



# Project Information Document (PID)

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Concept Stage | Date Prepared/Updated: 06-Mar-2023 | Report No: PIDC35513



**BASIC INFORMATION**

**A. Basic Project Data**

Country Croatia	Project ID P180605	Parent Project ID (if any)	Project Name Digital and Integrated Land and Justice Services for Citizens (P180605)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date May 22, 2023	Estimated Board Date Sep 14, 2023	Practice Area (Lead) Urban, Resilience and Land
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency State Geodetic Agency, Ministry of Justice and Public Administration	

**Proposed Development Objective(s)**

The Project Development Objectives is to improve functional integration of land and court institutions to enhance services for citizens

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	138.11
<b>Total Financing</b>	138.11
<b>of which IBRD/IDA</b>	138.11
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	138.11
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Environmental and Social Risk Classification  
Moderate

Concept Review Decision  
Track I-The review did authorize the preparation to



continue

Other Decision (as needed)

N/A

## B. Introduction and Context

### Country Context

1. **Croatia is a small, open economy and the latest entrant to the European Union (EU), the Schengen Area, and the Eurozone.** After being severely affected by the global financial crisis, Croatia’s economy recovered, with growth averaging around 3 percent from 2016 to 2019. However, with the onset of the COVID-19 pandemic, Croatia’s GDP experienced an 8 percent contraction in 2020 before recovering by 7.6 percent in 2021. While economic recovery continues, growth is uneven, with reductions in income by as much as 15 percent and unemployment averaging 8.7 percent in 2021, with larger negative impacts in the country’s poorer areas. Nevertheless, Croatia’s public finances have improved significantly: fiscal imbalances have been reduced, and the country’s public debt profile has improved from very high initial levels. Despite this recent progress, the global financial crisis and the COVID-19 pandemic revealed persistent and underlying vulnerabilities to exogenous shocks that had a lasting impact on poverty and shared prosperity in Croatia.

2. **Positive economic trends, underpinned by government action on public financial management, have created an environment where the return on further reforms can be high.** In 2017, Croatia achieved its first fiscal surplus since independence, and public finances continue to be tightly managed. The European Commission Country Report for 2019—prior to the COVID-19 pandemic—confirmed that the shock of macroeconomic imbalances continued to be reduced in Croatia, largely driven by a positive economic environment and prudent management of government finances. This helped boost private sector activity and, as a result, unemployment fell and demand for labor increased. The improved fiscal and economic outlook also helped Croatia regain investment grade status as of March 2019. However, the country’s demographic profile (which features an aging population and increasing levels of outmigration, particularly for young Croatians) and global trends (such as the pace of technological change and the changing nature of work) make it increasingly critical to prioritize actions now to improve the country’s long-term growth potential. While current conditions support positive potential growth rates of around 2.5 percent over the medium-term, this is not enough to reignite, or accelerate, the pace of convergence with other countries in the EU.

3. **Croatia’s National Recovery and Resilience Plan (NRRP) is an ambitious outline of reforms and investment designed to mitigate the COVID-19 pandemic’s socio-economic fallout.** The plan’s overall structure consists of 76 reforms spread across five components and one initiative that, together with a series of planned investments, aim to make the country’s economy more resilient, green and digital. Almost 70 percent of the intended reforms fall under the plan’s first two components: “Economy”, which aims to strengthen the country’s competitiveness through innovation and new technologies, and “Public Administration, Judiciary and State Assets”, which focuses on the modernization of, and efficiency gains in, public administration at all government levels through fast digitalization, capacity building, and anti-corruption.

4. **The modernization of public administration in Croatia, including the fast and reliable provision of public services, are prerequisites for a stimulating business environment and better living conditions for all citizens.** The adoption of a new strategic framework for developing public administration and implementing numerous reforms



contained in the NRRP will facilitate further transformation of Croatian public administration into a modern, highly professional, efficient and transparent public administration orientated to society and citizens, resting on the principle of quality. Public administration will also utilize the opportunities provided by digital transformation to improve its operational process and public services, as well as reduce the administrative burden for citizens and businesses. Activities have been successfully carried out in recent years with the aim of shortening the duration of court proceedings, streamlining the judicial network and modernizing the functioning of the entire system. In line with these priorities, Croatia's Ministry of Justice and Public Administration (MOJPA), which maintains the land registry under the Ministry's Land Registration Management Sector, and State Geodetic Agency (SGA), which is responsible for the management of Croatia's cadaster and the country's associated Cadastral Offices (COs), are undertaking serious reforms to improve land administration data, services and institutions.

### Sectoral and Institutional Context

5. **Croatia's land administration system has been transformed with World Bank support over the past two decades.** The first round of financing started under the Real Property Registration and Cadaster Project (RPRCP; P067149), which was implemented from 2003-2010 and successfully completed the first phase of land registry and cadaster reform in Croatia by simplifying procedures, improving the efficiency of services, increasing transparency and access to information, and delivering joint procedures and a common land database under the JIS. The development of the JIS created a single database of cadaster and registry information and integrated business processes that brought SGA and MOJPA together within one land administration system. The Integrated Land Administration System (ILAS; P122219) and its Additional Financing, continued cooperation. Key reform achievements under ILAS include (i) faster transaction times for land services; (ii) a shift to online services—over 55 percent of services are now requested online; (iii) establishment of the JIS that shares registry and cadaster data; (iv) geospatial data shared with over 120 government agencies and municipalities; and (v) more than 38 million paper land records scanned and digitized.

6. **Reforms have also been made in the court sector with support from the World Bank-funded Justice for Business (J4B) Project.** Simplified of business regulatory procedures are in place supported by a single digital window for business activities. There has also been progress in simplification and automation of construction and use permits. Implementation of e-Dozvola (e-Permit) in the City of Zagreb, Croatia has now successfully implemented the digitalization of construction and use permit services across the entire country. There has been uptake of e-communication and utilization of the e-Justice tools. The project supported integration of municipal, administrative and commercial courts in the Integrated Case Management System (ICMS). Progress has also been made with reducing court case backlogs and the design of modern court infrastructure.

7. **Despite these achievements three primary obstacles to effective land and justice services persist: i) lack of harmonized, standardized and shared land and justice data; ii) weak service delivery due to lack of integrated land and justice services; and iii) inadequate physical infrastructure for integrated and people-centric services.** There is a low level of real estate data harmonization within the JIS—only 8 percent of cadaster/registry data are harmonized, which is way below the NRRP target of 60 percent and represents only 5 percent of all land in the country. This lack of harmonization has negative consequences, as it undermines the clarity of land rights, leading to increased land disputes in courts. Moreover, citizens and businesses are burdened by time and financial costs when dealing with unharmonized documents. To use such documents for sales or mortgages, individuals must pay for harmonization procedures and endure the wait for them to be completed. Private sector investments may stall due to unclear land rights or boundaries. Additional data, including that covering buildings, infrastructure and real estate prices, can be developed and integrated in the JIS to ensure full data and records are available to the public, the private sector, service providers and court staff. Data standards must be improved to comply with the EU INSIPRE Initiative.



8. **The lack of integrated land and justice services prevents the GoC from maximizing benefits from past and future investments in these sectors.** Both the land and justice sectors would benefit from an increase in e-services and increases in the use of e-services that already exist. Effective use of e-services should result in reduced time and financial costs for service users as well as in better quality of services. MoJPA has introduced a reform requiring submission of all land transactions online and will need assistance this process is implemented smoothly and that vulnerable persons are not excluded. The One Stop Shop Portal of the JIS is in need of upgrading to support further digitization and e-services. The SGA could enhance operating procedures within the cadaster, including the use of 3D surveys and enhancing digital procedures. ICT infrastructure is also in need of updating in cadaster offices to support services in a more effective manner. The effectiveness of court case processing remains below EU standards set by European Commission for the Efficiency of Justice (CEPEJ), and e-services in courts can be increased, for example by capturing positive initiatives instituted during Covid-19.

9. **The proposed Digital and Integrated Land and Court Services for Citizens Project seeks to catalyze Croatia's land and justice sector reforms.** Successful implementation will reposition Croatia from an EU performance outlier to the upper rung of performers, supporting digitized and integrated land and justice sectors with spillover effects unlocking land value capture and benefitting land use planning, climate change adaptation and disaster risk mitigation. Improved services should also increase trust in government institutions and the public sector. The project would finance activities related to (i) data digitization and management, including harmonization of cadaster/registry data in the JIS and scanning/digitizing land records and judicial decisions; (ii) enhancing geospatial information systems, including the scale-up of the building registry and infrastructure mapping, establishing a real estate market price register; and (iii) service delivery improvement, including citizen engagement activities that will aim to increase the number and use of land and justice e-services, upgrading MoJPA's One-Stop-Shop online portal and rehabilitation of common court and cadaster infrastructure.

#### Relationship to CPF

10. **The proposed project is closely aligned with the World Bank Group's Country Partnership Framework for Croatia for FY19-FY24.** The CPF sets out the overall objective of supporting Croatia in achieving more sustainable and inclusive development by supporting institutional improvements needed for a sustainable trajectory towards EU convergence and eventual IBRD graduation. In particular, the proposed project contributes to CPF Focus Area 1: Enhancing Public Sector Performance and Institutions, particularly Objectives 1: Improve efficiency of public administration to implement strategy and deliver services, and 3: Create opportunities for people, particularly in less developed regions. The proposed project also contributes to CPF Focus Area 3: Strengthening Market Institutions to Enable a Dynamic Enterprise Sector, and to the achievement of its Objectives 6: Improve business climate and increase the private sector's role in the economy, and 7: Promote entrepreneurship and innovation. The activities of the proposed project are also fully aligned with multiple initiatives of the Government of Croatia, including the NRRP and the National Development Strategy 2023, as well as EU-level initiatives such as implementation of the INSPIRE Directive and the European Green Deal.

### C. Proposed Development Objective(s)

The Project Development Objective is to improve functional integration of land and court institutions to enhance services for citizens.

#### Key Results (From PCN)

11. Progress towards the PDO will be measured through the following indicators:



### PDO Indicators

- Percentage of cadaster and registry data harmonized in the Land Database of Joint Information System
- Number of buildings added to the Building Registry
- Number of cadastral municipalities with updated cadaster/registry data
- Number of courts, Land Registry Offices and Cadaster Offices with integrated infrastructure
- Establishment of enhanced system for adjudicating appeals involving land disputes (Yes/No)

### Intermediate Indicators

- Number of new cadaster and court e-services
- Number of new services on JIS One-Stop Shop portal
- Number of cadaster and land registry documents scanned
- Development of infrastructure design guidelines for common cadaster, land registry and court facilities (Yes/No)
- Number of households benefitting from harmonized cadaster and land registry documentation
- Number of land records and judicial decisions published online
- Percentage service user satisfaction

## **D. Concept Description**

12. The proposed project will include four components. Components A, B and C will be hybrid IPF and Performance-Based Financing (PBF) through the use of Performance Based Conditions (PBCs). The Government of Croatia has proposed a loan of €130 million, with roughly €75 million in investment and €55 million in performance-based financing. Proposed allocations of PBF funding among PBCs will be developed in further consultation with the implementing partners as part of the project preparation process.

13. **Component A. Integrated and Digitized Data and Information.** (IPF EUR 20 million) This component will support digitization and integration of cadaster, land registry and court data and information. Activities will focus on developing data quality to EU standards, harmonization of land records and sharing data and information within the land and justice sectors and beyond. The IPF portion of the component would support i) harmonization of cadaster and land registry data via the Land Database of the Joint Information System (JIS); ii) enhancement of the Joint Information System (JIS); iii) roll-out of the building registry; iv) completion of the infrastructure cadaster; v) addition of a registry of land purchase prices and mortgages to the JIS; and vi) scanning and digitization of cadaster and land registry documents and court decisions.

14. Sub-components will include: Component A.1 Harmonization of land registry and cadaster data; Component A.2 Enhance Joint Information System; Component A.3 Scaling the Building Registry; Component A.4 Completion of the Infrastructure Cadaster; Component A.5 Scan and Digitize Land and Court Records.

15. **Component B. Integrated and Digitized Cadaster, Registry and Court Services.** (IPF EUR 10 million) To further improve service delivery MoJPA and SGA have proposed to increase the number of e-services available and to pilot the use of notaries in speeding the process of land registration. The IPF portion of this component fund activities such as: i) introduction of new e-services and support to the new requirement for online submission of land transactions; ii) upgrading of the JIS One Stop Shop Portal; iii) cadaster and land registry reconstruction for priority construction lands; and iv) enhancement of SGA operating systems and services. Upgrades to the One Stop Shop Portal would support more efficient e-services. The proposed activities would contribute to progress towards the NRRP commitments to the



improvement of the land registry and cadaster services and overall justice infrastructure. The achievements of this component would include higher use of e-services. SGA would implement new cadastral surveys of construction land and renew digital orthophotos in Zagreb municipality to support earthquake damage recovery. The SGA would enhance their operating procedures by updating LIDAR (3D) data for all of Croatia, enhancing the CROPOS system, enhancing digital procedures and improving IT infrastructure in SGA offices.

16. Sub-components will include: Component B.1 Enhancing Court, Land Registry and Cadaster e-services; Component B.2 Upgrade MoJPA/SGA One Stop Shop Online Portal; Component B.3 Cadastral surveys and land registry reconstruction; Component B.4 Enhancing SGA Operating Procedures and Services.

17. **Component C. Integrated and Digitized Infrastructure.** (IPF EUR 55 million) This component would provide rehabilitation of court, registry and cadaster infrastructure to international and EU standards to support improved service delivery and establishment of a new structure for addressing appeals of land disputes. The IPF portion of this component would support renovation of infrastructure to support integrated cadaster, land registry and court services and establish and Land Court of Appeals. This component builds on the successful experience of the J4B project rehabilitating the Zagreb Municipal Civil Court and judicial facilities in Vinkovci, Kutina and Varaždin, and renovation of the Zagreb Land Registry Office through ILAS. This component will support both functional and physical rehabilitation and renovation of infrastructure in areas possibly to include Novska, Rijeka and Velika Gorica. All sites include cadaster and land registry offices, which would allow for functional integration with courts and provide a model for future renovations under J4B.

18. Sub-components will include the following: C.1 Renovation of Court, Registry and Cadaster Infrastructure and Component C.2 Establishment of System for Appeals of Land Dispute.

19. **Component D. Institutional capacity building, policy analysis, and Project Management.** (IPF EUR 5 million) This component is purely IPF and would provide support for the operation of the PIU in the MoJPA as well as for M&E activities. It will support the PIU, provide capacity-building training, implement public awareness campaigns, and conduct user satisfaction surveys. A joint PIU is already supporting implementation of the ILAS and J4B projects, and the same team will support implementation of the proposed projects with adjustments to staffing as needed. As a minimum it will include including a project manager, education, monitoring and evaluation specialist, procurement specialist, financial management specialist, IT specialist, civil engineer, architect, and social safeguard specialist responsible.

20. Sub-components will include the following: D.1 Project Management; Component D.2 Training and Education for MoJPA; D.3 Training and Education for SGA; and D.4 Public Awareness Campaigns; and D.5 User Sataisfaction Surveys.

21. **IPF with Performance Based Conditions (PBCs).** The project aims to utilize PBCs to finance selected outputs under each component. The use of results-based financing is suitable for use with land and justice administration, such as those supported by the project. The use of PBCs will provide additional oversight over expenditures under the project and provide incentives to further the process of integrating data, services and infrastructure.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts



22. **The project's environmental risk is rated Moderate.** The risk is predominately linked to rehabilitation of four existing court buildings under Component C. Some small refurbishing works are also possible under Component B. Given the envisaged general and small-scale civil works, the potential adverse risks and impacts on human populations and/or the environment are unlikely to be significant or high, as the project activities are not complex or large, do not involve activities that have a high potential for harming people or the environment, and all of the project sites are located away from environmentally sensitive areas. Any identified risks will be reflected in project documents as well as E&S instruments including (i) measures to mitigate possible contributions to climate change in all phases of the project (e.g., through energy efficiency measures); (ii) measures to increase resistance to climate change impacts (e.g., insulation, greening to prevent heat islands); and (iii) raising awareness and creating training programs to support judiciary staff in recognizing and addressing climate change implications in legal practice and in the judiciary.

23. **The project's social risk is rated Moderate.** The risk is considered Moderate due to (i) potential risks related to land disputes that could arise and need to be adequately management for cadaster, land registration and valuation activities; and (ii) potential risks for exclusion of vulnerable groups to adequate and agile legal and judicial services where land and property are critical (e.g., divorce cases, protection orders, elderly/inheritance issues, marginalized ethnic groups). Temporary social disturbances related to civil works for restoration or construction of buildings will also occur, but these can be readily managed through common E&S mitigation measures.

## CONTACT POINT

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**APPROVAL**

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