

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**RURAL LAND CADASTRE, TITLING, AND REGISTRATION  
PROJECT IN PERU - THIRD PHASE (PTRT-3)**

**(PE-L1026)**

**LOAN PROPOSAL**

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ELECTRONIC LINKS	
<b>REQUIRED</b>	
1.	Activity plan for the first 18 months of implementation (AWP) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39105638">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39105638</a>
2.	Monitoring and evaluation plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39089707">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39089707</a>
3.	Procurement plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39086064">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39086064</a>
4.	Environmental and Social Management Report (ESMR) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39090461">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39090461</a>
<b>OPTIONAL</b>	
1.	Economic assessment of the project <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39086548">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39086548</a>
2.	Itemized budget for the project <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39086067">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39086067</a>
3.	Project Operating Manual <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39090542">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39090542</a>
4.	Environmental and social assessment <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986217">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986217</a>
5.	Framework for agricultural policies in Peru 2009-2012 <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38012197">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38012197</a>
6.	Study of target population and demand for the project <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986233">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986233</a>
7.	Description of MINAGRI's responsibilities <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986240">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986240</a>
8.	Project risk management (PRM) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39086074">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39086074</a>
9.	Diagnostic assessment of the status of regional governments <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986010">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986010</a>
10.	Diagnostic assessment of the satellite geodetic network and the national geodetic framework <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986237">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986237</a>
11.	Diagnostic assessment of and action plan for existing databases and information systems <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986221">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38986221</a>
12.	Diagnostic assessment of land titling in campesino and natives communities <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39089833">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39089833</a>
13.	Safeguard policy filter (SPF) and safeguard screening form (SSF) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39092327">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39092327</a>

## ABBREVIATIONS

AGRO RURAL	Programa de Desarrollo Productivo Agrario-Rural [Agricultural/Rural Productive Development Program]
AWP	Annual work plan
COFOPRI	Organismo de Formalización de la Propiedad Informal [Informal Property Regularization Commission]
DISPACR	Dirección de Saneamiento de la Propiedad Agraria y Catastro Rural [Agricultural Property Title Clearance and Rural Cadastre Division]
ESMR	Environmental and Social Management Report
GNSS/CORS	Global Navigation Satellite System/Continuous Operating Reference Station
IGN	Instituto Geográfico Nacional [National Geographic Institute]
MINAGRI	Ministry of Agriculture and Irrigation
PCU	Project coordination unit
PEU	Project executing unit
PETT	Special Land Titling Project
RMG	Risk Management Guide for Sovereign-guaranteed Projects
SUNARP	Superintendencia Nacional de los Registros Públicos [National Superintendency of Registry Offices]

## PROJECT SUMMARY

### PERU

## RURAL LAND CADASTRE, TITLING, AND REGISTRATION PROJECT IN PERU - THIRD PHASE (PTRT-3) (PE-L1026)

Financial Terms and Conditions				
<b>Borrower:</b> Republic of Peru			<b>Flexible Financing Facility*</b>	
			<b>Amortization period:</b>	15.5 years
			<b>Original WAL:</b>	10.20 years max.**
			<b>Disbursement period:</b>	5 years
<b>Executing agency:</b> Ministry of Agriculture and Irrigation (MINAGRI) through the Agricultural/Rural Productive Development Program (AGRO RURAL)			<b>Grace period:</b>	5.5 years
			<b>Interest rate:</b>	LIBOR-based
<b>Source</b>	<b>Amount</b>	<b>%</b>	<b>Inspection and supervision fee:</b>	***
<b>IDB (Ordinary Capital)</b>	US\$40 million	50	<b>Credit fee:</b>	***
<b>Local</b>	US\$40 million	50	<b>Approval currency:</b>	U.S. dollars from the Ordinary Capital (OC)
<b>Total</b>	US\$80 million	100		
<b>Project at a Glance</b>				
<b>Project objective:</b> The objective of the project is to regularize rural property in the Selva (jungle) region and targeted areas of the Sierra (highlands) region in order to enhance the security of rural land tenure.				
<b>Special contractual conditions precedent to the first disbursement:</b> (i) creation of the project coordination unit (PCU), hiring of a general coordinator and a coordinator for each of the components; and selection of an environmental specialist, a social specialist, a procurement specialist, a financial specialist, and a monitoring specialist, through a competitive process, in accordance with terms agreed upon in advance with the Bank (paragraph 3.2); (ii) establishment of the working group (Project Management Committee) and of the citizen participation consultative body at the national level (paragraph 3.3); and (iii) approval of the Operating Manual, in accordance with terms agreed upon with the Bank, including draft agreements with each participating entity (paragraph 3.5).				
<b>Special contractual conditions of execution:</b> (i) signing and entry into force of the collaboration agreements between the executing unit and the National Geographic Institute (IGN) and the National Superintendency of Registry Offices (SUNARP), under terms agreed upon in advance with the Bank, prior to execution of Component 1 (paragraph 3.4); (ii) signing and entry into force of the collaboration agreements between the executing unit and the regional governments involved in the project, before the start of the bidding process for individual property titling services within their jurisdiction (paragraph 3.4); (iii) prior to the disbursement of Component 2: presentation, to the Bank’s satisfaction, of evidence that responsibility for the rural cadastre has been legally and formally transferred to the Agricultural Property Title Clearance and Rural Cadastre Division (DISPACR) (paragraph 3.6); and (iv) prior to the disbursement for the activities envisaged in Component 1 in the Selva and Ceja de Selva [outer edge of the Peruvian jungle] regions, presentation, to the Bank’s satisfaction, of a proposed change in regulations to adopt a more efficient methodology for intervention to determine classification of land based on its highest-use capacity (paragraph 3.6).				
<b>Exceptions to Bank policies:</b> None				
<b>Project qualifies as:</b>				
	SEQ [ X ]	PTI [ X ]	Sector [ X ]	Geographic [ ]
				Headcount [ ]

\* Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as conversions of currency and interest rate, subject in all cases to the final amortization date and the original weighted average life (WAL). The Bank will take market conditions as well as operational and risk management considerations into account when reviewing such requests.

\*\* The original WAL and the grade period may be shorter depending on the actual loan contract signature date.

\*\*\* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problems to be addressed, and rationale<sup>1</sup>

- 1.1 **Land ownership rights and competitiveness.** Over the past decade, the Peruvian economy experienced remarkable development. In the 2002-2012 period, the country's gross domestic product (GDP) grew at an average annual rate of 6.3%. The agriculture sector, which in this period had an average annual growth of 4%, contributed 8% to GDP, generated 37% of total employment, and accounted for 9% of exports, is one of the most important sectors in the Peruvian economy (Zegarra, E., 2013). This sector's performance resulted in an increase in farmers' per-capita income, which practically doubled between 2006 and 2012, and in a reduction in rural poverty from 84% to 61%, primarily on the Costa [coast] region. In Peru, poverty is a rural phenomenon: 60% of the country's poor live in rural areas and 67% of the earned income of the rural poor is derived from agricultural activities, with only 33% being generated by nonagricultural activities (Robles, M., 2012).
- 1.2 Despite this growth, a detailed review of the sector shows that the sector's heterogeneous nature translates into disparities in productivity and poverty reduction potential among the country's regions. The evidence indicates that, while several coastal crops have improved their productivity, production growth has been based on an expansion of the agricultural frontier. It also indicates that the sector's growth has been concentrated in a small number of export-oriented crops in the Costa region, where producers have benefited from the natural characteristics of the region (soil, topography, and availability of water) and a high level of spending in public goods that helped the sector (irrigation, roads, land titling, and sanitation), as well as from the market entry of dynamic agribusiness groups. This being the case, the sector's growth made a more significant contribution to poverty reduction on the Costa region—elasticity of -0.9 to 1.3—than in the Sierra and Selva regions—elasticity of -0.6 to -0.9 (Zegarra and Tuesta, 2009; World Bank, 2005).
- 1.3 The agriculture sector's potential contribution to economic growth and rural poverty reduction is primarily dependent on a rise in the productivity of small-scale farmers (World Bank, 2008; Escobal, J., 2012). Improving productivity in the Peruvian Sierra and Selva requires investing in the aforementioned sector public goods as a prelude to inducing private investment by farmers (Lopez, 2004, World Bank 2008). A basic condition for accomplishing this objective is to establish secure land ownership rights. These rights reduce the risk of expropriation and encourage farmers to make investments that can increase the land's productivity. In the case of Peru, the empirical evidence shows that titling has a positive impact on: use of inputs, agricultural investments, and consequently, increase in agricultural income (Torrero and Field, 2005; Zegarra, 2008). In other countries, there are impacts on income, investments, asset

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<sup>1</sup> The references used in support of this document are listed at: IDBDocs #[39091715](#).

accumulation, property sales, leases of land, and labor allocation (Gignoux, J. et al 2013).

- 1.4 **The current status of rural land tenure.** The Agricultural Censuses of 1994 and 2012 illustrate the advances, setbacks, and current status of rural land tenure in Peru (see Table I-1). The total number of farmers increased by almost 410,000, representing a 24% growth for the period. The growth in the number of farmers reflects the ongoing phenomenon of rural property fragmentation, particularly in rural/urban transition areas. Moreover, the table shows that 175,000 farmers joined the system of registered title (a 48% increase). This growth is largely due to Peruvian government interventions carried out with Bank support (see paragraph 1.13). At the same time, the number of farmers without titles rose by 540,000 (a 134% increase) as a result of problems in various areas (see paragraph 2.12). In 2012, the Sierra had the largest number of farmers without titles in the country. In this region, 600,000 farmers have no property title, representing 64% of the national demand for titles. The Selva contains 230,000 farmers who lack property titles, accounting for 25% of all farmers without titles. The Sierra and Selva regions account for 90% of the country's farmers without titles.

**Table I-1. Comparing advances in rural titling between the 1994 and 2012 censuses**

Regularization categories	Agricultural Censuses			
	1994		2012	
	Total # of farmers	%	Total # of farmers	%
Registered title	366,286	21.5	541,498	25.6
Non-registered title	489,214	28.7	337,335	16.0
Joint owner	433,986	25.5	290,596	13.7
No title	403,530	23.7	944,337	44.7
<b>Total</b>	<b>1,705,035</b>	<b>100</b>	<b>2,113,766</b>	<b>100</b>
Natural region	# of farmers without title	%	# of farmers without title	%
Costa	43,436	11.3	105,361	11.2
Sierra	230,689	57.2	607,387	64.3
Selva	127,405	31.6	231,589	24.5
<b>Total</b>	<b>403,530</b>	<b>100</b>	<b>944,337</b>	<b>100</b>

**Source:** 1994 and 2012 National Agricultural Censuses.

- 1.5 Regarding the status of native and campesino communities,<sup>2</sup> it is estimated that approximately 1,000 native communities still lack property titles, representing 45% of the total number of native communities in the country and totaling 14,000 individuals (see Table I-2). It is worth noting that 13% of native communities

<sup>2</sup> Peruvian legislation distinguishes between campesino communities and native communities. The [diagnostic assessment of the titling of native and campesino community lands](#) describes the specific rules.

have yet to be recognized as such and are therefore at a pre-titling stage according to the titling procedures for native communities. With respect to campesino communities, there are still approximately 800 communities left to be titled; this represents 15% of all campesino communities and totals 39,000 individuals. A significant portion of all communities have been titled but their property titles have not been duly registered.

**Table I-2. Titling of native and campesino communities**

Regularization categories	Communities			
	Native		Campesino	
	# Communities	%	# Communities	%
Titled and registered	1,270	54	3,957	67
Titled without being registered	160	8	1,100	19
Recognized and yet to be titled	594	25	832	14
Yet to be recognized and titled	311	13	0	0
<b>Total</b>	<b>2,335</b>	<b>100</b>	<b>5,889</b>	<b>100</b>

**Source:** 2012 National Agricultural Census and Instituto del Bien Común [Institute for the Common Good], 2012.

- 1.6 This analysis suggests that there are three problems concerning the regularization of agricultural land in Peru. Firstly, while the level of informal rural land tenure is rising, the problem continues to be manageable: in total, Peru has no more than one million farmers, 1,000 native communities, and 800 campesino communities without property titles. Secondly, the figures indicate that the purchase, sale, and inheritance processes have been significant in recent decades and have therefore created a lag in rural titling due to the absence of a cadastre maintenance mechanism. This situation is common because many of those beneficiaries who have obtained rural property titles fail to record subsequent transactions at the registry offices. Lastly, public services supporting agricultural land titling have not reached the Sierra and Selva regions.
- 1.7 **Reforms in the rural land regularization process.** In order to understand the advances and setbacks in the regularization of rural land tenure, it is also important to evaluate the set of governance reforms undertaken to guarantee land ownership and facilitate the registering of rural property rights at the registry offices. In this regard, in 1991 the Government of Peru created an institutional framework responsible for rural property regularization based on the Special Land Titling Project (PETT) and the National Superintendency of Registry Offices (SUNARP). In addition, the Peruvian government developed a body of legal provisions that: (i) guaranteed private ownership of land, allowing it to be sold, leased, and furnished as mortgage collateral; and (ii) simplified the process of registering real property rights, while (iii) reducing the costs of this process. At the same time, the Peruvian government developed and implemented a cost-



effective method for cadastral service and massive regularization of parcels in a given area.

- 1.8 To support PETT, the Bank approved the Land Titling and Registration Project (PTRT). The first stage (PTRT-I) was approved in 1996 in the amount of US\$21 million (a total amount of US\$36.5 million) and the second phase (PTRT-II) was approved in 2001 in the amount of US\$23.3 million (a total amount of US\$46.7 million). PTRT-1 laid the foundation for rural titling through the development of a cadastral sweep campaign methodology;<sup>3</sup> the development of a community titling methodology; reforms of the legal framework; and development of institutional capacity in the PETT and SUNARP. Together, PTRT-I and PTRT-II succeeded in surveying three million rural parcels, registering two million property titles, and registering 540 campesino communities and 55 native communities.
- 1.9 However, two events occurred in 2007 that changed the institutional outlook for rural property regularization. In the first place, Supreme Decree 005-2007 (VIVIENDA) was issued under the State Modernization Framework Law (Law 27658 of 2002), merging PETT with the Informal Property Regularization Commission (COFOPRI). Thus, all of PETT's powers, duties, and responsibilities were transferred to COFOPRI. In the second place, pursuant to the Decentralization Guidelines Act (Law 27867) and the provisions of Supreme Decree 088-2008-PCM/DS 056-2010-PCM, the Peruvian government transferred the responsibilities for rural property regularization to the regional governments. COFOPRI continues to be responsible for managing the rural cadastral platform (see [Endo, 2013](#)).
- 1.10 The above gave rise to inefficiencies in the context of rural titling: (i) the capability for national stewardship of rural property regularization—including the role of providing rules, guidelines, and technical assistance for the rural property regularization process, and supervising and controlling it—was lost; (ii) the sequence of changes held back Peruvian government investments in the operation and maintenance of the physical and technological structure of the rural titling process; (iii) the existing coordination between the rural cadastre process and the rural property registration process was weakened; and (iv) uncertainty was created as to the allocation of resources for moving forward with the rural property regularization process.
- 1.11 In this context, in 2013, the Peruvian government approved Supreme Decree 0012013-AG, establishing MINAGRI as the lead agency for setting national agrarian policy. In 2014, the Agricultural Property Title Clearance and Rural Cadastre Division (DISPACR) was created to perform this function. One of MINAGRI's key national stewardship responsibilities is to design and implement

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<sup>3</sup> The cadastral sweep is a methodology for systematic surveying of each and every one of the rural parcels (individual and community) in a given area to gather the basic information (technical and legal) needed for the massive regularization of rural property tenure.

projects with the regional governments aimed at improving rural titling and cadastre services. The changes instituted in 2013 are an effort by the Peruvian government to address outstanding rural titling challenges.

1.12 **Problems with rural land cadastre, titling, and registration.** The diagnostic assessments of the key institutions involved in the rural titling process indicate that the following problems deserve attention:

- a. **Fragmentary procedure for rural titling.** One of the improvements in the rural titling process is associated with the execution arrangements for massive sweep campaigns. This methodology was developed and implemented under PTRT-1. However, due to a shortage of human resources, infrastructure, and technical capacity, the territorial units on which titling work is performed are determined on a project-by-project basis, with a relatively small allocation of resources and execution time horizons of six months. In addition, due to the transfer and the absence of supervision and quality control, the regional governments are not following the current regulatory framework for titling. This affects the quality of the delivered titles and exacerbates the lack of legal certainty surrounding rural property. [The operational diagnostic assessment](#) indicates that the changes in rural titling affect the regional governments' ability to provide rural property titling services in a cost-efficient manner.
- b. **Limited capabilities of regional governments.** [The diagnostic assessment of the regional governments](#) identified the following problems: (i) inadequate organizational design and management tools, making it difficult for the regional governments to perform their rural property titling duties; (ii) inadequate and obsolete infrastructure, affecting the quality, efficiency, and costs of the rural titling process; (iii) the fact that the regional governments lack human resources with the training and experience needed to conduct titling processes for campesino and native communities; (iv) insufficient budget (the budget amount ranges from S/. 1,040,000 to S/. 1,384,000 per regional government so that, at this level of investment, it would take 60 years to address the demand for titling in Peru). One of the main conclusions of the diagnostic assessment is that the regional governments are inefficient in allocating rural titling resources, focusing their permanent capacity on temporary tasks to the detriment of the central goal of delivering titles.
- c. **Insufficient geodetic network coverage.** Use of the geodetic network makes it possible to accurately identify the location of the targeted territorial units and thus avoid graphic overlays of the surveyed properties. The national geodetic network has 45 continuous monitoring stations and 4,955 geodetic points. [The diagnostic assessment of the national geodetic network](#) indicates that: (i) there are no continuous monitoring stations in Arequipa, Ica, Loreto, Madre de Dios, and Ucayali; (ii) there is no continuous maintenance service for existing equipment; (iii) the existing stations do not have emergency electric power systems; (iv) the equipment lacks internet services; (v) the

stations lack internal and external data storage devices; and (vi) the software used to manage the network is outdated. The identified problems affect the quality of generated data, the real-time and continuous availability of generated data, and the security of data generated by the geodetic network.

- d. **Deficient rural cadastre management system.** The rural cadastre system integrates generated cadastral information, facilitates the interaction of titling agencies with the registry offices, and manages the existing cadastral information. [The diagnostic assessment](#) identified the following problems: (i) the existing rural cadastre system was developed to operate in a nationally centralized environment; consequently, it lacks support infrastructure for interconnection between the regional governments and the national government, and is furthermore not interconnected with SUNARP; (ii) there is a shortage of cadastral data management and quality control tools; and (iii) conversion of the various applications, graphic data, and geospatial data leads to a loss of cadastral information quality.
- e. **Limitations of the regulatory framework for rural titling.** The current regulatory framework makes it possible to start project execution. However, according to the [diagnostic assessment of the regulatory framework](#), the following problems need to be overcome: (i) rural property titling legislation is dispersed and contains contradictory provisions and legal gaps; (ii) rural property title clearance procedures are not adapted to the country's new institutional context and do not incorporate technological changes that can have a positive impact on rural titling; (iii) there are no decentralized management tools; (iv) the cadastre, titling, and registration manuals are outdated, as are the rules for cadastre maintenance; (v) the legal framework of campesino and native communities needs to be reviewed and improved on a participatory manner; and (vi) there is no national rural property regularization policy that can set guidelines for the titling work. In addition, the required soil classification by highest-use capacity, Supreme Decree 017-09-AG, for titling purposes in the Selva region has turned into a bottleneck that impedes the rural land titling processes.
- f. **Limited institutional capacities.** DISPACR and the regional governments are the key institutions in the rural property titling process. In view of this, a significant challenge is to strengthen DISPACR's and the regional governments' institutional and technical capacity to perform their duties effectively. The main problems identified in the diagnostic assessments of the capacities of [regional governments](#), [MINAGRI](#), and with respect to the [titling of communities](#) include the following: (i) DISPACR does not have the capacity to manage the rural cadastre and support the regional governments in the rural property regularization process; (ii) the regional governments lack the capacity to effectively conduct the rural land cadastre, titling, and registration process and to address the social issues involved in titling the communities; (iii) DISPACR and the regional governments lack systems for

monitoring the status of rural titling; and (iv) there is no results-based budgeting system that can facilitate access to funds for cadastre maintenance and training.

- 1.13 **Lessons learned.** The proposed project takes into account successful experiences and operations PTRT I (906/OC-PE) and PTRT II (1340/OC-PE), and lessons from other, similar Bank-financed operations in the region. Table I-3 presents the problems identified in execution, by work area, and how the lessons learned were incorporated into the proposed project's design.

**Table I-3. Lessons learned from the Bank's experience in the sector**

<b>Problem by work area</b>	<b>Reflection in project design</b>
<u>Legal framework.</u> It is necessary to ensure that the legal framework allows rural titling to be carried out.	While the current legal framework allows initiating project execution, the project will finance activities aimed at strengthening DISPACR's capacity to analyze and set rural cadastre and titling rules and policies.
<u>Institutional organization.</u> It is important in order to enable the land management system to operate efficiently.	Based on the diagnostic assessment of the capacities of the relevant institutions, the project will finance activities aimed at strengthening the key institutions involved in the rural property regularization process.
<u>Information safeguards.</u> The rural cadastre information needs to be protected.	The working methodology for cadastral surveys will be 100% digital, with backup systems.
<u>Cadastral surveys.</u> The cadastral sweep approach has produced good results.	The sweep approach will be improved and used in project execution.
<u>Monitoring and quality control system.</u> A lack of monitoring systems makes it difficult to manage progress in rural titling.	The project will develop an integrated status tracking system, including participatory monitoring mechanisms, and will hire a firm to monitor performance of the titling contracts.
<u>Community participation.</u> Participation by the communities in the titling process is critical.	The diagnostic assessment, the experience of PTRT-II, and the Peruvian government's workshops with the campesino and native communities during the project preparation process indicate that community titling should be carried out through a participatory process.
<u>Support for permanent institutions.</u> It is important to focus on supporting permanent institutions.	The project will support DISPACR, the regional governments, SUNARP, the IGN, and permanent State institutions in performing rural property regularization tasks.
<u>Contract design.</u> It is critically important to design regularization contracts with incentives and penalties.	In the first year of project execution, resources will be allocated for the design of a model regularization contract that provides incentives and penalties aimed at achieving the project goals.

**Source:** OVE, 2014. Land Regularization and Administration Projects: A Comparative Evaluation. PCR for PTRT 1 and 2.

- 1.14 **Conceptual overview of the operation.** The project is conceptualized as an operation that continues the rural property regularization process initiated by the Government of Peru under operations 906/OC-PE and 2554/OC-PE. The project's design emphasizes the key aspects identified in the diagnostic assessment of the current situation: (i) resumption of integrated, massive rural property regularization campaigns (sweep approach), thus making it possible to move forward on rural titling in a cost-effective manner; (ii) modernization of geodetic support services, thus helping to make boundary delimitation of rural parcels more efficient, consistent, and accurate; (iii) modernization of the rural cadastre, thus helping to integrate the titling agencies, registry offices, and national stewardship of land and contributing to efficient and secure administration of cadastral information; (iv) legal framework reform, thus helping to consolidate the current legal framework by eliminating contradictory provisions and legal gaps and adapting the framework to the new institutional structure and technological changes; and (v) institutional strengthening, thus helping to develop the capacities of DISPACR and the regional governments to allow them to properly perform their rural cadastre and titling functions. The sustainability of rural property regularization depends on keeping the cadastre and registry of rural parcels up to date (see paragraph 1.6). The proposed set of interventions directly affects: (i) transaction costs to the user; (ii) the speed of titling procedures; (iii) farmers' incentives to keep the cadastre and registry up to date; and (iv) incentives for the regional governments to continue to perform rural titling work in areas not served by the project.
- 1.15 **Consistency with GCI-9 objectives and the Bank's strategy.** The project will contribute to the following lending priority(ies) under the Ninth General Increase in Resources of the IDB (document AB-2764; GCI-9): (i) poverty reduction and equity enhancement, by boosting farmer productivity related to the establishment of secure rights to land ownership; and (ii) support for climate change initiatives and environmental sustainability, by increasing producers' incentives for sustainable management of rural land and the reduction of deforestation. In addition, the project will contribute to the regional development goal of increasing the "annual growth rate of agricultural GDP" by raising farmer productivity, and to the output "farmers given access to improved agricultural services and investments," as defined in the Results Matrix, by improving rural land titling services. The project is aligned with the Agriculture and Natural Resources Management Sector Framework Document (document GN-2709-2), which identifies security of land tenure as a key activity for achieving high productivity levels and sustainable use of natural resources. The project is consistent with the Bank's 2012-2016 country strategy with Peru (document GN-2668) and the country program document (document GN-2668-1). The operation's impact indicator "increasing total income of rural households" is aligned with the Bank's country strategy indicators.

**B. Objectives, components, and costs**

- 1.16 **Objective.** The objective of the project is to regularize rural property in the Selva region and targeted areas of the Sierra region,<sup>4</sup> in order to enhance the security of rural land tenure. As a result of the project, the agricultural income and productivity of beneficiaries are expected to increase. By providing registered property titles, the project will benefit: (i) 220,000 agricultural producers; (ii) 190 campesino communities; and (iii) 190 native communities (see [target population study](#)). Three components will be executed to achieve the project's objectives.
- 1.17 **Component 1. Cadastral survey, titling, and registration of rural land (US\$26 million).** This component will support [regularization of ownership of individual rural parcels](#) and [campesino and native community land](#). The activities to be financed are organized along the following lines of action:
- 1.18 **Mapping and massive integrated sweep campaigns for cadastral surveying, titling, and registration of individual parcels,** which will include: (i) massive integrated cadastre and regularization campaigns targeting individual parcels located in the Sierra and Selva regions; (ii) supervision and inspection of the cadastre and regularization campaigns involving individual rural parcels in the intervention areas; (iii) support for the assessment of titling records by the regional governments; and (iv) social and environmental management support. Spouses will be recognized as co-owners of titled land.
- 1.19 **Demarcation, collective titling, and registration of native community land,** which will include: (i) native community land demarcation, titling, and registration services in the project intervention areas; (ii) supervision and inspection of the native community land demarcation, titling, and registration campaigns in the intervention areas; (iii) support for the assessment of titling records by the regional governments; and (iv) social and environmental management support.
- 1.20 **Demarcation, collective titling, and registration of campesino community land,** which will include: (i) campesino community land demarcation, titling, and registration services in the project intervention areas; (ii) supervision and inspection of the campesino community land demarcation, titling, and registration campaigns in the intervention areas; (iii) support for the assessment of titling records by the regional governments; and (iv) social and environmental management support.
- 1.21 **Component 2. Development of a technology platform to streamline the cadastre, titling, and registration processes.** This component will support the development of the required technology platform to facilitate execution of the rural parcel cadastre, titling, and registration processes. The activities to be financed are organized into the following lines of action:
- 1.22 **Geodetic support for rural cadastre development and land titling,** which will include: (i) implementation of a satellite geo-positioning service; (ii) strengthening

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<sup>4</sup> The project will support titling in approximately 274 rural districts under 10 regional governments: Amazonas, Apurímac, Cajamarca, Cusco, Huánuco, Junín, Loreto, San Martín, Ucayali, and Puno.

- of the IGN with infrastructure, equipment, and geodetic software; (iii) training and technical assistance for IGN technical staff members on geodesy applicable to rural titling; and (iv) training for the regional governments' technical staff members in the intervention area in the use of the satellite geo-positioning service.
- 1.23 **Development of a national rural parcel cadastre administration system**, which will include: (i) design and deployment of an information system based on a commercially available product, using commercial software, focused on rural land administration, customized, and in line with the requirements of the institutions involved; and (ii) adaptation of the computer center at DISPACR.
- 1.24 **Component 3. Strengthening of the institutional capacity and policy framework for rural land titling.** This component is aimed at financing both MINAGRI in its stewardship functions and the regional governments so they may effectively perform the functions transferred to them relating to the titling of rural parcels and community land. In addition, this component seeks to organize and consolidate the legislation to adapt it to the country's needs and technological changes. The component provides for activities and procurement in the following lines of action:
- 1.25 **Support for the consolidation of the legal, institutional, and policy framework for rural land cadastre and titling**, which will include: (i) development of a national rural property regularization policy; (ii) 10 strategic plans for rural property regularization in the project's intervention area; (iii) eight specialized studies to justify changes in legislation, directives, manuals, and operating guidelines; (iv) development and implementation of a dissemination campaign on community titling; (v) an inventory of the status of titling and disputes in community lands; and (vi) implementation of a customer service system for beneficiaries.
- 1.26 **Institutional strengthening for rural land cadastre, titling, and registration**, which will include: (i) design and support for implementing an institutional organization model for the regional governments in terms of the physical and legal clearance of rural properties; (ii) development and deployment of a progress monitoring system for rural titling; (iii) development and implementation of a mechanism for dispute resolution on community lands; (iv) development of a results-based budgeting program for titling and cadastre maintenance; (v) operating equipment for DISPACR operations; and (vi) development of a training program for the regional governments and DISPACR in rural titling supervision and the sociocultural aspects of community titling.
- C. Results Matrix and key indicators**
- 1.27 Annex II shows the Results Matrix, including the impact, outcome, and output indicators associated with the project's objectives and components. The main indicators of the proposed project are: (i) total income of rural households; and (ii) investments in assets tied to agricultural activities.

## II. FINANCING STRUCTURE AND RISKS

### A. Financing instrument

- 2.1 This operation is a specific investment loan. The project's total cost is estimated at US\$80 million. The Bank loan will amount to US\$40 million drawn from the resources of the Ordinary Capital, and the local counterpart will be US\$40 million. The breakdown by funding sources appears in Table II-1.

**Table II-1. Project cost and financing (in US\$ millions)**

Investment category	IDB	Local	Total	%
<b>I. Administration</b>	<b>0.33</b>	<b>5.00</b>	<b>5.33</b>	<b>6.66</b>
<b>II. Direct costs</b>	<b>38.69</b>	<b>34.83</b>	<b>73.52</b>	<b>91.94</b>
<b>Component 1.</b> Cadastral survey, titling, and registration of rural land	26.39	29.75	56.14	70.17
<b>Component 2.</b> Technology platform development	5.44	1.10	6.54	8.10
<b>Component 3.</b> Institutional and policy framework strengthening	6.86	3.98	10.84	13.67
<b>III. Monitoring and evaluation</b>	<b>0.68</b>	<b>0.12</b>	<b>0.800</b>	<b>1.00</b>
<b>IV. Audit</b>	<b>0.30</b>	<b>0.05</b>	<b>0.35</b>	<b>0.40</b>
<b>Total</b>	<b>40.00</b>	<b>40.00</b>	<b>80.00</b>	<b>100</b>

- 2.2 The project is structured as a specific investment operation, to be executed in five years with the following disbursement schedule:

**Table II-2. Disbursement schedule (in US\$ millions)**

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
IDB	5.00	6.00	12.00	10.00	7.00	40.00	50.00
Local	6.20	7.60	10.40	8.40	7.40	40.00	50.00
<b>Total</b>	<b>11.20</b>	<b>13.60</b>	<b>22.40</b>	<b>18.40</b>	<b>14.40</b>	<b>80.00</b>	<b>100</b>
<b>%</b>	<b>14</b>	<b>17</b>	<b>28</b>	<b>23</b>	<b>18</b>	<b>100</b>	

### B. Economic viability

- 2.3 [The economic assessment of the project](#) is based on the project's expected incremental costs and benefits using a time horizon of 10 years and a discount rate of 12%. The quantified costs include investment, operating, and maintenance costs. The quantified benefits are derived from an estimate of the expected benefits accruing to Peruvian farmers from improved land tenure security. Data from the 2012 National Household Survey (ENAH0) at the farmer level were used to quantify the direct benefits associated with an improvement in tenure status. The results indicate that the families that legalized their rural property raised their



annual income by S/. 732 in the Sierra region and by S/. 2,090 in the Selva region. The cost-benefit analysis indicates that the project has a positive net present value (NPV) and an internal rate of return (IRR) of 14.7%. Three scenarios were modeled: project benefits slowly increase over time (IRR=6.7%); 20% increase in titling costs (IRR=9.3%); and logistical difficulties in the Selva region (IRR=7.8%).

**C. Environmental and social risks**

- 2.4 This project has been classified as a category B operation in accordance with the Bank's Environment and Safeguards Compliance Policy (OP-703) guidelines. An [environmental and social analysis](#) was carried out in accordance with the Bank's policies (OP-703; OP-710; OP-765; OP-761; and OP-102) to identify the project's benefits, weaknesses, and risks and develop measures to mitigate these risks and promote improvements in the titling process, with special emphasis on ensuring proper management of environmental risks, the rights of indigenous peoples, and gender equality. Among these measures, the development of a conflict resolution system and a system for participatory monitoring of campesino and native community titling stand out. These measures have been incorporated into the project's design (paragraphs 1.26 and 3.3) and are set out in the environmental and social management and monitoring plan, which is attached to the project Operating Manual. The Environmental and Social Management Report ([ESMR](#)) summarizes the findings and recommendations aimed at ensuring the operation's environmental and social sustainability.

**D. Fiduciary and other risks**

- 2.5 The analysis of the capacity of the Agricultural/Rural Productive Development Program (AGRO RURAL) to execute the project determined that there is a medium risk associated with procurement and financial management. Mitigation measures were assessed and identified for the main risks, indicating responsible parties, implementation and monitoring schedules, and funding sources. The risk assessment identified the following development risks: (i) delays in issuance of the rule that transfers rural cadastre management responsibilities to DISPACR; to mitigate this risk, MINAGRI is already negotiating the supreme decree providing for such transfer; (ii) delays in signing the agreement with the regional governments; to mitigate this risk, DISPACR has already started to conduct awareness-raising workshops with the regional governments; and (iii) delays in reviewing the rule that deals with soil classification by highest-use capacity; to mitigate this risk, MINAGRI has already assembled a work team to provide a rationale for the proposed changes to the rule.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Project execution and management

- 3.1 The borrower will be the Republic of Peru and the executing agency will be MINAGRI, through AGRO RURAL,<sup>5</sup> which will act as the project executing unit (PEU), as is common practice in loan operations with Peru. For project management purposes, a project coordination unit (PCU) will be created under the Executive Board of AGRO RURAL. The PCU will be responsible for project administration, supervision, and evaluation. It will report directly to AGRO RURAL and have a functional relationship with DISPACR.
- 3.2 The PCU will be headed by a general coordinator, who will have sufficient autonomy to make decisions, issue all documentation, schedule activities, and coordinate with the participating institutions and the Bank. The PCU will have a technical area, a monitoring and evaluation area, and an administration area, the composition, duties, and responsibilities of which are set forth in the project Operating Manual. **Creation of the PCU, the hiring of the general coordinator and the coordinators for each of the components, and the selection of the environmental specialist, social specialist, procurement specialist, financial specialist, and monitoring specialist through a competitive process, in accordance with terms agreed upon in advance with the Bank, will be a special contractual condition precedent to the first disbursement.**
- 3.3 A working group (Project Management Committee-CGP) will be created as a strategic body responsible for providing policy guidance, monitoring project execution, and supporting project management. The CGP will be chaired by the Deputy Minister for Agricultural Development and Infrastructure and Irrigation or his representative. The following will participate in the CGP: a representative from SUNARP, the IGN, and the General Office of Planning and Budget, the director of DISPACR, a representative from the Public Investment Division of the Ministry of Economy and Finance (MEF), a representative from the regional governments, and a representative from the PCU, who will act as secretary. The project will include two ways to provide for citizen participation: a consultative body at the national level and regional participatory monitoring entities. These entities will participate in project monitoring. The composition and functioning of the participatory bodies and their relationship with the PCU are described in the project Operating Manual. **Establishment of the working group known as the Project Management Committee and of the consultative body for citizen participation at the national level will be a special contractual condition precedent to the first disbursement of the loan.**
- 3.4 To ensure the terms of cooperation for project execution, interagency collaboration agreements are to be signed between the PEU and SUNARP, the IGN, and the

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<sup>5</sup> The AGRO RURAL program is organized as a PEU under MINAGRI and has technical and administrative autonomy. It is responsible for externally-financed agriculture sector projects.

participating regional governments. These agreements will establish the terms for mutual cooperation between the entities involved and will describe the activities covered by the agreements, the commitments of the parties, including operation and maintenance of investments, and any other terms required for project execution. The signing and entry into force of collaboration agreements between the PEU and the IGN and SUNARP, pursuant to terms previously agreed upon with the Bank, prior to execution of Component 1, is a special condition for execution. The signing and entry into force of the collaboration agreements between the PEU and the regional governments involved in the project, before the start of the bidding process for titling services for individual parcels in their jurisdiction is a special condition for execution. The integrated massive campaign activities to survey and regularize rural parcels under Component 1 will be carried out by specialized firms hired by the project. To determine the costs of hiring such firms, a market study will be conducted to specify the unit costs per title.

- 3.5 **Project Operating Manual.** Project execution will be governed by a project [Operating Manual](#). The manual establishes operating guidelines and procedures regarding: (i) the responsibilities of the entities that participate in the project; (ii) operating procedures for planning and scheduling the activities to be financed, including calls for proposals, selection and hiring of firms specializing in Component 1 activities; (iii) fiduciary and procurement instructions; (iv) procedures for environmental and social management of the project; and (v) operating procedures for implementing the project's monitoring and evaluation activities. **Approval of the Operating Manual in accordance with terms agreed upon with the Bank, including the draft agreements with each participating entity, will be a special contractual condition precedent to the first disbursement of the loan.**
- 3.6 As identified in the project's diagnostic assessment, execution of the project requires two regulatory changes. There is a need to ensure that the rural cadastre functions retained by COFOPRI are transferred to DISPACR (paragraph 1.9). In addition, the requirement to classify land by highest-use capacity of the soil (Supreme Decree 017-09-AG) must be eliminated from the rural titling process in the Selva region (paragraph 1.12e). The following are special conditions for execution: (i) prior to the disbursement of Component 2: presentation, to the Bank's satisfaction, of evidence that responsibility for the rural cadastre has been legally and formally transferred to DISPACR; and (ii) prior to disbursement for Component 1 activities in the Selva and Ceja de Selva regions, presentation, to the Bank's satisfaction, of a proposed change in regulations to adopt a more efficient methodology for intervention to determine classification of land based on highest-use capacity.
- 3.7 **Procurement.** Procurement of works, goods, and consulting services funded with project resources will be carried out in accordance with the Bank's policies as set forth in documents GN-2349-9 and GN-2350-9 (see [Annex III](#)).

- 3.8 **External audits.** The PEU will annually present the project's audited financial statements 120 days after the end of each fiscal year. The external audits will be performed by independent auditors acceptable to the Bank, in accordance with Bank requirements and based on terms of reference approved in advance. Audit costs will be financed by the project.

**B. Monitoring and evaluation**

- 3.9 The project has a [monitoring and evaluation plan](#). During project execution, the PEU will prepare a monitoring report and send it to the Bank no later than 60 days after the end of each six-month period. These reports will focus on attainment of the output indicators and progress on outcomes and will identify the problems encountered and the corrective measures adopted. No later than in the final quarter of each year during project execution, the PEU will submit the annual work plan for the following year to the Bank's satisfaction. In addition, the PCU will carry out two independent evaluations (one midterm and one final) funded with project resources: (i) the midterm evaluation will be presented to the Bank no later than 90 days after 50% of the loan proceeds have been executed; and (ii) the final evaluation will be presented no later than 90 days after 90% of the loan proceeds have been executed. These evaluation reports will include an assessment of the quality of the monitoring system data, the degree of achievement of outputs and outcomes and progress on expected impacts as set forth in the Results Matrix, and the level of compliance with the environmental and social management and monitoring plan, including progress on social and environmental indicators.
- 3.10 As described in the monitoring and evaluation plan, the impact assessment will generate estimates of differences in differences for a panel of households, with a treatment group and a control group, in response to a baseline survey and a final survey. It proposes an initial non-random identification of a treatment group that has the greatest likelihood of being targeted initially, receiving a property title in the first half of the project's second year. This group will be determined in the project's first year at the level of agricultural statistical sectors and districts. At the same time, a control group will be created on the basis of an ex ante pairing technique using information from the agricultural statistical sectors. The control group will not receive property titles until the second half of year five of the project in order to allow impacts to be measured for a period of at least three years. It has been estimated that the size of the sample will be approximately 4,000 farmers. The data collection budget has been included in the project.

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program	i) Lending for poverty reduction and equity enhancement, and ii) Lending to support climate change initiatives, renewable energy and environmental sustainability.			
Regional Development Goals	Annual growth rate of agricultural GDP (%).			
Bank Output Contribution (as defined in Results Framework of IDB-9)	Farmers given access to improved agricultural services and investments.			
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix	GN-2668	Increase current rural income levels.		
Country Program Results Matrix	GN-2756-2	The intervention is included in the 2014 Operational Program.		
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Highly Evaluable	Weight	Maximum Score
		9.9		10
3. Evidence-based Assessment & Solution		9.6	33.33%	10
3.1 Program Diagnosis		3.0		
3.2 Proposed Interventions or Solutions		3.6		
3.3 Results Matrix Quality		3.0		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		10.0	33.33%	10
5.1 Monitoring Mechanisms		2.5		
5.2 Evaluation Plan		7.5		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Low		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		B		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/PDP Criteria)	Yes	Financial management: i) Budget, ii) Treasury, iii) Accounting and reporting, and iv) External control. Procurement: i) Information system, and ii) Shopping method.		
Non-Fiduciary				
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality	Yes	As part of the titling process, spouses will be recognized as co-owners of titled lands.		
Labor				
Environment	Yes	Secure property rights create incentives for the adoption of sustainable land use practices.		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project				
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan		Yes	The impact evaluation will expand the knowledge on the impact that land rights has on investment and agricultural production and ultimately on household welfare.	

The project objective is to improve tenure security of rural land, by supporting the formalization of land ownership in the Jungle and targeted areas of the Sierra. As a result of the project, agricultural productivity and income of beneficiaries is expected to increase. The studies and diagnoses clearly underpin the deficiencies in the titling process of rural plots; and the interventions proposed, respond to identified needs.

While the impact of titling on investment and agricultural production has not been documented in every contexts, this type of impact is found in many studies around the world and is considered increasingly robust. However, in the case of Peru the evidence is relatively poor, given the data and methods used previously. This is the main motivation and justification to include a rigorous impact evaluation in this project.

The results matrix reflects the objectives and activities of the project and has clear vertical logic. The matrix includes SMART indicators at the outcome and product level with their respective baseline values and targets, as well as the means for collecting the information.

The economic evaluation of the project is based on the incremental costs and benefits expected from the project. Quantified costs include investment, operation and maintenance. The quantified benefits come from the estimation of the expected benefits to Peruvian farmers that improve their tenure security status over their land, and is based on econometric analysis using data from the National Household Survey (ENAH0) 2012 at the farmer level. The key assumptions are reasonable and sensitivity analysis is conducted around the reliability of the estimates.

The Monitoring and Evaluation Plan proposes an identification strategy based on two quasi-experimental methods that complement each other given the nature of the intervention: Propensity Score Matching and Difference-in-Difference. The Plan meets the requirements of the DEM.

The risks identified in the risk matrix seem reasonable and include compliance indicators, as well as defining responsibility and dates for monitoring.

## RESULTS MATRIX (SUMMARY VERSION)<sup>1</sup>

Project objective	The general objective of the project is to regularize rural property in the Selva (jungle) region and targeted areas of the Sierra (highlands) region in order to enhance the security of rural land tenure.		
Impact indicator	Baseline	Target	Comments/Mean of verification
<i>Increase in total income</i> <b>Indicator:</b> <ul style="list-style-type: none"> <li>Annual income of Sierra and Selva farmers</li> </ul>	Farmers without title: <ul style="list-style-type: none"> <li>Sierra = S/. 3,872</li> <li>Selva = S/. 5,554</li> </ul>	Farmers with title: <ul style="list-style-type: none"> <li>Sierra = 11%</li> <li>Selva = 15%</li> </ul>	<b>Means of verification:</b> Project's impact assessment report <b>Comment:</b> The potential benefits accruing to farmers from improved security of their land tenure were estimated using National Household Survey (ENAH) data and a simple income function model based on farmers' assets and characteristics. The lower bound of the confidence interval is being used.
<i>Rise in the productivity of priority agricultural products:</i> <b>Indicator:</b> <ul style="list-style-type: none"> <li>Annual increase (%) in yield per hectare in priority Sierra and Selva crops:</li> </ul> Coffee Rice Quinoa Potato Hard yellow corn	Annual increase 2011-2012 1.22% 1.70% 2.48% 0.89% 0.62%	Annual increase 2017-2022 1.64% 2.24% 2.84% 1.35% 1.19%	<b>Source:</b> MINAGRI statistics and monitoring and evaluation plan. <b>Comment:</b> The baseline was estimated using the annual report of National Agricultural Innovation Institute (INIA). The yield indicators for the main Sierra and Selva crops will be updated on the basis of the baseline survey.

<sup>1</sup> Includes project impacts and outcomes. For more details on the outputs of each component, see [Results Matrix, detailed version](#).

Component 1 Cadastral survey, titling, and registration of rural land	Baseline	Year-end 1	Year-end 2	Year-end 3	Year-end 4	Year-end 5	Target	Means of verification/Comments
Component objective:	Rural properties surveyed and listed in the public registries for owners of individual rural parcels and campesino and native communities.							
Main outcomes								
Use of agricultural inputs Indicator: Increase in the use of agricultural inputs: Certified seed: Chemical fertilizers: Insecticides: Tractor:	8.4%	0	0	0	0	20%	20%	Means of verification: Project’s impact assessment report.  Comment: Data from the Agricultural Census (2012) was used to assess the use of agricultural inputs.
	7.6%	0	0	0	0	18%	18%	
	32.6%	0	0	0	0	46%	46%	
	16.8%	0	0	0	0	29%	29%	
Component 2 Development of a technology platform to streamline the cadastre, titling, and registration processes	Baseline	Year-end 1	Year-end 2	Year-end 3	Year-end 4	Year-end 5	Target	Comments/Mean of verification
Component objective	The objective is to develop the technology platform required to facilitate execution of the cadastre, titling, and registration process for rural parcels and community land.							
Main outcomes								
Reduction in rural property titling costs Indicator: Average cost of the complete titling process for an individual rural property (US\$/Title)	341	341	114	114	114	114	114	Means of verification: PCU/DISPACR monitoring and tracking system  Comments: Diagnostic assessment of the rural titling process by Barthel (2013) and consulting support (2013).

Component 3 Strengthening of the institutional capacity and policy framework for rural titling	Baseline	Year-end 1	Year-end 2	Year-end 3	Year-end 4	Year-end 5	Target	Comments/Mean of verification
Component objective	The objective is to strengthen the key institutions involved in titling rural properties and consolidate the legal framework for rural property titling							
Main outcomes								
Reduction in the timeframe for delivery of rural property titles  <b>Indicator:</b> Number of months from confirming boundaries of the parcel and adding it to the property rolls to delivery of individual rural property title	18	18	12	8	5	4	4	<b>Means of verification:</b> PCU/DISPACR monitoring and tracking system  <b>Comments:</b> Diagnostic assessment of the regional governments’ capacity in terms of rural titling by Barthel (2013) and consulting support (2013).
Standardization of the rural property titling process  <b>Indicator:</b> Number of regional governments following a single rural property titling process.	0	0	3	3	3	1	10	<b>Means of verification:</b> PCU/DISPACR monitoring and tracking system  <b>Comments:</b> Diagnostic assessment of the regional governments’ capacity in terms of rural titling by Barthel (2013) and consulting support (2013).



## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

**Country:** Peru

**Project No.:** PE-L1026

**Name:** Rural Land Cadastre, Titling, and Registration Project in Peru, Third Phase (PTRT-3)

**Prepared by:** Fernando Glasman and Ariel Rodriguez

### **I. EXECUTIVE SUMMARY**

- 1.1 The country's financial management systems are effective and reliable. With regard to the country procurement system, no country procurement modality is currently being used in loan operations financed by international lending agencies. However, document GN-2538-11 (Guide for acceptance of the use of country procurement systems) approved the use of the subsystems for reverse auctions and electronic catalogues of framework agreements under Peru's public procurement system. The project's procurement plan will provide for the use of these subsystems once their implementation phase is completed.

### **II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY, EXECUTION UNIT, AND PROJECT COORDINATION UNIT**

- 2.1 The executing agency will be Ministry of Agriculture and Irrigation (MINAGRI). The Agricultural/Rural Productive Development Program (AGRO RURAL) is MINAGRI's execution unit. It reports to the ministry and has technical and administrative autonomy, and its purpose is to promote rural agricultural development at the national level by financing public investment projects in rural areas. MINAGRI will create a Management Committee that will act as the project's highest authority. The project coordination unit (PCU) will be created upon approval of the operation and will be responsible for managing the execution of all project components as well as monitoring and evaluation tasks. The PCU will report to the Executive Board of AGRO RURAL and will have a functional relationship with MINAGRI through the Agricultural Business Bureau (DGNA) and the Agricultural Property Titling and Rural Cadastre Division (DISPACR), as well as with the National Superintendency of Registry Offices (SUNARP) and the National Geographic Institute (IGN).
- 2.2 The PCU will be headed by a general coordinator, who will have sufficient autonomy to make decisions regarding the project and will be responsible for issuing all documentation, scheduling activities, and coordinating with the IDB, MINAGRI, the DGNA, the DISPACR, SUNARP, and the IGN. The PCU will

- have: (i) a technical/operational area; (ii) a monitoring and evaluation area; and (iii) an administration area that will be supported by AGRO RURAL's administrative office for financial and accounting tasks and for carrying out project procurement.
- 2.3 The Management Committee, which will be chaired by the Deputy Minister for Agricultural Development and Infrastructure and Irrigation (VDIAR) will provide policy guidance for the project, supervise project execution, and support project management, facilitating the resolution of management, administrative, and technical issues. This committee will also include the director of the DISPACR, the head of MINAGRI's General Office of Planning and Budget (OGPP), the director of AGRO RURAL, and a representative of the 10 participating regional governments. In addition to general guidance, this committee will be responsible for approving the project Operating Manual, selecting the PCU's key personnel, and approving the financial statements, management reports, and annual work plan.
- 2.4 The fiduciary assessment was based on the risk analysis conducted with the participation of the DISPACR, AGRO RURAL, SUNARP, and the IDB, meetings with key staff members of these entities, and meetings with the project team.

### **III. FIDUCIARY RISK ASSESSMENT AND MITIGATION MEASURES**

- 3.1 As a result of the RMG risk assessment exercise conducted during the design stage, the fiduciary risk in both financial management and procurement was determined to be medium (see the Risk Matrix annex).

### **IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT**

- 4.1 Conditions precedent to the first disbursement: approval of the project Operating Manual by the Bank.
- 4.2 Exchange rate for accounting purposes: monetization exchange rate.
- 4.3 Audited annual financial statements, with specific terms of reference, including procurement review report.
- 4.4 Creation of the PCU and hiring of its members, with the required profiles, experience, and skills.
- 4.5 As a condition for the submission of bids or proposals and/or for contract awards, it will not be necessary for offerors or consultants: (i) to be registered in Peru; (ii) to have a representative in Peru; or (iii) to be associated or enter into subcontracts with Peruvian suppliers, contractors, or consultants.
- 4.6 A difference between the amount of the qualified bids and the benchmark value will not be automatic grounds for declaring the bidding process void, unless after investigating the reasons for the difference in cost, it is determined to the Bank's satisfaction that the reference value was correct and realistic.

- 4.7 The borrower will publish the procurement plan in the Procurement Plan Execution System and will update it at least every six months, or as required by the Bank, to reflect the project's actual execution requirements and progress made.

## V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 The fiduciary agreements and requirements for procurement execution establish the provisions to be applied for the execution of all procurement planned under the project.

### 1. Procurement execution

- 5.2 Works, goods, and services will be procured in accordance with documents GN-2349-9 and GN-2350-9.
- a. **Procurement of works, goods, and nonconsulting services:** Contracts for works, goods, and nonconsulting services<sup>1</sup> generated under the project and subject to international competitive bidding (ICB) will be executed using the standard bidding documents (SBDs) issued by the Bank. Procurement subject to national competitive bidding (NCB) will be executed using country bidding documents agreed upon with the Bank (or satisfactory to the Bank, if not yet agreed upon). The project's sector specialist will be responsible for reviewing the technical specifications for procurement during the preparation stage of procurement processes.
  - b. **Selection and contracting of consultants:** Contracts for consulting services generated under the project will be executed using the standard request for proposals (RFP) issued by the Bank or agreed upon with the Bank, regardless of the contract amount (or satisfactory to the Bank, if not yet agreed upon). The project's sector specialist will be responsible for reviewing the terms of reference for consulting service contracts.
    - (i) **Selection of individual consultants:** Such selection will take into account the consultant's qualifications to perform the work, based on a comparison of at least three candidates. When the circumstances so warrant, notices may be published in the local or international press.

### 2. Table of threshold amounts (US\$000)

Goods <sup>2</sup>			Consulting services	
International competitive bidding	National competitive bidding	Shopping	International publicity	Short list 100% national
≥ 250,000	< 250,000 and ≥ 50,000	< 50,000	≥ 200,000	< 350,000

<sup>1</sup> Under the Bank's procurement policies, nonconsulting services are treated as goods.

<sup>2</sup> Includes nonconsulting services.

- 5.3 The establishment of thresholds for prior review is determined by the type of risk posed by the project in the procurement area, which has been rated as medium. The thresholds to be considered for prior review when procurement processes are executed by the executing agency are presented below:

Threshold for prior review		
Works	Goods <sup>3</sup>	Consulting services
Processes exceeding US\$3,000,000: the first process under each method, regardless of the amount, and all direct contracting.	Processes exceeding US\$250,000: the first process under each procurement method, regardless of the amount, and all direct contracting.	Processes exceeding US\$200,000: the first process under each selection method, regardless of the amount, and all direct contracting.

- c. **Domestic preference:** No domestic preference margins will apply.
- d. **Use of the country procurement system:** In view of the approval by the Board of Executive Directors of the use of the subsystems for auctions and framework agreements in Peru, such subsystems will be used once the relevant implementation agreement has been signed, the conditions stated therein met, and the resulting modification made to the procurement plan.

### 3. Initial procurement plan (first 18 months)

Activity	Type of process	Estimated date	Estimated amount (US\$000)
<b>Nonconsulting services</b>			
Cadastral mapping, property survey, and creation of titling records in the northern area of intervention	ICB	3rd quarter 2015	2,392
Cadastral mapping, property survey, and creation of titling records in the central area of intervention	ICB	2nd quarter 2016	1,219.8
Cadastral mapping, property survey, and creation of titling records in the southern area of intervention	ICB	2nd quarter 2016	2,830
Preparation of anthropological validation studies prior to titling in selected native communities	QCBS	3rd quarter 2015	305.8
Delimitation, demarcation, collective titling, and registration of native community lands	ICB	3rd quarter 2015	990.1
Boundary marking, collective titling, and registration of campesino community lands.	ICB	3rd quarter 2015	719.8
Social and environmental management of the titling process	Shopping	1st quarter 2016	1,100
Satellite geopositioning service (GNSS/CORS) in the intervention areas	ICB	2nd quarter 2015	460

<sup>3</sup> Includes nonconsulting services.

<b>Consulting firms<sup>4</sup></b>			
Consulting assignments for preparing strategic regularization plans by department	QCBS	2nd quarter 2015	614
Consulting assignment for developing directives and manuals (geodesy, regularization, cadastre, supervision, community titling)	QCBS	2nd quarter 2015	515
Consulting assignment for the study: Campesino and native communities (regulatory proposal)	QCBS	2nd quarter 2015	300
Consulting assignment for developing and implementing a dissemination campaign on community titling	QCBS	2nd quarter 2015	700
Consulting assignment for an inventory and diagnostic assessment of the status of titling and disputes in community territories throughout the country	QCBS	2nd quarter 2015	530.3
Supervision and inspection of cadastral mapping, property survey, and the creation of records	QCBS	2nd quarter 2015	680

To see the detailed procurement plan for the first 18 months, click [here](#).

#### **4. Procurement supervision**

- 5.4 Considering the medium level of fiduciary risk of the project, at least one inspection visit will be made per year. In addition, the executing agency's capacity and knowledge of Bank procurement procedures were taken into account in establishing the supervision arrangements. The Bank's ex post reviews will cover a sample of contracts based on professional judgment and will be performed by external auditors. Once the use of the country procurement system is implemented, the arrangements may be updated on the basis of the fiduciary risks.<sup>5</sup>

#### **5. Records and files**

- 5.5 Files are to be kept at the offices of the PCU or AGRO RURAL, as the case may be, under conditions that ensure the integrity and safety of the documentation.

### **VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS**

#### **1. Programming and budget**

- 6.1 Preparation of the annual programming and budget will be based on the provisions of the Budget Division of the Ministry of Economy and Finance

<sup>4</sup> In the case of consulting services, it refers to the creation of a short list with firms of various nationalities. See Policies for the selection and contracting of consultants (document GN-2350-9), paragraph 2.6.

<sup>5</sup> Once the reverse auction and framework agreement subsystems are put into use in loan operations as part of the strategy of country system use, executed procurement processes will be systemically monitored and supervised by tracking and verifying the stability of Peru's country system.

(MEF). The Investment Policy Division, in coordination with the General Office of Planning, Investment, and Budget, will prepare the project's annual budget based on the project's disbursement schedule and will set and agree on priorities for external financing under the project. The budget will be executed under the Integrated Financial Administration System (SIAF). The budget allocated to the project will be approved by the MEF and the Peruvian Congress, reported annually to the Bank, and reflected in the SIAF, for the activities committed to under the project. The executing agency will have budget autonomy for project execution. The project execution plan will be prepared, and will serve as the basis for the annual budget.

## **2. Accounting and information systems**

- 6.2 The project will use the SIAF's project execution module for accounting and reporting during execution, as this module provides transparency and specific controls on budget execution. The module allows project accounting to be recorded and issues financial reports, including disbursement requests, exchange rate controls, project financial statements, and other reports required by the Bank. Accounts will be prepared on a cash basis and will follow international accounting standards and the directives issued by the National Public Accounting Division (DNCP).
- 6.3 Project supervision will require financial statements, including: a statement of cash received and disbursements made, a statement of cumulative investments, the notes to the aforementioned statements, an assurance report on the procurement processes and supporting documentation for expenditures, and evaluation of the internal control system. These reports will be delivered on an annual basis.

## **3. Disbursements and cash flows**

- 6.4 The project will use the country's cash management system, following the directives issued by the National Debt and Treasury Division (DNET). Expenditures will be subject to the budget and financial execution process. Data on the execution of expenditures will be reported in the SIAF's project execution module under the rules applicable to each of the stages (commitment, liquidation, authorization, and payment). The country cash management system is still not fully based on a general treasury account; accordingly, a special bank account will be opened to manage the loan proceeds.
- 6.5 Disbursements will be based on the project's actual liquidity needs (financial planning). The PCU will submit disbursement requests to the Bank together with an expenditure plan for activities in the annual work plan for the next 180 days. Justification must be provided for at least 80% of disbursements in the next request through the statement of expenditures and the statement of investments.
- 6.6 The PCU will submit the initial financial plan for the project to the Bank. The plan will reflect the disbursement schedule for the entire project and may be

updated periodically. For the use of Bank funds, the PCU will open a bank account to be used exclusively to manage IDB resources.

- 6.7 Supporting documentation for expenditures will be subject to ex post review by the external auditors. The exchange rate will be the monetization rate, defined as the exchange rate on the date of conversion of the U.S. dollars to soles. Expenditures deemed ineligible by the Bank will be reimbursed using the local contribution or other resources, depending on the nature of their ineligibility.

#### **4. Internal control and internal audit**

- 6.8 The control environment, control activities, communication and reporting, and monitoring of the activities of the executing agency/PCU are governed by the country's regulations, which are based on the National Control System Law.
- 6.9 The internal audit function in MINAGRI is performed by the Internal Control Office (OCI). The staff of that office report to the Office of the Comptroller General of the Republic (CGR). The scope of the OCI's work generally does not extend to projects; nevertheless, the OCI will receive copies of the external auditor's reports through the Government Audit System (SAGU) (designed by the CGR), which it can use for inspection activities, depending on the time and resources it has available.
- 6.10 The PCU will be required to include the main internal control processes in the project Operating Manual, to ensure that the controls are functioning effectively.

#### **5. External control and reports**

- 6.11 The CGR, as apex agency of the National Control System, outsources external audits of projects to independent audit firms (IAFs) acceptable to the Bank. Eligible IAFs are evaluated periodically by the Bank, to ensure that their quality is high. In addition, the CGR authorizes the executing agency/PCU to select and contract the IAF in accordance with Bank policies for the entire project execution period, including any extensions of the final disbursement period.
- 6.12 In view of the complexity of the project stemming from the diversity of subprojects to be funded and their geographic dispersion, it will be necessary to: (1) select a tier I and tier II IAF; and (2) deliver audited financial statements annually.
- 6.13 The cost of the external audits will be covered with the loan proceeds and is estimated to be US\$400,000 for the five years of the project.

## 6. Financial supervision plan

Supervision activity	Supervision plan			
	Nature and scope	Frequency	Responsibility	
			Bank	Third party
OPERATIONAL	Review of project status	Annual	Fiduciary and technical team	-
	Review of the portfolio with executing agency and MEF	Semiannual	Fiduciary and technical team	MEF
FINANCIAL	Ex post review of disbursements	2-3 times per year		External auditor
	Financial audits	Annual	Fiduciary team	External auditor
	Review of disbursement requests and attached reports	2-3 times per year	Fiduciary team	-
	Inspection visit / analysis of internal controls and the control environment at the executing agency	Annual	Fiduciary team	-
COMPLIANCE	Annual allocation of budget resources necessary for project execution	Annual	Fiduciary team	Executing agency
	Delivery of financial statements	Annual	Fiduciary and technical team	External auditor/ Executing agency
	Conditions precedent to the first disbursement	Once	Fiduciary and technical team	-

## 7. Execution arrangements

- 6.14 Considering the execution mechanism described in the proposal for operation development, an administrative and financial execution arrangement will be required, centralized through AGRO RURAL, which will be responsible for annual formulation of the budget for both the local contribution and the IDB loan. AGRO RURAL will be responsible for making payments and the PCU will be responsible for processing disbursements and justifications of funds with the Bank, as well as for coordinating all activities with the regional governments. These processes will be clearly described in the project Operating Manual.

## 8. Other financial management agreements and requirements

- 6.15 Due to the nature and complexity of the project, the PCU requires an efficient system for monitoring and tracking project activities. In addition, the staff in charge of project fiduciary management should have extensive experience in public administration and the management of projects financed by multilateral agencies.



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/14

Peru. Loan \_\_\_\_/OC-PE to the Republic of Peru  
Project “Rural Land Cadastre, Titling, and Registration  
in Peru, Third Stage PTRT3”

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, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the project “rural land cadastre, titling, and registration in Peru, third stage PTRT3”. Such financing will be for an amount of up to US\$40,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_ \_\_\_\_\_ 2014)

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