

Document of
The World Bank

Report No: ICR00003794

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-46410)

ON A
LOAN
IN THE AMOUNT OF
SDR 20.5 MILLION
(US\$32.8 MILLION EQUIVALENT)
TO THE
REPUBLIC OF HONDURAS
FOR A
SECOND LAND ADMINISTRATION PROJECT

June 25, 2017

Social, Urban, Rural, and Resilience Global Practice
Central America Country Management Unit
Latin America and Caribbean Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 30, 2017)

Currency Unit = Honduran Lempira
HNL 1.00 = US\$ 23.4689
US\$ 1.00 = HNL 0.0426

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|----------|---|
| AECI | <i>Agencia Española de Cooperación Internacional</i> Spanish International Cooperation Agency |
| AMHON | <i>Asociación de Municipios de Honduras</i> Honduran Association of Municipalities |
| BANPROVI | <i>Banco Hondureño para la Producción y la Vivienda</i> Honduran Bank for Production and Housing |
| BP | Bank Procedures |
| CAM | <i>Centro Asociado Municipal</i> Associated Municipal Center |
| CPS | Country Partnership Strategy |
| DGCG | <i>Dirección General de Catastro y Geografía</i> General Directorate of Cadaster and Geography under IP |
| DGOT | <i>Dirección General de Ordenamiento Territorial</i> General Directorate of Territorial Planning, Ministry of the Presidency |
| DGR | <i>Dirección General de Registros</i> General Directorate of the Registry under IP |
| DGRP | <i>Dirección General de Regularización Predial</i> General Directorate of Parcel Regularization under IP |
| EA | Environmental Assessment |
| EMP | Environmental Management Plan |
| FAO-CP | United Nations Food and Agriculture Organization Cooperation Program – Investment Center |
| FICOHSA | <i>Banco Financiera Comercial Hondureña, S.A</i> Financial and Commercial Honduran Bank |
| FM | Financial Management |
| FMR | Financial Management Report |
| GDP | Growth Domestic Product |
| GoH | Government of Honduras <i>Gobierno de Honduras</i> |
| IBRD | International Bank for Reconstruction and Development |

| | |
|-------|--|
| ICF | <i>Instituto de Conservación y Desarrollo Forestal, Áreas Protegidas y Vida Silvestre</i> Institute for Forest Conservation and Development, Protected Areas and Wildlife |
| ICR | Implementation Completion and Results Report |
| IDA | International Development Association |
| IEG | Independent Evaluation Group |
| ILO | International Labor Organization |
| INA | <i>Instituto Nacional Agrario</i> National Agrarian Institute |
| IP | <i>Instituto de la Propiedad</i> Property Institute |
| IPPP | Indigenous Peoples Development Plan |
| IPN | Inspection Panel |
| IPPP | Indigenous Peoples Participation Plan |
| IPR | Independent Procurement Review |
| IRR | Internal Rate of Return |
| MASTA | <i>Mosquitia Asla Takanka</i> Unity of the Mosquitia |
| MTR | Mid-Term Review |
| M&E | Monitoring and Evaluation |
| NDF | Nordic Development Fund |
| NGO | Nongovernmental Organization |
| NPV | Net Present Value |
| OD | Operational Directive |
| OM | Operational Manual |
| OP | Operational Policy |
| PA | Protected Area |
| PAD | Project Appraisal Document |
| PATH | <i>Programa de Administración de Tierras de Honduras</i> Honduran Land Administration Program |
| PCU | Project Coordination Unit |
| PDO | Project Development Objective |
| PPF | Project Preparation Facility |
| RENOT | <i>Registro de Normativas de Ordenamiento Territorial</i> Territorial Planning Norms Registry Module under SINAP |
| SAG | <i>Secretaría de Agricultura y Ganadería</i> Ministry of Agriculture and Livestock |
| SCD | Systematic Country Diagnostic. |
| SDR | Special Drawing Rights |
| SEFIN | <i>Secretaría de Finanzas</i> Ministry of Finance |
| SEIP | <i>Secretaría del Interior y Población</i> Ministry of Interior and Population |
| SEPA | <i>Sistema de Ejecución de Planes de Adquisiciones</i> Procurement Plan Execution System |

| | |
|--------|---|
| SIAFI | <i>Sistema de Administración Financiera Integrado</i> Integrated Financial Administration System |
| SINAP | <i>Sistema Nacional de Administración de la Propiedad</i> National Property Administration System |
| SINAPH | <i>Sistema Nacional de Áreas Protegidas de Honduras</i> National System of Protected Areas of Honduras |
| SINIT | <i>Sistema Nacional de Información Territorial</i> National Territorial Information System Module under SINAP |
| SURE | <i>Sistema Unificado de Registros</i> Integrated Registry Module under SINAP |
| UEPEX | <i>Unidades Ejecutoras de Proyectos Externos</i> Executing Units of Externally-Funded Projects, module under SIAFI |
| WB | World Bank |

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ICR Team Leader: Mary Lisbeth Gonzalez

HONDURAS
Second Land Administration Project

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| A. Basic Information | | | |
|---|----------------------------|-------------------|---|
| Country: | Honduras | Project Name: | Second Land Administration Project |
| Project ID: | P106680 | L/C/TF Number(s): | IDA-46410 |
| ICR Date: | 05/22/2017 | ICR Type: | Core ICR |
| Lending Instrument: | APL | Borrower: | REPUBLIC OF HONDURAS |
| Original Total Commitment: | XDR 20.50M (US\$32.8 M) | Disbursed Amount: | XDR 20.50M (US\$30.8 M) ¹ |
| Revised Amount: | XDR 20.50M (US\$32.8 M) | | |
| Environmental Category: B | | | |
| Implementing Agencies: Property Institute | | | |
| Cofinanciers and Other External Partners: | | | |

| B. Key Dates | | | | |
|---------------------|------------|-------------------|---------------|--------------------------|
| Process | Date | Process | Original Date | Revised / Actual Date(s) |
| Concept Review: | 09/16/2008 | Effectiveness: | 11/21/2011 | 11/21/2011 |
| Appraisal: | 05/04/2009 | Restructuring(s): | | 12/09/2011 01/12/2016 |
| Approval: | 06/30/2011 | Mid-term Review: | 09/08/2014 | 02/07/2015 |
| | | Closing: | 01/30/2017 | 01/30/2017 |

| C. Ratings Summary | |
|--------------------------------------|-------------------------|
| C.1 Performance Rating by ICR | |
| Outcomes: | Satisfactory |
| Risk to Development Outcome: | Significant |
| Bank Performance: | Moderately Satisfactory |
| Borrower Performance: | Moderately Satisfactory |

| C.2 Detailed Ratings of Bank and Borrower Performance (by ICR) | | | |
|---|-------------------------|-------------------------------|-------------------------|
| Bank | Ratings | Borrower | Ratings |
| Quality at Entry: | Moderately Satisfactory | Government: | Moderately Satisfactory |
| Quality of Supervision: | Moderately Satisfactory | Implementing Agency/Agencies: | Moderately Satisfactory |

¹ The difference between the committed amount and the disbursed amount in Dollars is due to XDR/USD/HNL exchange rate fluctuations.

| | | | |
|----------------------------------|-------------------------|--------------------------------------|-------------------------|
| Overall Bank Performance: | Moderately Satisfactory | Overall Borrower Performance: | Moderately Satisfactory |
|----------------------------------|-------------------------|--------------------------------------|-------------------------|

| C.3 Quality at Entry and Implementation Performance Indicators | | | |
|---|-------------------------|---------------------------------|---------------|
| Implementation Performance | Indicators | QAG Assessments (if any) | Rating |
| Potential Problem Project at any time (Yes/No): | No | Quality at Entry (QEA): | None |
| Problem Project at any time (Yes/No): | No | Quality of Supervision (QSA): | None |
| DO rating before Closing/Inactive status: | Moderately Satisfactory | | |

| D. Sector and Theme Codes² | | |
|--|-----------------|---------------|
| | Original | Actual |
| Major Sector/Sector | | |
| Agriculture, Fishing and Forestry | | |
| Other Agriculture, Fishing and Forestry | 18 | 18 |
| Forestry | 1 | 1 |
| Public Administration | | |
| Sub-National Government | 15 | 15 |
| Central Government (Central Agencies) | 66 | 66 |
| Major Theme/Theme/Sub Theme | | |
| Public Sector Management | | |
| Public Administration | 4 | 4 |
| Municipal Institution Building | 4 | 4 |
| Rule of Law | 33 | 33 |
| Personal and Property Rights | 33 | 33 |
| Social Development and Protection | | |
| Social Inclusion | 6 | 6 |
| Indigenous People and Ethnic Minorities | 6 | 6 |
| Urban and Rural Development | | |
| Rural Development | 57 | 57 |

² The Bank revised all sector and theme codes in 2016, in the process entering “actual” results at closing identical to percentages of financing assigned at appraisal to each code. While this is unlikely to be the case, the entries are locked and cannot be revised.

| | | |
|------------------------------------|----|----|
| Land Administration and Management | 57 | 57 |
|------------------------------------|----|----|

| E. Bank Staff | | |
|---------------------------|-------------------------|-------------------------|
| Positions | At ICR | At Approval |
| Vice President: | Jorge Familiar Calderon | Pamela Cox |
| Country Director: | Maryanne Sharp (Acting) | Carlos Felipe Jaramillo |
| Practice Manager/Manager: | Jorge A. Munoz | Ethel Sennhauser |
| Project Team Leader: | Mary Lisbeth Gonzalez | Enrique Pantoja |
| ICR Team Leader: | Mary Lisbeth Gonzalez | |
| ICR Primary Author: | Alvaro Federico Barra | |

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

To provide the population in the project area with improved, decentralized land administration services, including better access to and more accurate information on property records and transactions.

Revised Project Development Objectives (as approved by original approving authority)

The PDO was not revised.

(a) PDO Indicator(s)

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|------------------------------------|---|---|---------------------------------------|--|
| Indicator 1 : | At least 70% of the modernized registries' clients (and 70% of women) rate its services as "satisfactory" (third level on a four-level scale) | | | |
| Value quantitative or Qualitative) | 68% (For Phase I registries) | 70% | | 82.5% - (87.5% for women) |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (118% overall and 125% for women). An independent evaluation (using focal groups and surveys of regular and government users) concluded that 82.5% of users (87.5% women) qualified the modernized registry services as satisfactory. | | | |
| Indicator 2 : | The average time to register a land transaction through the modernized registries under the project is 18 days (from a baseline of 23 days) | | | |
| Value quantitative or | 23 Days | 18 Days | | 23 Days |

| | | | | |
|------------------------------------|---|------------|--|------------|
| Qualitative) | | | | |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Not Achieved (0%). Even though the number of days did not improve due to new procedures added by the Property Institute, the number of transactions (>70%) and the level of trust (see PDO indicator #4) increased as a result of the project. | | | |
| Indicator 3 : | 100% of the modernized registries operating costs are covered by registration fees | | | |
| Value quantitative or Qualitative) | 100% | 100% | | 100% |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (100%). During the project, the total operational costs of new modernized regional property registries in PATH II plus supported registries from PATH I, were covered by the income they generated through the sale of land related services. | | | |
| Indicator 4 : | The Integrated Real Estate Registry (SURE) maintains a 96% accuracy rate in the registry of land titles in Folio Real | | | |
| Value quantitative or Qualitative) | 94% | 96% | | 97.6 |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (175%). An independent study of Folio Real titles (desktop and field verification) concluded that the information was accurate in 97.6% of all cases. | | | |
| Indicator 5 : | At least 50,000 families in rural and urban areas obtain new land titles through the project, and at least 30% of these new titles are issued to women | | | |
| Value quantitative or Qualitative) | 0 | 50,000 | | 50,798 |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (101%). The project awarded more than 50,000 new titles to Honduran households, of which in 48% the head of household was a woman. | | | |

(b) Intermediate Outcome Indicator(s)

| Indicator | Baseline Value | Original Target Values (from approval documents) | Formally Revised Target Values | Actual Value Achieved at Completion or Target Years |
|----------------------|---|--|--------------------------------|---|
| Indicator 1 : | Cadastral surveying regulation for approval of the Board of Directors of the Property Institute Property Law developed | | | |
| Value (quantitative) | 0 | 1 | | 1 |

| | | | | |
|-------------------------------------|--|------------|--|------------|
| (or Qualitative) | | | | |
| Date achieved | 01/12/2016 | 01/12/2016 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (100%). This indicator replaced Indicator #20 to reflect the Government's request to develop a regulation for operationalizing the Land Property Law | | | |
| Indicator 2 : | At least 4 Registry Jurisdictions operate with real estate information in SURE under a single registry code | | | |
| Value (quantitative or Qualitative) | 0 | 4 | | 4 |
| Date achieved | 09/06/2011 | 01/12/2016 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (100%). This indicator revised Indicator 21 to reflect the new organization of the National Property Registry System and to capture the information from four Registry Jurisdictions (<i>Circunscripciones Registrales</i>), for which data are available in SURE. | | | |
| Indicator 3 : | 5 municipalities meet technical certification to qualify as associated centers of the Property Institute | | | |
| Value (quantitative or Qualitative) | 0 | 5 | | 11 |
| Date achieved | 01/12/2016 | 01/12/2016 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (220%) This indicator replaced Indicator 22 to provide an output within the competence of the project. | | | |
| Indicator 4 : | 700 people from private and public sector trained to use SURE | | | |
| Value (quantitative or Qualitative) | 0 | 700 | | 1367 |
| Date achieved | 09/06/2011 | | | |
| Comments (incl. % achievement) | Exceeded (195%). | | | |
| Indicator 5 : | The Property Institute uses key modules of the integrated financial management system (SIAF) | | | |
| Value (quantitative or Qualitative) | 90% | 100% | | 100% |
| Date achieved | 01/12/2016 | 01/12/2016 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (100%) This indicator replaced Indicator 23 to focus only on those specific modules of the integrated financial management system that needed to be monitored and were the competence of the project. | | | |
| Indicator 6 : | Land parcels with use or ownership rights recorded as a result of the project | | | |
| Value (quantitative or Qualitative) | 0 | 390000 | | 421014 |

| | | | | |
|--|---|-------------------------------|-------------------------------|-------------------------------|
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (108%). | | | |
| Indicator 7 : | At least 70% of population in survey-target areas participate during cadastral surveying and public disclosure of information, with 70% of participants rating the process as satisfactory (third level on a four-level scale) | | | |
| Value (quantitative or Qualitative) | 0 | 70% participants - 70% rating | 50% participants - 70% rating | 52% participants - 93% rating |
| Date achieved | 09/06/2011 | 01/30/2017 | 01/12/2016 | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (104% - participants / 132% - rating). However, this indicator was adjusted downwards to reflect a more realistic target. The new target was successfully achieved and surpassed | | | |
| Indicator 8 : | Administrative limits of at least 10 municipalities surveyed | | | |
| Value (quantitative or Qualitative) | 0 | 10 | | 10 |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (100%) | | | |
| Indicator 9 : | At least 4 municipalities prepare, through a participatory process, plans of municipal development, with a focus on territorial planning | | | |
| Value (quantitative or Qualitative) | 0 | 4 | | 6 |
| Date achieved | 09/06/2011 | 01/12/2016 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (150%) Indicator 24 was revised to provide a better measure of related outcomes. | | | |
| Indicator 10 : | 90,000 urban and rural parcels in the Project area are registered in folio real | | | |
| Value (quantitative or Qualitative) | 0 | 90,000 | | 177,791 |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (197%). | | | |
| Indicator 11 : | The average cost to register a land transaction through the modernized registries under the Project is USD 12.0 | | | |
| Value (quantitative) | 15 | 12 | | 23.82 |

| | | | | |
|--|---|---------------|--|----------------|
| or Qualitative) | | | | |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Not Achieved. The transaction average cost was almost double that of the target value. This was due to the elevated cost of salaries and management in the PI, an issue beyond the control of the project. | | | |
| Indicator 12 : | At least 3 Protected Areas have been delimited and demarcated | | | |
| Value (quantitative or Qualitative) | 3 | 3 | | 3 |
| Date achieved | 01/12/2016 | 01/12/2016 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (100%) Indicator 25 was revised to provide a more realistic and better measure of related outcome | | | |
| Indicator 13 : | Following participatory and culturally acceptable processes, the lands of at least 25 communities in La Mosquitia are delimited, demarcated, titled and registered | | | |
| Value (quantitative or Qualitative) | 0 | 25 | | 78 |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (312%) | | | |
| Indicator 14 : | 80 community leaders trained in alternative conflict resolution mechanisms (of which at least 20 are women) | | | |
| Value (quantitative or Qualitative) | 0 | 80 (20 women) | | 117 (48 women) |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (146% overall and 240% for women) | | | |
| Indicator 15 : | 80 community leaders trained in territorial planning and natural resource management (of which at least 20 are women) | | | |
| Value (quantitative or Qualitative) | 0 | 80 (20 women) | | 109 (40 women) |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (136% overall and 200% for women) | | | |
| Indicator 16 : | 80% achievement of financial targets of approved Annual Operation Plans at the end of each fiscal year | | | |
| Value (quantitative or Qualitative) | 0% | 80% | | 94.4% |

| | | | | |
|--|---|------------|--|------------|
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Exceeded (118%) | | | |
| Indicator 17 : | 100% of all administrative, financial, procurement, and human resource evaluations finalized according to Financing Agreement requirements | | | |
| Value (quantitative or Qualitative) | 0% | 100% | | 100% |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (100%) | | | |
| Indicator 18 : | Monitoring and Evaluation System approved and implemented | | | |
| Value (quantitative or Qualitative) | 0% | 100% | | 100% |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (100%) | | | |
| Indicator 19 : | 100% of Project progress evaluations finalized according to Financing Agreement requirements | | | |
| Value (quantitative or Qualitative) | 0% | 100% | | 100% |
| Date achieved | 09/06/2011 | 01/30/2017 | | 01/30/2017 |
| Comments (incl. % achievement) | Achieved (100%) | | | |
| Indicator 20 : | Policy and master plan for the development of the national cadastral system prepared | | | |
| Value (quantitative or Qualitative) | 0 | 1 | | |
| Date achieved | 09/06/2011 | 01/30/2017 | | |
| Comments (incl. % achievement) | Replaced (Not Achieved). It was replaced by Indicator 1, dated 01/12/2016. | | | |
| Indicator 21 : | At least 5 property registries modernized by the Project | | | |
| Value (quantitative or Qualitative) | 0 | 5 | | |
| Date achieved | 09/06/2011 | 01/30/2017 | | |
| Comments (incl. % | Revised. It was replaced by Indicator 2, dated 01/12/2016, with 40% achieved at that time. | | | |

| | | | | | |
|---|---|------------|--|--|--|
| achievement) | | | | | |
| Indicator 22 : | At least 8 municipalities established as PI's associated centers | | | | |
| Value (quantitative or Qualitative) | 0 | 8 | | | |
| Date achieved | 09/06/2011 | 01/30/2017 | | | |
| Comments (incl. % achievement) | Replaced (Not Achieved). It was replaced by Indicator 3, dated 01/12/2016 | | | | |
| Indicator 23 : | The Property Institute has fully implemented its financial (SIAF) transparency and accountability system | | | | |
| Value (quantitative or Qualitative) | 0% | 100% | | | |
| Date achieved | 09/06/2011 | 01/30/2017 | | | |
| Comments (incl. % achievement) | Replaced (90% Achieved). It was replaced by Indicator 5, dated 01/12/2016, with 90% achieved at that time. | | | | |
| Indicator 24 : | At least 4 municipalities prepare, through a participatory process, territorial planning maps | | | | |
| Value (quantitative or Qualitative) | 0 | 4 | | | |
| Date achieved | 09/06/2011 | 01/30/2017 | | | |
| Comments (incl. % achievement) | Revised (Exceeded 150%). It was replaced by Indicator 9, dated 01/12/2016, and had exceeded its target at that time. | | | | |
| Indicator 25 : | The Buffer Zones of at least 4 Protected Areas are delimited and demarcated | | | | |
| Value (quantitative or Qualitative) | 0 | 4 | | | |
| Date achieved | 09/06/2011 | 01/30/2017 | | | |
| Comments (incl. % achievement) | Revised (75% Achieved). It was replaced by Indicator 12, dated 01/12/2016 and had achieved 75% of its original at that time. | | | | |

G. Ratings of Project Performance in ISRs

| No. | Date ISR Archived | DO | IP | Actual Disbursements (USD millions) |
|-----|-------------------|--------------|--------------|-------------------------------------|
| 1 | 09/18/2011 | Satisfactory | Satisfactory | 0.00 |
| 2 | 03/28/2012 | Satisfactory | Satisfactory | 5.48 |
| 3 | 09/17/2012 | Satisfactory | Satisfactory | 8.17 |
| 4 | 04/24/2013 | Satisfactory | Satisfactory | 13.19 |

| | | | | |
|----|------------|-------------------------|-------------------------|-------|
| 5 | 11/20/2013 | Satisfactory | Satisfactory | 18.09 |
| 6 | 06/09/2014 | Satisfactory | Satisfactory | 22.27 |
| 7 | 11/11/2014 | Satisfactory | Moderately Satisfactory | 24.83 |
| 8 | 06/05/2015 | Satisfactory | Satisfactory | 27.44 |
| 9 | 12/08/2015 | Satisfactory | Satisfactory | 29.09 |
| 10 | 01/08/2016 | Satisfactory | Satisfactory | 29.09 |
| 11 | 06/29/2016 | Satisfactory | Satisfactory | 30.56 |
| 12 | 11/16/2016 | Moderately Satisfactory | Moderately Satisfactory | 30.83 |

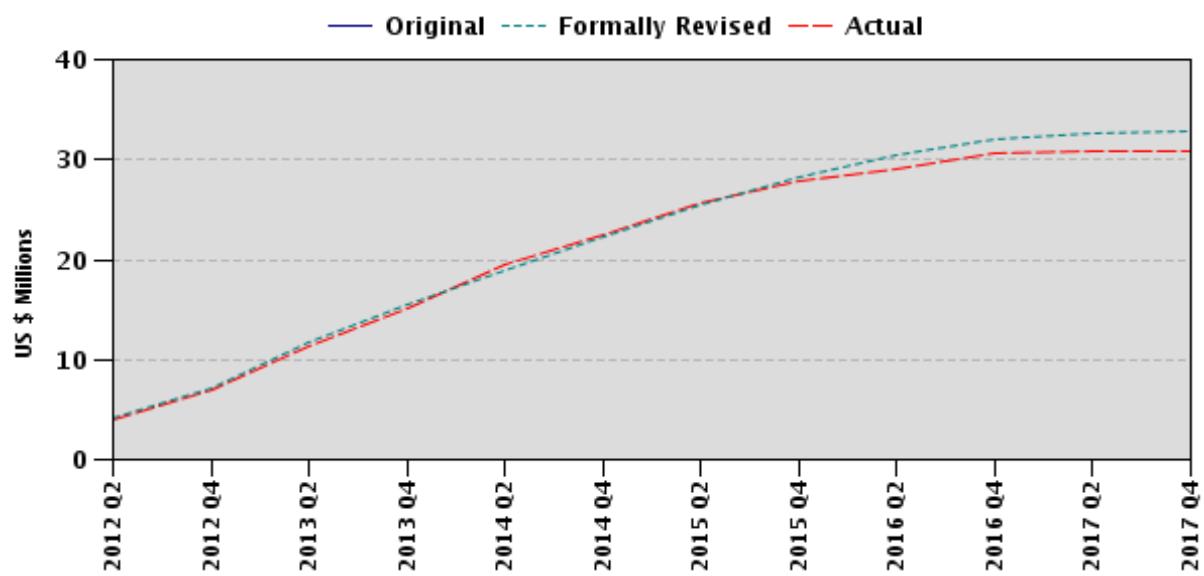
H. Restructuring (if any)

| Restructuring Date(s) | Board Approved PDO Change | ISR Ratings at Restructuring | | Amount Disbursed at Restructuring in USD millions | Reason for Restructuring & Key Changes Made |
|-----------------------|---------------------------|------------------------------|----|---|--|
| | | DO | IP | | |
| 12/09/2011 | | S | S | 4.02 | To reallocate credit proceeds between categories of Eligible Expenditures. Due to the exchange rate fluctuations of the US Dollar to SDR, and the interest rate charges on the date of refinancing the project Preparation Facility (PPF Q6460), the original PPF amount of US\$3.0 million exceeded the amount allocated in SDRs for Category 2 (refund of the Preparation Advance). Therefore, a unilateral reallocation of proceeds was required to allow the Loan Department to finalize the PPF refinancing and process the withdrawal application. |
| 01/12/2016 | | S | S | 29.63 | To reflect agreements from the Mid-Term Review and adjust to the new institutional reorganization of the Government of Honduras, the following changes were made (i) Adjustments to the Results Framework, including changes to the definition of some intermediate indicators and modification of their targets ³ and (ii) Changes to the names |

³ See Intermediate Outcome Indicators section in this Datasheet. Specifically, (i) indicators #1, #3, and #5 replaced indicators #20, #22, #23, respectively; (ii) indicators #2, #9 and #12 are a revised version of indicators #21, #24, and #25, respectively; and (iii) indicator #7 adjusted its target to reflect a more realistic target. For more details, see Honduras Restructuring Paper (Report No: RES21368), January 2016.

| Restructuring Date(s) | Board Approved PDO Change | ISR Ratings at Restructuring | | Amount Disbursed at Restructuring in USD millions | Reason for Restructuring & Key Changes Made |
|-----------------------|---------------------------|------------------------------|----|---|--|
| | | DO | IP | | |
| | | | | | of a co-executing agency, and two advisory agencies. The PDO remained unchanged. |

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. **Country Context:** At the time of appraisal in 2011, Honduras was a lower middle income country with a per capita gross national income of US\$1,800 (2009 Atlas GNI per capita). Of its total population, some 56.4 percent lived below the poverty line, and 18.8 percent experienced extreme poverty⁴. An estimated 8.6 percent of the Honduran population is made up of Indigenous Peoples or of Afro-descendants distributed throughout the country, particularly in rural areas.
2. Land tenure security was and remains, central to economic growth and poverty reduction in Honduras. In general, weak property rights have discouraged investment and restricted access to credit. Coupled with a highly skewed land distribution, land tenure insecurity has also contributed to social instability (often through illegal land occupation and violent disputes) and unsustainable land use. Thus, strengthening property rights was an essential component for stimulating economic growth and reducing poverty rates, especially in urban and rural areas critical for the nation's development. In the department of Gracias a Dios La Mosquitia (see Map). It was expected that recognition of the ancestral land rights of indigenous peoples (Miskitos) could contribute to sustainable development by strengthening their capacity for territorial and natural resource management.
3. **Sector context:** Honduras had, in recent years, achieved substantial improvements in the legal, institutional and operational framework for the protection and management of property rights. The promulgation of the 2004 Property Law laid out a comprehensive legal and institutional framework for strengthening land administration, including the creation of the Property Institute (PI) – Instituto de la Propiedad – to oversee the national cadaster and real estate registry, and regularize land tenure, in an integrated manner⁵. The Property Law also established the foundation for conversion of the registration system from person-based (Folio Personal) to parcel-based (Folio Real), enabling the unification of cadastral information (geo-spatial description) and legally recognized rights.
4. The World Bank, through the Honduras Land Administration Project (PATH I) has been instrumental in the formulation and implementation of these legal and institutional reforms, and in the development of the National System for Property Administration (SINAP). The latter comprised a series of norms, laws, processes and a technological platform which included modules for an Integrated Real Estate Registry system (SURE), a Territorial Planning Norms Registry (RENOT), and a National Territorial Information System (SINIT). The PATH I (2004-2010) also contributed to the recognition and enforcement of the land rights of almost 75,000 mostly poor families living in informal peri-urban areas of Tegucigalpa and San Pedro Sula – the two largest cities in the country -- modernized six key regional property registries, surveyed over 365,000 parcels and generated more than 40,000 new property titles. These efforts had resulted in more efficient, effective and transparent land administration services in project areas through improved cadastral mapping, land titling, registration of land transactions and records management.
5. **Rationale for Bank assistance:** The Bank was well-positioned to support further implementation and modernization of the land administration system, given its extensive global experience in the sector. The Bank and the GoH had forged a strong partnership involving policy

⁴ In 2011 the poverty rate was 56.4 percent, while extreme poverty rate was 18.8 percent.

⁵ The Property law also incorporated under the PI other registries such as the mercantile registry, the intellectual rights registry, the merchant marine registry and the vehicle registry.

dialogue, technical assistance and financial support to the land sector, initiated through a successful pilot effort under the Rural Land Management Project (PAAR, Credit #2940) approved in 1997, and the Bank-financed Access to Land Pilot Project (PACTA, Credit #3435). Further, the Bank had supported the GoH in the formulation and implementation of the legal and institutional reforms mentioned in 1.1.3 through the Land Administration PATH I (2004-2010). The Bank had also financed similar projects in Guatemala, Nicaragua, El Salvador and Panama, which underlined the importance of a longer-term involvement.

1.2 Original Project Development Objectives (PDO) and Key Indicators

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

7. The original PDO Indicators were:

- At least 70% of the modernized registries' clients (and 70% of women) rate its services as satisfactory (third level on a four-level scale);
- The average time to register a land transaction through the modernized registries under the project is 18 days (from a baseline of 23 days);
- 100% of the modernized registries' operating costs are covered by registration fees;
- The Integrated Real Estate Registry (SURE) maintains a 96% accuracy rate in the registry of land titles in Folio Real;⁶
- At least 50,000 families in rural and urban areas obtain new land titles through the project, and at least 30% of these new titles are issued to women.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

8. Neither the PDO nor the PDO Indicators were revised.

1.4 Main Beneficiaries

9. The Project Area included selected municipalities⁷ in the departments of Choluteca, Colón, Copán, Cortés, Comayagua, El Paraíso, Francisco Morazán, Gracias a Dios, Olancho, and Yoro. The main beneficiaries within the Project Area were: (i) **urban and rural families** representing over 390,000 parcels which would be surveyed, validated, and incorporated into SURE, including 50,000 parcels with new titles and 40,000 parcels registered under Folio Real; (ii) **women**, who were expected to benefit from the recognition of their property rights, particularly through the provision of new titles; (iii) members of at least 25 **indigenous communities in La Mosquitia** expected to benefit from the delimitation, demarcation, collective titling and registration of their ancestral lands; and (iv) **selected municipalities** in the Project Area expected to benefit directly from capacity building and access to improved land administration information. Indirectly, the

⁶ This is a parcel-based system in which a property is assigned a unique registration number and all the transactional changes (tax valuations, land use, rights transfers, etc.) are registered on it. To become operational and link the physical and legal aspects of each property, every parcel needs to be georeferenced in the cadaster.

⁷ The list of 24 municipalities selected can be found in the Operational Manual.

overall population of the Project Area would benefit from better enforcement of property rights and improved land administration services.

1.5 Original Components (as approved)

10. The project consisted of the following five components (for details, see Annex 2 Matrix of Outputs):

Component 1: Policy and Institutional Strengthening (total estimated cost US\$9.0 million)

11. *Sub-component 1.1 - Policy strengthening:* This financed the consolidation of the Recipient's land policy and strategy to enhance the governance of land administration, through: (i) consolidation of its land policy and strategy via: (a) workshops and technical assistance linked to land policy and territorial planning; and (b) preparation of a policy and master plan to develop a national cadastral system; (ii) at least two social audits to ensure social transparency; (iii) development of the normative and procedural framework for municipalities to become Associated Centers of PI for cadaster, registry and property regularization; and (iv) development of standard documents for notary protocols on property registry procedures and, through consultation, an agreement on a proposal to increase access to notary services thereby promoting a culture of registry.

12. *Sub-component 1.2 - Institutional strengthening:* This financed strengthening the institutional capacity for land administration in the country's territory, including: (i) cadaster and registry implementation and maintenance, regularization, and territorial development; (ii) improving administrative and organizational capacity of PI so that it can play a more effective leadership role in land administration, as well as capacity of co-executing agencies.; (iii) supporting municipalities to become associated centers of IP with respect to cadaster, titling and registry; and (iv) promoting the gradual incorporation of territorial planning norms into Territorial Planning and Registry Norms (Registro de Normativas de Ordenamiento Territorial, RENOT to achieve the interaction between National System of Property Administration SINAP's (Sistema Nacional de Administracion de la Propiedad) other two sub-systems, namely Integrated Registry System (Sistema Integrado de Registros, SURE) and National System of Territorial Information (Sistema Nacional de Informacion Territorial, SINIT).

Component 2: Cadastral Surveying and Land Regularization (total estimated cost, US\$18.0 million)

13. *Sub-component 2.1 - Cadastral surveying:* This financed geo-referenced cadastral surveying in the Project Area, identifying the legal status of each property and incorporating the properties in SURE, including: (i) preparatory activities such as declaration of zone under cadastral process (*Zona a Catastrar*) by the General Directorate of Cadaster and Geography (Direccion General de Catastro y Geografia, DGCG), taking of aerial photography and preparation of digital ortho-photos, and purchasing of satellite imagery within the Project Area; (ii) surveying, validation and incorporation in SURE of at least 390,000 urban and rural parcels in the Project Area; and (iii) geo-referenced surveying of the administrative limits of at least ten selected municipalities.

14. *Sub-component 2.2 - Land regularization:* This financed the legalization, titling and registration under the Folio Real of at least 90,000 parcels in the Project Area, including: (i) the provision of new titles for approximately 50,000 families through the various options provided under the Property Law and in close collaboration with National Agrarian Institute (Instituto Nacional Agrario, INA), the Municipalities and/or the Institute for the Forest Conservation and Development (Instituto para la Conservacion y Desarrollo Forestal ICF), as the case may be; and (ii) the regularization of 40,000 parcels with an existing property registry to transfer them into the Folio Real through a coordinated effort between the three main directorates of the Property Institute

Instituto de la Propiedad, PI), which are General Directorate of Registry (Dirección General de Registros, DGR), General Directorate of Cadaster and Geography (Dirección General de Catastro y Geografía, DGCG) and General Directorate of Parcel Regularization, (Dirección General de Regularización Predial, DGRP) to carry out an investigation comparing geographical with legal data.

Component 3: Demarcation of Protected Areas (total estimated cost US\$0.5 million)

15. This financed: (i) delimitation and demarcation of the buffer zone of at least four protected areas in the Project Area, including the incorporation of the cadastral information and its link to the ordinances and norms that establish land use into SURE and RENOT, respectively; (ii) specific activities under the project's communication strategy for community outreach to raise awareness among residents in and around the area of the buffer zone demarcated under the project on the land use designation; and (iii) implementation of the Environmental Management Plan (EMP) and the Process Framework.

Component 4: Strengthening of Miskito People's Land Rights (total estimated total cost US\$1.8 million)

16. This financed: (i) participatory delimitation, demarcation, collective titling, and registration of Indigenous Peoples' Lands in the department of Gracias a Dios, based on culturally accepted practices and with a focus on at least 25 participating Miskito Communities; (ii) capacity building and organizational support to participating Miskito communities to establish alternative conflict resolution mechanisms during the process of delimitation, demarcation, titling and registration, with the support of the project's communication strategy; and (iii) technical assistance and capacity building for participating Miskito communities, including: territorial planning and natural resource management; and, education to increase legal awareness and help improve organizational capacity in relation to land tenure.

Component 5: Project Management and Monitoring and Evaluation (total estimated total cost US\$3.5 million)

17. This financed (a) project management, including: (i) training and workshops; (ii) technical assistance; (iii) fiduciary aspects of the project, including financial management, audits and procurement; (iv) establishment of the Steering Committee; and (v) oversight of the implementation of the project's communication and gender strategies; and (b) project monitoring and evaluation, including: (i) the Integrated Financial Administration system (Sistema de Administración Financiera, SIAFI), which would record the project's physical and financial progress; (ii) the semi-annual progress reports measuring periodically project indicators based on agreed methodologies; (iii) a mid-term review report; and, (v) a final project impact evaluation and implementation completion report.

1.6 Revised Components

18. The Components were not revised during the life of the project.

1.7 Other significant Changes

19. During the project, there were two Level 2 restructurings:

- **Project Restructuring 1:** The restructuring in December 2011 reallocated credit proceeds between categories of Eligible Expenditures. Due to the exchange rate fluctuations of the US Dollar to Special Drawings Rights (*Derechos Especiales de Giro*, SDR), and the interest rate charges on the date of refinancing the Project Preparation Facility (PPF Q6460),

the original PPF amount of US\$3.0 million exceeded the amount allocated in SDRs for Category 2 (refund of the Preparation Advance). Therefore, a unilateral reallocation of proceeds was required to allow the Loan Department to finalize the PPF refinancing and process the withdrawal application.

- **Project Restructuring 2:** The restructuring in January 2016 reflected agreements from the Mid-Term Review and adjustment to a new institutional reorganization of the Government of Honduras, and made the following changes: (i) adjustments to the Results Framework, including changes to the definition of some intermediate indicators and modification of certain targets;⁸ and (ii) changes to the names of a co-executing agency, and two advisory agencies.

20. The Mid Term Review (MTR) found that some components had exceeded original allocations, and recommended cost adjustments. The amounts of the adjustments agreed with the Government were: (a) Component 1 (additional US \$ 5.5 million): (i) extra investment in the SURE technology platform, not originally contemplated; (ii) higher than planned costs of modernizing the registries; and (iii) additional institutional strengthening associated with the PI's new vision; (b) Components 2 and 4 (reduction of US\$5.5 million and US\$0.4 million respectively): both components had surplus funds and had already met expected goals; (c) Component 3 (additional US \$ 0.3 million dollars): this component had managed to pay for many cross-component activities and required additional funding to meet its physical targets; and, (d) Component 5 (additional US \$ 0.1 million dollars): additional funding to ensure a smooth transition to the next phase.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

21. **Soundness of the background analysis:** The project was underpinned by and consistent with key analytical reports of the World Bank Group (Interim Strategy Note IDA/R2010-0330-Report # 56450 and Honduras Country Partnership Strategy - CPS) and the Government of Honduras (Honduras' Country Vision 2010-2038 and National Plan 2010-2022). The project was aligned with the country program, complementing other projects such as the: (i) Rural Competitiveness Project (Credit # 4465, 2008-2017), in facilitating land tenure information to improve access to land, and (ii) Improving Public Sector Performance Project (P110050, 2011-2015) in promoting institutional strengthening of key land administration agencies.

22. **Lessons learned:** Important lessons were incorporated from PATH I and from other land projects⁹ These included: (i) making gradual changes in the legal and institutional reforms; (ii) focusing land regularization activities in priority areas to increase their impact and sustainability, i.e., a spatially-differentiated approach honing in on areas of high demographic and economic dynamism and high tenure insecurity; (iii) strong focus on municipalities, integrating land administration into their longer-term vision and making them partners in the decentralized implementation of cadastral systems; (iv) attention to the representativeness and legitimacy of consultation mechanisms – including consultation frameworks which rely on existing structures/organizations – to ensure the broad support of indigenous communities; and, (v)

⁸ As noted in the Restructuring Paper, as several of the intermediate indicators were included in the text of the project description, a legal amendment was required to reflect the adjustments to the indicators. The activities, however, were not revised (see Annex 2).

⁹ The Bank has financed land administration projects in Guatemala (2006-2015), Nicaragua (2009/2017), and financed first phases in El Salvador (1996-2005) and Panama (2001-2009).

reinforcing accountability systems in Project Coordination Unit PCU to ensure compliance with Bank and government policies and procedures, along with effective mechanisms for their coordination with co-executing agencies.

23. **Assessment of project design:** Project design was built on achievements and lessons learned from PATH I, other similar Bank projects and from the GoH's efforts to improve the land administration system. PATH II increased the number of components from three to five. It kept most of the cadaster and regularization activities, retained most of the PDO indicators and 10 intermediate indicators. The design also recognized shortcomings during PATH I reflecting the understanding that: (i) strengthening of the PI and other land institutions, and overall modernization of the land sector, would take longer than originally thought; and (ii) the PI was still a weak institution that needed to be simultaneously strengthened during the project in the context of serious governance concerns within the agency and the country in general. The PI continued to be the implementing agency and the PCU kept its core technical and fiduciary personnel from PATH I to ensure smooth transition¹¹.

24. **Adequacy of government's commitment:** The project built on the Government's commitment to develop a reliable and customer-oriented cadaster and registry system to transform the land sector. The political crisis the country went through in 2009 had an impact on all existing projects and operations and the approval of IDA funds was constrained, which led to delays in the approval of Phase II.

25. **Participatory processes during preparation of PATH II:** Stakeholder consultation and participation were highly satisfactory. Apart from the extensive consultations with government authorities at the national and municipal levels, the GoH successfully included a wide array of stakeholders, including indigenous peoples, local churches, municipal authorities, neighborhood associations and NGO including those overseeing the recognition of Miskito Peoples land rights. The Indigenous Peoples' Plan (IPP) included a consultation framework to ensure the rights of indigenous and Afro-Honduran peoples. Special attention was given to putting in place appropriate consultation and promotional features enabling women to express their preferences on how to participate during the implementation of the project and how to ensure that their access to land would increase.

26. **Risks:** Risks were appropriately identified in the PAD based on previous experiences with similar projects, including PATH I. The risk analysis could not predict the political crisis of 2009, which affected the entire country portfolio of the Bank. Mitigation measures aimed at ensuring the consultation and participation of all stakeholders proved to be effective, allowing the social inclusion of all institutional stakeholders (municipalities and co-executing government entities) and key social groups such as indigenous peoples and women. Mitigation measures aimed at ensuring sustained technical assistance and training to build the capacity of the PI and co-executing agencies proved that they were less effective in achieving full institutional strengthening. The political risk assessment in the PAD correctly expected, based on previous experience, that the country-level governance environment could be conducive to political interference in the PCU. The legal clause included in the Legal Agreement and Operations Manual, in which it is stipulated that project staff could not be laid off unless there were reasons related to their performance, proved useful during

¹⁰ Four of five indicators are the same or very similar. The phase 1 PDO indicator "Average administrative cost of registering a land transaction" was demoted to intermediate indicator #11 in PATH II.

¹¹ Between Phases I and II there was a gap of two years (2010/2011). During this time, the PCU successfully implemented several trust funds, and a Project Preparation Advance (See paragraph 2.2.3).

project implementation, preventing the removal of the PCU.¹² The ICR notes that the risk analysis should be an ongoing endeavor during project execution to substantially inform implementation support and in principle, it should be updated regularly.

2.2 Implementation

Factors affecting project implementation:

27. **Investment in new IT capacity¹³ improved performance of the SURE-SINAP and facilitated the implementation of activities:** One of the most critical elements for delivering improved services in PATH II was the SURE System¹⁴ giving users (government agencies, notaries, lawyers and property owners) real time access to information and other land administration agencies access to an array of IT tools to improve land transaction services delivery. Boosting IT investments during the project: (i) contributed to increasing the efficiency and efficacy of the registry and cadastral processes supported by SURE; and (ii) improved inter-operability of the system, which now permits the linking of other local and national systems.

28. **The overhauling of the PI created new opportunities for the project.** In January 2014, a new administration took office and initiated an overhaul of the PI, which adopted a new vision, organizational framework and strategic pillars, along with the innovative assignment of a key role to the private sector. A new law¹⁵ and norms facilitating Public-Private Partnerships (PPP) complemented this new scenario leading to the PI signing a contract with CoAlianza and Banco Atlántida to establish a Trust (*fideicomiso*) to manage revenues generated by the PI, with the goal of having a private entity take over some of the PI's functions¹⁶. Part of these changes was the launch of a pilot to test a "Front/Back office" model¹⁷ in the Francisco Morazan Registry Jurisdiction (City of Tegucigalpa) which consequently facilitated the delegation of certain activities to private/public banks (see paragraph 3.2.2) enhancing the decentralization of services.

¹² Throughout the life of the project there were two attempts to dismiss key PCU personnel that were avoided due to the effective intervention of the Bank, which was supported by the legal covenant that PCU staff could only be dismissed based on performance. During the second dispute in mid-2014, the project stopped for two months, during which its financial obligations could not be met. The total expired financial obligations reached US\$1.6 million, which included operational costs and contractual obligations for works and services. The Overall Implementation Progress (IP) and FM ratings were downgraded to Moderately Satisfactory.

¹³ Including (i) storage capacity; (ii) migrate cartographic data into spatial data base; (iii) an in-house developed tool to migrate from proprietary to an open source technology to publish images, allowing access to third parties; (iv) new data spatial displays; (v) development of SURE modules to operate Front-Back Office model (see section 4); and (vi) tools for transactional monitoring and load balancing that speed up the flow and reduce system crashes.

¹⁴ SURE has been under development and implementation since 2003 as result of the Property Law enactment. The IT system manages administrative information and provides transactional services to all property registries, including movable, immovable, commercial and intellectual property.

¹⁵ Law to Optimize Public Administration, Improve Services to Citizenship and Strengthen Government Transparency - Ley para Optimizar la Administración Pública, Mejorar los Servicios a la Ciudadanía y Fortalecimiento en la Transparencia del Gobierno (LOAP)

¹⁶ The Decree No. 369-2013 published on March 22, 2014 states that the trust patrimony is constituted by granting the right to manage the Property System, the fees collected by the PI and the system to manage and operate the services offered by the PI.

¹⁷ This IT/ Business Process Model provides functionality and data necessary to take orders, configure products and provide effective service and support to customers. In the context of the PI, it had the objective of improving property transaction processes, enhancing security, reducing transaction times and offering a better customer service.

29. Strong and resourceful project management led to innovative implementation approaches. The core of the PCU team remained in place after the conclusion of PATH I, which facilitated implementation and sustainability. It allowed the GoH and the country to benefit from its level of proactivity as evidenced by: (a) *dual approaches to delivering project activities*. The PCU carried out many of the project activities “in-house”¹⁸ but, to also enhance the capacities of local land administration services, the PCU outsourced - and supervised - some key responsibilities to local companies; (b) *leveraging complementary financing during the transition between PATH I and II*: The PCU played an important role in the identification of complementary funds as follows: (i) the Institutional Development Fund (IDF/TF094255 - US\$400,000) contributed to strengthening transparency and accountability of the Property Institute and its registries; (ii) the Fondo Español para América Latina y el Caribe (SFLAC/TF099862 - US\$380,000) strengthened the capacity of municipal governments for designing and implementing territorial planning; and, (iii) the University of Kansas agreement (US\$ 45,000), which supported capacity development and trained young Miskitos as geographers.

30. During the first half of the project, there was a relative degree of technical, administrative and fiduciary autonomy within the PCU, which affected coordination with the PI. The high turnover in the PI’s leadership¹⁹, coupled with the PCU’s autonomy affected coordination and eventually led to implementation delays in issues such as the: (i) *certification of the municipal associated centers (CAMs)*²⁰, which had implications for the Municipalities’ capacity to capitalize the property information for tax collection, spatial planning and land management in general; and (ii) *approval of the norms and procedures for cadaster and regularization*, which prevented other organizations (Municipalities, INA, ICF, among others) from performing certified cadastral services.

31. A well-developed social safeguard strategy led to successful implementation of overarching themes and activities such as: (i) *demarcation and titling of indigenous communities’ lands in La Mosquitia*: The consultation and participation strategy and the identified mitigation measures contributed to successfully overcoming potential risks related to the consolidation of the legal framework for the recognition of indigenous peoples’ lands rights. This was enhanced by the culturally-appropriate Communication Strategy and ensuring the use of culturally-acceptable alternative conflict resolution mechanisms in La Mosquitia; and (ii) *the gender strategy*: A well designed and implemented gender strategy led to the inclusion of women in all phases of the regularization process. The strategy sought to ensure the issuance of property titles in the name of both spouses and sought to target single female heads of household. Thus, of the 50,000 households from urban and rural areas that received property titles, 48 percent were led by women.

32. Other factors also positively affected project implementation: These include: (i) the Bank’s high supervision frequency, with up to four supervision missions a year; (ii) the steering and technical committees, which institutionalized the relationship with other co-execution agencies and facilitated the project’s workflow; (iii) the strategic and implementation plans designed by the project (municipal engagement, cadastral surveying, registry modernization and the Miskito

¹⁸ These are: cadastral survey, the preparation of aerial photography and Ortho photos, demarcation of protected areas, preparation of Municipal development plans with a land use planning approach and institutional strengthening activities consisting of the digitalization and modernization of the records of the Property Registries and the development of the current financial administrative system of the PI.

¹⁹ The following changes occurred in the PI leadership: 2 different Boards, 3 Board presidents and 5 CEOs. After 2014, however, when the new administration took office, only one PI CEO was substituted.

²⁰ CAM is a municipality that has developed the capacity to become associated with the PI for cadaster, registry and property regularization purposes. Municipalities are central to the future of the national cadastral information database and have a legal mandate to develop their own cadasters.

Communities' land titling) that facilitated the engagement with other stakeholders and beneficiaries and ultimately helped to achieve many of the project's objectives; (iv) South-South Knowledge Exchange International Workshops in Eastern Europe (Romania 2013 and FYR Macedonia 2013) and Latin America (Guatemala 2014, Nicaragua 2015, Peru 2016) that shared experiences and lessons learned in other land modernization projects, and land survey, registry and titling programs, which enabled PATH II to support more effectively the new vision of the PI and inspired the development of new modules for SURE; (v) the remarkable political will and creativity of the Municipalities that worked in conjunction with the project to update their cadasters and proactively create multi-purpose services from it²¹; and (vi) the sensible communication strategy that promoted the beneficiaries' participation, involvement and assimilation of project outputs, which, in the case of Component 4, included radio, television, posters, newspaper articles and events in both the Miskito and Spanish languages.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

33. **M&E design:** Overall M&E design identified an adequate PDO²² Nonetheless, M&E had some shortcomings: (i) Some PDO and Intermediate indicator targets were too difficult for the PCU to measure²³ and needed to be adjusted during the project restructuring (see Datasheet, indicators #20-25); (ii) the frequency periods for the measurement of several indicators did not coincide with the dynamism of processes such as in the case of land transaction services indicators which were measured only three times during the project; and, (iii) use of the PI's weak administrative system data to estimate baselines for two indicators that eventually did not meet their targets, as in the case of land transaction services' average time and average cost (Intermediate Outcome Indicator). The methodology to monitor these indicators was not properly designed. The frequency to monitor these indicators was limited (three times during the life of the project). This did not allow backstopping to take decisions.

34. **M&E implementation:** The project M&E system was maintained and regularly updated during implementation by a specialized unit within the PCU. Based on lessons learned from PATH I, the implementation of the M&E system focused on improving data collection, storage and utilization by combining verification methods that enabled regular monitoring based on: (i) institutional reporting from SURE and the Integrated Financial Management System (SIAF-PENTAGON), which provided real-time information on the effectiveness, efficiency and progress of cadastral and regularization processes; and, (ii) external evaluations to verify the M&E reports and carry out field-based activities with beneficiaries and users²⁴. There were some minor complications and extra burden for the PCU given that they needed to collect, process and input

²¹ Some Municipalities such as La Pimienta have profited from cadastral and property information for land valuation and property tax collection. Other Municipalities, such as San Pedro Sula, are integrating the databases to design "smart cities" in addition to using the cadaster for land valuation and tax collection.

²² PDO indicators included three Bank Core Sector indicators related to Land Administration Projects, such as number of beneficiaries disaggregated by gender, registry efficiency, and adjudication and registry of tenure rights

²³ For example, PDO indicator 2 "The average time to register a land transaction through the modernized registries under the project is 18 days"; Intermediate Indicator 22 "at least 8 municipalities are established as PI's associated centers"; Intermediate Indicator 11 "The average cost to register a land transaction through the modernized registries under the project is USD 12.0".

²⁴ One of the most relevant features of M&E implementation was the pursuit of a comprehensive participatory evaluation strategy to measure user satisfaction across a variety of stakeholders. These evaluations were conducted among different types of land registry users, people participating in the public expositions, specialists such as notaries and lawyers, as well as among the 1,900 households involved in the impact evaluation survey. In total, more than 3000 stakeholders were interviewed.

M&E data from the PI and co-execution agencies' M&E systems into the project's own system (SIAF). At MTR and end of the project, a comprehensive series of external evaluations was conducted to measure the number of property transactions in several departments, audit the registry systems, and assess developments in the institutional capacity of municipalities.

35. **M&E utilization:** The M&E system provided the necessary data and tools for the preparation of an impact evaluation, which enabled the project to obtain: (i) updated information on the increase in land value through titling and the increase in tax payment, which were used for the economic and financial analysis (see section 3.3 and Annex 3); (ii) complementary information on PDO achievement (see section 3.2); and, (iii) developed methodologies to assess key indicators for land administration projects which will be useful for a follow up project. The M&E system contributed to some key decision-making during crucial moments of the project's life. First, at the time of the MTR, cost efficiency indicators helped the PCU prepare a strategy to abate the rise in the cost of delivering land registry services. Second, the PI's weak financial management indicator led to the institution's decision to adopt PENTAGON as its fiduciary system, improving efficiency and transparency. At project closing, the assessment conducted on the municipalities' institutional capacity showed that the project improved their cadastral capacities. However, there was an issue of how to properly measure the PDO indicator "*Average time to register a land transaction through the modernized registries under the project is 18 days (from a baseline of 23 days)*". At the MTR, the indicator was improperly calculated²⁵, stating that it had successfully gone down to 15 days and it was kept as valid until the end of the project when it was found that the average time to perform a land transaction had not improved from the stated baseline value due inter alia, to new procedural reforms under a Property Law amendment in 2014, which added new transaction requirements that made the registration process slower.

2.4 Safeguard and Fiduciary Compliance

36. The project triggered OP 4.01 (Environmental Assessment, Category B), OP 4.04 (Natural Habitats), OP 4.36 (Forests), OP 4.10 (Indigenous Peoples), OP 4.12 (Involuntary Resettlement) and OP 11.03 (Physical Cultural Resources). Overall, Safeguard compliance throughout the project was continuously rated as Satisfactory with no major issues.

37. **Environmental compliance.** An Environmental Assessment resulted in an Environmental Management Plan that provided guidance on environmental issues throughout project implementation. ISRs consistently rated safeguard compliance as Satisfactory. The project retained both an environmental and a social specialist who were responsible for safeguard compliance throughout. The PI worked closely with natural resources experts of the Forest Conservation Institute (FCI) to implement Component 3 (Demarcation of Protected Areas). By clearly demarcating protected areas, project interventions have created certainty about boundaries, thereby improving protected area management. Participatory identification and demarcation enabled the passage of a law legally recognizing three areas (Refugio Vida Silvestre Mico Quemado, Zona de Reserva El Merendon and Refugio de Vida Silvestre Colibri Esmeralda Hondureño), with the fourth in process (demarcation of 40 percent of Piedra de Apagüiz Protected Area).

38. **Social safeguards compliance.** Social safeguards for Indigenous Peoples (OP 4.10) and Involuntary Resettlement (OP 4.12) were triggered, the latter in terms of the potential for restricted access to natural resources in protected areas. A participatory social impact assessment was carried out during project preparation. An Indigenous Peoples' Plan (IPP) was developed based on an

²⁵ The measurement was done using the information available at MTR time. Unfortunately, information on the Modernized Registries was only available for 10 months of 2014.

extensive consultation process with Miskitu Asla Takanka (MASTA) an indigenous organization that represents the Miskito people and the leaders of the Miskito territories. The project allocated technical and financial resources for the participation of indigenous peoples and its content was consistent with the provisions of ILO Convention 169 on land and natural resources and the right to consultation and participation. The strategy for the implementation of the IPP included seven elements: territorial diagnosis, communication, delimitation and participatory titling of communal lands, gender equality, inter-institutional coordination, training of indigenous leaders, and a participatory evaluation system. Through a consultative process, the project adopted a regulation governing the process of titling communal lands, and developed a field guide for its implementation. This framework: (i) contributed to establishing the basis for the institutionalization of the territories under the Territorial Councils of Katainasta, Ahuya Yari, Finzmos and Bamiasta.; (ii) facilitated the linkage with capacity development and local governance strengthening through a Global Environmental Facility- United Nations Development Program (GEF-UNDP) project (conservation of biodiversity in the indigenous productive landscape of The Moskitia) and Kansas University (capacity development for young indigenous geographers and land use plans)

39. **FM performance.** From project approval in June 2011 to June 2014, project performance in financial management was rated as Satisfactory. The June 2014 FM mission downgraded the FM Performance rating to Moderately Satisfactory, based on some inconsistencies in the financial information produced by the different tools (Sistema de Administración Financiera – SIAFI, a module of the Unidades Ejecutoras de Proyectos con Financiamiento Externo – UEPEX and the new FM system implemented during PATH II called Pentagon), which required proper reconciliation to ensure consistency of the project's financial information. During the third quarter of 2014, key project FM staff-members were suspended (see paragraph 2.2.4), impacting negatively on project execution and on the timely submission of IFRs, which were submitted with a minor delay on this one occasion. Staff was subsequently re-incorporated and the situation normalized. On a follow-up supervision mission in March 2015, the Bank assessed the status of the Action Plan agreed during the prior mission and found that it was substantially implemented. The FM performance rating was upgraded to Satisfactory, a rating maintained until closing.

40. **Fiduciary compliance.** All audit reports were furnished to the Bank in a timely fashion. Audit opinions were unqualified (clean) throughout the project and there were no internal control issues reported in any year. Regarding the submission of the Interim Financial Reports (IFR), these were timely sent throughout the life of the project (the only exception being the IFR for the first semester of 2014) and were always considered acceptable by the Bank.

41. **Procurement Performance.** Throughout the life of the project, procurement performance was rated as Satisfactory. The project managed its Procurement Plan through the Procurement Plan Execution System (SEPA), updating in the system all information related to each process. Processes were reviewed by the Bank in prior and post reviews, with recommendations issued to improve performance and ensure the achievement of the PDO. The project's procurement team had adequate capacity and knowledge to implement the diverse procurement processes and participated in the yearly training events sponsored by the Bank. Also, when doubts or challenges arose, the PI team consulted with the Bank to determine the best/most feasible options complying with Bank policies. No complaints or arbitration processes were registered/requested by bidders for contracts funded by the project.

2.5 Post-completion Operation/Next Phase

42. The GoH has expressed its interest in continuing to work with the Bank in developing and consolidating the land agenda. The GoH showed its commitment to keep the core team of the PCU. The PI has incorporated the project staff into the institution. It created a new unit named Project

Management Unit (Unidad Administradora de Proyectos UAP). The PI has now staff well-trained in project management and fiduciary staff issues. This arrangement places the PI in a better position to manage other operations. Land continues to be at the center of the development challenges in both urban and rural areas. In rural areas, a modernized and automated Land Administration System would provide information to address the overall rural development agenda seeking to improve competitiveness in rural areas while supporting crucial issues such as climate change, food security and smart agriculture. It would continue supporting the agenda of promoting indigenous peoples' access to land rights. In urban areas, investments in roads and infrastructure, utilities, urban zoning and planning and further work on the concept of "smart cities" with local Municipalities are also on the agenda. A new operation would be more strategically focused seeking to: (i) strengthen the PI to enable it to undertake the responsibilities for which it was created; (ii) improve land governance; (iii) modernize the Land Administration IT System; and, (iv) establish a strong business model that can consolidate and further strengthen the financial sustainability of the PI.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Rated: **Substantial**

43. **Relevance of objectives:** The Development Objective of the Project was highly relevant when PATH II was prepared, and it remains highly relevant today. The overall objective of strengthening the property rights through modernization of the legal framework, institutional strengthening and development of a fully integrated and decentralized National System for Property Administration (SINAP), is still essential for the GoH. In addition: (i) the Bank's current Honduras Country Partnership Framework for FY 16 to FY 20, focuses on three pillars: Fostering Inclusion, Bolstering Conditions for Growth and Reducing Vulnerabilities, and recognizes strengthening property rights and enhancing land regularization as key elements for achieving them; (ii) the Bank's latest version of Honduras' Systematic Country Diagnostic²⁶ highlights that addressing challenges in crime, lack of youth inclusion and weaknesses in land rights would help build the country's social sustainability by fostering social cohesion and empowerment, (iii) Honduras' long-term development strategy set forth in Honduras' Country Vision 2010-2038 and National Plan 2010-2022, approved by Congress on November 25, 2009 supports: the consolidation of private property, land tenure regularization, and strengthening of municipal capacity for fiscal and territorial planning; and, (iv) strengthening property rights and consequently helping to increase the intensity with which households use their land and/or property assets is still a main driver to boost economic growth and achieve the Bank's twin goals of poverty reduction and shared prosperity. The PDO continues to reflect proper diagnosis of a development priority. Rated **High**.

44. **Relevance of design:** The concept of an integrated land administration system (Folio Real) as stated in project design, reflected best practice at the time of appraisal and continues to be best practice²⁷. The decentralization of land administration services requires a long-term commitment. During implementation, it was necessary to revise the strategy to improve the decentralized land services in municipalities with different capacities and resources. The capacity of municipalities type A was dramatically different from the capacity of municipalities type C. Some of the municipalities have already developed a cadaster that needed to be made compatible with the national cadaster pursued by PI through the project. At the outset, the compatibilization process

²⁶ "Honduras - Unlocking economic potential for greater opportunities: systematic country diagnostic" October 2015.

²⁷ This does not however, preclude the evolution under future projects of new approaches which consider the cadaster and registry as instruments for other, multiple purposes beyond their traditional role.

was expensive and time consuming, but when it was concluded the process to maintain cadastral data became faster and costs lowered. As decentralization is complex and happens to be lengthy in many countries, an assessment of the government's capacity can help to choose the appropriate level of institutional support and to assess what progress on the decentralization agenda can be achieved. The process of establishing the cadaster is very expensive given the cost of surveying and registry analysis. It was ambitious considering the weak institutional capacity of the PI and of most of the municipalities that the improvement of decentralized land administration services in the selected sites was achievable within relatively short time. Nevertheless, the intermediate products of the cadastral process such as surveying, public displaying of land information, and access to SURE show that the project contributed to improving property records and transactions and facilitated the development of a multi-purpose cadaster.

45. There are still some issues that show the challenge of decentralization process : (i) each registry / municipality has its own requirements for processing land transactions services, including the type of documents users must provide; (ii) a modernized registry can actually have an incomplete cadaster so for certain geographic areas, registries cannot process transactions in Folio Real; and (iii) personnel policies vary among registries so the number of staff, their qualifications and skills to provide services differ as well. Rated **Substantial**.

46. **Relevance of implementation:** The PDO indicators were in general adequate to measure outcomes. The revised intermediate indicators are more specific, measurable and realistic and relevant to the establishment of sound cadastral processes. This revision should have been executed at earlier stages. The results framework could be comprised of fewer indicators more strategically identified. The MTR should have revised the methodology of the M&E to identify shortcomings. The relatively autonomy of the PCU with regard the implementing agency should have been addressed earlier. The action plan to bridge the PCU with the PI was executed during the last year of implementation. The results were positive. At closing the PI incorporated the core staff of the PCU into the institution. The process for further enhancing the legal and institutional framework will continue in the future. Rated **Substantial**

3.2 Achievement of Project Development Objectives

Rated: **Substantial**

47. The project fully achieved its PDO. It contributed to the development of the land administration system, decentralization of services and to improving the real estate market. This section presents the achievement of the PDO, broken down into its main outcomes: (i) decentralization; (ii) better access to information; and, (iii) more accurate information. The project had five PDO indicators and all but one - average time to register a land transaction - were successfully achieved (see Data Sheet).

PDO Outcome 1: Improved and decentralized land administration services. Rated: **Substantial**

48. **The decentralization process was effective due to improved and strengthened land administration institutions, including the Property Institute, INA, ICF and Municipalities. This accomplishment is fully attributable to the activities supported by Component 1:** The project: (i) consolidated SURE as the main IT system for managing land and real estate information in Honduras; (ii), developed the cadastral surveying regulation (approved by the Board of Directors of the Property Institute) to facilitate the delegation of cadastral work (achieving Intermediate Indicator 1); (iii) produced Municipal Development Plans with a Territorial Planning approach (Planes de Desarrollo Municipal con enfoque de Ordenamiento Territorial (PDM-OT in Spanish) in six municipalities (exceeding Intermediate Indicator 9); (iv) developed the normative and procedural framework for municipalities to become associated centers of the PI for cadaster,

registry and property regularization purposes.²⁸ By the end of the project, four municipalities had signed an agreement with the PI to work as Associated Centers (AC) and 11 more were certified as ready to become an AC (exceeding Intermediate Indicator 3); (v) developed standard documents for notary protocols related to property registry procedures, although their dissemination was not fully-complete by project closing; and; (vi) prepared annual Operational Plans as the basis for financing equipment (software and hardware) and HR training support to land administration institutions and Municipalities

49. **Expanded access to services through modernized registries.** The project supported and maintained six modernized Registry Jurisdictions (RJs) implemented under PATH I and specifically modernized four additional RJs (achieving Intermediate Indicator 2) by: (i) providing investments in new equipment, record-keeping structures, air conditioning for the customer service area, and minor works; (ii) digitizing and extracting registries' records; (iii) training an estimated 1,367 personnel in SURE (achieving Intermediate Indicator 4); and, (iv) implementing the Folio Real technique and procedures. Some 55 percent of the country's total Municipalities are currently covered by SURE, and the volume of annual transactions more than doubled from 83,000 in 2010 to 182,000 by 2016.

50. **Expanded decentralization through private partners.** The project supported a PI pilot initiative to open two Peripheral Registration Offices (PRO) at two banks, one private (FICOHSA) and one public (Banco Hondureño para la Producción y la Vivienda - BANPROHVI). These PROs work as a "one-stop shop" offering a list of some 17 registry services (e.g., purchase-sale of property, registry, and freeing of liens and mortgages) to customers of the Francisco Morazan (Tegucigalpa) Registry Jurisdiction. This pilot is extremely important to support the real estate market since it is estimated that almost 50 percent of the real estate registry transactions are related to banking services such as mortgages. Preliminary studies show that the PROs are cutting their processing times almost in half when compared to other registries²⁹. The PI intends to replicate this model in other banking agencies nationwide.

PDO Outcome 2: *Better access to property records and transactions information.* Rated: Substantial.

51. **The project had a substantial impact on providing the PI and other land administration agencies with updated and valuable information:** More than half a million urban and rural properties were registered (surpassing Intermediate Indicators 6 and 10). Of those, 177,000 were registered in the Folio Real (almost double the target established for Intermediate Indicator 10). Some 93 percent of the property owners who participated in the cadastral surveying and land regularization exercise evaluated the process as satisfactory (exceeding Intermediate Indicator 7). PATH II also financed ortho-photography of almost 2,000 kilometers for 10 municipalities (achieving Intermediate Indicator 8) and digitized and published 2.8 million images from INA's Agrarian Registry. The project also demarcated the borders of three protected areas, (achieving Intermediate Indicator 12). This achievement has contributed to improving protected

²⁸ Including validated methodology for the technical certification of the CAMs; (ii) Urban and Rural Property Valuation Manual; (iii) Framework to update Cadastral Services Fees; and (iv) Cadastral Surveying Regulation.

²⁹ FICOHSA (operating since October 2016) and BANPROHVI (operating since July 2016) take about 9 and 11 working days on average to process a land transaction, respectively. On the other hand, modernized registries take about 23 working days (See PDO Indicator #2). Nevertheless, these results may be subject to a selection bias given that PRO users are banked, have higher formal income, and their properties located in low risk land tenure areas which eventually translates into easier/faster transactions.

area management. The project also demarcated, titled and registered 78 Miskito communities through a participatory and culturally acceptable mechanism (exceeding Intermediate Indicator 13).

52. **The project substantially improved end-users' access to land-related information.** The project successfully facilitated and improved access to information via SURE. It provided transactional services to all property registries (including movable, immovable, commercial and intellectual property), other agencies (INA and ICF), banks, notaries and citizens via e-government. More than 80 percent of SURE users valued the services offered by modernized RJs as Highly Satisfactory or Satisfactory (achieving PDO Indicator 1). The project did not improve the waiting time for users in some of the modernized RJs (PDO Indicator 2). The reasons explaining this are: (i) the institutional capacities (human and technical) of the selected municipalities varied. The capacity of a municipality type A was considerable different than from a municipality type C; and (ii) some municipalities already had a cadaster that needed to be made compatible with the national cadaster that the project was establishing at national level with the use of SURE. The project did however, improve the accuracy of the information as evidenced by SURE's reliability rating evaluated at 97.6%.

PDO Outcome 3: *More accurate information on property records and transactions.* Rated: **Substantial**

53. **The project improved the quality of land-related information by:** (i) developing cadastral surveying norms following international standards that improved the quality of the cadaster; (ii) registering more than 177,000 urban and rural parcels in Folio Real which offers greater reliability of property information by linking legal and physical data (geo-referenced) for the plots; (iii) demarcating protected areas, Indigenous People's land, municipal administrative boundaries, which created certainty about limits, both within ICF, INA and with local authorities, thus enabling improved territorial management; (iv) providing updated aerial photography and cartography to municipalities, consequently facilitating and improving the accuracy of their cadastral work; and (vi) incorporating land policy and territorial planning norms into SURE, thus enhancing territorial management and improving access to accurate land use information.

54. **The project enhanced the SURE system and increased its reliability.** An external audit of the SURE, with a sample of 599 buildings in the Folio Real³⁰, showed that the information contained in this system had a reliability rating evaluated at 97.6 percent (exceeding PDO Indicator 5). As a result of legal certainty over ownership: (i) there was a 35 percent decrease in the perceived risk of someone else entering a deed on the same property, compared to the group potentially benefited in the Baseline; (ii) households invested more in the improvement of their property and their homes (86.7 percent of these beneficiary households have 100 percent of their land fenced in comparison to only 69.5 percent of the control group); (iv) within the treatment group that had invested in their property, women had made greater investments in housing construction compared to men (20 percent versus 8 percent); (v) 20.1 percent of the households benefited and with productive investments in their property, declared that they were influenced by the cadastral survey and titling (versus 3.1 percent of the control group).

3.3 Efficiency

Rated: **Substantial**

55. The project efficiency is assessed as satisfactory. The ex-post economic cost-benefit analysis (CBA) evaluated the worthiness of PATH II to Honduran society in general (see Annex 3

³⁰ The total sample is 307 in final evaluation plus 292 in MTR. The result on the SURE reliability data is a combination of both measurements.

for more information). The CBA is based on actual project outputs and project costs, and estimations of the likely impact of titling on land values estimated with data from household surveys. The ex-post CBA applied the same methodology and assumptions used for the ex-ante CBA. It used the same discount rate, the same period of analysis, and the same assumptions with respect to the timing of the economic benefits³¹. The economic benefits were estimated to be US\$ 57.2 million and they were calculated as the increase in property values derived from the enhanced sense of tenure security provided by a new property title, a technique widely used in other land projects.³² PATH II provided Honduras with a net benefit of US\$ 47.3 million which is equivalent to an Economic IRR of 43.7% (using a 12% discount rate). Even when accounting for all other project costs that are not directly relevant to the activities generating the economic benefits included in the calculations, sensitivity analysis shows that the investment returns solid economic feasibility indicators (IRR=28% and an NPV=US\$ 37.2 million), that could sustain significant increments in costs (by 286%) or decline in benefits (by 76%) and remain a viable investment.

3.4 Justification of Overall Outcome Rating

Rating: Satisfactory.

56. **Relevance:** The Development Objective of the project was highly relevant when PATH II was prepared, and it remains highly relevant today. Improving land administration through a reliable and efficient registration and cadaster system is the basis for fostering a dynamic property market. Overall project design was relevant. Finally, the Bank's implementation assistance responded in a flexible and constructive way to important challenges which arose during implementation, as evidenced by numerous, effective interventions and in some years, a well above average supervision frequency designed to resolve issues before they deteriorated. Overall relevance is rated **Substantial**.

57. **Efficacy:** The project contributed successfully to decentralizing key land administration services by aiding, maintaining and modernizing regional property registries, certifying the capacities of Municipalities. It supported pilots of Peripheral Registration Offices (PRO). These have the potential to include more than 50% of all property transactions. The project created and made available vast amounts of information (such as ortho-photos, digitalized records, new demarcated areas and geo-referenced cadasters). It was challenging to reduce the time and costs of land transactions in all entities. The project also strengthened legal security over land tenure and generated 50,000 new titles, providing intercommunity titles to more than 26,000 members of the Miskito People and implementing the Integrated Financial Administration System (SIAF) within

³¹ When reviewing the ex-ante CBA for the preparation of the ICR, it became apparent that it contained methodological inconsistencies that made its results imprecise: (i) the effect of titling on property values was computed measuring differences in the average property values using two different databases and a short and somewhat arbitrary period of analysis (from 2001 to 2004), and (ii) given the methodology utilized, it was not possible to isolate the likely impact of titling from other factors that might have had an effect on property values. Therefore, direct comparisons of the results of the ex-ante and ex-post CBAs are not meaningful, and as such, they were not included.

³² Security of tenure can increase as households perceive ownership or possession documents issued by the PI to be valid and old disputes to be resolved. This will have positive effects on household strategies in the management of resources and investment, resulting in greater wellbeing and an increase in household income. This technique has been used in other Central American land projects such as Honduras PATH I (appraisal and ICR), Nicaragua's PRODEP I (appraisal, Additional Financing and ICR), and PRODEP II (appraisal and Additional Financing), El Salvador Land Administration Project (appraisal and ICR) and Panama PRONAT (appraisal).

the PI, bringing transparency and access to up-to-date corporate information. The overall efficacy is rated **Substantial**.

58. **Efficiency:** The economic and financial analysis estimated the increase in property values derived from the enhanced sense of tenure security provided by a new property title. The CBA suggests that PATH II obtained a net benefit of US\$ 47.3 million with an IRR equal to 43.7%. According to the Impact Evaluation assessment of 100 people who could potentially receive a property title, 44 obtained it thanks to the project (of those who received a title, 51% are women) vs only two of the households in the control group. Nevertheless, for reasons explained in 3.2.7 above, the project fell short in two efficiency indicators: it could not improve the average time it takes to process a land transaction and the average cost of a transaction increased for reasons already explained. Efficiency is rated **Substantial**

59. The project overall outcome rating is **Satisfactory**.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development:

60. **PATH II adequately focused on improving the life of the least advantaged.** More than 90 percent of households that were potential beneficiaries of the project have a relative and moderate level of poverty ³³. Yet, it should be noted, that in relative terms, the number of people living in extreme poverty and participating in the project should have been higher but they could not be served by the project because they were in a risk zone or settled on private land that could not be regularized.

61. **The project contributed to improving land tenure security for women** by: (i) successfully incorporating gender specific targets in its Results Framework, correctly measuring them and following up through the M&E system; and, (ii) by promoting gender specific strategies such as outreach activities to promote women's registration and increasing the participation of indigenous women in all actions and processes of intercommunity titling. More importantly, PATH II achieved every gender specific indicator: (i) 87 percent of women rate the PI's services as satisfactory; (ii) 58 percent of more than 50,000 titles issued by PATH II have a woman as beneficiary (individual and via joint tenure in the case of a couple); (iii) 48 indigenous women were trained in alternative conflict resolution mechanisms and 40 in territorial planning and natural resource management.

62. **The project contributed to the empowerment of local government institutions.** Activities and decisions on land demarcation and regularization were made entirely by the Miskito Territorial Councils and local governments. In compliance with social safeguards, women and indigenous peoples were consulted and informed of the demarcation and regularization processes. The participatory process undertaken to demarcate buffer zones was also highly satisfactory and enabled the consultation with and participation of, communities and institutions, including the Municipalities, ICF and PI.

(b) Institutional Change/Strengthening.

63. **The project had significant impact in strengthening land related agencies, including the PI, INA, ICF and Municipalities.** Specifically, the project: (i) produced norms, technical manuals and methodologies to support the PI's role as a supervisor and regulator of Land Administration issues; (ii) integrated modules of the Integrated Financial Administration System (SIAF-PENTAGON) into the PI which brings transparency and access to up-to-date corporate

³³ Based on UNDP methodology to assess poverty.

information; (iii) provided IT equipment and software, furniture and office space improvement; (iv) delivered workshops and trained more than 1300 people; and (v) digitized and extracted historical records.

64. **The PI had some problems absorbing and internalizing PATH II outputs but by the end of the project incorporated key personnel from the PCU to continue providing much needed technical advice and support.** The PI is still a relatively weak agency that requires further institutional strengthening to fully exercise its leadership, to continue the modernization of property registries, and to advance with the development and institutionalization of SINAP. However, the establishment of Municipalities as Associated Centers, the creation of the Trust Fund (*fideicomiso*) to manage the revenues generated by the institution, and the establishment of Peripheral Registration Offices, were steps in the right direction to further increase project sustainability by ensuring the updating of cadastral information, bringing more transparency and further decentralizing land services. Moreover, just before the project's grace period ended, the PI Board of Directors decided to incorporate the PCU's entire technical core as staff of the Property Institute and to create a new unit that will be responsible for analyzing, supervising and monitoring the decentralization and outsourcing of land related services to regional offices of the PI, other public institutions and to the private sector. This sends a strong signal that the PI understands the importance of institutionalizing the project even if it has not yet fully-achieved that goal.

(c) Other Unintended Outcomes and Impacts (positive or negative)

65. **The project supported and operationalized key pilots that further-improved decentralization, transparency and service delivery.** After the new administration took office with a renovated vision for the PI which included a revised organizational framework. It included the participation of private sector. Consequently, new modules of SURE were prepared to supporting technically private partners. This contributed to boost the capacity of pilot property registries. The positive outcomes included: (i) PI signing a contract with CoAlianza-IP and Banco Atlántida to establish a trust (*fideicomiso*) to manage revenues generated by the PI, which improved its financial management and transparency; (ii) pilot testing of the "Front/Back office" model in the Francisco Morazán Registry Jurisdiction (City of Tegucigalpa) that centralized traceability and security of processes in a single operator, improved efficiency by eliminating unnecessary steps, and improved accuracy; and (iii) the decentralization of services through Peripheral Registry Offices pilots also enhanced services via more agile operations at a marginal cost for the PI.

66. **The project supported a pilot that implemented a new SURE module in the Cortés Commerce and Industry Registry which improved business registration.** This involved the development and implementation of a business module in the SURE, the training of registry personnel as well as technical assistance during and after the process. The registry is operated by the Chamber of Commerce of Cortés (CCIC) which also offers an array of other services necessary to register a new business in just one day. This pilot has proven to be an effective instrument for speeding up the registration / certification of private investors: in 2016, it issued 1,779 new certifications.

67. **The project's planned activities had multiplier effects, establishing the foundation for other positive outcomes:** Specifically: (i) Protected Areas were re-categorized. Based on the work of demarcation of Protected Areas by PATH II and the ICF, the resources of these protected areas were reassessed, achieving the re-categorization of *Mico Quemado* and the *Guanchias Ecological Reserve* to a *Wildlife Refuge* and its incorporation into the National System of Protected Areas of Honduras (SINAPH); and, (ii) Inter-communal titling of other Territorial Councils (TC) in La Mosquitia. The eight remaining TC's in the Department de Gracias a Dios were titled by the INA and the ICF in the *Rio Platano* (Protected Area), using the project methodology and therefore

legalized 1.4 million hectares, or 14 thousand km², equivalent to 12.5 percent of the Honduran national territory.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

68. **Several** stakeholder consultations were carried out throughout the project life. A firm was recruited to survey a sample of 1,361 persons who participated in the public disclosure of the results of the cadaster and 89.7 percent rated the project intervention as good or excellent. At MTR and at the end of the project, 43 and 52 institutional users of SURE respectively were interviewed to evaluate their perception of the services. The 70 percent were trained by project. The 100 percent qualified the services provided as good or excellent. A sample of users from different modernized land registries was also interviewed by a research firm. The results showed that 82.7 percent rated excellent the services provided in the modernized registries. A cadaster survey run and at the end of the project, a household impact evaluation was carried out with the technical support of Food and Agriculture Organization (FAO) to measure the effect of the titles on poor households' livelihoods. Some of the positive impacts of the titling processes include increase on:(i) tenure security, (ii) investment in houses and parcels and (iii) value of assets. It also showed weaker results for conflict resolution and only a slight increase in tax collection. See details in Annex 5.

4. Assessment of Risk to Development Outcome

Rating: **Significant**

69. PATH II was very successful in delivering outputs and positive results that supported the achievement of the project's Development Objective, however the issues discussed below could undermine its sustainability.

70. **Financial management of the PI needs further strengthening.** Overall, the PI is self-sustaining, but its costs have been growing over time, especially in terms of salaries and expenses for management and coordination. A financial analysis (see Annex 3) for 2015³⁴ shows that of the four Land Registry offices that were modernized with the support of PATH II, only one registry (Juticalpa) appears to have revenue exceeding its operating costs and for those registries that were modernized with the support of PATH I (i.e. Tegucigalpa, San Pedro Sula, Puerto Cortes, Trujillo, Comayagua and Siguatepeque), only those in San Pedro Sula, Puerto Cortes and Trujillo yielded a significant financial surplus. With the establishment of the Trust (*fideicomiso*) the General Treasury no longer retains 25 percent of the PI's income as it used to do up to 2014. The 2017 National Budget did not include allocation of funds for the PI. This challenges financial management.

71. **The PI's business model must be clearly defined to avoid running multiple structures and straining its weak capacity.** The new administration's plan of relying more on the private sector and local governments to make the country's land administration system more effective and sustainable, envisions that many operational functions of the PI will eventually be managed by private operators/partners. At closing, only the privately-run Trust (*fideicomiso*) which manages the PI's revenues, was operational³⁵ but the PI's operations were still under the control of the GoH. The PI runs 23 Registry Jurisdictions (RJ), one RJ with the Front/Back model. It gives free support

³⁴ 2015 was the only year in which data was available for the regional property registries that were modernized with the support of PATH II (i.e. Choluteca, Danli, Juticalpa and El Progreso), and that these were fully functional.

³⁵ After the Trust was created, there was a change in one of the operators: BANADESA, a whole sale Honduran bank, replaced Bank Atlántida.

and access to SURE to the Peripheral Registration Offices (PROs) and Associated Municipal Centers (CAMs).

72. **Honduras' registry culture needs to be reinforced.** The Household Impact Assessment showed that there is a moderate trend towards the downgrading of cadaster-registry information, since not all users register their new transactions in SURE (10 percent of graduates in Phase II and 15 percent in Phase I, unregistered).

73. **Modernized registries still use Folio Personal.** The number of titles registered in Folio Real increased by 100 percent compared to Phase I, nonetheless the number of registrations using the Folio Real technique is decreasing relative to total registrations. This is because the Folio Real technique needs the properties to be geo-referenced, yet not all the registries have their cadaster complete so they still need to use the Folio Personal technique to register properties.

74. **Key systems have not yet been fully integrated into the PI.** At the time of project closing, the PI still had the following issues: (i) fully adopting SURE; and, (ii) implementing SIAF-PENTAGON modules, two key systems that may affect the sustainability of the project. This is due to the limited capacity of the Property Institute to absorb functions, staff, hardware and software developed by the project. Further, parts of the M & E system, for example measurement methodologies, are not homogeneous and some key indicators of the project still are not incorporated into planning (accuracy, efficiency, effectiveness and satisfaction of the services offered by the land administration system) which impacts on effective follow-up.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry.

Rating: **Moderately Satisfactory.**

75. The Bank team incorporated lessons learned from PATH I, as well from other land administration projects in the regions and correctly assessed the project's risks and proposed adequate mitigation measures³⁶. The participatory processes adopted were highly satisfactory and assured a high level of commitment among stakeholders.

76. However, there were some minor shortcomings in project design: (i) some PDO and intermediate indicators were too demanding; (ii) M&E design had trouble setting up the baseline and establishing the measurement frequency for some indicators; and (iii) project scope was very broad for the PI's still evolving technical, institutional and fiduciary capacity which needed to coordinate with multiple institutions and key agencies to implement the operation and eventually had trouble internalizing and absorbing some project outputs.

(b) Quality of Supervision:

Rating: **Moderately Satisfactory.**

77. The Bank's supervision of the project during its almost five-year implementation period (November 2011 to January 2017) consisted of: (i) 24 Implementation Support Missions; (ii) follow-up video-conferences and audio conferences; and (iii) 20 FAO missions under the

³⁶ Mitigation measures include: (i) actions at the portfolio level to support the professionalization of line agencies and to improve governance and accountability through the implementation of a Governance and Accountability Action Plan (see PAD, Annex 7); and (ii) a legal clause in the Legal Agreement and Operation Manual, stipulating that project staff could not be laid off unless there were reasons related to their performance, which proved useful in several instances during the project.

Cooperation Program providing guidance on the M&E system and support in closing the project. Most of the missions consisted of the Task Team Leader and a multidisciplinary team of specialists, who performed technical and administrative supervision, visits to co-executing entities and field visits to understand the progress and opinions of project beneficiaries. The project also had special assistance from the Bank's own environmental management, communications, gender, ethnic, safeguard policies, institutional strengthening, technology, monitoring and evaluation, fiduciary and procurement teams. Also worth noting, was the exchange of experiences, lessons learned and good practices gleaned from the Bank's South - South Cooperation Program in the themes of indigenous titling in Nicaragua and Colombia, as well as in cadaster systems in FYR Macedonia and Romania.

78. In September 2015, the Bank project TTL changed through a smooth transition including hand-over mission. By that time, almost all the funds had been disbursed so the project was scheduled to close six months earlier than predicted even though there were some outputs yet to be completed. The Government and the Bank decided to implement a work plan and successfully reached agreement: (i) with the Implementing Agency to get additional savings via selective reduction of PCU staff; and (ii) on the GoH's provision of an additional US\$400,000 to finalize the project.

(c) Justification of Rating for Overall Bank Performance

Rating: **Moderately Satisfactory**

79. The overall rating for Bank performance considers: (i) moderately satisfactory quality at entry; (ii) sustained supervision throughout the life of the project; (iii) more strategic approach in the final 15 months to ensure achievement of targets. Bank performance ensuring quality at entry is rated Moderately Satisfactory and quality of supervision is rated Moderately Satisfactory. Thus, the overall rating for Bank performance is **Moderately Satisfactory**.

5.2 Borrower Performance

(a) Government Performance

Rating: **Moderately Satisfactory**

80. Overall, the Government of Honduras (through its Ministry of Finance) showed strong support to the land agenda. During preparation when the GoH provided US\$3.0 to prepare the project (Project Preparation Facility). The new administration took office in 2014 with a renovated vision for the Property Institute, and it reinforced its commitment by updating strategy documents and policy statements to make the country's land administration system more effective and sustainable. Finally, at project closing, the GoH provided US\$400,000 to help finalize PATH II, although at the same time it deemed as unnecessary the allocation of any budget to the PI for 2017 on the premise that the new Trust managing the fees collected, as well as the extra revenues formerly retained by the General Treasury, would more than adequately compensate for this.

(b) Implementing Agency or Agencies Performance

Rating: **Moderately Satisfactory**

81. The Property Institute (PI) through the project implementing agency demonstrated a solid commitment to achieving the PDO. However, it is worth noting that the PI's institutional capacity to lead the sector continues to be weak. Further, the PI's high turnover in key leadership positions and the intermittently tense institutional relationship with the technical, administrative and fiduciary team in charge of the project, hampered communication and eventually affected the PI's ability to fully-absorb/institutionalize key project outputs. However, by the end of the project, the

PI Board of Directors, acknowledging this situation, had recruited key, relevant personnel likely to enhance its capacity and performance, and improve the post-project sustainability of the project.

(c) Justification of Rating for Overall Borrower Performance

Rating: Moderately Satisfactory

82. The overall rating for Government performance considers: (i) moderately satisfactory of government performance; (ii) the institutional weakness of the PI; (iii) the turnover of management and (iv) development of greater ownership during the last years of implementation. Government performance is rated Satisfactory and Implementing Agency performance is rated Moderately Satisfactory. Thus, overall Borrower performance is rated Moderately Satisfactory.

6. Lessons Learned

83. **A strategic approach with clear targets and goals is needed to support the land sector and land management along with their role in poverty reduction and socioeconomic development.** Clearer, less ambitious and more realistic project development objectives, components and activities would contribute to having more focused and strategically oriented projects. Additionally, it is important to strategically strengthen the staff, technical and equipment capacity of the counterpart prior to addressing a set of activities such as the decentralization of land services. This strengthening could be a key aspect of success when there are institutional and politically challenging environments where the presence of well-equipped staff with adequate capacity contributes to sustainability. At a minimum, the strategic approach should include a clear strategy to: (i) strengthen the capacity-building strategy, which should include staffing, equipment, and infrastructure; (ii) assess and strengthen land services and the land administration system; (iii) develop an IT system to have an accurate, current and reliable land record cadaster and its associated attributes and spatial data. These represent the legal boundaries of land tenure and provide a vital baseline that is capable of integrating into other geographic systems and that allows data stewards to retrieve, create, update, store, view, analyze and publish land information; (iv) include simpler implementation arrangements and structures that can help to mitigate limited institutional capacities and risks of political interference; and (v) include an innovative monitoring and evaluation system to conduct periodic and systematic monitoring that will improve performance and facilitate timely backstopping to make opportune corrective decisions.

84. **Strong land institutions are needed for a strong land sector capable of supporting the socioeconomic agenda.** The primary land institution must be strong enough to implement and enforce the land and/or property law, norms and regulations and to be able to lead and oversee the country's land agenda. Laws, norms and regulations are only as strong as the technical and political capabilities of the leading institution that enforces the legal framework. Political commitment and support is needed to help countries to develop a strong institution. It was discovered that the structure, staffing, technical and physical infrastructure of land institutions need to be assessed to be able to support reforms. It is indispensable to have a well-equipped institution leading the sector. A strong land institution is a critical condition for supporting the ongoing land agenda and the role of the land sector in socioeconomic development. Institutional weaknesses could become a source of crises and bottlenecks in fostering socioeconomic development and could compromise the sustainability of land projects. The lack or the existence of weak land administration systems restrains economic and social development, since it allows for the creation of an informal economy in which assets are undervalued, untaxed and unreported. A weak institution can put the project at risk and place undue responsibility onto the project coordinating unit that, in principle, correspond to their own mandate. It was learned that the option of working with a certain degree of autonomy

from the land institution is not a best practice, as it could compromise the sustainability and appropriation of the system by government.

85. **Decentralization of land administration services needs to be adequately assessed.** Decentralization is complex and is also a lengthy and expensive process. An assessment of the Government's capacity would help to determine the appropriate level of institutional and technical support and assess what progress can be achieved regarding the decentralization of land services. A series of incremental institutional and technical support activities may be the most appropriate approach. It was learned that serious consideration should be given to strategically identifying the activities, efforts and timeframe to build the desired decentralized capacity along with strengthening government institutions and local governments. Some of the issues to take into consideration include: (i) properly assessing the capacity of the Government to make progress on the decentralization agenda of land services; and (ii) properly assessing the capacities of the institutions to be strengthened so that appropriate institutional and technical support for each of the institutions can be identified and financed. Setting unrealistic milestones that depend on measures independent from the project coordinating unit will also place the project at risk.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

86. The Bank received a letter from the Property Institute concurring with the findings of the ICR. It also expresses main areas of the ongoing land agenda in Honduras and the possible activities that a new operation should take into consideration. Some of the main comments are the following: (i) consolidate the normative, monitor and supervisory capacity of the PI. It is necessary to define indicators to measure the quality of the services provided; (ii) consolidate SURE and the other registries – beyond the property registry. The PI recommends to have a strong technological platform to consolidate all registries which are part of SINAP; (iii) strengthening 16 registries that have been modernized; and (iv) consolidate the integration of registry and cadaster

(b) Co-financiers

(c) Other partners and stakeholders

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

| Components | Appraisal ³⁷ Estimate (USD millions) | Actual/Latest Estimate (USD millions) | Percentage of Appraisal |
|--|--|---|----------------------------|
| 1: Policy and Institutional Strengthening | 14.5 | 13.5 | 93% |
| 2: Cadastral Surveying and Land Regularization | 12.5 | 11.7 | 94% |
| 3: Demarcation of Protected Areas | 0.8 | 0.7 | 92% |
| 4: Strengthening of Miskito's Peoples Land Rights | 1.4 | 1.3 | 92% |
| 5: Project Management, Monitoring and Evaluation | 3.6 | 3.6 | 100% |
| Total Baseline Cost | 32.8 | 30.9 | 94% |
| Physical Contingencies | 0 | 0 | 0 |
| Price Contingencies | 0 | 0 | 0 |
| Total Project Costs | 32.8 | 30.9 | 94% |
| Front-end fee PPF | 0 | 0 | 0 |
| Front-end fee IBRD | 0 | 0 | 0 |
| Total Financing Required | 32.8 | 30.9 | 94% |

(b) Financing

| Source of Funds | Type of Cofinancing | Appraisal Estimate (USD millions) | Actual/Latest Estimate (USD millions) | Percentage of Appraisal |
|--|------------------------|--|--|----------------------------|
| Borrower | N/A | 0.00 | 0.00 | 0.00 |
| International Development Association (IDA) | Credit | 32.80 | 30.9 | 94% |

Note: The project was fully disbursed in SDR. The difference is due to the exchange rate fluctuation.

³⁷ Amounts reprogrammed, mid-term review

Annex 2. Outputs by Component

Component 1: Policy and Institutional Strengthening. This component included the following subcomponents: (a) supporting the consolidation of land policy and strategy to enhance governance in land administration; and (b) strengthening the institutional capacity for land administration in the country's territory.

Subcomponent 1.1: Supporting the consolidation of land policy and strategy to enhance governance in land administration. This subcomponent included the following activities: (a) a consolidation of land policy and strategy; (b) strengthening of the transparency of project implementation by conducting at least two social audits of relevant project activities; (c) the development of the normative and procedural framework for municipalities to become associated centers of the PI for cadaster, registry and property regularization purposes; and (d) the development of standard documents for notary protocols related to property registry procedures.

Consolidation of land policy and strategy. This activity was completed through: (a) workshops and technical assistance on issues within the general framework of land policy and territorial planning; and (b) the preparation of a policy and master plan for the development of the country's national cadastral system.

Achievements under this activity include:

- Approved cadastral surveying regulation;
- A delivered Land Governance Assessment Framework;
- Technical Assistance provided by FAO-TCIC.

by conducting three participatory and social consultation processes within different project components.

Development of the normative and procedural framework. The activity was undertaken for municipalities to become associated centers of the PI for cadaster, registry and property regularization purposes.

Achievements under this activity include:

- Validated methodology for the technical certification of the municipal associated centers (CAMs);
- An Urban and Rural Property Valuation Manual;
- A framework to update cadastral service fees;
- Cadastral surveying regulation.

Development of standard documents for notary protocols related to property registry procedures. This activity was undertaken through a consultation process and the fostering of an agreement on a proposal to increase access to notary services with the objective of promoting a culture of registry. Achievements included the development of standard documents for notary protocols. However, the documents were not adopted by the PI and were not disseminated by the Association of Notaries.

Subcomponent 1.2: Strengthening the institutional capacity for land administration in the country's territory. This subcomponent included the following activities: (a) strengthening of the PI; (b) capacity building of selected municipalities to allow them to function effectively as associated centers of the IP; (c) capacity building for the National Agrarian Institute (INA); (d) capacity building for the National Institute for Forestry Conservation and Development, Protected Areas

and Wildlife (ICF); (e) capacity building for the Ministry of Planning (SEPLAN), the Honduran Association of Municipalities (AMHON) and municipalities to promote gradual incorporation of territorial planning norms to RENOT; (f) the consolidation of SINAP; and (g) improving the wireless network (*Red Metropolitana Inalámbrica*) established during PATH I.

Strengthening of the PI. This activity was undertaken by (a) improving the PI's administrative and operational capacity by providing equipment, software and technical assistance to facilitate the implementation of the PI's organization development plan and to integrate PATH II's activities into the PI; (b) continuing the modernization of regional property registries to support regularization processes, including: (i) the implementation of SURE in at least 5 new registries with high transaction volumes; and (ii) carrying out small rehabilitation works in the PI and selected registries (excluding new constructions and additions to existing structures); (c) strengthening of three operation units of the PI: the General Directorate of the Registry (DGR), the General Directorate of Cadaster and Geography (DCGC), and the General Directorate for Parcel Regularization (DGRP); (d) carrying out of capacity building for alternative conflict resolution mechanisms for cadastral surveying and establishing inter-municipal limits; and (e) strengthening of the information technology unit of the PI to operate SURE and its interaction with the other SINAP subsystems.

Achievements under this activity include:

- The implementation of key modules of the Integrated Financial Management System (SIAF-PENTAGON) in the PI;
- The Modernization of 4 new Regional Property Registries (RPI) of the PI;
- The modernized RPIs received investments in new equipment, shelves for records, conditioning of the customer service area, minor works, etc.;
- The development of SURE modules for operational units of the PI;
- Support of regularization processes;
- Elaboration and dissemination of a PI regularization manual;
- SURE, workshops were delivered and data centers, trained personnel and software was transferred. However, SURE could not be completely adopted by the PI so it created a new technology unit to integrate the project's personnel for this purpose

Capacity building of selected municipalities to allow them to function effectively as associated centers of the IP. This activity also sought to implement urban titling activities and territorial planning, including zoning and updating of municipal limits. Achievements included signed municipal agreements and the design of operational plans that provided equipment (software and hardware) along with support for HR training.

Capacity building for the National Agrarian Institute (INA). This activity focused on rural titling and collective titling of indigenous peoples' lands, including supporting the Inter-Sectoral Commission for Protecting Land Rights of Garifuna and Miskito Communities (established by the Presidential Accord No. 035-2001) and capacity building in the INA for alternative conflict resolution.

Achievements under this activity include:

- The design of operational plans that provided equipment (hardware and software) and support to HR training;
- Technical and financial resources allocated for the participation of indigenous peoples, for which the content was consistent with the provisions of ILO Convention 169 on land and natural resources and the right to consultation and participation;

- Equipment and minor works to conditioning the regional INA office in La Mosquitia.

Capacity building for the National Institute for Forestry Conservation and Development, Protected Areas and Wildlife (ICF). This activity included technical assistance and the transfer of technology to ensure that the ICF plays an active role in SINAP implementation. Achievements included: (a) the design of operational manuals that provided equipment (software and hardware) and support for HR training; and (b) the allocation of technical and financial resources for the participation of the ICF's natural resource experts to implement Component 3 of PATH II.

Capacity building for the Ministry of Planning (SEPLAN), the Honduran Association of Municipalities (AMHON) and municipalities to promote gradual incorporation of territorial planning norms to RENOT. This activity included the establishment of at least one departmental council of territorial planning in the Project Area. Achievements included: (a) the design of operational manuals that provided equipment (hardware and software) and support for HR training; and (b) it produced the “Municipal Development Plans” with a territorial planning approach (PDM-OT) in 6 municipalities: Villanueva, Choloma, Sand Pedro Sula, Distrito Central and Santa Lucia.

Consolidation of SINAP. This activity built on the progress made during PATH I by supporting the PI, co-executing agencies and selected municipalities in the Project Area to gradually strengthen their capacity to operate SINAP and develop mechanisms to ensure its sustainability. Achievements included SURE becoming the main IT system to manage land and real estate information in Honduras. However, the National System of Territorial Information (SINIT) and the Territorial Planning Norms Registry (RENOT) were not further developed.

Improving the wireless network (*Red Metropolitana Inalámbrica*). This activity sought to facilitate data transmission and inter-agency communications and to ensure the connectivity of SINAP. The wireless network was developed by PATH in Tegucigalpa and is now fully operational under a public operator.

Component 2: Cadastral Surveying and Land Regularization. This component included the following subcomponents: (a) carrying out geo-referenced cadastral surveying in the Project Area, identifying the legal status of each property and incorporating the properties in SURE; and (b) carrying out the legalization, titling and registration under Folio Real of at least 90,000 parcels in the Project Area.

Subcomponent 2.1: Carrying out geo-referenced cadastral surveying in the Project Area, identifying the legal status of each property and incorporating the properties in SURE. This subcomponent included the following activities: (a) preparatory activities such as the declaration of a zone under cadastral process (Zona a Catastrar); (b) surveying, validation and incorporation in SURE of at least 390,000 urban and rural parcels in the Project Area; and (c) geo-referenced surveying of the administrative limits of at least 10 selected municipalities.

Preparatory Activities. This activity included the declaration of a zone under cadastral process (Zona a Catastrar) by the DGCG, aerial photography and the preparation of digital ortho-photos, and the purchasing of satellite imagery within the Project Area. Achievement included: (a) cadastral surveying covering 14 municipalities (250,000 hectares) and adding more than 440,000 new plots; and (b) aerial and orthophoto photographs for 2,400 km² in selected areas of 10 municipalities.

Surveying, validation and incorporation in SURE of at least 390,000 urban and rural parcels in the Project Area. Under this activity, 421,014 land parcels with use or ownership rights were recorded.

Geo-referenced surveying of the administrative limits of at least 10 selected municipalities. Under this activity, the administrative limits of Puerto Cortés, Choloma, La Lima, San Pedro Sula, San Manuel, Villanueva, Potrerillos, Pimienta, El Progreso and Olanchito were surveyed via geo-referencing.

Subcomponent 2.2: Carrying out the legalization, titling and registration under Folio Real of at least 90,000 parcels in the Project Area. This subcomponent included the following activities: (a) the provision of new titles for approximately 50,000 families through the various options provided under the Property Law; and (b) the legalization of 40,000 parcels with an existing property registry to transfer them into Folio Real.

Provision of new titles for approximately 50,000 families through the various options provided under the Property Law. This activity was undertaken in close collaboration with the INA, the municipalities and/or the ICF. 50,798 families in rural and urban areas obtained a new land title through the project.

Legalization of 40,000 parcels with an existing property registry to transfer them into Folio Real. This activity was undertaken though a coordinated effort between the three main directorates of the PI—the DGR, DGCG and DGRP—to carry out an investigation comparing geographical and legal data. 177,791 parcels were registered in Folio Real.

Component 3: Demarcation of Protected Areas. This component consisted of the following activities: (a) carrying out the delimitation and demarcation of the buffer zone of at least 4 Protected Areas in the Project Area; (b) carrying out specific activities under the project's communication strategy; and (c) supporting the implementation of the Environmental Management Plan (EMP) and the Process Framework.

Carrying out the delimitation and demarcation of the buffer zone of at least 4 Protected Areas in the Project Area. This activity included the incorporation of the cadastral information and its link to the ordinances and norms that establish land use into SURE and RENOT respectively. Participatory identification and demarcation enabled the passage of a law legally recognizing 3 areas—Refugio Vida Silvestre Mico Quemado, Zona de Reserva El Merendon, Refugio de Vida Silvestre Colibri Esmeralda Hondureño—with the fourth in process (40% of the Piedra de Apagüiz is demarcated).

Carrying out specific activities under the project's communication strategy. This goal of this activity's communication outreach was to raise awareness among residents in and around the area of the buffer zone demarcated under the project on the land use designation. The activity successfully implemented the communication strategy to promote the participation of beneficiaries.

Supporting the implementation of the Environmental Management Plan (EMP) and the Process Framework. The EMP successful provided guidance on environmental issues throughout the implementation of PATH II.

Component 4: Strengthening of Miskito People's Land Rights. This component consisted of the following activities: (a) carrying out participatory delimitation, demarcation, collective titling, and registration of Indigenous Peoples' Lands in the department of Gracias a Dios; (b) providing capacity building and organizational support to participating Miskito communities to establish alternative conflict resolution mechanisms; and (c) providing technical assistance and capacity building for participating Miskito communities.

Carrying out participatory delimitation, demarcation, collective titling, and registration of Indigenous Peoples' Lands in the department of Gracias a Dios. This activity was undertaken based on culturally accepted practices and with a focus on at least 25 participating Miskito communities. The project delimited, titled and registered 78 Miskito communities through a participatory and culturally acceptable mechanism.

Providing capacity building and organizational support to participating Miskito communities to establish alternative conflict resolution mechanisms. This activity provided said alternative conflict resolution mechanisms for the process of delimitation, demarcation, titling and registration, with the support of the project's communication strategy. The project trained 117 community leaders on alternative conflict resolution mechanisms, of whom at least 48 were women.

Providing technical assistance and capacity building for participating Miskito communities. This activity included: (a) territorial planning and natural resource management; and (b) education to increase legal awareness and to help improve organizational capacity in relation to land tenure. The project trained 109 community leaders on territorial planning and natural resource management, of whom at least 40 were women.

Component 5: Project Management and Monitoring and Evaluation. This component consisted of the following activities: (a) supporting project management; and (b) supporting project monitoring and evaluation.

Supporting Project Management. This activity included: (a) training and workshops; (b) technical assistance; and (c) the carrying out of the fiduciary aspects of the project, including financial management, audits and procurement; (d) the establishment of the Steering Committee; and (e) the oversight of the implementation of a communication and a gender strategy for the project.

Achievements under this activity include:

- Monitoring and Evaluation technical assistance provided by FAO-TCIC;
- All audit reports furnished to the Bank in a timely fashion;
- Audit opinions were unqualified (clean) throughout the project and there were no internal control issues report in any year;
- Submission of the Interim Financial Reports (IFR) were sent without delays throughout the life of the project;
- The establishment of a Steering Committee that comprised senior representatives of each of the co-executing agencies and SEFIN.

Supporting Project Monitoring and Evaluation. This activity included: (a) the integrated financial administration system (SIAFI), which records the project's physical and financial progress; (b) the semi-annual progress reports measuring periodically project indicators based on agreed methodologies; (c) baseline surveys for a potential follow-on project; (d) a mid-term review (MTR) report; and (e) a final project impact evaluation and implementation completion report (ICR).

Achievements under this activity include:

- The integrated financial administration system (SIAFI-PENTAGON) was implemented;
- The MTR report and final project impact evaluation were carried out by independent consultants and firms.

Annex 3. Economic and Financial Analysis

1. Economic Cost Benefit Analysis

| | Discounted Values³⁸ In Millions |
|-----------------------------------|---|
| Gross Benefits: | US\$ 57.2 |
| Project Costs: | US\$ 9.9 |
| Net Benefits: | US\$ 47.3 |
| Economic IRR³⁹: | 43.7% |

The ex-post economic cost-benefit analysis (CBA) evaluates the worthiness of PATH II's to Honduran society in general. The CBA is based on actual project outputs and project costs directly related to the activities generating the projected benefits, and estimations on the likely impact of titling to land values estimated with data from household surveys, and estimations on the likely impact of titling to land values estimated with data from household surveys.

The *ex-post* CBA applied the same methodology and assumptions used for the *ex-ante* CBA. Uses the same discount rate, the same period of analysis, and the same assumptions with respect to the timing of the economic benefits. However, while reviewing the ex-ante CBA for the preparation of the ICR, it became apparent that it contained methodological inconsistencies that made its results imprecise. The methodology described in the text to estimate the impact of titling on property values is not consistent with what was done. Rather, the effect of titling on property values was computed measuring differences in the average property values from one point in time (2001) to another (2004), and using two different databases. In addition to using different databases and a short and arbitrary period of analysis, with the actual method used it is not possible to isolate the likely impact of titling from other factors that might have influenced property values. Thus, direct comparisons of the results of the ex-ante and ex-post CBAs are not meaningful, and as such, they were not included in this Annex, as it is normally done. Accounted costs included direct expenditures in the regularization process, development of technological platforms and its corresponding recurrent costs throughout the period of analysis, and proportional administration/coordination expenses. The economic benefits accounted for in the CBA are expressed in the estimated increase to property values derived from the enhanced sense of tenure security provided by a new property title.

The above results support the worthiness of the project to Honduran society. Even when accounting for all other project costs that are not directly relevant to the activities generating the economic benefits included in the calculations, the investment returns solid economic feasibility indicators (IRR=28% and an NPV=US\$ 37.2 million), that could sustain significant increments in costs (by 286%) or decline in benefits (by 76%) and remain a viable investment.

a) Theoretical Considerations

The premise behind the CBA is that enhanced sense of tenure security provided by a property title triggers a set of developments that result in increased property values. It is argued that the sense of tenure security associated with a new title improves marketability of the property by increasing its desirability. This, as it reduces the titleholder's risks with respect to holding possession and the free use of the land in the long-term. This enhanced sense of tenure security creates conditions that are necessary to invest with a longer-term perspective, by opening the door to investments on land "improvements", or on activities that could generate incremental revenue streams, that would not

³⁸ Using a 12% discount rate.

³⁹ Internal Rate of Return.

be considered under a sense of unsecure land tenure. It also allows land to serve as collateral for credit financing, thus removing barriers to the implementation of those potential revenue-generating investments. According to economic theory, all these factors underpin higher property values, as the economic value of a good is equal to the discounted stream of the potential net benefits it could generate during its lifetime. Accordingly, when all else is equal, property with higher income generating potential, in this case resulting from the chain of events triggered by the enhanced sense of tenure security afforded by a new title, should be more valuable.

Other economic benefits to land regularization are real and relevant, but often as in this case, are not easily measurable or cannot be easily expressed in monetary terms. These include, expected environmental benefits such as protection of biodiversity, or water sources; improved management of natural resources; or social benefits, such as social stability resulting from reduced land-related conflicts; or improved food security and nutrition derived from increased production or income. Given the difficulties to account for these benefits, they were not included in the analysis.

b) Methodological Approach to the Economic Cost/Benefit Analysis

Estimating the magnitude of the project's expected benefits could be complex endeavor, as property values are influenced by a wide range of factors, including the geographic location of the land, its physical characteristics, access to public and private services, proximity to road infrastructure, or urban centers, etc., each of which interacts with land tenure status. An Ordinary Least Squares regression was used to partial-out the effects of having a property title from other factors that influence land values.

The basic model used for estimating the parameters was:

$$Y = f(X_i) + b + e$$

where;

Y = Expected value per unit of rural land (manzanas, in this case)⁴⁰, or unit of urban property;

b = Constant;

X_i = A set of explanatory variables, including one dichotomous variable for the presence (=1) or the absence (=0) of a registered clear title of ownership; and

e= error

The data used to estimate these parameters came from 2004 ENCOVI household survey undertaken by the National Statistical Institute. The relative increments estimated from the regression parameters were then applied to the average perceived land value for untitled properties collected through a household survey carried for PATH II impact evaluation purposes (2016). The stream of economic benefits was then constructed by coupling these estimations with the actual number of new titles (for urban property), and new titled area (for rural property) by PATH II.

Due to the inconsistencies and other shortcomings found in the ex-ante CBA, new model specifications were tested. At the end of this process, the model selected for rural property included a dichotomous variable to capture the presence (=1), or absence (=0) of a title, as the sole independent variable. In the case of urban property, the model included an additional independent variable to capture the size of buildings inside the property.

c) Economic Benefits

⁴⁰ *Manzana* is a common unit to measure rural land in Central America; 1 *manzana* is equivalent to 0.698896 hectares.

As mentioned before the generation of economic benefits for the CBA was linked to the generation of new titles. In general terms, the project achieved the number of new titles it set to achieve at appraisal. Table 1. shows PATH II physical targets and the corresponding level of achievement with respect to new titles in urban and rural areas.

Table 1. New Titles, goal and achievement level.

| Item | Physical Target | Actual Achievement | Achievement rate |
|-------------------------|-----------------|--------------------|------------------|
| New Urban Titles | 40,141 | 40,801 | 102% |
| New Rural Titles | 9,859 | 9,594 | 97% |

Source: PCU

The estimation of PATH II's economic benefits for the ex-post CBA is based on the following:

- i) For **rural property**, on an estimated increment of 86% to the value of the land, representing the relative difference between the estimated parameter for increased value due to titling of US \$951/ha, over the average perceived valued of untitled properties⁴¹ of US\$1,104/ha. This increase was then applied to the number of hectares titled by the project during each year of implementation. As in the ex-ante analysis, it was assumed that benefits would start accruing five years after titling at a constant rate over a 20-year period.
- ii) For **urban property**, on an estimated increment of 76% to the value of the land, representing the relative increase of US\$ 6,682/ lot (the estimated parameter for increased value due to titling) over a US\$ 8,834 base⁴². This relative increase was then applied to the average perceived value of untitled urban land from the Path's II impact evaluation household survey (US\$ 3,562). The number of urban lots that obtained a new title during PATH II were used to construct the stream of economic benefits. As in the ex-ante analysis and in the case of rural property, it was assumed that benefits would start accruing five years after titling at a constant rate over a 20-year period.

The discounted gross benefits from the ex-post CBA were estimated at US\$ 57.2 million.

d) Costs

The project costs accounted for in the CBA included actual project costs on activities directly related to the generation of the estimated benefits, basically those of Component II “Regularization, Titling and Systematic Registering of Land” that were linked to cadastral surveying and titling, as well as the corresponding share of Component V “Coordination, Monitoring and Evaluation. Implementation costs accounted for in the CBA represented around 35% of all project implementation costs. In addition to relevant project implementation costs, estimated incremental recurring costs were also included, starting from 2017 throughout the whole period of analysis. Recurrent costs represented the share (58%) of estimated costs for up keeping and operating the SURE corresponding to the Property Registry.

The discounted total costs accounted for in the CBA were nearly US\$ 9.9 million.

e) Results

⁴¹ From PATH II's impact evaluation household survey 2016.

⁴² The base is the sum of the intercept or constant coefficient from the regression (US\$ 3,660/lot), and the value added to the land using the parameter related to increased value due to the area built within the property (US\$ 53.35/m²) applied to the average area built on the sample of untitled properties from the PATH's impact evaluation household survey (97.0 m²).

The discounted stream of net benefits (i.e. discounted gross benefits minus discounted costs) yielded a NPV of around US\$ 47.4 million. This represents the net return (i.e. after costs) of PATH II's investment over its implementation period, in today's money.

Project economic efficiency was also measured by calculating the Economic IRR. The estimated Economic IRR of 43.7% could be explained as the maximum discount rate⁴³ at which the project would be considered a sound investment.

The economic efficiency indicators suggest an economically sound investment from Honduran society's perspective. Even when considering 100% of PATH II's implementation costs (i.e. including those that were not accounted for in the base scenario⁴⁴), the investment would remain economically feasible with an IRR of 28% and an NPV of US\$ 37.2 million.

The ex-post economic analysis shows that investments associated with land regularization and the functioning of the land administration system provided a reasonable economic return for Honduran society.

As previously mentioned, the analysis does not consider all possible land value-enhancing effects. For example, under certain circumstances it may be reasonable to assume that surveying activities, not only titling, might lead to an increase in the marketability of lands and investment incentives in situations where the cadaster assisted in the resolution of conflicts and clarification of boundaries. Demarcation of protected areas may curtail deforestation providing benefits in terms of avoided carbon emissions, or by increasing biodiversity conservation. The ex-post CBA analysis did not attempt to account for these benefits due to the lack of data.

f) Conclusion

The ex-post economic feasibility analysis suggests that the PATH II was an efficient investment for Honduran society, as discounted returns were higher than discounted costs and the internal rate of return was higher than the assumed discount rate of 12% (representing the opportunity cost for capital in international markets).

2. Cost-Effectiveness

As no economic benefits were assumed to be generated by investments made on cadastral surveying, it was considered important to compare the cost-effectiveness of the project's approach, or the with-project scenario, with the counterfactual approach (i.e. the one that would have been used if the project did not exist) or the without-project scenario. To do this, the unit cost for surveying urban and rural properties using the PATH II method (systematic surveying) were estimated. PATH II unit costs for urban property were estimated at approximately US\$ 24.24/lot, and at US\$ 9.15/ha, for rural land. These would have been compared to the unit costs estimated with data obtained from the cadaster offices of the IP (for urban property) and of INA (for rural land). This was not possible. Although information was available in terms of the surveying costs, no information was available on the number of corresponding urban properties or rural area surveyed by them.

However, a cost-effectiveness comparison was made between the direct cadastral surveying approach implemented by the PATH II's and the Property Institute's technical teams, and the outsourcing approach used in the Cortez Cadaster Project, financed by Development Nordic Fund.

⁴³ In this case, the discount rate represents the opportunity costs of investment capital in international markets.

⁴⁴ Such as those for measurement and demarcation of protected areas, for the strengthening of the land rights of the Miskito people, and for legal, institutional and technological strengthening.

The comparison was made based on unit costs for properties surveyed up to SURE registering. This was done for 2013 and 2014 when most PATH II's cadaster surveying activities took place. The results of the analysis are shown on Table 2. As observed, the outsourcing approach was a more cost-effective alternative for urban property, while the direct implementation approach was more cost-effective than outsourcing, for rural land.

Table 2. Cost-effectiveness of Direct Implementation vs. Outsourcing

| Approach | Unit Costs Urban (US\$/lot) | Unit Costs Rural (US\$/ha.) |
|------------------------------|-----------------------------|-----------------------------|
| Outsourcing | 22.25 | 27.92 |
| Direct implementation | 30.99 | 9.96 |

3. Financial Sustainability Analysis of the Property Registries

A simple Financial Sustainability Analysis was carried out to evaluate to what extent the regional property registries supported by the project are generating enough income to cover their operational costs. The analysis was made for 2015, as it was the only year in which data was available for the regional property registries that were modernized with the support of PATH II (i.e. Choluteca, Danli, Juticalpa and El Progreso), and that these were fully functional. Thus, although it provides an indication of the financial self-sufficiency capacity of the registries, the results of analysis should be interpreted with some caution, as incomes and/or costs may vary from one year to the next for external circumstances and not truly represent the financial soundness of their respective operation over a medium term. Ideally, the analysis should have been made using the discounted value of income and operating costs of a period of three or more years.

A Financial Sustainability Index representing the portion of the operational costs of each regional property registry that were covered by the income they generated by the sale of registry services was estimated. An Index of 1.0, means that the income generated covered 100% of the corresponding operational expenses, while 0.5 means that it only covered 50%, and so forth.

The income accounted for in the analysis reflects payments by users for registry services, and is net of a 0.32% assessed by the financial institution administering the trust fund were the funds are deposited. Accounted costs included salaries, rents, utilities, supplies, etc., required to operate the registries. An estimation of the SURE⁴⁵ costs corresponding to the services provided to each regional property registry was also incorporated in the analysis.

Table 3. presents the income and operational costs and the Financial Sustainability Index of the four decentralized Land Registry offices that were modernized with support of PATH II. As can be seen, the registry in Juticalpa appears to over-cover its operating costs, while the one in Choluteca is close to covering them. The registries in Danli and El Progreso, however, appear to have a financial deficit of around 25%.

Table 3. PATH II Registries - 2015 Sustainability Index

| Registries | Net Income (HNL ⁴⁶) | Operating Expenses (HNL) | Financial Sustainability Index |
|------------------|---------------------------------|--------------------------|--------------------------------|
| Choluteca | 7,269,380 | 7,640,613 | 0.95 |
| Danli | 3,284,072 | 4,327,884 | 0.76 |

⁴⁵ Sistema Unificado de Registros, which is an Integrated Real Estate Registry.

⁴⁶ Honduran Lempiras.

| | | | |
|--------------------|------------|------------|------|
| Juticalpa | 5,121,500 | 4,942,352 | 1.04 |
| El Progreso | 4,473,566 | 5,971,356 | 0.75 |
| Aggregate | 20,148,518 | 22,882,206 | 0.88 |

For comparison purposes, Table 4. presents the same information of Table 2, but for the registries that were modernized with the support of PATH I (i.e. Tegucigalpa, San Pedro Sula, Puerto Cortes, Trujillo, Comayagua and Siguatepeque). As observed, although on an aggregate level operational costs were covered with the income generated, at the individual regional registry level there was significant variability. Registries in San Pedro Sula, Puerto Cortes and Trujillo, yielded a significant financial surplus, while those in Comayagua, Siguatepeque, and at a lower level Tegucigalpa, fell significantly short to cover their operational expenses.

| Table 4. PATH I Registries - 2015 Sustainability Index | | | |
|---|-----------------------|---------------------------------|---------------------------------------|
| Registries | Net Income HNL | Operational Expenses HNL | Financial Sustainability Index |
| Comayagua | 4,388,045 | 6,167,739 | 0.71 |
| Siguatepeque | 2,455,525 | 3,314,196 | 0.74 |
| Tegucigalpa | 39,628,256 | 47,056,962 | 0.84 |
| San Pedro Sula | 37,830,875 | 26,215,687 | 1.44 |
| Puerto Cortes | 4,550,049 | 2,650,950 | 1.72 |
| Trujillo | 4,247,117 | 2,722,671 | 1.56 |
| Aggregate | 93,099,867 | 88,128,205 | 1.06 |

4. Fiscal Impact Analysis

As part of the Economic and Financial Analysis of PATH II, it was considered important to estimate ex-post the fiscal impact of the investments made on behalf of Honduran society. This is important when the fiscal situation of a country is tight and the incremental tax revenues potentially derived from the implementation of a project could assist decision makers in setting investment priorities and make investment choices.

Normally this type of analysis would be based on a forecast of incremental tax revenue over a period of analysis, usually the same one used for the CBA. For PATH II, the main potential incremental fiscal revenues are to come via the municipal immovable goods tax or IBI. The rationale behind the incremental generation IBI revenues comes from the expected use of the new cadastral information generated by the project, by municipal governments, as a tool to increase collections. With this new cadastral information, municipalities should be able to increase their tax base by incorporating new taxpayers that they had not identified and collect more taxes, or by adjusting the tax charges to their current tax base to reflect underreported property dimensions or “land improvements”, or other inconsistencies. With the incremental fiscal revenue forecast and estimated municipal operational costs of collecting taxes, a net fiscal revenue flow could be constructed. The discounted value of this net revenue stream could then be compared to total project costs to assess the relative fiscal impact from the investment.

Unfortunately, the information available to be able to estimate the fiscal impact as described above was not sufficient or sufficiently robust. However, the fiscal impact of the new titles generated

with support of PATH II was estimated. This could be interpreted as a lower bound on fiscal revenues that could be collected because of the project.

To do this the same property values and estimated value increments due to titling of the CBA were used. The IBI is applied over the basis of the cadastral value of a property. For the purposes of the analysis the cadastral value was estimated at 55% of the commercial value. No information was available on the actual tax collection costs to municipalities. Thus, the analysis assumed that tax collection costs amounted to 10% of the collected amount.

Furthermore, the analysis attempted to take into consideration the tax exemption allowed by the Law of Municipalities of 7 November 1990 (Article 76), that exempts the payment of the IBI for the first HNL 100,000 (US\$ 4,350) of the cadastral value of properties used as residence by their owners in municipalities with a population over 300,000. Similarly, exempting the first HNL 60,000 (US\$ 3,045) in municipalities with a population between 75,000 and 300,000, and the first HNL 20,000 (US\$ 870) for municipalities with a population below 75,000. Since no detailed information was available to accurately calculate the tax exemptions according to the above, an exception of US\$ 2,000 per property was assumed.

If properties that received new titles due to PATH II intervention were not already paying IBI, the discounted incremental tax revenues were estimated at nearly US\$ 5.0 million. When estimating incremental tax revenues on the sole basis of the value added to the land due to titling, the discounted tax revenues amounted to around US\$ 2.3 million.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

a) Task Team members

| Names | Title | Unit | Responsibility / Specialty |
|---------------------------|--------------------------------------|-------|---|
| Lending | | | |
| Maria Manuela Faria | Social Development Specialist | GSU03 | Communication Strategy and Citizen Engagement |
| German Escobar | Consultant | LCCNI | Planning and Costing |
| Francisco J. Proenza | Consultant | LCSAR | IT Systems for Land Administration |
| Kennan W. Rapp | Senior Social Development Specialist | ENVCF | Social Safeguards |
| Mario Vallejo Larios | Consultant | LCSAR | Legal and Institutional Analysis |
| Gabriela Vaz Rodrigues | Consultant | LCSAR | Program Support |
| Etel Patricia Bereslawski | Senior Procurement Specialist | LCSPT | Procurement |
| Diomedes Berroa | Lead Specialist | OPSPF | Procurement |
| Marquez Martinez | Consultant | LCSAR | Social Safeguards |
| Juan Pablo Ruiz | Consultant | LCSAR | Environmental Safeguards |
| Fernando Galeana | Consultant | LCSAR | Land Administration |
| Jimena Garrote | Counsel | LEGLA | Country Lawyer |
| Ketty Morales Noval | Program Assistant | LCSAR | Project Support |
| Enrique Pantoja | Sr Land Administration | LCSAR | Task Team Leader |
| Jose Simon Rezk | Financial Management Specialist | LCSFM | Financial Management |
| Teresa M. Roncal | Operations Analyst | LCSAR | Operations |
| Fabrice Edouard | Agr Office | FAO | Monitoring & Evaluation |
| Mario Castejon | Economist | FAO | Economic and Financial Analysis |
| Supervision/ICR | | | |
| Mary Lisbeth Gonzalez | Sr Social Development Specialist | GSULN | Task Team Leader |
| Monica Salazar-Greenwood | Junior Professional Associate | LCSAR | Land Administration |
| Tomas Socias | Procurement Specialist | GGODR | Procurement |
| Fernando Galeana | Consultant | LCSAR | Land Administration |
| Jimena Garrote | Senior Counsel | LEGOP | Country Lawyer |
| Ketty Morales Noval | Program Assistant | LCSAR | Project support |
| Maria Manuela Faria | Social Development Specialist | GSU03 | Social Safeguards |
| Carlos Meza Pealba | Consultant | LCSAR | Cadaster and Regularization |
| Jason Jacques Paiment | Safeguards Specialist | GSURR | Social Safeguards |
| Carlos Gallegos Kattan | Consultant | GFADR | Property Registry Modernization |
| Stamatis Kotouzas | Junior Professional Associate | LCSAR | Land Administration |
| Maria Maso Amigo | Communications Officer | LCREC | Communications |
| Enrique Pantoja | Sr Land Administration Specialist | LCSAR | Task Team Leader (previous) |
| Teresa M. Roncal | Consultant | GSULN | Operations |

| | | | |
|-----------------------------|------------------------------------|-------|---------------------------------|
| Reina Zavala Castillo | Consultant | GSULN | Municipal Strengthening |
| Ricardo Castellon Zamora | Consultant | GSU10 | Social safeguards |
| Gunars Platais | Senior Environmental Specialist | GEN04 | Environmental Safeguards |
| Tuuli Bernanrdini | Environmental Specialist | GEN04 | Environmental safeguards |
| Alvaro Federico Barra | Land Administration Specialist | GSULN | ICR Author |
| Lorenz Jenni | Consultant | GSULN | IT Consultant |
| Caleb Travis Johnson | Consultant | GSULN | Operations |
| Juan Jose Valencia | Consultant | GSULN | IT for Land Administration |
| Nicole Andrea Maywah | Consultant | SASDI | Environmental Safeguards |
| Fabienne Mroczka | Financial Management Specialist | LCSFM | Financial Management |
| Pilar Gonzalez | Senior Counsel | LEGCF | Country Lawyer |
| Anemarie Guth Proite | Procurement Specialist | LCSPT | Procurement |
| Patricia De la Fuente Hoyes | Senior Finance Officer | CTRFC | Disbursements and flow of funds |
| Andrea Patton | Program Assistant | GTC04 | Project support |
| Leonel Estrada Martinez | Procurement Specialist | GGO04 | Procurement |
| Anna Roumani | Consultant | GSULN | ICR Consultant |
| Fabrice Edouard | Monitoring & Evaluation Specialist | FAO | Monitoring and Evaluation |
| Mario Castejon | Agricultural Economist | FAO | Economic and Financial Analysis |
| Victor Fajardo | Evaluation Specialist | FAO | Evaluation |

b) Staff Time and Cost

| Stage of Project Cycle | Staff Time and Cost (Bank Budget Only) | |
|------------------------|--|--|
| | No. of staff weeks | USD Thousands (including travel and consultant fees) |
| Lending | | |
| FY08 | 5 | 16.91 |
| FY09 | 40 | 101.95 |
| FY10 | 16 | 56.63 |
| FY11 | 11 | 39.01 |
| Total: | 72 | 214.50 |
| Supervision/ICR | | |
| FY12 | 18 | 69.21 |
| FY13 | 19 | 63.11 |
| FY14 | 19 | 66.22 |
| FY15 | 17 | 67.52 |
| FY16 | 13 | 61.83 |
| FY17 | 30 | 140.95 |
| Total: | 116 | 468.84 |

Annex 5. Beneficiary Survey Results

1. Impact Evaluation: effects of land titling on the household livelihoods

As part of the final evaluation of the second phase of the Land Administration Project in Honduras (PATH II), a quasi-experimental impact evaluation was conducted. This evaluation aimed to measure whether an improvement in tenure security, through the titling program of PATH, is contributing to the livelihoods of poor households, taking into consideration 21 hypotheses organized in 9 themes. It has also developed lessons learned for the formulation of a possible third phase of the PATH⁴⁷.

A national firm was recruited by the project and received a technical assistance from FAO-TCIC team, which participated in the setup of the probabilistic stratified sample (see table 1), questionnaire design, pilot survey in the field, and the data analysis. At the end of 2016, the data were collected from a sample of 2,201 households (treatment and control groups, in rural and urban areas, whose parcels was surveyed by the cadaster in Phases I and II) and compared to the Base Line Survey (1,638 households surveyed in 2012). Logit probabilistic models, as well as parametric and non-parametric tests were used to measure the PATH II's effects against the different hypothesis. The questionnaires of the households benefitted from PATH I were analyzed in a qualitative manner to identify the tendencies, taking into consideration that they benefitted earlier from the land titles. When it was not possible to compare some variables to the baseline, a quasi-experimental method analyzed the situation of the control groups and treatment groups from the impact evaluation survey.

According to the result of this evaluation, the PATH II targeted households with relative and moderate poverty degrees (around 90% of households), but the higher percentage of extreme poor was found in the households which couldn't be attended by the project. 88% of the parcels that were titled through PATH II are used for housing, and 5% of them have an economic function. Figures show that under a “without project” situation, less than 5% of those whose property faced an irregular tenure situation managed to obtain a title on their own. The

Results indicate that 96% of the households that received a land title through PATH II experienced a more secure tenure perception and a reduction in the risks of being evicted or suffering a tenure conflict. Compared to the control group, people benefitted from a new title feel that the value of their parcel increased in 30%, and 20% of them invested in improving their asset. Women who benefitted from a title tend to build a new house more often than men. Number of financial services provided to the surveyed households is not enough to reach solid conclusions, however it seems that the amount received by those who benefitted from a title is the double compared to the control group. Regarding the effect of the cadaster on the municipality tax collection, in 2016 the number of inhabitants who paid their local taxes increased in 5.3% compared to the baseline.

However, households that obtained a title through the project do not seem to have an improved access to infrastructures and municipality services, and almost no tenure conflicts were solved through the project action. In addition, there is no strong evidences that households benefitted from titles have escaped poverty. Finally, a new phase of PATH should consider the continuity of the titling process in the same municipalities by increasing efforts towards the rural and poorest households. Finally, to increase the effect of a better security on land tenure in peoples' livelihoods,

⁴⁷ See Full Report at <http://path.ucp.hn/www2/index.php/es/doc/documentos-institucionales/evaluacion-final>

investment programs related to rural development and housing improvement should be given priority in the areas benefited by the program

Table 1: Probabilistic, stratified sample

| Urban segment of the sample | | |
|------------------------------------|--|--------------|
| Treatment | Formalization due to Public Needs (RINP) | 455 |
| | Lifting ownership (Elevación de Dominio) | 233 |
| | Occupancy of Municipal and Nacional Lands (Ocupación en Terrenos Ejidales y Nacionales) | 322 |
| Control | Informal Tenure (Private and risky lands) | 416 |
| Total Urban Segment | | 1,426 |
| Rural Segment of the sample | | |
| Treatment | Lifting ownership | 31 |
| | Occupancy of Municipal and Nacional Lands | 307 |
| Control | I Informal Tenure (Privado y Riesgo) | 50 |
| Total Rural segment | | 388 |
| Phase II Sample | | 1,814 |

| | | Muestra PATH I |
|------------------------------------|--|-----------------------|
| Urban segment of the sample | | Total |
| Intervention | Formalization due to Public Needs (RINP) | 285 |
| | Lifting ownership | 102 |
| Phase I Sample | | 387 |
| Total Phase II + Phase I | | 2,201 |

Annex 6. Summary of Borrower's ICR and/or Comments on Draft ICR

1. Relevance and Achievement of the Development Objective (PDO)

Relevance of the PDO. The PATH II is still consistent with the current Government Plan 2014-2018, called "*All for a Better Life*", and with the "*Country's Vision*", highlighting the latter in its Governance and Decentralization Sector as a priority: "*Improve the system of land administration, mainly in relation to the titling of real estate and registries, with modern and efficient mechanisms*".

Achievement of the PDO. Out of 6 development indicators, 5 were fully met, specifically: (i) the perception of "satisfactory services" in the modernized registries; (ii) the financial sustainability of the modernized registries; (iii) the reliability of the SURE rate was higher than the goal of 96%; (iv) more than the goal of 50 thousand new titles were awarded; and (v) the population with use rights or property exceeding 2 million (*Core Indicator*). However, vi) was not achieved: to reduce to 18 days the transactional time, maintaining it equal to the baseline procedure, 23 calendar days. This last indicator is also, out of the project's control.

i. With respect to the improvement of land administration, **the project has strengthened and maintained 10 modernized registries of the IP and modernized 4 additional, of a total of 24** in the country. Thus, through the operation of the SURE, there is currently a coverage of 55% of the total municipalities in the country. Parallel to this wide coverage, there was an increase to **double the volume of transactions per year, operated in the SURE from 83,000 (year 2010) to 182,000 (year 2016)**. It has been noted that more than 80% of the users of the SURE and modernized registries value the services offered as "*Satisfactory*" and "*highly Satisfactory*." Finally, despite the accelerated increase in annual transactions, its effect on the increase in operating costs, as well as the requirements by law, new requirements of geo-referenced parcels for registration procedures; the population has not faced any increased rates of registry services, nor has the processing time been expanded, keeping it equal to the Base line of phase II, (*Although the goal of reducing from 23 to 18 days the transactional procedure time was not reached*).

ii. Progress in the decentralization of land management services is being achieved through the development and entry into force of regulations, instrumentalities of processes and technical certification of municipal capacities to operate as Associated Centers of the IP. **To the closing date, eleven (11) municipalities were certified and four (4) of them signed Agreements as Associated Center of IP.** Within the framework of the modernization of the offices of the registry, a new module of the SURE was developed, allowing banks to operate as special registries called "Peripheral Registry Offices (ORP)" of IP, offering up to 17 services to its customers for purchase and sale, mortgage loans, cancellation and transfer of liens, among other. The ORP was tested successfully in state and private banks for replicating it to the rest of the country. On the other hand, Coordination efforts were substantially improved and networks maintained, between the Central and municipal institutions, and civil society organizations involved the administration of lands by creating participatory mechanisms and institutions close to the beneficiary population, as in the case of urban and indigenous inhabitants. The project produced Municipal development plans with approach to land planning, with a horizon of 20 years, which were approved by six (6) municipalities in open citizen's consultation mechanisms, including the two (2) largest cities of the country, San Pedro Sula and Tegucigalpa.

iii. Regarding the improvement of access and the accuracy of the information about the property, the IP has assumed the operation and maintenance of the SURE, which can be consulted via internet by citizens, notaries, municipalities, INA and the ICF, among others (*e-*

government). Also, a model of registration service called *Front and Back Office*, to prevent the discretionary nature, is being tested in the Registry of Francisco Morazán. An external audit of the SURE, at midterm (with a sample of 292 properties in *Folio Real* in 5 Registries including 9 municipalities and was supplemented at the end of the project, with a sample of 307 properties in *Folio Real* in 4 Registries including 10 municipalities), showed that the information contained in the system had a degree of reliability evaluated by 96% and more than 80% of the institutional users rated services as satisfactory. Also, 177,000 new *Folios Reales* were added in phase II, all geo-referenced, which offer better consistency of information on properties through the link of legal and physical data from the land parcels. Likewise, the registered information may include administrative or territorial affectations that restrict or regulate its use. These achievements were obtained by incorporating international standards and best practices of quality control, as well as the updating and documentation of processes and procedures of regularization. In terms of access to updated information by other actors and beneficiaries, the project provided free of charge services of institutional or professional consultations, information processing, to municipalities, co-executing agencies, banking entities in the sectors of housing and construction, notaries and controlling instances, among others.

The project contributed to issue more than 50,000 new titles, of which 48% were assigned to women and 10% to couples. Also, the project implemented a participatory process that culminated in the generation, registration and delivery of 4 intercommunity (collective) titles that benefited more than 26,000 members of the indigenous Miskito People, who were the only indigenous people without legalizing their lands in Honduras.

2. Progress in the Implementation of the Components

Component 1: Policy and Institutional Strengthening

The project contributed to the strengthening of the political and regulatory framework to complement and enforce various aspects towards land governance, the decentralization of registry and cadaster services, regulation of surveying standards as well as the development of procedures of delimitation and regularization in Protected Areas and indigenous peoples. Examples include the accompaniment of the LGAF (2013-2015); Regulations of Cadastral Surveying (2013-2016); validation of certification criteria of the Associated Municipal Centers (2016); Regularization Manual of the IP (2016); Unification of Registration Criteria Manual (2012); Manual of standards and indicators of quality in the modernized registries (2013, 2014); the Situational diagnosis of the national cadaster in Honduras (2013); the Design of public policy on cadaster (2013); Manual of Regularization of Protected Areas (2013); Strategy of titling of lands of the Miskito People (2011-2012); and the technical contribution in legislation of prior, free and informed consultation for indigenous; and social audits through participatory communities members and Miskito leaders, processes to agree on inter-community titling model and the strengthening of Sustainable Territorial Governance Practices , within the framework of their Cosmo vision.

The project contributed to the improvement of capacities and services in the areas of land management through providing technical assistance, training and equipment, including: i) maintenance and operation of the platform of the SURE. In the year 2012, a study of General diagnosis and proposal of development alternatives of the SURE, to determine vulnerabilities, weaknesses and points for improvement, was carried out. It showed that the SURE, although it could remain a stable platform, demanded of an evolution, not provided for in the design of phase II. A recent evaluation indicates that the SURE can work for few more years, while it overlaps with an evolved version. Based on the diagnosis of 2012, new investments were made, to increase storage capacity, in view of the 4 new CR to modernize, more registration records of the

INA; for use of support technologies; it was managed to migrate cartographic data into spatial data base; a tool developed *in house* in order to go from the use of proprietary technology to an open technology (*open source*) specially in the publication of images, allowing its current use by the ORP; it combined with the use of new spatial displays; the development of SURE modules to operate the Front-Back Office model, tools for transactional monitoring and load balancing that speeds up the flow and reduces system crashes; interoperability was achieved with the Municipal Territorial Information System (SIT); among others. Finally a repository of all the technical documentation of the SURE was developed which includes policies, procedures and manuals⁴; ii) modernization of 4 new registries of IP, which meant **891,450 new matriculations generated**; (iii) capabilities were strengthened in the municipalities, of which 11 have been certified as Associated Centers of the IP; (iv) **1,367 people from the public and private sectors were trained to use the SURE**, of which 80% became certified; (v) the implementation of the key modules of the integrated system of financial administration (SIAF-PENTAGON) of the IP, that substantially improves its administrative management with transparency in the use of resources; (vi) the transfer of SURE to IP, including the initial phases of its technological evolution and the staff of qualified personnel; (vii) the **INA, a co-executing entity**, was supported **in the digitization and publication in the SURE of 2.8 million images from the agricultural registry**; and (viii) a Guidebook of alternative mechanism of conflict resolution in La Mosquitia and rules of access, use and management of natural resources, was developed together with INA and Miskito Organization (MASTA).

Component 2: Cadastral Surveying and Land Regularization

Component 2, surpassed major targets of cadastral survey, in a range of **14 municipalities, covering an area of 250,000 hectares**, increasing by 50%, the number of urban and rural parcels registered in the SURE to phase I. Likewise, increased by 100% the number of Folio Real with linked Registry-Cadastral information, compared with phase I. The project supported the development in a participatory manner, of **6, Municipal Development Plans with territorial approach designed to 20 years**, which were approved in open *Cabildos* (*public citizen's consultations*). These plans include San Pedro Sula and Tegucigalpa, the country's largest cities. Aerial photography and orthophotos of approximately 2,400 km was achieved, in selected areas of 10 municipalities. Assessments made from 2012 to 2014 in the Administrative Public Views and in the assessment of impact in 2016, **showed that more than 93% of the people interviewed (4,000 people) rated** the processes of cadastral surveys as **satisfactory**. It is important to point out that the surveying of most of the cadastral parcels was carried out with the co-financing of the Nordic Development Fund (NDF), process supervised by the UCP, with funding from the PATH II.

Component 3: Demarcation of Protected Areas.

With the support of the project to the ICF, it was managed to define, redefine when applied **and demarcate 100% of three proposed protected Areas**, being these areas: *El Merendón* area, the refuge of wildlife *Mico Quemado* and the refuge of life wild *Colibrí Esmeralda*. In addition to the established goals, was the marking the 40% of the perimeter of a fourth protected Area, called Water Producer Area *Piedra de Apaguiz*. To complete this last process there is still an effort by the Government to approve the redefinition and delimitation of the protected Area of *Piedra de Apaguiz*, in Danli, as well as 60% of the remaining demarcation with other resources. Those Areas were prioritized by the ICF by their complexity with respect to their boundary with settlements requiring participatory processes to arrange recommended redefinitions, activity in which the project participated directly; and in the case of *Colibri Esmeralda* for being a bird of an endemic species.

Component 4: Strengthening of Miskito People's Land Rights.

The Miskito people were the only indigenous people without a legal owner status in Honduras. The PATH II concluded a pilot process of collective titling that allowed to replicate its methodology with other Miskito communities in the rest of the Department of Gracias a Dios, which were titled by the INA, in addition to the titles issued by the ICF in the *Rio Platano* (Protected Area). In this way 100% of the Honduran Mosquitia was legalized.

It stands out in the design of the project, that the unit of measurement of indicator was "community", reflecting in the indicators to title at least 25 Miskito communities. During the process of prior, free and informed consultations, in line with the ILO Convention 169, as well as the experiences of the South-South program of the World Bank, in concert between the Miskito people and MASTA the model was changed towards a collective "inter-community" titling.

Through the project support was given to the INA, surpassing **the original goal of titling 25 Miskitu communities, using inter-community titling in 4 Miskito territorial Councils (CT), totaling 78 communities.** The CT of KATAINASTA constituting the first inter-community titling to the Miskito people (August 2012), then AUHYA YARI, FINZMOS and BAMIASTA. All titles were given to the CT beneficiaries by the President of the Republic on 3 different public events. These titles were subsequently translated into Miskito language for the corresponding socialization process.

The project also supported the elaboration, coordination and implementation of a pilot Plan of governance in KATAINASTA CT. The pilot included the elaboration of management regulations of land, natural resources and internal regulations of the Territorial Councils, registration of statutes and legal personality of the CT's and MASTA, alternate mechanisms of conflict resolution, and training complementary to community leaders in land management and management of natural resources and alternative dispute resolution processes, including at least 35% of women trained.

Component 5: Project Management, Monitoring and Evaluation.

The project, during its effectiveness, has managed to disburse 100% of the available funds, with execution aligned to a proper multiannual planning, which meant a performance of 95% on annual average. On a cumulative basis, it managed to execute **94% of the total of 25.0 million SDR (equivalent to US\$ 32.8MM).** The unexecuted difference corresponds to the exchange rate differential loss.

Each year of execution there have been conducted evaluations and audits to management, through external auditing firms and independent audits of the World Bank, without findings, revealing the healthy management of the human, physical and financial resources. In addition, World Bank portfolio reviews were conducted semi-annually, with support of the Government of the Republic, where for three consecutive years the first place was achieved. The project implemented an **Integrated system of financial administration (SIAF PENTAGON)**, tool that allows control of the internal management in an interrelated way by linking planning, administrative, financial, and procurement operations; as well as the monitoring and evaluation of the project.

The monitoring and evaluation (M & E) system of PATH II was **implemented in accordance with the provisions of the Operations Manual** - Annex 8 Monitoring and evaluation Manual - and methodologies established for the measurement of development indicators and results by component. The project indicators were reviewed and standardized per the main Sector indicators "core indicator" applicable to land administration projects. The system combines the collection data from: i) the SURE and the SIAF-PENTAGON, provide information in real time on the effectiveness, efficiency and the progress of cadaster and regularization processes; (ii) external assessments that verify reports of the M & E system and carry out field activities with beneficiaries and users; (iii) a Baseline at home level and a survey for the evaluation of impact at the end of the project; and (iv) participatory evaluations with users and beneficiaries. With the assistance of the

Cooperation Program of the World Bank and the FAO Investment Centre, M & E of the PATH II has developed and tested various methodologies that allow not only to monitor physical - financial advances of the project, **but also the results and impacts achieved**. It will be recommended that some indicators of efficiency should have shorter periods between their evaluations.

3. Economic, Financial and Fiscal Evaluation

Financial economic analysis. The results of the analysis indicate that the urban and rural surplus generated by the project is significant, this is shown with the value of the VAN of the net flow of \$25.722 million, in the scenario in which surplus value is capitalized 1 year after the beginning of the PATH II. The resultant IRR of 40.80%, is higher in 28.80 percentage points to the rate of cost of capital. The analyses were carried out considering the net cost of component 2, plus its proportional corresponding to component 5, adding the recurrent costs until the end of the period in the year 7.

Cost-effectiveness analysis of cadastral survey processes. The savings generated by the project are substantial for the cadaster dependencies of the IP and the INA, by PATH subcontracting and offering the services of field research and cadastral updating of urban and rural properties. These savings reached a total of US\$ 4,635,792.41.

Institutional financial analysis of the IP at the level of the Registries Offices. Per the results of the year 2015, the rate of financial sustainability with revenue and net cost of the 16 modernized registries, the result was positive 1.02. In other exercises, considering only the 6 registry offices of phase I, the resulting financial sustainability index was 1.15. This index was 0.88 for the 4 phase II registries. For 6 additional registries, it was 0.77. When grouping the 10 registries of phases I and II, the result was 1.07.

Fiscal impact analysis. The results of the analysis that was done following the same methodology used in the study of feasibility, indicate that potentially, municipalities can increase revenue by real estate tax collection, in the order of \$2.86 million, US\$ 1.622 billion and US\$ 920,593.56, when all beneficiaries pay the total of their taxes immediately, or in gaps of 5 and 10 years respectively.

Analysis of economic benefits of component 3 Demarcation of Protected Areas. The total costs incurred in this component amounted to the figure of \$725,054.84. Economic benefits registered so far total \$932,241.06 for environmental services, from 2011 to 2016, for the owners of the land comprising the wildlife area *Colibri Esmeralda* in the municipality of Olanchito. These payments will continue until at least the year 2021.

Analysis of economic benefits of component 4 Strengthening of the rights to the land of the Miskito people. The total investment of the II PATH in this component was of US\$ 1,237,211.06. The non-quantifiable benefits so far include 18 commitments for improvements to the community by the oil company BG Group, in compensation for exploration activities in community territories adjacent to them, duly legalized by the Government. In addition, some community councils receive a canon for the usufruct of their territory, and the opportunity of hiring of labor, in the process of extraction, classification and packaging of jellyfish and sea cucumber for export.

4. Overview of Other Outcomes and Unforeseen Impacts

Outsourcing through Peripheral Registry Offices (ORP). The project gave technical support to the IP initiative, to operate a model of *Peripheral Registry Office (ORP)* in national and private banks through two pilots in the city of Tegucigalpa. The ORP consists of a “one-stop shop” in the banking facilities, enabling 17 different registration services for procedures related to financial institutions, such as: purchase-sale of property, registry, freeing of liens and mortgages, and many

others. The ORP are part of the vision of SINAP, derived from the Front and Back Office model implemented in the Registry office of *Francisco Morazán*. The IP intends to replicate this ORP model in other banking agencies nationwide.

SURE implementation in the Commerce Registry. PATH II supported the IP to operate the SURE in the Commerce Registry office of *Cortés*, (expanding the coverage of the SURE), which is operated by the Chamber of Commerce and Industry of Cortés (CCIC) as an Associated Center of the IP. This involved the development and implementation of a business module in the SURE, the training of personnel of the registry; as well as technical assistance during and after the process.

Protected Areas to demarcate. In addition to the established goals, the demarcation of 40% of the perimeter of a fourth protected area, called *Piedra de Apaguiz*, in *Danlí, El Paraíso*, was achieved.

Based on the work of demarcation of Protected Areas by the PATH II and the ICF, the resources of these protected areas were reassessed, achieving the recategorization of *Mico Quemado* and the *Guanchias Ecological Reserve* to a *Wildlife Refuge* and its incorporation into the National System of Protected Areas of Honduras (SINAPH).

Inter-communal titling of other Territorial Councils in the Mosquitia. The first Territorial Council that was titled, and served at the same time as a pilot for the model of inter-community titling was KATAINASTA, which included 39 communities. The goal of 25 communities was overcome with the first title. This milestone would have unforeseen favorable impacts, by demonstrating that it was possible to legalize their land rights, the Honduran Miskito increased their pressures of claiming rights to all their ancestral lands, so that the Government decided to align, other projects and efforts for the titling in La Mosquitia with the methodology proved by PATH II.

The first unforeseen impact was that in addition to the 4 CT's titled by PATH II, in favor of the Miskito people, the 8 remaining CT's in the Department de Gracias a Dios were titled by the INA and the ICF in the *Rio Platano* (Protected Area), with the successful methodology of the project. Legalized area totals 1.4 million hectares, or 14 thousand km², equivalent to 12.5% of the Honduran national territory.

5. Social and Environmental Aspects

The PATH II presents a Satisfactory level of compliance in social aspects, with a cross-cutting approach to gender and equity, and a communication strategy to promote the participation of the beneficiaries. The main social results are as follows: Component 1: 50,798 families mostly living in marginal urban areas, in poverty, participated in the stages of cadastral survey through titling, 58% of the titles has a woman as beneficiary; in addition, 1,367 people in the public and private sector were trained to use the SURE. In Component 2: 52% of the owners or possessors of land participated in the cadastral survey, of which 93% evaluated it as satisfactory. Component 4: 4 Territorial Councils were collective titled under the form of inter-community title, benefiting 78 Miskito communities (the goal was 25 communities); training 117 community leaders in processes of alternative dispute resolution (of which 48 are women) and 109 in management of land and natural resources.

The main favorable impacts consist of improving the perception of security of tenure and the reduction of social conflicts by tenure, both in urban and rural areas as in indigenous lands; as well as the recognition of their lands by the registry system giving them legal certainty which allows family members to inherit their parcels; by its entry into the financial-economic system and ceasing to be extra-legal assets, which allows access to credit for housing, business, health and education, among others.

Safeguards. The project is classified as category B, and the following environmental safeguard policies were activated: Environmental analysis (AA) (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Tangible Cultural Heritage (OP/BP 4.11) and Forests (OP/BP 4.36). Given the applicable policies, the UCP, through its Social and Environmental Area, successfully executed the Plan of Environmental Management. In addition, there have been activated under the project, policies of social safeguards for the indigenous peoples (OP 4.10) and involuntary resettlement (OP 4.12) - this last corresponding to the potential restriction of access to natural resources of the AP's to delimit and demarcate, being the framework of processes, the instrument with measures to prevent, mitigate and compensate those potentially affected. In commitment to the fulfillment of this safeguard and the framework of processes, for the Miskito land titling and demarcation of protected areas, the resettlement of people was not necessary, in the case of the Reserve *El Merendón*, a redefinition of boundaries was made to leave communities out of the protected area, achieving the release of 90% of the towns that were within the protected area. The area Water Producer *Piedra de Apaguzí*, in the second stage of demarcation, requires a redefinition of boundaries since much of the town of Danlí is located within the boundaries of the protected area.

In this regard, a Plan of Indigenous Participation (PPI) and a process framework were drawn up. The PPI responds to a social evaluation that was conducted to analyze issues related to land management, identify potential risks and impacts, and recognize and characterize key stakeholders of the project on indigenous territories. This PPI was concluded with indigenous peoples, considering lessons learned in phase I, mainly in the prevention of conflicts supported by participatory consultation and social communication strategies. Aspects and key actors were identified to consider along the collective titling process.

The communication strategy of the project included an educational communication campaign to promote the participation of beneficiaries in each of the various processes that were carried out, to facilitate the understanding of beneficiaries on the processes and expected outcomes, ensuring adequate levels of participation. In Component 4 specifically, it included radio spots in Spanish and Miskito language, as well as posters and other print media and television, socialization and informational events in Miskito language. The strategy was maintained before, during and after the field activities of cadaster, demarcation and titling processes.

The gender equity strategy of PATH II contributed in the case of land titling in indigenous communities to avoid that Miskito women remain excluded from the benefits of development and to promote their participation under conditions of equality with men in the process of land titling, in accordance with the principle of equality guaranteed constitutionally, promoting the participation of women in all and each of the actions and processes of inter-community titling. In the case of non-indigenous women, the process of regularization and titling of property was promoted so that they were registered in favor of women, likewise information and dissemination activities were developed with focus on gender, resulting in that of the total number of people who have received land titles, 48% are women and 10% are couples, equivalent to more than 29,000 new titles with women as a beneficiary.

Also equivalent to audits of social review, consultation and participatory processes were validated in different components of the project, such as the process of Diagnostic of Land Governance LGAF that took more than 6 months of public and private consultations; the open Councils which finally approved Municipal development plans with a focus on land use planning, including the two largest cities in the country, and the complex process of free, prior and informed consultation with the Miskito people in participatory assemblies according to their own Cosmo vision.

6. Fiduciary Issues and Financial Execution

In 2010, the Credit Agreement No. 6460 was approved, by means of which \$3.0 million were assigned as Project Preparation Funds (PPF) for phase II of the PATH, agreement that was concluded satisfactorily in the year 2011, having executed 99.99% of the allocated funds. Agreement No. 4641 HN starts at the end of this same year, in the amount of SDR 20.5 billion, equivalent to US \$32.8 million (including preparation funds). At the end of the project, an execution of 94% of the US \$ 32.8 millions was achieved, due to the exchange rate variation on the SDR to US dollars, the project's accredited availability was reduced, in \$1.97 million, which meant 6% of the total of the credit, without being assigned to the special account.

The administrative and financial management, of procurement and monitoring and evaluation implemented by the UCP, was considered satisfactory (S) throughout its implementation, based on the opinions of follow-up BM missions, as well as the ex-post procurement evaluation carried out as part of the final evaluation. In general, the structural organization, staff and space dedicated to the project were adequate to carry out the activities.

7. Evaluation of the Bank's Performance

Bank performance ensuring quality during input. Rating: Satisfactory. Development objectives were consistent with the World Bank Interim Strategy Note IDA/R2010 discussed by the Executive Board on November 9, 2010 and with ongoing talks regarding the Country Assistance Strategy (CAS), to improve the quality of life of the population, establishing strategies that enable legal certainty of property tenure in Honduras.

Quality of Supervision. Rating: Satisfactory. The supervision of the World Bank to the project during the implementation phase from 2010 until 2016, in a period of 7 years, consisted of twenty-four (24) missions of supervision by the project management. Likewise, it was strengthened with monthly follow-up videoconferences as well as the specific audio conferences during the last year. These missions include: a mission of restructuring, a mid-term evaluation and a final evaluation. Similarly, BM provided support to the project when it faced the dismissal of key personnel of the UCP, achieving their reinstatement and speedy normalization of operations after the brief stoppage of the project. Sixteen (16) FAO missions are added, within the context of the Cooperation Program of the World Bank and the FAO Investment Centre, on issues of M & E, impact assessment and evaluation of indigenous territorial governance.

It is noteworthy as very positive, the exchange of experiences, lessons learned and good practices with the South - South cooperation program, of the World Bank, in the subjects of indigenous titling in Nicaragua and Colombia, as well as systems of register-cadaster linking in FYR Macedonia and Romania. With the support of the World Bank the Assessment of Land Governance in Honduras (LGAF), as a basic input, was carried out.

Justification of the Bank's overall performance score. Rating: satisfactory. The actions of the World Bank are considered satisfactory since it implemented a dynamic to improve the management of the project, to give it transparency and efficiency, trying so that most of the problems encountered were overcome.

8. Lessons Learned

The main lessons learned during the design and implementation of the project, on land administration, are exposed as follows:

Co-executing Agencies. In case of a new operation, it is convenient to analyze adding new co-executors with relevant institutional weight and affinity with the land thematic, either with social,

productive, vulnerability or environmental sectorial competences. This is a lesson learned given that participation and involvement of several key entities, co-executing agencies and municipal governments in the activities of the project, assured its development and greatly contributed to the institutionalization of the products.

Monitoring and evaluation System. The frequency to monitor some indicators is considered a shortcoming on the design M&E system, the methodology prepared did not properly considered the number of days needed to register transactions nor the operating costs of the modernized registries.

Monitoring of Registries. Modules of auto monitoring of transaction time and costs, from the beginning of the development of registry and cadaster linking systems and financial as management systems, must be incorporated at least annually.

Registries and indicators. Modernized registries efficiency goals should then consider a fair balance between operating cost, processing time, and the accuracy of the recorded data. It was evident that the goal of procedure days (in calendar days) was not realistic, also penalizes the result, not calculating only working days or days of transaction processing, but calendar days, including weekends and holidays.

Folio Real. On this matter, it is estimated a priority to support in the development of a module in the SURE for Control and Traceability of Titling Records, as evidence was found that some new titles have been registered in *Personal Folio*.

Stability and Evolution of the SURE. A system audit determined that the most viable alternative in terms of sustainability of the investment is the evolution of the system. A new version of SURE 2.0 under the prospect of technical and functional sustainability, is recommended under the scheme of software "*factories*" for the development and '*in house*' operation for control over the knowledge of the business.

The adoption of schemes such as **Front-Back Office**, facilitates the scope of this type of models, and can centralize traceability, mutation and "*securitization*" in a single operator and allowing existing middle windows to be disposed of, representing an improvement in accuracy. Derived from this modernization process the ORP arise, contributing with more agile operations and without operating cost for the IP.

Outsourcing of activities. The areas of procurement and technical Areas, must meticulously precise the specifications and contracting terms that ensure continuous quality controls, periodic reports, corrective measures and sanctions. Complementarily the supervising entity should take the appropriate budget precautions for these monitoring processes, with qualified personnel, which often can be expensive. The cost analysis allows to show that outsourcing is more expensive for rural properties, but to urban land it is otherwise. It must be considered that the conformation of multidisciplinary supervising units within the UCP ensures an adequate management of the contracts, and periodic monitoring of contractors.

Protected areas. It is very important to have left the urban population outside the perimeter of the intervened protected Area of *El Merendón* in *San Pedro Sula*. The same case is replicated in the fourth AP *Piedra de Apaguz* in *Danli*, with much of the town being within the limits of the AP, in process of rectification of boundaries by the National Congress. Also, it is evidenced that many *Mojones* of boundary demarcation adjacent to towns, were destroyed or their metal plates stolen. The *Mojones* specifications must be conformed to the risks of being damaged that they face.

Governance plan of the Miskito People. There is an urgent need for strengthening the processes of territorial governance along with the titling, which includes establishing permanent mechanisms for dialogue and consultation among State and municipal authorities, cooperating agencies, and

representatives of the Miskito people, to promote a better understanding and respect for the traditions and customs that govern indigenous territories and in the resolution of conflicts.

Registration culture. To avoid cadastral and registration outdated, it is necessary to bring services closer to the citizens and to encourage registration culture, being decentralization at the municipal level or the ORP, options that should be evaluated. A campaign of socialization and more sustained awareness of the benefits of property registration is required.

9. Sustainability and Institutionalization of the Results

A valid premise is that the **IP still requires further institutional strengthening** to fully exercise its leadership, to continue the modernization of the property registries, and the development and institutionalization of SINAP. The establishment of municipalities as associated centers of the IP will allow to further increase the sustainability of the project results, to ensure the permanent updating of the cadastral information. The momentum generated in the dynamics of decentralization and outsourcing of services, as well as any public-private partnerships, must be maintained, especially the alliance that begins with Bank operators.

As good practices, it will be critical to keep practicing participatory methodologies that were key in the success of several PATH indicators, such as consultations on legal aspects, consensus with indigenous peoples, with neighboring residents in protected areas, of mass processes of titling and cadaster. Also, these practices will contribute to maintain the optimum level of reliability achieved in the perception of the different users of the SINAP and beneficiaries.

Among some essential aspects, the following can be stated:

In terms of the **sustainability and evolution of the Unified Registry System SURE**, there is more Government clarity in its approach. Considering that the project has moved per a transition Plan implemented successfully since 2016, the total management of the SURE to the IP. Transferring the process of evolution of the National Property Administration System (SINAP) to a private operator, is priority for IP.

Regarding **Registry modernization**, several major challenges persist, among them: to) the efficient operation of the 16 modernized Registries; (b) modernization of 8 remaining registries; (c) the agenda of the outsourcing of registry services; (d) expansion of the *Front / Back Office* model; e) operation of new peripheral registry offices in banking at the national level; (f) and other associated registries.

In terms of the **Protected Areas**, in addition to the established goals, demarcation of the 40% of the perimeter of a fourth protected Area, called *Piedra de Apaguz* was achieved. There are two pending actions: to) Legislative Declaration, and (b) Demarcation.

In terms of the sustainability of the results achieved in the recognition of **ancestral rights to the land of the Miskito people**, countless challenges remain. The most immediate are the growing trend of temporary occupation by the Ladinos (non-indigenous), with the purpose of extraction and irrational exploitation of natural resources, as well as the governance of land and its resources.

In terms of a **Public Land Policy**, Honduras requires a land policy and that for this reason there is a Cabinet of decentralization and governance. The country can count with the Land Governance Assessment Framework LGAF, as a basis for the evaluation of policies and practices related to land governance, with support from the FAO through its experience in the Voluntary Guidelines, a proposal can be developed.

10. Borrower/Client Comments on Bank's Draft ICR

The Bank's draft ICR was sent to the IP for comments on July 5, 2017. The IP sent a letter and minor comments which were incorporated in the draft. See letter in Annex 8. The letter will be archived in WB Docs.

Annex 7. List of Supporting Documents

1. PATH II Documents:

- Evaluacion de Medio Término del Programa de Administración de Tierras de Honduras, Fase II (PATH II). February 2015
- Análisis de Cumplimientos de Criterios Técnicos para el Establecimiento de Centros Asociados Municipales en Materia Catastral del Instituto de la Propiedad. December 2016
- Informe Final de la Implementación del PATH II. May 2017
- Informe Final de la Evaluación de Impacto de la Titulación a nivel de Hogares en el marco del PATH II. May 2017.
- Evaluación Final de Aspectos Sociales y de Género de la Implementación del PATH II.
- Evaluación de los avances del PATH II en los indicadores afines con la eficiencia y eficacia de los Registros Inmuebles modernizados, factores relativos a transacciones registrales y registros prediales en Folio Real. January 2017
- Consultoría en gestión municipal y procesos de catastro para la evaluación final del PATH II. December 2016
- Informe consolidado Indicadores 1 y 2. Medición de los indicadores de confiabilidad del SURE y la percepción de la satisfacción de sus usuarios. December 2016.
- Development, Operation and Evolution of the Unified Registry System (SURE) of the National Property Administration System (SINAP). October 2016

2. World Bank Documents:

- Project Appraisal Document. June 2011
- Country Partnership Framework for the Republic of Honduras, for the Period FY16-FY20. November 13, 2015
- Systematic Country Diagnostic. “Honduras - Unlocking economic potential for greater opportunities”. October 2015.
- Restructuring Paper on a Proposed Project Restructuring of Second Land Administration Project Credit No. 46410 (Report No: RES21368). January 2016.
- Implementation Completion and Results Report PATH I (IDA-38580). October 2010
- ISRs #1 to #12. September 2011 – November 2016.

Annex 8 – Letter from Government of Honduras



Tegucigalpa M.D.C., 20 de julio, 2017

Oficio No. SE-IP-284-2017

Ph.D Mary Lisbeth González
Especialista en Desarrollo Social
Gerente de Proyecto
Banco Mundial
Su Oficina

Estimada Doctora González:

Tengo el agrado de dirigirme a usted en representación del Abogado Ebal Díaz Lupián, Presidente del Consejo Directivo del Instituto de la Propiedad en relación al Informe de Término de Ejecución del PATH II que se ha tenido a bien someter a nuestra revisión. Al respecto me es grato informarle que hemos revisado el informe referido, el cual es congruente con el Informe Final de Ejecución de PATH II remitido el 5 de mayo de los corrientes por el Gobierno de Honduras por medio del Instituto de la Propiedad. Por lo tanto es oportuno manifestarle nuestra aceptación al contenido del informe, principalmente en aspectos que consideramos vitales para optar con mejor certeza a una nueva operación.

Sin embargo, cabe resaltar algunos enfoques coincidentes y puntualizar unas breves consideraciones, en nuestra calidad de Entidad Ejecutora del Programa, los cuales servirán de base para esfuerzos futuros en conjunto con el Banco Mundial por medio de una Tercera Fase, reforzando la sostenibilidad a lo diseñado e implementado por el Proyecto desde su Primera Fase; estas consideraciones se amplían en el documento anexo No. 1 llamado Comentarios Finales del Instituto de la Propiedad al ICR/ID 46410, los que son resumidos a continuación:

1. LECCIONES APRENDIDAS

- ✓ El IP debe fortalecer su capacidad normativa y supervisora con mecanismos de monitoreo y evaluación, estableciendo indicadores de producción y de calidad en prestación de los servicios de Registros de la Propiedad, Centros Asociados y Oficinas Registrales Periféricas.



- ✓ Es prioridad la integración al Sistema SURE de los diferentes registros, más allá del Registro de la Propiedad Inmueble, es necesario integrar los registros muebles con y sin desplazamiento, como factor fundamental para el objetivo de constituir en el Sistema las diferentes operaciones sobre los bienes de la nación; esto pasa por el desarrollo de una herramienta tecnológica que consolide todas las transacciones realizadas sobre los bienes de propiedad integrando los diferentes actores que intervienen en el proceso transaccional relativo a los bienes de propiedad, bajo una misma plataforma de gestión que permita la reducción de tiempos y costos transaccionales.
- ✓ En el proceso de transferencia del sistema al IP se desarrolló una auditoria externa, resaltando aspectos relevantes del estado actual del sistema, se aprovecha para adjuntar en anexo No. 2 copia del informe final que prioritariamente detalla:
 - La situación actual del sistema, las necesidades de nuevos módulos, control de calidad de información contenida en la base de datos, entre otras.
 - Es importante garantizar la seguridad en general y de las imágenes y el respaldo de la información en el SURE en una versión totalmente mejorada.
- ✓ Fortalecer la eficiencia de los 16 registros modernizados, atendiendo el control de calidad de las imágenes digitalizadas, dando con ello la certeza a los usuarios del sistema, imágenes congruentes con la información física; así como también es necesario continuar con la modernización de los registros restantes.
- ✓ La consolidación de la técnica de Folio Real no se logró institucionalizar, al cierre del proyecto el IP no cuenta con mecanismos que obliguen su implementación, se trabaja actualmente en dar cumplimiento a la Ley de Propiedad que manda georeferenciar previo a la inscripción, en este sentido el IP está llevando a cabo este proceso en los principales registros bajo la técnica de demanda, en virt de la gran cantidad de parcelas registradas en la base de datos del sistema hace imposible que el IP con su actual capacidad logre vincularlas en su totalidad. ✓ Debido a numerosos casos de conflictos creados por la discrecionalidad del funcionario en temas de Propiedad, se ha visto la necesidad de contar n mecanismos alternativos de resolución de conflictos. Siendo este uno de los objetivos estratégicos y de mayor importancia para el desarrollo de la Seguridad Jurídica en el país.

2.REVISIÓN DE CIFRAS Y SIGLAS

Se adjunta anexo No. 3, Cuadro con observaciones de forma y corrección de cifras incluidas en el ICR. alta consideración y estima.



Cc: Consejo Directivo
Archivo

Map of Honduras

