

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA26118

Project Name	Land Registration and Cadastre Modernization Project - Second Phase (P154259)
Parent Project Name	Turkey Land Registration and Cadastre Modernization Project (P106284)
Region	EUROPE AND CENTRAL ASIA
Country	Turkey
Sector(s)	Central government administration (90%), Sub-national government administration (10%)
Theme(s)	Land administration and management (50%), Administrative and civil service reform (20%), Municipal governance and institution building (10%), e-Government (10%), Tax policy and administration (10%)
Lending Instrument	Investment Project Financing
Project ID	P154259
Parent Project ID	P106284
Borrower(s)	Republic of Turkey, Under-secretariat of Treasury
Implementing Agency	General Directorate for Land Registry and Cadastre
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	19-May-2015
Date PID Approved/Disclosed	03-Jun-2015
Estimated Date of Appraisal Completion	22-Jun-2015
Estimated Date of Board Approval	27-Aug-2015
Appraisal Review Decision (from Decision Note)	The review did authorize the team to appraise and negotiate

I. Project Context

Country Context

Turkey's economic development in the post 2001 period has resulted in impressive economic achievements. After a banking crisis in 2001, the country embarked on a concerted path of structural reforms supported by strong fiscal consolidation, strengthened banking supervision, and a shift to a flexible exchange rate regime with an independent central bank responsible for inflation targeting. Per-capita income almost tripled in less than a decade, and Turkey is now an upper middle-income country with the world's 17th largest economy. After a swift rebound from the recession in the Global Economic and Financial crisis in 2008-09, concerns over Turkey's vulnerability to tightening global liquidity as well as domestic political uncertainty have dented

investor appetite; as a result, economic growth slowed since 2012. Election-related uncertainties, geopolitical developments and concerns over the Government's handling of corruption allegations dampened confidence and weakened private demand in 2014. Thus, despite robust exports and supportive government spending, GDP growth slowed to 2.9 percent in 2014. Exchange rate pass-through and higher food prices pushed inflation to 9.5 percent by mid-2014, almost twice the central bank's target rate, but the 12-month inflation rate slowed to 7.6 percent in March 2015. Moderate growth and exchange rate depreciation reduced external imbalances, and the current account deficit (CAD) narrowed to below 5.4 percent of GDP in January 2015, from close to 10 percent in 2011.

Economic activity is expected to remain subdued in the first half of 2015, limiting the full year growth rate to 3.0 percent in 2015. Households and corporates are expected to postpone their spending decisions due to political uncertainty until the June elections. Fiscal policy will remain accommodative and growth supportive until the General Elections, but expected to be partially reversed afterwards. The absence of strong import demand from EU and geopolitical problems in the region will limit export performance throughout 2015. The expected strong recovery in the second half of this year is likely to continue in the first half of 2016, however. Thus, we project growth to marginally rise to 3.0 percent in 2015 and accelerate to 3.9 percent by 2016. For 2017, we expect growth to slow down towards its new potential growth rate.

Over the medium-term, Turkey's growth prospects depend on private investment spending and productivity growth. Persistent investment weaknesses lowered Turkey's GDP growth in the aftermath of the Global Financial Crisis. Pursuing a credit-driven consumption-based growth strategy to boost economic growth is no longer a viable option for Turkey. Strong reform signals would revitalize private investment spending and boost TFP growth. Higher GDP growth is needed to continue Turkey's convergence process. Most notably, new reform momentum is much needed to improve the quality of education and to upgrade skills. Boosting productivity growth and creating enough high productivity jobs to accommodate Turkey's rapidly rising labor force are critical to create shared prosperity in Turkey.

Sectoral and institutional Context

Protection of property rights is one of the most fundamental elements of a functioning market economy. It is a vital component in supporting real estate and housing sectors of the economy, attracting international and domestic investment, promoting efficiency of labor markets by enhancing mobility, and establishing an important basis for collateral in tapping into credit markets, especially for small businesses, which represent over 80% of Turkey's private enterprises. Effective land and property administration systems also promote tenure security to residents.

Fortunately for Turkey, a country dependent on foreign investment to boost economic growth, a well-functioning property rights system is largely in place. With its roots dating back some 168 years, the Turkish Cadastre and Land Registration System is considered one of the most effective in the region in terms of its protection of individual ownership rights and efficiency in transaction services. While property transactions can be completed in one day in many offices, there are still many challenges that need to be addressed to ensure that the land registry and cadastre systems are fully integrated and modernized to reach the same service level as OECD countries enjoy in Europe and elsewhere.

The General Directorate of Land Registry and Cadastre (TKGM), carrying forward the legacy of the Ottoman Empire to the modern Republic of Turkey, has almost completed the first cadastre works for the entire country with 98.5% of land fully mapped and registered. This cadastral mapping process was expanded significantly beginning in 2004 when TKGM adopted a modernized project management concept and results-oriented approach in several key areas such as information systems, continuous operating coordinate systems, land registry archives, mapping data and information bank, national spatial data infrastructure, etc.

Turkey has experienced dramatic urbanization over the past several decades. However considering the very high urbanization rate Turkey has been facing over the last several decades it has been a challenge for the Government of its institutions to cope with the provision of high quality technological services to the citizens. Turkey's growth has been remarkable and due to rapid urbanization the housing and construction sector was key to achieving this high growth rate. In major cities, the residential, industrial and commercial construction is taking place at a rapid pace and all support services, including property surveys and subdivision, are stretched to keep-up with increasing demand. Most secondary city areas have grown in size, some by at least 50 % into rural areas in the last decade. Moreover the recent Metropolitan Municipality Law expanded the metropolitan city boundaries to provincial boundaries in all existing and new metropolitan municipalities which are thirty in total. The resulting demand for cadastral survey services from both the public and private sectors continues to grow.

TKGM has a program to renovate cadastral records in high priority areas. The current Cadastre Law stipulates a cadastre renovation is intended to improve the historical cadastral maps technically in terms of accuracy, location reference and electronic and spatial data in accordance with the standards of the era of e-governance. Turkey's cadastral maps were originally kept in a paper format, varying in accuracy and consistency, and were not linked to the national databases. Such graphical records are not appropriate for the electronic era where cadastre records and maps serve as the base records for a wide variety of E-Government applications. Furthermore, cadastral data and ownership records need to be improved also for ensuring full integration between land registry and cadastre systems.

Property valuation systems for taxation are less developed in Turkey than in similar economies in the region, and publicly-assessed property values are not based on market values. This can compromise the effective use of land and property assets as a basis for collateral, a particularly critical role for SMEs, which make up a large segment of the businesses in Turkey. And despite increasing land values that accompanied rapid urbanization in recent decades, there has not been efficient value capture and the ability to mobilize local property tax revenues necessary to finance more complex infrastructure needs in growing cities across the Anatolian peninsula.

There is no single law and/or regulation outlining the procedures for property valuation in Turkey. The basic working principles are described in more than ten laws and regulations. The Expropriation Law and the Taxation Law, dated 1983 and 1970 respectively, are the key legal instruments referenced in real estate valuation. Besides these laws, new regulations about licensing appraisers and developing licensed valuation offices were enacted in 2001 and 2007 for property appraisals carried out under the regulatory oversight of the Capital Markets Board of Turkey (CMBT).

As for the underlying organizational structure for real estate valuation, about 20 different

institutions have the authority to perform valuations in Turkey. Except for the CMBT, all the institutions work through real estate valuation commissions. A District Valuation Assessment Commission (Commission) is composed of selected officials from the concerned body that needs real estate values for the purposes of taxation, expropriation, nationalization, etc. These officials do not need to be licensed to participate in the commission work.

The Land Registry and Cadastre Modernization Project that started in 2008 has implemented a large cadastre digitization and renovation program and piloted mass property valuation. The project has been rated satisfactory for several years and has met project targets and objectives in increasing effectiveness and efficiency of the land registry and cadastre services. This has been recognized across the Government in Turkey and also globally in international professional forums. The success has generated demand for further advances and applications.

In parallel, the Government's Mid-Term Development Program (MTDP 2015 - 2017) calls for a review and improvement of the property taxation system. Also, the Ministry of Finance and its General Directorates responsible of state property management and asset audit have embarked on an initiative of improving the state property inventory with the aim of defining market values for public properties by the end of 2016. The Ministry of Finance wishes to explore ways of expanding the implementation of the piloted mass valuation system under LRCMP and databanks also in order to enhance property taxation, which currently is not linked to true market values. Finally, the Directorate of Geographical Information Systems of the Ministry of Environment and Urbanization (MEOU) has been assigned to implement the INSPIRE directive of the European Union and launch a national Geoportal (under development) using land records and maps as the fundamental base spatial data for Geoportal's services.

In response, the Turkish Land Registry and Cadastre Agency's (TKGM) Strategic Plan set the completion, renovation and updating of cadastral records and establishment of a property valuation system to support taxation among its priorities. MEOU's Directive of December 30, 2014 authorizes further project investment in the land registry and cadastre system building on TKGM's existing infrastructure, spatial data and services. TKGM operates internationally advanced digital systems of cadastre and land registry and cadastre records and cadastral and topographic mapping and it processes property transactions efficiently. The records have been established nearly country wide during the project, but further investment is needed for improving data quality of digital data established from historical records and for updating land title records, which would also support the Government's Action Plan for Reducing Informal Economy. TKGM has also established the basic infrastructure for sharing and exchanging electronic spatial data through internet with hundreds of connected public sector users, but the full application along the EU INSPIRE directive requires further investment and policy decisions.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The overall goal of the project is to contribute to government agenda to improve quality and effectiveness of public services through spreading and making effective e-government applications. The specific objective of the proposed project is to improve the effectiveness and efficiency of the land registry and cadastre services. This objective will be achieved through: (i) renovating and updating cadastre maps to support digital cadastre and land registry information; (ii) making the digital land registry and cadastre information available to public and private entities (iii) improving

customer services in land registry and cadastre offices; (iv) improving human resources in the Turkish Land Registry and Cadastre Agency (TKGM); and (v) developing policies and capacity to introduce best international practices in property valuation.

B. Proposed Project Development Objectives – Additional Financing (AF)

The objective of the Project is to improve the effectiveness and efficiency of the land registry and cadastre services through: (i) renovating and updating cadastre maps to support digital cadastre and land registry information; (ii) making the digital land registry and cadastre information available to public and private entities; (iii) improving customer services in land registry and cadastre offices; (iv) improving human resources in TKGM; and (v) developing policies and capacity to introduce best international practices in property valuation in Turkey.

III. Project Description

Component Name

COMPONENT 1. CADASTRE AND LAND REGISTRY RENOVATION, DATA IMPROVEMENT AND UPDATING

Comments (optional)

Component Name

COMPONENT 2. IMPROVED SERVICE DELIVERY

Comments (optional)

Component Name

COMPONENT 3. HUMAN RESOURCES AND INSTITUTIONAL DEVELOPMENT

Comments (optional)

Component Name

COMPONENT 4. PROPERTY VALUATION

Comments (optional)

Component Name

COMPONENT 5. PROJECT MANAGEMENT

Comments (optional)

IV. Financing (in USD Million)

Total Project Cost:	130.00	Total Bank Financing:	91.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			39.00
International Bank for Reconstruction and Development			91.00
Total			130.00

V. Implementation

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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