

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: AB4320

<b>Project Name</b>	Land Administration Program
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Sector</b>	General agriculture, fishing and forestry sector (55%); Sub-national government administration (25%); Central government administration (20%)
<b>Project ID</b>	P106680
<b>Borrower(s)</b>	REPUBLIC OF HONDURAS
<b>Implementing Agency</b>	Property Institute (IP)
<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	April 28, 2009
<b>Date of Appraisal Authorization</b>	April 20, 2009
<b>Date of Board Approval</b>	July 14, 2009

## 1. Country and Sector Background

Honduras is a lower middle-income country, with a per capita income of US\$1,600 and a population of 7.5 million inhabitants in 2007. Before the onset of the global economic crisis, it enjoyed a period of rapid economic growth with reductions in poverty and inequality. Economic growth exceeded 6% between 2004 and 2007. Moreover, the income-based poverty headcount declined from 71% in 2005 to 68% in 2007, and extreme poverty fell from 53 to 43% in the same period. The income GINI coefficient remained stable from 2002 to 2006 with values between 0.58 and 0.60 and declined to 0.55 in 2007. The global crisis, however, is negatively affecting economic growth prospects from lower exports, remittances, and private investment, which was 4% in 2008 and projected to average around 3% over the next three years.

Land tenure security and land access are central to Honduras' growth and poverty reduction. After decades of efforts, including the first phase of the Land Administration Program (PATH), the legal, institutional and operational framework to ensure property rights has been substantially improved. The promulgation of the 2004 Property Law represents a landmark laying out a comprehensive legal framework for strengthening land administration in the country. This Law created the Property Institute (IP) to oversee cadastre administration and real estate registry in an integrated manner, and allowed PATH to develop a computerized National System for Property Administration (SINAP), including an integrated registry module (SURE). Implementation of SURE has facilitated bringing together cadastral information (exact geographical description of the parcel) and legal information (certainty of legitimate owner). This has resulted in more efficient, effective and transparent land administration services in Project areas, through improved cadastral mapping, land titling, registration of land transactions, and record management.

More work is needed, nonetheless, to consolidate good land governance in the country: consistency in the legal framework, institutional strengthening and better coordination in key agencies, and more insulation from political interference; municipal strengthening to advance decentralization of the system and maintenance of cadastral information; a more strategic and culturally-responsive approach to indigenous land rights; capacity for alternative conflict resolution mechanisms; and a more proactive culture of registry.

Overall, regularization activities under the Project have thus far benefited over 200,000 families. PATH has helped 20,000 poor families in Tegucigalpa and San Pedro Sula solve their land tenure situation and obtain titles. It is expected that by the end of PATH's first phase, approximately 400,000 land parcels will have been surveyed and more than 100,000 registered in SURE.

Given the magnitude of the land tenure situation, however, about 60-65% of the country's estimated 2.2 million land parcels (about 70% urban and 30% rural) would remain to be registered. Moreover, the land claims of indigenous peoples, representing about 6.5% of the total population, remain, for the most part, unaddressed. Overall, tenure insecurity has discouraged investments and limited credit access, and coupled with a highly skewed land distribution, has contributed to social instability (often through illegal land occupation and violent disputes) and unsustainable land uses.

## **2. Objectives**

The Bank is supporting a long-term Program through an Adaptable Program Loan (APL). The proposed *Program Objective* is to strengthen property rights in Honduras through modernization of the legal framework, institutional strengthening and development of a fully integrated and decentralized National System for Property Administration (SINAP).

The *Project Development Objective (PDO)* for Phase II is to provide population in the Project area with improved, decentralized land administration services, including better access to and more accurate information on property records and transactions.

## **3. Rationale for Bank Involvement**

The proposed second phase is consistent with the 2007-2010 Country Assistance Strategy (CAS) for Honduras, and specifically with two of the CAS pillars: accelerating economic growth and good governance. The second phase would complement ongoing projects such as Corazon Transboundary Biosphere Reserve (GEF TF-5699), Forestry and Rural Productivity (PBPR, Credit 3940), and Natural Disaster Mitigation (PMDN, Credit 3361), and the new Rural Competitiveness Project (ComRural, Credit 4465).

The Bank has accumulated significant regional and global experience on land administration issues, particularly in Honduras, with an initial and successful pilot effort under the Rural Land Management Project (PAAR, Credit 2940), approved in March 1997, and the land access pilot (PACTA, Credit 3435), that closed in December 2006. The Bank is currently financing land

administration projects in Panama, Nicaragua and Guatemala, and financed the first phase of the land program in El Salvador.

#### **4. Description**

The second phase of the program will be implemented over a period of five years, and will include the following five components:

Component 1 – Legal and Institutional Strengthening. Component 1 will contribute directly to improving governance and sustainability of land administration in Honduras, with a renewed focus on municipalities and key institutions, while ensuring the consolidation of SINAP and the development of a culture of registry. It will promote critical policy strengthening (*Sub-component 1*) and institutional strengthening (*Sub-component 2*). Under the first sub-component, the Project will support (a) policy and strategy development; (b) strengthening governance of land administration and transparency of Project implementation; (c) development of the normative / procedural framework for municipalities to become associated centers of IP; and (d) support to development of standard documents for notary protocols related to property registry procedures, and fostering agreement on a proposal to increase access to notary services.

Under the second sub-component, the Project will support the institutional strengthening of key institutions, including the IP so that they can efficiently operate SINAP and sustainably carry out land regularization activities, maintain cadastral information, and promote territorial planning. Regarding technology transfer more specifically, during Phase II SINAP will be implemented to reach its full potential as a tool for land administration and territorial planning, while the wireless network will be extended from Tegucigalpa towards the Sula Valley to facilitate data transmission and inter-agency communications and to ensure connectivity of SINAP.

Component 2 – Land Regularization. This component will directly contribute to improving legal security of tenure in Honduras. The systematic cadastral surveying and land regularization initiated during the first phase will be continued, with a focus on selected municipalities and direct benefits to rural and urban populations and areas critical for agricultural productivity. This component includes carrying out of a complete cadastral surveying process in selected municipalities (*Sub-component 1*), from preparatory activities to the taking of aerial photography and the actual surveying, until validation of results (*vistas públicas*) and parcel-registration into SURE. The Project will also finance legalization, titling and registration activities (*sub-component 2*), which will be carried out based on the various options provided under Honduran legislation. This sub-component will be implemented with direct participation of the selected municipalities.

Component 3 – Demarcation of Protected Areas. This component, which will require the active participation of the Forestry Conservation Institute (ICF), will focus on the demarcation of the core conservation zones (CCZs) of at least eight National Natural Parks (NNPs) and the incorporation of their geographical and legal information into SURE and RENOT (registry of territorial norms also under SINAP). In addition, the component will support the regularization process of Las Salinas, a settlement along the perimeter of the San Fernando de Omoa Fortress National Monument, which was demarcated during Phase I. More precisely, the Project will finance a population census of the area and the preparation of legal documents that will allow IP

to title the potential beneficiaries if Congress approves the partition of the settlement's area from the Monument's perimeter. This component will also provide for the implementation of the Project Environmental Management Plan.

Component 4 – Strengthening of the Miskitos' Land Rights. This component will be implemented in close coordination with INA and ICF, adopting a broader approach to promoting land rights and ensuring respect for the Miskito's collective tenure traditions. It will support in the department of Gracias a Dios (also known as La Moskitia), (a) the necessary free, prior and informed consultation, selection and participatory delimitation and collective titling of at least 25 pilot Miskito communities. Capacity building and organizational support to establish alternative conflict resolution mechanisms will be integral to the process, which will be complemented by technical assistance and capacity building in territorial planning and natural resources management to the selected communities, including preparation of territorial plans. In parallel, the Project will support the preparation of a comprehensive Program for Collective Land Titling in the Moskitia. Moreover, the Project will include continued assistance to the Miskito communities from Phase I and II to (b) increase legal awareness and help strengthen organizational capacity in relation to land tenure, and to (c) promote community development through productive sub-projects, including microenterprise development.

Component 5 – Project Management and Monitoring and Evaluation (M&E). This component includes the costs associated with project administration and monitoring and evaluation (M&E) that will be carried out by the Project Coordination Unit (PCU). Among other things, this Component will finance implementation and operation of the integrated financial and administration system (SIAF), the establishment of the Project Steering Committee, independent evaluations and audits, inter-institutional coordination activities, training and workshops.

## 5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	30
Total	30

## 6. Implementation

The Property Institute (IP) will be the implementing agency during Phase II. Financial Management and procurement for the whole Project will continue under the PCU's Fiduciary Unit. Finally, the PCU will also coordinate with other related projects being financed by the government or external agencies.

The co-executing agencies of Phase II will be INA, ICF, the Ministry of Interior (SGJ), the National Personal Identification Registry (RNP), the Ministry of National Resources and Environment (SERNA), the Institute for Professional Training (INFOP), the Honduran Anthropology and History Institute (IHAH), the Honduran Institute of Tourism (IHT), and the Honduran Association of Municipalities (AHMON).

The project will have a Steering Committee, chaired by IP, with representatives of each of the co-executing agencies. It will meet periodically and be responsible for providing policy direction, operational guidance and supervising compliance of the Project's key agreements and other formal arrangements. Technical committees, with staff from the co-executing agencies, will be organized for components 2, 3 and 4.

## **7. Sustainability**

PATH reflects the long-term commitment of the Government of Honduras (GoH) to improve land governance in the country. Overall land policy and strategy has been maintained through successive governments. The Government has demonstrated its commitment to the Program through several achievements, one of the most important of which is the establishment of an improved institutional framework for land administration, supported by further modernization of the legal framework through the approval of several important laws that were being considered during the preparation of the first phase. These include the 2003 Territorial Planning Law, the 2004 Property Law, and the 2007 Forestry Law.

Critical for sustainability as well is the Government's strong endorsement and support for the development of SINAP and the modernization of property registries that build on the institutional and legal progress made during the first phase. The regional property registries, now under IP, that have been modernized through PATH have improved registry transactions in 61 municipalities of a total of 298 in Honduras, benefitting 46 percent of the total population (as projected in 2009). It is expected that 155 municipalities will have benefitted at the end of Phase II, including 70 percent of total population (or 6.2 million people as projected for 2014). The expected revenues of IP should ensure sustainability of investments in modernization of cadastre and registry, provided that institutional strengthening of IP is successfully achieved.

Sustainability of Project results will be further enhanced by the establishment of municipalities as associated centers of IP, thus ensuring maintenance of cadastral information. At the end of the second phase, selected municipalities should be able to respond adequately to the local demand for regularization and updating and maintenance of cadastral data, in close coordination with the IP, INA and ICF.

## **8. Lessons Learned from Past Operations in the Country/Sector**

Project design reflects lessons learned from the implementation of the first phase and from other programs in the region and the world, financed by the World Bank and other development partners. The most relevant lessons are:

- ③ Country ownership is critical in land administration programs. As demonstrated during the first phase of PATH, complex land policy issues require strong political will and continuity across governments, as well as active participation of civil society.
- ③ Project design should reflect a gradual approach and existing institutional capacity, given especially the long period required to address land governance issues. Initial phases are critical to learn from pilot efforts related to challenging issues such as indigenous peoples' land rights and forestry.

- ③ Systematic surveying should be advanced in parallel to the modernization of the property registries. The ability to integrate systematic surveying data depends on the legal framework and the efficiency of registration procedures.
- ③ Institutionalization of Program's processes and outputs should start as early as possible, paying special attention to the nexus between central agencies and municipalities.
- ③ Stakeholders have diverse and conflicting interests, which demands additional attention to protecting the rights of vulnerable groups and ensuring broad participation, preferably through existing local and regional organizations. This is particularly the case when promoting the titling of indigenous and afro-descendent peoples' lands.
- ③ Communications, community ownership and participation, and conflict resolution mechanisms are three of the most critical elements of a land administration program. Experience under the first phase shows that lack of information on the program and of two-way communication mechanisms with stakeholders will affect the program's implementation and impact.
- ③ More and better impact studies are needed to measure the equity, efficiency and sustainability goals of land administration programs. In particular, project design should consider more effective measures of socio-economic impacts, and this should be reflected in the allocation of resources for monitoring and evaluation (M&E).

## 9. Safeguard Policies (including public consultation)

<b>Safeguard Policies Triggered by the Project</b>	Yes	No
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	[X]	[ ]
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	[X]	[ ]
Pest Management ( <a href="#">OP 4.09</a> )	[ ]	[ X ]
Physical Cultural Resources ( <a href="#">OP/BP 4.11</a> )	[X]	[ ]
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	[X]	[ ]
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )	[X]	[ ]
Forests ( <a href="#">OP/BP 4.36</a> )	[X]	[ ]
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	[ ]	[X]
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*	[ ]	[X]
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	[ ]	[X]

## 10. List of Factual Technical Documents

- ③ Environmental Assessment (including Environmental Management Plan)
- ③ Participatory Social Assessment
- ③ Indigenous Peoples Development Plan
- ③ Resettlement Process Framework
- ③ Legal Analysis
- ③ Institutional Analysis
- ③ Sector Governance Analysis
- ③ Economic and Financial Analysis

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

- ③ Gender strategy
- ③ Communications Strategy

## **11. Contact point**

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