

SUPPORT FOR THE RESOLUTION OF PROPERTY CONFLICTS

NICARAGUA

(TC-95-01-09-1)

EXECUTIVE SUMMARY

**REQUESTER:** Ministry of Finance (MIFIN)

**EXECUTING AGENCY:** Ministry of Finance, through the Office of the Deputy Minister for Property

**BENEFICIARY:** Republic of Nicaragua

**FINANCING:**

IDB:	US\$2,800,000 (FSO)
Local contribution:	US\$ 500,000
Total:	US\$3,300,000

**TERMS:**

Execution period:	24 months
Disbursement period:	36 months

**ENVIRONMENTAL CLASSIFICATION:** The Environment Committee, at its meeting of February 28, 1995, classified this as a Category II operation.

**OBJECTIVES:** The general objective of the proposed technical-cooperation operation is to collaborate with the Nicaraguan government in speeding up the administrative resolution of property-related conflicts and initiating a process of titling urban properties.

**DESCRIPTION:** The resources of the proposed technical-cooperation operation will be used to finance the administrative and technical strengthening of the Office of the Deputy Minister for Property, the Office of the Attorney General for Property (PGP) and the National Commission for the Review of Confiscations (CNRC); a pilot urban titling program; and a training and publicity program.

**BENEFITS:** The proposed technical-cooperation operation would complement the efforts the Nicaraguan government is making to expedite the administrative resolution of property-related conflicts. By means of the consolidation and strengthening of the administrative agencies of the Office of the Deputy Minister for Property and other activities under the proposed program, the technical-cooperation operation would

speed up the resolution of at least 90% of the property conflicts included in the program within the two-year period envisaged for its execution.

The administrative resolution of a large group of property conflicts will have the effect of creating a climate that is more favorable to investment and will be an important factor in improving the country's political and social stability.

**RISKS:**

The main risk of the operation is the fact that it is at the center of public debate and cannot therefore be separated from the political dynamics involved now and in the immediate future. There is accordingly a possibility that the lawmakers - i.e., the Legislative Assembly - may devise a solution to the problems connected with property that will go beyond the purely administrative approach adopted to date. Any substantive determination adopted by law would supersede the provisions already included for conflict-resolution purposes in the current decrees. The alternatives put forward so far have a force that will be relative if other routes are explored by the lawmakers. Although it does not appear likely at present, the approach of the election campaign and the adoption of positions by the political forces around the subject of property may open up new options different from those that today point to consolidation of a process begun with the instruments passed in 1990.

In addition, the credibility of the compensation bond system is based on the claimants' perception that these instruments are backed by fresh resources derived from the sale of State assets. The delays in and obstacles to this process could affect the viability of arrangements satisfactory to the parties.

**THE BANK'S  
COUNTRY STRATEGY:**

The proposed operation is consistent with the guidelines laid down in the Bank's programming strategy for Nicaragua, of April 1994, since it represents a key move to support both the reactivation of the productive sector and the political stability and socioeconomic development of the country, through the resolution of property-related claims in rural and urban areas.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

As an exception to the Bank's procurement policies for goods and services, it is proposed that the United Nations Development Programme (UNDP) be contracted without competition to act, on the executing agency's behalf, as specialized agency, and as

administrator of the resources of the operation, of the selection and contracting of the individual consultants and of the equipment procurement envisaged in the program. The executing agency would sign a service agreement with UNDP which would specify the requirements necessary for ensuring that the selection and contracting of consulting services and the procurement of equipment would be performed in accordance with the Bank's procedures. The agreement between the executing agency and UNDP will require prior approval by the Bank.

**SPECIAL CONDITIONS  
FOR EXECUTION:**

Prior to the first disbursement from the Bank's contribution, the executing agency will be required to submit the following to the Bank's satisfaction:

- a. evidence that the contract between the government and UNDP as specialized agency has been signed;
- b. evidence that the national coordinator for the program has been selected;
- c. evidence that the coordinating committee has been established;
- d. evidence that the staff of the executive management unit have been appointed;
- e. evidence that the terms of reference for international consulting services in the following areas have been prepared: (i) detailed design of the Operations Audit Office; (ii) detailed design of the automated system of the PGP and CNRC; and (iii) pilot for urban titling plan.

## I. BACKGROUND

### A. Macroeconomic context

- 1.1 In 1990 the Nicaraguan government initiated a stabilization and structural adjustment program. By the end of 1994 annual inflation was down to 13.4% from over 7,000% in 1990; 343 State enterprises had been privatized; 60,000 army personnel had been demobilized and 10,000 positions had been removed from the central government's payroll; the trade and financial sectors had been reformed; legal frameworks had been created for the establishment of private banks, the Superintendency of Banks, the export processing zones and for the promotion of foreign investment and exports; and a program had been started for restructuring the public utility enterprises, including private sector participation in those enterprises.
- 1.2 Estimated GDP growth in 1994 was 3.2%, compared with a 0.9% contraction in 1993. The most dynamic sectors were agriculture, fishery and stockraising. However, unemployment remains high (21.8%), as does population growth (3.0%), a situation that contributes to worsening poverty.

### B. Property ownership situation in Nicaragua

- 1.3 The Sandinista administration (1979-1990) carried out a drastic program of confiscation and redistribution affecting over 5,200 rural properties (approximately 2.1 million hectares) and more than 5,000 urban properties. In February 1990 a new government was elected. During the "transition period" (February-April), the process of allocating and distributing confiscated or expropriated properties was accelerated through the transfer of ownership of houses (Law 85) and urban lots (Law 86) to the occupants on the date on which the respective laws were promulgated, together with recognition of provisional and definitive agrarian reform property titles issued up to April 1990 (Law 88).
- 1.4 The problems connected with property claims in Nicaragua constitute one of the most complex and controversial issues that Nicaraguan society must deal with. The question has political, legal, economic and administrative dimensions. The confiscations are at the center of the political debate: the possible improper use of this instrument during the transition period and the claims of those affected (both nationals and foreigners) are matters that could conceivably shape the upcoming election campaign. The majority of the properties are not formally legalized in the public registries; the superimposition of claims on one and the same property has reached alarming proportions: more than 40% of Nicaraguan households are involved in some problem concerning land tenure. The great majority (over 70%) of rural properties have not been

legalized in the public registries. In addition, more than 100,000 families are today occupying land forming part of confiscated urban properties.

- 1.5 This problem has major economic repercussions. The estimated requirements for compensating those whose properties were confiscated exceed the government's capabilities, which affects the exchange value of the compensation instruments used. The disputed properties are not eligible for credit and technical assistance, which has a negative impact on agricultural production. The current conflicts over property ownership inhibit private domestic and foreign investment.
- 1.6 Finally, the problem has significant administrative dimensions: the State apparatus created to speed up its resolution has deficiencies and duplications that have to be taken care of. Improvement of this machinery is essential because it is a key variable for improving international relations, expediting the securing of external resources needed to ensure macroeconomic equilibrium, and creating the necessary conditions for promoting private investment.

C. Institutional and administrative framework of the property system

- 1.7 Right from the start of its term of office, the new administration has implemented a set of actions designed to structure an administrative and financing system for resolving the property problem. In 1991 it set up the Oficina de Ordenamiento Territorial [Property Disposition Review Office] (OOT) to review the legality of the urban and rural transfers effected in the transition period under Laws 85, 86 and 88. In 1992, it established a Comisión Nacional de Revisión de Confiscaciones [National Commission for the Review of Confiscations] (CNRC) to consider the claims of persons whose property was confiscated, determine their legitimacy and recommend either the return of the land to the original owner or payment of compensation.
- 1.8 To set the amounts of compensation for confiscated properties that cannot be returned to the original owners, the government established the Oficina de Cuantificación de Indemnizaciones [Compensation Determination Office] (OCI). The compensation is provided in the form of bonds issued by the government (Law 180 of 1994). These dollar-denominated bonds are backed, in principle, by resources derived from privatization (including TELCOR) and can be used as bank guarantees or as payment instruments for the purchase of State assets.
- 1.9 In 1994, the government created the Office of the Deputy Minister for Property (DMP), in the Ministry of Finance, to be responsible for property matters with the aim of consolidating the separate offices involved and speeding up the compensation process for persons whose property was confiscated, together with legalization

and titling for beneficiaries. The OOT and OCI were attached to the DMP. An Oficina de Titulación Urbana [Urban Titling Office] (OTU) was also created to strengthen the titling process for urban properties. The entities named constitute the "property system".

- 1.10 This "system" relies on the information in the National Cadastre, which is administered by the Instituto Nicaragüense de Estudios Territoriales [Nicaraguan Land Survey Administration] (INETER), and in the public registries (under the Supreme Court). In addition, its offices require information from and check with State institutions and agencies that administer, or have administered, disputed properties. Also involved in the process are the Treasury of the Republic, in charge of managing the compensation bond system, the Attorney General's Office through the Office of the Attorney General for Property, which represents the State before the courts, and the State Registrar.
- 1.11 Taken as a whole, this administrative framework seeks to accomplish: (i) normalization of the property of agrarian reform beneficiaries; (ii) normalization of the allocation of dwellings, lots and other urban property; (iii) review of the unjustified confiscations, expropriations and dispossessions, in order to return the properties to their rightful owners or, if that is not possible, to arrange payment of the appropriate compensation; and (iv) review of the allocations of properties during the "transition period" to determine the legality of such allocations and proceed accordingly. Notwithstanding the foregoing, the administrative process designed to speed up resolution of property-related conflicts does not deny the claimants' right of access to the judicial system.
- 1.12 Although important steps have been taken to consolidate the administrative system concerning property, this system suffers from various problems: (i) duplication of activities, overlaps and dispersal over the different offices forming part of the system; (ii) incomplete and imprecise registration of properties; (iii) limited availability of cadastral data; (iv) transposition of titles (registration of more than one owner); (v) slowness of the communication systems; and (vi) difficulties in the formal titling of properties with *solvensias* [certificates issued by the OOT to validate the registered titles of the present owners].
- 1.13 According to official information, the number of property-related cases outstanding is 151,178. Of this total, 34,000 relate to legalization of agrarian reform beneficiaries dating back to before February 25, 1990, and are included in the targets of the National Cadastre, Titling and Registration Program, which enjoys financial support from the World Bank. The difference (117,178) consists of cases subject to the administrative review processes. Of these, almost 5,300 are claims arising from confiscations while 110,000 involve beneficiaries whose properties (dwellings, urban lots and agricultural properties) need to be normalized and titled.

<u>Beneficiaries</u>	
Dwellings (Law 85):	11,244
Lots (Law 86):	90,264
Agrarian reform (Law 88):	<u>10,382</u>
Subtotal	111,890
<u>Confiscations</u>	
Claims concerning confiscations, expropriations and dispossessions:	5,288
<b>TOTAL</b>	<b>117,178</b>

- 1.14 Of the total number of cases involving dwellings (11,244), 1,015 have not been submitted to the administrative review process, which together with the 1,230 cases with claims denied, makes a total of 2,245 cases that have been passed on to the Office of the Attorney General for Property for processing by judges. Of the remaining cases already reviewed, 1,114 are under administrative appeal.
- 1.15 Of the 90,264 cases concerning urban lots, 51,000 *solvencias* titles have been granted, while cadastral surveying, titling and registration are still pending. The remaining 40,000 cases are still under administrative review. Lastly, 8,383 of the 10,382 rural cases have been reviewed.
- 1.16 Of 5,288 cases connected with claims arising from confiscations, expropriations and dispossessions, as of the end of the past year 1,783 had been reviewed. This represented a bond issue with a face value of over US\$220 million and a bond market value of approximately US\$38 million. These cases involve a total of 15,985 items (real estate, movables, livestock, shares, certificates of deposit, etc.).
- 1.17 The magnitude of the different categories of issues (political, economic and social) facing the government and the slow processing of cases in some offices making up the administrative system established for resolving the property-ownership problem, make it difficult to solve the problem.
- 1.18 The proposed operation would provide resources for strengthening the mechanisms in the agencies of the Executive Branch that will make it possible to speed up the handling of the property-related claims still outstanding. Given the high cost of financing compensation for confiscations, expropriations and dispossessions, this proposal excludes the resources that would be needed for such financing.

D. External technical assistance

1. United Nations Development Programme

- 1.19 The design and development of the offices forming the "property system" were funded with domestic resources and financial support

from UNDP. In August 1994, UNDP approved assistance for preparation of a program of "Support for the speeding up of procedures concerning property questions", under which national and international short-term consultants were hired. In November the initial project activities were carried out, which were financed with an expansion of said assistance of up to US\$282,100 equivalent, in accordance with a definition of activities considered to have priority by the Nicaraguan government. This financing covers an initial phase of five months, including relocating the offices in a single building, where their procedures would be consolidated to form the "property system".

## 2. Other assistance

- 1.20 By means of a World Bank financed project involving agricultural technology and agricultural property administration, the National Cadastre is being updated through INETER, together with the modernization of the public registry system run by the Supreme Court, and titling of the agrarian reform beneficiaries by the Nicaraguan Agrarian Reform Administration (INRA).
- 1.21 The government has also been assisted by the Carter Center of Georgia, in the United States, the Uruguayan National Bureaucratic Streamlining Program, the Land Tenure Center of the University of Wisconsin, United States, and the Georgia Technological Institute's Conflict Resolution Center. USAID has financed certain advisory services connected with the functioning of the offices in the "system" and with the mechanisms for determining the value of the compensation bonds.
- 1.22 Lastly, it should be noted that the international community will play a particularly important role in the program. At the meeting of the Consultative Group for Nicaragua held on June 16 and 17, 1994, the government agreed with the donor community to assign top priority to this issue. Support for the agencies involved in the processing of claims and titling would provide the stimulus necessary for resolving a large number of cases that are presently stagnating in different phases of the process.

## E. Request of the Nicaraguan government

- 1.23 On January 15, 1995, the Nicaraguan government, through the Ministry of Finance, requested the Bank's assistance for financing the project described herein. The operation proposed here is based on the UNDP document "Support for the speeding up of procedures concerning property questions".

## F. Bank strategy

- 1.24 The proposed operation is consistent with the guidelines laid down in the Bank's programming strategy for Nicaragua, of April 1994, since it represents a significant effort to contribute to both the



reactivation of the productive sector and to the political stability and socioeconomic development of the country by means of resolving property-related claims in the rural and urban areas.

## II. OBJECTIVES

- 2.1 The objectives of the proposed technical-cooperation operation are to collaborate with the Nicaraguan government in speeding up the administrative resolution of the conflicts associated with property and initiating a process of titling urban properties.

## III. DESCRIPTION OF THE PROJECT

- 3.1 The resources of the proposed technical-cooperation operation will be used to finance the administrative and technical strengthening of the Office of the Deputy Minister for Property (DMP), the Office of the Attorney General for Property (PGP) and the National Commission for the Review of Confiscations (CNRC); a pilot urban titling program; and a training and publicity program.

### A. Components and activities

1. Strengthening of the DMP, PGP and CNRC

- a. Office of the Deputy Minister for Property

- 3.2 The program will provide resources for a management study of the entire system; for the organizational consolidation and improvement of the different offices coordinated and supervised by the Deputy Minister; and for simplification of the administrative and operating procedures. The new setup is to be based on consolidation of the offices, on the necessary coordination with the Cadastre and the State Registrar, and on the design and implementation of procedures manuals for the new consolidated system.
- 3.3 Structures and systems that will enable measurement and verified improvement of the property system performance indicators will be established. The following structures and systems will be designed, developed and installed: (i) a strategic plan for case tracking systems; (ii) automated word processing and case management systems; (iii) an integrated statistics system covering the entire existing property claims program; (iv) the strengthening, development and installation of a computerized documentation center to provide information on the property system; (v) computer equipment; and (vi) a single centralized file located in the DMP.

A total of 52 man/months of consulting services will be needed for execution of these activities.

- 3.4 The recently created Operations Audit Office (OAO) will be supported with the aim of streamlining procedures and resolving the problems identified as causing delays in settling cases concerning property claims. This office would conduct inspections, audits of operations and administrative investigations. Support will take the form of financing for: (i) consulting services to assist with preparation of semiannual operating plans; (ii) additional professional staff (lawyers, agricultural specialists, land surveyors); (iii) computer equipment and software; and (iv) rental of transportation required to perform the inspections. Prior to the first disbursement from the operation, the DMP will be required to have agreed with the Bank on the terms of reference for an international consultant (three months) for the detailed design of the OAO.

b. Office of the Attorney General for Property and the National Commission for the Review of Confiscations

- 3.5 The program will finance a management study of these two agencies, both of which report to the Office of the Attorney General of the Republic, and the application of its recommendations. This study would cover: the preparation of manuals of organization and functions and of methods and procedures and their implementation; the institutionalization of the working sessions of the CNRC; review of the procedures of the Office of the Attorney General with a view to recommending changes to make them faster and more transparent in both the PGP and CNRC, the intention being that these two agencies should be reorganized; and access to the single centralized file located in the DMP.
- 3.6 To correct the deficiencies in the operations of the PGP and CNRC, the following activities will be carried out: (i) identification of the sources of information for establishing a statistical database on the results of the two agencies' operations; (ii) analysis of the inputs and outputs of each of the steps carried out in each agency on the basis of performance indicators; (iii) design and implementation of a file system that will ensure immediate locating of a claimant's file; (iv) design and development of automated systems for the PGP and CNRC and their integration into the strategic systems plan that will be coordinated by the DMP.
- 3.7 The functions of the PGP and CNRC currently overlap and therefore need to be clearly differentiated and implemented in accordance with the agencies' specific assignments. The project will provide funds for: (i) hiring seven legal professionals who will assist the Attorney General for Property and the Assistant Attorneys in the performance of their functions; (ii) hiring three lawyers who will assist the CNRC; (iii) hiring administrative support staff in sufficient numbers to meet the growing needs of the two agencies; (iv) procuring the basic computer equipment needed for the smooth

functioning of the offices and integrating it with the DMP's system; and (v) developing a system for communication between the CNRC and claimants.

- 3.8 Support will be provided for classification of administrative penalties for those who resort to deceit in the claim process. This will include establishment of swift and summary procedures to enable the PGP to bring action against any persons who submit fraudulent claims or documentation to any of the different agencies making up the so-called "property system". Funds will be provided for incorporating operating mechanisms that will deter submission of fraudulent claims or false documents in support of claims for compensation.
- 3.9 For the execution of the above actions, six experts would be hired for a total of 11 man/months. Prior to the first disbursement from the operation, the Office of the Deputy Minister for Property will be required to have agreed with the Bank on the terms of reference for one international consultant (three months) for the detailed design of these systems.

## 2. Pilot urban titling program

- 3.10 The administrative process for legitimization of property ownership, for which the OOT is responsible, culminates in issuance of a *solvenia* certificate. However, according to official data, about 90,000 properties (rural and urban) will have to be inspected to verify the data declared by the claimants and OCI beneficiaries, and to establish values for cadastral purposes. As already noted earlier in this document, the titling of agricultural properties will be done with World Bank support.
- 3.11 The program will provide funding for a study for the design of a titling and fiscal cadastre valuation system for urban areas, on the basis of which a pilot urban titling plan will be designed. The study will include the identification of an urban titling strategy for converting *solvenia* certificates into ownership titles. Once the strategy has been defined, the program will finance pilot titling of 45,000 properties. This plan will require additional studies on the cadastres of Managua and other cities and on the State Registrar, for which program resources will be available. Lastly, training for the topographers, lawyers and field technicians for municipal cadastres will be required for execution of the pilot titling plan. An international consultant will be hired (three months) for the development and detailed design of these activities.
- 3.12 Prior to the first disbursement from the operation, the DMP will be required to have agreed with the Bank on the terms of reference for said consultant. This pilot titling plan will have to be carried out in close coordination with the World Bank's agricultural property titling program and with the activities of the municipal

cadastral authorities and the State Registrar and will serve as a pilot for possible Bank assistance for rehabilitation of low-income neighborhoods (NI-0064).

### 3. Training and publicity

- 3.13 A training program will be developed and implemented for the professional and technical staff of the agencies forming the "property system". This training would consist of courses and seminars on the administrative and operating procedures to be followed, including use of standardized forms, the functioning of the Comprehensive Information System, and the functions and make-up of the "property system" of the Operations Audit Office (OAO) and the Urban Titling Office (OTU). An international consultant will be hired for three months to design this program with support from the consultants who will execute the DMP's strengthening component. Execution of the training program will be handled by the latter and a local consultant hired for the purpose.
- 3.14 One objective of the program is to motivate claimants to resolve their conflicts without going to court by using mechanisms such as mediation, conciliation and arbitration. To promote this approach, a program to publicize these mechanisms will be developed that will target members of the Legislative Assembly, magistrates and judges, Executive Branch officials, the academic community, organizations of civil society, professionals and the general public. The means used for this publicity campaign will be technical reports, communication media and presentation of results in fora or seminars.
- 3.15 The services of an international consultant (two man/months) will be retained for the detailed design of the publicity program. The implementation of this program will be handled by the consultants who will execute the DMP strengthening component, together with individual consultants hired for the purpose.
- 3.16 Lastly, a study will be conducted to identify the governmental and nongovernmental organizations that could provide facilities for mediation, conciliation and arbitration; this study will also look into the legislation that will be required for these purposes.

### B. Duration

- 3.17 The Office of the Deputy Minister for Property will have a temporary mandate: as the administrative problems related to property are resolved, the offices associated with this process will gradually be eliminated. In the interim evaluation, the consultant in charge of supervision will submit a detailed plan to the coordinating committee and to the Bank for downsizing these offices. The additional personnel provided for by the financing will also be of

a temporary nature. The equipment that will be procured with the technical-cooperation resources will be transferred to the Ministry of Finance (MIFIN) or to the Office of the Attorney General of the Republic, as appropriate.

C. Organization and execution

1. Executing agency and executive management unit

- 3.18 The program is organized into three levels: management, execution and supervision. Management will be the responsibility of a coordinating committee, execution will be handled by an executing unit and supervision will be taken care of by a technical coordinator, to be hired by the Bank.
- 3.19 The establishment of priorities and formulation of the program's work plans would be the responsibility of the coordinating committee. This committee would be chaired by the Minister of Finance and made up of the Deputy Minister for Property and the chiefs of the agencies forming the "property system" (OCI, OOT, OTU, Fiscal Cadastre, PGP, INRA and the State Registrar). The committee will meet once a month according to the program's initial needs and at least once every three months, once the program is running smoothly.
- 3.20 The executing agency for this technical-cooperation operation will be MIFIN, through the Deputy Minister with responsibility for property matters. The executing unit for the program, to be known as the Unidad de Gerencia Ejecutiva [executive management unit] (UGE) will be attached to the Deputy Minister's office. The UGE will be in charge of: (i) executing the program activities; (ii) preparing, for the government, the requests for disbursements from the Bank's contributions; (iii) preparing the documentation required for the procurement of equipment and materials necessary for the execution of the program; and (iv) organizing meetings requested by the participating donor agencies. The UGE will consist of a national coordinator, a systems analyst, a business manager, a lawyer, an accountant or financial analyst, and the necessary support personnel.
- 3.21 The supervision of the program will be performed by an international consultant to be hired by the Bank, who will receive support from the Country Office in Nicaragua and technical units at Headquarters. This consultant - the program's technical coordinator - will carry out missions every three months during the program execution period. The report on each mission will be submitted to the coordinating committee and to the Bank, and will recommend such actions as need to be taken.

- 3.22 Joint reviews will be conducted every six months by the executing agency, UNDP and the Bank, starting six months after the commencement of the program. These reviews will analyze, among other points, the results obtained in the execution of the program, including: (i) evaluation of the progress made in the strengthening component for the administrative offices of the DMP and the PGP, including bunching, delays, quality, efficiency and productivity indicators; (ii) the relevance of the training and publicity activities to the program's objectives; and (iii) the degree of progress in the design of the PGP's and CNRC's case filing system.

2. Specialized agency

- 3.23 The Ministry of Finance requested the Bank's consent to contracting the services of the United Nations Development Programme (UNDP) as specialized agency for the program. UNDP will provide advisory support to the executing unit and will be the administrator of the program resources provided by the Bank and the national counterpart. It will also be responsible for hiring consultants and procuring goods and services for the program and for implementation of its activities. The country and the Bank have had satisfactory experience with UNDP in projects already carried out in Nicaragua.
- 3.24 The terms of UNDP's responsibilities will be laid down in an agreement with MIFIN that will specify as a minimum the following obligations: (i) identification and hiring of the local and international consultants, once they have been approved by MIFIN and the Bank, and payment of their respective fees. It will also take care of purchasing the equipment and other program requirements, following the rules and procedures laid down by the Bank; (ii) the timely securing of the government's counterpart contributions and their allocation to the program activities; and (iii) the preparation of pertinent reports. Prior to the first disbursement, the government will be required to submit, in consultation with the Bank, a draft of the agreement to be concluded with UNDP.

D. Execution period and targets

- 3.25 The execution period of the technical-cooperation operation will be 30 months from the signing of the technical-cooperation agreement with the Bank, including a six-month period for the signing of the UNDP-government agreement and 24 months for the project's technical activities. The disbursement period for the Bank resources would be 36 months from signature of the technical-cooperation agreement.
- 3.26 It is estimated that 90% of the cases included in the program will be resolved within its execution period. The following targets will be set: 10% of the cases within the first six months of execution; 20% in the second six months; and 30% in each of the last two six-month periods until completion of the program.

E. Budget

- 3.27 The total cost of the program is estimated at US\$3.3 million equivalent. The Bank's nonreimbursable contribution would be up to the equivalent of US\$2.8 million, from the net income of the Fund for Special Operations. The counterpart will be approximately US\$500,000, which would cover the cost of the administrative support personnel, supplies, auditing services and communications. A summary of the budget is given below:

SUMMARIZED BUDGET (equivalent in US\$)			
CATEGORY	IDB	COUNTER- PART	TOTAL
I. Executing unit (UGE)	347.2	38.4	385.6
II. Specialized agency			
1.1 Remuneration	2,018.6	410.4	2,429.0
A. Institutional strengthening: DMP, PGP and CNRC	1,451.2	405.4	1,856.6
B. Pilot titling program	480.6		480.6
C. Training and publicity	86.8	5.0	91.8
Subtotal (I + II)	2,365.8	448.8	2,814.6
Specialized agency overhead (5%)	140.7		140.7
98. Contingencies	293.5	51.2	344.7
TOTAL	2,800.0	500.0	3,300.0

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The proposed technical-cooperation operation would complement the efforts that the Nicaraguan government is making to speed up the administrative resolution of property-related conflicts. Through the consolidation and strengthening of the administrative units of the DMP and other activities under the proposed program, the technical-cooperation operation would bring about faster resolution of a minimum of 90% of the property conflicts included in the program within the two-year execution period envisaged.
- 4.2 The administrative resolution of a large group of property conflicts will produce a climate that is more favorable to investment while also being an important factor in improving the country's political and social stability.

B. Risks

- 4.3 The main risk of the operation lies in the fact that it is at the center of public debate and consequently cannot be separated from the political dynamics involved now and in the immediate future. This means that there is a possibility that the lawmakers - i.e., the Legislative Assembly - may opt for a solution that goes beyond the purely administrative approach adopted to date concerning the question of property. Any substantive determination adopted by law would supersede the measures for resolution already set forth in the decrees currently in effect. The alternatives put forward so far would have no more than relative force if the lawmakers were to explore other avenues. Although it does not appear likely at the moment, the approach of the election campaign and the adoption of positions around the property issue by the political forces could open up new options different from those that today point to consolidation of a process begun with the instruments passed in 1990.
- 4.4 In addition, the credibility of the compensation bond system is based on the claimants' perception that the bonds will be backed by fresh resources derived from the sale of State assets. The delays in and obstacles to the disposal of these assets could adversely impact the feasibility of arrangements satisfactory to the parties.

V. EVALUATION

- 5.1 The evaluation of the program will take into account the degree and level of achievement of the objectives originally proposed and will assess the difficulties encountered and the steps taken to resolve them. The following evaluations will be made with the participation of the Bank and of the UGE:
- a. interim evaluation: six months after the start of execution of the program and to coincide with the second monitoring mission by the consultant in charge of supervision. The findings of this evaluation will make it possible to determine the future actions required; and
  - b. final evaluation: this will comprise a summary of the activities carried out, noting the results obtained and establishing how these results line up against the proposed objectives.



PROPOSED RESOLUTION

NICARAGUA. NONREIMBURSABLE TECHNICAL COOPERATION FOR  
SUPPORT OF THE RESOLUTION OF PROPERTY CONFLICTS

The Board of Executive Directors

RESOLVES:

1. 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 agreements as may be necessary and to adopt such measures as may be pertinent for the execution of the plan of operations referred to in Document AT-\_\_\_\_\_ with respect to nonreimbursable technical cooperation with the República de Nicaragua for Support of the Resolution of Property Conflicts.
2. That up to the sum of US\$2,800,000, or its equivalent, is authorized for the purposes of this resolution, chargeable to the net income of the Fund for Special Operations.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.