



Simplified Procedure

On or after: 1 August 2007

PR-3177
17 July 2007
Original: Spanish

To: The Board of Executive Directors
From: The Secretary
Subject: Panama. Proposal for a loan for a metropolitan region cadastre and land administration modernization program

Basic Information:

Loan type	Specific Investment Project (ESP)
Borrower	Republic of Panama
Amount	up to US\$27,000,000
Source	Single Currency Facility of the Ordinary Capital

Inquiries to: Mr. Paul Trapido (extension 2860)

Remarks: This operation was included in the Report on the 2006 and 2007 lending programs and country strategy updates approved by the Board of Executive Directors on 25 April 2007 (see document GN-2448), and its amount does not exceed the ceiling established for Group C countries.

As reported to the Board of Executive Directors at its meeting on 10 August 2006, the Office of the Secretary is distributing simultaneously a document (PR-3177-1) containing the text of the electronic links of the above-referenced document.

References: GN-1838-1(7/94), DR-398-5(5/03)

Other distribution: Representative in Panama

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PANAMA

**METROPOLITAN REGION CADASTRE AND LAND
ADMINISTRATION MODERNIZATION PROGRAM**

(PN-L1018)

LOAN PROPOSAL

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Electronic Links and References	
Basic socioeconomic data	http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata
Status of loans in execution and loans approved	http://portal.iadb.org/approvals/pdfs/PNen.pdf
Tentative lending program	http://opsgs1/ABSPRJ/tentativelending.ASP?S=PN&L=EN
Information available in the INE/RND technical files	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1037281
Annex II - Procurement plan	http://idbdocs/WSDocs/getDocument.aspx?DOCNUM=1048601
Map of project areas	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1049920

ABBREVIATIONS

ANAM	Autoridad Nacional del Ambiente [National Environmental Authority]
ANATI	Autoridad Nacional de la Tierra [National Land Authority]
BHN	Banco Hipotecario Nacional
CESI	Committee on Environment and Social Impact
DCBP	Dirección de Catastro y Bienes Patrimoniales [Cadastral and National Assets Office]
DINRA	Dirección Nacional de Reforma Agraria [National Agrarian Reform Office]
GDP	Gross domestic product
IDAAN	Instituto de Acueductos y Alcantarillados Nacionales [Institute for National Water and Sewerage Services]
IDB	Inter-American Development Bank
IPAT	Instituto Panameño de Turismo [Panamanian Tourism Institute]
NGOs	Nongovernmental organizations
NPV	Net present value
PCU	Program coordination unit
PRONAT	Programa Nacional de Administración de Tierras [National Land Administration Program]
RM	Región Metropolitana [Metropolitan Region]
RPP	Registro Público de Panamá [Panamanian Public Registry Office]
SIICAR	Sistema Integrado de Información Catastro-Registro [Integrated cadastral-registry information system]

PROJECT SUMMARY

PANAMA METROPOLITAN REGION CADASTRE AND LAND ADMINISTRATION MODERNIZATION PROGRAM (PN-L1018)

Financial Terms and Conditions ¹				
Borrower: Republic of Panama Guarantor: Republic of Panama Executing agency: Ministry of Economy and Finance, through the National Land Administration Program (PRONAT)			Amortization period:	20 years
			Grace period:	5 years
			Disbursement period:	5 years
Source	Amount	%	Interest rate:	Variable
IDB (OC)	US\$27	71	Inspection and supervision fee:	0%
Local contribution	US\$ 11	29	Credit fee:	0.25%
Total	US\$38	100	Currency:	US dollars from the Single Currency Facility
Project at a glance				
<p>Project objective: Project objective: The main objective of the program is to contribute to the process of modernizing and integrating Panama's land administration system, with the focus on activities in the Metropolitan Region (RM), which will boost economic, social, and environmental management capacity and help create conditions conducive to the country's development.</p> <p>Special contractual conditions: Special contractual conditions: (i) <u>Special conditions precedent to the first disbursement of loan proceeds</u>: (a) creation and operation of the program coordination unit (PCU-CRM) (see paragraph 3.1); (b) approval and entry into force of the Operating Regulations for the project (see paragraph 3.8); and (c) awarding of contract to the contracting and administration agency (see paragraph 3.7); (ii) <u>condition precedent to the first disbursement of loan proceeds for institutional strengthening activities for the beneficiary entities of components 1, 2, and 3, respectively</u>: presentation of the agreement signed with the beneficiary entity on institutional strengthening activities (see paragraph 3.9). (iii) <u>condition precedent to the first disbursement of component 3 for each beneficiary municipio</u>: presentation of the interagency coordination agreement to be signed with the beneficiary municipio (see paragraph 3.12); (iv) <u>special execution conditions</u>: (a) reimbursement of eligible expenses against the Bank's financing (see paragraph 2.13); (b) presentation of the project procurement plan (see paragraph 3.16); (c) baseline (see paragraph 3.21); (d) maintenance (see paragraph 3.17); and (e) program evaluations (see paragraph 3.20).</p> <p>Exceptions to Bank policies: (i) establishment of a revolving fund of up to 10% of the Bank loan (see paragraph 3.19).</p>				
<p>Project consistent with country strategy: Yes [X] No []</p> <p>Project qualifies as: SEQ [] PTI [X] Sector [] Geographic [] Headcount []</p> <p>Procurement: Program works, goods, and services, including consulting services, will be procured in accordance with the Bank's policies contained in document GN-2349-7 ("Policies for the procurement of goods and works financed by the Inter-American Development Bank") and document GN-2350-7 ("Policies for the selection and contracting of consultants financed by the Inter-American Development Bank") (see paragraph 3.13).</p> <p>Verified by CECI on: 1 March 2007</p>				

¹ The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.*

* With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. FRAME OF REFERENCE

A. Socioeconomic framework

- 1.1 Panama has a small, open economy based primarily on services, a sector that generates 78% of gross domestic product (GDP), or an estimated US\$16.9 billion in 2006. The main services include operation of the Panama Canal, the financial sector, the Colón Free Zone, insurance and reinsurance, registration of shipping companies, dry ports, and tourism. In 2006, Panama's revenue budget was US\$3.426 billion and its expenditure budget was US\$3.959 billion.
- 1.2 The real GDP growth rate, which was 6.9% in 2005, is expected to surpass 7% in 2006. This represents average real GDP growth of more than 7% in 2004-2006, outstripping the 1990-2003 average growth rate of 4.3%. Panama's economy has been fully dollarized since 1904, and the inflation rate is low.
- 1.3 Construction is one of Panama's fastest growing and most promising sectors. The real estate industry is booming due to, *inter alia*, the increase in the inventory of developable land in the reconverted areas of the Panama Canal Zone, the potential for the consolidation of activities in Panama due to the Canal expansion, the country's growing importance as a logistics and transport hub, the trade liberalization resulting from free trade agreements, and, lastly, the influx of post-war baby boomers from abroad who are in search of a second residence or a place to retire. As evidence of the expansion in the real estate market, the number of real estate mortgages rose from 20,556 in 2000 to 29,876 in 2005, a jump of more than 45%. Condominium mortgages, in particular, climbed 65% in the same period.
- 1.4 The strong economic performance notwithstanding, poverty and inequality in Panama have not been effectively addressed. Although the country has medium per capita income, 40 of every 100 Panamanians are poor. In rural areas, the poverty rate is 59% for nonindigenous people and 95% for indigenous people.

B. Metropolitan Region of Panama

- 1.5 The area of the country that is benefiting the most from the country's robust growth is the Metropolitan Region (RM). This region is important because: (i) although it accounts for just 4% of the total area of the country, it is home to 56.1% of the population, most of whom live in greater Panama City; and (ii) it generates at least 75% of GDP (93% of GDP, if Canal Zone services and industry are factored in), while the rest of the country, where 43.9% of the population resides, generates less than 7% of GDP.
- 1.6 The RM includes Panama City on the Pacific coast and Colón on the Atlantic coast. It covers the Panama Canal watershed and the districts of Arraiján, La Chorrera, Capira, Panamá, San Miguelito, and Colón. The total area of the RM is 3,200 square kilometers, of which 2,710 are rural and suburban and 490 are urban. According to the 2000 census, 1,592,565 people live in the RM (1,388,357 in Panama City and 204,208 in Colón).

1. Land use in the Metropolitan Region

- 1.7 The importance of the RM lies in the historical development of Panama's economy, which has been driven by its geographical position, which is creating growing demand for access to land, both for commercial and residential activities and for social purposes. Accordingly, management of land and its wise use in terms of the country's sustainable development is a challenge for the central government and local authorities alike.
- 1.8 The level of informality affecting land tenure—the product of years of rural to urban migration—and population growth in the Metropolitan Region pose a serious challenge to social and economic development. There are 550,000 to 650,000 properties in the RM, according to 2006 estimates (based on data from the 2000 population census), but only 216,243 properties are listed in the Public Registry and just 160,000 are listed in the national cadastre. The remaining properties—up to 450,000—are informally owned, and a significant percentage is located in shantytowns. Because these properties exist outside of the formal economy, they cannot be used as collateral for home improvement loans, business startups, education, or other uses. Most are believed to be occupied by the members of the lowest-income group in the RM.¹ These shantytowns are located in every municipio in the RM, and the current administration has made it a priority to regularize them and institute land-use planning, for which it has identified more than 12 different projects.²
- 1.9 The following table shows the total estimated number of properties in each municipio in the RM by properties listed in the Public Registry and untitled properties.

Table I-1: Metropolitan Region
Total titled and untitled properties by municipio

District	Estimated number of titled properties listed in the Public Registry	%	Untitled	%	Properties to regularize
Panamá	120,716	36	211,107	64	331,823
San Miguelito	42,694	36	77,375	64	120,069
Arraiján	34,538	47	37,575	53	72,113
La Chorrera	13,285	33	39,141	67	52,426
Colón	3,125	23	13,553	77	16,678
Capira	1,885	46	2,161	54	4,046
Total	216,243	36	380,912	64	597,155

Source: Estimated based on the 2000 population census. Contraloría General de la República [Office of the Comptroller General]

¹ The GINI coefficient for these six municipios is an average of .384, which is close to the national index, but Panama City and Colón stand out, with indexes of .404 and .402, respectively.

² Of the six municipios in the program area, the district of Panamá is the largest, with 331,823 properties, of which 211,107 (64%) are untitled. The municipio with the highest rate of informality is Colón, where just 3,125 (23%) of 16,678 properties are titled. Capira has the highest percentage of titled properties (46%), but also the fewest properties (1,885).

- 1.10 The regularization of land tenure promotes the development of entrepreneurial housing, tourism, and other projects, as these activities require installed capacity in infrastructure, equipment, and basic services and depend on the security of property titles. The high percentage of untitled properties and tax exemptions and holidays on real property limit the public sector's ability to finance infrastructure for urban development. Panama collects only US\$54 million in property taxes, which is 0.36% of GDP, or 1.57% of the country's current revenue.

2. The institutional and legal context

- 1.11 The Ministry of Economy and Finance, through its Cadastre and National Assets Office (DCBP), is responsible for the administration of public and private land in urban areas and coastal zones and islands, as well as for the regularization of land tenure. It also collects real property taxes, which are part of the country's current revenue and are spent on a number of national government programs.
- 1.12 The DCBP has not updated the Metropolitan Region cadastre since 1970, and the original maps are still in hard copy only, making it hard to use and apply computer systems. Its systems and procedures lack the efficiency required to handle the current titling volume. Because it is out of date, the cadastre does not incorporate, as a matter of course, the real estate transactions recorded in the Public Registry, and so there is no physical record of how property is being used in the RM at present, despite investments of over US\$3 billion in more than 100 housing projects and commercial buildings under construction in the region. This state of affairs has also resulted in a high rate of property tax delinquency.
- 1.13 The Panamanian Public Registry Office (RPP), an autonomous entity, is responsible for the basic legal instrument for the formal titling of real property in the country. Although it was strengthened under a systems modernization program, it has yet to be integrated with the DCBP, which would allow registry and cartographic information to be linked, an essential step in improving the legal certainty of the country's property registry system.
- 1.14 The following entities are responsible for the administration of land in the RM: (i) the Ministry of Agricultural Development, through the National Agrarian Reform Office (DINRA), for agricultural land; (ii) Banco Hipotecario Nacional (BHN), for land used for low-cost public housing; (iii) the municipios of Capira, La Chorrera, Arraiján, Panamá, San Miguelito, and Colón; and (iv) the Ministry of Economy and Finance, for the reverted areas of the Canal zone. Lastly, the National Environmental Authority (ANAM) is responsible for national parks, protected areas, and buffer zones. In many cases, squatters have occupied the land administered by these entities, or shantytowns in which residents do not have title to the lots they occupy have emerged. Accordingly, their participation is required in any land regularization effort in the RM.
- 1.15 The legal and institutional framework for land-use planning, management, and administration in Panama has been centralized at the Ministry of Housing, through the Urban Development Bureau. However, Law 6 of 2006 establishes a new legal

framework for land-use planning for urban development.³ This law reforms the system, creating a partly decentralized structure that gives municipios the authority and power to conduct their own land-use planning and management. According to the law, the regional land-use plans, as well as the national land-use plan, will remain under the purview of the Ministry of Housing, which will have the assistance of the National City Planning Council. Accordingly, support is needed to initiate the process of preparing the land-use plans, so the municipios are able to execute the new law's mandate. To this end, support is needed to help the six participating municipios prepare their respective land-use plans.

- 1.16 In order to provide greater access to land for Panamanians in rural areas, where only 30% of properties are titled, the government created the National Land Administration Program (PRONAT), through Presidential Decree 24 of 2000. This program is assigned to the Ministry of Economy and Finance and directed by a technical coordinator. A technical team manages program resources, which are provided by the national government and two externally financed projects (US\$24 million from the Inter-American Development Bank (IDB); US\$47.9 million from the World Bank). The program includes activities for the regularization of land tenure in seven provinces (Chiriquí, Bocas del Toro, Veraguas, Herrera, Los Santos, Coclé, and Colón) and Panama's two indigenous comarcas [autonomous territories] (Ngobe Bugle and Kuna Yala). By the first quarter of 2007, PRONAT had regularized one million hectares of rural land, surveying 80,000 properties, of which 60,000 required titling. PRONAT is also providing financing to integrate information from the cadastre (maps) with information from the registry (title deeds) using the integrated cadastral-registry information system (SIICAR). SIICAR is a computer program that will integrate the alphanumeric databases of both entities so that any modification to a record in the registry will automatically be reflected in the cadastre, and vice versa.
- 1.17 The PRONAT team (program coordination unit) consists of geodesic, cadastre, legal, economic, financial administration, and procurement specialists. International experts in fields (cadastre, law) needed to strengthen the unit and support program implementation have also been hired. To support interagency activities, the program also has liaisons with the public entities in the sector (DCBP, RPP, DINRA).
- 1.18 The IDB project in support of PRONAT (loan PN/OC-1427) has three components: (i) institutional development and legal reform: (ii) cadastre and land tenure

³ Despite the significant progress that it represents, Law 6 of 2006 has omitted a set of urban land management tools typically associated with land development that are based on the social use of the property, such as instruments for the equitable distribution of burdens and benefits (land readjustment, real property integration, priority development and construction), instruments to promote historic and/or environmental preservation (transfer of development rights), instruments to encourage or discourage development (right of preemption, land banks, participation in the betterment created by its decisions), and other similar instruments designed to equip the State to better meet its responsibility to encourage or discourage development based on the common interest.

regularization; and (iii) local economic development. The goal of the project is to regularize 850,000 hectares and 150,000 properties in the provinces of Herrera, Los Santos, Veraguas, Colón, and Coclé. The project is subject to a special condition for authorization of funds for the regularization component, which conditioned approval of additional funds on evidence of progress in land tenure regularization in the project area. At project startup, there were a number of institutional, legal, and cultural obstacles to large-scale regularization, which are being addressed through project implementation. Based on the prevailing conditions when PRONAT was launched, the following achievements constitute significant progress: (i) the design and implementation of a fully computerized property titling process; (ii) the development of a process by which titles are reviewed and approved by the authorities using digital signatures; (iii) the development of an integrated record management system prepared by the project in a databank (SIICARITO), including information from the cadastral map and the alphanumerical information from the title deed; (iv) enactment of Law 24 of 2006, establishing land regularization as a matter of public interest;⁴ and (v) the creation of land courts in the project area for dispute settlement. Not only have these achievements accelerated the process of land regularization under project 1427/OC-PN, but they have also set important precedents for a new city planning project under preparation.

- 1.19 In brief, despite progress made to date under PRONAT, the country and the RM, in particular, are characterized by: (i) a pronounced level of informality in land tenure; (ii) poor participation of the real estate market in the formal economy and as a result, limited ability of the market to help finance public and private investments in development; (iii) inefficiency at public institutions responsible for land administration, expressed in complicated, dissimilar, and uncoordinated workflows and procedures; (iv) a legal framework that gives the State few tools for capturing increases in land value, which this program will not address, despite its importance; and last but not least (v) a State that has virtually no ability, due to these weaknesses, to design, verify, control, and, above all, pursue a consistent, balanced, fair land-use plan that would allow it to guarantee the stable, orderly, and lasting development of land, to attract long-term, ambitious investments that benefit the country's economy and people.

C. Panama's sector strategy

- 1.20 The government's policy seeks to bring about sustainable, socially inclusive economic development, by making the country's production apparatus more competitive and creating and maintaining a climate conducive to private

⁴ This law declares large-scale land regularization and titling activities a matter of public interest, which enables the State to issue titles ex officio (adjudication and inscription in the Public Registry) to the owners or occupants (hereinafter referred to as beneficiaries) of real property located in areas declared as large-scale land regularization and titling zones, even when the beneficiaries have not applied for a title. The titling costs are converted into a debt owed by the beneficiary to the State, which is recorded as a lien (mortgage) on the title of the corresponding property, which "shall limit ownership until the title holder has covered the cost of the property and the corresponding transaction costs of titling" (Law 24, Article 7).

investment. In the medium term, five challenges must be met to ensure social and economic progress: (i) accelerate sustainable growth by incorporating other production-related alternatives; (ii) reduce poverty; (iii) guarantee the sustainable use of the country's natural and cultural assets; (iv) improve efficiency in the production of public goods; and (v) consolidate land administration functions and policies.

- 1.21 For the latter challenge and to supplement PRONAT activities currently under way in the rural sector, the government is also pursuing important activities in the country's largest urban region, with Bank financing through the present project. The first is the decision to conduct and make available a multipurpose cadastre for the RM, to include legal (legal status), physical (sizes and boundaries), and fiscal (improvements and factors related to the market value) information. The multipurpose cadastre will facilitate two other government initiatives: land regularization in the RM and support to help the six municipios in the RM prepare and implement their land-use plans and boost their management capacity. The legal basis for tenure regularization is established in Law 24 of 2006, which declares that the regularization and titling of large tracts of land held by the State is in the public interest⁵. Lastly, the project includes essential activities to assist with the creation of an entity to be known as the National Land Authority (ANATI), to serve as the governing entity for land administration in Panama. The new authority will consolidate the land administration and cadastre functions in a single entity, thus enhancing the efficiency of processes and operations, while making more efficient use of the resources needed for such purpose. Inasmuch as it will improve land use and administration in the RM, the proposed program will have an impact and crosscutting benefits closely tied to these challenges. These actions together are being accorded top priority by the government, and every effort is being made to implement the program in 2007-2009. As part of this effort, IDB financing is being requested to support this process commencing in the second half of 2007.

D. Bank's sector strategy

- 1.22 The main objective of the Bank's country strategy with Panama is to support sustainable economic growth and to reduce the poverty level. The country strategy focuses on two strategic objectives: (i) to boost the economy's competitiveness; and (ii) to develop the country's human and productive capital. In addition, it

⁵ The regularization process consists of a property-by-property cadastre where the beneficiary possessor is notified personally. This individual is presumed to be the legitimate possessor of the property, and on the basis of this presumption, the title regularization process continues. This presumption is further strengthened by notification to the beneficiary possessor's immediate neighbors who will need to be present when the survey measurements are taken. Subsequently, a public discussion phase takes place during which any individual who believes he is entitled to possession of the property may express disagreement with the award of title to the individual originally notified at the outset of the property registration process. In the case of disagreement, depending on whether it is municipal land or land within the jurisdiction of the Ministry of Economy and Finance, the Ministry of Agricultural Development, or Banco Hipotecario Nacional, PRONAT has different procedures to deal with such situations.

incorporates, as a crosscutting dimension, efforts to strengthen governance and transparency, which is crucial for progress in these areas. The program is fully consistent with the strategy, inasmuch as it will provide crosscutting support to advance governance and transparency and boost the management capacity of institutions with jurisdiction in the RM and will contribute to the formalization of the informal sector. In addition, the program falls under the Bank's Opportunities for the Majority initiative. Also, it is in line with the Bank's subnational development strategy, which emphasizes the importance of helping the central government provide better training and technical assistance to the municipal governments. The program will supplement cadastral information and maps with information systems developed under other projects financed by the Bank, other donors, and the government, including the sustainable development program for Colón province (PN-1012), the pilot project for urban revitalization and poverty reduction in Colón (PN-0144), the Panama City and Bay of Panama sanitation project (PN-0062), the municipal development and decentralization support program (PN-0143), and service institutions (e.g., Institute for National Water and Sewerage Services (IDAAN)).

- 1.23 **Program strategy.** Panama has a weak land administration system, the ramifications of which are particularly strong in the RM, where most residents do not have title to their property. As a result, these properties are not part of the formal urban economy and cannot be used in the capital markets as collateral for credit. This situation is exacerbated by a tax policy that excludes a large number of properties due to the high threshold for entry into the system and numerous property tax exemptions. The resulting lost revenue makes it harder for the State to fulfill its redistributive function and build social equity.
- 1.24 In response, the Executive made a decision and the Bank has an opportunity to support the strategy set forth in this document, to improve access to property. The goal of the strategy is to regularize all informal properties in the RM, so that property owners and the State can partake in the benefits derived from participation in the formal economy. At the same time, and as an input to the land regularization process, a multipurpose cadastre will be developed for the RM, enabling the competent authorities at the Ministry of Housing and the six municipios in the RM to develop the municipal land-use plans newly required by law (Law 6 of 2006). Lastly, ANATI, which is in the process of being created, will provide the institutional framework needed to ensure the sustainability of program outcomes (multipurpose cadastre, regularized shantytowns, municipal development plans, etc.).
- 1.25 **Bank experience with similar programs.** The Bank's experience with other projects in Latin America points to the importance of maintaining the cadastre, to guarantee the legal certainty of the property rights system. Accordingly, Panama has coordinated with the World Bank to design and implement SIICAR, an automated system that will allow the registry and the cadastre to be updated automatically using a shared cadastral/registry code. To ensure continuous updates,

the program calls for a formal commitment by the municipal governments to automatically incorporate information on construction and improvements permits, so the cadastre can be continually updated to reliably reflect changes.

- 1.26 Another lesson learned from similar projects (including PRONAT) is that the legal/institutional framework of the country is typically too weak to conduct a large-scale land regularization campaign. In the case of Panama, PRONAT identified this weakness and succeeded in getting Law 24 of 2006 enacted, which declares large-scale, ex officio land regularization and titling activities a matter of public policy and interest. This law and the outsourcing of specialized services through PRONAT are key to implementation of this program. Another lesson learned stems from the lack of proactive involvement by municipios in updating the cadastre and using it in municipal administration. Lastly, the creation of a new institutional framework for the sector is an important step towards ensuring the sustainability of PRONAT outcomes and securing the benefits that better land administration will confer on the country's social and economic development.

E. Coordination with other donors

- 1.27 PRONAT was designed and has been executed with US\$24 million and US\$47.9 million in financing from the IDB and the World Bank, respectively. As previously mentioned (see paragraph 1.16), the government is financing land regularization activities in seven provinces and two indigenous comarcas with resources from the IDB and the World Bank, as well as the integration of registry and cadastral databases. The two project teams have been in close communication during execution and have conducted joint administration missions on several occasions. The technical director was selected and is financed by both institutions in equal parts. The PRONAT – Metropolitan Region Cadastre Program will be financed entirely by the IDB and the Panamanian government.

II. PROGRAM

A. Objectives and description

- 2.1 The main objective of the program is to contribute to the process of modernizing and integrating Panama's land administration system, with a focus on its activities in the Metropolitan Region (RM), which will boost economic, social, and environmental management capacity and help create conditions conducive to the country's development. This will require: (i) establishing a multipurpose cadastre that integrates cadastral information from the relevant institutions; (ii) supporting the titling of all properties in the RM that are still untitled; (iii) strengthening the capacity of the municipios to develop municipal land-use plans and manage them; and (iv) designing, creating, and implementing a modern, streamlined, efficient, and effective institutional structure that ensures better land management in Panama.

B. Program structure

- 2.2 To achieve the program objectives, the program has been divided into four components: (1) development of a multipurpose cadastre, to include legal, physical, and fiscal information, as well as integration of the cadastre with other databases, for large-scale assessment and land-use planning applications; (2) land regularization; (3) preparation of municipal land-use plans; and (4) institutional restructuring and strengthening of the land administration system.

1. Component 1: Multipurpose cadastre (US\$19 million)

- 2.3 To coordinate the work of all participating actors through a tool that provides accurate, current information on the many factors associated with property, the program will set up and implement a multipurpose cadastre on a platform that interconnects all the geographic databases currently maintained by the various entities. This will consolidate existing information scattered about as well as information not previously available, so that more informed decisions can be made. Developing this multipurpose cadastre will call for the following activities:

- a. **Aerial photography, cadastral surveys, property maps, and the corresponding quality control (US\$15.3 million).** This will include financing for: (i) the preparation of aerial photographs and their georeferencing to the country's geodesic system for the entire RM, the Las Perlas Archipelago, and the coastal area of Colón Arriba, or Costa Arriba (total of 2,730 km²), and the preparation of a vector map with descriptions of its various components for all developed areas in the RM (417 km²), on which information referenced to the points and coordinates of the specific properties can be added as desired; (ii) quality control of photographs and maps by a specialized firm; (iii) preparation of a property map and cadastral survey, including the records and graphic research needed to determine the spatial orientation and correspondence of each property, based on the orthophotomap or vector map, and the creation of the mosaic (property map), as well as validation-correction by field teams conducting property-by-property cadastral surveys, to be executed simultaneously in the four zones that make up the region; and (iv) quality control of the door-to-door survey and the findings of a specialized firm able to guarantee the technical quality and precision of the product, controlling the quality of the cadastre development process.
- b. **Integration of the cadastre with other public and private databases (US\$800,000).** A computer system will be developed to link all system users and clients. The activities to be financed include: (i) procurement of information technology to process the information from the cadastre and the 35 layers developed as part of this component based on georeferenced data currently available at different public entities (Ministry of Housing, Panamanian Tourism Institute (IPAT), DINRA, IDAAN, municipios, electricity companies, telephony companies, etc.); and (ii) development of a computer system that links all system users and clients, including the

development of relational database applications, virtual databanks, and Web applications; the use of open-source programs; and the promotion and dissemination of the system, making public information more universally available and minimizing the risk of errors in the information.

- c. **Large-scale assessment (US\$900,000).** Financing will be provided for the design, testing, implementation, and activation of an econometric method and computer program for large-scale assessments that accurately reflect the economic and price structures of properties. Key sources of information are some of the fields on the cadastre record (the design of which responds, in part, to this objective), which were completed during one of the first rounds of the property-by-property cadastral survey.
- d. **Maintenance of the multipurpose cadastre (US\$306,100).** This activity consists of engaging consulting services to design and implement procedures, rules, and actions to keep cadastral information up to date, to ensure: (i) the maintenance of the cadastre and property assessment; (ii) policies on information access and use; and (iii) the maintenance of the multipurpose component. These three activities consist of the maintenance of the corresponding georeferenced databases by the various users and clients, and internal coordination of the process by the various entities in charge of keeping the various information sources up to date and inputting the corresponding data into the multipurpose system.
- e. **Institution-strengthening (US\$1,693,900).** Financing will be arranged to provide support (personnel, equipment, logistics) to the DCBP, DINRA, the Panamanian Registry Office, the Ministry of Housing, and the Instituto Geográfico Nacional Tommy Guardia [Tommy Guardia National Geographical Institute], to provide PRONAT-CRM with the inputs needed to implement this component. The purpose of this institutional support is to ensure that each beneficiary entity provides, in a timely manner, all input needed by the consulting firms hired by PRONAT (cadastral plans, registry records, information on existing assessments, etc.). Thus, this support is crucial to implementation of this component.

2. Component 2. Land regularization (US\$1.3 million)

- 2.4 This component will finance processes leading to the regularization of approximately 650,000 properties, entry in the Public Registry of at least 65,000 properties in the RM, and the clearance of a further 200,000 titles.⁶ This target is based on the procedures now employed by PRONAT, which has shown it has the capacity to regularize 18,000 properties a year or approximately 65,000 over the program's four-year physical duration. However, through

⁶ The clearing process involves verifying the boundaries and comparing the cadastral plan with the deed in the public registry. The regularization process consists of issuing a description of the boundaries and preparing a legal instrument awarding title to a plot of land without formally established ownership. This procedure results in the first formal entry of title in the property register.

outsourcing and the use of new procedures that would permit virtual regularization by digital means, owing to the high concentration of properties in the RM, the government estimates the number of registered titles could be increased to as many as 20,000 a month starting in January 2008 for PRONAT-CRM. The creation of a cadastre for the RM and the entry of these titles into the formal economy will support the program's main objective. This component consists of the following groups of activities:

- a. **Registration and formalization of titles (US\$1.3 million).** To properly register and formalize the titles to surveyed properties in the RM, financing will be provided for a number of activities including: (i) implementation of digital signatures at DINRA and the DCBP to accelerate the approval of electronic files and maps, exponentially reducing the volume of review and approval work, which is still done on paper; (ii) the creation of specialized land courts to hear disputes between owners that cannot be resolved through an out-of-court settlement, which will also be implemented under the program; (iii) the strengthening of institutions involved in the conveyance of land for the easier, more efficient creation and/or expansion of ejidos; (iv) design of a complementary neighborhood improvement program, though a tenure study and provision of a "collective" title to the inhabitants, and the segregation of lots and properties in the project area, for which individual title could subsequently be issued; and (v) the large-scale issuance of property titles.
- b. **Institution-strengthening (Local counterpart: US\$600,000⁷).** To ensure the coordination of activities by PRONAT and the public entities that are beneficiaries of this program, efforts must be made to strengthen the technical units of the Ministry of Housing, BHN, each of the six municipios in the RM, the DCBP, the RPP, and DINRA, by hiring and training the necessary personnel. In addition, financing will be provided to cover equipment, several works, leases, services, and operating expenses. The purpose of this institutional support is to ensure that each beneficiary entity provides, in an adequate and timely manner, the inputs needed by the consulting firms hired under PRONAT (records and maps from the BHN, information on municipal land, etc.). This support is therefore an integral part of the implementation of each component.

3. Component 3: Municipal land-use planning (US\$2.04 million)

- 2.5 This component will complement the national government's efforts to support land-use planning at the municipal level, with the multipurpose cadastre serving as a basic tool. Financing will be provided for activities in support of implementation of land-use planning at the Ministry of Housing and in the six RM municipios.

⁷ At the government's request, this activity will be financed in its entirety with local counterpart funding.

- a. **Land-use plans and specialized applications (US\$1.4 million).** The urban development plan for the metropolitan areas of the Pacific and Atlantic and other instruments and regional land-use plans will be used as reference. This subcomponent will finance: (i) the preparation, negotiation, and approval of land-use plans for the six RM municipios, in three groups (group 1. Arraiján, La Chorrera, and Capiरा; group 2. Panamá and San Miguelito; and group 3. Colón); (ii) the design of the mechanism and the equipment to ensure ongoing, reliable updates of the cadastre based on construction permits for municipal works, as well as training for the necessary personnel in the mayors' offices; (iii) review of the principal regional land-use plans, which will be done from "the bottom up," once the main regional land-use policies to be established in the municipal plans are known, in order to establish points of convergence and settle disputes; (iv) physical demarcation of the boundaries of national protected areas within the RM (parks, reserves, wetlands, etc.), taking advantage of the cadastral property-by-property survey; and (v) a study and proposal for signage and nomenclature in the RM, or at least for the municipio of Panamá, to take advantage of the cadastral property-by-property survey, as primary sources for determining nomenclature. The municipio will thus receive the information it needs for subsequent planning and implementation of the signage program.
- b. **Harmonization of the legal framework for municipal land management (US\$640,000).** The program will support the continuation of the process initiated under Law 6 of 2006 to provide the State with the tools to train and equip it to guide and regulate regional development in a direction consistent with its role to redistribute wealth and protect the environment. Many of these instruments are scattered among the different laws and acts, enacted at different times for distinct purposes, while others simply do not exist. Under the program, legal subject-matter experts will be hired in coordination with the PRONAT-CRM to conduct research and propose the legislation needed to provide essential instruments and organize the respective legal framework.
- c. **Institution-strengthening (Local counterpart: US\$450,000⁸).** The program will support the strengthening of the various beneficiary entities (Ministry of Housing, the six RM municipios), to ensure they have the capacity to carry out their activities effectively, by hiring (or designating) liaisons. The function of the Housing Ministry liaison will be to coordinate and guarantee that the municipal land-use plans are consistent with regional plans and policies in force, and to coordinate the review of the plans in light of local processes. In the case of the municipios, the municipal planning and/or engineering units will be strengthened and/or created, as necessary, through the initial hiring and training of the necessary personnel. In addition, financing will be provided to cover equipment, several works, leases, and services. The purpose

⁸ At the government's request, this activity will be financed in its entirety with local counterpart funding.

of this institutional support is to ensure that each beneficiary entity provides, in a timely manner, the inputs needed by the consulting firms hired under PRONAT (land-use plans, identification of municipal lands, etc.). This support is therefore an integral part of this component.

4. Component 4: New institutional framework for land administration (US\$2.5 million)

- 2.6 In order to ensure the sustainability of public investments made in the multipurpose cadastre, the large-scale land regularization campaign, and the municipal development plans, the program will support the creation of a new institutional framework for the sector. This new framework is the result of the analyses and recommendations made under component 1 (modernization of land administration services) of loan 1427/OC-PN, which PRONAT is implementing at present with Bank financing.
- 2.7 Unlike the institutional support identified and indicated in the other components, this component will finance activities to ensure the sustainability of the outcomes of this program and the PRONAT project currently being executed. These include: (i) the multipurpose cadastre; (ii) regularized property titles; and (iii) municipal land-use plans. To this end, the objective of this component is to ensure that the conditions are in place, and that the public authority(ies) in the sector has (have) sufficient capacity, to sustain these outcomes. Merging the public entities in the sector into a single land authority would facilitate this process, although it is not critical to program sustainability.
- 2.8 For this purpose, under PRONAT's leadership, the Panamanian government is drafting legislation to create an entity to be known as the National Land Authority (ANATI), to make the processes related to land management in Panama more efficient, responsive, and effective. The objectives and activities to be pursued by ANATI reflect a wide range of functions, including: (i) the preparation of the country's land policy; (ii) the creation and maintenance of the multipurpose (physical, legal, and fiscal) cadastre; (iii) the regional administration of the country's public lands (in coordination with the municipios and the reverted area of the Canal); (iv) the large-scale regularization of rural and urban land; and (v) aspects of land-use planning consistent with Law 6 of 2006 (Urban Law).
- 2.9 The aforementioned law calls for the merger of the functions currently performed by the public entities responsible for the cadastre (DCBP), rural land regularization (DINRA), and maps and maintenance of the geodesic network (Tommy Guardia National Geographic Institute). The National Land Council, which will direct ANATI, will be made up of the ministers of Economy and Finance, Agriculture and Rural Development, and Public Works.
- 2.10 The main activities to be financed under this component include the following: (i) issuance of the regulations for the law creating ANATI; (ii) preparation of the implementation and restructuring plan; (iii) development of the land policy; (iv) an analysis and diagnostic assessment of system requirements, flow of processes,

equipment, and infrastructure; (v) procurement of equipment, operating systems, and communications systems; (vi) refurbishment of the physical space for ANATI; (vii) monitoring of implementation of systems; (viii) preparation and adaptation of personnel profiles and functions; (ix) promotion and dissemination activities; and (x) personnel training at ANATI and in the municipios.

5. Administration and oversight (US\$1.86 million)

- 2.11 Financing will be provided for the PCU-CRM payroll costs, equipment, and operating costs. The financing will also cover the midterm evaluation, final evaluation, and program audit.
- 2.12 As indicated in the program description and itemized in Table II-1, the total approximate cost of this program will be US\$38 million, broken down as follows:

C. Cost and financing

Category	IDB	GOP	Total	%
Component 1: Multipurpose cadastre	19,000,000	5,217,300		63.7%
Aerial photographs and survey	15,300,000			
Integration of cadastre with other databases	800,000	293,900		
Large-scale property assessment	900,000			
Maintenance of multipurpose cadastre	306,100			
Institution-strengthening	637,900	515,000		
Metropolitan zone office	-	4,407,500		
Training	1,056,000			
Component 2: Land regularization	1,300,000	1,200,000	2,500,000	6.6%
Registration and formalization of titles	1,300,000	200,000		
Institution-strengthening		600,000		
Equipment		400,000		
Component 3: Land-use planning	2,040,000	1,250,200	3,290,200	8.7%
Land-use plans and specialized applications	1,400,000	700,000		
Harmonization of the legal framework for municipal land management	640,000			
Institution-strengthening		450,000		
Equipment		100,200		
Component 4. New institutional framework for land administration	2,500,000	1,000,000	3,500,000	9.2%
Consulting assignments	1,900,000			
Human resources	300,000	300,000		
Equipment		300,000		
Training	300,000	400,000		
ADMINISTRATION AND SUPERVISION	1,860,000	2,280,000	4,140,000	10.9%
PCU-CRM (Project Coordination Unit)	1,460,000	200,000		
Equipment		200,000		
Operating expenses		680,000		

Category	IDB	GOP	Total	%
Consulting services	300,000			
Administrator		1,200,000		
Audit	100,000			
Unallocated costs	300,000		300,000	0.9%
Financial costs		52,500	52,500	
7.1 Interest			-	
7.2 Credit fee		52,500		
7.3 Inspection and oversight				
	71%	29%		100%
Program total	27,000,000	11,000,000	38,000,000	

- 2.13 In its letter requesting the operation, the Panamanian government asked the Bank to retroactively recognize expenses of up to US\$2.8 million incurred since 18 August 2006 (date of the letter requesting the operation), when component 1 activities were initiated to take advantage of the seasonal window (January-March 2007) for aerial photography. The contracts for these activities are being executed in accordance with Bank procedures, so they can be financed with loan proceeds.

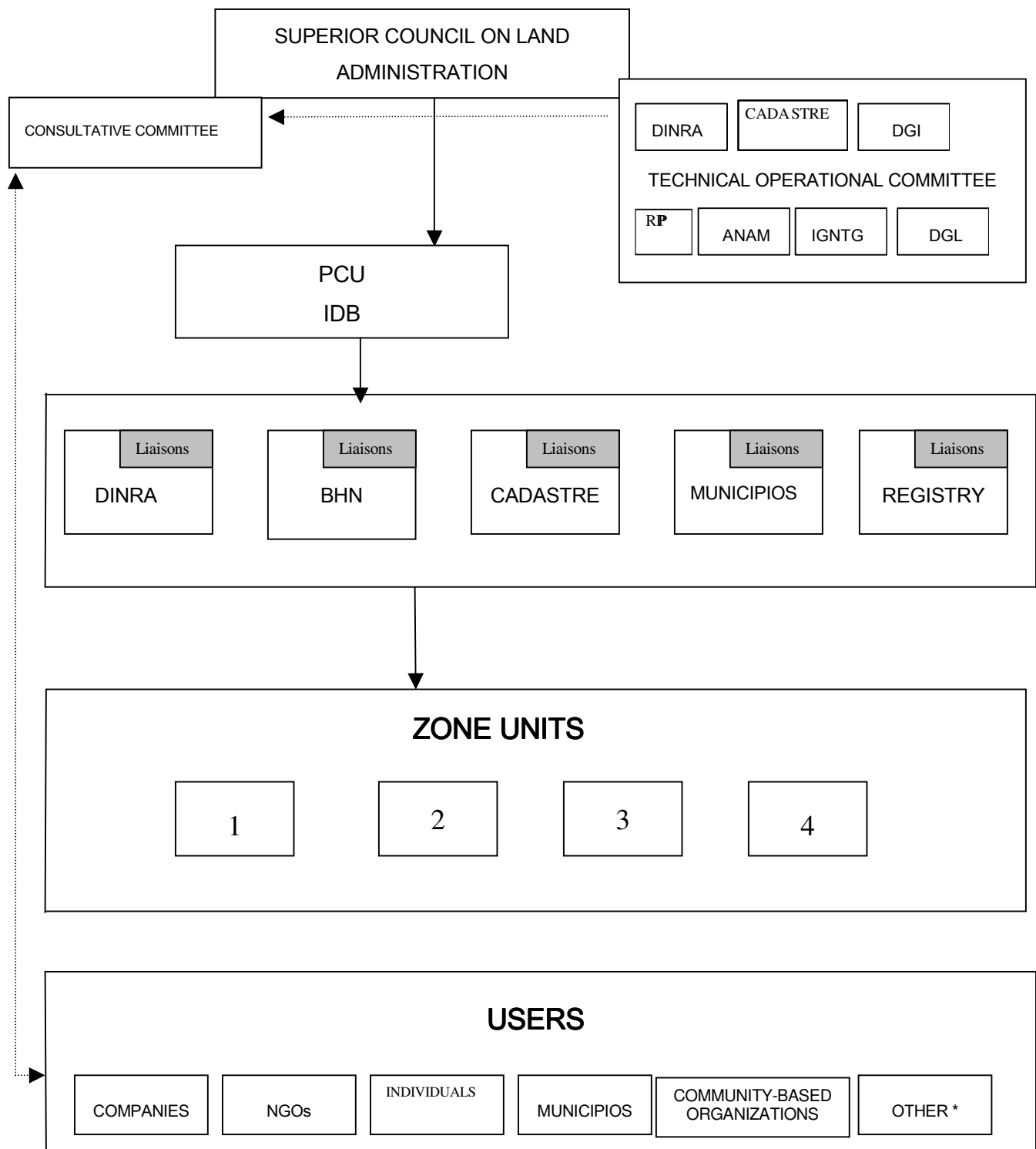
III. EXECUTION

A. Borrower, guarantor, and executing agency

- 3.1 The borrower and guarantor will be the Republic of Panama, and the executing agency will be the Ministry of Economy and Finance, under the National Land Administration Program (PRONAT). For program implementation, a program coordination unit will be established under the direction of a deputy technical coordinator, who will report to the technical coordinator for PRONAT. This unit will be called the PCU-CRM. As a condition precedent to the first disbursement of the loan, evidence of the creation and operation of the PCU must be presented. Once the loan is approved by the Bank, the existing project preparation unit will become the PCU-CRM.

B. Program execution and administration

- 3.2 The implementation framework for the program is based on the temporary nature of the services to be financed. The program will use the PRONAT organizational structure, which includes a Superior Council and a Technical Operational Committee. The involvement of these entities will ensure the participation of officials from each institution participating in and benefiting from the program. This structure is being supplemented by a Civil Society Consultative Committee, which facilitates citizen participation in the processes pursued under PRONAT (see organizational chart below).



* Includes program beneficiaries who are also users (DINRA, BHN, municipios, Cadastre, and Registry)

- 3.3 The Superior Council consists of the Deputy Minister of Finance, who heads the Council and serves as its general coordinator, the Deputy Minister of Agricultural Development, the Deputy Minister of Government and Justice, the Deputy Minister of Public Works, the ANAM administrator, and the director of the Panamanian Public Registry. Its functions are to establish general policy guidelines for program implementation, ensure interagency coordination and cooperation, and advise on any problems that arise in program coordination.
- 3.4 The Technical Operational Committee consists of the highest-ranking authorities of the Ministry of Agricultural Development's National Agrarian Reform Office (DINRA), the Ministry of Economy and Finance's Cadastre and Capital Assets Office (DCBP), ANAM's Natural Assets Office, the Tommy Guardia National Geographical Institute, the Ministry of Government and Justice's National Indigenous Policy and Local Governments Office, and the Panamanian Public Registry. These authorities will work with the PCU-CRM to coordinate implementation of the systems and products of the various consulting assignments, together with the technical zone units (see below), and to resolve any technical problems that may arise.
- 3.5 PRONAT's current structure has been in place since 2000, and its performance has steadily improved. The attendant gains in leadership have recently enabled it to accelerate execution of its IDB loan (1427/OC-PN) and World Bank loan. The new PCU-CRM will leverage PRONAT's varied experiences in the execution of this program, and will continue to frame them during implementation.
- 3.6 The program calls for the outsourcing of activities to specialized consulting firms in four zone units, so the PCU-CRM is able to on supervision of the technical aspects of implementation and coordination of the various outcomes and outputs for the other beneficiary institutions.
- 3.7 For contracting of the various consulting assignments, as well as for handling of the related disbursements, a contracting agency and program resource administrator will be competitively selected and engaged to handle all activities related to the publication, awarding of contracts, contracting, and disbursement associated with the procurement of program goods and services, including consulting services. The awarding of the contract to the contracting agency will be a special condition precedent to the first disbursement of the loan. A draft contract has been prepared on the basis of the contract with the specialized entity administering the PRONAT funds (1427/OC-PN).
- 3.8 The following specialized technical specialists will be hired under the deputy technical coordinator of the PCU-CRM: (1) cadastre specialist; (2) regularization specialist; (3) dispute settlement specialist; (4) land-use planning specialist; and (5) institutional reform specialist, with an assistant. These specialists will implement the respective components. In addition, the PCU-CRM will have an administrative/financial and accounting section, with a procurement specialist and support staff. The procurement specialist will be charged with ensuring that

PRONAT procurement complies with Bank procurement and contract award procedures, thus supplementing the efforts of the financial entity that will need to act as contract and payment agent. This division of functions between the PCU and the financial entity will expedite program implementation and ensure compliance with Bank and State procurement procedures. The responsibilities of the PCU will be to: coordinate program implementation, prepare an annual work plan with all procurements, ensure fulfillment of the targets for each component, prepare the financial statements and reports required by the Ministry of Economy and Finance and the Bank, remain in close contact with the Technical Operational Committee, supervise the various consulting activities and ensure coordination of the various outputs of the consulting activities, organize seminars to guarantee the involvement of the various institutions, supervise and coordinate the zone units and personnel hired to boost capacity in the participating institutions and municipios, and report to the Superior Council on program progress. As a condition precedent to the disbursement of the loan, Operating Regulations must be prepared and approved by the Technical Operational Committee.

- 3.9 The PCU-CRM will implement the institutional strengthening activities for each beneficiary entity in connection with components 1, 2, and 3, with the participation of the respective beneficiary entities that will benefit from them. To this end, the executing agency will sign an agreement with these entities, establishing the parties' rights and obligations. As a special condition precedent to the first disbursement of the financing for institutional strengthening activities for each beneficiary entity in components 1, 2, and 3, a signed agreement with the beneficiary entities must be presented.
- 3.10 Inasmuch as program implementation will require the active participation of the municipios, a decision has been made to appoint a land-use planning specialist at the PCU-CRM. Although the specialist's specific task will be to implement component 3, he or she will also be the person responsible at the PCU-CRM for coordinating and liaising with the municipios for implementation of the other three components.
- 3.11 The relationship between the PCU-CRM and each municipal authority will be conducted by the land-use planning specialist at the PCU and the director or manager of each municipio's planning or municipal engineering unit. Each of the six participating municipios will designate the necessary personnel (municipal engineer or planning official), who will work with the PCU-CRM to draft terms of reference for the consulting activities to be contracted under component 3. These units and assigned personnel will subsequently work with the consultants to develop land-use plans for their respective municipios. In addition, the municipal units will coordinate implementation of components 1 (multipurpose cadastre) and 2 (land regularization) at the municipal level.
- 3.12 The relationship between the PCU-CRM and the municipios will be formalized and regulated by interagency agreements establishing the commitments of the municipal governments in terms of their participation in the design and

implementation of program activities, particularly: (i) preparation of municipal land-use plans; (ii) commitment and evidence of resources for the eventual implementation of the land-use plans, with assurances that their capacity will be strengthened and equipment provided, with financing from other sources; and (iii) commitment and responsibility to maintain and continually update cadastral information and provide it to the official entity in charge of the cadastre. The PCU-municipio relationship will also be formalized in interagency agreements for components 1 and 2, to include a description of the duties and responsibilities of the local authorities for each component. As a condition precedent to disbursement of this component, the interagency coordination agreement to be signed by the municipios must be presented.

- 3.13 The PCU-CRM and the six participating municipios will have the support of two complementary programs that the Ministry of Economy and Finance's Regional Development Office is executing. These programs, which are being coordinated jointly and complementarily, are: (i) the municipal development and decentralization support program, which is being financed by the Bank (PN-0143); and (ii) the municipal development program (PRODEM), which is being financed by the Panamanian government. Both have sufficient resources to support municipal strengthening efforts at the national level, including implementation of land-use and urban development plans. The proposed program calls for the implementation of land-use plans that will be developed for the six RM municipios.

C. Procurement

- 3.14 **Procurements.** Program goods and works will be procured in accordance with the Bank's applicable procurement policies contained in document GN-2349-7. International competitive bidding (ICB) will be required for the procurement of goods and works partially or totally financed with loan proceeds and whose value exceeds US\$250,000 and US\$3 million equivalent, respectively. National competitive bidding (NCB) may be used to procure goods valued at between US\$50,000 and US\$250,000 and works valued at between US\$250,000 and US\$3 million, provided national laws do not contravene Bank policies. Shopping (at least three quotes) will be used to procure goods valued at less than US\$50,000 and works valued at less than US\$250,000. Consultants will be selected and contracted in accordance with the Bank's applicable policies contained in document GN-2350-7. With regard to paragraph 2.7 in the "Policies for the selection and contracting of consultants financed by the Inter-American Development Bank," the shortlist may comprise entirely national consultants, provided the respective contract is valued at less than US\$200,000 equivalent. For such purposes, the executing agency may use any of the methods provided for the selection and contracting of consultants. In the case of the PCU-CRM technical team, to maintain the continuity of services, the Bank has been requested to authorize, on an exceptional basis and in accordance with paragraph 5.4 of document GN-2350-7, the direct contracting of these individuals, as they were

- selected competitively and have been fulfilling their functions satisfactorily (see Annex III).
- 3.15 The review and analysis of the consulting assignments indicated that for nearly 80%, the required documentation has been prepared and the contracts are ready to be tendered. This includes one contract that is already in execution and another that has been tendered. Based on the analysis, the consulting assignments planned for the first year are not expected to present any problems. Because the volume of contracts for the second and third years is low, it is believed that between the qualified personnel at the PCU and the administrator, all contracts can be tendered according to the proposed schedule. Training activities are planned for the bidders to whom the consulting contracts are awarded.
- 3.16 **Procurement plan.** In accordance with the Bank's policies on the procurement of goods, works, and consultants, the executing agency has agreed on a procurement plan with the Bank that describes: (i) the individual contracts for the goods and consulting services needed to implement the program; (ii) the methods that will be used for the selection of consultants; (iii) the methods proposed for the procurement of goods; and (iv) the type of review to be conducted by the Bank. The procurement plan can be found in the program technical files. The executing agency will update the plan annually or as needed during program execution. Any proposal to modify the procurement plan must be presented to the Bank for approval.
- 3.17 **Maintenance.** All program-financed equipment will be properly maintained in accordance with generally accepted technical standards, and a report on the condition of said equipment will be delivered to the Bank during the first quarter of each calendar year for the duration of the program as part of the semiannual progress reports. The Panamanian government will adopt the measures needed to correct problems if inspections conducted by the Bank, or reports received by it, find that the works and equipment are not being maintained to the agreed standards.

D. Execution period and disbursement schedule

- 3.18 The program will have a duration of five years. However, the government has taken steps to complete as much of the program as possible during the present administration's remaining time in office (3.5 years).

**Table III-1. Cadastre Program for the Metropolitan Region
Disbursement schedule**

	Total	Year 1	Year 2	Year 3	Year 4	Year 5
IDB	28,600.00	5,300.00	11,125.00	9,453.00	2,380.00	342
Local counterpart	9,400.00	1,951.00	2,330.00	2,300.00	2,245.00	574
Total	38,000.00	7,251.00	13,455.00	11,753.00	4,625.00	916.00
Percentage	100%	19%	35%	31%	12%	2%

E. Revolving fund

- 3.19 For program execution, a revolving fund will be established through a special program bank account. In consideration of the number of simultaneous contracts and payments that will be made and the expected cash flows, a revolving fund equivalent to 10% of the Bank's loan is recommended. The executing agency will deliver semiannual reports on the status of the fund to the Bank within 60 days after the end of each six-month period.

F. Monitoring and evaluation

- 3.20 The PCU is expected to provide services for the duration of the program's five-year execution period. An independent consulting firm will be engaged to perform a midterm outcomes evaluation 18 months into the program or when 50% of the loan proceeds have been disbursed. The same firm will be hired to perform a final evaluation six months prior to the date slated for the last disbursement. The program will include semiannual reports followed by administrative evaluations that will be used for the midterm evaluation of outcomes agreed in advance with the Bank and for the final program evaluation.
- 3.21 The PCU-CRM, together with the Bank, will set suitable outcomes indicators and the monitoring mechanism to be used for measuring program performance and assessing the program's socioeconomic and environmental impact. Some indicators have already been prepared and the remainder are being identified by a consulting firm. In this way, the guidelines will be established for a monitoring and evaluation system that can give a rough approximation of the program's socioeconomic and financial fiscal impacts. This would include: (i) impact and management indicators (relating to the logical framework); (ii) the variables and data required to establish the baseline; and (iii) alternative methodologies for analysis and presentation of impact outcomes, taking into consideration possible property and beneficiary stratification. The outcomes indicators and baseline will be submitted to the Bank for approval within 60 days after the date on which the loan is approved, together with the procedure and methodology to be used for gathering, processing, keeping, and reporting annual data for purposes of comparison with initial baseline data in order to assess the program outcomes.

IV. VIABILITY AND RISKS

A. Institutional viability

- 4.1 The institutional complexity of the land administration system in Panama is reflected in the complexity of the regulations governing land administration. This is due in part to the nature of land administration, but also in large part to the disparate way in which the regulations and institutions developed, with scant coordination and no systematic effort to prevent regulatory and functional overlaps and ambiguities. In the absence of consistent land administration policies, unified information systems, incentives to boost demand for formal ownership, and public

- dissemination of information on property rights, the DCBP, RPP, and DINRA (as well as the Tommy Guardia National Geographical Institute, the Ministry of Housing, BHN, ANAM, the municipios, the Autoridad Marítima Portuaria [Maritime Port Authority], and IPAT) run independent systems that do not hew to a strategic vision. These systems address short-term priorities that have a sector-specific or local focus and are often political, as no strategy is in place for the use, management, and conservation of land and natural resources, urban and rural space, or arable land.
- 4.2 PRONAT, with the support of projects financed by the IDB and the World Bank, has carried out an institutional diagnostic assessment of the sector's institutional framework and initiated the process of modernizing it. This strategy consists of the following actions: (i) during execution, through components 1, 2, and 3, strengthen the beneficiary entities so they are able to provide the inputs required by PRONAT-CRM and the consulting firms hired to implement the program (i.e. cadastral plans, records of Banco Hipotecario titles, municipal easements, etc.); and (ii) by the end of the program, through implementation of component 4, create a new institutional framework at the national and local levels with the capacity to sustainably administer program outcomes (multipurpose cadastre, the new assessment system, and municipal development plans). Attaining this capacity will require a number of actions, including: (i) adjustment of policies and procedures; (ii) training; (iii) adequate human resources; and (iv) the necessary infrastructure.
- 4.3 A critical factor in the program's institutional viability is the high priority that the government, at the uppermost levels, has given the program. As a result, for most of the contracts for the first year, all the necessary documentation is ready, so the contracts can be tendered as soon as the operation is approved, which will drastically reduce the risk of delays in execution. In addition, the key members of the PCU have already been hired and are assisting with program preparation. All profiles for PCU staff and indicative terms of reference for the second- and third-year consulting contracts have been prepared, which will enable definitive terms of reference to be drafted during the first six months, following approval of the program.
- 4.4 Coordination between the Metropolitan Region cadastre and the municipal strengthening efforts will be important, along with the attendant synergies in terms of: (i) maintenance of the cadastre and the legal certainty of property; (ii) better control over the use of public and private spaces at the municipal level; and (iii) the conditions for a future decentralization of the administration of the cadastre and collection of property taxes. To this end, mechanisms will be developed to ensure municipal participation in the management of the cadastre and its coordination with the management of the municipal action plans prepared under the Bank-financed municipal development and decentralization support program (PN-0143). A diagnostic assessment of the management capacity of the municipios was performed under this program, particularly with regard to their ability to assume their new cadastre management responsibilities. The assessment found that in all

RM municipios, the direct incorporation of cadastre management is viable. Accordingly, work has already begun with the municipal governments to identify the right personnel, prepare training plans, and identify eventual equipment needs. The municipios have funding from other sources to finance any additional investment not included in this program.

- 4.5 Lastly, through a consulting assignment to assess the impact of the PRONAT loan, information is being gathered for the baseline and indicator monitoring system, which will give the governmental authorities the tools they need to administer the program more effectively, with a view to ensuring that program benefits materialize.

B. Socioeconomic viability

- 4.6 Because the multipurpose cadastre will be the most expensive program activity, it is the focus of the economic analysis. The main benefits that can be attributed to the updating of the property cadastre and regularization of real property, which are activities associated with the first two program components, are: (i) average cost savings resulting from conducting large-scale cadastral surveys, with respect to the current costs incurred per property; (ii) an increase in municipal revenue due to the availability of information through the multipurpose cadastre, associated with both the tax base and nontax revenue related to the leasing and sale of services and real estate; (iii) increase in State revenue from the taxes and fees associated with construction activities and the real estate market, which can be collected based on cadastral information; (iv) increase in economic activity related to the construction of housing, commercial establishments, property improvements, and real estate transactions, all of which generate the aforementioned revenue; (v) decrease in transaction costs, due to time savings for users in the metropolitan region and the increased operational efficiency of the entities, with respect to cadastral and registry procedures; and (vi) economic impacts of land-use plans. Benefits (i), (ii), and (iii) are estimated below, whereas (iv), (v), and (vi) will be measured against the baseline for monitoring and evaluation as they will require the systematic collection of information during program execution.
- 4.7 The program impact is associated with a low cost for the creation of the cadastre, inasmuch as a full-scale property-by-property survey of the metropolitan region will be conducted, generating significant economies of scale. To create the cadastre, the best technology available will be procured through international bidding, which will allow for a low average cost per property for the cadastral map. By creating the cadastre as proposed under this program, the average cost per property of US\$48 will be far below the \$267 unit cost incurred for surveys of the nearly 8,000 new maps registered annually in the Public Registry. The rate of return was calculated by simulating the probable scenario in the absence of the program, in which 400,000 independent property surveys would be conducted over a period of 20 years, and comparing it to the program target, which is 650,000 cadastral maps over a period of four years. The result of this calculation, taking into account all incremental benefits accruing from cost and time savings from the creation of the

multipurpose cadastre, yields a minimum rate of return for the multipurpose cadastre component of 12.4% (net present value (NPV) of 12%, or US\$47,000), estimated for a net flow projection of 20 years. The internal rate of return, once all direct and indirect costs related to the creation of the cadastre have been factored, is 15.4% (NPV of 12%, or US\$5.4 million).

C. Financial viability

- 4.8 The program's financial viability stems from two sources: (i) an increase in revenue due to an increase in collection of direct taxes, both on inscriptions and real estate transactions through the Public Registry; and (ii) through the Ministry of Economy and Finance, which will be able to compile a list of persons who pay property taxes, increasing the effectiveness of its billing and collection operations. Considering the combined effect of the property tax and real estate transactions, and assuming that the economy continues to grow at a pace similar to the 2004-2006 rate, the impact is estimated on the basis of the incremental tax revenue, which will generate resources that can be used indirectly to repay the Bank's loan. One estimate of the incremental revenue for the Ministry of Economy and Finance that can be attributed to the program, for a period of 10 years, calculates an increase from the base period without the program for the Public Registry of US\$93 million to US\$350 million in 10 years. The same estimate for the DCBP ranges from US\$107 million in fiscal revenue during the base period without the program to US\$405 million annually. In total, adding all revenue from transactions and the expanded tax base, total revenue at 10 years after program startup is estimated at US\$755 million, which means the program is very attractive in terms of its fiscal viability.
- 4.9 The multipurpose cadastre is also expected to generate an increase in municipal revenue, as the municipios will have greater control over, and greater ability to collect on, the various commercial and industrial economic activities. They will increase their current revenue by collecting additional nontax income from the leasing of municipal assets, income through the sale of services, and the payment of rights (sand, commercial announcements and notices, slaughterhouses, etc.). In the analysis, six income sources were identified, for which billing and collection operations can be associated with different layers of information in the multipurpose cadastre, which in each of the six districts and together for the RM account for approximately 70% of total municipal revenue. Due to their greater participation, they will collect in particular: taxes on commercial and industrial activities and services; indirect taxes on construction and renovations; payments of various fees, particularly related to the use of public space; the sale of services, particularly sanitation and garbage collection in the district of Panamá. The financial impact, which was estimated as an aggregate, considering an average impact of between 5% and 8% on the value of current revenue, shows that during the five years of program execution, together, the municipios will receive US\$13.4 million in additional revenue. Furthermore, the present value (at 12%) over 10 years would be US\$20 million, which far surpasses the costs of the

strengthening needed to prepare the land-use plans and boost the municipios' cadastral and financial management.

D. Environmental impact

- 4.10 The program will have a positive impact on the environment, inasmuch as the outcomes will include a multipurpose cadastre, municipal land-use plans, and a consolidated plan for the entire RM. These tools will allow for effective regional land-use planning, creating a solid foundation for environmentally sustainable development.

E. Monitoring and evaluation

- 4.11 The evaluation of the economic impacts of the program presented in this analysis takes into account some of the potential benefits associated with the program. However, a more comprehensive analysis of all impacts that can be attributed to the program will be performed using the monitoring and evaluation system installed during the first year of execution, with special attention on the program's impact on: (a) construction and real estate activity; (b) transaction costs; and (c) municipal land-use plans. This system will be established using the information systems and impact studies that are being developed at present under PRONAT, including the proposed information in SIICAR. In addition, PRONAT resources will be used to design and gather the information needed to establish the baseline, for incorporation into the program monitoring and evaluation system.
- 4.12 **Increase in construction and real estate activities.** A proper assessment of these impacts will require a detailed study during program execution, to evaluate the value of the construction permits and their relation to prices in the real estate market, broken down by single family homes, condominiums (for which a section exists in the Public Registry), offices, and commercial locales. In addition, an analysis will be conducted of mortgage credit in the banking system and the degree to which it is affected by other sources of mortgage financing in which property that has not been properly registered is put up as collateral. This study, which should provide information for the baseline in the monitoring and evaluation system, will undoubtedly help quantify major benefits, associated with the importance of the cadastre and its interconnection with the registry, which by definition are attributable to the program.
- 4.13 **Decrease in transaction costs.** The impacts associated with the transaction costs of both cadastral and registry services will be assessed during program execution as part of control, monitoring, and evaluation activities. The analysis and setting of the baseline for the monitoring and evaluation system will take into consideration: (i) the establishment of an interconnection between the cadastre and the public registry database, which should be done through SIICAR, a system that is being implemented with financing from the World Bank; (ii) current processes and costs of the cadastre maintained by the DCBP; (iii) the processes and costs of the cadastres to be adopted by the future entity that will be responsible for cadastre administration and regulation; and (iv) the current processes and future

technological advances that may be introduced by the RPP as part of its modernization process.

- 4.14 **Impacts of the multipurpose cadastre.** The use of cadastral information for land-use planning and zoning purposes will yield significant economic, social, and environmental benefits, some of which are hard to quantify. The multipurpose cadastre will enable authorities from the Ministry of Housing and the six RM municipios to develop municipal land-use plans and improve their planning, financial management, and services. In particular, the ability to consult an accurate inventory of illegal settlements and the number of families living in them, on both public and private property, will have a major impact. It will make it possible to clear and register titles on land currently owned by BHN and the six municipios, by quickly and accurately identifying the tenure situation and disputes associated with each parcel. Moreover, the regularization of illegal settlements will enable the Ministry of Housing to set housing policies for low-income families, raising targets and increasing budget allocations, with the attendant social and economic impacts. In addition, the multipurpose cadastre will make it possible to expand the coverage and use of residential services, such as water and electricity, minimizing losses resulting from illegal connections on which payment goes uncollected by the utility companies and thereby increasing their income. The impacts of the multipurpose cadastre will be calculated during program execution based on information from the monitoring and evaluation system.

F. Benefits and beneficiaries

- 4.15 The program is expected to generate an enabling environment for more equitable and sustainable development in the RM, by supporting activities and projects that yield economic, spatial, and institutional benefits that will improve the quality of life of the local population, while establishing the information systems and development and land-use planning tools on a single, uniform platform that provides cadastral information and property maps for the RM. This will enable local governments and national government agencies to support and improve their response to rapid urban development in the RM and the country in general, ensuring greater sustainability.
- 4.16 In the short term, the benefits will center on: (i) guaranteeing for the low-income population the legalization and formalization of the parcels where their homes are located, so they can be leveraged in transactions in the market for real estate and formal credit for housing improvements and business creation; (ii) making the actions of national and local institutions involved in land administration more efficient, streamlined, and automatic; and (iii) making information related to the land and real estate market more public and transparent for better regional administration by the State.
- 4.17 In the medium and long term, the program will generate the following benefits: (i) increased security and creation of value for public and private investments associated with the market for land and real estate, because these will be subject to

- land-use and city planning rules and regulations established through social agreements; (ii) municipios capable of defining, managing, and financing their land-use plans, and consequently, better equipped to meet the development needs and challenges of the population; and (iii) conditions conducive to collection of more direct and indirect property taxes by the State, which will allow it to increase its financing for infrastructure, equipment, and public space programs and projects in the RM, thereby improving living conditions for the local population.
- 4.18 The participating municipios, in addition to developing their land-use plans as stipulated by Law 6 of 2006, will assume new and greater responsibilities in terms of cadastral management. This will particularly be the case when it comes to providing the necessary information—for which the municipal governments are the primary source—for the conservation, maintenance, and updating of the cadastre, so that it is maintained on an ongoing basis. This will preclude the need for a new cadastral survey in a few years.
- 4.19 There are multiple additional factors that will directly benefit municipal administration. With access to a multipurpose cadastre, local governments will be able to implement their land-use planning more efficiently, more effectively, and more responsibly, and set aside land for social purposes and other uses. It will also allow them to improve their financial management by having real information on potential taxpayers. Local governments and utility companies will also be able to improve their services by expanding coverage and setting suitable rates (water, sanitation, solid waste management, etc.). Through the effective management of multipurpose information, local governments will be able to improve their general customer service. In the near future, with the decentralization of property tax administration, the fiscal impact on municipal public finances will be provide the underpinning of financial self-sustainability and contribute to the equitable distribution of property tax revenue.

G. Risks

- 4.20 The main risk to the program has to do with coordination of the various entities that will participate in the process and the potential complications arising from interagency coordination, both for program execution and the sustainability of program outcomes. The strategy for mitigating this risk admits two possibilities. First, the current institutional structure, despite the weaknesses mentioned, guarantees an acceptable institutional framework for execution, which will improve over the course of the program as a result of the institutional strengthening activities under each component. Second, the Panamanian government has indicated its express intent to create a new sector institutional framework for the sector, which will include ANATI. This represents an opportunity to substantially improve the sector's institutional framework. If ANATI is not set up, the resources would be used to ensure the sustainability of program outputs by the beneficiary entities (DCBP, DINDRA, BHN, MIVI, and the municipios). In either case, the program has a sufficiently flexible design and adequate resources to mitigate the risks associated with interagency coordination.

- 4.21 The other risks to the program are related to: (i) the interaction with various segments of the public vis-à-vis the public policies implicit or explicit in the program, which will be reduced by the support and leadership for PRONAT by the highest-ranking authorities in the country; and (ii) the various entities' institutional capacity to absorb the large-scale processing of titles and maps, which will be mitigated by the institutional support provided under the program through the development of the computerized database (SIICAR), which is reducing the current processing workload of records and maps and making the process more efficient.

**METROPOLITAN REGION CADASTRE AND LAND ADMINISTRATION MODERNIZATION PROGRAM
(PN-L1018)**

LOGICAL FRAMEWORK MATRIX

Narrative summary	Indicators	Means of verification	Assumptions
<p>Goal</p> <p>To help improve land use as a basic factor in the country's social and economic development, with an emphasis on the Metropolitan Region (RM).</p>	<p>Property market transactions have risen by 25% in the RM three years after the program.</p>	<p>Project reports based on information in the property register.</p>	<p>Political support for the program remains unchanged.</p>
<p>Purpose</p> <p>To improve the land administration system in the Metropolitan Region.</p>	<p>By the end of the program</p> <ol style="list-style-type: none"> 1. A digital and line information system is adopted to facilitate integrated land management by the six municipal entities and the national land authority. 2. In terms of legal certainty, the number of properties in the metropolitan area that are legally registered and titled has increased by at least 32.5% from baseline of 200,000 titles. 3. Fiscal revenues from the Municipio in the metropolitan region are up at least 50% against US\$60 million in the base year (2006). 4. Cadastral processing costs are reduced from US\$250 in base year to US\$50 per plot. 	<ul style="list-style-type: none"> - Regular project performance reports - Land management plans - Key indicator measurement reports in midterm and final evaluations 	<p>Coordination between entities responsible for land management system is smooth.</p>

Narrative summary	Indicators	Means of verification	Assumptions
Component 1: Multipurpose cadastre			
A multipurpose cadastre that consists of a platform with the relevant physical, legal, and fiscal databases, and that provides reference information from various interconnected entities, to ensure that decisions reflect existing information.	<ul style="list-style-type: none"> - Cadastre created with physical, legal, and fiscal information for the Metropolitan Region upon project completion - 20 information layers integrated with the cadastre databases by the end of year 2 - 15 additional layers upon project completion. 	<ul style="list-style-type: none"> - Quality control reports on information provided by each public and private entity - Project performance reports. 	Information is available to feed the various layers, and the public and/or private entities offer support by providing data.
Activities			
1.1 Creation of the cadastre and its integration with other public and private databases of information and creation of a computer system for user access	<ul style="list-style-type: none"> - Fly plan for 260 km² prepared, producing 2,459 images and 660 cadastral maps by the end of year 1. - Production of 660 vector maps at scales of 1:1,000 and 1:2,000. - Cadastral survey: Year 1, 15,000; year 2, 240,000; and year 3, 195,000 - Maps with georeferenced data from various public entities, some municipios, and other entities as well as public utility companies for 6 municipios. End of year 2. 	<ul style="list-style-type: none"> - Consultants' reports and product reports delivered. - Maps with cadastral information. - Maps with georeferenced data. 	Information is available for users to access.
1.2 Large-scale property assessments	Design, testing, implementation, and operation of an econometric model and associated computer application to conduct large-scale assessments. As of year 2.	Cadastral records evidencing incorporation of assessed properties	
1.3 Maintenance of multipurpose cadastre	<p>Inclusion in SIICAR of 650,000 properties surveyed under the project.</p> <p>Use of SIICAR feedback procedures with new property market transactions.</p> <p>By the end of the project.</p>	Consultants' report presenting evidence that feedback system is functioning smoothly.	Every participating institution and mayor's office has sufficient, reliable connectivity.

Narrative summary	Indicators	Means of verification	Assumptions
Component 2: Land regularization			
Support for large-scale titling and registration of unregistered/untitled properties in the RM.	By project completion: - 65,000 properties titled, - 200,000 properties cleared	Monitoring of RPP data and adjudication decisions	
2.1 Creation of specialized land courts	4 specialized property courts in operation by end of year 1 2 specialized property courts in operation by the end of year 2	Program reports and number of cases resolved.	Court decisions are handed down in short order.
2.2 Creation and/or expansion of municipal ejidos	Ejidos demarcated in the six participating municipios By end of year 1	Resolutions establishing or expanding ejidos Financial reports	
2.3 Issuance of titles	At least 15,000 property titles issued in year 1 At least 20,000 property titles issued in year 2 At least 30,000 property titles issued in year 3	Verification of titled issued	There are enough titles to meet the target.
Component 3: Land-use planning			
To lay the groundwork and elements needed for comprehensive, up-to-date, equitable land-use plan in the RM	By end of year 1, effective coverage of the various planning tools in the different municipios and the RM.	Regional and municipal land-use plans approved and adopted by the authorities	The co-managing entities have political and administrative will. Good management by PRONAT.
3.1 Preparation of six municipal land-use plans, drafted for consistency with the RM urban development plan	By end of year 2, approval of a land-use plan in Arraiján, La Chorrera, Capiña, Panamá, San Miguelito, and Colón.	Municipal agreements to adopt land-use plans Contracts with consulting firms	The municipal governments and councils work together and approve the initiatives.

Narrative summary	Indicators	Means of verification	Assumptions
3.2 Review and updating of the urban development plan for the metropolitan areas on the Pacific and Atlantic coasts, in accordance with Law 6 of 2006.	By end of year 3, the urban development plan for Atlantic and Pacific metropolitan areas designed and updated.	Verification and monitoring meetings between all parties.	The various regional and local actors are willing to receive a plan of mutual interest.
3.3 Identification of new legal opportunities to finance and manage municipal urban development with land-use planning and a proposal for a regulatory framework	By end of year 4, the proposed legal instruments prepared and approved by the PRONAT Superior Council.	Laws issued or amended, executive decrees and municipal agreements adopted	Lawmakers and the Executive have the political will to advance complex instruments.
3.4 Physical demarcation of boundaries of protected areas	Contracting of physical demarcation of the boundaries of national protected areas in the RM, such as parks, reserves, wetlands, etc. By end of year 3	Contract with specialized firm and perimeters of parks and protected areas physically marked (boundary markers)	
3.5 Institution-strengthening	Contracting of personnel, training, procurement of equipment, to strengthen and make operational the new land administration entity	Semiannual progress reports	
3.6 Study and proposal for RM signage and nomenclature	By end of year 3, study to design and propose the nomenclature and signage for the RM approved by the PRONAT Superior Council	Consulting contract and final report	Basic information is available to perform consulting assignment.
Component 4: New institutional framework for land administration			
4.1 Creation of a single land administration entity to ensure the sustainability of public investments in the multipurpose cadastre, large-scale regularization, and municipal land-use plans	End of year 1, studies that lead to the creation of a single land administration entity	Proposal approved by national entities	There is sufficient political will.


7/10/7

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/07

Panama. Loan ___/OC-PN to the Republic of Panama. Metropolitan Region Cadastre and Land Administration Modernization Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Panama, as Borrower, for the purpose of granting it a financing for the metropolitan region cadastre and land administration modernization program. Such financing will be for the amount of up to US\$27,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)

LEG/OPR/RGII/IDBDOCS#1034793
PN-L1018