

# INTEGRATED SAFEGUARDS DATASHEET

## APPRAISAL STAGE

### I. Basic Information

Date prepared/updated: 12/01/2005

Report No.: 34565

### 1. Basic Project Data

Country: Peru	Project ID: P078894
Project Name: REAL PROPERTY RIGHTS CONSOLIDATION PROJECT	
Task Team Leader: David F. Varela	
Estimated Appraisal Date: December 5, 2005	Estimated Board Date: January 31, 2006
Managing Unit: LCSPS	Lending Instrument: Specific Investment Loan
Sector: General public administration sector (100%)	
Theme: Personal and property rights (P)	
IBRD Amount (US\$m.):	25.00
IDA Amount (US\$m.):	0.00
GEF Amount (US\$m.):	0.00
PCF Amount (US\$m.):	0.00
Other financing amounts by source:	
<u>BORROWER</u>	10.00
	10.00
Environmental Category: C - Not Required	
Simplified Processing	Simple <input type="checkbox"/> Repeater <input checked="" type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery)	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

### 2. Project Objectives

The main objective of the Project is to consolidate a decentralized and sustainable property rights system that improves access to property rights for the poor. This system will enhance the welfare of property owners and facilitate access to economic opportunities. Even though the Project cannot eliminate all forms/causes of informal tenure, it will reduce the negative impacts of informality and discourage further informality by consolidating the legal security of property rights, completing conversion of informal tenure, and building capacity to address its causes through strategic partnerships of various levels of Government and key stakeholders in the private sector and civil society. The proposed system will also provide support to the ongoing decentralization program of GoP through the institutional strengthening of Participating Municipalities.

Building on the achievements of the UPRP, the Project will: (a) generate comprehensive real property rights policies through diagnostic studies, strategic partnerships, and legal and regulatory reform proposals; (b) address the remnant demand for property formalization, through a national strategy, municipal strengthening and tailor-made formalization plans; (c) establish a National Real Property system based on a unified registry integrated with a national cadastre; and (d) support property investment and

credit promotion initiatives to empower the poor and facilitate the use of the poor's property rights in a formal economy.

### **3. Project Description**

#### **Component 1. Comprehensive Real Property Rights Policies**

The objective of this component is to: (a) strengthen the policy-making process on property rights in Peru to preserve the achievements of the legal, regulatory and institutional reforms pursued under the UPRP; and (b) and to ensure that further reforms will lead to equitable and sustainable socio-economic outcomes. It will finance the technical assistance required to conduct focalized diagnostic studies, to promote key strategic partnerships, and to prepare sound legal and regulatory reform proposals.

#### **Component 2. Decentralized Formalization and Cadastre Services**

The objective is to expand the formalization of urban and peri-urban areas in the territory of Participating Municipalities, with the technical assistance of COFOPRI, through activities: (a) adapted to the diverse needs of informal owners; (b) justified in cost-benefit terms; and (c) involving capacity-building and technology transfer for Provincial and District Municipalities. A national strategy will define decentralized formalization mechanisms, determine new priorities, validate new products and consider new communication and public education strategies through pilot testing and user participation. The Project will continue promoting administrative simplification to recognize and protect property rights; only to the extent that formal rules interact with social reality and reduce transaction costs, will the Peruvian State be able to avoid reversion to informality. It will comprise the following subcomponents: national formalization strategy, municipal strengthening programs, and municipal formalization and cadastre plans.

#### **Component 3. National Real Property Registry-Cadastre System**

The objective is to support the unification of property registries and the establishment of the national cadastre system in SUNARP-RP to improve: (a) the quality of property registry-cadastre services; and (b) access for the poor. This component will provide SUNARP-RP with the required technical assistance and equipment for activities structured around the following subcomponents: unified real property registry, and national integrated real property cadastre information system.

#### **Component 4. Credit and Registry Culture Promotion**

The objective is to support the economic utilization of property rights and foster real property-related economic activity in formalized areas. Specific goals are: (a) providing practical information on the linkage between registration and access to credit as a tool for individual empowerment; (b) reducing information gaps between formalized owners (including gender knowledge gaps), and credit and service providers; (c) understanding real estate markets in marginal areas in order to identify measures to encourage and facilitate real property transactions and investments; and (d) developing strategic alliances among the public and private sectors to promote business development in formalized areas and facilitate investments in infrastructure and services. Activities

will be structured around two subcomponents: communications and public education, and market relevant information.

#### Component 5. Project Management, Monitoring and Evaluation

The objective of this component is to achieve successful Project implementation. It supports: (a) standard Project coordination and management; (b) strategic communication and civil society participation; and (c) specific monitoring and evaluation activities. Qualitative and quantitative studies, including surveys and participatory beneficiary assessments will be financed to provide information for decision-making and improve Project management, obtain beneficiary feedback on Project interventions, and better understand the socio-economic benefits and the long-term impact of property formalization on community empowerment.

#### **4. Project Location and salient physical characteristics relevant to the safeguard analysis**

Demand for real property formalization services in urban and peri-urban areas in Peru is high; approximately 1.2 million properties could be formalized. Formalization under the Project will be governed by the following criteria: (i) impact rather than quantity will determine the design of formalization strategies; (ii) cost-effectiveness of the overall formalization process will be maintained; and (iii) process re-engineering will: (A) improve impact, strengthen community participation, and ensure cost-benefit; (B) concentrate on the completion of existing areas rather than starting new areas and leaving existing areas unfinished; and (C) expand into new areas selected on the basis of selected socio-economic indicators (Cusco, Puno, Cajamarca and Madre de Dios have been already identified).

During Project preparation formalization demand information has been reviewed and updated to ensure that assistance of COFOPRI to Participating Municipalities is justified in cost-benefit terms. A small pilot on the feasibility of formalization processes through itinerant brigades, in collaboration with Provincial and District Municipalities was carried out. The traditional model of the UPRP will be enhanced with the participation of the private sector and civil society and the definition of a specific formalization plan for Participating Municipalities that may include poor and non-poor areas, so as to generate cross-subsides for the formalization process, and subsequently for the operation and maintenance of a quality municipal cadastre.

#### **5. Environmental and Social Safeguards Specialists**

<b>6. Safeguard Policies Triggered</b>	<b>Yes</b>	<b>No</b>
<b>Environmental Assessment (OP/BP 4.01)</b>		<b>X</b>
<b>Natural Habitats (OP/BP 4.04)</b>		<b>X</b>
<b>Forests (OP/BP 4.36)</b>		<b>X</b>
<b>Pest Management (OP 4.09)</b>		<b>X</b>
<b>Cultural Property (OPN 11.03)</b>		<b>X</b>
<b>Indigenous Peoples (OD 4.20)</b>		<b>X</b>
<b>Involuntary Resettlement (OP/BP 4.12)</b>		<b>X</b>
<b>Safety of Dams (OP/BP 4.37)</b>		<b>X</b>
<b>Projects on International Waterways (OP/BP 7.50)</b>		<b>X</b>
<b>Projects in Disputed Areas (OP/BP 7.60)</b>		<b>X</b>

## **II. Key Safeguard Policy Issues and Their Management**

### ***A. Summary of Key Safeguard Issues***

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: This Project is a follow-up of the Urban Property Rights Project (Loan No. SCL-43840 â“ UPRP). Section E.6 of the Staff Appraisal Report (SAR) for the UPRP mentioned that the project did not deal with environmental issues as described and identified by Bank's policy, and explained that no involuntary resettlement would take place. Section 4 of the ICR for the UPRP explained that in the case of possible risk areas or archeological sites, COFOPRI worked with the agencies in charge (National Culture Institute [INC] and National Civil Defense Institute [INDECI]) to ascertain whether formalization could move forward. In these specific cases, the decision to clear the sites for formalization was taken by INC or INDECI, as appropriate. Experience with safeguards policies under the UPRP was therefore satisfactory; the Operational Manual proved adequate to prevent any potential environmental or resettlement impact.

As in the case of the UPRP, the proposed Project will not deal with any environmental issue. Property targeted for formalization will only be small lots in State-owned land that was invaded before March 31, 1996, in urban and peri-urban areas (Property Formalization Law - Law No. 28391- Art. 1). The Project will not include the titling of environmentally significant lands (i.e., lands for productive use or in rural areas) that are governed by separate legislation and titled under the Inter-American Development Bank (IADB) -financed Special Program for Rural Land Titling (PETT).

Following the UPRP precedent, the design of the decentralized formalization component will incorporate appropriate guidelines to prevent formalization from happening in risk areas (as mandated by Art. 21 and 22 of Supreme Decree No. 009-99-MTC and Art.18, Supreme Decree No. 013-99-MTC) or in or near archeological sites (as required by Art. 2.2.2 of Law No. 28391, Art. 1 of Supreme Decree No. 017-98-PCM and Art. 3 of Supreme Decree No. 046-98-PCM). Furthermore, the law specifically excludes from formalization land that constitutes a natural habitat (Law No. 28391, Art. 2.2) The Project Operational Manual will include sections to screen the above excluded areas out from titling under the project at the earliest stage of Project area surveying; no major

change is anticipated to the provisions of that Manual for the UPRP, that were satisfactorily applied.

However, the Project is expected to generate favorable impacts from an environmental standpoint under Components 3 and 4 because it will support activities that may induce positive behavioral changes among urban dwellers that may have positive environmental impact while no negative impacts are envisaged (for instance, provision of reliable information on risk areas and cultural property issues).

The Project will not trigger OP 4.10 as COFOPRI's legal framework (Law No. 28391) only allows formalization of individual informal possessions on State-owned land pursuant to Article 4 of Law No. 26845; demarcation and titling ancestral indigenous lands or natural habitats is not envisaged under this Project but under the GEF-financed Indigenous Management of Protected Areas in the Peruvian Amazon Project. Furthermore, OP 4.10 does not apply because project beneficiaries have lost collective attachment to their original distinct habitats and ancestral territories and moved into urban and peri-urban areas. However, the Operational Manual will include provisions to ensure informed consultation and participation of beneficiaries of indigenous descent in their own language during the whole formalization process. Furthermore, formalization and titling of community and indigenous lands is the mandate of PETT and falls outside the jurisdiction of COFOPRI.

The Project will not trigger OP/BP 4.12 or OPN 11.03 as no involuntary resettlement or impacts on cultural property will result from Project activities. Involuntary resettlement will not occur because the Project will only formalize State-owned land as provided by Law No. 28391 (Art. 2.1); the same law mandates that no privately held or disputed property can be formalized (Law No. 28391, Art. 10). The Project is designed to ensure that squatters remain in the lands they already occupy and mobilize that "dead capital" through market transactions (credit, sales, mortgages). Therefore, no physical displacement will be encouraged or supported under the Project.

However, because State-owned lands in the Project area may contain culturally valuable resources (in particular around the city of Cusco) in order to prevent the titling of lands supporting these materials, the Operational Manual will provide that any historic or archeological site within the Project area be surveyed, and their administration and conservation will be placed under INC jurisdiction as provided by Law No. 28391. To ensure that Project activities do not result in unintentional titling of areas of cultural value, as in the case of the UPRP, information on any such lands will be forwarded to INC, and titling will only be allowed following an official authorization by INC.

Finally, due diligence procedures for addressing social issues in the Project area will be included in the revised Operational Manual.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

As discussed above, there will be no potential large scale, significant and/or irreversible impacts.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

No alternatives had to be considered.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

No arrangements are required since no safeguard policies are triggered.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

There are two major impediments to security of property rights in Peru: (a) property rights information is not completely reliable because registry information is not linked to cadastral information; and (b) although COFOPRI and SUNARP have conducted successful modernization initiatives, Municipalities need to catch up. Scarcity of trained staff and appropriate technology as well as cumbersome processes limit the Municipalities ability to title or to establish and operate a cadastre. The Project thus faces two major technical challenges: (a) developing a single national formalization strategy that provides the necessary technical assistance and technology transfer to Provincial and District Municipalities; and (b) implementing a large scale registry-cadastral modernization initiative that allows the entire country to move from the traditional registry system to a modern geo-referenced system.

Under the proposed project Provincial Municipalities will gradually move to the driver's seat of formalization processes in Peru not only because the Municipalities Organic Law and the Formalization Law entrusts them with formalization responsibilities and allows them to receive technical assistance from COFOPRI, but also because: (i) formalization activities generate expertise in areas like the use of mapping tools and urban land information systems which are at the core of the urban planning and development functions; and (ii) urban planning and development responsibilities like land conditioning, zoning, and building control could be substantially enhanced with the technology transferred under the Project. District Municipalities will also have a critical role because they will: (A) generate information to update property cadastre records; (B) support housing alternatives for the poor and promote housing markets; and (C) utilize cadastral information to increase tax revenues and contribute to the cost of the maintenance of cadastral information.

As a first step in the determination of a municipal formalization strategy, the Project will help local stakeholders to determine the universe of non-registered or mis-registered properties (land and buildings), including not only informal settlements but also traditional areas where residential and commercial properties are located. Urban areas will be analyzed to determine where cadastre services can be provided on full cost-

recovery basis and where special tariffs or no-cost principles should apply. In traditional areas, owners of commercial, industrial or residential buildings will contribute to the full cost of the cadastre service. This work on traditional areas will assist in private sector development through enhanced access to formal credit, while enlarging the municipal tax base.

Institutional strengthening will proceed via Participation Agreements between COFOPRI and interested Provincial and District Municipalities. Under the Participation Agreements, Municipalities will provide (in exchange for formalization and cadastre support) local offices and staff, vehicles, and room and board for COFOPRI staff temporarily assigned to work with them for local capacity building.

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### ***B. Disclosure Requirements Date***

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**\* If the project triggers the Pest Management, Cultural Property and/or the Safety of Dams policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

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**If in-country disclosure of any of the above documents is not expected, please explain why:**

No disclosure requirements apply to this project since no relevant safeguards policies are triggered.

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### ***C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)***

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#### **BP 17.50 - Public Disclosure**

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

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#### **All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Have costs related to safeguard policy measures been included in the project cost?

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

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***D. Approvals***

<b><i>Signed and submitted by:</i></b>		<b><i>Name</i></b>	<b><i>Date</i></b>
Task Team Leader:		Mr David F. Varela	11/29/2005
Environmental Specialist:		Mr Alonso Zarzar Casis	09/09/2005
Social Development Specialist			
Additional Environmental and/or			
Social Development Specialist(s):			
<b><i>Approved by:</i></b>			
Regional Safeguards Coordinator:		Mr Reidar Kvam	11/28/2005
Comments:			
Sector Manager:		Mr Ronald E. Myers	11/28/2005
Comments:			