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Report No: PAD2363

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT AND RESTRUCTURING

IN THE AMOUNT OF US\$18 MILLION

TO THE

REPUBLIC OF NICARAGUA

FOR THE

SECOND LAND ADMINISTRATION PROJECT

May 23, 2017

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

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective April 28, 2017)

Currency Unit = Nicaraguan Córdoba Oro (NIO)  
NIO 29.70 = US\$1  
US\$1.37 = SDR 1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
CERC	Contingent Emergency Response Component
CIP	<i>Comité Interinstitucional del Proyecto</i> (Project Inter-Institutional Committee)
CTO	<i>Comité Técnico Operativo</i> (Project Operational Technical Committee)
CSJ	<i>Corte Suprema de Justicia</i> (Nicaraguan Supreme Justice Court)
DIRAC	<i>Dirección de Resolución Alternativa de Conflictos</i> (Directorate for Alternative Conflict Resolution)
EA	Environmental Assessment
EMP	Environmental Management Plan
FAO	Food and Agriculture Organization
GRS	Grievance Redress Service
IDA	International Development Association
INIFOM	<i>Instituto Nicaraguense de Fomento Municipal</i> (Nicaraguan Institute of Municipal Development)
INETER	<i>Instituto Nicaraguense de Estudios Territoriales</i> (Nicaraguan Institute for Territorial Studies)
INIDE	<i>Instituto Nacional de Información de Desarrollo</i> (National Institute for Development Information)
IP	<i>Intendencia de la Propiedad</i> (Property Intendancy)
IPP	Indigenous Peoples Plan
MARENA	<i>Ministerio del Ambiente y Recursos Naturales</i> (Ministry of Environment and Natural Resources)
MITK	Miskitu Indian Tasbaika Kum
MSBU	Mayanga Sauni Bu
PDO	Project Development Objective
PGR	<i>Procuraduría General de la República</i> (Nicaragua Attorney General's Office)
PRODEP	<i>Proyecto de Ordenamiento de la Propiedad</i> (Land Administration Project)
SDR	Special Drawing Rights
SE- PRODEP	<i>Secretaría Ejecutiva del Proyecto de Ordenamiento de la Propiedad</i> (Project Coordination Unit)
SIICAR	<i>Sistema Integrado de Información de Catastro y Registro</i> (Integrated Cadastre-Registry Information System)
SISCAT	<i>Sistema de Registro Catastral</i> (Municipal Cadastre System)

Vice President:	Jorge Familiar
Acting Country Director:	Maryanne Sharp
Senior Global Practice Director:	Ede Jorge Ijjasz-Vásquez
Practice Manager/Manager:	Jorge A. Muñoz
Task Team Leaders:	Stamatis Kotouzas and Enrique Pantoja

**NICARAGUA  
SECOND LAND ADMINISTRATION PROJECT  
ADDITIONAL FINANCING AND RESTRUCTURING**

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**ADDITIONAL FINANCING DATA SHEET**

*Nicaragua*

*Additional Financing for Nicaragua Second Land Administration Project (P163246)*

**LATIN AMERICA AND CARIBBEAN**

**GSULN**

<b>Basic Information – Parent</b>							
Parent Project ID: P121152		Original EA Category: B - Partial Assessment					
Current Closing Date: 31-Dec-2018							
<b>Basic Information – Additional Financing (AF)</b>							
Project ID: P163246		Additional Financing Type (from AUS):		Scale Up			
Regional Vice President: Jorge Familiar		Proposed EA Category:					
Acting Country Director: Maryanne Sharp		Expected Effectiveness Date:		15-Sep-2017			
Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez		Expected Closing Date:		30-Jun-2020			
Practice Manager/Manager: Jorge A. Munoz		Report No:		PAD2363			
Team Leader(s): Stamatis Kotouzas, Enrique Pantoja							
<b>Borrower</b>							
Organization Name		Contact	Title	Telephone	Email		
Ministry of Finance		Mr. Ivan Acosta	Minister of Finance, Ministry of Finance	505-2222-7061			
<b>Project Financing Data - Parent ( Second Land Administration Project (PRODEP II)- P121152 ) (in USD Million)</b>							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P121152	IDA-52250	Effective	26-Mar-2013	15-Apr-2013	12-Jul-2013	31-Dec-2018	31-Dec-2018
Disbursements							

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P121152	IDA-52250	Effective	XDR	26.00	23.41	2.59	19.98	3.42	85.37
<b>Project Financing Data - Additional Financing Additional Financing for Nicaragua Second Land Administration Project (P163246 ) (in USD Million)</b>									
<input type="checkbox"/> Loan <input type="checkbox"/> Grant <input type="checkbox"/> IDA Grant <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other									
Total Project Cost:		18.00		Total Bank Financing:		18.00			
Financing Gap:		0.00							
<b>Financing Source – Additional Financing (AF)</b>								<b>Amount</b>	
International Development Association (IDA)								18.00	
Total								18.00	
<b>Policy Waivers</b>									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
<b>Team Composition</b>									
<b>Bank Staff</b>									
Name	Role	Title	Specialization	Unit					
Stamatis Kotouzas	Team Leader (ADM Responsible)	Land Administration Specialist	Land Administration	GSULN					
Enrique Pantoja	Team Leader	Operations Adviser	Land Administration	OPSPQ					
Carlos Lago Bouza	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement	GGO04					
Enrique Antonio Roman	Financial Management Specialist	Financial Management Specialist	Financial Management	GGO22					
Caleb Travis Johnson	Team Member	Consultant	Operations	GSULN					
Dianna M. Pizarro	Safeguards	Senior Social	Social Safeguards	GSU04					

	Specialist	Development Specialist			
Juan Jose Valencia Mineros	Team Member	Consultant	ITC Systems	GSULN	
Marco Antonio Zambrano Chavez	Safeguards Specialist	Consultant	Environmental Specialist	GEN04	
Margarita Arguello	Team Member	Consultant	Institutional Strengthening	GSULN	
Maria Virginia Hormazabal	Team Member	Finance Officer	Finance	WFALA	
Pilar Elisa Gonzalez Rodriguez	Counsel	Senior Counsel	Counsel	LEGLE	
Reina Altagracia Zavala Castillo	Team Member	Consultant	Municipal Cadastre Development	GSULN	
<b>Extended Team</b>					
<b>Name</b>		<b>Title</b>		<b>Location</b>	
Alain Paz		Cadastral Surveying		Tegucigalpa	
Fabrice Edouard		Monitoring and Evaluation / Food and Agriculture Organization (FAO)		Rome	
Yerania Sanchez		JPO/FAO		Panama	
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Nicaragua	Department of Nueva Segovia	Department of Nueva Segovia		X	
Nicaragua	Department of Madriz	Department of Madriz		X	
Nicaragua	Department of Leon	Department of Leon		X	
Nicaragua	Department of Jinotega	Department of Jinotega		X	
Nicaragua	Department of Esteli	Department of Esteli		X	
Nicaragua	Department of Chinandega	Department of Chinandega		X	
<b>Institutional Data</b>					
<b>Parent (Second Land Administration Project (PRODEP II)- P121152)</b>					
<b>Practice Area (Lead)</b>					
Social, Urban, Rural and Resilience Global Practice					

<b>Contributing Practice Areas</b>
<b>Additional Financing for Nicaragua Second Land Administration Project (P163246)</b>
<b>Practice Area (Lead)</b>
Social, Urban, Rural and Resilience Global Practice
<b>Contributing Practice Areas</b>
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>
Consultants Required

## I. Introduction

1. **This Project Paper seeks the approval of the Executive Directors to provide an additional credit in the amount of US\$18 million for the Nicaragua Second Land Administration Project (PRODEP II, P121152).** The Additional Financing (AF) would scale-up the development effectiveness of a well-performing Project, by delivering additional results through the implementation of scaled up activities that are in line with the original Project objectives. The AF focuses on: (i) expanding the Integrated Cadastre Registry Information System (SIICAR) in Managua and Estelí; (ii) scaling-up cadastral, titling, and regularization services; (iii) strengthening municipal cadastre capacity; and (iv) supporting land administration studies and Project management, monitoring and evaluation. The AF will use the existing implementation arrangements, with the exception of two of the co-executing agencies – the National Institute for Development Information (INIDE) and the Ministry of Environment and Natural Resources (MARENA) – given that their activities will be completed under the original credit. To allow sufficient time to complete all AF activities, the Project’s closing date will be extended by 18 months, from December 31, 2018 to June 30, 2020. The original credit’s closing date will not be extended. Disbursement estimates, components, costs, and the implementation schedule have been revised to reflect the scale-up of activities and extension of the closing date. The results framework is also updated to reflect the expanded scope of investments and additional implementation time.

## II. Background and Rationale for AF

### *Country and Sector Context*

2. **Nicaragua remains one of the poorest countries in Latin America and the Caribbean, but recent strong economic growth has contributed to notable poverty reduction.** Nicaragua’s annual economic growth has averaged 4.8 percent in the last six years. This growth, along with expenditure increases in Government priority areas, has resulted in a significant reduction in overall poverty (defined as people living under US\$1.60 per day), from 42.5 percent in 2009 to 26.9 percent in 2014, according to the 2014 Nicaragua Living Standards Measurement Study. During the same period, extreme poverty dropped 6 percentage points, from 14.6 percent to 8.3 percent. Despite progress, a third of the population still lived below the official poverty line in 2014, and mostly in rural areas with limited access to basic services.

3. **The country is highly vulnerable to natural disasters and climatic variability, such as hurricanes, extreme rainfall and earthquakes.** Nicaragua is prone to flooding on its Pacific coast and has experienced hurricanes on its eastern coast. These are expected to continue, particularly in the country’s coastal zones. Droughts are also likely to occur with higher frequency in the future. Although estimates are uncertain, tropical cyclones are on the increase and heavy rainfalls, combined with unsustainable land use management, make communities more vulnerable to landslides. Climate variability and disaster risk may undermine development achievements.

4. **Securing property rights and modernizing land administration institutions are critical for improving Nicaragua's productivity.** Years of inconsistent legal and administrative decisions affecting land contributed to tenure insecurity and undermined the population’s



confidence in state institutions. With the support of the World Bank and other development partners, including the Millennium Challenge Corporation, the land sector has been undergoing a transformation since 2002 through the enactment of new laws, modernization of institutions, and systematic regularization. More than 20 percent of the country's territory has benefited thus far from systematic cadastral and regularization activities. Moreover, the Government is committed to expanding these efforts to the rest of the country and into regions with no previous cadastre and outdated property registry records.

5. **Recognizing the importance of land tenure issues for its development agenda, the Government and the World Bank have built a strong partnership over time.** Between 1993 and 2000, the World Bank-financed Agricultural Technology and Land Management Project (P007780) supported the Government's initial efforts to modernize the land administration system, including strengthening the tenure situation of parcels redistributed as part of the agrarian reform of the 1980s. Between 2002 and 2010, the Land Administration Project (PRODEP I, P056018), designed as a pilot, helped Nicaragua put in place a stronger land administration framework, and develop a proven methodology for systematic land regularization. The country's policy and legal framework has been positively transformed, and key land agencies' capacity strengthened. Representing a historical achievement, Indigenous Peoples in the Caribbean received collective titles to their ancestral territories covering about 30 percent of the country.

6. **Improvements in the land administration framework and regularization process have been mainstreamed while the methodology developed under PRODEP I has been applied in many areas of the country.** This methodology has incorporated current technologies and global good practices, and by responding to the country's context, it has simultaneously increased national capacity and institutional ownership of results. At the same time, the technical capacity of the main land agencies has progressively grown, including the Nicaraguan Institute for Territorial Studies (INETER), the Property Intendancy (IP) under the Nicaragua Attorney General's Office (PGR) - PRODEP II's implementing agency - and the property registries under the Supreme Justice Court (CSJ).

7. **Nicaragua continues to face land tenure challenges, with implementation of a national land program requiring a concerted effort and substantial resources.** The consolidation of the policy and institutional framework provides a favorable enabling environment to advance the integration of cadastral and property registry information. At the same time, municipalities are progressively being strengthened in an effort to promote decentralization, territorial planning and disaster risk management, and ensure the updating of cadastral information. Critically, in rural areas about one third of parcels are still held without a clear title, affecting small and poor agricultural producers. More progress is also needed in the recognition of land rights for indigenous communities in the Pacific and Central regions of the country. In this context, the Government's overarching goal is to promote land governance while advancing cadastral and regularization processes and improving land administration services.

#### ***Description of PRODEP II***

8. **PRODEP II is financed by an IDA credit (5225-NI) in the amount of SDR 26 million**

(US\$40.0 million equivalent).<sup>1</sup> The IDA credit was approved on March 26, 2013, became effective on July 12, 2013, and will close on December 31, 2018. The Project Development Objectives (PDOs) are: (a) to strengthen the property rights of the population in the Project area through improved regularization, titling, and registry services; and (b) to improve Nicaragua's capacity to respond promptly and effectively to an eligible emergency. PRODEP II supports five Components:

- *Component 1: Consolidation of the Institutional and Policy Framework (US\$7.30 million).* This Component supports the consolidation of the land administration system by strengthening the capacity of key agencies and participating municipalities, promoting inter-institutional coordination, and furthering decentralization of services. The Component supports three subcomponents to: (i) strengthen cadastral services and land regularization capacity; (ii) improve municipal land administration services by supporting the Nicaraguan Institute of Municipal Development (INIFOM) and participating municipalities; and (iii) strengthen INIDE's data collection and evaluation capacity.
- *Component 2: Strengthening of Property Registration and Alternative Conflict Resolution Capacity (US\$7.30 million).* This Component supports the CSJ in strengthening the capacity of the regional property registries for systematic filing and registration, consolidating SIICAR in collaboration with INETER, and facilitating mediation of land conflicts and disputes through the Directorate for Alternative Conflict Resolution (DIRAC). The Component supports two subcomponents to carry out capacity building activities, and provide technical assistance and support for the development and upgrading of the current pilot version of SIICAR.
- *Component 3: Titling and Regularization Services (US\$17.80 million).* This Component supports INETER, IP and CSJ in the recording and clarification of land rights for the following beneficiaries: (i) the population of participating municipalities through a systematic process; (ii) individuals requesting land regularization services on a demand basis; (iii) individuals prioritized by national programs; and (iv) indigenous communities living in two complementary areas of indigenous territories in the department of Jinotega.<sup>2</sup> The Component also assists MARENA in the demarcation of protected areas in Nicaragua.
- *Component 4: Project Management, Monitoring and Evaluation (US\$3.20 million).* For Project management, the Component supports: (i) training and workshops; (ii) carrying out of the coordination, administrative and fiduciary aspects of the Project, including audits; and (iii) implementation of a communication strategy and a gender strategy. For monitoring and evaluation, the Component supports: (i) collection of baseline data to assess the Project's social, environmental and economic impacts; (ii) preparation of the

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<sup>1</sup> Originally, US\$8 million was allocated to the Contingent Emergency Response Component (CERC), of which US\$4 million was cancelled on March 24, 2014, with US\$3.6 million reallocated to other Project activities.

<sup>2</sup> These territories are located within a Special Development Zone (established by Presidential Decree No. 19-2008) in the Bosawas Biosphere Reserve, which covers the basin of the rivers Alto Wangki and Bocay in the department of Jinotega. Demarcation and titling procedures in this jurisdiction fall under the purview of Law 445, which was developed and has been successfully implemented under PRODEP I.

Project's semi-annual progress reports, midterm review report, and final evaluation report; and (iii) carrying out of a social audit of relevant activities.

- *Component 5: Contingent Emergency Response (CER) (US\$0.00 million).*<sup>3</sup> This Component finances the provision of support in the event of an eligible emergency. A CER Operations Manual details eligible expenditures as well as financial management, procurement, safeguards and other arrangements to ensure that funds are disbursed in a rapid and efficient manner. This Component has not been activated thus far.

9. **Components 1 through 4 are being implemented by PGR through a Project Coordination Unit (SE-PRODEP).** Technical implementation of these Components is decentralized to co-executing agencies, including IP/PGR, INETER, INIFOM, INIDE, and the CSJ. Implementation arrangements for Component 5 are detailed in the CER Operations Manual, and the Ministry of Finance and Public Credit acts as the Coordinating Agency.

### *Project Performance*

10. **PRODEP II is on track to achieve its PDO, with more than 495,000 people having benefitted from Project activities as of February 2017.** As part of the land regularization activities, close to 75,000 families have received legal documents for their land, of which more than 54,000 were new titles. Importantly, more than half of the beneficiaries (57 percent) were women, individually or through joint titling. Four protected areas in the Project area have been demarcated and georeferenced, and similar activities in a fifth one will be completed by the end of 2017, enabling achievement of the Project's target. There have been important advances in the redesign of SIICAR, which was initially rolled out in Chinandega. The Project has also contributed to the resolution of land disputes, 60 percent of which were mediated and inscribed in the Public Property Registry. Since effectiveness, the Project has been rated Satisfactory on both PDO and Implementation Progress. Safeguard and fiduciary ratings are also Satisfactory, with the exception of financial management which is rated as Moderately Satisfactory. As of April 2017, 85 percent (US\$27.7 million) of credit proceeds have been disbursed.

### *Rationale for AF*

11. **The AF seeks to help establish and further improve the sustainability of a more transparent, effective, and coordinated land administration system, and is expected to benefit an additional 265,000 Nicaraguans.** To do this, the AF will scale up activities to enhance impacts related to strengthening of property rights and provision of cadastral and registry services, thereby contributing to the Government's medium-term efforts to improve the investment climate and expand economic opportunities for Nicaragua's population. The increase in registered property rights is expected to contribute to improving household livelihoods, contributing in turn to poverty alleviation. The AF is the preferred financing mechanism, because it will (i) capitalize on effective implementation arrangements, which have generated satisfactory results in the past; and (ii) save project preparation time while maintaining the momentum of the results achieved to-date. The PDO remains relevant and achievable as highlighted during the

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<sup>3</sup> Component amounts reflect the cancellation and reallocation of funds from the CERC.

2016 mid-term review and the Government continues to demonstrate its commitment to the Project objective and its activities. As such, all requirements of OP 10.00 are fulfilled.

12. **The AF is aligned with the Nicaragua Country Partnership Strategy (FY2013-2017),<sup>4</sup> which seeks to improve productivity and raise income levels in Nicaragua.** The Strategy recognizes that although progress has been made on land tenure security, more remains to be done. The Government seeks to gradually roll out the regularization process to the rest of the country, however, this will require more resources and World Bank is one of the few active donors in this area. This AF is linked to Strategic Area 2 of the Strategy, “Raise incomes by enhancing competitiveness and diversifying exports”, which seeks to expand the focus on land administration to other investment climate issues, particularly trade facilitation and financial innovation. This is complemented by an effort to ensure environmental sustainability and address emerging climate change issues.

### *Scope of the AF*

13. **Considering the achievements of PRODEP II thus far, and relevance for enhancing Project results, the AF focuses on the following key areas** (Annex 2 includes a more detailed description):

- *Expanding SIICAR in the departments of Managua and Estelí.* After consolidating SIICAR in the department of Chinandega under PRODEP II, the Government is set to expand an upgraded version in the departments of Managua and Estelí. Managua, which includes the country’s capital, is characterized by its economic importance and high volume of real estate transactions. Estelí, at the same time, is one of the most economically dynamic areas of the country. The original plan was to start establishing SIICAR in smaller departments than Managua. However, to enhance Project impact, the Government has decided to focus on Managua, which because of the magnitude of property records and complexity requires a higher level of investment than the rest of departments within the Project area. The expected social and economic medium-term impacts are substantial. By the end of the AF, the upgraded SIICAR will be ready for a programmatic expansion to the rest of Nicaragua.
- *Scaling up cadastral, titling, and regularization services.* Additional cadastral information in the Project area will help with the implementation of SIICAR, while providing key inputs for regularization and titling, and for territorial planning and disaster risk management. Further progress on regularization will enhance Project impacts related to land tenure and social peace, among other benefits. Accordingly, the AF will scale up these activities in additional municipalities within the original Project area, and continue to support systematic and on-demand titling and regularization services. Moreover, the AF will provide the opportunity to expand on-demand regularization to small landholders and/or farmers outside the ‘reformed sector’<sup>5</sup> and continue the dialogue with indigenous communities to conduct cadastral surveying of their lands, which would help strengthen their land tenure.

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<sup>4</sup> Report No. 69231-NI, discussed by the Executive Directors on November 13, 2012.

<sup>5</sup> The reformed sector in Nicaragua refers to properties which were part of the various agrarian reform efforts implemented in the country. The reformed sector has been one of the main focus of land regularization processes.

- *Strengthening municipal cadastral capacity.* Further strengthening municipal cadastral capacity will enhance results, such as ensuring a stronger role of local governments in the national cadastre system, and promoting better use of information for local planning and fiscal purposes, which will in the medium-term contribute to better municipal financing, resilience and overall development. Activities to be scaled up under the AF include (a) completing the implementation of the new municipal cadastral system and ensuring its integration with the national cadastre information system; and (b) providing technical assistance and training to municipalities for, *inter alia*, inputting cadastral information and linking their cadastres to the national system.
- *Supporting land administration studies for Nicaragua.* Building on the long engagement with the World Bank on land administration issues, the Government is interested in taking stock of the achievements, bottlenecks, and remaining challenges in the sector. Thus, the AF includes support for technical assistance and studies to help inform land policy and programs in the future. These studies may cover, *inter alia*, the legal and institutional framework, environmental and social issues related to land tenure, and consolidation of geospatial information.

14. **The AF will continue supporting Government efforts to promote gender equity in property rights.** Accordingly, the Project is gender-informed and has a Gender Strategy based on a gender assessment. Reflecting the country's gender-sensitive legislation, the Strategy seeks to benefit women by promoting issuance of titles jointly to husband and wife and female-headed households, and by raising women's awareness of their property rights. PRODEP II has successfully promoted the participation of women in cadastral surveying work, traditionally considered in Nicaragua as a male occupation, and as mediators in alternative conflict resolution activities. Finally, the results framework includes gender-differentiated indicators to measure progress. Implementation of the Project's Communication Strategy, also funded under the AF, will further complement the implementation of the Gender Strategy.

15. **The AF will also further enhance PRODEP II's citizen engagement mechanism.** The grievance redress mechanism has established a two-way communication channel and processes to allow beneficiaries to seek additional information about the Project, and present grievances. The Communication Strategy is used to inform stakeholders of the existence of the grievance redress mechanism, its various entry points, and how complaints received will be handled by the relevant agencies. The results framework includes an indicator to track performance of the grievance redress mechanism.

16. **Finally, the AF will help address climate risks and vulnerabilities, primarily through climate change and disaster risk adaptation.** PRODEP II has helped to address certain climate risks and vulnerabilities through various activities. With regards to climate change mitigation, PRODEP II has contributed to the conservation of critical habitats by helping identify these zones, and facilitated management of protected areas. The demarcation process allows for community and inter-institutional participation while increasing peoples' awareness and education about the importance of protected areas and natural resource protection in general. AF activities will support the updating of land information, such as cadastres and survey maps, with which the Government will be able to map the needs of municipalities and strategically plan the provision of services and infrastructure taking into account climate change vulnerability and

disaster risk management. Finally, the land administration studies supported by the AF will include climate and disaster risk considerations to ensure more climate-informed policies in the future. To inform all of the above, the World Bank's Climate and Disaster Risk Screening Tool was used in the analysis of AF activities and potential contributions. At the time of appraisal, climate co-benefits were estimated at 10 percent of the total amount of the AF.

### III. Proposed Changes

<b>Summary of Proposed Changes</b>	
<b>The following changes are being made under the AF:</b> (a) modification of Component costs and description of a selected number of activities; (b) adjustment to the results framework, reflecting increased targets for indicators, and introduction of two new intermediate indicators for Component 1 to strengthen measurement of results related to municipal cadastral capacity; (c) updating of the economic analysis taking into account the new total Project costs; and (d) extension of Project closing date to June 30, 2020. The original credit closing date will not be extended.	
Change in Implementing Agency	Yes [ ] No [ X ]
Change in Project's Development Objectives	Yes [ ] No [ X ]
Change in Results Framework	Yes [ X ] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [ X ]
Change of EA category	Yes [ ] No [ X ]
Other Changes to Safeguards	Yes [ ] No [ X ]
Change in Legal Covenants	Yes [ ] No [ X ]
Change in Loan Closing Date(s)	Yes [ ] No [ X ]
Cancellations Proposed	Yes [ ] No [ X ]
Change in Disbursement Arrangements	Yes [ ] No [ X ]
Reallocation between Disbursement Categories	Yes [ ] No [ X ]
Change in Disbursement Estimates	Yes [ X ] No [ ]
Change to Components and Cost	Yes [ X ] No [ ]
Change in Institutional Arrangements	Yes [ X ] No [ ]
Change in Financial Management	Yes [ ] No [ X ]
Change in Procurement	Yes [ X ] No [ ]
Change in Implementation Schedule	Yes [ X ] No [ ]
Other Change(s)	Yes [ ] No [ X ]
<b>Development Objective/Results</b>	
<b>Project's Development Objectives</b>	
Original PDO	

The PDOs are: (a) to strengthen the property rights of the population in the Project area through improved regularization, titling, and registry services; and (b) to improve Nicaragua's capacity to respond promptly and effectively to an eligible emergency.

**Change in Results Framework**

Explanation:

**The results framework has been revised to reflect the AF's scaled up activities and increased targets.** Certain PDO and intermediate indicator targets have been increased, including those related to households receiving legal documents and new titles, and land parcels with use or ownership rights registered through the Project. Moreover, two intermediate indicators have been added to better capture the Project's contribution to municipal strengthening capacities in their use of cadastral data. These indicators are: (i) establishment of SISCAT (municipal cadastre) – SISCAF (national cadastre) link; and (ii) number of accreditations issued by INETER to municipalities on cadastral technical capacity.

**Compliance**

**Covenants - Additional Financing for Nicaragua Second Land Administration Project (P163246)**

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDA	Schedule 2, Section I, A.1	The Recipient shall operate and maintain at all times during Project implementation, the PCU, CIP and CTO with a structure, functions, responsibilities and adequate resources, all satisfactory to the Association.		<input checked="" type="checkbox"/>	CONTINUOUS	New
IDA	Schedule 2, Section I, D.1	The Recipient, through PGR, shall carry out the Project in accordance with the provisions of the EA, the EMP, the Process Framework, and the IPP, as applicable.		<input checked="" type="checkbox"/>	CONTINUOUS	New

**Conditions**

Source Of Fund	Name	Type							
IDA	Co-execution Agreements for the AF	Effectiveness							
<b>Description of Condition</b>									
<p>The Additional Condition of Effectiveness consists of, namely, that the three Co-execution Agreements for the Financing have been executed by the respective parties thereto.</p> <p>The Additional Legal Matter consists of, namely, that each of the Co-execution Agreements for the Financing has been duly authorized or ratified by the PGR on behalf of the Recipient and the respective Co-Executing Agencies for the Financing and is legally binding upon the Recipient and the respective Co-executing Agencies for the Financing in accordance with its respective terms.</p>									
<b>Risk</b>									
<b>Risk Category</b>		<b>Rating (H, S, M, L)</b>							
1. Political and Governance		Moderate							
2. Macroeconomic		Moderate							
3. Sector Strategies and Policies		Moderate							
4. Technical Design of Project or Program		Low							
5. Institutional Capacity for Implementation and Sustainability		Moderate							
6. Fiduciary		Moderate							
7. Environment and Social		Substantial							
8. Stakeholders		Moderate							
9. Other		N/A							
OVERALL		Moderate							
<b>Finance</b>									
<b>Credit Closing Date - Additional Financing (Additional Financing for Nicaragua Second Land Administration Project - P163246)</b>									
<b>Source of Funds</b>		<b>Proposed Additional Financing Credit Closing Date</b>							
IDA		30-Jun-2020							
<b>Change in Disbursement (including all sources of Financing) Estimates</b>									
Explanation:									
Disbursement estimates adjusted to reflect additional funds and extension of implementation period.									
<b>Expected Disbursements (in USD Million) (including all Sources of Financing)</b>									
Fiscal Year	2018	2019	2020						



Annual	9.00	7.80	1.20						
Cumulative	9.00	16.80	18.00						
<b>Allocations - Additional Financing for Nicaragua Second Land Administration Project (P163246)</b>									
Source of Fund	Currency	Category of Expenditure	Allocation		Disbursement % (Type Total)				
			Proposed		Proposed				
IDA	USD	(1) Goods, works, consulting services, Non-consulting services, Training/workshops and Operating Costs for Parts 1.A, 1.B, 2, 3.A, and 4 of the Project		18.00		100.00			
IDA	USD	(2) Emergency Expenditures under the CER Part of the Project		0.00		100.00			
		<b>Total:</b>		18.00		100.00			
<b>Components</b>									
<b>Change to Components and Cost</b>									
Explanation:									
<p><b>The proposed AF focuses on the following key areas:</b> (i) expanding the SIICAR in Managua and Estelí - subcomponent 2(b); (ii) scaling-up cadastral, titling, and regularization services - subcomponents 1(a), 2(a) and 3(a); (iii) strengthening municipal cadastre capacity - subcomponent 1(b); and (iv) supporting land administration studies and Project management, monitoring and evaluation - subcomponents 4(a), 4(b), and 4(c). Relevant activities under all Components will be scaled up accordingly (see details as follows). In addition, costs of Components 1 to 4 are adjusted to reflect the funds from the AF related to the scaled up activities. Component 5 will continue to have a zero allocation.</p> <p><b>Specific changes to each Component include the following:</b>  <i>Component 1 - Consolidation of the Institutional and Policy Framework (additional IDA funding of US\$1.96 million).</i> The AF will contribute to further strengthening the partnership between municipalities and INETER, which will facilitate the maintenance of cadastral information. Closer collaboration between land administration agencies will also be supported under the AF to enhance service provision. Key elements that will be scaled up include linking municipal cadastres with INETER's database and strengthening local capacity to ensure that municipalities meet INETER's standards. Reflecting its mandate, INIFOM will continue to play a central role in municipal capacity strengthening activities. Support to strengthening INIDE's data collection and evaluation capacity will not be included under the AF, given that these activities will be completed under the original credit, and further funding is not required.</p>									

*Component 2 - Strengthening of Property Registration and Alternative Conflict Resolution Capacity (additional IDA funding of US\$7.32 million).* The AF will continue to support CSJ in strengthening the capacity of the regional property registries for systematic titling and registration, consolidating and expanding SIICAR in collaboration with INETER, and facilitating mediation of land conflicts and disputes through DIRAC. In particular, under subcomponent 2(b), the installation of SIICAR will focus on the departments of Managua and Estelí, in addition to Chinandega which was completed under the original credit. Implementation of SIICAR in Managua and Estelí under the AF will, in turn, strengthen the collaboration between CSJ and INETER, while enhancing citizens' access to property information. Specifically, development of SIICAR entails, *inter alia*, design of the cadastre and registry modules, migrating and reconciling cadastral and property registry data, adding more options for various types of land transactions and a data mining function, and creating a digital folio for the cadastre linked to successive tract and cadastral regulations.

*Component 3 - Titling and Regularization Services (additional funding of US\$7.39 million).* The AF will support scaled up cadastre, titling, and regularization activities benefitting participating municipalities through a systematic approach, including through a participatory process in the case of seven indigenous communities living within the Project area. Moreover, the AF will support land surveys, regularization, titling, and registration of parcels for individuals on a demand basis as well as for selected national programs. The georeferenced information generated by the cadastre surveys will be one of the inputs for disaster risk analysis and territorial planning. The cadastral, titling and regularization activities will be carried out by INETER and IP/PGR following the organizational model developed and successfully validated through the parent Project, and building on the lessons learned. No additional funds will be allocated to subcomponent 3(b). Demarcating, titling and registration of two complementary areas of indigenous territories of Mayanga Sauni Bu (MSBU) and Miskitu Indian Tasbaika Kum (MITK) is underway and will be completed under the original credit. Subcomponent 3(c), Demarcating of Protected Areas, will not be supported with the AF. All activities related to this subcomponent were completed under the original credit. No additional protected areas are in the target departments, so no additional funds are needed.

*Component 4 - Project Management, Monitoring and Evaluation (additional funding of US\$1.33 million).* Under Component 4, the AF will continue supporting Project management, *inter alia*: (a) provision of training and the carrying out of workshops; (b) carrying out of the coordination, administrative and fiduciary activities of the Project, including audits; and (c) oversight of the implementation of a communication strategy and a gender strategy for the Project. An additional subcomponent (4(c) Land Administration Studies) will be added under the AF to include the support to land administration studies. These studies will cover, among other, the legal and institutional framework, environmental and social issues of land tenure (including climate and disaster risk considerations to ensure more climate-informed policies in the future), and consolidation of geospatial information.

<b>Current Component Name</b>	<b>Proposed Component Name</b>	<b>Current Cost (US\$M)</b>	<b>Proposed Cost (US\$M)</b>	<b>Action</b>
Consolidation of the Institutional and Policy Framework	Consolidation of the Institutional and Policy Framework	7.30	9.26	Revised
Strengthening of Property Registration and Alternative	Strengthening of Property Registration and Alternative	7.30	14.62	Revised

Conflict Resolution Capac	Conflict Resolution Capac			
Titling and Regularization Services	Titling and Regularization Services	17.80	25.19	Revised
Project Management, Monitoring and Evaluation	Project Management, Monitoring and Evaluation	3.20	4.53	Revised
Contingent Emergency Response Component	Contingent Emergency Response Component	0.00	0.00	
	<b>Total:</b>	35.60	53.60	

### Other Change(s)

#### Change in Institutional Arrangements

Explanation:

**Two co-executing agencies, INIDE and MARENA, are not included in the institutional arrangements under the AF, given that their respective subcomponents are going to be completed under the original credit.** The co-executing agencies that will continue under the AF are INETER, INIFOM and the Supreme Court, as well as IP (which is under the PGR).

#### Change in Procurement

Explanation:

**The AF will be executed in accordance with the World Bank Procurement Regulations for Borrowers under Investment Project Financing, dated July 1, 2016 (“Procurement Regulations”), and the provisions stipulated in the Procurement Plan and the Operational Manual.** The procurement capacity assessment carried out in March 2017 confirmed that SE-PRODEP has the necessary capacity. The procurement team of SE-PRODEP has gained relevant experience in executing the original Project and has already received training on the Procurement Regulations (See Annex 3 for further details).

#### Change in Implementation Schedule

Explanation:

**The implementation schedule is being adjusted to reflect the scaling up of activities and the extension of closing date from December 31, 2018 to June 30, 2020 (only for the AF).** The new implementation plan will be reflected in the Operational Manual, including the Cadastral Surveying Strategy.

## IV. Appraisal Summary

### Economic and Financial Analysis

Explanation:

**The economic and financial analysis was updated based on the new total Project costs and additional results and benefits (the detailed analysis is available in Project files).** The results of the updated economic and financial analyses indicate that the Project represents a sound investment from a cost/benefit and fiscal impact point of view. These results take into account the investments under the original Project as well as the resources of the AF. The estimated internal rate of return is 19 percent and a net present value of US\$11.7 million. Through a cost and benefit sensitivity analysis, it was concluded that the Project is profitable up to a cost increase of 30 percent, but if Project costs were to remain constant, the Project would still be profitable even with a reduction in benefits of 40 percent. These estimates are based on actual costs for the relevant Components for the period 2013-16. Moreover, the economic analysis is informed by econometric methods for the increase in the value of rural property and urban housing (using data from the National Household Survey of Quality of Life, 2005 and 2014). The econometric analysis has statistical coherence and pass econometric tests in terms of heteroscedasticity and serial autocorrelation. The likely impact of titling on property values was estimated through econometric and other statistical methods that allowed for isolating, with a reasonable degree of statistical confidence, the effect of property titling on perceived market values from the effect of other variables contributing to the determination of property prices. The fiscal impact analysis aimed at quantifying the net impact of implementation of the Project on both central and municipal government finances. In this case, this impact was primarily estimated on the basis of incremental operating costs and fiscal revenues captured by institutions providing services as part of the land administration system. Final results show that as a whole, the net present value of fiscal revenues is sufficient to cover the incremental costs associated with Project activities while resulting in net fiscal gains.

#### **Technical Analysis**

Explanation:

**There are no changes to technical aspects of the Project under the AF.** Experience, proven methodologies, and national and local capacities developed over the years with the support of the World Bank and other development partners continues to inform the Project and its AF. These methodologies reflect current international good practices adapted to Nicaragua's legal and institutional context. Moreover, the automated integration of the cadastral and property registry information platforms will be advanced by ensuring consistency among processes, program development and inter-institutional coordination. Cadastral surveying and land regularization will continue to be carried out using the organizational model developed and successfully validated during Project implementation, and building on the accumulated experience of the relevant co-executing agencies. By providing greater institutional ownership, control and coordination, and streamlining of technical processes, this model has helped to reduce processing times. Titling will occur almost simultaneously with cadastral surveying, as parcels with technical and legal conditions allowing for advanced titling are identified.

#### **Social Analysis**

Explanation:

**No additional safeguards policies are triggered under the AF.** The AF will be implemented in the same area as the original Project, and as such, the same safeguards policies triggered under the original Project will apply to the AF, namely the Indigenous Peoples (OP/BP 4.10) and Involuntary Resettlement (OP/BP 4.12) policies. Moreover, given the same geographic coverage, the original social safeguards instruments do not need updating. During preparation of PRODEP II, a comprehensive social assessment was carried out, and an Indigenous Peoples Plan (IPP) and a Process Framework were prepared and publicly disclosed on the PGR's and the World Bank's external websites on December 27, 2012. An updated version of the Process Framework was re-disclosed on February 6, 2013.

**The demarcation of protected areas did not cause any restrictions in access, and thus the Process Framework was not activated under the original Project.** No resettlement was expected to take place under the Project, and OP/BP 4.12 was triggered in relation to the potential restriction of access to natural resources related to the demarcation of protected areas, which was completed under the original Project. Under the AF, OP/BP 4.10 remains relevant (as detailed below).

**Under Component 3, the Project supports Indigenous Peoples' land rights.** It does so through: (a) demarcating and titling two complementary areas of indigenous territories located in a special development zone in the Bosawas Biosphere Reserve in Jinotega. Demarcation and titling in these complementary areas fall under Law 445, which has allowed titling all indigenous territories of the country's Caribbean region; and (b) supporting cadastre surveying activities in six indigenous communities with outstanding land claims that fall under the legal framework prevalent in the rest of the country, specifically the Pacific, Central and North regions. During the implementation of PRODEP II, progress has been slower than expected with respect to the above activities. In the case of the complementary areas in Jinotega, social tensions have delayed the consultation and planning process. Despite these delays, demarcation and titling of the complementary areas remains feasible, and funds are allocated for this under the original credit. In the case of the indigenous communities outside the special development zone under Law 445, the completion of cadastral surveying faces more challenges due to the difficult and protracted dialogue between the Government and these communities. Slow progress reflects a gap between the indigenous communities' expectations and aspirations for land tenure and the State's ability to respond to these expectations under the current legal framework. This legal framework, and the historical precedent of land tenure rights in the Pacific, Central and North regions, limits the options available for responding to the indigenous communities' expectations.

**To address these issues, SE-PRODEP will carry out a review of experience to identify options to facilitate progress in relation to titling indigenous territories.** As part of the AF preparation, the World Bank carried out a due diligence visit to Nicaragua to assess progress on implementation of cadastral activities in indigenous communities, and provide advice on the continuation of consultations with these communities. This due diligence included meetings with indigenous representatives in Jinotega and Madriz. During appraisal, the Project's implementation plan and cadastral surveying strategy were updated by the PGR to include these communities in the scope of the AF. Activities will include: (i) carrying out of the review mentioned above, which will include a detailed description of the process and results to date of the dialogue with the Indigenous Peoples; (ii) organization of consultations with the indigenous communities to confirm broad support for the Project and determine specific timelines and cadastral activities for each community; and (iii) conducting the cadastral surveying in line with each community's needs.

### **Environmental Analysis**

Explanation:

**The AF will trigger the same four environmental safeguards policies as the original Project, and is a Category B, as no large scale, significant and/or irreversible adverse impacts are expected.** The Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Physical Cultural Resources (OP/BP 4.11), and Forests (OP/BP 4.36) policies continue to be triggered under the AF. The Project, including the AF, is expected to have positive overall impacts. A key activity, namely the demarcation of five protected areas was completed under the original credit. This activity has contributed to the conservation of critical habitats by helping identify these zones and facilitating the management of protected areas. Moreover, cadastral surveying information is providing valuable information for territorial planning, while land regularization is expected to discourage illegal logging and induce overall positive behavioral changes resulting in more sustainable land and natural resource uses.

**Given there is no change in the geographical areas covered by the AF, there is no need to update the**

**original environmental safeguards instruments.** The Environmental Assessment (EA) and Environmental Management Plan (EMP) were prepared and disclosed on the PGR's and the World Bank's external websites on December 27, 2012. It should also be noted that activities under the AF will focus mainly on the development of the SIICAR and municipal capacity development activities – which do not have environmental implications -- and cadastral surveying and regularization activities. The original EA-EMP includes actions related to potential, mainly indirect impacts, of cadastral surveying and land regularization that continue to be applicable under the AF. These actions have been mainstreamed in the Project, and the AF, and include, *inter alia*, environmental education and awareness raising to beneficiaries of land regularization.

**Implementation of the EA-EMP has been satisfactory.** Throughout Project implementation, both the PGR through SE-PRODEP and MARENA have mainstreamed environmental safeguards concepts and requirements. Moreover, the PGR directly assumed responsibility for environmental management through its Environmental Attorney, thus institutionalizing the application of environmental and social safeguards in land regularization activities. During the implementation of the demarcation subcomponent, MARENA developed a series of initiatives (methodologies, tools and procedures) related to the demarcation of protected areas, which will be used by the institution in the future.

#### **Risk**

Explanation:

**Overall Project risk remains Moderate, although Environment and Social risk has increased.** This risk is considered Substantial mainly due to social aspects of the Project's remaining activities related to Indigenous Peoples' lands. Project implementation has highlighted the constraints and difficulty posed by the complex historical and legal context around recognition and security of land tenure for Indigenous Peoples in the Pacific, Central and North of Nicaragua. These factors have made progress in cadastre activities and dialogue with beneficiary communities more challenging than originally expected. Indigenous Peoples in these regions have expressed a range of priorities around land tenure recognition and regularization that require legal reforms and actions that go beyond the current scope of the Project. The Government and the World Bank have agreed to utilize the additional time and resources provided under the AF to advance the dialogue with indigenous communities and develop intermediary solutions that may be feasible within the current legal framework, including an analysis of viable options.

## **V. World Bank Grievance Redress**

17. **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 in order 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 World 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/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).



## ANNEX 1 - RESULTS FRAMEWORK

Project Name:	Additional Financing for Nicaragua Second Land Administration Project (P163246)	Project Stage:	Additional Financing	Status:	FINAL
Team Leader(s):	Stamatis Kotouzas	Requesting Unit:	LCC2C	Created by:	Stamatis Kotouzas on 02-Mar-2017
Product Line:	IDA	Responsible Unit:	GSULN	Modified by:	Stamatis Kotouzas on 03-May-2017
Country:	Nicaragua	Approval FY:	2017		
Region:	LATIN AMERICA AND CARIBBEAN	Financing Instrument:	Investment Project Financing		
Parent Project ID:	P121152	Parent Project Name:	Second Land Administration Project (PRODEP II) (P121152)		

### Project Development Objectives

Original Project Development Objective - Parent:

The Project Development Objectives are: (a) to strengthen the property rights of the population in the Project area through improved regularization, titling, and registry services; and (b) to improve Nicaragua's capacity to respond promptly and effectively to an eligible emergency.

Proposed Project Development Objective - Additional Financing (AF):

### Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

### Project Development Objective Indicators

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Direct project beneficiaries	<input type="checkbox"/>	Number	Value	0.00	496040	1016000
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Increase in end target due to



							scaled up activities
No Change	Female beneficiaries	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	50.19	51.00
Revised	Number of households receiving legal documents through the Project	<input type="checkbox"/>	Number	Value	0.00	74876	118900
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Increase in end target due to scaled up activities
Revised	of which number of new titles (and 50% benefit women or couples jointly)	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	54047	84800
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Increase in end target due to scaled up activities
Revised	SIICAR is evaluated independently as satisfactory in terms of operation, data and security	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment		Reflects evaluation of SIICAR in Chinandega	Closing date revised.
Revised	Avg no. of days to complete recordn of purchase/sale of property in land adm systm	<input type="checkbox"/>	Number	Value	50.00	35.00	25.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Closing date revised.
Revised	Time to disburse funds requested by Government for an eligible emergency	<input type="checkbox"/>	Weeks	Value	0.00	0.00	4.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Closing date

revised.

**Intermediate Results Indicators**

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Reduction in number of days to issue a cadastral certificate	<input type="checkbox"/>	Days	Value	12.00	15.00	6.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Closing date revised.
New	Number of accreditations issued by INETER to municipalities on cadastral technical capacity	<input type="checkbox"/>	Number	Value	0.00	0.00	20.00
				Date	21-Apr-2017	24-Apr-2017	30-Jun-2020
				Comment			Increase in end target due to scaled up activities.
New	Establishment of SISCAT (municipal cadastre) -SISCAF (national cadastre) link	<input type="checkbox"/>	Number	Value	0.00	0.00	11.00
				Date	21-Apr-2017	24-Apr-2017	30-Jun-2020
				Comment			Increase in end target due to scaled up activities.
Revised	The database of fiscal cadastre is increased by participating municipalities	<input type="checkbox"/>	Percentage	Value	0.00	3.00	35.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Increase in end target due to scaled up activities.
Revised	SIICAR is redesigned satisfactorily in terms of operations security, business objectives, and policies and procedures	<input type="checkbox"/>	Percentage	Value	0.00	0.00	100.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment	Baseline corrected to reflect that the	System under development	Increase in end target due to scaled up

					Project is financing a new version of SIICAR		activities.
Revised	SIICAR is implemented on a pilot basis to incorporate the registry & cadastral data of the Dept. of Managua	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	0.00	50.00
New	SIICAR is implemented on a pilot basis to incorporate the registry & cadastral data of the Dept. of Esteli	<input type="checkbox"/>	Percentage Sub Type Breakdown	Value	0.00	0.00	15.00
				Date		21-Apr-2017	30-Jun-2020
				Comment			Scaled-up activity.
Revised	Conflict resolution agreements, pre-qualified as registrable, are formalized in the Property Registry	<input type="checkbox"/>	Percentage	Value	0.00	60.00	70.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Increase in end target due to scaled up activities.
Revised	Land parcels with use or ownership rights recorded as a result of the project	<input type="checkbox"/>	Number	Value	0.00	81715	187400
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Increase in end target due to scaled up activities. (Equivalent to at least 40% of total parcels).
Revised	Land parcels with use/ownership rights recorded as a result of project-female	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	40040.00	74960.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Increase in end target due to scaled up activities.

		<input type="checkbox"/>					(Equivalent to at least 50% of total parcels).
Revised	Households with surveyed parcels report a substantial improvement in land tenure security	<input type="checkbox"/>	Percentage	Value	0.00	70.00	70.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Closing date revised.
Revised	Grievances registered related to delivery of project benefits addressed (%)	<input type="checkbox"/>	Percentage	Value	0.00	95.00	98.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Closing date revised.
No Change	Grievances related to delivery of project benefits that are addressed-(number)	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	774.00	0.00
Revised	Complementary areas in the indigenous territories in the Special Development Zone of Bosawas are demarcated and titled	<input type="checkbox"/>	Number	Value	0.00	0.00	2.00
				Date	30-Nov-2012	28-Feb-2017	31-Dec-2018
				Comment			
Revised	Protected areas are demarcated and registered in the database of the National System of Protected Areas	<input type="checkbox"/>	Number	Value	0.00	4.00	5.00
				Date	30-Nov-2012	28-Feb-2017	31-Dec-2018
				Comment			Target will be achieved in 2017
Revised	Baseline for project impact evaluation, mid-term report, and final evaluation report completed in a timely and satisfactory manner	<input type="checkbox"/>	Number	Value	0.00	1.00	2.00
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020
				Comment			Closing date revised.
Revised	CERC established and ready to provide access to financial	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	30-Nov-2012	28-Feb-2017	30-Jun-2020

	resources to Nicaragua in case of an eligible emergency			Comment			Closing date revised.
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## ANNEX 2: PROJECT DESCRIPTION

1. **The PDOs remain unchanged.** They are: (a) to strengthen the property rights of the population in the Project area through improved regularization, titling, and registry services; and (b) to improve the Recipient's capacity to respond promptly and effectively to an Eligible Emergency. As detailed below, AF activities have been included within the original Project's Components and subcomponents. Sections in italics indicate Components and/or subcomponents that are not being scaled up under the AF, since they have been or will be completed under the original credit. Finally, Table 2.1 shows the AF financing amount allocated to each Component.

**Table 2.1: AF by Component**

	<b>Component</b>	<b>Amount US\$ M</b>	<b>% of total</b>
1	Consolidation of the Institutional and Policy Framework	1.96	10.88
2	Strengthening of Property Registration and Alternative Conflict Resolution Capacity	7.32	40.66
3	Titling and Regularization Services	7.39	41.05
4	Project Management, Monitoring and Evaluation	1.33	7.41
5	CER	0	0
	<b>TOTAL</b>	<b>18.00</b>	<b>100.00</b>

### **Component 1: Consolidation of the Institutional and Policy Framework**

2. **The objective of this Component is to help consolidate the land administration system by strengthening the capacity of key agencies and participating municipalities, promoting inter-institutional coordination, and furthering decentralization of services.** The AF will contribute to further strengthening the partnership between municipalities and INETER, which will facilitate the maintenance of cadastral information. Closer collaboration between land administration agencies will also be supported under the AF to enhance service provision. Key elements that will be scaled up include linking municipal cadastres with INETER's database and strengthening local capacity to ensure that municipalities meet INETER's standards. Reflecting its mandate, INIFOM will continue to play a central role in municipal capacity strengthening activities. Training activities are a central element of this Component. Specific subcomponents and scaled up activities are:

- Subcomponent 1(a): Strengthening of cadastral services and land regularization capacity by: (a) supporting INETER through, *inter alia*: (i) the preparation of technical and administrative cadastral regulations; (ii) the carrying out of training on the standardization of cadastral policy and procedures; (iii) the strengthening of its capacity

in the provision of cadastral services; and (iv) the maintenance and refurbishment (including the acquisition of equipment) of certain INETER offices selected pursuant to the criteria set forth in the Operational Manual; and by (b) supporting IP through, *inter alia*: (i) the updating of the Property Information System and the installation of the Legal and Cadastral Information System in IP's regional offices; (ii) the strengthening of IP's capacity to deliver titling, regularization and legal services; and (iii) the maintenance and refurbishment (including the acquisition of equipment) of certain offices of IP selected pursuant to the criteria set forth in the Operational Manual.

- Subcomponent 1(b): Strengthening of municipal land administration services by supporting INIFOM through, *inter alia*, (a) the preparation of technical guidelines and regulations for municipal cadastre management; (b) the strengthening of the capacity of Participating Municipalities on: (i) the management of the Municipal Cadastre System (SISCAT) for property taxation and territorial planning; (ii) the maintenance of sustainable municipal cadastres; and (iii) the coordination of cadastral services with INETER; and (c) the establishment of the link of SISCAT with the national cadastre managed by INETER
- *Subcomponent 1(c): Strengthening of data collection and evaluation capacity by supporting INIDE through, inter alia: (a) the design and carrying out of a poverty measurement survey including a module to collect information on land tenure; and (b) the strengthening of its capacity for data analysis and surveys, through the provision of training, the acquisition of equipment, and the refurbishment of training facilities.*

### **Component 2: Strengthening of Property Registration and Alternative Conflict Resolution Capacity**

3. **The objective of this Component is to support CSJ in strengthening the capacity of the regional property registries for systematic titling and registration, consolidating and expanding SIICAR in collaboration with INETER, and facilitating mediation of land conflicts and disputes through DIRAC.** Implementation of SIICAR in Managua and Estelí under the AF will, in turn, strengthen the collaboration between CSJ and INETER, while enhancing citizens' access to property information. Specific subcomponents and scaled up activities are:

- Subcomponent 2(a): Strengthening of property registration and alternative conflict resolution capacity by supporting the Supreme Court through, *inter alia*: (a) the carrying out of capacity building activities, including the provision of technical assistance, and training to staff, on systematic titling and registration in regional property registries covering Participating Municipalities; and (b) the carrying out of mediation services during the cadastral and regularization processes under the Project, including: (i) the provision of conflict resolution training to mediators and Co-executing Agencies' staff; and (ii) the preparation of a manual to standardize mediation results.
- Subcomponent 2(b): Consolidating the SIICAR by supporting the Supreme Court and INETER through, *inter alia*: (a) the development and upgrading of the pilot version of SIICAR; (b) the installation of SIICAR in the Recipient's Departments of Chinandega, Managua and Estelí through the provision of technical assistance, including training to the

Supreme Court and INETER's staff, and the acquisition of computer and office equipment, including software, hardware, and licenses.

4. Specifically, development of SIICAR entails, *inter alia*, design of the cadastre and registry modules, migrating and reconciling cadastral and property registry data, adding more options for various types of land transactions and a data mining function, and creating a digital folio for the cadastre linked to successive tract and cadastral regulations.

### **Component 3: Titling and Regularization Services**

5. **The objective of this Component is to support the strengthening of land tenure rights through systematic and on-demand cadastral and regularization.** The AF will support scaled up cadastre and regularization activities benefitting participating municipalities through a systematic approach, including through a participatory process in the case of seven indigenous communities living within the Project area. Moreover, the AF will support land regularization services for individuals on a demand basis as well as for selected national programs.

6. INETER and IP/PGR will carry out these activities following the organizational model developed and successfully validated through the parent Project, and building on the lessons learned. By providing greater institutional ownership, control and coordination, and streamlining of technical processes, this model has helped to reduce processing times. Titling will occur almost simultaneously with cadastral surveying, as parcels with technical and legal conditions allowing for advanced titling are identified. Specific subcomponents and scaled up activities are:

- Subcomponent 3(a): Supporting the provision of cadastral, titling and regularization services by supporting INETER, IP and the Supreme Court through, *inter alia*: (a) the carrying out of systematic cadastral surveying, and land regularization, titling and registration activities in Participating Municipalities; (b) the carrying out of land surveys, regularization, titling, and registration of parcels for individuals: (i) on a demand basis; or, (ii) prioritized by those Recipient's pertinent national programs selected pursuant to the criteria set forth in the Operational Manual; (c) the carrying out of land titling and registration activities of eligible parcels subject to the Recipient's agrarian reform selected pursuant to the criteria set forth in the Operational Manual, for current possessors; and (d) the implementation of the Project's communication strategy.
- *Subcomponent 3(b): Demarcating, titling and registration of two complementary areas of indigenous territories of MSBU and MITK by supporting IP through, inter alia: (a) the carrying out of capacity building and coordination activities; (b) the validation of existing territorial diagnostics; (c) the establishment of conflict resolution mechanisms; and (d) the demarcation, titling and registration activities.*
- *Subcomponent 3(c): Demarcating of Protected Areas selected pursuant to the criteria set forth in the Operational Manual by supporting MARENA through, inter alia: (a) the carrying out of the demarcation of the external boundaries of said Protected Areas, including preparatory work, data collection, consultation with beneficiaries, determination of boundaries, and geo-referencing and physical demarcation of such*



*boundaries; and (b) the carrying out of an environmental communication and educational campaign in the Protected Areas and neighboring communities.*

#### **Component 4: Project Management, Monitoring and Evaluation**

7. **The objective of this Component is to support Project administration, and monitoring and evaluation.** SE-PRODEP will continue to be responsible for overall Project coordination under the leadership of PGR. Specific subcomponents and scaled up activities are:

- Subcomponent 4(a): Supporting Project management through, *inter alia*: (a) the provision of training and the carrying out of workshops; (b) the carrying out of the coordination, administrative and fiduciary activities of the Project, including audits; and (c) the oversight of the implementation of a communication strategy and a gender strategy for the Project.
- Subcomponent 4(b): Supporting Project monitoring and evaluation through, *inter alia*: (a) the collection of base line data to assess the Project's social, environmental and economic impacts; (b) the preparation of the Project's semi-annual progress reports, the midterm review report and the final evaluation report; and (c) the carrying out of a social audit of relevant activities.
- Subcomponent 4(c): Carrying out studies related to land administration in Nicaragua. These studies will cover, *inter alia*, the legal and institutional framework, environmental and social issues of land tenure, and consolidation of geospatial information.

#### **Component 5: Contingent Emergency Response**

8. **The objective of this Component is to support the Government's immediate response to an Eligible Emergency, as needed.** More specifically, this Component will finance public and private sector expenditures related to a positive list of goods, both domestic and imported, required for Nicaragua's emergency recovery. The CER Operations Manual applies to this Component, detailing financial management, procurement, safeguard and any other arrangements to ensure that funds are disbursed in a rapid and efficient manner following an eligible emergency.

## ANNEX 3: FIDUCIARY ARRANGEMENTS

### I. Financial Management and Disbursement

1. **Financial management will continue to be carried out by SE-PRODEP.** SE-PRODEP is an experienced entity with qualified staff and experience in implementing World Bank-financed projects, and has basic budgeting, accounting, reporting, recording and filing processes in place. It uses the Integrated Administrative and Financial System and the Integrated Financial Management and Auditing System for Project accounting and budgeting purposes respectively, which are considered reliable systems to generate Project financial reports and manage budgeting execution processes. The AF does not require complex or decentralized financial management arrangements. The financial management rating was recently downgraded to Moderately Satisfactory due to issues related to: (i) policies, content and preparation of the financial statements that may impact the quality of the financial information (e.g. ensuring that expenditures reflected as uses/investments actually correspond to payments/checks delivered to beneficiaries, as opposed to issued checks); and (ii) the auditor's performance that required follow-up action to ensure that issues were addressed in a timely manner and that the financial statements subject to audit review complied with the quality, format and content required by the World Bank. An Action Plan was developed and is under implementation. Measures have also been undertaken to ensure that the quality and performance of auditors in the portfolio meet the requirements for Project audits. The detailed procedures, rules and responsibilities related to financial management are outlined in the Operational Manual.

2. **SE-PRODEP's activity level will be increased by the AF.** There will be an overlap in 2018 between the original and AF credits resulting in an increased number of contracts and administrative transactions. To ensure smooth implementation, SE-PRODEP will hire one additional fiduciary support staff that will be financed using AF funds.

3. **A new Designated Account with a variable ceiling will be opened for the AF.** The initial ceiling may be amended in the Disbursement Letter upon specific request. The Designated Account will be located in the Central Bank of Nicaragua from where the funds will be transferred to SE-PRODEP's operating accounts to finance expenditures made or to be made within 30 days.

4. **The AF will cover retroactive expenditures.** For costs incurred up to a 12-month period before the date of signature of the Financing Agreement, the AF will cover up to US\$3.6 million for eligible expenditures.

5. **Disbursements of the AF funds will be made to the Designated Account using the traditional mechanism of replenishment by the Statement of Expenditure method.** Application withdrawal requests will be made using standard documentation supported by copies of relevant records as indicated in the Disbursement Letter. Disbursement methods will be defined in the Disbursement Letter and include Reimbursements, Advances and Direct Payments.

## II. Procurement

6. **Procurement for the Project will continue to be carried out by PGR through SE-PRODEP.** However, the AF credit will be executed in accordance with the World Bank Procurement Regulations for Borrowers under Investment Project Financing, dated July 1, 2016 (“Procurement Regulations”), and the provisions stipulated in the Procurement Plan and the Operational Manual. The procurement capacity assessment carried out in March 2017 confirmed that SE-PRODEP has the necessary capacity. Moreover, SE-PRODEP’s procurement team has gained relevant experience in executing the original Project and has already participated in training on the Procurement Regulations (November 2016). Accordingly, SE-PRODEP will be responsible for all procurement and contracting related queries and processing of the Project, including management and compliance with fiduciary requirements.

7. **A Project Procurement Strategy for Development was carried out and identified the appropriate selection methods, market approach and type of review to be conducted by the World Bank.** Based on the Strategy, most Project activities will be carried out through National Competition. An acceptable Procurement Plan, dated May 7, 2017, for the first 18 months of the AF was also prepared and included in the new Systematic Tracking of Exchanges in Procurement system. All procurement procedures, including roles and responsibilities of different participating entities and units are defined in the Operational Manual.

8. **A series of mitigation measures will be implemented to ensure the satisfactory performance of procurement functions within PRODEP.** These include: (a) strengthening the procurement team to better serve Project needs during the overlap between the original and AF credits by hiring an additional procurement analyst; (b) improving the quality of market studies through the participation of the various technical specialists; (c) ensuring that the procurement procedures to be used under the Project are aligned with the Procurement Regulations; and (d) including special procurement provisions in the Procurement Plan.

