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R2019-0282/1

December 19, 2019

<p>Closing Date: Wednesday, January 10, 2020 at 6:00 p.m.</p>
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FROM: The Acting Corporate Secretary

Peru - National Urban Cadaster and Municipal Support Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed loan to Peru for the National Urban Cadaster and Municipal Support Project (R2019-0282), which is being processed on an absence-of-objection basis.

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Report No: PAD3044

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$50 MILLION

TO THE

REPUBLIC OF PERU

FOR A

NATIONAL URBAN CADASTER AND MUNICIPAL SUPPORT PROJECT

December 3, 2019

Social, Urban, Rural And Resilience Global Practice
Latin America And Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective {September 27, 2019})

Currency Unit =

S/. 3.38 = US\$1

US\$ 0.30 = S/. 1

FISCAL YEAR

January 1 - December 31

(Acting) Regional Vice President: J. Humberto Lopez

Country Director: Marianne Fay

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ABBREVIATIONS AND ACRONYMS

COFOPRI	Agency for the Formalization of Informal Property (<i>Órgano de Formalización de la Propiedad Informal</i>)
FM	Financial Management
GoP	Government of Perú
GRS	Grievance Redress Service
IGN	National Geographic Institute (<i>Instituto Geográfico Nacional</i>)
IDB	Inter American Development Bank
IPF	Investment Project Financing
LAC	Latin America and the Caribbean Region
LADM	Land Administration Domain Model
LVC	Land Value Capture
MEF	Ministry of Economy and Finance
MVCS	Ministry of Housing, Construction and Sanitation (<i>Ministerio de Vivienda, Construcción y Saneamiento</i>)
NUC	National Urban Cadaster
PCDPI	Project for the Consolidation of the Real Estate Property Rights (<i>Proyecto de Consolidación de la Propiedad Informal</i>)
PDO	Project Development Objective
PIU	Project Implementation Unit
PPSD	Project Procurement Strategy for Development
RAS	Reimbursable Advisory Services
SBN	National Superintendency of Public Goods (<i>Superintendencia Nacional de Bienes Estatales</i>)
SCD	Systematic Country Diagnostic
SECO	Switzerland's Secretariat for Economic Affairs
SIAF	Integrated Financial Management System (<i>Sistema Integrado de Administración Financiera</i>)
SUNARP	National Superintendency of Public Registries (<i>Superintendencia de Registros Públicos</i>)
STEP	Systematic Tracking and Exchanges in Procurement
TA	Technical Assistance



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Peru	National Urban Cadaster and Municipal Support Project	
Project ID	Financing Instrument	Environmental Assessment Category
P162278	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
10-Jan-2020	28-Feb-2025

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The project development objective is to improve the coverage of urban cadaster services in selected municipalities to enhance local government capacities for revenue generation and urban management.

**Components**

Component Name	Cost (US\$, millions)
Component 1: Strengthening Municipal Systems, Services and Capacities to Generate and Maintain Urban Cadasters in Project Municipalities	69.10
Component 2: Strengthening of the Institutional Framework	6.30
Component 3: Project Management	5.50

Organizations

Borrower:	The Republic of Peru
Implementing Agency:	Agency for the Formalization of Informal Property - COFOPRI

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	80.90
Total Financing	80.90
of which IBRD/IDA	50.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	50.00
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Non-World Bank Group Financing

Counterpart Funding	30.90
Borrower/Recipient	30.90

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2020	2021	2022	2023	2024	2025
Annual	0.30	5.00	9.50	10.00	14.10	11.10



Cumulative	0.30	5.30	14.80	24.80	38.90	50.00
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INSTITUTIONAL DATA**Practice Area (Lead)**

Urban, Resilience and Land

Contributing Practice Areas

Governance

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**Risk Category****Rating**

1. Political and Governance	● Substantial
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Moderate
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	
10. Overall	● Moderate

COMPLIANCE**Policy**

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No



Does the project require any waivers of Bank policies?

☐ Yes ☒ No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12		✓
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description

Schedule 2, Section I A2 (a). To facilitate the implementation of the Project the Borrower, through MVCS, shall by no later than ninety (90) days after Effective Date create and maintain, throughout Project implementation a steering committee (the Steering Committee) led by MVCS, responsible for strategic direction, project oversight and coordination with stakeholders, approval of main Project operational instruments and selection of key personnel of PIU, and with composition and functions set forth in the Operations Manual.

Sections and Description

Schedule 2, Section I A2 (b). To facilitate the implementation of the Project the Borrower shall by no later than thirty (30) days after Effective Date, create and maintain, throughout Project implementation, a Project Implementation Unit (PIU) within COFOPRI, with functions, staffing, and responsibilities satisfactory to the Bank, as set forth in the Operations Manual.

Sections and Description

Schedule 2, Section I B. Prior to the carrying out of any Project activity under the jurisdiction of a Selected Municipality, the Borrower, through MVCS and COFOPRI, shall enter into a Cooperation Agreement with every Selected Municipality, under terms and conditions acceptable to the Bank.



Sections and Description

Schedule 2, Section I C1. The Borrower, through COFOPRI, shall carry out the Project in accordance with the provisions of a manual (the Operations Manual), satisfactory to the Bank, containing, inter alia: (a) the activities and timetable of actions to be carried out under the Project; (b) the composition and responsibilities of the PIU and Steering Committee; (c) the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures); and (d) the performance indicators for the Project.

Sections and Description

Schedule 2, Section I C2. The Borrower, through COFOPRI, shall not amend or waive or fail to enforce any provision of the Operations Manual without the Bank's prior written approval. In case of any conflict between the terms of the Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.

Conditions

Type	Description
Effectiveness	The Operational Manual has been adopted by COFOPRI in a manner and with contents acceptable to the Bank



I. STRATEGIC CONTEXT

A. Country Context

1. **Peru has been one of the most prominent economic performers in Latin America in the last 25 years.** With GNI per capita of US\$5,975 in 2015 (2011 PPP), its economy is one of the largest in Latin America and the Caribbean (LAC). Peru's rapid economic growth, averaging 5.3 percent since 2001, was second only to Panama's in the region. Economic growth has been widely shared. The poverty incidence rate fell from 58 to 23 percent from 2004–14, and households' incomes at the bottom 40 percent grew 50 percent faster than the national average. This fast and pro-poor growth transformed Peru into an upper-middle income economy, with aspirations to become a high-income economy in the next 20 years. However, after a long and positive trend in poverty reduction, the poverty rate increased from 20.7 percent in 2016 to 21.7 percent in 2017, while the extreme poverty rate stagnated. The increase in poverty was greater in urban than in rural areas (1.2 percentage points, compared to 0.6). Modest economic growth, a stagnation of the labor market, and a halt in the expansion of social spending led to the increase in poverty. In 2018, as Peru resumed economic growth, the poverty rate decreased again to 20.5 percent, and this trend is expected to continue in the short term.

2. **Like most other countries in the region, Peru urbanized quickly in the second half of the twentieth century, which has led to the rapid, unplanned expansion of urban areas.** Peru shifted from just over 50 percent urban in 1965 to almost 80 percent urban today. The urban population continues to grow at a rate of 1.72 percent per year, slightly higher than the Latin American average of 1.49 percent per year (World Bank, WDI, 2015). Lack of urban planning in Lima and other cities has increased disparities between the capital city and the rest of the country, and between Lima's affluent neighborhoods and its informal urban dwellings. The lack of land information systems has contributed to the uncontrolled growth of major cities without governments being able to produce development plans. To date only 20 percent of urban municipalities have updated urban development plans.

3. **Coupled with the high urbanization rates, Peru's vulnerability to climate change impacts is also increasing.** Observed and projected climate change impacts in Peru include rising temperatures, extreme precipitation, and more frequent and severe occurrences of natural disasters, including flooding and droughts linked to the recurrent *El Niño* and *La Niña* phenomena. In 2017, the natural phenomenon known as *El Niño Costero* caused numerous mudslides, landslides and floods in coastal areas of Peru. These disaster events revealed the limited capacity of local governments for land management and planning and the lack of actionable data to identify and define risk-prone areas. The absence of urban cadasters is also hindering the ongoing reconstruction efforts also aimed at increasing resilience to climate change.

4. **As urban populations have grown, municipalities' capacity to finance and manage infrastructure and service provision has not kept pace.** As the urbanization process continues, most municipalities¹ lack adequate capacity and instruments for income generation. According to the Municipal Tax Law (Legislative Decree No. 776

¹ Peru is a presidential, unitary government. 26 regions constitute the main administrative subdivisions and are governed by regional governments. Regions are subdivided in provinces, which are governed by provincial municipalities. Provinces are comprised of districts, which are governed by district municipalities. Presidential elections take place every five years, while regional and municipal elections take place every four years.



and its amendments), municipalities are entitled to collect revenue through different taxes,² including the property tax. Property tax income belongs to the respective municipality where the property is located. One of the main tools available to municipalities to identify properties and their attributes, and assign values for property taxes, is the urban cadaster. By law, municipalities must allocate five percent of the property tax income collected to finance the development, maintenance and management of their cadasters, as well as to improve tax collection activities. However, most municipalities do not comply with this provision. In addition, annually each municipality must approve its Cadastral Development Plan based on the property taxes collected in the previous year.

5. **Only 8 of the 522 urban municipalities in the country have complete and updated cadasters.** This factor, along with weak tax administration capacity at the municipal level, contributes to making Peru one of the countries with the lowest levels of property tax revenue in the region. About 4.2 percent of municipal income comes from this source. In comparison, in Chile and Brazil, municipal collection accounts for 25-30 percent of municipal revenues, respectively (World Bank, 2017). As a result, the municipalities are budget strapped, which hinders their ability to provide public services and to invest in infrastructure. These local governments are, on average, highly dependent on intergovernmental transfers, which in some cases account for over 95 percent of their spending.

6. **Municipalities could greatly improve their capacity to manage urbanization in a more sustainable way by leveraging updated cadastral information in urban areas.** While there are many issues that municipalities must address to improve urban management, including preparing and executing urban plans and disaster risk management measures, complete and updated cadasters are an important tool that can be used to inform various municipal activities. For example, cadastral data are a fundamental building block to guide development and investment in public services and infrastructure, as the cadaster provides information on public and private buildings and their occupancy. It is also crucial these cadaster data are accessible to the municipal offices in charge of natural hazard risk and climate change adaptation efforts so that the municipality can better identify the location of public assets and residential and other public and private buildings such as schools, hospitals, hotels, etc., to improve its emergency preparedness and response to the occurrence of natural disasters.

7. **The government has recognized the need for adequate cadastral information at the national level.** Peru does not possess an integrated national system that aggregates all municipal level cadaster data. This hinders the integration of real estate information, which translates into undetermined fiscal value of properties and an underestimation of municipal property tax collection capacity. The need for adequate cadastral information has been established as a national priority through Legislative Decree No. 1288 (2016), which declares that the development of a multipurpose urban cadaster as part of a Spatial Data Infrastructure is of national interest. This prioritization acknowledges the importance of the cadaster as a tool for development, planning, and investment to inform integrated territorial management.

B. Sectoral and Institutional Context

8. **According to competences and functions assigned in Peru's legislation, the National Integrated Cadastral System (SNCP) governs matters related to the different types of land cadasters (*catastro predial*), including the mining cadaster, the rural cadaster, the public asset cadaster and the urban cadaster, among others.**

² Municipalities also collect revenue from the following taxes: property sales tax, vehicular property tax, betting tax, and gaming tax. They also collect contributions and fees established by the municipal councils (fees for public services or excise taxes, administrative services or fees, licenses for the opening of establishments, parking of vehicles, public transport, among others).



The SNCP regulates the integration and unification of standards, nomenclature, and technical processes of Peru's different cadastral agencies. The SNCP system envisions the creation of a multipurpose cadaster with a focus on the inter-relation of the cadaster and the property registry. To this end, the SNCP creates an institutional structure and a process to integrate the different sources of information into a new, centralized Cadastral Database that would be equally accessible to public agencies and private agents.

9. **While there are several actors involved in developing policies and enacting programs for urban cadasters and land use planning in Peru, the primary ones are the Ministry of Housing, Construction and Sanitation (MVCS) and the municipalities.** An overview of the legal framework and actors is available in Annex 2. These different levels of government have the following responsibilities:

- (i) **At the national level, the MVCS is Peru's leading agency for housing, construction, sanitation, urban planning and urban development, state property and urban property.**³ The MVCS has also the mandate to exercise shared functions with the regional and municipal governments to promote, coordinate and execute the implementation and evaluation of national and sectoral policies, programs and strategies in accordance with the characteristics of the regional or local context. Until recently there were no legal provisions that explicitly established an agency as the governing body for urban cadaster matters. In 2018, Legislative Decree N° 1365 established the MVCS as the governing body for the National Urban Cadaster (NUC). As such, the MVCS is responsible for setting the policies, standards, guidelines and technical specifications related to the national urban cadastral information. It also designates the Agency for Informal Property Formalization (COFOPRI) as the entity responsible to implement, manage, and update the NUC.⁴ The MVCS has established the NUC as a platform for updating and creating urban cadastral information that can be used to improve the policy actions and investments of government agencies at all levels.
- (ii) **At the local level, the 2003 Organic Law of Municipalities (Law No. 29792) establishes that municipalities are responsible for developing and maintaining their urban cadasters.** Municipalities are also responsible for collecting property taxes and for land use planning within their jurisdiction.

10. **Despite Peru's efforts to promote cadaster development under the SNCP, most municipalities do not have the capacity or resources to update or develop their urban cadasters.** The primary reason is because the SNCP set a "gold standard" for cadasters that is difficult to comply with. Not only does it require urban municipalities to take on a major institutional project without providing any technical or financial support, but it also requires them to follow a model that is expensive to build and maintain, takes a long time to implement, and is generally much more than needed to achieve their cadastral, revenue generation, and urban management goals. Thus, 14 years after the SNCP law was approved, 60 technical standards have been produced, but in practice only a few municipalities within Metropolitan Lima have formally incorporated their cadasters into the national system.

³ Per Law N° 30156 and its regulations, approved by Supreme Decree N° 010-2014-VIVIENDA and its modifications.

⁴ The National Urban Cadaster (NUC) is an instrument of urban management at the national level. Once established, the NUC will contain quantitative and qualitative information on urban infrastructure, formal and informal buildings, urban equipment, and public spaces within urban centers, and urban settlements, including urban conglomerates. This information can be overlapped with existing hazard maps to identify areas prone to natural disasters (Article 3 of Legislative Decree No. 1365). While the legislation was passed in 2018, the Ministry of Housing is in the process of drafting the required regulations to operationalize the system.



11. **Cadaster data can be used to improve urban management efforts.** Currently, there is a lack of land information systems, including cadastral data, available to municipal-level urban development units, which hinders their capacity to produce planning instruments to anticipate and manage urban growth. The use of urban cadasters in Peru to inform land use planning is limited and decisions related to urban development are often made in an ad-hoc manner. This has allowed a pattern of unplanned urban growth that is primarily informal. Moreover, weak land information systems make it difficult for government agencies to coordinate their policies and manage their infrastructure and social investments.

12. **Cadastral information can significantly improve land information systems and be used to inform urban management efforts and property tax collection.** Areas for improvement are described below:

- (i) **Spatial data and information about the location and conditions of the built environment (e.g., housing, public and private buildings, hospitals, schools and infrastructure) are necessary for authorities to be able to take preventive measures to reduce the impacts of natural disasters.** Cadasters provide governments with information on buildings and their attributes, occupancy, and infrastructure. This spatial information, when combined with hazard data, becomes a powerful tool for municipalities to plan and control the occupation of disaster-prone areas and the construction of housing and other facilities in accordance with the appropriate building codes and standards. These data are also critical when a disaster occurs, as they are essential to inform reconstruction efforts.
- (ii) **Municipal property tax collection rates could be increased if municipalities were to have access to updated cadaster information paired with better tax collection capacity.** Only one third of Peru's municipalities have assigned tariff values by streets – and even these efforts are incomplete and/or outdated. A handful of affluent municipalities with functioning and well-maintained cadasters do have administrative procedures – and the specialized staff – in place to collect property taxes and enforce payment. However, in most municipalities, collection capacity is scarce and focuses on collecting property tax payments from formal industries and commercial areas instead of expanding the tax base. The property tax base is usually not coordinated with the urban cadaster at the local level, if one exists, which often causes gaps in data and underreporting of taxpayers. In addition, according to the Municipal Taxation Law, property tax is to be collected from occupants or other right-holders. The lack of good sources of revenue generation prevents most municipalities from providing good quality of public services, which disincentivize families to pay their taxes. As a result, municipalities are highly dependent on central government fiscal transfers. Past incentive programs sponsored by the Ministry of Economy and Finance (MEF) to enhance municipal tax collection have not resulted in significant changes in tax collection practices.
- (iii) **The current property valuation methods, which are significantly different from commercial values, require updating.** The responsibility for the determination and collection of the property tax is shared between the national government and the municipalities. The national government determines the tax scales whereas the municipalities apply the tariffs and collect the tax. The regulatory framework needs to be updated to allow the valuation to be based on the market or commercial value of the properties. The current framework uses the official valuation that is prepared at the national level.

13. **Previous national government initiatives to update urban cadasters have failed to create ownership and ensure sustainability at the municipal level.** Between 2008 and 2011, under the World Bank-financed Real



Property Rights Project (PCDPI) (P078894) the Agency for the Formalization of Informal Property (COFOPRI) gathered urban cadastral information on 545,214 urban dwellings through an agreement with 59 municipalities – including buildings located on the formalized plots and improvements per national standards. In 2013, COFOPRI received the mandate to modernize and consolidate the cadaster at the national level and has since carried out new cadastral surveys and updated existing municipal registries. COFOPRI has registered more than 600,000 urban housing units through agreements with municipalities. However, the work was completed with limited engagement with municipalities to build capacity to use and manage the cadasters that COFOPRI created. A 2012 study revealed that only 50 percent of the municipalities were using the cadastral information developed by PCDPI to make specific queries, and even those had not integrated the cadastral data for tax collection purposes (Cabrejos 2012).

14. **Given this experience, the government is taking a new approach to consolidate cadastral information, link cadasters to property tax and urban planning systems at the local level and build local capacity to use cadastral data to improve municipalities' urban management efforts.** The government recognizes the importance of municipal cadasters to promote financial autonomy and improve the provision of public services at the local level. Although cadasters are perceived as useful instruments by municipalities, they are also considered to be complex and costly⁵. The MVCS, in its role as the governing body for urban cadaster matters, will support target municipalities to develop their urban cadaster systems and link these systems with: (i) their property tax units to have a common set of taxpayer data; and (ii) with their urban development units to use the cadaster data to inform urban planning and disaster risk reduction and emergency preparedness efforts. In parallel, the government will provide municipalities with support through institutional strengthening and training activities to ensure adequate capacity is in place to use and update the urban cadasters to increase municipalities' property tax collection and improve urban management over the longer term. It will also integrate cadastral information from each municipality at the national level as part of the National Urban Cadaster (NUC).

15. **The Project will focus on the development of urban cadasters and the provision of technical assistance (TA) to municipalities required to use these cadasters to improve their tax collection and urban management.** It will enhance the key urban management functions of territorial planning, land management, and disaster risk management by providing improved cadaster data, linking it with key tax collection and urban management systems and consolidating the data at the national level as part of the NUC. Investments will be framed within a strategy that recognizes the diverse needs and capacities of Peruvian municipalities and the need for a “fit for purpose” progressive approach according to the needs and resources of each municipality, which will significantly reduce the costs of generating, maintaining, managing and updating cadastral information. The project will leverage citizen participation for the development of the cadaster and will generate key actionable information that can be used by authorities to address spatial disparities that affect disproportionately women and people living with disabilities. The project will support to the extent possible the future integration of cadastral information with other land administration institutions, such as the property registry, as well as other agencies requiring updated spatial information.

16. **The Bank is well positioned to support this Project due to its knowledge of the institutional setting and capacities governing urban cadasters in Peru.** The Bank prepared two Programmatic Reimbursable Advisory Services (RAS), which identified the main bottlenecks and shortcomings in the cadastral systems, urban land generation, urban finance instruments, social housing, among other key aspects of urban development. The 2015

⁵ PE RAS for a Diagnostic and Base Line of Local Capacities to Help Modernize and Consolidate Peru's National Cadaster System (SNC) (P149782)



– 2016 Programmatic RAS - Strengthening of Peru’s National Cadaster System and Legalization Processes provided technical advice to COFOPRI through four subtasks: (i) Diagnostic and Baseline of Local Capacities to Help Modernize and Consolidate Peru’s SNC (P149782); (ii) Capacity Strengthening for the Management of the Urban Cadaster System (P153845); (iii) Strengthening the Property Legalization Process as Alternative to Formalization (P155274); and (iv) Expert Advice for a Diagnostic and Base Line of Informal Urban Settlements to be Formalized. This work highlighted the varying levels of capacity of local governments to implement cadaster systems, created a typology of municipalities according the specific gaps they had in terms of cadaster development, and presented alternatives to strengthen the institutional framework to allow for the development of fit-for-purpose municipal cadasters.

C. Relevance to Higher Level Objectives

17. **The World Bank Group’s Systematic Country Diagnostic (SCD) of 2017⁶ for Peru identified the lack of urban planning and cadasters as a key bottleneck for improving connecting infrastructure and public services.** Without reliable information on key property aspects such as ownership, tenure, boundaries and use, policymakers and private investors are left to take decisions under substantial uncertainty, reducing the scope for productive investments, resulting in obstacles to economic growth, social inclusion, and sustainable development.

18. **The World Bank Group’s twin goals of reducing poverty and increasing shared prosperity are closely related to the targets of the proposed project.** Clarification of the uses, value, location, and characteristics of urban assets will empower local governments to improve service and infrastructure provision and disaster prevention and response, in addition to increasing municipalities’ capacity for own source revenue generation. These aspects will improve living conditions for urban populations living in Project areas. The Project will equip local governments with the capacity to build and update their cadasters, a basic condition for improved urban planning, land management, service provision and infrastructure development.

19. **The project is aligned with the Government priorities reflected in the World Bank Group’s Country Partnership Framework for Peru (CPF) for FY17-FY21, which was revised in 2019⁷.** The revised CPF (No. 135267) focuses on eight critical objectives structured across three pillars: (i) Productivity for growth; (ii) Services for citizens across the territory; and (iii) Natural resource and climate risk management. The proposed Project will support Pillar 2 by helping local governments increase their own source revenues through property tax collection to enhance the scope, quality, and sustainability of municipal service provision. Furthermore, the project will support Pillar 3 by helping prepare and adopt guidelines for integrating resilience into urban planning and cadaster development.

⁶ World Bank Group. Peru. Systematic Country Diagnostic (English), February 2017.

⁷ Report No. 112299-PE and Report No. 135267-PE.



II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

The Project development objective is to improve the coverage of urban cadaster services in selected municipalities to enhance local government capacities for revenue generation and urban management.

PDO Level Indicators

The PDO-level indicators to measure achievement of the PDO are as follows:

- (i) 60 percent increase in the property tax base of Project municipalities (Percentage)
- (ii) Number of people living in Project municipalities with access to improved hazard exposure data (4.7 million)
- (iii) 75 percent of plots registered by the Project are linked to land use and zoning data (Percentage)

Section VI contains the Results Framework, including PDO-level indicators and intermediate results indicators by component, along with corresponding baselines, intermediate, and end-of-project targets.

B. Project Components

20. **The Project will work with 22 prioritized municipalities located in 4 provinces: Lima, Chiclayo, Lambayeque and Piura.** From the total of 1,874 municipalities in Peru, 22 have been prioritized for financing under the project based on a set of eligibility criteria that include, inter alia: (i) potential for increased property tax collection; (ii) potential for fiscal decentralization (municipalities with inexistent or outdated cadasters, significant potential revenue gap, within main cities); (iii) areas affected by the 2017 flooding where reconstruction efforts are taking place; (iv) rapid urban development and/or expansion; and (v) municipalities where the MVCS is supporting the development or updating of urban plans. Interinstitutional agreements were signed between the MVCS and the target municipalities prior to appraisal. The Project focuses only on urban areas and does not include peri-urban or rural areas of the municipalities. Detailed Coordination Agreements will be signed by the MVCS, COFOPRI with each municipality during the implementation stage.

21. The Project comprises three components:

Component 1: Strengthening Municipal Systems, Services and Capacities to Generate and Maintain Urban Cadasters in Project Municipalities (US\$69.1 million, of which US\$44.7 million is Bank-financed).

This component will finance: (i) the creation of an urban cadastral information base for tax purposes and urban management in project municipalities; and (ii) the enhancement of the capacities of selected municipalities to utilize and update cadastral data.

Subcomponent 1.1: Creation of an urban cadastral information system for tax purposes and urban management in Selected Municipalities (US\$63.6 million, of which US\$40 million is Bank-financed). This



sub-component will finance the following activities: (i) a communication campaign that targets messaging for men and women about the project; (ii) the implementation of cadastral surveys in project municipalities, including collection of property status information, disaggregated by gender; (iii) the generation of property valuation maps in project municipalities; (iv) the updating of municipal databases used for property tax collection based on the new cadastral information; and (v) the acquisition of hardware and software required to use and maintain the cadaster system both at the national and local level.

Subcomponent 1.2: Strengthening Municipal Capacity (US\$5.5 million, of which US\$4.7 million is Bank-financed). This sub-component will finance the design, implementation and management of face-to-face TA and a virtual learning platform to build capacities in selected municipalities in aspects related to the collection, use, maintenance, and updating of the cadastral information, as well as in the use of this information for property tax collection, land use planning, urban and FM, and disaster risk management.

Component 2: Strengthening of the National Institutional Framework (US\$6.3 million, of which US\$5.3 million is Bank-financed). This activity will finance the following activities to be conducted at the national level: (i) the updating of national level methodologies, procedures, and standards for urban cadastral formation, maintenance and dissemination; (ii) the updating of the property valuation methodology to reflect market prices; (iii) the development and implementation of a national level cadastral information system; (iv) development of guidelines for the use of climate and hazard data with the cadaster data for disaster risk management decisions; and (v) institutional strengthening activities for the MVCS and COFOPRI in urban management.

Component 3: Project Management (US\$5.5 million): This component will finance the establishment and staffing of a Project Implementation Unit (PIU) within COFOPRI, which will be responsible for procurement, FM, social and environmental safeguards activities, and monitoring the results of the project. Activities eligible for financing under this component include: (i) consulting services (including specialized personnel required to implement the Project); (ii) Project audit (including the preparation of financial reports); (iii) Monitoring and evaluation (such as the collection of socioeconomic data and support for the monitoring of environmental and social safeguards, baseline survey and mid-term and end of the project evaluation); (iv) the design and operation of the project's grievance redress mechanism; and (v) Operating costs (e.g., equipment, furniture, and information and communication technology).

World Bank Corporate Priorities

22. **Climate Change Co-Benefits.** The Project will contribute to the World Bank Climate Change Action Plan (2016-2020) by integrating climate change adaptation into urban planning using spatial data for risk management and land use planning. The activities included in Components 1 and 2 will contribute to climate adaptation efforts through strengthening national and local government capacities for better urban management, which includes increased capacity and improved data on exposure of assets (such as buildings, occupants, and infrastructure captured in the cadaster) to inform disaster risk management programs. The generation of cadastral information will enable the creation of a geographically referenced land information system that will be used for resilient land use and disaster risk management planning. For example, the combination and aggregation of use of different types of imagery and other data with the municipal cadasters produced by the Project could inform risk mitigation efforts as well as climate change adaptation scenarios for land use planning and infrastructure investments.



Climate change co-benefits have been assessed to be 23 percent of Project financing.

23. **Gender.** The Project will contribute to the World Bank Gender Equality Strategy (2016-2023) and will support gender mainstreaming in accordance with the Revised Guidance Note for the Gender Tag (September 2018) of the World Bank. The government conducted a Social Assessment for the Project that analyzed gender gaps and determined that gender disaggregated data on property ownership is lacking. To address this gap, the project will ensure that, during cadastral information collection, occupancy of parcels/cadastral units by women (both individually and jointly with their domestic partners) is adequately recorded. Gender-disaggregated data on land and building occupancy, combined with other sources of information, can help different government agencies address critical gender gaps. Although the cadaster does not register occupancy or property rights, it can inform subsequent tenure regularization activities in informally occupied areas. Therefore, regularization efforts could be aided by cadastral information that records land tenure and occupancy by women and men, thus promoting recognition of women's ownership rights. Gender disaggregated data can also be of crucial importance, disaster preparedness, emergency response, and relief activities since it can inform governments about the potential needs of affected populations. Disaggregated gender information can also inform policy measures and capital and social investment decisions. Moreover, by relying on citizen participation to build, update, and expand urban cadasters, it will be possible to generate a first approximation of women's rights and obligations over their urban properties and the restrictions that they may face to exercise them. The Results Framework for the Project incorporates gender disaggregated indicators to capture how Project results affect men and women.

24. **Citizen engagement.** The project includes a communications strategy to raise awareness at the community level and inform beneficiaries about the project and its associated benefits. The strategy will promote the active participation of beneficiaries in Project implementation, taking into consideration gender, ethnic, and cultural considerations. An indicator on the implementation of the communication strategy is included in the results framework. Cadastral surveys will provide insights into specific issues affecting women in each municipality, as previously stated. Activities to address these issues and to mitigate identified gender imbalances will be included as part of the planned dissemination and sensitization activities at the community level.

C. Project Beneficiaries

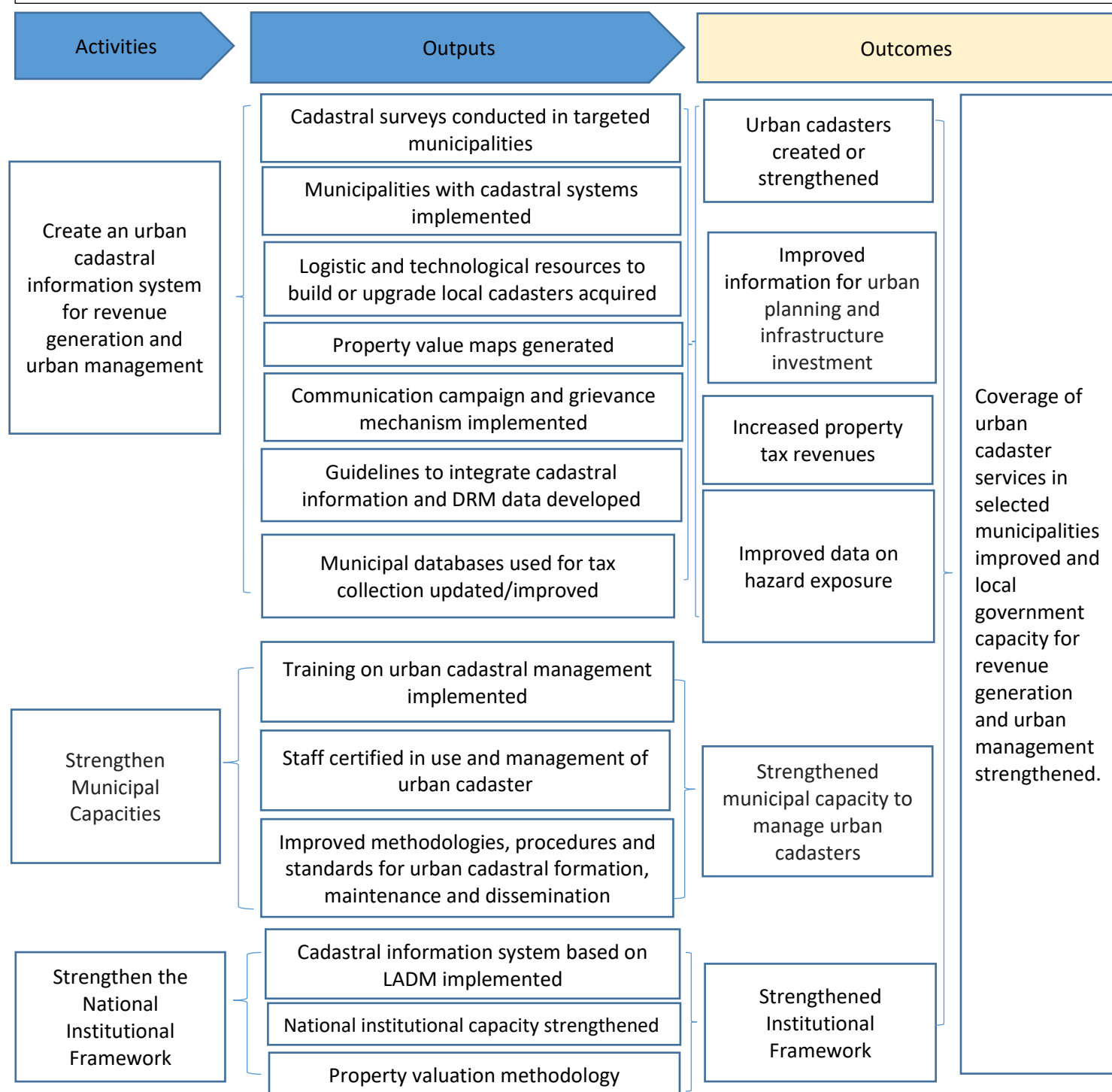
25. **Direct beneficiaries are the residents of the prioritized 22 municipalities in Peru at the subnational level, and relevant staff of COFOPRI and the Ministry of Housing, Construction and Sanitation at the national level.** The provinces that have been prioritized include Lima, Chiclayo, Lambayeque, and Piura. The urban population living in the Project area is estimated at 4.7 million people (1.3 million households),⁸ which represents approximately 15 percent of the national population. The proposed project will also benefit COFOPRI and the MVCS to build their capacity to work with municipalities to address urban planning and land management.

⁸ According to the 2017 Peru Census.



D. Results Chain

Problem Statement: Lack of updated urban cadasters in selected municipalities, outdated national institutional framework, and weak local government capacity for revenue generation and urban management.





Critical Assumptions:

Local governments are committed to the project and take care of operation, maintenance and social aspects. The national government supports and finances both the activities implemented by COFOPRI and the program of incentives proposed.

Compliance with property tax payments is strengthened through government actions.

E. Rationale for Bank Involvement and Role of Partners

26. **World Bank involvement contributes to the provision of public goods, which are vital to maximize the impact of development efforts.** The proposed investments in the generation of cadastral information and government capacity building are public goods with positive externalities on land management, urban and infrastructure development, housing resilience, and economic development. In addition, the project seeks to strengthen the own source revenue capacity of Peru's urban municipalities. International and recent local experiences in Lima, show that while private sector participation in the generation and updating of cadasters is possible, they tend to focus in small areas with the highest property values, leading to incomplete efforts that cannot be used for purposes other than tax collection. Furthermore, without active involvement of the national government to lead and supervise cadastral activities, these schemes do not ensure sustainability or the transfer of capabilities to local governments.

27. **The World Bank has extensive experience in Latin America, Africa, Asia and Europe in accompanying governments in the implementation of tax and multi-purpose cadasters and geographic information systems for land management⁹.** Using global best practices, the Bank brings expertise and can help broker agreements between levels of government and agencies to increase technical capacity in critical areas. This fit-for-purpose approach to cadasters is innovative for Peru and will provide a basis for lessons learned and scaling up of this approach to additional municipalities over time.

28. **The Project complements the Improving Tax and Customs Revenue Collection Services Project in Peru (PE-L1239) that the government is implementing with the Inter-American Development Bank (IDB).** The IDB project is an effort to improve Peru's tax and customs management, both at the national and municipal level, with the goal of increasing structural government revenue as a percentage of GDP. Through this project, Peru will improve the effectiveness of the tax and customs oversight carried out by the National Agency of Customs and Tax Administration (SUNAT) by implementing systems aimed at improving taxpayer compliance and will develop a Coordinated Border Management (GCF) program. The project will improve management of the public revenue policy carried out by the MEF, with an emphasis on collecting taxes at the municipal level. A New System of Municipal Tax Collection (NSRTM) will be developed and designed to improve the tax administration policy carried out by municipalities. The project is expected to boost municipal revenues. The IDB has recently supported the Municipality of Huancayo to update its urban cadaster for tax purposes using drone imagery. Moreover, COFOPRI is preparing a project for the collection of cadastral information in the municipality of La Victoria, located in Metropolitan Lima. Both initiatives can inform and complement project activities. In the case of La Victoria, project activities will focus on capacity building and ensuring the sustainability of cadastral efforts and in the integration of cadastral information into the national database.

⁹ P057560: Title Registration Project; Armenia, P004733: Land Titling Project, Thailand; P004780: Second Land Titling Project, Thailand; P087106: Land Administration II Project – APL, Guatemala; P006346: National Land Administration Program Northeast Region Land Tenure Improvement Project, Brazil; P120636: Land Administration Project II, Ghana; P113542: Informal Settlements Improvement Project, Kenya; among others.



29. **The Project will leverage resources of other cooperating agencies when possible and will promote the generation of additional resources through property tax collection and land value capture (LVC) instruments.** The World Bank and MEF have been discussing a potential collaboration with Switzerland's Secretariat for Economic Affairs (SECO) in the form of a TA. SECO has been working to support MEF to review existing municipal cadaster standards and implementation at the national and city-levels and is looking for opportunities to join efforts to develop and roll out an operational model to assist local governments in the implementation of their cadasters. Furthermore, the development of updated urban cadasters will better equip local governments to collect property taxes and to articulate them with other land information sources to capture additional benefits to finance urgent urban needs such as affordable housing, land supply, urban infrastructure, and public facilities. These LVC schemes are used in countries like Colombia and Brazil, facilitated by the implementation of multipurpose cadaster systems and in combination with land use master plans.

F. Lessons Learned and Reflected in the Project Design

30. **A strong value proposition defined at the national level could play a key role in incentivizing municipalities to participate in and ensure sustainability of the program.** Lessons learned from the municipal incentives program managed by MEF show that incentives are important to leverage concerted actions by municipalities. The MVCS and the MEF could provide incentives to the municipalities through partnership agreements or other mechanisms. This Project includes funding for the development of incentives to support municipalities to improve tax collection and manage their cadasters. Incentives could include, inter alia, co-financing, training and capacity building.

31. **Given the heterogeneity of the municipalities, the MVCS should promote differentiated solutions for cadaster development.** According to the variable levels of capacity of local governments, this Project will apply a fit-for-purpose approach to address the specific gaps they have in terms of capacity for cadaster systems development.

32. **Considering international experience, the financing strategy for the development and maintenance of cadastral information will depend mainly on the revenue potential of the property taxes.** In municipalities where there is a good potential for property tax revenue generation, it is recommended to consider co-financing from the central government with recovery mechanisms based on the projected increase of municipal revenue. For those district municipalities with less revenue generation potential, the central government should provide the initial investment for prioritized areas and closer follow up. Finally, other sources of financing should be considered, such as fees charged for issuing of cadastral certificates and other products. This Project targets district municipalities with high revenue generation potential, where housing stock is of good quality and with adequate service provision.

33. **Public awareness and community participation should be emphasized to avoid potential conflict or issues related to the cadastral data process and the payment of property taxes.** The Project could generate resistance from citizens to collaborate in the cadastral survey process: as there is no tax culture in Peru, the implementation of tax collection campaigns could generate social protests. Lessons learned from other cadaster projects show the importance of developing and rolling out communication campaigns, public education and citizen engagement, and provide continuous information about how the benefits of tax collection and urban cadaster will result in new municipal investments and improved services. The Project includes a communications



strategy and the development of the grievance redress mechanism (GRM), which will be managed by the PIU within COFOPRI, to enhance coordination and communication across different stakeholders.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

34. **Project implementation will be the responsibility of the Agency for the Formalization of Informal Property (COFOPRI), which is an autonomous agency which falls under the purview of the MVCS.** COFOPRI will implement the project under the strategic direction and supervision of the MVCS, which as the governing agency of urban cadaster is responsible for the policies, standards, guidelines and technical specifications under the framework of the SNCP, which ultimately approves cadastral standards.

35. **A Project Implementation Unit (PIU) will be established within COFOPRI.** The PIU will have project management responsibility, coordinating overall project implementation, ensuring the timely availability of fund transfer to contractors, and ensuring continuous community outreach and consultation, maintaining Project accounts and producing financial reports, monitoring and evaluating program implementation and impacts, and reporting the results to the MVCS and other key stakeholders. The PIU will be staffed – at a minimum – by a Project Coordinator, a Cadaster Manager and two Cadaster Specialists, a M&E Manager and a M&E Specialist, a Capacity Strengthening Specialist, a Social Specialist, a Procurement Manager and a Procurement Specialist, a FM Manager and a Budget Specialist, an IT specialist, a Communication Specialist, a Legal Advisor and an Administrative Assistant.

36. **To ensure coordination at the national level, a Project steering committee will be formed.** This committee will be led by the MVCS urban cadaster governing body and will include representatives of COFOPRI, the MVCS, MEF, and IDEP (Peruvian National Spatial Data Infrastructure) as well as target Project municipalities. The role of the committee will be to develop the policy strategy and provide guidance to the Project and its composition and specific mandate will be detailed in the Operations Manual.

B. Results Monitoring and Evaluation Arrangements

37. **A project monitoring system will be established by the PIU to assess project implementation progress and to monitor achievements vis-à-vis the indicators in the Project's results framework.** The project implementation unit within COFOPRI will be responsible for overall monitoring and supervision of the implementation the various components and coordinating with the participating municipalities. The progress report will cover: (i) physical and financial progress achieved against agreed indicators (presented in section VI); (ii) issues and problem areas, including remedial actions; and (iii) work programs and cost estimates for the coming year, including the implementation and impact of various components and environmental and social safeguards. In addition, the PIU will be responsible for conducting a Mid-Term Review of the Project to take stock of implementation progress and determine any required adjustments, conducting financial audits and interim financial reports of the Project, as well as the final Project Implementation Completion Report to evaluate the outcomes achieved.



C. Sustainability

38. **Project design focuses on establishing local and national government capacities to ensure sustainability.** By investing in capacity building for municipalities, and not just in data collection and cadaster information generation, the Project will have greater ownership and sustainability. This approach of working closely with the municipalities will ensure effective decentralization, systematization, and maintenance of cadastral services.

39. **The role of municipalities will be key to ensure the long-term sustainability of the National Urban Cadaster.** Through Cooperation Agreements, municipalities will commit to work with COFOPRI and the MVCS in the survey and maintenance of the cadastral information, as well as its use for urban planning, tax collection and management of natural disasters. The Project will include TA to targeted municipalities to enhance the capacity to perform cadaster-related functions and to use cadastral information for urban management and tax collection purposes. Municipalities will ensure the sustainability of the cadaster with their own resources, including income received through the collection of property tax.¹⁰

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

Technical

40. **The Project design has been assessed as the optimal approach to improve compliance with urban cadaster regulations and enhance Project municipalities' capacity to manage their territories and provide improved infrastructure and social services to citizens.** The design has been reviewed and confirmed by the Bank and has been selected due to its efficiency and use of innovative technology proven to be effective in other countries for similar types of projects. Below are the key technical aspects of Project design that were evaluated at appraisal:

- (i) First, the Project will strengthen the institutional framework to increase compliance with existing regulations including the obligation of municipalities to allocate 5 percent of the property tax collection to maintain and update their cadasters.
- (ii) Second, the Project will use a "fit-for-purpose" approach to ensure that municipalities can achieve high returns as the initial stages of the implementation will increase property tax revenues significantly with relatively low investments. The Project will use a simplified and less expensive property valuation methodology than the one currently used in Peru. The proposed methodology will be built on minimum key characteristics (size, location, use, and quality of the building¹¹) to identify the taxable value. The reduction in the number of attributes significantly lowers the cost of the initial data collection, its processing, and its maintenance at the local level without affecting consistency. The estimate of the cadastral survey based on the simplified regulations is US\$35 per property (vs. US\$70 per property for cadastral survey based on existing costs).
- (iii) Third, by providing detailed granular information about the properties in their districts and by linking information systems across the taxation and urban planning units, the Project will strengthen the information base of Project municipalities to plan and implement land, housing, disaster risk

¹⁰ According to the Municipal Taxation Law.

¹¹ The size and location of the buildings can be generated in 3D.



management and urban infrastructure and investments.

- (iv) Fourth, the Project will work closely with municipalities to build capacity and ownership, rather than simply providing them with updated cadastral data.
- (v) Fifth, the Project will design a national data platform to consolidate urban cadaster data.

41. **In addition, the Project will generate additional positive impacts on tax collection as cadaster information could inform the government's efforts to reduce evasion in VAT and income tax.** Finally, the Project will promote, in coordination with MEF and MVCS, the introduction of incentives to improve municipal administration for participating municipalities. During project implementation, MEF will design incentives to encourage the use of cadastral information for tax collection by the selected municipalities. MVCS will also encourage the use of cadaster for urban management. The actions that will be encouraged by central government incentives include cadastral surveys, cadaster management and the integration of cadastral information to property tax collection, urban planning and disaster risk management.

Economic and Financial Analysis

42. **The Project will have a positive impact on economic development in selected municipalities.** This Project will strengthen the capacity of selected municipalities to collect property tax revenues and, as a result, provide them the resources they need to increase their investments in projects aimed at improving the quality of services provided to citizens. Property tax revenue is extremely low in Peru (0.2 percent of GDP) compared to Organisation for Economic Cooperation and Development (OECD) countries (1.1 percent of GDP) and to other Latin-American countries¹² (0.4 percent of GDP). As of 2018, property tax revenue in Peru is projected to be US\$69 million (s/.228 million) yearly, equivalent to 6 percent of the country's potential revenue.

43. **The Internal Rate of Return of the Project is 26.8 percent.** The expected net benefits of the Project were estimated by subtracting the following two components: (i) the additional property tax generated in the situation with project capitalized at the average return rate of public investment projects in the country; from (ii) the additional property tax generated in the situation with project capitalized at the rate of return that households would get if they would consume or save the funds instead of paying property taxes. The expected costs were estimated using an average cost per cadaster unit of US\$35 and considering all the additional investments included in the Project. The Net Present Value of the Project is US\$597 million. The sensitivity analysis conducted shows that the Project's IRR and NPV remain solid under different scenarios. The Project's IRR remains significant even when considering: (i) increases in the evasion rate; (ii) increases in the total cost of the Project; (iii) increases in the number of cadaster units; and (iv) increase in the average cost per cadaster unit.

44. **Rationale of public sector provision/financing.** Increasing the country's tax revenues is an effective and efficient way to use public funds. Public financing will support the creation of an urban cadastral system, help strengthen municipal capacities, and strengthen institutional framework that will produce beneficial impacts on the economic and social welfare of the population. However, cadaster information is an essential public service that underpins economic growth and poverty reduction by making possible other public functions such as territorial planning and land management, disaster risk management, and the timely and efficient provisions of public infrastructure. It is precisely the multipurpose use that the municipalities need to make of cadasters, what makes critical that cadasters are complete and updated. It is not feasible to leave the generation and update of cadasters to the market. Recent experience shows that when cadaster generation is left to the market, they tend

¹² MEF. Meta 27: Fortalecimiento de la administración y gestión del Impuesto Predial. Lima: PDF, no date.



to be incomplete and focus only on areas where properties have the highest values. While the private sector has an important role to play, particularly in terms of land surveying, public sector leadership is justified to ensure that cadasters will help municipalities in the areas required and utilize a coherent, national strategy for cadaster generation and maintenance, as well as for capacity building at both the national and local government levels.

B. Fiduciary

(i) Financial Management

45. **Financial Management.** The Project will be implemented by COFOPRI, which will create a Project Implementation Unit (PIU) responsible for managing the Project from the technical and administrative perspective. COFOPRI has in general a solid administrative structure, and has previous experience managing projects financed by the World Bank. The FM arrangements for this Project are straightforward. Peru's central government has sound public FM systems, and COFOPRI will benefit from the use of such country systems in the areas of budgeting, flow of funds, accounting, auditing and the integrated financial management system (SIAF). The main risks for this Project are: (i) to ensure adequate budget allocation, especially at the outset of project implementation (this is a common problem for projects in Peru); and (ii) to confirm the mechanisms for disbursement of funds are in place before Project effectiveness. The proposed mitigating measures for managing the project's FM risks include: (i) intensive use of country systems and public FM legal framework, including the use of the single treasury account (STA); (ii) preparation by negotiations of a FM chapter of the Operational Manual including the terms of reference of the fiduciary staff, roles and responsibilities of the personnel of the project implementing unit, and clear arrangements for budget planning and disbursement of funds; and (iii) defined terms of reference for carrying out the annual audit of project financial statements acceptable to the Bank. The Project FM arrangements have been assessed to be adequate, once the risk mitigation measures have been implemented.

(ii) Procurement

46. **Procurement Arrangements.** Procurement will be conducted according to the World Bank's Procurement Regulations for IPF borrowers, issued in July 2016, revised November 2017 and August 2018, for the supply of works, goods, non-consulting and consulting services.

47. **Procurement Capacity Assessment.** Procurement activities will be undertaken by the PIU that will be created within COFOPRI. The capacity assessment was carried out by the Bank and analyzed the following aspects: (i) organizational structure; (ii) facilities and support capacity; (iii) qualifications and experience of the staff that will work in procurement; (iv) record-keeping and filing systems; (v) procurement planning and monitoring/control systems used; and (vi) capacity to meet the Bank's procurement contract reporting requirements. The capacity assessment concluded that while COFOPRI has adequate general procurement experience and capacity, and has experience working with Bank-financed Projects, during the implementation of the Project the main risks will be the lack of clarity of roles and responsibilities for procurement within COFOPRI and the need to strengthen its capacity by hiring at least one Procurement Specialist fully dedicated to the Project. These risks will be mitigated by: (i) preparing a chapter on procurement in the Project Operational Manual to clarify roles and responsibilities, and (ii) hiring at least one Procurement Specialist fully dedicated to the Project with prior experience in the application of the World Bank's Procurement Guidelines/Regulations.



C. Safeguards

(i) Environmental Safeguards

48. This Project is classified as Category B. OP/BP 4.01 has been triggered as a precautionary measure. There are no anticipated environmental negative impacts under the Project, as no civil works will be financed. For this reason, the only safeguards instruments under OP 4.01 that has been prepared by COFOPRI is a Social Assessment (SA); the SA has informed technical aspects of this operation, such as a roadmap for community engagement, communications strategy and a robust Project-level GRM. In addition, the Project comprises TA activities such as training, background analyses and studies, procedures development, spatial data generation, cadastral surveys, aero-photography, cadastral software and licenses, etc. As a precautionary measure, the Project Operations Manual states that all relevant Terms of References for studies prepared as part of this Project will incorporate environmental and social aspects in line with Bank policies.

(ii) Social Safeguards

49. There are no anticipated negative social impacts identified for this operation. The Project will not finance any construction activities that can trigger the OP 4.12 Involuntary Resettlement and the SA didn't identify indigenous communities that could trigger OP 4.10 in any of the 22 participating municipalities since it is an urban cadaster project. However, there are some social risks associated to almost all cadaster projects, including potential conflicts and misunderstanding among municipalities and Project beneficiaries about the purpose of the Project. For this reason, a Social Assessment was prepared to inform technical aspects of this operation, including the role of municipalities, existence or not of any indigenous communities or communal land in participating municipalities, and any outstanding or on-going land conflict that can negatively affect the implementation of the urban cadaster. The scope of the assessment includes recommendations resulted from the Background Note to the Interim Guidance on Land Use Planning and Review of Environmental and Social Considerations in World Bank Land Use Planning Projects. The Project will support development of strategic communication and public outreach campaigns, public education, and citizen engagement and implementation of a grievance mechanism. As part of the design and preparation of this Project, the client carried out a public consultation with key stakeholders in September 2019 to inform and receive feedback about the Project's characteristics, results of the social assessment and how the benefits of tax collection and urban cadaster will result in new municipal investments. On September 26, 2019, COFOPRI organized a workshop to present the Social Assessment and to answer questions about it and the Project. The workshop was attended by approximately 50 people representing target municipalities and other relevant actors. It was also broadcasted through COFOPRI's social medial platform. The Social Assessment identified actions that would be taken during implementation. This document was disclosed by COFOPRI on its website on October 23, 2019 and by the Bank on October 24, 2019.

(iii) Grievance Redress Mechanisms

50. **Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after



concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

51. The overall Project risk rating is Moderate. Key risks and proposed mitigation measures are outlined below:

52. **Political and Governance.** The political and governance risk rating is Substantial. Political turbulence could affect the implementation of the Project. For example, constant changes of ministers at MVCS have caused uncertainty in the consistency of government policies. These risks will be mitigated by the actions included in the Project to improve the legal and institutional framework for private and public investments. In addition, during implementation, the placing of the PIU at COFOPRI, combined by inter-agency Project oversight by the steering committee, should minimize risks to changes in leadership in the housing sector and ensure consistency in policy implementation across different agencies.

53. **Institutional Capacity for Implementation and Sustainability.** This risk rating is Substantial given that the institutional framework for managing urban cadasters is weak and fragmented. To minimize this, the Project will coordinate with the different entities that comprise the SNCP for the approval of the improved cadastral standards under Component 2. In addition, to secure effective cooperation with municipalities, MVCS has signed interinstitutional agreements with each target municipality prior to project appraisal. Through these agreements, the municipalities have committed to cooperate with the MVCS and COFOPRI in the generating and maintaining the cadastral information. During project implementation, MVCS and COFOPRI will sign specific Coordination Agreements with municipalities to specify their roles and responsibilities. Recent experience by COFOPRI in building urban cadasters for local governments through delegation agreements have primarily not recognized the need to involve and create capacities within municipalities. This risk will be mitigated by ensuring that: (i) strategic direction of the Project lies with the MVCS; (ii) cadastral surveys and field operations are planned and carried out with the active involvement of local governments; and (iii) MVCS has real time access and control of the cadastral databases. Additionally, COFOPRI will ensure capacity is built within the PIU and that the Project activities are carried out to a suitable standard. The Project will also strengthen the institutional framework at the national level and will include TA to targeted municipalities. The Project will support the project grievance redress mechanism and citizen engagement activities and will also support the Project by providing extensive training and hand-on support on areas such as procurement, safeguards, monitoring and evaluation, and FM to the PIU staff.

54. **Stakeholders.** Stakeholders risk rating is Substantial as there is a broad range of actors involved in the policy framework and in the development and management of urban cadasters. To mitigate this risk, the Project has carried out an analysis to map key actors; relevant groups have been consulted and will continue to play an active role during Project implementation to ensure the sustainability of investments and to ensure ownership, awareness, and consistency in policy implementation among the different actors. Furthermore, several relevant actors will be included in the steering committee.



VI. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Peru

National Urban Cadaster and Municipal Support Project

Project Development Objectives(s)

The project development objective is to improve the coverage of urban cadaster services in selected municipalities to enhance local government capacities for revenue generation and urban management.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
Urban cadasters strengthened			
Increase in the property tax base of project municipalities (Percentage)		0.00	60.00
Number of people living in project municipalities with improved hazard exposure data (Number)		0.00	4,700,000.00
Of which are female (Percentage)		0.00	49.00
Percentage of plots registered by the Project that are linked to land use and zoning data (Percentage)		0.00	75.00

**Intermediate Results Indicators by Components**

Indicator Name	DLI	Baseline	End Target
Strengthening Municipal Systems, Services and Capacities to Generate and Maintain Urban Cadasters			
Municipalities with property value maps generated (Number)		0.00	22.00
Communication strategy implemented to inform the target population about the cadastral survey process and its benefits (Yes/No)		No	Yes
Relevant municipal staff trained and certified in management and use of the urban cadaster (Percentage)		0.00	100.00
Percentage of cadastral units updated by the project that register both men and women as property tax payers (Percentage)		0.00	100.00
Strengthening of the National Institutional Framework			
Methodology updated for improved urban cadastral data collection and maintenance (Yes/No)		No	Yes
Adoption of updated property valuation methodology (Yes/No)		No	Yes
Guidelines to ensure urban cadasters are linked to hazard data established (Yes/No)		No	Yes
Project Management			
Percentage of grievances/complaints resolved in 20 working days (Percentage)		0.00	80.00



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Increase in the property tax base of project municipalities	The increased property tax base refers to increase in the number of properties and their attributions that have been included in the municipal cadaster system. The indicator will monitor the increase to the property tax base by 60% on average, across all 22 project municipalities.	Semi-annual	Integrated Financial Management System (SIAF) - MEF	Progress reports from the PIU and municipalities.	PIU
Number of people living in project municipalities with improved hazard exposure data	Number of people living in municipalities that have increased data related to exposure, or assets at risk of natural hazards. This will be done by integrating the municipal disaster risk management plans with integrated urban cadastral information.	Semi-annual	Project physical execution progress reports	Municipalities will verify the completion of disaster risk management plans - including disaster risk maps - using urban cadastral information.	PIU
Of which are female	Based on the assessment of people living in municipalities with improved hazard exposure data, specify what percentage of them are female	Semi-Annual	Project physical execution progress reports	Municipalities will verify the completion of disaster risk management plans - including disaster risk maps - using urban cadastral information.	PIU



Percentage of plots registered by the Project that are linked to land use and zoning data	Number of municipalities that have completed their urban development plans using urban cadastral information.	Semi-annual	Project physical execution progress reports	Municipalities will verify the completion of their urban development plans using urban cadastral information.	PIU
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Municipalities with property value maps generated	The indicator will monitor how many municipalities have generated property value maps	Semi-annual	Project physical execution progress reports	Municipalities will report the generation of property value maps	PIU
Communication strategy implemented to inform the target population about the cadastral survey process and its benefits	The indicator will monitor the implementation of the communication strategy to inform the target population about the cadastral survey process and its benefits	Semi-annual	MVCS-COFOPRI	Verification of the progress of the communication strategy	PIU
Relevant municipal staff trained and certified in management and use of the urban cadaster	Percentage of relevant staff at target municipalities trained and certified in management and use of the urban cadaster	Semi-annual	Municipal reports	Project physical execution progress reports	PIU



Percentage of cadastral units updated by the project that register both men and women as property tax payers	Number of households with both members registered as taxpayers, rather than just men as head of household.	Annual	PIU	Municipal project monitoring reports	PIU
Methodology updated for improved urban cadastral data collection and maintenance	Update of methodologies, procedures and standards for urban cadasters formation, cadaster and dissemination	Semi-annual	MVCS-COFOPRI	Project physical execution progress reports	PIU
Adoption of updated property valuation methodology	Development of a land valuation methodology as described in the project	Semi-annual	MVCS-COFOPRI	Project physical execution progress reports	PIU
Guidelines to ensure urban cadasters are linked to hazard data established	Guidelines to ensure urban cadasters are linked to hazard data for improved planning are prepared and adopted by the national government	Semi annual	MVCS	PIU implementation reports	MVCS
Percentage of grievances/complaints resolved in 20 working days	Percentage of complaints received by the project, consolidated by the PIU at the national level, that have a response time of no more than 10 working days.	Semi-annual	GRM system managed by MVCS-COFOPRI	GRM system managed by MVCS-COFOPRI will record date of receipt and date of closing/response.	PIU



ANNEX 1: IMPLEMENTATION ARRANGEMENTS AND SUPPORT PLAN

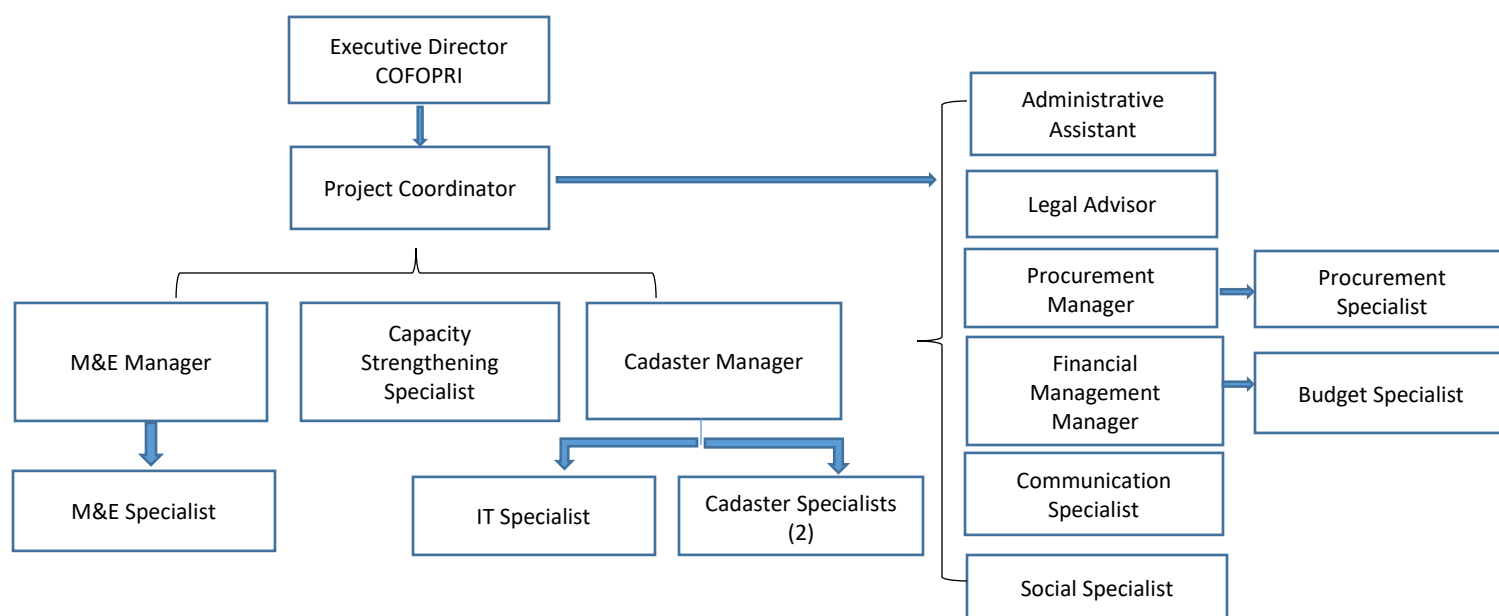
National Urban Cadaster and Municipal Support Project

1. **Overall project implementation will be the responsibility of COFOPRI.** The project will be implemented by the COFOPRI, which is part of the central government under the MVCS. COFOPRI will create a Project Implementation Unit -PIU which will be responsible for managing the project from the technical and administrative perspective. COFOPRI has a solid administrative structure, and has previous experience managing projects financed by the World Bank. More specifically, COFOPRI's functions and responsibilities will be (i) carrying out, monitoring, coordination, and supervision of project activities and (ii) the fiduciary, procurement, safeguards, and administrative aspects of the project (including but not limited to issuing the tenders, undertaking financial reporting for the project, and making payments to contractors).

2. **The PIU will be responsible for overall implementation and will coordinate the actors involved in the Project's execution.** This unit within COFOPRI will be responsible for implementation of all Project activities, internal and external communications, FM, procurement and compliance with safeguards. The PIU will also coordinate with relevant subnational and national institutions on component implementation. The main responsibilities of the PIU in implementing Project components include: (i) preparing technical reports and managing the No Objection process with the Bank for all procurement processes; (ii) preparing TORs; (iii) evaluating and preparing reports on the completion and quality of studies, plans, activities, technical specifications, and Project indicators; and (iv) supervising the progress of consultancies, among others further detailed in the project Operations Manual. The PIU will be staffed with personnel from COFOPRI and will be strengthened as needed with additional staff and consultants to ensure adequate capacity. The minimum staffing requirement for the PIU includes a Project Coordinator, a Cadaster Manager and two Cadaster Specialists, a M&E Manager and a M&E Specialist, a Capacity Strengthening Specialist, a Social Specialist, a Procurement Manager and a Procurement Specialist, a FM Manager and a Budget Specialist, an IT specialist, a Communication Specialist, a Legal Advisor and an Administrative Assistant.



Project Implementation Unit Organizational Chart



3. **The PIU, per the strategic guidance of the MVCS, will coordinate with each project municipality the collection and integration of cadastral information.** The PIU will manage the collection, integration and maintenance of cadastral information in coordination with each municipality. It will also coordinate the delivery of training activities needed to strengthen municipal capacities.

4. **The Project will establish strong coordination with municipalities.** Municipalities have the legal mandate to create and manage urban cadasters. To make the Project viable, interinstitutional agreements have been signed between the participating municipalities and the MVCS, and more specific Coordination Agreements will be signed among MVCS, COFOPRI and each municipality during Project implementation. In these agreements, participating municipalities commit, among others, to: (i) take actions to facilitate project implementation; (ii) cooperate in cadastral surveys; (iii) provide basic equipment (desks, chairs and internet access) for the development of project activities; (iv) collaborate with capacity building activities; (v) send to COFOPRI all the complaints, claims and queries received related to the implementation of the project; and (vi) ensure the sustainability of the cadaster with their own resources, including the income received through the collection of property tax. The PIU will work closely with these municipalities on the design and implementation of their fit-for-purpose cadasters. As such, municipalities will be the main recipients of capacity building assistance and will take actions to facilitate project implementation and sustainability.

5. **Project municipalities will be responsible for the preparation and maintenance of the municipal cadaster.** According to Legislative Decree No. 1365 and the Organic Law of Municipalities, municipalities are responsible for the preparation and maintenance of the municipal cadaster. As mentioned, interinstitutional agreements have been signed between the MVCS and the Project municipalities. Through these agreements, municipalities have committed to cooperate with COFOPRI and the MVCS in the survey and maintenance of the



cadastral information.

6. **Specifically, municipalities will facilitate the work of the PIU through the provision of key staff, information, and equipment required to collect and manage cadastral information in the designated area.** This will include: (i) the facilities needed by COFOPRI and MVCS to perform their work properly; (ii) the necessary information for the development and implementation of the different components of the project, including the actions needed to integrate cadastral information with urban development and disaster risk management, among others; (iii) basic equipment (workspaces and internet access) for the development of its activities; (iv) facilitate the delivery of workshops, training and institutional strengthening activities; (v) designate a Municipal Coordinator to coordinate the inter-institutional cooperation between MVCS, COFOPRI and the municipality; (vi) promote the participation of municipal officials involved in the implementation of the project, and carry out training activities and municipal strengthening workshops, as well as the cadaster management; and (vii) communicate to MVCS and COFOPRI when the urban cadaster is officially approved at the municipal level.

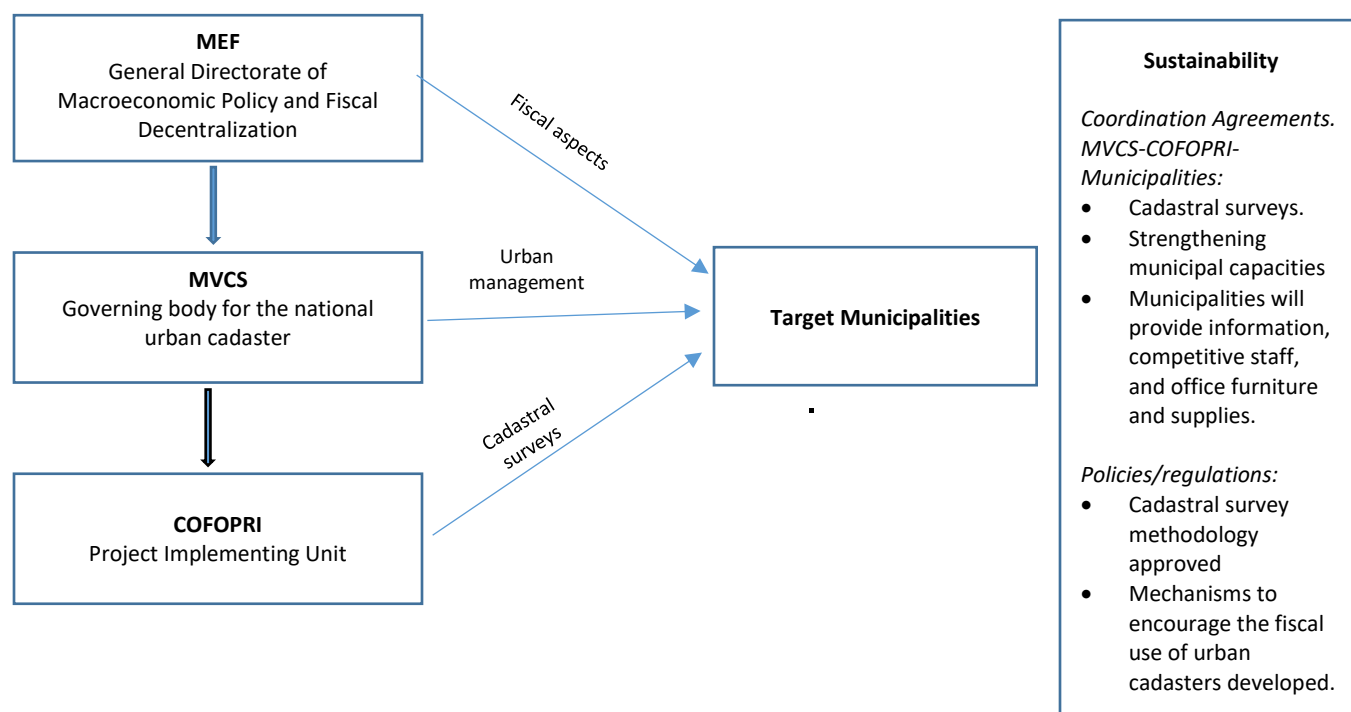
7. **The MVCS will play an important role in the oversight of the project as the lead agency for the National Urban Cadaster (NUC).** MVCS as the governing body for urban cadaster matters will participate in Project design and be responsible for Project oversight. The role of the MVCS will be to: (i) establish the Project Steering Committee; (ii) approve the use of cadastral management tools; (iii) obtain the approval of the strategy and technical standards required to carry out the cadastral surveys; (iv) participate in the development of the property valuation methodology and approve the related norms; (v) ensure the necessary resources for the operation of the MVCS as the governing body for urban cadasters; (vi) participate in the design, implementation, and management of the face-to-face TA and a virtual learning platform to build capacities; and (vii) also coordinate with the SNCP on the cadaster standards and implementation.¹³

8. In addition, while it does not play a direct role in Project implementation, MEF, through the General Directorate of Macroeconomic Policy and Fiscal Decentralization, will be responsible for providing guidance to COFOPRI and the MVCS on the development and implementation of mechanisms that promote the fiscal use of urban cadasters and will follow up on the property tax collection.

¹³ SNCP is directed by a Board (Consejo Nacional de Catastro) consisting of representatives of six central government organizations: The National Superintendent of Public Registries (Superintendencia Nacional de los Registros Públicos - SUNARP); the National Geographic Institute (Instituto Geográfico Nacional - IGN); National Institute of Concessions and Mining Cadastre (Instituto Nacional de Concesiones y Catastro Minero - INACC); National Superintendency of Public Goods (Superintendencia Nacional de Bienes Estatales - SBN); Agency for the Formalization of Informal Property (Organismo de la Formalización de la Propiedad Informal - COFOPRI); and the Ministry of Culture. Joining them on the Board are three other members representing three sub-national governments: the National Assembly of Regional Governments (Asamblea Nacional de Gobiernos Regionales – ANGR); the provincial and district municipalities represented by the Association of Municipalities of Peru (Asociación de Municipalidades del Perú – AMPE); and the Municipality of Metropolitan Lima represented by Cadastral Institute of Lima. Board decisions are executed by a Technical Secretariat.



Institutional Arrangements for Project Implementation



9. **A Project Operations Manual has been developed, which describes the operational details for the implementation of the Project.** The purpose of the Operations Manual is to provide an ordered set of instructions on the organization, procedures, and resources dedicated to the efficient and effective achievement of the objectives of the Project.

10. **COFOPRI will prepare biannual progress reports, in accordance with the formats outlined in the Operations Manual.** The progress reports will cover: (i) physical and financial progress achieved against agreed indicators (presented in section VI); (ii) issues and problem areas, including remedial actions; and (iii) work programs and cost estimates for the coming year, including revised estimates for the current period. COFOPRI will be responsible for monitoring and supervision of implementation and the impact of various components. It will also supervise the implementation of environmental and social safeguards and review and monitor the specific social and environmental management plans and supervise their implementation.

Financial Management and Disbursement

11. **A Financial Management (FM) Assessment was carried out to evaluate the adequacy of FM arrangements for the implementation of the Project.** The FM Assessment was conducted by Bank staff in accordance with the Bank policy for Investment Project Financing (issued on September 2018 by OPCS) and the FM Manual for World Bank Investment Project Financing (issued by OPCS in February 2017). As a result, the FM Assessment recommended a set of mitigating measures to address the main FM risks. Once the mitigation measures are in place, the proposed FM arrangements will meet the Bank's minimum fiduciary requirements.



12. **Summary of Financial Management and Accountability arrangements.** The FM risk for this project after considering the envisaged mitigating measures is **Moderate**. The project will be implemented by the COFOPRI who will create a Project Implementing Unit (PIU) which will be responsible for managing the project from the technical and administrative perspective. COFOPRI has a solid administrative structure, and has previous experience managing projects financed by the World Bank. Even though those projects took place some years ago, some of the people in charge of managing them are still active personnel of COFOPRI.¹ The FM arrangements for this project will be straightforward. Peru's central government has sound public FM systems, and COFOPRI will benefit from the use of such country systems in the areas of budgeting, flow of funds, accounting, auditing and the SIAF.

13. **Main FM risks and mitigating measures.** The main risks for this project are to ensure adequate planning and budget allocation, especially at the outset of project implementation (this is a usual problem for project's in Peru), and ensuring that the mechanisms for disbursement of funds are in place before project effectiveness (more detail of this risk is presented in the flow of funds and disbursement arrangements section below). The proposed mitigating measures for managing the project's FM risks include: (i) intensive use of country systems and public FM legal framework, including the use of the single treasury account (STA); (ii) preparation by negotiations of a FM chapter of the Operational Manual including the terms of reference of the fiduciary staff, roles and responsibilities of the personnel of the project implementing unit, and clear arrangements for budget planning and disbursement of funds; and (iii) defined terms of reference for carrying out the annual audit of project financial statements acceptable to the Bank. These mitigation measures should be in place before effectiveness, although it is not envisaged as an effectiveness condition.

14. **Planning and Budgeting.** The preparation of annual work program and budget will be in accordance to the procedures established by MEF through its General Public-Sector Budget Office (*Dirección General de Presupuesto Público*). Such procedures will be complemented by specific processes and procedures established in the OM (preparation of an annual operating plan with at least semi-annual budget, including all source of financing – IBRD and counterpart funds). Budget funds will be allocated into the PIU, which will be partially funded with resources from the national budget and with resources from the loan. The PIU will be responsible for: (i) budget formulation and timely requesting resources for each year in accordance to the annual operating plan; (ii) ensuring the allocation of disbursement requests into the designated account for the execution of the activities agreed under the project; (iii) proper recording of the approved budget in the respective information systems following a classification by project component/sub-component; and (iv) timely recording of commitments, accruals, and payments, to allow an adequate budget monitoring and the provision of accurate information on project commitments for programming purposes.

15. **Accounting and Information System.** COFOPRI must comply with Peru's laws governing budget and FM, including the use of SIAF and its general chart of accounts. Moreover, considering the nature of project activities and information needs, they will also use the specific module for projects financed by external funding (known as "MEP") in SIAF, which will help for issuing financial reports and the preparation of statements of expenditures according to the project components in US Dollars.

16. **Financial reporting.** COFOPRI will prepare interim financial reports (IFRs) and annual financial statements using the MEP module of SIAF throughout the duration of the project. These reports will include loan proceeds and local counterpart funds, will be prepared in accordance with International Public Sector Accounting Standards, including cumulative figures for the beginning of the year and as of the end of the year, along with notes to the



financial statements. They will be prepared in local currency and in US Dollars and submitted to the Bank by the UEP on a semi-annual basis no later than 45 days after the end of each calendar semester. The format and content of the financial reports will be reflected in the operational manual.

17. **Internal Controls.** COFOPRI must comply with local requirements related to FM, including internal controls and internal procedures. In addition, the operational manual will reflect specific processes and procedures for project implementation, with emphasis in reflecting clarity of roles, segregation of duties and key controls aimed at ensuring proper project implementation from a FM perspective.

18. **Internal Audit.** The COFOPRI is under the scope of the Organic Law of the National System of Control and the General Comptroller of the Republic (*Ley Orgánica del Sistema Nacional de Control y de la Contraloría General de la República*), and as such, its organizational structure includes an Internal Control Office (*Órgano de Control Institucional*, OCI) which is responsible for the oversight of all operations. In this capacity, the OCIs will play a role in safeguarding the project's internal control, and whenever possible the team will use their reports as part of the regular Project supervision and monitoring activities.

19. **Oversight and Supervision Arrangements.** The Project oversight and monitoring arrangements from the FM perspective include the following: (i) semi-annual FM supervision visits to the project; (ii) desk review of project financial reports, included annual audited reports; and (iii) annual provision of FM trainings to the Borrower based on the knowledge gaps identified during project execution.

20. **External Audit.** An annual audit report of Project financial statements, including a management letter, should be submitted to the Bank within six months after the end of the Borrower's fiscal year (December 31). The audit should be conducted by an independent audit firm acceptable to the Bank and under terms of reference approved by the Bank. The selection of the audit firm should be performed through the General Comptroller of the Republic. The cost of the external audit can be financed out of loan proceeds. The scope of the audit would be defined by COFOPRI in agreement with the Bank based on project specific requirements and responding, as appropriate, to identified risks including a management letter, review of compliance with agreed processes and procedures.

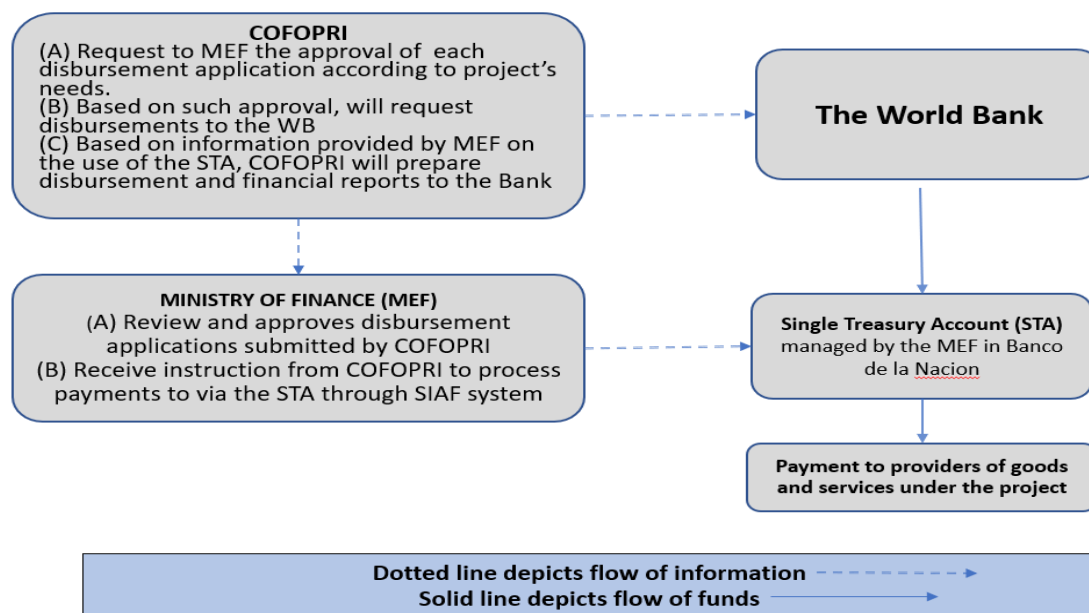
21. **Funds Flow and Disbursement Arrangements.** COFOPRI informed the Bank about a potential risk of having the funds on its Bank accounts confiscated due to some legal contingencies against the institution from former employees. Therefore, the Bank and borrower have agreed on the use of the Single Treasury Account (STA) as disbursement mechanism for the project. The STA has been in place in Peru for several years for the use of central government in Peru, however, it is still on a pilot face for projects financed by multilateral institutions, which will be covered under a new supplementary regulation which is in process of being rolled out¹⁴. In any case the OM will include specific procedures that will allow the project to operate the STA even if said regulation is still not in place.

22. Loan proceeds will follow the Bank's disbursement policies and procedures as described in the Disbursement and Financial Information Letter (DFIL). Loan expenditures will be documented using Statement of

¹⁴ The regulation for the use of STA in project's financed by multilateral organization is already drafted and it will be likely issued before the project becomes effective. This normative framework will complement the existing STA regulation, covering some of the areas that are not included in it. For example, procedures to request funds to the multilateral organizations, document expenditures and prepare some specific monitoring reports.



Expenditures (SOEs) which will be included as annex to the DFIL. The following methods may be used to withdraw funds from the loan: (i) advance method: the Bank will advance funds to the STA based on a pre-established ceiling of US\$5,000,000; (ii) direct payment: the minimum application size for direct payment request would be US\$1,000,000; and (iii) Reimbursement to the STA. The specific protocols and applicable internal control arrangements for the payment process and procedures will be reflected in the OM and governed by the corresponding interinstitutional agreements. The following figure presents the expected flow of funds and information for this project:



23. **Counterpart funds, retroactive financing, documentation requirements and disbursement deadline date.** COFOPRI will manage the counterpart funds for the project using the STA. Funds for the project will be identified with a specific project code and account in SIAF to process payments. No retroactive financing amount has been considered for the project. Supporting documentation for documenting project expenditures under the disbursement methods authorized for the project will use SOEs as noted earlier and will be reflected in the DFIL. The Disbursement Deadline Date is four (4) months after the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the Bank.

Table of Loan Proceeds

Category	Amount of the Loan Allocated (expressed in US\$)	Percentage of Expenditures to be financed (exclusive of Taxes)
(1) Goods, non-consulting services, consulting services and Operating Costs for Part 1 of the Project	44,700,000	100%



(2) Goods, non-consulting services, consulting services and Operating Costs for Part 2 of the Project	5,300,000	100%
TOTAL AMOUNT	50,000,000	

Procurement

24. **Procurement Arrangements.** Procurement activities will be conducted according to the World Bank's Procurement Regulations for IPF borrowers, issued in July 2016, revised November 2017 and August 2018, for the supply of works, goods, non-consulting and consulting services, and the provisions stipulated in the Loan Agreement. The World Bank's Standard Procurement Documents will govern the procurement of World Bank-financed Open International Competitive Procurement. For procurement involving National Open Competitive Procurement, and other methods, the documents will be agreed with the Bank.

25. **Procurement Capacity Assessment.** Procurement activities will be undertaken by COFOPRI, through a PIU that will be created within COFOPRI. A procurement capacity assessment was carried out by the Bank to verify that the agreed arrangements have been fulfilled. The capacity assessment concluded that COFOPRI has adequate capacity to implement the procurement activities, and has experience working with Bank-financed projects. However, it is necessary to complete the procurement team per the structure proposed in the Project implementation arrangements, and to hire at least one qualified procurement professional fully dedicated to the procurement activities during the implementation of the Project. The Operational Manual (OM) will include a clear description of the procedures and responsibilities related to the procurement activities, including contract management.

26. **Risk mitigation plan.** The following table summarizes the mitigation actions proposed for the procurement-related risks:

Procurement improvement action plan

Risks - Areas for Improvement	Mitigation Actions	Responsible	When	Status
Responsibilities related to the procurement activities	Preparation of the OM with a clear definition of the processes, roles, and responsibilities of the staff related to the implementation of the procurement activities.	COFOPRI	By negotiations	The OM is on preparation
Lack of staff with expertise in procurement processes with the Bank's procedures	COFOPRI will hire a fully dedicated procurement specialist with qualifications and experience satisfactory to the Bank	COFOPRI	Within 90 days after effectiveness	Legal Covenant on implementation arrangements



27. **COFOPRI has prepared a Project Procurement Strategy for Development (PPSD), which establishes the procurement arrangements that will ensure the delivery of value for money while efficiently achieving the agreed PDO.** The PPCS summarizes the operational environment in which the Project will be implemented, the market analysis, the risk assessment and the analysis of different approaches to carry out the procurement activities. The PPCS focuses on the high-value contracts financed under Component 1, namely the services related to cadastral surveys. Based on market analysis, it concludes that the best approach is to proceed with 9 packages of contracts throughout the Project. The most suitable option for these contracts is to conduct one stage Request of Bid processes with an international approach. On the other hand, consulting firms will support COFOPRI in supervision activities of the cadastral surveys. A summary of the PPCS, including the recommended procurement approach for higher value contracts, is detailed in the table below.

Summary of PPCS (for higher value contracts)

Description	Estimate cost (US\$)	Review	Market approach	Procurement method
NON – CONSULTING SERVICES				
Cadastral Survey – Package 1: Chiclayo and La Victoria	4,220,797	Prior	International - open	RFB - post-qualification
Cadastral Survey – Package 2: San Martin de Porras	7,999,958	Prior	International - open	RFB - post-qualification
Cadastral Survey – Package 3: Comas, Los Olivos	10,900,066	Prior	International - open	RFB - post-qualification
Cadastral Survey – Package 4: San Juan de Miraflores, Lima	9,388,612	Prior	International - open	RFB - post-qualification
Cadastral Survey – Package 5: Chorrillos, Villa El Salvador	8,933,264	Prior	International - open	RFB - post-qualification
Cadastral Survey – Package 6: San Miguel, Brena, Independencia	6,186,833	Prior	International - open	RFB - post-qualification
Cadastral Survey – Package 7: San Luis, El Agustino, Surquillo	4,742,754	Prior	International - open	RFB - post-qualification
Cadastral Survey – Package 8: Piura, Castilla, Catacaos	5,952,474	Prior	International - open	RFB - post-qualification
Cadastral Survey – Package 9: José Leonardo Ortiz, Pimentel, Lambayeque	2,990,339	Prior	International - open	RFB - post-qualification
CONSULTING FIRMS				
Supervision of Cadastral Surveys	1,532,877	Post	National - Open	QCBS

RFB: Request for Bids

QCBS: Quality and Cost Based Selection

28. **The PIU has also prepared an acceptable Procurement Plan for the first 18 months of implementation of the Project.** In accordance with paragraph 5.9 of the Procurement Regulations, STEP will be used to prepare, clear and update the Procurement Plan and conduct all procurement transactions for the Project. The Bank will provide training to the PIU on the application of STEP.



29. **The PIU will also prepare a chapter on procurement arrangements for the Operational Manual.** This chapter should include clear definition of the processes, roles, and responsibilities of the staff related to the implementation of the procurement activities, as well as the functions of the different institutions involved in the Project.

30. **Frequency of procurement supervision.** In addition to prior review supervision, annual supervision missions will be carried out to visit the field and conduct post reviews of a sample (approximately 20 percent) of procurement actions.

II. Implementation Support Plan Strategy and Approach for Implementation Support

31. **The strategy for implementation support draws on the risk profile of the proposed project and aims to enhance the delivery of the proposed interventions.** As such, implementation support would focus on institutional capacity for implementation and sustainability, fiduciary aspects, environmental and social safeguards, and political and governance.

32. **The World Bank would undertake implementation support missions two to three times a year until the midterm review.** During this period, the World Bank may also undertake short technical missions and keep in regular contact through telephone and videoconferencing. The frequency of missions thereafter would be determined by the status of implementation and need for World Bank support.

33. **The World Bank will support COFOPRI in the preparation of environmental and social documents and their implementation, including consultations associated with the safeguard instruments.** This support would continue throughout project implementation to ensure the effective application of these instruments.

34. **World Bank FM and Procurement Specialists would provide timely, targeted training to COFOPRI through periodic supervision missions.** These specialists would help enhance COFOPRI's knowledge and understanding of World Bank requirements and support COFOPRI in building its overall FM and procurement capacity. Supervision of the FM arrangements would be conducted semiannually and, as needed, in response to project needs. Procurement supervision would also be carried out semiannually, preferably jointly with the regularly scheduled World Bank implementation support missions. The support would focus primarily on contract management and on improving proficiency and efficiency in procurement implementation.

Implementation Support Plan and Resource Requirements

35. **An implementation strategy has been defined to support smooth project implementation throughout the Project's lifespan.** The strategy will help the task team to focus on priority activities as well as ensure project activities are properly managed using available staff and expertise. The table below presents the strategy and the skill mix proposed to support implementation.

Implementation Support Plan

Time	Focus	Minimum Skills Needed
First twelve months	Finalize technical specifications, contract PIU	TTL/co-TTL



	staff, initiate procurement of non-consulting and consulting services for cadaster surveying	Cadaster specialist Local government specialist Urban specialist (Between months 3 and 9 as needed) DRM specialist Public policy/legal experts (as needed) FM Specialist Procurement Social specialist
Years 2–3	- Procurement of consulting and non-consulting services, goods -Prepare TORs and contract capacity building activities.	TTL/co-TTL Cadaster specialist Local government specialist Urban specialist FM Specialist Procurement Social specialist
Mid-term Review (yr. 3)	Formal review generally held around project midpoint, during which representatives of the Bank and the Borrower reassess the relevance, efficacy and effectiveness of Project Design (including Project objectives) and implementation approach.	TTL/co-TTL Cadaster specialist Local government specialist FM Specialist Urban specialist Procurement Social specialist
Years 4-5	Continued support to implementation of works and capacity building, project closure	TBC

Substantial Risks and Implementation Support Measures

Institutional Capacity for Implementation and sustainability	
Risk Description:	Implementation Support Measures:
The institutional framework for managing urban cadasters is weak and fragmented.	Public policy and legal experts will provide advice for the improvement of the legal and institutional framework.
Risk Description:	Implementation Support Measures:
Recent experience by COFOPRI in building urban cadasters for local governments through delegation agreements have primarily not recognized the need to involve and create capacities within municipalities.	The Project will provide extensive support to municipalities and finance the design, implementation and management of face-to-face TA and a virtual learning platform to build capacities in selected municipalities in different cadaster-related topics.
Stakeholders	
Risk Description:	Implementation Support Measures:
There is a broad range of actors involved in the	The social specialist will monitor project activities



policy framework and in the development and management of urban cadasters.	and advise the PIU on the need of engaging with relevant actors, as well as on communication and information activities. Furthermore, information about the project and project activities will be shared with SNCP members and other relevant actors. In addition, the Project will leverage resources from SECO to provide TA to local governments in the implementation of their cadasters.
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ANNEX 2: MAIN LEGAL PROVISIONS GOVERNING URBAN CADASTERS

National Urban Cadaster and Municipal Support Project

1. Law No. 28294 of 2004 created the National Integrated Land Cadaster System (SNCP by its acronym in Spanish). The objective was to regulate the integration and unification of standards, nomenclature, and technical processes of Peru's different cadastral entities. The SNCP system envisions the creation of a multipurpose cadaster with a strong focus on the inter-relation of the cadaster and the property registry. To this end, the SNCP creates an institutional structure and a process to integrate the different sources of information into a new, centralized Cadastral Data Base that, would be equally accessible to public agencies and private agents alike. Law No. 28294 also created the National Cadaster Council (CNC) as the governing body of the SNCP. CNC is a board whose decisions are executed by a Technical Secretariat. It consists of representatives of six central government agencies:

- (i) The National Superintendency of Public Registries (Superintendencia Nacional de los Registros Públicos - SUNARP);
- (ii) The National Geographic Institute (Instituto Geográfico Nacional - IGN);
- (iii) The Geological, Mining and Metallurgic Institute (Instituto Geológico Minero y Metalúrgico - INGEMMET);
- (iv) The National Superintendency of Public Assets (Superintendencia Nacional de Bienes Estatales - SBN);
- (v) The Agency for the Formalization of Informal Property (Organismo de la Formalización de la Propiedad Informal - COFOPRI);
- (vi) The Ministry of Agriculture,
- (vii) The Ministry of Environment,
- (viii) The Ministry of Culture, and
- (ix) The Ministry of Economy and Finance.

2. In addition, there are three other members representing sub-national governments:

- The National Assembly of Regional Governments (Asamblea Nacional de Gobiernos Regionales – ANGR);
- The provincial and district municipalities represented by the Association of Municipalities of Peru (Asociación de Municipalidades del Perú – AMPE);
- The Municipality of Metropolitan Lima represented by Cadastral Institute of Lima.

3. The SNCP Board is chaired by the property registry organization – SUNARP and COFOPRI is the Technical Secretariat. COFOPRI is also responsible for developing the GIS Data Base, which will be integrating the information from the multiple agencies generating cadaster information. This integration process should gradually take place once all the agencies responsible for generating cadaster information homogenize the production, administration, maintenance and updating of information according to the system's technical standards. The Technical Secretariat should act as a gatekeeper, assessing that agencies have complied with those standards and a given area can be formally incorporated to the national system.

4. However, the multiplicity of agencies and dispersion of functions has resulted in scattered geographic databases of different scales, levels of accuracy and accessibility, making very difficult for either private actors or public agencies to know who owns what and the restrictions applicable to valuable resources. The results are high transaction costs for investments and constant conflict.



5. The SNCP Law establishes the creation of interrelation mechanisms between cadastral and property registry information. However, in practice the interrelation mechanisms through the assignment of the Single Cadastral Code have not been implemented at scale.
6. Regarding the urban cadaster, according to the Organic Law of Municipalities, district municipalities are responsible for the generation and maintenance of urban cadasters. However, 15 years after the SNCP law was approved, 60 technical standards have been produced but in practice only a few municipal cadasters have been incorporated into the national system. In addition, two central government agencies generating cadastral information: COFOPRI and the Property Registry, which manages a graphic database of property records.
7. Most municipalities lack the necessary resources, capabilities and incentives to develop their cadasters. Those that have already built cadasters – in most cases, with partial coverage of the traditional formal neighborhoods and thus obsolete – do not have the resources to carry out new cadastral surveys to include periphery areas or update information following the SNCP standards. The municipalities without even partial cadasters –typically poorer cities - find it even harder to start the process never mind reach such a high bar. Another obstacle is the constant staff turnover: every 4 years the newly elected administration hires its own staff, which makes it difficult to complete previous initiatives. Some new mayors cave in to the push-back from constituents not eager to pay taxes, which reduces the political incentive to invest their limited resources in building fiscal cadasters. Financial dependency of municipal finances on central government transfers further undermines the incentive to invest in cadasters. The classic response to the Ministry of Finance programs to promote improved municipal tax collections is to squeeze the already identified taxpayers.
8. The underlying problem is that the SNCP model was designed without considering the heterogeneity of the needs and capacities of Peru's local governments. Under the pretense of building a single multipurpose cadaster serving both rural and urban areas, large and small cities, SNCP designed "a gold standard" for cadaster that is impossible to achieve: not only does it force Peru's more than 530 urban municipalities to take on a major institutional reform project without providing any technical or financial support, but it also asks them to follow a model that is too expensive to build and maintain; takes too long to implement; and is generally much more than t they really need to execute their cadaster, urban planning and property tax collection goals.
9. The SNCP's failure can also be explained by the fact that it focused too much on the means (the cadaster) and too little on the ends – fulfilling the real needs of local governments. Instead of seeing building a cadaster as a tool for a better municipal management, local governments view it as just one more bureaucratic procedure to comply with.
10. Until recently, no legal provision established explicitly which national level agency was the governing body for urban cadaster issues. Article 5 of Law No. 30156, Law on Organization and Functions (LOF) of the Ministry of Housing, Construction and Sanitation establishes that this agency is the governing agency on the following areas: (i) housing; (ii) construction; (iii) sanitation; (iv) urban planning and urban development; (iv) public assets; and (v) urban property.
11. In addition, article 9 of the LOF establishes that the MVCS has among its exclusive functions, to propose policies, standards, guidelines, technical specifications related to the generation, administration, updating and maintenance of comprehensive cadastral information, the formalization of urban land. and rights over it, within



the framework of the SNCP. Furthermore, the regulations of organization and functions of the MVCS, approved by Supreme Decree No. 010-2014-VIVIENDA, assigns the functions related to proposing policies and normative instruments regarding cadastral information to the General Directorate of Policies and Regulation in Housing and Urban Planning and, within it, to the Directorate of Urban Planning and Urban Development.

12. In 2018, Legislative Decree Nº 1365 established MVCS as the governing body for the National Urban Cadaster (NUC). As such, MVCS is responsible for setting the policies, standards, guidelines and technical specifications related to the national urban cadastral information. It also designates COFOPRI as the agency responsible to implement, manage, and update the NUC. The MVCS has established the NUC as a platform for updating and creating urban cadastral information that can be used to improve the policy actions and investments of government agencies at all levels.

13. The National Urban Cadaster (NUC) is an instrument of urban management at the national level. Once established, the NUC will contain quantitative and qualitative information on urban infrastructure, formal and informal buildings, urban equipment, and public spaces within urban centers, and urban settlements, including urban conglomerates. This information can be overlapped with existing hazard maps to identify areas prone to natural disasters (Article 3 of Legislative Decree No. 1365). The Ministry of Housing is in the process of drafting the required regulations to implement the NUC.



ANNEX 3: MAP

