

## LAND TITLING AND REGISTRATION PROJECT

(PE-0037)

### EXECUTIVE SUMMARY

**BORROWER AND GUARANTOR:** The Republic of Peru

**EXECUTING AGENCY:** Ministry of Agriculture (MAG)

**AMOUNT AND SOURCE:**

IDB (OC):	US\$21.0 million (57.5%)
Local contribution:	US\$15.5 million (42.5%)
Total:	US\$36.5 million

**FINANCIAL TERMS AND CONDITIONS:**

Amortization period:	20 years
Disbursement period:	4 years
Interest rate:	variable
Grace period:	4 years
Inspection and supervision:	1%
Credit fee:	0.75%

**OBJECTIVES:** The main objective of the project is to support the establishment of a rural land market in Peru that operates in an open, flexible, and transparent fashion, through conclusive regularization of the ownership of all holdings created under the agrarian reform; modernization and consolidation of the rural cadastre; and establishment of a single, automated system for registering rural property.

**DESCRIPTION:** The project consists of the following components: (a) land regularization, with two subcomponents - land titling and regularization of private holdings; (b) cadastre; (c) public registry, with two subcomponents - rural property registry and modernization of the Sistema Nacional de los Registros Públicos [National Public Registry System] (SNRP); and (d) management and monitoring of renewable natural resources.

Land regularization component. This component provides for a series of prior actions needed to improve the legal status of rural property, with a view to recording it in the real estate registry. To register land, the public registrar must be presented with a legally-valid award decision, contract, or title, property specifications, and a plan of the property. The activities will be organized around two sub-components: land titling and regularization. The land

titling subcomponent will finance the activities of the Proyecto Especial de Titulación y Catastro Rural [Special Rural Cadastre and Titling Project] (PETT) intended to finish awarding areas subject to agrarian reform that are in the hands of the State and the titling of areas that have been awarded but whose ownership has not been transferred to the current occupants. This subcomponent will include close to 300,000 properties. The land regularization subcomponent will finance the activities necessary to legalize the tenure of land which already belongs to the private sector, including: (a) holdings resulting from subdivision pursuant to agrarian reform, previously awarded and titled; and (b) other holdings of small landowners in zones subject to regularization, a process that would cover 300,000 properties over three years.

Cadastre component. The purposes of this component are to establish and update the cadastre in the agrarian reform areas, as a necessary condition for recording the holdings in the real estate registry and, over the medium term, to establish a modern system for constituting and maintaining the rural cadastre. The goal is to survey close to 1.1 million properties. To attain it, the services of specialized firms will be hired, the PETT's technical capacity will be built up, and it will be provided with the equipment needed to interpret and maintain the information.

Public registry component. The purpose of this component is to support the institutional development, technical strengthening, and equipping of the recently-established SNRP and the respective authority – the Superintendencia Nacional de los Registros Públicos [National Public Registry Authority] (SUNARP). This will ensure an adequate institutional framework for completing the processes of regularizing rural property ownership and will strengthen the Peruvian government's strategy of guaranteeing legal certainty for private economic activities. The goal is to register 1.1 million rural properties (600,000 established under the agrarian reform and 500,000 other private holdings).

Management and monitoring of renewable natural resources. This component will help to boost the capacity of the Instituto Nacional de los Recursos Naturales [National Natural Resources Authority] (INRENA) to monitor, evaluate, and track natural resources and to support the government in the development of an adequate legal framework governing them.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

Prior to the first disbursement of the loan it will be necessary to: (a) establish and install the project supervisory committee and the project executing unit (PEU) (paragraphs 3.3 and 3.4); (b) have the MAG's PEU and the PETT, SUNARP, and INRENA, as project subexecuting agencies, sign the framework agreements needed for adequate project execution (paragraph 3.4); (c) after a selection process, contract the staff that the PETT requires to execute components under its responsibility (paragraphs 3.7 and 4.6); (d) present, to the Bank's satisfaction, the first annual operating plan for the project (paragraph 3.4); and (e) sign an agreement with the United Nations Development Programme (UNDP) for procurement and contract administration (paragraph 3.19).

Prior to the first disbursement for the registry component, the borrower, in addition to the conditions precedent set forth in the previous paragraph, will submit evidence that: (a) in the organization and operating regulations of each regional registry office, the existence of a special rural property section of the real estate registry will be provided for, which will be subject to the provisions of Legislative Decree 667; and (b) the regulations for registration of rural properties have been approved, in the terms previously agreed upon with the Bank (paragraph 3.11).

During the project the following conditions must be complied with: (a) in the twelfth month of project execution, the borrower and the Bank will evaluate the operation of the cadastre section of the PETT and, if necessary, will agree to changes in its structure, organization and functions (paragraph 4.5); (b) 12 months after the loan contract becomes effective, present, to the Bank's satisfaction, evidence: (i) on the design of the renewable natural resource monitoring system; and (ii) that the firms that will monitor the project's impact have been hired (paragraph 3.13); (c) at the project evaluation stages (18 months and 36 months), present reports on the project's social and environmental impact - the Bank and the borrower will make changes and adjustments to the project on the basis of those reports (paragraph 3.13); (d) within 36 months after the start of the project, present to the Bank's satisfaction an institutional and financial proposal for continuing the work of the cadastre (paragraph 3.16); (e) within 36 months after the start of the project, prepare, to the Bank's satisfaction, mechanisms to unify the rural property registry and legislation and

procedures for implementing a comprehensive property registry (paragraph 3.17); and (f) present the annual operating plan broken down by component to the Bank prior to August 31 of each year (paragraph 3.15).

**ENVIRONMENTAL  
CLASSIFICATION:**

The Environment Committee, at its meeting of July 11, 1995, classified this as a Category III operation. The environmental impact summary was approved on October 11, 1995.

**BENEFITS:**

The agrarian reform process badly undermined the rural property structure in Peru. A new legal framework and support for the development of the institutions needed to implement it will constitute one of this project's key contributions to the establishment of a dynamic property market. The closing of Banco Agrario (which did not require registered titles) makes it indispensable for producers to gain access to the private financial system, for which purpose possession of a properly registered title is essential. Operation of the property market and access by producers to credit will stimulate efficient land use, promote investment, and increase rural production and productivity over the medium term. The sequence described should lead to stepped-up economic activity, higher farm incomes, and a reduction in rural poverty. The main obstacle until now has been the lack of institutions to carry out the tasks described. The PETT and SUNARP, which are two recently-created institutions, should be able to attain the proposed targets in four years - provided the project contributes the technical means and funding to enable those entities to carry out the work under an appropriate structure for coordination and execution.

**RISKS:**

The main risks of the project are related to: (a) incipient institutional development in the areas of land titling and registration, which must be strengthened through the human and financial resources provided under the project; and (b) the lack of a tradition of property registration in Peru. Promotion of the project's services, the demands of the private financial sector, and the establishment in the medium term of compulsory registration will surmount this obstacle. In the environmental sphere there is a risk in the short term that migration to ecologically fragile zones may take place and that the use of agricultural chemicals may increase. The project includes monitoring mechanisms to take whatever corrective actions are necessary.

**FOCUS ON LOW-  
INCOME  
BENEFICIARIES:**

Close to 61.14% of Peru's rural population lives below the poverty line (estimated as 246 new soles per person per month). It is estimated that 95% of the beneficiaries of the three project components live in poverty. Therefore, this project is targeted on the country's poorest groups.

**PROCUREMENT  
CEILINGS:**

The project requires international competitive bidding for procurement of goods and services costing over US\$250,000. The UNDP will administer the procurement and contracting processes during project execution.

**THE BANK'S  
COUNTRY AND  
SECTOR STRATEGY:**

The operation under consideration covers three of the four priority areas in the Bank's lending strategy for Peru: (a) consolidation of economic reforms and modernization of the State; (b) poverty reduction and support for the social sectors, which includes projects in areas such as education, health, and sanitation; (c) agriculture and sustainable development, including continued reforms in the sector and rural development. (The fourth area is modernization of physical infrastructure.)

The Bank's strategy in the sector has the primary goals of promoting private investment and reducing rural poverty indexes. These goals can be attained through rationalization of price and foreign trade policies, proper functioning of the factors markets, and promotion of rural technological development to obtain adequate increases in productivity and competitiveness, while simultaneously conserving renewable natural resources.

In the context of its dialogue with the Bank on structural reforms, the government has taken many steps that have improved the policy framework for the agriculture sector. Under the agreements pertaining to the trade sector loan, foreign trade has been substantially liberalized and State-owned marketing companies have been sold or streamlined.

Further, the dialogue between the Bank and the government has focused on removing lingering constraints and restrictions on the land and water markets, which stem from the legislation that applied during the agrarian reform. It was agreed with the government that the submission of land and water legislation to Congress would be a condition precedent to processing investment projects in land titling and irrigation.

Institutional reforms under the law reorganizing the Ministry of Agriculture and the entities reporting to it will allow for investment projects in technological development and plant and animal health to be prepared in the near future, which are crucial for improving the quality of farm production and its returns.

## I. FRAME OF REFERENCE

### A. Macroeconomic aspects

#### 1. Economic trends and initial conditions

- 1.1 Since July 1990 the government has been following a stabilization strategy based on strict fiscal and monetary discipline and has carried out a series of structural reforms to reduce the role of the State and liberalize and deregulate the economy, with the goals of promoting private investment and economic growth and reducing poverty levels.
- 1.2 Its economic program has been a success and, overall, the economy performed better in 1994 than had been projected. GDP grew by close to 13% with strong expansion in private investment and exports. Inflation fell from 39.5% in 1993 to 15.4% in 1994. The deficit in the external current account was held to 5.5% of GDP and net international reserves in the Central Reserve Bank grew by US\$3 billion, while gross reserves were equivalent to 11 months of imports by the end of the year.
- 1.3 Over the next few years the government's economic policies will continue to follow the program agreed upon with the International Monetary Fund in 1993, which was ratified in a letter of intent sent to the IMF in June of this year. The letter reaffirms that the government will continue to follow prudent financial policies and deepen the structural reforms to improve the efficiency of the economy. In that context, in 1995 it intends to hold the overall public sector deficit down to less than 2% of GDP, reduce inflation to between 9% and 11%, attain sustainable growth in GDP of about 6.5%, and push back the deficit in the external balance of payments current account to around 5% of GDP.

### B. The agriculture sector

#### 1. Production trends

- 1.4 Peru has a territory of close to 129 million hectares marked by extreme geographic contrasts. Close to 30.9 million hectares (24% of the territory) are apt for agriculture, with 1.3 million irrigated, 2.4 million used for dryland farming, and 27.2 million in the form of natural pastureland. Forests grow on about 70 million hectares, with 25 million of them classified as protective forest.
- 1.5 The agriculture sector is one of the most important in the economy, accounting for 8% of GDP and employing 34% of the economically active population. Overall, Peruvian agriculture was marked by its lack of dynamism over the years from 1950 to 1992. Annual growth in the agricultural product was slower than that of the

overall product during the period. In the last two years the agriculture sector has recovered considerably as a consequence of the general economic boom, with growth of 13.2% in 1994. However, the persistence of certain distortions and restrictions in the product and factor markets have not permitted private rural investment to grow rapidly or rural poverty indexes to decline.

## 2. Restrictions on agricultural growth

- 1.6 Headway in Peruvian agricultural production and productivity has been severely limited by the constraints and restrictions in the markets for two significant production factors – land and water. Peru's potential for expanding the agricultural frontier is quite small. Out of a total of 129 million hectares, just 6% (6.74 million hectares) is potentially arable, and of that area, 3.7 million are now under cultivation. Turning to water, although this resource is abundant, it is not ideally distributed throughout the year or among geographic regions, and it could be better apportioned among the different crops. Government allocation of water and the low rates charged have led to waste and the resource has not contributed greatly to the development of Peruvian agriculture.

### a. Government intervention in the agriculture sector

- 1.7 Aside from the physical and technological constraints mentioned above, agricultural policies and the accompanying institutional structure account for a large part of the stagnation in the sector. Up to the start of the 1990s, agricultural policy was marked by growing government intervention in pricing and foreign trade, price controls that favored urban consumers, and subsidies for the main inputs such as water and fertilizers. Moreover, the agrarian reform process contributed to uncertainty with regard to property rights, segmented the land market, and severely limited private investment. The structural reforms launched in 1990 have led to a marked improvement in the sector's policy framework.
- 1.8 Prices and marketing. The steps taken by the government in 1990 led to substantial changes in the marketing of agricultural products and inputs. In the first place, both domestic and foreign trade were fully liberalized, and the monopolies enjoyed by State-owned marketing companies – Empresa Nacional de Comercialización de Insumos [Input Marketing Corporation] (ENCI) and Empresa de Comercialización de Alimentos [Food Marketing Corporation] (ECASA) – were eliminated. Direct subsidies to farmers, central government contributions, and tariff exemptions for the State marketing corporations were removed and the exchange market was unified. However, a tariff surcharge structure has been maintained on close to 20 customs items, although an agreement has been reached between the government and the Bank as part of the third tranche of the trade sector loan regarding the gradual reduction of protection levels.



- 1.9 Public spending. Public spending on agriculture fell in real terms between 1970 and 1990, funding was targeted to large irrigation projects with doubtful economic returns, and services such as research and technical assistance, plant and animal health, information, and renewable natural resource conservation deteriorated. From 1985 to 1990, a large part of spending was channeled through subsidies for credit, marketing, and inputs. Since 1990, the liquidation of Banco Agrario and ECASA and the controls placed on ENCI have largely corrected the situation. Irrigation policy is now moving in the direction of cutting back on investments in large projects and introducing a policy of cost recovery and user financing of small and medium-sized projects.
- 1.10 Land ownership and water rights. One of the factors that acted as a damper on the agriculture sector's response capacity was the lack of transparency in the markets for the main inputs. The land market has been sluggish owing to continuing restrictions on land sales and uncertainty regarding ownership that stemmed from certain constitutional and legal provisions, which were amended in the 1993 Constitution and the recent Law 26505 of July 18, 1995, governing private investment in land and communities, which was a necessary condition for processing the operation under consideration here. Furthermore, there are many problems with land titling and registration arising from the agrarian reform, which affect over half the area used for commercial farming. The present project is intended to speed up their solution.
- 1.11 Water resources in Peru are governed by the General Water Act of 1969 and the regulations thereof. The act established public ownership of water, allowing access to it under licenses. The government supplies water to users at prices that are much lower than production and distribution costs. This implicit subsidy stems from the substantial amounts spent by the government on the construction of large-scale irrigation projects. The government has prepared draft legislation on water that establishes a market for actual water rights and has asked Congress for authorization to pass it.
- 1.12 Institutional organization of the public agriculture sector. The sector's institutional organization in 1990 was consistent with the agricultural policies applied in previous decades and was designed to manage the government's extensive intervention in the production and marketing of farm products. For several decades prior to the 1990s, Peru's public agricultural apparatus grew steadily in size, particularly in terms of the number of employees in the Ministry of Agriculture (MAG) and the agencies reporting to it, which had mushroomed to 45,000 by 1990.
- 1.13 As part of its plan to reorganize the public agriculture sector, Peru issued Legislative Decree 25902 in November 1992 - the organizational law governing the Ministry of Agriculture - which:  
(a) reaffirms the regulatory role of the MAG, establishes an

Agricultural Information Office, and restructures the Agricultural Planning Office; (b) establishes and defines the functions of three decentralized institutions responsible for the main agricultural services - Instituto Nacional de Investigación Agraria [National Agricultural Research Institute] (INIA), Instituto Nacional de los Recursos Naturales [National Natural Resources Authority] (INRENA) and Servicio Nacional de Sanidad Agropecuaria [National Plant and Animal Health Service] (SENASA); and (c) establishes the Proyecto Especial de Titulación y Catastro Rural [Special Rural Cadastre and Titling Project] (PETT), to last for four years. As a consequence of the restructuring, the number of public agricultural employees had plummeted to around 4,000 by the end of the 1993.

b. Deterioration in renewable natural resources

- 1.14 Aside from causing stagnation in agricultural production, the legal, institutional, and political frameworks described above are largely responsible for the deterioration of renewable natural resources, for the following reasons: (a) the legislation in effect in recent decades defined those resources as public property but did not give the State the tools it needed to manage or monitor them; and (b) the weakness of the normative and regulatory institutions and the lack of mechanisms for obtaining information on the impact of the legislation and policies of the time made it impossible to develop a long-term policy with regard to the sustainable use of natural resources.
- 1.15 The policies governing land and water inside the agricultural frontier have an obvious impact on forest management. The Forestry Act in effect since 1975 establishes the principle that forested land and the trees on it belong to the State. The government's lack of regulatory capacity has led to the settlement of land with limited agricultural potential, particularly in the high jungle, and has resulted in the destruction of the forest, soil degradation, and economic and social instability in those regions. The government and a number of NGOs have drawn up proposals to change the legislation.
- 1.16 As mentioned earlier, in the context of its comprehensive reform of the sector, the government took some steps to address the problem of the institutional management of renewable natural resources. In November 1992 it established INRENA as a decentralized agency. Its functions are to classify, evaluate, and monitor renewable natural resources, propose policies for their rational use and conservation, evaluate the environmental impact of agricultural projects, and coordinate forestry research plans.

3. The land issue

- 1.17 Incomplete titling. Land ownership rights were deeply undermined by the agrarian reform process. After the process was launched in 1969, the government appropriated 16,000 properties and acquired

13.2 million hectares. It awarded 9.4 million hectares to 438,000 beneficiary families, most of whom had banded together in associations. However, it only issued 66,000 property titles over 5.1 million hectares; ownership of 4.3 million hectares has not been regularized and most of the total has still not been registered.

- 1.18 The rural cadastre. The MAG has always been responsible for the rural cadastre. Today, the Cadastre Unit of the PETT has information on 804,236 units covering close to 53% of the country. The main problems with the current rural cadastre are: (a) out-of-date inventory for close to 40% of the area, since it was surveyed at the start of the 1970s; (b) inadequate operating capacity and obsolete PETT equipment; and (c) lack of correlation between the cadastre and the registry owing to the absence of a modern information system to link the two databases.
- 1.19 Public land registries. It is not compulsory in Peru to register titles in the real estate registry. No countrywide information is available on the number of rural properties registered, but it is estimated that not more than 8% have been. In the last five years, two legal frameworks for real estate registration have coexisted in Peru: the public registries of the Ministry of Justice and the land registry kept by the Ministry of Transportation, Housing, and Construction. The latter applies the special methodology established in Legislative Decree 667, which recognizes possession and eliminates the need for a notary to be involved in the registration process. Law 26366 of October 1994 established the Sistema Nacional de los Registros Públicos [National Public Registry System] (SNRP) and the Superintendencia Nacional de los Registros Públicos [National Public Registry Authority] (SUNARP) to coordinate and supervise the modernization and amalgamation of all the registries in the system.
- 1.20 Land tenure. Application of the agrarian reform led to the splintering of property. Figures from the 1984 rural household survey indicate that at that time there were 1.57 million rural families, and close to 4 million hectares under cultivation by individual owners. Of this total, around 2.9 million hectares (73%) were in the hands of 1.44 million families holding an average of two hectares per family. An estimated 400,000 families belonged to associations that held land communally but have now largely divided up their holdings, contributing to property fragmentation. The 1994 national standard of living survey confirms that close to 57% of all rural properties are smaller than two hectares, with the most serious situation in the Andes, where 81% fall into this category.
- 1.21 The situation described above has led to the following problems: (a) the existence of a large number of holdings (close to 300,000) covering 4.3 million hectares, which were awarded by the government without titles of ownership; (b) the existence of another

300,000 holdings which derive from the breaking up of cooperatives and other types of associations and which require different cadastral and legal actions to obtain a registrable document; and (c) the absence of modern cadastral systems, which means that the inventory of the units that existed in the 1960s (804,236) is out of date and there is no inventory of the new units that have arisen as a result of the subdivision of land (300,000); and (d) the absence of a sole system for registering rural property that is expeditious, easy, and cheap, which has meant that very few rural properties have been registered (about 8% of the total).

#### 4. The legal framework governing property

- 1.22 Decree Law 17716 of 1969 launched the agrarian reform in Peru. Subsequent legislation virtually eliminated private land ownership in rural areas. The expropriated land was granted in usufruct and the grantee was not permitted to sell it, rent it, or work it other than through direct management. Most of the grants were made to communities, campesino groups, and farming associations or farmers' leagues.
- 1.23 The Agriculture Sector Investment Promotion Law (Legislative Decree 653 of August 1991) revoked Decree 17716 and substantially improved the rural property ownership system. Although it guaranteed land ownership and permitted its sale, lease, and use as mortgage collateral, it prohibited the division of land into parcels of under three hectares and set caps on maximum farm size. The 1993 Constitution liberalized the system governing campesino and native communities and left it to the law to set limits on land ownership.
- 1.24 Congress has recently passed Law 26505 (July 18, 1995), reaffirming the free ownership and availability of land and the right of campesino and native communities to opt for the land tenure system of their choice. The law also removed the maximum and minimum caps on farm size, leaving it to the Executive Branch to regulate a tax on properties of over 3,000 hectares.

#### 5. The land titling and registration process

- 1.25 To register property it is necessary to present a registrable document to the public registry (title or equivalent), a plan of the property and specifications. At the Lima Property Registry, registration forms are used instead of the specifications. Under current procedures, to acquire a registrable document, the following requirements need to be met: (a) first-time issue of title registration in the name of the State; (b) certificate of eligibility; (c) certificate of award; (d) bargain and sale contract; and (e) title. A large number of holdings established under the agrarian reform are unable to meet some or any of these requirements, which has led to legal uncertainty in land ownership.

- 1.26 To remedy this situation it is necessary to: (a) adopt a simpler method for formalizing ownership, which will be achieved through adoption of the procedures provided for in Legislative Decree 667; (b) carry out a process of land ownership regularization to complete the formalities needed to obtain a registrable document for every holding; and (c) cadastral and legal revision to correct all the discrepancies in information appearing in the registrable documents and the property plans.

C. The Bank's country strategy

- 1.27 The operation under consideration covers three of the four priority areas in the Bank's lending strategy for Peru: (a) consolidation of economic reforms and modernization of the State; (b) poverty reduction and support for the social sectors, including projects in areas such as education, health, and sanitation; (c) agriculture and sustainable development, including continued reforms in the sector and rural development. (The fourth area is modernization of physical infrastructure.)

D. Action by the Bank and other agencies in the agriculture sector

- 1.28 From 1961 to 1983, the Bank's agricultural loans to Peru focused on financing credit programs, small and mid-sized irrigation works, and rural development and settlement operations.
- 1.29 Since 1990, the IDB has been working in tandem with the World Bank on a coordinated medium-term investment strategy for the rehabilitation of irrigation systems, provided that users are willing to absorb the incremental costs of a project. The two institutions have also been exploring the possibility of projects in the fields of rural development and natural resource management and have coordinated their actions regarding the new legal framework for land registration and the water act currently under debate in Congress.
- 1.30 The primary goals of the Bank's action strategy in the sector are to promote private investment and reduce rural poverty indexes. They will be attained through rationalization of price and foreign trade policies, effective functioning of the factors markets, and promotion of rural technological development to obtain meaningful increases in productivity and competitiveness, while simultaneously conserving renewable natural resources.
- 1.31 In the context of its dialogue with the Bank on structural reforms, the government has taken many steps to improve the policy framework for the agricultural sector. Under the agreements pertaining to the trade sector loan, foreign trade has been substantially liberalized and State-owned marketing companies have been sold or streamlined. The dialogue between the Bank and the government has focused on removing lingering constraints and restrictions on the land and water markets, which stem from the legislation that

applied during the agrarian reform. It was agreed with the government that the submission of land and water legislation to Congress would be a condition precedent to processing investment projects in land titling and irrigation.

E. Design of the proposed project

- 1.32 The project is consistent with the goal of spurring private economic activity by guaranteeing the legal certainty of land ownership through the establishment of a suitable legal framework and institutional mechanisms. This will facilitate access to the financial system by land owners and stimulate investments for sustained growth in agriculture in the coming years. Over the medium term, attainment of these goals will translate into an increase in the agriculture sector's growth capacity, higher living standards for low-income groups, and a stimulus for the conservation of renewable natural resources.
- 1.33 The establishment of a flexible and transparent land market requires changes in property ownership laws and the establishment and building up of institutions that allow the market to operate. Strengthening the PETT will make for an orderly transfer of State land to the private sector. Updating the rural cadastre, modernizing the National Public Registry System, and establishing a single system for registering rural land will facilitate private land transactions.
- 1.34 A dynamic land market cannot operate on a sustainable basis without the necessary information on the characteristics and availability of land and related factors. Accordingly, the establishment of a legal cadastre will lay the foundations for the design and creation of a structured system for renewable natural resource management and monitoring, which will supply information on the impact of activities linked to rural land regulation and registration and serve as input for devising corrective measures.

## II. THE PROJECT

### A. Objectives and targets

- 2.1 The objective of the project is to support the establishment of a rural land market in Peru that operates in an open, flexible, and transparent fashion, through conclusive regularization of the ownership of all holdings created under the agrarian reform, modernization and consolidation of the rural cadastre, and the establishment of a single, automated system for registering rural land.
- 2.2 Attaining this objective will involve regularizing the ownership of close to 600,000 rural holdings (located in the areas affected by the agrarian reform), completing the cadastre, and concluding the registration of close to 1.1 million holdings (including about 500,000 properties in the unreformed area), thereby regularizing the situation of almost 50% of all holdings nationwide.

### B. Project description

#### 1. Property regularization component

- 2.3 This component provides for a series of prior actions needed to improve the legal status of rural holdings, with a view to recording them in the real estate registries. To register land, the public registrar must be presented with a legally-valid award decision, contract, or title, property specifications, and a plan of the property. The activities will be organized around two subcomponents: land titling and regularization.

#### a. Land titling subcomponent

- 2.4 This subcomponent includes equipment and technical strengthening for the functional areas of the PETT (titling and legal advisory services) responsible for completing the process of awarding areas affected by agrarian reform and still in the hands of the State and titling areas that have been awarded but whose ownership has not been transferred to the current occupants. The target is to complete the awarding and titling of 300,000 holdings, chiefly located in the Andes and the jungle.
- 2.5 The main activities to be carried out under this subcomponent involve: (a) an inventory of the status of all the properties acquired by the State for agrarian reform purposes and of campesino and native communities to determine their situation with regard to land titling and registration; (b) first-time issuance of titles in the name of the State of the 2,500 properties that still appear in the public registry as belonging to their former owners, despite the fact that they have already been awarded to new holders; and

(c) issuance of titles of ownership to persons awarded land under the agrarian reform.

b. Property regularization subcomponent

- 2.6 This subcomponent provides for the contracting specialized firms and technical strengthening for the areas of the PETT that will work on the regularization of tenure (completion of the titles and surveys) of subdivided land formerly held communally by associations, and other properties belonging to small owners in the areas to be regularized.
- 2.7 The activities to be performed by the specialized firms include field and office work chiefly to: (a) identify unregistered properties and owners/occupants interested in registering their land; (b) conduct surveys or update property plans; and (c) if necessary, prepare the legal documentation required by the registries for registering the land.

2. Cadastral component

- 2.8 This component will provide funds to hire firms that specialize in land surveying to furnish technical services in aerial photography, analytical plotting, ground inspection, property surveys, and map digitizing. It will also finance the minimum equipment needed by the Cadastral Office of the PETT to store and analyze the information. The target is to survey and update the cadastral for 1.1 million holdings (800,000 preexisting and 300,000 resulting from the subdivision of communally-held land.)
- 2.9 The component will also finance the studies needed for establishing appropriate legislation and an institutional framework in the medium term, which set out the responsibilities of the different public and private institutions with regard to the establishment, maintenance, and operation of a multipurpose cadastral.

3. Registry component

- 2.10 The purpose of this component is to support the development of the recently-established SNRP and SUNARP. The component consists of two subcomponents: the rural property registry and strengthening for the SNRP.

a. Rural property registry subcomponent

- 2.11 This subcomponent will finance the establishment of special rural property sections of the real state registry to be set up in the regional offices of the public registries, for the purpose of applying the simplified procedure for issuing titles on rural holdings provided for in Legislative Decree 667. It will be necessary to procure equipment to establish a national information network to allow for the introduction of a single database, which



will be designed to guarantee the legal certainty of the information in the registry. Technical services will also be hired to supervise operation of the systems.

- 2.12 The national network interconnecting the rural property registry will provide equipment for the special rural property sections in 42 public registry offices throughout the country. On the central level, the offices of the PETT and SUNARP will be equipped to establish and maintain the cadastre, respectively. A databank located in the SUNARP office in Lima will form the principal node of the network, and will store all the information on rural properties registered in Peru. The nodes in the departmental offices will be connected to this databank and will transmit the information they obtain each day to the central unit for the purpose of maintaining the cadastre. The nodes at SUNARP and the entity responsible for establishing the cadastre (the PETT during execution of this project) will be in constant communication with the databank through high-speed connections.
- 2.13 The project will make it possible to complete the registration of 1.1 million rural properties (600,000 from the agrarian reform and another 500,000 private properties) and establish the capacity to maintain registry information for the country's estimated two million properties.

b. Subcomponent for the strengthening of the SNRP

- 2.14 The future unification of the rural property registry under the SNRP makes it necessary to strengthen SUNARP and its capacity to regulate, operate, and coordinate the system.
- 2.15 The subcomponent, therefore, includes financing for SUNARP's information management equipment and for the legal, information-technology, operating, and economic studies needed to rationalize the SNRP as a whole. Three pilot projects will be carried out to determine the methods and procedures needed for the efficient operation of the integrated public registry offices. Training will be provided in the application of Legislative Decree 667 (covering topics such as registration techniques, issuance of titles on rural properties, refresher courses in systems, training for future inspectors, and training for PETT staff). Quality control of the information in rural property registry files will be introduced.

4. Natural resource management and monitoring component

- 2.16 The efficient operation of land and water markets will lead to higher production and productivity only if good management practices are followed in the intensive use of natural resources. Accordingly, it is essential to finance the development of information systems on the status of renewable natural resources and to support the government's efforts to establish a regulatory

and institutional framework that promotes rational management of those resources.

- 2.17 Development of INRENA's monitoring and evaluation capacity. Financing will be provided for the introduction of a monitoring system in INRENA, including a geographic information system and procurement of the satellite information required to prepare resource maps (soil, forests, water) on a scale that is suitable for overlaying on the legal cadastral information generated by the PETT. Financing will also be provided for: strengthening INRENA's remote sensing office and training its employees; conducting agroecological zoning studies; developing procedures for the sustainable use of resources; and conducting the studies needed to monitor the project's impact on the migration of low-income farmers and particularly vulnerable groups such as indigenous communities. The project will also finance the hiring of specialized technical services to support the government in the process of issuing implementing regulations for the water law.

C. Cost and financing

- 2.18 The total cost of the program is an estimated US\$36.5 million equivalent, of which the Bank will finance US\$21 million drawn on its ordinary capital. The local contribution will be US\$15.5 million. The following table shows the investment categories and sources of financing for each of the components.

**COST AND FINANCING (in US\$)**

Category	Bank	Local contribution	Total	%
<b>I. Administration and supervision</b>	<b>1,615,600</b>	<b>--</b>	<b>1,615,600</b>	<b>4.43</b>
<b>II. Direct costs</b>	<b>17,879,040</b>	<b>10,611,400</b>	<b>28,490,440</b>	<b>78.06</b>
2.1 Property regularization	809,000	5,804,000	6,613,000	18.12
2.2 Cadastre modernization	7,713,600	367,000	8,080,600	22.14
2.3 Registry	8,056,440	4,140,400	12,196,840	33.42
2.4 RNR management <sup>1/</sup>	1,300,000	300,000	1,600,000	4.38
<b>Subtotal</b>	<b>19,494,640</b>	<b>10,611,400</b>	<b>30,106,040</b>	<b>82.48</b>
<b>III. Unallocated</b>	<b>1,295,360</b>	<b>737,600</b>	<b>2,032,960</b>	<b>5.57</b>
3.1 Contingencies	641,960	569,832	1,211,792	3.32
3.2 Cost escalation	653,400	167,768	821,168	2.25
<b>IV. Financial costs</b>	<b>210,000</b>	<b>4,151,000</b>	<b>4,361,000</b>	<b>11.95</b>
4.1 Interest	--	3,985,000	3,985,000	10.92
4.2 Credit fee	--	166,000	166,000	0.45
4.3 Inspection & supervision	210,000	--	210,000	0.58
<b>TOTAL</b>	<b>21,000,000</b>	<b>15,500,000</b>	<b>36,500,000</b>	<b>100.00</b>

<sup>1/</sup> Renewable natural resources

2.19 The principal investment categories are discussed below.

1. Administration and supervision (US\$1,615,600)

2.20 This category (4.4% of the total) covers the cost of the project executing unit (PEU) in the MAG and partial financing for PETT management areas (the cadastre and land titling offices). It also includes the costs of the specialized agency that will administer consulting contracts and the procurement of equipment. These costs will be paid from the loan.

2. Direct costs (US\$28,490,440)

2.21 This category (78.1% of the total) includes the direct costs of the following components:

a. Property regularization (US\$6,613,000). The following will be financed: specialized services for regularizing the ownership of properties resulting from the subdivision of communally-held land (US\$5,400,000); studies on the analysis and promotion of property ownership regularization (US\$200,000); retroactive

financing for the costs incurred by the UNDP for the preparatory studies for the project (US\$546,500); equipment and vehicles (US\$62,500); and general support, publications, and communications (US\$404,000).

- b. Modernization of the cadastre (US\$8,080,600). Includes contracting specialized services to update and develop the cadastre in the areas of aerial photography, surveying, and digitizing (US\$7,200,000); equipment and vehicles (US\$133,000); consulting services to support modernization of the rural cadastre (US\$380,600); and general support, publications, and communications (US\$367,000).
- c. Registry (US\$12,196,840). Includes the procurement of computer and communications equipment to establish the network of special sections of the rural property registry of the regional public registries, office equipment for SUNARP, equipment for the three pilot projects, and one vehicle (US\$4,030,000); the contracting of specialized services for registry operations and systems maintenance (US\$4,360,800); international consulting services for studies to rationalize the registries (US\$1,546,040); specialized services for implementing the registry training modules and establishing the office that will perform quality control by sampling (US\$1,960,000); and publications, other materials, communications, and general support (US\$300,000).
- d. Natural resource management (US\$1,600,000). Includes equipment for the Geographic Information System (GIS) (US\$337,000); specialized services for implementing INRENA's cadastral GIS with regard to the production of land-use and water-use maps (US\$452,500); and advisory services on establishing the GIS in INRENA, and other complementary studies (US\$810,500).

3. Unallocated (US\$2,032,960)

- 2.22 This category (5.6% of the total) includes contingencies (US\$1,211,792) and cost escalation (US\$821,168).

4. Financial costs (US\$4,361,000)

- 2.23 This category (12% of the total) includes interest due during project execution (US\$3,985,000), the credit fee (US\$166,000), and inspection and supervision (US\$210,000).

D. Bank financing and the local contribution

- 2.24 The Bank will contribute 57.5% of the total cost of the program (US\$21 million) from the ordinary capital, while the local counterpart in the equivalent of US\$15.5 million will cover 42.5% of the total cost. These funds will be contributed by the government out of the national budget.

### III. PROJECT EXECUTION

#### A. Execution plan

- 3.1 The project executing agency will be the Ministry of Agriculture (MAG), through the project executing unit (PEU). The Proyecto Especial de Titulación y Catastro Rural [Special Rural Cadastre and Titling Project] (PETT), Superintendencia Nacional de los Registros Públicos [National Public Registry Authority] (SUNARP), and Instituto Nacional de los Recursos Naturales [National Natural Resources Authority] (INRENA) will be subexecuting agencies. These agencies will carry out the directives of the project supervisory committee. The PETT will be the direct executing agency for the property titling subcomponent. The component to update and develop the cadastre and the subcomponent for regularizing property ownership will be carried out by specialized firms hired for the purpose, supervised by the respective PETT units. The registry component will be executed by the entities in the National Public Registry System (SUNARP, regional public registry offices and the Lima Property Registry), while the renewable natural resource management and monitoring component will be carried out by INRENA.

#### 1. Project supervisory committee

- 3.2 The functions of the committee will be to ensure that the project is consistent with the national land policies and to oversee fulfillment of the project's goals. In addition, it must approve the project's annual operating plans and appoint the chief of the PEU. The project supervisory committee will have three members: the Minister of Agriculture or his delegate (who will act as chair), the National Superintendent of Public Registries or his delegate, and an official from the Ministry of Economic Affairs and Finance (MEF).
- 3.3 The secretary of the committee will be the chief of the PEU. The establishment and startup of the committee will be a condition precedent to the first disbursement of the loan.

#### 2. Project executing unit (PEU)

- 3.4 The PEU will be the main contact with the Bank during execution. The responsibilities of the unit will include: (a) on the basis of material submitted by the subexecuting agencies: (i) preparing the project's annual operating plan; (ii) heading the procurement and contracting process; and (iii) requesting disbursements from the loan proceeds; (b) maintaining the records and drafting the reports required under the contract; and (c) supervising fulfillment of the goals set forth in the contract. The establishment and installation of the PEU and presentation of the operating plan for year one of the project will be conditions precedent to the first

disbursement of the loan. In addition, prior to the first disbursement, agreements will have been signed by the PEU and each of the subexecuting agencies according to terms previously agreed upon with the Bank.

- 3.5 The PEU will have a maximum staff of seven, including support staff and the chief, who will act as the secretary of the project supervisory committee. The unit will coordinate its activities with the administrative and budget units of the PETT, SUNARP, and INRENA, and will be responsible for the consolidated accounting statements of the project. A specialist in procurement and contracts will ensure that all the technical assistance contracts and procurement of goods, equipment, and services, conform to procedures acceptable to the Bank. A specialist in programming and monitoring will be responsible for coordinating the preparation and consolidation of plans and will oversee progress towards the targets of the different project components.

B. Execution mechanisms for land ownership regularization

1. Land ownership regularization

- 3.6 The property titling subcomponent will be the responsibility of the PETT's titling and legal advisory offices. The property ownership regularization subcomponent requires considerable coordinating capacity and responsive execution, in addition to specialized knowledge in updating the cadastre. Accordingly, it will be carried out by firms selected through competitive bidding.
- 3.7 For execution to begin with an institution that is consolidated from the legal standpoint and from the standpoints of human and physical resources, the government issued a supreme decree conferring legal status on the PETT during project execution. For the same reason, prior to the first disbursement of the loan it will be necessary to have hired, following a selection process, the staff that the PETT requires to execute the components under its responsibility.

2. Cadastre

- 3.8 Owing to the technical complexity of the actions involved in this component, firms will be contracted through international competitive bidding. Activities under this component will be supervised by senior experts hired by the PETT.

3. Public registries

- 3.9 The rural property registry subcomponent will be executed by the real estate registries, through a special rural property section to be established for the purpose by each regional registry office and the Lima Property Registry.

- 3.10 Apart from coordinating execution of the institutional strengthening subcomponent, SUNARP will be responsible for regulatory aspects and for registry administration, coordination, supervision, and control on the national level. Field activities will be the responsibility of the 13 regional public registries and the Lima Property Registry, through 46 provincial offices. SUNARP will set up a coordinating team on the central level to advise on project implementation in the regions.
- 3.11 Efficient operation of the property registration services requires the preparation of regulations to govern the relations between the institution and its users. Therefore, as a condition precedent to the first disbursement, for the registry component, the borrower will submit evidence that: (a) in the organization and operating regulations of each regional registry office, the existence of a special rural property section of the real estate registry will be provided for, which will be subject to the provisions of Legislative Decree 667; and (b) the regulations for registration of rural properties have been approved, in the terms previously agreed upon with the Bank.

4. Natural renewable resource management and monitoring

- 3.12 INRENA will be responsible for executing the subcomponent to develop monitoring capacity and will directly implement the Geographic Information System. Monitoring of the possible environmental impact of the new legislation governing land, water, and forests, and of the project itself, will be performed by firms contracted through competitive bidding.
- 3.13 Specialized firms will be hired to perform the technical services to support the government in the process of issuing implementing regulations for the water law and the technical supervision thereof will be performed by INRENA. INRENA is required to present to the Bank, within the first 12 months of the project, a plan for the renewable natural resource monitoring system, and evidence that the firms that will monitor project impact have been hired. Reports on the social and environmental impact of the project are to be presented at the times established for project evaluation (18 and 36 months). The Bank and the borrower will make changes and adjustments to the project on the basis of those reports.

C. Project monitoring

- 3.14 The project will be executed over four years (48 months). Two evaluations will be performed during that period - one at 18 months and the other at 36 months. These evaluations will permit adjustments to be made in the subsequent stage, based on the results of the previous one. The evaluations will be performed by the project team, using the targets established in the annual operating plans for each component as benchmarks.

- 3.15 Funding for each component will be disbursed on the basis of the annual operating plans, which are required to correlate the common or related activities of the different subcomponents, and which will be agreed upon with the Bank during the last quarter of each year. The first annual operating plan must be presented as a condition precedent to the first disbursement. The annual operating plans for each component for subsequent years are to be presented prior to August 31, and each is to specify the source of local counterpart financing.

D. Project sustainability

- 3.16 To ensure that support for development of the cadastral system will continue after the project has ended, prior to the second interim evaluation (at 36 months) the legal, institutional, and financial mechanisms (including cost recovery) to guarantee continuity of the efforts to establish and maintain cadastral information will be prepared and agreed upon.
- 3.17 Prior to the second interim evaluation of project execution (at 36 months) the mechanisms to unify the rural property registries and the legislation and timetable for implementing a comprehensive property registry will be prepared and agreed upon.

E. Disbursement schedule

- 3.18 The following table shows the disbursement schedule for the project, contingent on execution of each component, the budget performance capacity of the PETT, SUNARP, INRENA, and the regional public registries, and the timely availability of counterpart funds.

DISBURSEMENT SCHEDULE (US\$ thousands)

Year	IDB/OC	Government	Total	%
1996	9,233	2,761	11,994	32.9
1997	4,624	4,686	9,310	25.5
1998	4,016	4,744	8,760	24.0
1999	3,127	3,309	6,436	17.6
TOTAL	21,000	15,500	36,500	100.0

F. Bids

- 3.19 Goods will be procured and services contracted in accordance with the procedures stipulated in Annex B to the loan contract. International competitive bidding will be compulsory for procurement of goods and services worth more than US\$250,000.



Bidding for smaller amounts will be carried out in accordance with local legislation. Annex II shows the bidding schedule for the project and the specific limits set forth in Peruvian legislation. The UNDP will act as the procurement agent for goods and services. In the case of Peru, the UNDP has the necessary organization to manage activities of this kind, the requisite qualified staff, and the experience, since it has managed contracting on behalf of the government for many projects, including several financed by the Bank. An agreement with the UNDP must be signed regarding procurement and contract administration prior to the first disbursement of the loan.

G. Advance of funds

- 3.20 It is recommended that the equivalent of 10% of the total budget be advanced to expedite program execution.

H. Retroactive financing

- 3.21 The government has requested retroactive financing in the amount of US\$546,500 for the consulting services provided by the UNDP to prepare the project and the related policy measures (preparation of land, water, and renewable natural resource legislation). This financing complies with Bank policy (OP-504).

I. Maintenance of equipment

- 3.22 The borrower, through each of the executing agencies, undertakes to include a commitment in the loan agreements that the equipment financed with program funds will be operated and maintained in accordance with generally-accepted technical standards, and that sufficient personnel and materials required for its efficient operation will be made available. The borrower will submit reports on maintenance conducted during the previous year to the Bank during project execution and for five years thereafter.

J. External auditing

- 3.23 The financial statements of the project will be audited by a firm of independent auditors acceptable to the Bank. The statements are to be presented annually during project execution within 120 days after the close of the government's fiscal year.

K. Environmental aspects

- 3.24 Three potential areas of impact that the project could have on the conservation and use of natural resources and environmental quality have been identified: (a) better use of renewable natural resources owing to a reduction in uncertainty regarding land tenure, which will encourage investments in resource conservation and rational management; (b) migration to ecologically fragile zones, spurred by the concentration of land ownership; and

(c) greater use of fertilizers and pesticides as a result of more intensive land use.

3.25 On that basis, an environmental impact mitigation strategy containing the following elements has been designed:

- a. Strengthening of monitoring and evaluation capacity. The main element is the establishment and equipping of a Geographic Information System in INRENA that will generate timely information on physical and biological environmental aspects for use by the government, the private sector, and society in general.
- b. Monitoring of project impact. Specialized firms will be hired to analyze the current situation and subsequently monitor some key indicators, including: (i) concentration of land ownership; (ii) poverty levels; (iii) farm and nonfarm income in rural zones; (iv) migration to ecologically fragile zones; and (v) use of agricultural chemicals. The firms' reports will be reviewed during the interim evaluations of the project and the borrower and the Bank will make adjustments to the project as necessary.
- c. Design of a suitable regulatory framework. The project will finance the hiring of specialized technical services to support the government in the design of the main regulations for a legal framework for water resources.

L. Ex post evaluation

3.26 The monitoring and evaluation systems designed for this project will produce abundant information on its impact with regard to the concentration of land ownership, income, and poverty levels in rural areas. Evaluation of this impact in the medium term will be very useful in designing similar projects in the future. Accordingly, although the executing agency is not interested in conducting an ex post evaluation, it is recommended that the Bank finance one, to be conducted at least two years after the end of the project.

#### IV. THE BORROWER AND THE EXECUTING AGENCIES

##### A. The borrower

- 4.1 The borrower will be the Republic of Peru and the executing agency will be the MAG, through the project executing unit (PEU). The PETT, SUNARP, and INRENA will act as subexecuting agencies. The PEU will coordinate and supervise project execution on behalf of each of the participating entities. The unit will receive support in those activities from the pertinent technical and administrative organs of the PETT, SUNARP, and INRENA. The supervisory committee will establish guidelines for project policies, and will supervise fulfillment of its goals, including those for the registry component, which will be executed directly by the National Public Registry System (SNRP).

##### B. Special Rural Cadastre and Titling Project (PETT)

- 4.2 The PETT was established under the eighth supplementary provision of Decree-Law 25902 of November 29, 1992, for a period of four years, and has legal status under public law. Law 26366 of October 1994 gave it administrative, technical, and financial autonomy, and ordered it posted as a separate budget item for the agriculture sector.

##### 1. PETT functions and organizational structure

- 4.3 From the regulatory standpoint, the PETT is called upon to propose to the MAG's senior management the regulations required for the rural cadastre and rural property titling and to SUNARP the regulations for issuing titles that are essential for attaining project objectives.
- 4.4 With regard to regularization, the PETT is required to request the first-time issuing of titles in the name of the State for rural properties resulting from the application of rescinded Decree-Law 17716, for which this process is still pending. In addition, it is required to complete government titling of the rural properties acquired by the beneficiaries of rescinded Decree-Law 17716 and Legislative Decree 653 and promote their recording in the registry. Until such time as a suitable institutional framework is consolidated, it is required to continue the function of mapping and updating the rural cadastre, which has traditionally been the responsibility of the agriculture sector.
- 4.5 The PETT is currently organized as follows: (a) executive directorate; (b) legal advisory office; (c) administration and budget office (support unit); and (d) the rural property titling and cadastre offices and the recording and registration processing office (line units). This structure combines the responsibilities

for titling and cadastre which, by their nature, should be independent. In the twelfth month of project execution, the borrower and the Bank will evaluate the operation of the cadastre section of the PETT and, if necessary, will agree to changes in its structure, organization and functions.

## 2. PETT staff

- 4.6 The PETT currently has 53 staff positions, of which 19 are vacant (36%). The same staffing structure will be maintained during the project, but owing to the greater technical complexity of the tasks to be assigned to it, prior to the first disbursement of the loan, the government, through a specialized firm, will conduct a selection process to hire the staff the PETT requires to execute the components under its responsibility.

## 3. Budget, accounting, and financial management

- 4.7 Project funds will be transferred directly from the Ministry of Economic Affairs and Finance into the independent accounts of the three subexecuting agencies - the PETT, SUNARP, and INRENA. These agencies will request disbursements from the Bank through the PEU, which will be responsible for presenting the reports that the Bank requires. Budget management will be performed in cooperation with the administration and budget units of the subexecuting agencies.

## C. National Public Registry Authority (SUNARP)

- 4.8 SUNARP, established under Law 26366 of 1994, is an autonomous, decentralized agency of the Ministry of Justice, responsible for the National Public Registry System. It has legal status under public law and its own assets, and is autonomous from the functional, registry-juridical, technical, economic, financial, and administrative standpoints. It has its headquarters in Lima but is permitted to establish decentralized offices throughout the country.
- 4.9 SUNARP's general functions and powers include: (a) planning, regulating, and coordinating the process of modernizing the registries in the national system, and inscribing and publicizing acts and contracts recorded in the registries; (b) training public registrars and the other staff for the registries in the system; (c) approving an organizational structure for the registries in the system; (d) regulating and conducting data processing and administrative rationalization activities; (e) entering into employment contracts necessary to attain its objectives; (f) determining the guarantees to be put up by the inspectors who apply the rural property registry methodology; (g) supporting and monitoring the programming of the budget and activities of the regional registries; and (h) entering into agreements with national and international public and private agencies to promote and execute projects relating to the country's registry system.

1. SUNARP organizational structure

- 4.10 SUNARP has the following organs on the central level to carry out its mandate: (a) senior management – board of directors, National Superintendent of Public Registries, Deputy Superintendent of Public Registries, and general manager; (b) a consultative council; (c) an internal control office; (d) advisory organs – the legal advisory office and the budget and development office; and (e) support bodies – general secretariat, the administration and finance office, the information systems office, and the registry training school.
- 4.11 SUNARP's board of directors is made up of the National Superintendent of Public Registries, who chairs it, an official from the Cabinet Office, and an official from the Ministry of Economic Affairs and Finance.
- 4.12 Its decentralized offices include: the Registry Office of Lima and Callao, 12 regional registry offices, the Lima Property Registry, seven special registries, other existing and future legal registries. These offices report to a chief appointed by SUNARP's board of directors. They have their own assets and are administratively and economically autonomous in exercising the registry functions assigned to them by law. Their organizational structure and the powers and obligations of the chief are established in the respective regulations governing their organization and functions.

2. SUNARP staff

- 4.13 SUNARP currently has 53 staff positions, of which 37 are filled. The staff selection process is expected to be completed in the fourth quarter. The staff is governed by the private sector system, which means that salary levels are high enough to enable it to hire well-qualified professional, technical, and administrative staff.

D. National Natural Resources Authority (INRENA)

- 4.14 INRENA is a decentralized public agency with legal status, internally governed by public law, and with technical, economic, and financial autonomy. INRENA was established by Decree-Law 25902 of November 1992. It is responsible for promoting the rational use and conservation of Peru's natural resources.

1. INRENA organizational structure

- 4.15 The board of directors approves, establishes, and evaluates INRENA's policies, plans, and strategies. The chief, who holds the rank of deputy minister, is the institution's highest authority. The internal control office audits INRENA's units. Its advisory bodies are the planning office and the legal advisory office, and it is supported by the administration office. Its four line units

are the general directorates of water and soil, protected areas and wildlife, studies and projects, and rural environment.

2. INRENA staff

- 4.16 INRENA has a staff of 215 on the central level and 44 regional employees. It also employs 38 people on contract for projects it is currently executing.

E. Financial aspects

1. The PETT

- 4.17 The following table shows the PETT's income over the last three years by source of financing. From 1993 to 1995, its sources of financing were the Public Treasury, its own funds, and transfers from the MAG for projects, totalling roughly US\$2.8 million, for annual average execution of close to US\$940,000 over the period. Projected execution in 1995 is US\$2.07 million, including transfers from the MAG.

RECENT PETT OPERATING INCOME

Income	1993	1994	1995*	Total	Annual average
Public Treasury	395	243	299	937	312.3
Own income	21	97	215	333	111.0
Transfers from MAG	--	--	1,551	1,551	517.0
Total income	416	340	2,065	2,821	940.0

\* Projected figure, of which 64% was executed in the first four months of the year.

- 4.18 The income earned by the PETT and paid into the Treasury comes solely from its titling activities and sales of plans in Lima. Income earned outside Lima is collected by the Regional Agrarian Offices, whose budgets come from the Office of the President. Based on the targets established by the project with regard to titling (300,000 holdings), regularization of private properties (300,000 holdings), the issuance of property plans (160,000), and the charges for those services, the PETT would recover close to US\$13.7 million during project execution, which would go to the Public Treasury (through the Regional Agrarian Offices), an amount much higher than the sums it will receive from the Treasury. The PETT will generate as its own income close to US\$470,000 through the sale of property plans and other cadastral information during the project.

## 2. SUNARP

- 4.19 The regional public registry offices have largely financed their spending out of their own resources. The exceptions in the last three years have been the Regional Office of Lima and Callao and the Lima Property Registry. This regional office lost its financial autonomy in 1993-1994 to become a division of the Ministry of Justice. The Lima Property Registry has always depended on the Treasury owing to the low fees it charges, particularly for the registration of urban property in settlements and shantytowns in Lima.
- 4.20 The recently-created SUNARP is executing its first budget in 1995. It has US\$2.54 million, 87% of which comes from the Treasury, with the remainder coming from its 2% share of the registration fees charged by all the public registries in the system.
- 4.21 According to the project target of titling close to 1.1 million properties (300,000 of which transferred by the PETT are legally exempt) and calculating average earnings of US\$12 per registration, a total of US\$9.6 million could be generated during the four years of the project. This income could cover a large part of the incremental salaries and recurring costs, thus easing the burden on the Treasury. In each annual operating plan the targets will be reviewed to determine the specific sources of counterpart funds, i.e., those provided by the Treasury and the income earned by the system itself.

## 3. INRENA

- 4.22 Treasury contributions to INRENA's budget were US\$2.8 million in 1993, US\$3.7 million in 1994, and US\$5.7 million in 1995. The main source of INRENA's earned income is the charge for water for nonagricultural uses, particularly electric power and mining. Its initial budget programming for 1995 indicates that its own income totals US\$376,890, which includes US\$152,000 representing the allocation of 30% of the water charges, US\$97,330 from the conservation units, US\$44,890 from export permits, and US\$82,670 from other income.
- 4.23 In its 1995 budget, INRENA has set aside US\$137,000 from its Treasury funding for salaries and US\$1,076,000 for current transfers.
- 4.24 It allocated US\$1.3 million for current expenses in 1993, US\$1.4 million in 1994, and an initial figure of US\$4.8 million in 1995, equivalent to 36.6% of its total budget. It earmarked US\$8.3 million, or 63.46% of the total, for investments in 1995.
- 4.25 The local counterpart of US\$300,000 for the project's natural resource management component will come from the Treasury through the Ministry of Agriculture.

## V. PROJECT FEASIBILITY AND RISKS

### A. Technical and institutional feasibility

- 5.1 The feasibility of regularizing the ownership of properties connected to the agrarian reform process and of updating and establishing a rural cadastre is based on the existence of the PETT as a specialized project with a specific mission, a limited duration, and project funding to equip it with execution capacity geared to the size of its task.
- 5.2 The PETT is technically, administratively, and economically autonomous, which permits it to hire staff with the necessary skills to effectively carry out its mandate. The PETT will sign agreements with the regional public registry offices. The general model for those agreements will be determined in conjunction with SUNARP.
- 5.3 Most of the field work involving land surveying and legal activities to prepare the cadastral information and legally valid documents necessary to the regularization of private holdings will be contracted out to specialized firms.
- 5.4 SUNARP's operations, reorganization of the regional registry offices, the selection of registry staff, and adequate remuneration for that staff will potentially provide Peru with a reliable and efficient registry system capable of responding to demands for rural property registration. Establishment of the special rural property sections in the real estate registries, application of the legal framework for registration contained in Legislative Decree 667, and the performance of quality control by sampling of titles issued, under the supervision of SUNARP, will ensure the technical and legal feasibility of the actions to regularize ownership provided for in the project.
- 5.5 SUNARP will train registry personnel drawn from among private professionals to qualify them as inspectors and from among lawyers working under the legal framework of the rural property registry. The system of accreditation of private sector professionals will lead to greater effectiveness in the delivery of the services required in the activities connected with registration.
- 5.6 The project will finance the studies needed to consolidate and ensure the sustainability of the institutions responsible for providing legal certainty in ownership and information for the effective functioning of the land market. A legal and institutional framework will be designed for the cadastral function over the medium term, after the PETT has completed its work. Also, studies and actions will be undertaken to ensure the smooth



functioning of the real estate registry, which should lead to legislation to permit a comprehensive property registry to be established in Peru.

- 5.7 Establishment of a legal cadastre will make it more feasible for INRENA to prepare thematic maps of renewable natural resources and will facilitate the task of monitoring and evaluating the impact of government actions in this field.

B. Financial feasibility

- 5.8 Based on the recent operating and financial experience of the PETT, whose funding mainly comes from the government's budget, an analysis of the financial projections suggests that: (a) the titling plan is feasible in terms of operational capacity and its organization and incremental staff are in line with the cost-effectiveness requisites for project execution; and (b) the national counterpart is feasible in view of the costs recovered for cadastral services, which will help to generate revenues for the regional governments to the indirect benefit of the Treasury, enabling it to make the full local contribution. The projections indicate that investment recovery capacity is high enough to cover all recurring costs and a large part of the direct costs. Also, the incremental net income generated from fees for the legalization of titles and the cadastre will be sufficient to cover the entire local contribution of US\$6.6 million. Since the current resource-allocation structure does not provide for the income earned by the MAG's regional offices to be turned over to the PETT, the Treasury will make the annual contributions through the Ministry of Agriculture.
- 5.9 In the case of the National Public Registry System (SNRP), the financial projections indicate that out of a total local counterpart of US\$4.4 million, the regional public registries and the Lima Property Registry will generate the resources needed for the project by its second year, with the Treasury only required to provide partial funding during the first year of the project. However, to ensure that the annual contributions needed for the project are forthcoming, the projections of earned income will be reviewed annually to determine the sources and amounts contributed by the Treasury and the SNRP.
- 5.10 The local contribution for the renewable natural resources component is an estimated US\$300,000, which will be used for related additional studies.
- 5.11 The counterpart funds of US\$15.5 million will be divided as follows: US\$2.76 million in year one, US\$4.69 million in year two, US\$4.74 million in year three, and US\$3.31 million in year four. This represents just 11% of government spending on the agriculture sector in the two years prior to 1995 and indicates that the local counterpart is feasible. It should also be noted that direct

transfers from the Treasury will gradually decrease as they are replaced by income earned by the SNRP. Fees are already charged for its services, and a study is under way to readjust registration fees to standardize them and to enable them to cover the operating and maintenance costs of the entities that provide the services, as a minimum.

C. Economic feasibility <sup>1/</sup>

5.12 From the economic standpoint, the main arguments regarding the impact of land titling and registration can be summarized as follows:

- a. Titling leads to an increase in the production and productivity of farms. To the extent that titles confer security in terms of property rights, landowners feel they run less risk of losing their land, which is an incentive to invest in it.
- b. Titling improves farmers' access to credit. All private property rights will apply to rural land, which can be sold or mortgaged. Land becomes a more liquid asset and its value as collateral increases, giving farmers better access to credit and improved technologies.
- c. Titling, by making a land market possible, encourages more efficient use of the resource. The idea is that the bargain and sale of a property will make it possible for the most efficient producers to be the ones to manage it.

5.13 In general, the theory argues that units with titles tend to accumulate more capital and be more productive. Also, holdings with titles have a higher market value than holdings without titles.

5.14 In the absence of reliable statistics, data were taken from the 1984 National Rural Household Survey (ENARH 84) to make an indirect estimate of the probable impact of land titling and registration on the rural population. First, a study was made of the relationship between the titling process and farm size. The data from ENARH 84 indicate that parcels average 9.7 hectares in size, with 23% under one hectare. Smaller farms are more prevalent in the Andes, where 81% of properties are under two hectares. These data support the view that farms are larger in areas where titling is more common, particularly in the Andes and the jungle. To predict the long-term impact of property titling and registration on average farm size, a series of regressions was run, including titling, access to credit, and investments in irrigation infrastructure as endogenous variables. The land market equation includes the percentage of

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<sup>1/</sup> A complete description of the economic evaluation can be consulted in the respective technical annex.

irrigated land, level of education of the head-of-household, family size, and distance to market as explanatory variables. The results support the hypothesis that liberalization of the land market accompanied by land titling would increase average farm size significantly, although not to the extent that would signify a return to the situation that applied prior to the agrarian reform. According to the simulation, optimum farm size on the coast is under 20 hectares and not more than 60 hectares in the jungle. The concentration of property is a gradual and long-term process, posited on the consolidation of an efficient financial system.

5.15 Nonetheless, the process does not mean that the incomes or welfare of the populations affected will drop, thus increasing migration from the areas affected to other parts of the country. To evaluate the impact of the titling process in this respect, equations for agricultural and nonagricultural wages were estimated using data from ENARH 84. The estimates of agricultural wages included the percentage of land under irrigation, the educational level of the head-of-household, access to credit, the size of the economically active population, and the predominating level of technology. Titling, although not included directly in the equation, would be taken indirectly into account through its influence on access to credit and levels of investment in irrigation. The results showed that in the long run liberalization of the land market has a positive and significant impact on agricultural wages on the coast and above all in the Andes, but not in the jungle, where irrigation and access to credit are not significant.

5.16 An attempt to estimate the impact of the titling program on agricultural income and poverty levels was also made. Individual titling levels as well as those of surrounding areas were used as an explanatory variable. Variables such as land size and quality, assets, proximity to the market, educational levels, and use of modern technologies were also included. The equation was used to simulate the long-term effect of titling on income levels on the coast and nationwide. Both simulations indicated that titling would have a positive and significant effect on net agricultural income over the long run, particularly for low-income groups (see paragraph 5.25).

#### 1. Conclusions on the comparative cost of the project

5.17 Calculations were made of the cost of solving the land regularization problem in four years and providing timely and efficient cadastral and registration services. The effectiveness analysis separately considered the goals of each process, established in terms of properties although cost minimization demands close coordination in the execution of these processes.

5.18 The concept and design of the project are based on the use of the information on hand and the more modern technologies that would be obtained through international competitive bidding. By conducting

the process on a large scale, substantial economies of scale can be obtained. In the cost-effectiveness analysis, the legal and operating methods used at present in the real estate sections of the public registries and the Lima Property Registry were compared to the proposed methods.

- 5.19 Unit costs were estimated by assigning the investments and costs financed by the project annually to each of the activities necessary to attain the targets. Market prices were adjusted to efficiency prices and the present net value of the costs was estimated. Capital goods were depreciated linearly over seven years. The estimates did not include the transaction costs incurred by users.
- 5.20 At present a private party must pay a minimum of US\$160 to legally register property in a public registry if the PETT has the respective property plan. If a survey is required, the process costs a minimum of US\$205. The minimum cost of registering rural properties ranges from US\$71 to US\$115. The main difference is that under the rules, the public registries require that the services of a notary be used and charge a rate based on the value of the property. The property registry includes the services of a lawyer to replace notarial certification.
- 5.21 Under the new legal framework, application of the regulations governing the rural property registry will reduce legal costs. Property plans certified by the PETT costing US\$9.50 per property, the legal work of producing a title or other legally registrable instrument worth US\$8.00, and the registration fee of US\$9.00 add up to a total cost of US\$26.50 to regularize and register a property under the project.

## 2. Focus on poor beneficiaries

- 5.22 It is estimated that the project will benefit a total of 600,000 farm owners who will have their holdings recorded in the property registries (including 300,000 titles regularized by the PETT and 300,000 other private properties). The estimate excludes producers whose properties are not regularized under the project but who can register them by purchasing updated property plans under the new cadastre and use registry services, whose capacity will be boosted with the establishment of the national network.
- 5.23 Sixty-one percent of the country's total population lives below the poverty line (estimated as 246 new soles per person per month). However, poverty in rural areas is higher according to estimates made for the recent Bank project with the National Social Development and Compensation Fund (FONCODES). To determine the percentage of poor beneficiaries to be served under the present project, all the components were evaluated as a whole, considering differences in the income variations among farmers in Peru's geographic regions.

- 5.24 Data from ENARH were used to calculate the percentage of potential project beneficiaries who can be considered poor. Of the persons affected by the project (through titling or registration) the weighted total of poor beneficiaries estimated for the project as a whole is 95%. This percentage, when compared with the percentage of the total population living below the poverty line, classifies the project as an investment focused on poor groups.
- 5.25 The estimates indicate that a successful land titling and registration program would lead to an increase in net agricultural income of 35% on the national level. The impact would be particularly beneficial for the poorest quintile, whose net income could potentially rise by around 200%.

D. Women in the productive process

- 5.26 The permanent or temporary migration of males from the countryside has often meant that women have had to take over as heads of household. According to the 1994 national standard of living survey, close to 12% of rural households are headed by women, and most of their land is not regularized. The project will help them to gain title and legalize ownership of their farms. Even for women who are not heads of household, titling, better technology, the facilitation of investments, and the stimulus to agroindustrial development could help their economic position in the family structure.
- 5.27 The Peruvian Civil Code does not discriminate between men and women with regard to property. Moreover, under the project, the registry offices must, by law, require that the names of both husband and wife appear on the application for property registration, thus protecting the rights of women. Also, the consulting firm hired to monitor the project will use information from the agricultural census to identify zones with the highest percentages of households headed by women. The consulting firm will identify institutions working in those zones (NGOs) and will provide financing to them to advise women on the land titling process.

E. Project risks

- 5.28 One fundamental risk in project execution is the incipient development of the institutions responsible for carrying it out. Both the PETT and SUNARP have been established only recently. They will be responsible for coordinating a process involving entities - like the regional public registry offices - whose past performance has made it difficult to regularize ownership of urban and rural properties alike. The qualified staff, the external advisory services, the studies, and the equipment to be financed under the project will make it possible to surmount these problems.
- 5.29 A second risk is the lack of a tradition of property registration in Peru. In the past, registration was not necessary to gain

access to funds from Banco Agrario. The liquidation of that bank, the promotion of project services, the demands of the private financial sector, and the establishment in the medium term of compulsory property registration will increase demand by the public for registration services.

- 5.30 Current law permits the operation of the rural property registry for five years, which could cause problems with regard to the duplication of registration activities. However no serious coordination problems are expected to arise given that: (a) the Public Registry Authority has regulatory authority over both registries; (b) the project will use the methodology of the property registry to streamline and lower the cost of registering property; (c) the registries may not exist in the same jurisdiction; and (d) the project will promote the convergence of the two registries within the term set by the law.

## LOGICAL FRAMEWORK

Objectives	Indicators	Means of verification	Assumptions
<p>a rural land market, providing y for owners and investors and inable use possible</p>	<p>Number of properties registered and transactions in the land market</p> <p>Increases in investments and farm production</p>	<p>Final project report showing the number of properties registered and transactions recorded</p> <p>Statistics and national surveys by the National Statistics Institute on the agriculture sector</p>	<p>An adequate macroeconomic framework maintained</p> <p>Agricultural policy makes investments in attractive</p>
<p>ization of private ownership of ngs awarded under the reform</p>	<p>1.1 Number of titles issued by the PETT and legal regularization of privately- owned properties in four years</p>	<p>PETT annual report</p>	<p>Maintenance of priority for land titling in government budgets</p>
<p>hment of a modern nationwide for administering and updating astre</p>	<p>2.1 Number of cadastral units certified in four years</p>	<p>PETT annual report</p>	<p>The government is interested in making consolidating and maintaining national cadastral information for legal, fiscal, re- planning, and natural-resource manage- purposes</p>
<p>hment of a National Public System (SNRP) that includes property registry and other s</p>	<p>3.1 Regional offices linked to the network and studies on rationalizing the public registries completed</p>	<p>SNRP annual report</p>	<p>The National Public Registry Authority (A exercising its mandate to standardize a the entire registry system</p>
<p>ation of a monitoring and ment system for renewable resources</p>	<p>4.1 The number of resource maps published in four years and the number of annual GIS consultations</p>	<p>INRENA annual report</p>	<p>The government maintains the political implement the land act, pass the water consolidate the National Council on the Environment (CONAM)</p>
<p>titles are issued for properties d but not titled by the State</p>	<p>1.1 100,000 titles are issued in 1996, 120,000 in 1997, and 80,000 in 1998, for the aforementioned properties</p>	<p>Project information and monitoring system</p> <p>Project interim evaluations</p>	<p>Existence of sufficient operating and su- capacity in the PETT</p>
<p>hip of 300,000 private holdings subdivision of previously titled regularized</p>	<p>1.2 Owners with titles or other valid instruments number 50,000 in 1996, 130,000 in 1997, and 120,000 in 1998</p>	<p>Project information and monitoring system</p> <p>Project interim evaluations</p>	

Objectives	Indicators	Means of verification	Assumptions
Regulatory agency for the national cadastre system (based on legal responsibility for the system has been legally and formally established)	2.1 Framework cadastre law issued in 1998 and transfer of cadastral responsibility from the PETT to the new agency prior to December 1998	Publication of the cadastre law and the operating regulations of the new agency in the Official Gazette	During the project, a new legal framework for the cadastre is prepared and approved and the new agency is responsible for its future maintenance
Cadastral plans are available for 1 million properties	2.2 Number of cadastral units verified: 250,000 in 1996, 430,000 in 1997, and 420,000 in 1998	Project information and monitoring system Project interim evaluations	
National Public Registry System is operating under the new law rationalizing public registries	3.1 Law rationalizing the public registries issued in 1998	Publication of the new legislation and its operating regulations in the Official Gazette	Agreements are reached with regard to titles between the PETT, SUNARP, and public registry offices, and no obstacles are encountered
Single, automated system for registering rural properties is operating, 100% of the zonal registry offices are equipped	3.2 30 offices are connected to the network in 1996 and 12 in 1997	Project information and monitoring system Project interim evaluations	
Sum of 1.1 million properties are registered by 1999	3.3 150,000 properties are registered in 1996, 250,000 in 1997, 300,000 in 1998, and 420,000 in 1999	Project information and monitoring system Project interim evaluations	
Movable, chattel, and mercantile titles have been integrated in three years by 1988	3.4 Conclusion of pilot projects in three regional offices	Monitoring and supervisory reports on pilot projects in the registry offices	
Planning and natural resource management capacity established in the regions	4.1 Monitoring reports are produced starting in January 1997	Project interim evaluations performed by the Bank and annual reports by the firm hired for monitoring	Close coordination is maintained between the project executing agencies and CONAM on the national level
Regulations governing the use of land, water, and forest resources issued	4.2 Dates on which the respective regulations are issued	Publication of the regulations in the Official Gazette	
Operational strengthening of the PETT office	Selection and contracting of the necessary technical personnel	Annual project reports	A decree is issued to extend the life of the law and the provisions to raise salaries, and to hire the necessary staff
Analyses of the land tenure	Signature of contracts with private entities	Interim evaluations	
Services contracted for property valuation	Signature of contracts with the firms selected		



Objectives	Indicators	Means of verification	Assumptions
<p>Technical strengthening of the PETT office</p> <p>Hiring of private firms for aerial photography, surveying, mapping, cadastral plans, and aerial plotting</p> <p>Employment of consultants to study and develop legal framework for the</p>	<p>Selection and contracting of technical staff</p> <p>Signature of contracts with the firms selected</p> <p>Date of signature of the contract</p>	<p>Annual project reports</p> <p>Interim evaluations</p>	
<p>Implementation of regulations for the application of Decree 667 and establishment of land registration</p> <p>Employment of new registrars and registry for the rural property registry</p> <p>Acquisition of equipment for the registry and cadastral network</p> <p>Conducting studies for the rationalization of registries</p> <p>Acquisition of equipment for the regional registry network in three regions</p>	<p>Date of SUNARP decisions or directives</p> <p>Dates on which new registry personnel is contracted for the special sections of the rural property registry</p> <p>Dates of opening, awards, and contracts for the respective tenders</p> <p>Dates of consulting contracts</p> <p>Dates of opening, awards, and contracts for the tenders</p>	<p>Annual project reports</p> <p>Interim evaluations</p> <p>Annual project reports</p>	<p>The government is interested in providing support for regularizing land ownership for farmers</p>
<p>Employment of services for INRENA's</p> <p>Employment of consultants for impact studies</p>	<p>Dates of opening, awards, and contracts for the tenders</p> <p>Dates of consulting contracts</p>	<p>Interim evaluations</p>	

**PROJECT MONITORING (1996-1999) <sup>1/</sup>**

Component	Stage					
	I (1996-1997) Months 1-18	F I R S T  I N T E R M  E V A L U A T I O N	II (1997-1998) Months 19-36	S E C O N D  I N T E R M  E V A L U A T I O N	III (1999-2000) Months 37-48	F I N A L  E V A L U A T I O N
REGULARIZATION	160,000 titles issued by the State to the first beneficiaries of the awarded properties		140,000 titles issued to first beneficiaries, for a total of 300,000 in three years. Conclusion of the agrarian reform			
	Ownership of 115,000 subdivided properties legalized		Ownership of an additional 185,000 subdivided properties legalized, for a total of 300,000 in three years			
CADASTRE	465,000 properties included in the cadastre through creation of the rural cadastre by the PETT and campaigns to regularize property subdivisions		635,000 properties included in the cadastre, for a total of 1.1 million cadastral units in three years. This will complete 50% of the rural cadastre		Continuation of the establishment of cadastral units not financed by the project	
	Evaluation of the PETT's Cadastre Section to assess its regulatory and administrative capacity on the national level		National cadastre and rural registry network fully operative for permanent maintenance of the cadastre		Consolidation of an institutional framework for the national cadastre which can be sustained indefinitely	
REGISTRY <u>2/</u>	275,000 records entered in rural land registries — 160,000 with titles from the PETT and 115,000 from legalized subdivisions		425,000 additional inscriptions in the rural land registries. Conclusion of registration with PETT titles in three years		400,000 additional entries to make up 1.1 million units in the rural property ownership registry in 48 months	
MONITORING PLAN	The supervisory committee and the project executing unit supervise operational and technical execution and attainment of goals. The project executing unit coordinates the PETT with programming areas in SUNARP and INRENA.					

<sup>1/</sup> The project will be monitored by evaluating the targets established in each annual operating plan for each of the project components.

<sup>2/</sup> With regard to the targets for registering properties in the public registries, SUNARP's work will be evaluated on the basis of the decisions it hands down on the titles submitted by the PETT and the private sector.

**TARGETS FOR REGULARIZATION, CADASTRE AND PROPERTY REGISTRATION**

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
<b>I. Regularization (titles/properties)</b>	<b>New</b>	100,000	120,000	80,000	-	300,000
	<b>Subdivided</b>	50,000	130,000	120,000	-	300,000
		<b>150,000</b>	<b>250,000</b>	<b>200,000</b>	<b>-</b>	<b>600,000</b>
<b>II. Cadastre (cadastral units)</b>	<b>Updated</b>	200,000	300,000	300,000	-	800,000
	<b>Newly created</b>	50,000	130,000	120,000	-	300,000
		<b>250,000</b>	<b>430,000</b>	<b>420,000</b>	<b>-</b>	<b>1,100,000</b>
<b>III. Registration (properties)</b>	<b>New</b>	<b>150,000</b>	<b>250,000</b>	<b>300,000</b>	<b>400,000</b>	<b>1,100,000</b>

The cadastral units classified as in the process of being made up (300,000) are the result of the subdivision of communally-held land. Of the 1.1 million properties to be registered, 600,000 come from the land regularization process and 500,000 are other private properties.

**BIDDING AND PROCUREMENT SCHEDULE**

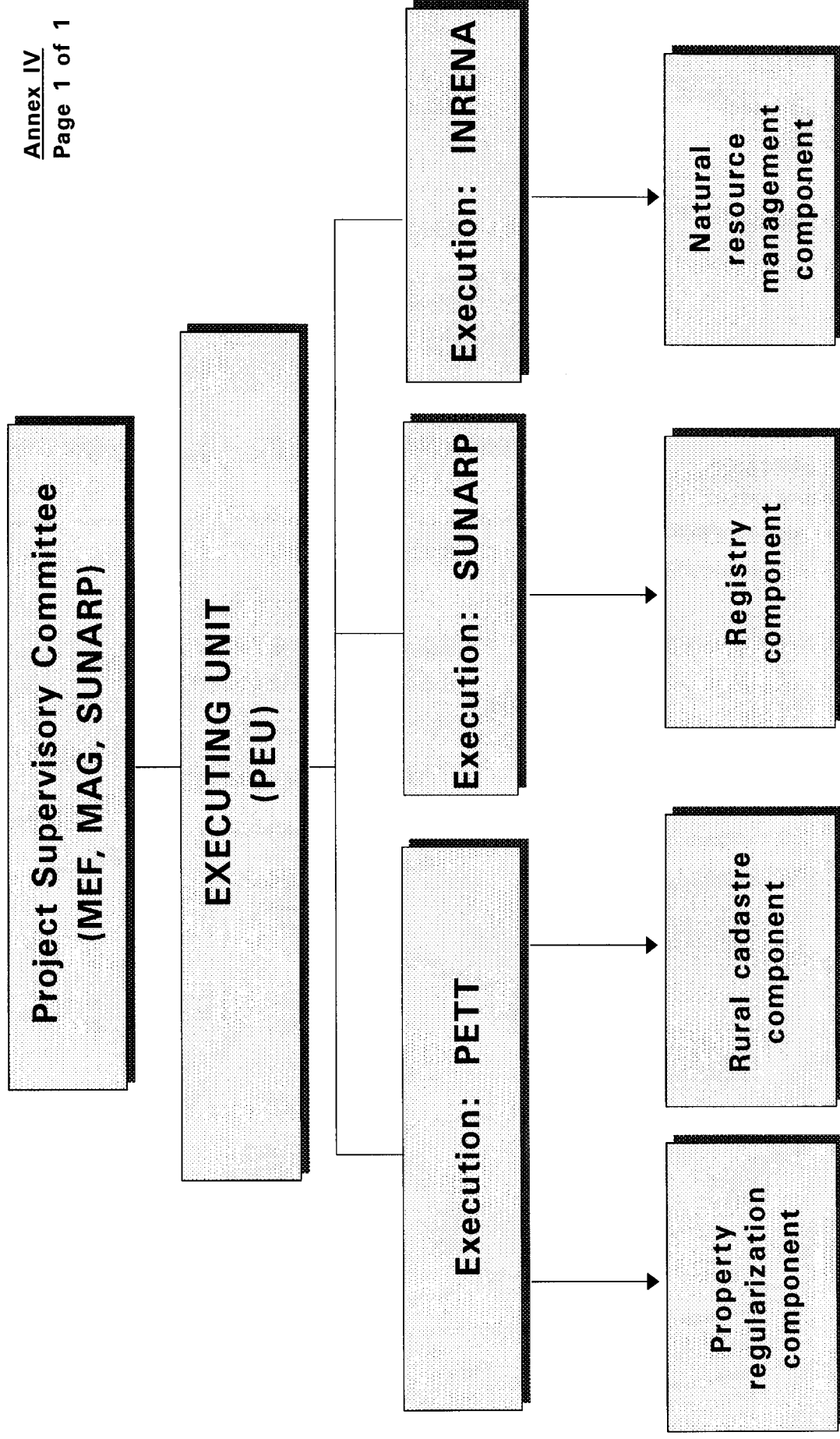
<b>DESCRIPTION No. of lots/total cost</b>	<b>Bank financing</b>	<b>Local (%)</b>	<b>Method</b>	<b>Prequalification</b>	<b>Date of publication (semester)</b>
<b>A. GOODS</b>					
1. Computer equipment for cadastre, titing and PEU 1 lot. Total US\$76,700	100	0	PPC	NO	96/I
2. Computer equipment for regional and property registries and SUNARP 2 lots. Total US\$3,600,000	100	0	ICB	NO	96/I, II, 97/I
3. GIS computer equipment for INRENA 1 lot. Total US\$337,000	100	0	ICB	NO	96/I
4. 3 vehicles for PEU, cadastre, PETT, and INRENA 1 lot. Total US\$60,000	100	0	PPC	NO	96/I
5. Specialized equipment for cadastre and titling 1 lot. Total US\$80,000	100	0	PPC	NO	96/I
6. Specialized equipment for registries 2 lots. Total US\$430,000	100	0	ICB	NO	96/I, II
<b>B. CONSULTING SERVICES</b>					
1. Consulting services for titling and cadastre 1 lot. Total US\$96,000	100	0	PPC	NO	96/I, II
2. Specialized technical services, titling and cadastre Several lots. Total US\$13,275,000	59	41	ICB	YES	96/I
3. For registration Several lots. Total US\$1,196,000	100	0	ICB	NO	97/I, II
4. Specialized services for registration 3 lots. Total US\$1,160,000	69	31	ICB	YES	97/I, II
5. Consulting services for INRENA Several lots. Total US\$810,500	100	0	ICB	NO	96/I, II
6. Specialized services for implementing the GIS in INRENA. 1 lot. Total US\$452,500	100	0	ICB	YES	96/I, II

Procurements under the thresholds will be governed by:

Competitive bidding (CB): over 100 tax units  
Public price comparison (PPC): between 30 and 100 tax units  
Direct contracting (DC): under 30 tax units

1 tax unit = approximately US\$1,000

For goods, the threshold above which international competitive bidding is required is US\$250,000 per lot.



## Execution Plan

The subexecuting agencies will be the PETT, SUNARP, and INRENA, under the supervision of the project executing unit, located in the Ministry of Agriculture but accountable for carrying out the directives of the project supervisory committee.

PROPOSED RESOLUTION

PERU. LOAN \_\_\_\_/OC-PE TO THE REPUBLIC OF PERU

Land Registry and Titling Project

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 Peru, the purpose of which is to cooperate in the financing of the execution of the Land Registry and Titling Project. Such financing will be for the amount of up to US\$21,000,000, or its equivalent in other currencies, except that of Peru, which are part of the Ordinary Capital resources of the Bank, and will be subject to the "Terms and Financial Conditions" and the "Special Contractual Conditions" of the Executive Summary of the Loan Proposal.