0.68 million)
4. Consultants Services and Training: QCBS: (US\$0.10 million); LCS (US\$0.10 million); and CQ (US\$1.31 million); Individual Consultants: (US\$3.04 million); Training: (US\$0.222 million)
6. Services Contracts: (US\$2.88 million)

Figures may not total exactly due to rounding.

Note: The Front-end fee is shown here for completeness only; it is not part of the project procurement.

**Table A1: Consultant Selection Arrangements (optional)**  
(US\$ million equivalent)

Consultant Services Expenditure Category	Selection Method							Total Cost <sup>1</sup>
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	
<b>A. Firms</b>	0.10 (0.08)	0.00 (0.00)	0.00 (0.00)	0.10 (0.10)	1.31 (1.05)	0.00 (0.00)	0.00 (0.00)	1.51 (1.23)
<b>B. Individuals</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	3.04 (2.31)	0.00 (0.00)	3.04 (2.31)
<b>Total</b>	0.10 (0.08)	0.00 (0.00)	0.00 (0.00)	0.10 (0.10)	1.31 (1.05)	3.04 (2.31)	0.00 (0.00)	4.55 (3.54)

1\ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection

QBS = Quality-based Selection

SFB = Selection under a Fixed Budget

LCS = Least-Cost Selection

CQ = Selection Based on Consultants' Qualifications

Other = Selection of individual consultants (per Section V of Consultants Guidelines)

N.B.F. = Not Bank-financed

Figures in parenthesis are the amounts to be financed by the Bank Loan.

Prior review thresholds (Table B)

**Table B: Thresholds for Procurement Methods and Prior Review** <sup>1</sup>

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$ millions)</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review (US\$ millions)</b>
<b>1. Works</b>	> or equal to 0.500	ICB	0
	<0.500	NCB	0.500
	<0.050	MW	0.050
<b>2. Goods</b>	> or equal to 0.100	NCB/ICB	6.976
	<0.100	NCB/IS	0.200
	<0.050	NCBNS	0.050
<b>3. Services Technical Services</b>	> or equal to 0.150	ICB	3.483
	<0.150	NCB	0.150
<b>4. Consultants Services and Training</b>	> or equal to 0.200	QCBS	0.103
	<0.200	LCS/CQ	0.500
		Ind	0.200

**Total value of contracts subject to prior review:** US\$10.206 million

**Overall Procurement Risk Assessment**

**High**

**Frequency of procurement supervision missions proposed:** One every 6 months (includes special procurement supervision for post-review/audits)

**Table B1: Project Procurement-Related Information and Review Thresholds**

<b>Section 1: Capacity of the Implementing Agency in Procurement and Technical Assistance requirements</b>
<p>(i) A procurement officer with suitable educational background and experience in procurement and familiarity with World Bank procurement guidelines, shall be appointed before negotiations.</p> <p>(ii) Around the loan effectiveness period, a project launch workshop will be held for all government officials involved in the project implementation, the PIU staff, and the project team in the CA and the MOJ. During this project launch workshop, adequate time will be spent on procurement training, the procurement book will be discussed and explained, and a half-day session will be held for those responsible for procurement decision making under the project.</p> <p>(iii) The PIU director, the project team leaders in the CA and MOJ, and the procurement officer shall receive procurement training in Turin to enhance their knowledge of procurement. This training will be undertaken within six months of loan signature. They should also attend seminars offered by the World Bank in the regional locations.</p> <p>(iv) Establish a computerized monitoring system within six months of loan effectiveness.</p> <p>(v) Immediately after Board approval, the Bank staff will prepare a procurement book containing all procurement related documents, including Standard Bidding Documents, both in hard and soft copies, and send it to PIU. The contents of the procurement book will be discussed during the project launch workshop.</p>

(vi) One year after loan effectiveness, the conduct of procurement under the project would be reviewed in light of the potential procurement risks (see para 6.2), and recommendations made if necessary, to improve the procurement process.

Country Procurement Assessment Report or Country Procurement Strategy Paper status: Country Procurement Assessment Report dated May 2000	Are the bidding documents for the procurement actions of the first year ready by board Yes No x
------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------

**Section 2: Training, Information and Development on Procurement**

Estimated date of Project Launch Workshop: June, 2001	Estimated date of publication of General Procurement Notice: July, 2001	Indicate if there is procurement subject to mandatory SPN in Development Business: No	Domestic Preference for Goods: No	Domestic Preference for Works, if applicable: n/a
-------------------------------------------------------	-------------------------------------------------------------------------	---------------------------------------------------------------------------------------	-----------------------------------	---------------------------------------------------

Retroactive financing: No	Advance procurement: No
---------------------------	-------------------------

**Explain briefly the Procurement Monitoring System:** Procurement implementation progress will be monitored through progress reports and supervision missions. At least one supervision mission per year will include a procurement specialist who will be responsible for updating the procurement plan, and conducting ex-post reviews. His/her findings will be included in the supervision reports for monitoring their implementation.

Co-financing: No-one

**Section 3: Procurement Staffing**

Indicate name of Procurement Staff or Bank's staff part of Task Team responsible for the procurement in the Project: Name: Naushad Khan, Procurement Specialist, Ext. 32699

Explain briefly the expected role of the Field Office in procurement: A project officer in the Resident Mission will be responsible for supervising project implementation and provide procurement support.

<sup>1</sup> Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.

## Disbursement

### Allocation of loan proceeds (Table C)

**Table C: Allocation of Loan Proceeds**

<b>Expenditure Category</b>	<b>Amount in US\$million</b>	<b>Financing Percentage</b>
Civil Works	1.64	80%
Goods	7.44	100% of foreign expenditures 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
Technical Services	13.00	80%
Consultants' Services for Expert Advice and Review	1.19	100%
Consultants' Services for Implementation Tasks	2.63	80%
Service Contracts	2.25	80%
Training	0.22	100%
Incremental Operating Costs	0.56	on a declining basis: 80% until December 31, 2002; 50% until December 31, 2004; 25% thereafter
Incremental Operating Costs of the PIU	0.03	70%
Unallocated	0.74	
<b>Total Project Costs</b>	29.70	
<b>Front-end fee</b>	0.30	
<b>Total</b>	30.00	

**Annex 7: Project Processing Schedule**  
**BULGARIA: REGISTRATION AND CADASTRE PROJECT**

<b>Project Schedule</b>	<b>Planned</b>	<b>Actual</b>
<b>Time taken to prepare the project (months)</b>	24	39
<b>First Bank mission (identification)</b>	06/12/1998	06/12/1998
<b>Appraisal mission departure</b>	02/12/2001	02/12/2001
<b>Negotiations</b>	05/07/2001	05/07/2001
<b>Planned Date of Effectiveness</b>	09/01/2001	

**Prepared by:**

Government of Bulgaria - Cadastre Agency, Ministry of Justice, and Ministry of Regional Development & Public Works.

**Preparation assistance:**

PHRD Japanese Grant

**Bank staff who worked on the project included:**

<b>Name</b>	<b>Speciality</b>
Lynn Holstein	Task Team Leader, land administration specialist
Milena Messori	Deputy Task Team Leader
Anna Georgieva	Economist
Bogdan Costantinescu	Financial Management Specialist
Naushad Khan, Arben Maho, and Gurdev Singh	Procurement Specialists
Daria Goldstein	Counsel
Nicholay Chistyakov	Disbursement Officer
Kimberly Cartwright	Social Scientist
Ranjan Ganguli	Financial Management Specialist
Thomas O'Brien	Project Adviser and Reviewer
Frank Byamugisha	Peer Reviewer
Frederic de Dinechin	Peer Reviewer
Edward Cook	Peer Reviewer
Jennifer Ngaine	Team Assistant
+++++	+++++
Consultants involved:	
Gavin Adlington	Land Registration and Administration Specialist
Peter Creuzer	Cadastre Specialist
Dariusz Bogacki	Information Iechnology specialist
Paul Munro-Faure	Urban Land Policy and Valuation Specialist
Jaap Zevenbergen	Real Property Lawyer
Tony Lamb	Registration Lawyer
Renee Giovarelli	Social Specialist

Vladimir Evtimov	Surveyor, Valuer, Project Coordinator
Ventzi Stoyanova	Lawyer and former Deputy Minister, Agriculture
20 Bulgarian consultants	Including IT team, three teams working on regulations, training team, mapping team, geodetic team, and Project Preparation Unit team.

**Annex 8: Documents in the Project File\***  
**BULGARIA: REGISTRATION AND CADASTRE PROJECT**

**A. Project Implementation Plan**

**B. Bank Staff Assessments**

Social Assessment, July 2000  
Procurement Assessment, March 2001.

**C. Other**

Law on Cadastre and Property Register, April 2000.  
Law on Ownership, 1985-1997

Cadastre Agency Organizational Status, October 2000.

Long-term Program of Activities for the Creation of the Cadastre and the Property Register, MRDPW and MOJ, February 2001.

Urban Land Management Study, Paul Munro-Faure and Vladimir Evtimov, August 2000.

Report on the Information Technology System, Bulgarian IT team, February 2001.

Training Program Study, February 2001.

Report on the Cadastre System, Peter Creuzer, March 2000 and December 2000.

Minutes of the Stakeholder Workshop, November 2000.

Report on Legal Assistance to GOB on the Drafting of Regulations, Tony Lamb, September 2000.

Report on the Information Technology System, Dariusz Bogacki, September and December 2000.

Financial Management Capability Assessment, Bogdan Constantinescu, Financial Management Specialist, February 20, 2001

\*Including electronic files

**Annex 9: Statement of Loans and Credits**  
**BULGARIA: REGISTRATION AND CADASTRE PROJECT**  
 May-2001

Project ID	FY	Purpose	Original Amount in US\$ Millions				Difference between expected and actual disbursements <sup>a</sup>	
			IBRD	IDA	Cancel.	Undisb.	Orig	Frm Rev'd
P055158	2001	EDUC MOD (APL #1)	14.39	0.00	0.00	12.87	-0.58	0.00
P064536	2001	CHILD WELFARE REF	8.00	0.00	0.00	7.72	1.88	0.00
P055157	2000	HEALTH SECT REF	63.30	0.00	0.00	63.37	-1.02	0.00
P057927	2000	ENV/PRIV SUPT SAL	50.00	0.00	0.00	32.43	6.55	0.00
P070086	2000	TRADE & TRANS FACIL IN SE EUR	7.40	0.00	0.00	6.42	-0.40	0.00
P033965	1998	ENV REM PILOT	16.00	0.00	0.00	5.24	5.24	-0.46
P008323	1997	SOC INS ADM	24.30	0.00	0.00	5.26	7.55	0.00
P008315	1996	RAILWAY REHAB	95.00	0.00	0.00	10.78	15.51	0.00
P008318	1996	HEALTH SECT RESTRUCT	26.00	0.00	0.00	4.34	7.59	0.00
P008319	1994	WATER COMPANIES REST	57.00	0.00	41.00	16.32	61.24	20.97
<b>Total:</b>			361.39	0.00	41.00	164.75	103.57	20.50

BULGARIA  
STATEMENT OF IFC's  
Held and Disbursed Portfolio  
May-2001  
In Millions US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1999	BAC Bank	0.00	0.00	5.00	0.00	0.00	0.00	5.00	0.00
1999	Celhart	13.90	1.50	0.00	0.00	13.90	1.50	0.00	0.00
1998	Devnya Cement	27.65	0.00	0.00	0.00	27.65	0.00	0.00	0.00
1994	Euromerchant FND	0.00	5.00	0.00	0.00	0.00	5.00	0.00	0.00
2000	Florina	3.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996	Interlease Inc.	2.64	0.30	0.00	0.00	1.14	0.30	0.00	0.00
2000	Kronospan Group	11.64	0.00	0.00	8.38	11.64	0.00	0.00	8.38
1997	Sofia Hilton	10.80	0.00	2.00	9.50	9.87	0.00	2.00	8.68
	<b>Total Portfolio:</b>	<b>70.54</b>	<b>6.80</b>	<b>7.00</b>	<b>17.88</b>	<b>64.20</b>	<b>6.80</b>	<b>7.00</b>	<b>17.06</b>

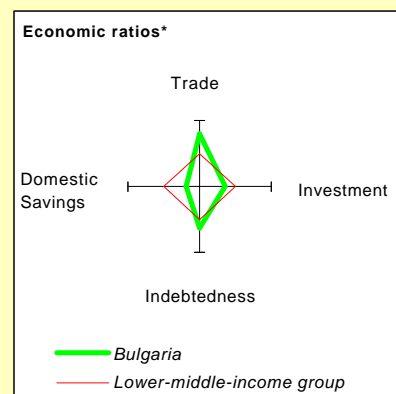
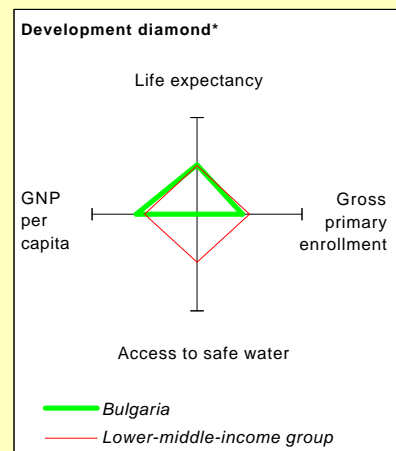
  

		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic
2000	Podem	3.10	2.00	0.00	0.00
1999	BPBank	10.00	0.00	12.40	0.00
	<b>Total Pending Commitment:</b>	<b>13.10</b>	<b>2.00</b>	<b>12.40</b>	<b>0.00</b>

## Annex 10: Country at a Glance

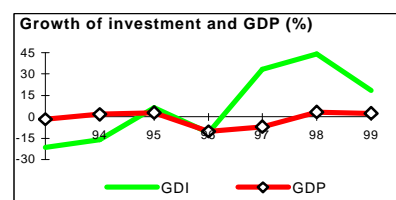
### BULGARIA: REGISTRATION AND CADASTRE PROJECT

POVERTY and SOCIAL	Europe & Central Asia		Lower-middle-income		
	Bulgaria	Asia			
<b>1999</b>					
Population, mid-year (millions)	8.2	475	2,094		
GNP per capita (Atlas method, US\$)	1,390	2,150	1,200		
GNP (Atlas method, US\$ billions)	11.4	1,022	2,513		
<b>Average annual growth, 1993-99</b>					
Population (%)	-0.5	0.1	1.1		
Labor force (%)	-0.5	0.6	1.2		
<b>Most recent estimate (latest year available, 1993-99)</b>					
Poverty (% of population below national poverty line)	..	..	..		
Urban population (% of total population)	68	67	43		
Life expectancy at birth (years)	71	69	69		
Infant mortality (per 1,000 live births)	15	22	33		
Child malnutrition (% of children under 5)	..	8	15		
Access to improved water source (% of population)	..	..	86		
Illiteracy (% of population age 15+)	2	3	16		
Gross primary enrollment (% of school-age population)	99	100	114		
Male	100	101	114		
Female	98	99	116		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	<b>1979</b>	<b>1989</b>	<b>1998</b>	<b>1999</b>	
GDP (US\$ billions)	..	21.7	12.3	12.4	
Gross domestic investment/GDP	..	33.1	14.7	19.0	
Exports of goods and services/GDP	..	46.4	45.2	44.1	
Gross domestic savings/GDP	..	31.4	13.7	11.3	
Gross national savings/GDP	..	28.9	13.3	12.0	
Current account balance/GDP	..	-3.7	-0.5	-5.4	
Interest payments/GDP	..	2.9	3.7	3.3	
Total debt/GDP	..	46.6	80.8	81.5	
Total debt service/exports	..	29.1	20.6	15.3	
Present value of debt/GDP	..	..	76.6	..	
Present value of debt/exports	..	..	149.4	..	
	<b>1979-89</b>	<b>1989-99</b>	<b>1998</b>	<b>1999</b>	<b>1999-03</b>
<i>(average annual growth)</i>					
GDP	4.1	-3.3	3.5	2.4	4.9
GNP per capita	3.8	-2.1	5.3	3.5	6.1
Exports of goods and services	3.2	-6.4	-15.6	-5.2	9.2

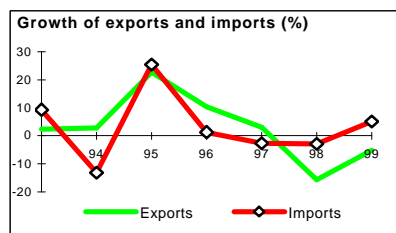


#### STRUCTURE of the ECONOMY

	1979	1989	1998	1999
<i>(% of GDP)</i>				
Agriculture	..	10.9	18.7	15.1
Industry	..	59.4	25.5	23.4
Manufacturing	..	..	17.0	14.5
Services	..	29.7	55.7	61.5
Private consumption	..	61.5	71.2	72.8
General government consumption	..	7.1	15.1	15.9
Imports of goods and services	..	48.2	46.3	51.9



	1979-89	1989-99	1998	1999
<i>(average annual growth)</i>				
Agriculture	-2.0	-0.5	1.4	0.6
Industry	6.3	-5.6	4.3	-4.4
Manufacturing	..	..	6.5	-5.9
Services	5.1	-1.6	4.0	11.8
Private consumption	3.3	-4.9	-4.7	-2.9
General government consumption	5.7	-7.1	4.0	2.0
Gross domestic investment	4.6	-3.0	44.3	18.7
Imports of goods and services	3.1	-9.6	-2.8	5.1
Gross national product	3.9	-2.8	4.6	3.0



Note: 1999 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

## Bulgaria

### PRICES and GOVERNMENT FINANCE

	1979	1989	1998	1999
<b>Domestic prices</b>				
<i>(% change)</i>				
Consumer prices	..	..	22.3	0.5
Implicit GDP deflator	..	6.7	22.2	3.1
<b>Government finance</b>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	..	54.2	34.6	35.5
Current budget balance	..	4.8	4.1	3.7
Overall surplus/deficit	..	-1.1	2.8	1.5

### TRADE

	1979	1989	1998	1999
<i>(US\$ millions)</i>				
Total exports (fob)	..	7,584	4,193	3,967
Consumer goods	..	1,960	1,303	1,338
Capital goods	..	1,150	673	605
Manufactures	..	..	721	651
Total imports (cif)	..	8,343	4,995	4,735
Food	..	536	192	190
Fuel and energy	..	2,585	1,151	1,181
Capital goods	..	3,164	1,070	1,061
Export price index (1995=100)	..	69	84	74
Import price index (1995=100)	..	48	3	

**Additional  
Annex 11**

**BULGARIA: PROPERTY REGISTRATION AND CADASTRE  
PROJECT  
SOCIAL ASSESSMENT**

The Social Assessment (SA) was carried out during May-July 2000 in twelve rural and urban localities. Over 600 interviews were conducted with four stakeholder groups residing in villages and cities culturally, ethnically, politically, and economically diverse from one another. The stakeholder groups include persons with holding rights to immovable property, regional and local registration and cadastre officials, servicing experts, such as notaries, real estate agents and lawyers, and with vulnerable populations, such as the elderly, the poor, and the landless.

The overall aim of the SA was to understand the perceptions of land holders and institutional mechanisms perceived by the public as needed to make real estate transactions secure and transparent. A concomitant aim was to understand how the current registration system operates, particularly its ability to meet the needs and aspirations of stakeholders, users' knowledge about and familiarity with registration procedures and ability to use the system as intended, and differences in experience by various population groups.

The SA revealed the following findings:

The term "registration" has different meanings depending on where one lives

The process and need for registering one's property depend on where the property is located, the type of property, and its history of ownership. Owners of property located in the rural areas tend to have legal (effective) ownership of their houses and courtyard lots and formal ownership of farm and forest land and other assets. Acquiring formal ownership is a relatively simple procedure: the claimants are required to obtain a sketch of the property and a protocol record for assuming possession. These documents are called "initial documents." In principle, once the initial documents are approved by the Land Commission, they have the legal force of a deed and no further registration is required in the courts; however, as the person specified on the documents (the owner at the time of collectivization) is usually deceased, there are likely to be several claimants on the property, such as descendants and other co-heirs. Subsequent property subdivision is almost inevitable, because disputes among claimants are quite common. This renders formal restitution ineffective because ownership cannot be enjoyed until disputes among all parties are settled. To make restitution effective, claimants need to subdivide the property voluntarily or through court litigation. Only then

can they register ownership in their own names and obtain individual notary deeds. At this stage restitution becomes “effective”.

Since the majority of the rural residents already possess a deed to their homes and have “initial documents” of (co-)ownership to their land, when asked about the registration process, they understood registration to mean formal restitution and consequently reported that registration was not costly in terms of time or money. When asked if they planned to acquire a notary deed, respondents answered negatively, stating that they did not see any purpose for doing so. They did not see the point in acquiring a deed either in terms of tenure security or as a necessary first step in making a real estate transaction. The poorer respondents, particularly those whose livelihood depend on home production, link the concept of tenure security with the productive capacity of their land and not in terms of property ownership. Constraints to buying and selling land are viewed to be so insurmountable that the majority of rural residents do not plan to transact in the near future and thus have no incentive to “effectively” register their properties.

Urban residents, on the other hand, tend to understand registration to mean effective registration (the granting of property rights by way of a notary deed). Their responses about the registration process contrast sharply with those rural residents who had only formally received “initial documents” for their land. Urban residents report that they wait in long lines, run from office to office and need a “connection” to hasten the process. The few rural residents who had registered individual notary deeds for their land or who were currently trying to do so also report long waits and frequent visits to the offices. They consider transportation costs to be very high and beyond the reach of the poor.

On the whole, urban and rural residents alike view registration as an amorphous concept, often linking it to the very confusing process of restitution currently underway in the country. Residents tend to have only scant knowledge of the laws and policies governing the restitution and registration of property, and tend to perceive them as being purposefully vague and arbitrarily interpreted and enforced. Rural residents also tend to link land registration with general policies of land reform. Their dissatisfaction with the way certain land policies have been implemented may account for negative perceptions about the registration system, particularly among respondents who have not made any visits to the cadastre offices. Property owners have little faith that the registration process will be implemented in a fair and honest way because they question the integrity of the offices presently charged to oversee the process (these are the same offices who are responsible for restitution).

#### The pace of effective registration is more advanced in the urban areas

Urban residents tend to think in terms of effective registration because they have had more experiences acquiring or attempting to acquire a deed

for one or more of their properties. Effective registration is more common in the urban areas where property and land values are higher and access to credit is easier. Owners of urban property have greater incentives to consider the opportunity costs of their assets and greater possibilities to earn equity from them than owners of rural property. In the richer villages and towns, the need for effective registration arises and respondents experience their greatest difficulties in trying to register their properties.

Concerns over the restitution and registration process tend to be more pronounced in locations where real estate values are high, such as near major resorts, motorways leading to border checkpoints, and villa zones on the outskirts of town. Cases of protracted restitution tend to occur more frequently over the more expensive and desirable properties than over the less expensive and less attractive properties. Some owners believe that the officials working in the cadastre offices and Land Commissions purposely stall the process – sometimes for as long as 8 years – as a tactic to eventually take control over the property. Some disreputable clerks reputedly try to persuade elderly owners to release their claim on a property if the property is attractive or contested by several claimants.

There are also reported instances in which heirs of original owners cannot retrieve their property back from state entities currently using it. This tends to occur with respect to highly desirable properties. The longer a state entity has been using a property and the more changes made to the property, the more difficult it is for previous owners or their heirs to assume uncontested ownership.

#### Rural and urban differences in perceptions and priorities

Since only a minority of the rural property owners attempted to effectively register their properties, land owners reported relatively few complaints about the registration process. Instead their main concerns focused on the need for policies to stimulate agricultural production and to protect the land against erosion. The older Bulgarians in the villages are dismayed with current agricultural policy. They earn most of their money through subsistence farming, intensively cultivating their small courtyard lots and renting out their land to the village cooperatives. Many oppose the policy to return land to its “old real boundaries” because they believe they will end up with less land and will have more disputes with neighbors. Some land owners have abandoned their land and left it lying fallow because the value of the land is lower than the cost of maintaining it.

Ethnic and religious minorities living in the mountainous and semi-mountainous areas also expressed their concerns about current agricultural policy. The Muslims consider agricultural prices to be too low and prices of farm inputs to be too high and support policies favoring pastoralism and farming. A large proportion of the Turkish population

work in the village cooperatives and support policies favoring land consolidation and farm subsidies. Only a small proportion of ethnic and religious minorities had sizable landed properties. Many want to return to the relatively higher safety of the previous economic order when the collective farms and local industries guaranteed jobs and stable income. They tend to be concentrated in the NE and SE parts of the country where the level of unemployment is high.

Whereas rural owners view a major constraint to be a detrimental agricultural policy, urban owners view abuse of power as the major constraint in registering their properties and perceive the running from office to office as a symptom of such abuse. Urban owners are distrustful of the governmental institutions responsible for agricultural land reform and property registration. Since a large percentage of the urban population owns land in the countryside, many have dealt first-hand with rural restitution and urban cadastre agencies and have experienced numerous obstacles in establishing ownership over their properties. They are frustrated by the fact that they must visit the offices several times to receive the correct information about the types of documents they need; the hours of operations are limited, especially in the smaller municipalities; and clerks often do not have the expertise, resources, or desire to help individual claimants understand the process or guide them through it. All of these problems result in high transaction costs, lengthy delays, and fraught nerves.

#### Common perceptions among users and owners of the registration system

Owners of rural and urban properties have many different experiences with agencies overseeing registration, restitution, and land reform in general. Although their individual problems differ and their access and ability to understand information differs, as well as their understanding of the meaning of “registration”, they encounter enough of the same obstacles to share common perceptions about the registration process. First and foremost, holders of rights have a lack of trust in the institutions overseeing property registration. In over two-thirds of interviews, owners stated that they feel administrators serve their own interests and the interests of their friends and relatives. They feel there is a general lack of will on the part of the government to create an independent entrepreneurial class or to develop agricultural production.

Second, owners expect greater technical performance in processing their claims. They believe however that institutional reform must precede technical improvements in order for the latter to be effective. Owners desire to use their properties as equity and would like to transact but they are constrained by insufficient and imprecise information regarding their properties and by a lack of functioning markets and access to credits and subsidies. They call for better service and professionalism, longer hours of operation and offices closer to their residences, clearer laws and regulations, greater access to information on the property and on

registration procedures, and policies and incentives to facilitate real estate transactions.

### The point of view from administrators

Regional administrators overseeing formal restitution and registration of notary deeds often reported that their offices are working efficiently and are relatively unhampered by a backlog of unprocessed claims (contrary to informal interviews conducted by the World Bank). Clerks insist that clients are served immediately, however because clients are not well-informed and do not have a good understanding of the laws and procedures they must visit the offices several times before their claims can be processed. Clerks feel it is the clients' responsibility to get informed.

Overall, administrators believe that improving the technical capacities of effective registration is necessary for making the process efficient. They feel that the passage of the Law for Cadastre and Property Registration is a step in the right direction and advocate financing for the development of a complete and unified cadastre data base, electronic linking of office data bases, and more sophisticated hardware and software. They see the need for offices to be consolidated and better staffed. Real estate agents whose jobs are to unravel information about properties also recommend legal procedures to streamline the registration process and the settling of claims and to facilitate information flows among buyers and sellers.

### Recommendations for institutional strengthening

During the interviews respondents were asked to offer suggestions for improving the management of the current registration system. Many of them stated that there needs to be a neutral agency that brings unfair dealings to light and redresses wrongs, such as an ombudsman. They also see the need for a clearly articulated and viable grievance procedure. Despite their lack of faith in governmental institutions, they see the need for a central agency to oversee and regulate the activities of the Land Commissions and cadastre offices. Real estate property rights should be routinely and randomly monitored by an independent transactions and transfer of body.

Several rural respondents stated that there is an absence of community-based institutions to familiarize residents, especially poorer and elderly residents with the laws and procedures and act on their behalf in the processing of claims. There is also an absence of advocacy institutions supporting and defending citizens' property rights. Small communities need resources and "know-how" to mobilize and protect themselves.

Because the public links property registration with many other issues related to land, respondents see the need for parallel programs to consolidate land, develop the land market, and increase access to credit. They would also like to see a program to simplify and speed up legal

procedures related to registration, particularly legal settlement procedures concerning land restitution, rural land reallocation, and subdivision.

## **Additional Annex 12**

### **Environment Protection and the Management of Restituted Land**

Restitution Process for Farm and Forestry Lands. The process of restituting farm land was completed by the end of 2000, and it is expected that the restitution of forestry land will be completed by mid-2001. The restitution of forestry land follows a three-stage process: a system of basic points is first developed, then final sketches of the land to be restituted are issued, finally contractors are employed to identify the boundaries of forestry areas. Every claimant has the right to appeal in front to the district court within 14 days from receipt of the decision of the land commission and the sketch.

If a claimant cannot provide any ownership title, a district commission, consisting of representatives of the land commission and local authorities and headed by the district judge, will issue an ownership document to be sent to the responsible land commission. The land commission will then have 7 days to prepare TOR for the contractor that will identify the boundaries of the restituted forestry land. This process is very difficult and slow, and is expected to be completed by the end of June 2001. By then 18% of forestry land will have been restituted to private owners, and the rest will remain state property managed by the State Forestry Fund according to the "Forestry Act". Private owners will also have to follow the "Forestry Act." Amendments to the "Forestry Act" are now under discussion to encourage owners to create associations for the management of forestry land. It is proposed that financial help will be provided to owners of properties larger than 50 hectares to plant trees.

Regulations Protecting Restituted Land. The restitution of rural land to private owners is subject to the "Act on Land Use" and the "Act on the Protection of Arable Land." In the case of polluted areas, the State is responsible for taking actions to decontaminate the polluted area. The owner will either receive a compensation for the period of time it takes to clean up the area, or a voucher if the owner decides not to accept the restituted land. Information on polluted areas are kept within the Land Commissions, and are based on data collected by the regional branches of the Environmental Executive Agency.

The "Act on Protected Territories" and the "Water Act" (1999) regulate the use of restituted land in case of sensitive areas, such as land in the proximity of a watershed. In these cases, the rights deriving from tenure are limited by the prohibition to build or the obligation to limit grazing. Sanctions are foreseen for non compliance.

The "Municipal Ownership Act" (1992) regulates the management of green areas and parks within a municipality. The Act distinguishes between public municipal land and private municipal land. Parks and green areas fall into the first category, and the Act forbids the construction of buildings of lasting nature in these areas. The designation of an area as public or private municipal land can be overturned only by a decision of the municipal council for specific needs.

Transfer of Data. The transfer of data from the Land Commissions to the new cadastre will be done gradually over the next 3 to 10 years. It will first start in those districts that have solved the issue related to the discrepancies of data along contact zones between rural and urban areas. The EU Phare Pre-In project will provide assistance to MAF to design a software program for the transfer of data. In the meantime, additional assistance is requested to study the extent and quality of available data (currency and scale of maps), and the linkages between forestry land and the general cadastre. This activity has been included in the project design.

Implications on the Environment. The proposed project deals exclusively with land administration, and does not provide direct support to land management. Land administration concerns the establishment and maintenance of general, legal and fiscal cadastres. Land management benefits from this general framework and is based on the information stored in specialized cadastres (i.e., forestry management information system, agricultural cadastre). In this sense, the proposed project will provide a system for storing data that can then be used for managing specific areas such as parks and green areas in urban settlements.

The proposed project will also have positive impacts over the long run. The results of the social assessment pointed out that, since the value of land in the countryside is significantly low compared to land in urban areas, owners of rural land living in towns tend to leave their land fallow and unprotected. By implementing a unified cadastre system that will make transactions more secure and consequently less expensive, we could expect that people would sell and buy land more frequently than they do now, and unused farm land would be sold to farmers willing to cultivate it.

One of the main problems of agriculture exploitation in Bulgaria is land fragmentation. By stimulating the creation of a land market, this project will also foster consolidation of land over the long run.

