

RESPONSE TO THE COMMENTS AND QUESTIONS ON THE IMPLEMENTATION OF PROJECT
ACTIVITIES OF THE
REAL ESTATE MANAGEMENT PROJECT IN SERBIA

This is in response to the request of the World Bank to address the questions and concerns raised in a letter signed by the representatives of three unions: “Jedinstvena organizacija sindikata”, “Nezavisnost” i “Asocijacija slobodnih i nezavisnih sindikata” dated June 12, 2020.

In response to the allegations of corruption indicated in the Letter, quote: “the transfer of funds for the unintended purpose from the WB loan to the private sector as well as suspicion of corruption” we would like to state the following:

Pursuant to the Loan agreement (Schedule 2, Section 2, and Paragraph 3 on page 9 of the Loan Agreement) with the WB, after the completion of each fiscal year the Project must be audited by the independent auditing firm. All audits have found that the Project operation is in line with the adopted documents and procedures; i.e. all Project audits conducted since the beginning of implementation were “clean”. The annual Audit report is published on the RGA’s web site page dedicated to the REMP.

Loan proceeds are being used in line with the procurement plan prepared for each year no later than November 30th of the previous year, and presented and approved by the Project Council and the World Bank.

Since the beginning of the project implementation, cooperation has been established and activities have been implemented with various partners and projects. More information can be found on the website of the Republic Geodetic Authority in the section International Cooperation in the section Current Projects and Realized Projects.

Component A: Property Valuation and Taxation

Property Price Register

At the time of the project preparation, the information about the trends and changes on property market have not been available in Serbia. The Project had planned to support the RGA as the institution best positioned to collect such data, having that this institution performs property rights registration based on the legal documents providing the acquisition of property rights. “Data on sales prices will be collected at the first available point in the transaction process, which is when the sales contract is registered, using a web-based application” (PAD, Page 33, Paragraph 3).

The application that manages the Sales Price Register is web-based and provides for the RGA employees to work on the data input, maintenance and analysis, and for the online data issuance for other public institutions and private sector. Data acquisition from the property market had commenced in 2012. The Project had also provided support for the input and quality control of data backlog and is providing the support for the current management of the Property Price Register.

Presently the Sales Price Register contains data on over 670,000 transactions registered, with an average annual number of transactions ranging from 90,000 to 120,000 transactions per year.

The Property Price Register is also the official register of the collected and entered Real Estate property market data, used by the RGA for statistical purposes and which is stipulated by the Law on Property valuers as the official data source for the individual property valuers.

The Property Price Register supports direct online data issuance for the registered professional users from private and public sectors. For the public, Property Price Register data is provided on the web presentation of the Republic Geodetic Authority, at <http://katastar.rgz.gov.rs/RegistarCenaNepokretnosti/> .

Mass Valuation Pilot Projects

Mass valuation (hereinafter: MPV) estimates an equation for predicting the value from the characteristics of each property so that the valuation process can be computerized. The equation can be estimated from a sample of properties, using the Sales Price Register, and tested against a second sample of properties. Once a reliable equation has been developed, values can be generated for the entire population of properties according to their characteristics (PAD, Page 33, Paragraph 5).

The international consultant for the MPV model development and the local consultants are contracted for the data analysis from the Sales Price Register and model development based on these data. The international consultant, as an experienced expert in this field, had provided training for the local consultants and monitors their work through the mentorship. The tasks of the international consultant also include a support to development of the MPV models based on the data from the Property Price Register.

The impact of changing to the mass appraisal model will be evaluated in a sample of approximately 5 municipalities to see the impact both of an improved tax valuation system and the creation of a comprehensive fiscal cadaster that identifies each unit of occupancy so that all taxable properties are listed in the tax rolls (PAD, Page 33, Paragraph 6).

Under the pilot projects, five selected municipalities will be used for testing the models for the housing properties and one pilot municipality will be used for testing the models for commercial properties. The application of MPV model will be applied on all properties identified and registered in the Building Register since the property tax, pursuant to the Law on Property Taxation, shall be collected for all constructions that are completed or are being used, regardless of their legal status and status of registration in the Real Estate Cadaster.

The agreements on cooperation has been signed with the five selected pilot municipalities: Vračar, Veliko Gradište, Čacak, Pirot and Zrenjanin. In order to improve communication with the institutions in pilot municipalities, under the project there are consultants (local coordinators) hired which conduct regular meetings with local institutions coordinate work on data acquisition of data from local databases and other sources.

Establishing Building Register

The creation of a building register will ensure that municipalities have a comprehensive list of properties from which the annual property tax should be collected. This should reduce the tax and/or increase tax revenues by ensuring that all properties which should be subject to the tax are actually in the tax roll. The project will support collection of the data to establish the registry using techniques such as aerial photography and the reconciliation of lists of

properties compiled for various purposes such as elections and utility billing (PAD, Page 34, Paragraph 7).

For that purposes, under the project are acquired high-resolution satellite images for the epoch 2015/16 and used to identify all of the buildings over the territory of the Republic of Serbia. Collected data were compared to the data within Digital Cadastral Map database. Out of the total of 4.3 million buildings registered on the Digital Cadastral Map, some 1.2 million buildings have been detected that have been demolished or altered to the significant level, while some 4.3 million buildings have been detected not existing on the RGA's Digital Cadastral Map database.

The satellite imagery processing had yielded the position and the footprint of all buildings, and the supplementary data shall be taken over from the other databases available in the RGA and the local institutions (local tax administrations, local public utility companies, etc.) collected under the pilot projects. There is an analysis of databases acquired from the local institutions underway, together with the preparation for the automated linking of data between them and the data acquired from the satellite imagery and from the RGA's database.

For the purpose of better utilization of the data obtained from the satellite imagery, the software was developed to integrate those data with the Digital Cadastral Map, in order to facilitate the use of these data in the RGA's daily work.

In order to monitor the changes of the number of properties in the field, new set of high-resolution images procurement is under the way. The acquired satellite images will have much broader application than monitoring of the changes. They will be used for other purposes within different government sectors.

The Building Register will not exist as a separate register to be used solely for the purposes of MPV; instead, it will be integrated in the comprehensive Information System for Real Estate Cadaster, as another dataset that would assist the RGA's daily operation. In an ideal situation, all of the buildings identified through the Building Register would have the legal status resolved, being registered in the Real Estate Cadaster, thus diminishing the need for the Building Register existence.

Improving the Property Valuation Infrastructure

PAD, Page 42, Paragraph 8: "Whilst Serbia has not officially adopted appropriate valuation standards or qualifications, there is local good practice in the form of small local professional bodies that follow international standards and a few valuers who are members of a professional body that has adopted internationally recognized standards. The problem is that only a minority of valuations are undertaken in accordance with these standards."

Since the Law on Property Valuers has been adopted (2016), it provides for licensing of valuers and prescribing national standards, in line with the international standards, to be used as the guidelines for the valuers' work. In 2017, all by-laws related to this law have been completed and the first licenses have been issued by the end of 2017. The Law also envisions that the source of data for property valuation shall be the data from the Property Price Register managed by the RGA. The licensed valuers have the option to register as the professional users of the Property Price Register, in order to obtain a faster access to the data they require for performing their professional duties.

With these actions completed the results of this subcomponent have been achieved.

Component B.2: National Spatial Data Infrastructure (NSDI)

NSDI - Project Document (PD) should not be considered without prior review of the Project Appraisal Document (PAD). PD is a document that describes project restructuring, while PAD provides detailed project description. Donor support to the RGA, including Norwegian donor support, is presented in detail in PAD on the pages 22, 23, 35, 37 and 49

(<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/541411468182064197/serbia-real-estate-management-project>).

Support to NSDI is described in PAD (Page 37, Paragraph 25). The terms “Geoportal” and “Geospatial platform” mentioned in the letter represent different concepts that could be found in the professional literature in this field. Monitoring the implementation of the entire project is permanent and conducted by the World Bank qualified consultants.

The development of the Integrated Real Estate Cadastre System (ISREC) and NSDI is in accordance to plan including some adjustments conditioned by the new technological solutions or/and methodologies. All modifications of the basic plan were agreed during the regular project monitoring missions with the help of the experts from the WB. During missions, potential problems and issues would be discussed and solutions identified within the available budget and timeframe. Today, Serbia has one of the most comprehensive technological solution and available datasets within NSDI.

Component C.4: Improving Procedures, Removing Backlog and Improving Office Infrastructure

On the basis of issues identified at the project design stage PAD has defined important activities that would lead to streamlining cadastral system. In the document part V.4 Improving procedures, removing backlog and improving office infrastructure (Page 46, Paragraph 49 through 55) provides all of the reasons and describes the activities that should lead to the up to date system for property rights registration, including:

- resolving the backlog of cases;
- creating legal framework;
- improving the development strategy;
- improving business processes;
- introducing a modern IT solution for the entire operation of the RGA; and
- data migration into the new system.

REC is a property register of property ownership and other property rights. At the time of the project preparation, approx. 150,000 unresolved cases have been identified at the first instance in Belgrade, Niš, Novi Sad and Kragujevac. At the same time, it has been established that there is a backlog of 23,000 cases in the second instance, under, at that time, the competence of the Ministry of Construction, Transport and Infrastructure.

The Project had defined financing the resolving of all unresolved cases in the Local Cadastre Offices (LCOs) by 2015. RGA took over the second instance appeals together with the backlog from MGSI and since then RGA is financing resolving the backlog.

The cause for the occurrence of this great number of unresolved cases has been elaborated on the page 43, Paragraphs of 52 to 54 of the PAD.

Of the backlog created before 2015 a total of 94.25 % and 97 % of the first instance and the second instance backlog has been resolved, respectively. This component is considered to have achieved its expected results.

Software development for cadaster ISREC started early in the project implementation. Because of the previous experience with the software development and based on the recommendations by the IT experts, ISREC development was divided in three phases: DMS (Phase 1), Address register and register of spatial units (Phase 2) and Core software for REC (Phase 3).

Under the Phase 1 of the software development, DMS was developed and implemented. DMS operates at the central level and it is a solid base for monitoring of all case handling in a LCO's (Local Cadaster Offices) and employees' performance. All data from the previously used case management system have been migrated into the new system, together with the case status and classification. Only after the full implementation of the DMS it was possible to identify the actual backlog in the LCO's. These cases need to be categorized and migrated or closed/archived.

Closing/archiving of the cases is a demanding process, but it commonly occurs during the case migration in the agencies that manage the case management systems. Since 2018 when DMS was rolled out in all LCO's, all cases from the old case management system have been migrated to the new DMS.

For the purpose of establishing the central database of the Real Estate Cadaster under the Phase 3 of the Project, the REC Department of the RGA had initiated the procedure for updating the administrative cases status. Procedure is design to record movement of each individual case in a LCO's to the DMS, as well as to scan them, in order to allow faster and more efficient finding and viewing the each individual case, by determining the exact location of the case.

Migration of the administrative cases in the DMS had established that some of the cases have the active status in the DMS, while these cases have been actually archived and have been found in the archive. Likewise, it has been established that the individual cases are being registered in multiple LCO's, with the status of active applicant, while those cases actually belong to a single LCO. Such cases should be designated "passive" in the remaining local offices.

Some of the mentioned problems are caused by the territorial reorganization of the Belgrade office by splitting into several (one for each political municipality) LCO's. During the case migration into DMS database all new LCO's had the significant number of cases that have been completed and enforceable; however, those cases cannot be archived since the client did not pay the fee required by the Resolution. Such cases do not require processing, since those have been in fact completed.

The procedure for updating the administrative cases status will remedy this issue that had been tackled for ages – the administrative cases not under competence of the particular LCO would be designated as passive, i.e. would be automatically archived. This would decrease the number of administrative cases per Local offices in the DMS.

Detailed analysis had showed that the DMS still contains a vast number of active cases that pertain to the property rights registration for utilities, although the major number of LCO had forwarded all of the cases pertaining to the property rights registration for utilities to the Departments for Utility Cadaster. However, such cases have not been archived in the DMS. Therefore, it has been decided that the utility cadaster shall also be updated in order to decrease the number of active cases through the DMS.

The procedure for updating the administrative cases status had provided for automatic archiving of 38,421 cases by June 2020. Those cases status was changed from active to passive status since, those have been migrated from the old case management to the new DMS, while being physically placed in the archive. Contracting the additional consultants should speed up resolution of this issue.

The consultants presently contracted for harmonizing the DCM data with the cadastral records have been contracted under the component covering the data quality improvement. It is commonly known that, prior to this Project commencement, cadastral records, address register and register of the administrative units have not been harmonized, and the majority of cadastral maps were in analog form. One of the necessities of the ISREC introduction in the RGA is to harmonize these databases in the fastest and the most efficient manner possible and to digitize the analog cadastral maps. Correction and harmonization of cadastral maps with the databases above is also being done using the satellite imagery making each error existing in the analog cadastral maps clearly notable.

The term of property survey does not exist in the Project. The Project does contain the component for the Real Estate Cadastre improvement covering part of Vojvodina (some 11,482 ha). Brief description of this activity is given in the PAD (Page 45, Paragraphs 62 and 63). During the early Project stage, it has been established that this objective may be achieved through the data quality improvement procedure, which it factually is; and the costs would be cut because there would be no need for additional contracted. Such decision had been agreed during the mid-term review mission, at the time when the Project was restructured.

For all information related to the project activities, you can contact Project Implementation Unit or visit the following URL's:

- <https://projects.worldbank.org/en/projects-operations/project-detail/P147050> and
- <https://rgz.gov.rs/projekti/projekat-upravljanja-nepokretnostima/op%C5%A1te-informacije>.