PROGRAM FOR REGULARIZATION OF THE CADASTRE
AND PROPERTY REGISTRY

(CR-0134)

EXECUTIVE SUMMARY

Borrower: Republic of Costa Rica

Executing agency: Ministry of Finance, through an executing unit

Financing: IDB (OC): US$65 million
Local counterpart: US$27 million
Total: US$92 million

Terms and conditions:
- Amortization period: 20 years
- Disbursement period: 5 years
- Interest rate: variable
- Inspection and supervision: 1%
- Credit fee: 0.75%
- Currency: United States dollar

Issue to be resolved:
Despite Costa Rica’s efforts in recent years to modernize the cadastre and registry system, the country lacks a technically developed and legally established cadastre covering the entire national territory, adequately reflecting the legal status of real estate. Moreover, there are major discrepancies between the cadastre information and the information in the Real Property Registry, primarily in rural areas. While there are close to 1.2 million registered parcels in the country, there are almost 1.6 million cadastre plans (plat maps), many of them inconsistent and out of date as to their actual legal status. It is estimated that 40% of the physical plats contained in the National Cadastre involve multiple registration or titling. Thus, there are approximately 400,000 erroneous documents filed in the Real Property Registry, the registered parcels in question representing more than 20% of the total area of the national territory. This situation

1 The following institutions will be in charge of technical supervision of the program, through the executing unit: the National Registry, National Cadastre, Real Property Registry, Bureau of Municipal Development and Support (IFAM), Technical Standardization Agency (ONT/Ministry of Finance), Ministry of the Environment and Energy (MINAE), Department of Alternative Dispute Resolution of the Ministry of Justice, National Geographic Institute (IGN), Bureau of Agricultural Development (IDA) and the Inter-agency Commission on Indigenous Affairs (CIAI).
reveals the overlapping and duplication of physical plats and property titles, discrepancies in title, and boundary conflicts. Furthermore, encumbrances on property are held in connection with mining, forests, aquifers, land management plans, for example, by the National Technical Office for the Environment, the Water and Sewerage Authority, municipalities and other government agencies that do not appear in the Registry. These discrepancies lead to a lack of transparency in the real estate market, uncertainty and high transaction costs, since prospective buyers have to verify any encumbrances on their own in each case. As a result, real property rights in the country lack legal certainty.

Objectives:
The purpose of the program is to improve the climate for public and private investment in Costa Rica. Thus, the program’s main objective is to strengthen the legal security of real property rights.

Description:
The program consists of the following three components, which together will achieve the program objective: (1) establishment of the National Cadastre and its reconciliation with the Registry; (2) prevention and resolution of disputes over real property rights, and (3) municipal strengthening in the use of cadastral information.

To ensure that the reconciled cadastre-registry system established under the program is sustainable over time, and in order for the information from the National Land Information System (SNIT) to be regularly updated, legal and regulatory changes will be necessary. These changes will be tied contractually to the program by means of the Bank authorizations for calls for bids for the establishment of the Cadastre and its reconciliation with the registry in nine of the 13 cadastral areas into which the country would be divided (see Contractual Conditions).

Component 1: Establishment of the National Cadastre for real property and its reconciliation with the Property Registry (US$50.4 million). The purpose of this component is to establish a cadastre of all the parcels in the country, properly georeferenced, and to reconcile this information with the Real Property Registry. Upon program completion, each of the existing parcels in the country is expected to have a single record issued by the new Real Property Registry with written and graphic information that will ensure the legal and geographic identity of each parcel. As a key factor in attaining the program goals and a condition for this component to be fully implemented, the country’s current legal and regulatory framework concerning real property rights must be overhauled. Accordingly, and as described in paragraph 2.13, the cadastral survey will initially be carried out in four of the 13 cadastral areas into which the country would be divided. At the same time, the government will
take all the necessary measures to foster reform of the legal and regulatory framework so as to ensure the sustainability of the Cadastre-Registry system. Once the legal and regulatory framework has been adjusted the cadastre will be established in the remaining nine cadastral areas. In addition, the necessary institutional restructuring will be carried out to achieve deconcentration of the Cadastre-Registry system.

Component 2: Prevention and resolution of disputes over real property rights (US$9.3 million). The purpose of this component is to improve the legal security of property rights, through expeditious resolution of disputes that may arise during the cadastral survey and by establishing appropriate alternative dispute resolution methods. Means of prevention include the implementation of procedures to regulate areas under special regimes (protected areas, tribal lands, the Maritime Land Zone), based on census data analysis, participatory processes and the formulation and implementation of pilot programs to improve land use and management.

Component 3: Municipal strengthening in the use of cadastral information (US$10 million). This component supports the establishment of a property tax cadastre to maximize the collection of property taxes by municipalities and to help improve management of municipal government resources.

The Bank’s country and sector strategy:

Under the Bank’s Eighth General Increase in Resources, priority was given to the modernization of public services, identifying mechanisms for technological innovation to increase efficiency, public sector reform to improve services, and training and extension activities to strengthen local government. Updating the Cadastre, reconciling it with the Registry and deconcentrating administration of the system to local governments will support the fiscal sustainability of the municipalities, allowing for local investment in public goods. The proposed program will also help increase private investment by affording greater security for rural property titles, which would invigorate the land market. Moreover, a reliable cadastre-registry system would provide the foundation for land use management.

Environmental and social review:

In general, the program will have a positive environmental impact to the extent that it attains the targets of improving the database, demarcation of protected areas for management purposes and operation of the land use management system. Identifying the ownership of natural resources is a key requirement for sustainable management of those resources. As to social impact, the program seeks to resolve conflicts on the use and tenure of land in rural areas, which would help improve living conditions for small farmers currently living on irregular settlements without land titles under the authority of the Bureau of Agricultural Development (IDA).
Benefits: Strengthening the legal security of real property rights as a result of the program will yield the following benefits: (i) an increase in private investment, which will raise general levels of employment and income nationwide; (ii) an increase in the provision of public services thanks to higher tax collections; (iii) a reduction in transaction costs for users, reducing Cadastre and Registry processing times; and (iv) revitalization of the land market.

By providing for a Cadastre that is reconciled with the Registry, distinguishing private ownership and public ownership of protected areas with natural resources deemed in the public interest and national reserves, the program will have the following additional benefits: (i) increased availability of services thanks to higher tax collections to enhance such services; (ii) improved sustainable, rational management of natural resources by private owners and greater capacity on the part of government agencies to protect such resources; and (iii) a more efficient and effective Judicial Branch with respect to real property rights, thanks to the availability of reliable information and documentation and the availability of specialized services for alternative dispute resolution (ADR) concerning real property rights.

Risks: Modernization of processes and institutional restructuring of the National Registry are needed in order for the SNIT to be properly managed, thereby improving the legal security of real property ownership. Thus, continuity in the government’s commitment to the proposed program, including the necessary transformation of the National Registry, is a key factor for the program’s success.

Attainment of the program objectives is closely tied to the legal and regulatory reform of the country’s current legislation on real property rights and their formalization. Consequently, immediate implementation of the legal and regulatory changes by the country’s executive and legislative branches is a condition for achieving the legal security of real property rights. Accordingly, the Bank and the government have adopted the strategy of making a substantial portion of the program’s investments (especially under Component 1) contingent upon legislative approval and administrative implementation, as the case may be, of the legal, regulatory and institutional modification of the country’s Real Property Registry system.

Another potential risk to be considered involves the possible reluctance of certain property owners and landholders without title to clear their titles, fearing that they will then have to pay property taxes. Accordingly, local awareness campaigns have been proposed to explain to the population the advantages to the country as a whole of having reliable, up-to-date and complete information on land tenure, in addition to the individual benefits of the legal security of real
property rights and the benefits to the community as a result of better municipal management. These campaigns, together with the legal reforms instituting mandatory property registration, should be sufficient to increase demand for formalization of real property rights on a sustainable basis.

The program's special conditions, fulfillment of which will be evaluated in accordance with the terms previously agreed with the Bank and set forth in Annex A to the loan contract, are as follows:

Prior to the first disbursement, in addition to the standard Bank conditions, the borrower must fulfill the following conditions:

(i) The resolution adopted by the Civil Service Office approving the restructuring of the National Property Registry, under which the functions of the National Cadastre and the Property Office are integrated and establishing regional offices must be published in La Gaceta (paragraph 2.12).

(ii) An executive decree dividing the country into the 13 cadastral areas agreed upon for execution of the program must be published (paragraph 2.13).

(iii) The executing unit (EU) must be established, by means of the law approving the proposed loan, as a deconcentrated unit attached to the Ministry of Finance, with administrative, technical and financial autonomy, an independent budget, and the authority to carry out competitive bidding, enter into contracts and make disbursements under the program, and must be operational. The EU must have the structure, functions, and procedures set forth in the Operating Regulations of the program (paragraph 3.3).

(iv) The inter-agency framework agreement must be signed by the EU, the Ministry of Justice, and the other agencies participating in the program, and must have entered into force. Under the agreement: (i) the Operating Regulations of the program will be an integral part of the agreement and will enter into force; (ii) the respective responsibilities of each of the agencies participating in the program will be established; and (iii) the pro forma agreement that will be used with the participating municipalities will be adopted (paragraph 3.9).

(v) As an exception to the above, up to US$300,000 may be disbursed once the conditions precedent indicated in Article 4.01 of the General Conditions with respect to the following have been met: (a) the legal report; (b) designation of officials; and (c) the chart of accounts for startup of the program with the priority activities (paragraph 3.22).
Before the Bank can authorize the executing agency to proceed with the first call for bids for the studies on establishment of the Cadastre and its reconciliation with the Registry in nine of the total 13 cadastral areas in Costa Rica, the mid-term evaluation, for which the borrower must submit evidence that it has substantially met the following goals, must be carried out (paragraph 3.23):

(i) The Real Property Department has been established, the graphic and legal property descriptions have been standardized, and the real property rights pertaining to each parcel in the Registry have been filed, as duly formalized and published by means of laws and the respective regulations (paragraph 2.6).

(ii) The requirement that all property rights, including mortgages, encumbrances and concessions, be recorded in the Real Property Registry has been established, and the penalties for noncompliance stipulated, as duly formalized and published by means of laws and the respective regulations (paragraphs 2.7 and 2.8).

(iii) The operational and professional guidelines, codes of ethics, penalties and Registry procedures have been strengthened to ensure that notarial and land surveying services are properly performed, as duly formalized and published by means of laws and the respective regulations (paragraph 2.9).

(iv) At least three of the four cadastral areas in the country have been established and included in the first stage of implementation of the subcomponent for the establishment of the Cadastre and its reconciliation with the Registry, as duly published in La Gaceta.

(v) The findings of the census data analysis and consultations have been completed and action plans have been prepared to implement the pilot programs in areas under special regimes. If necessary, an action plan for involuntary resettlement in the first four cadastral areas will be included, in accordance with the applicable local legislation and Bank policy (paragraph 2.27).^2

As a result of the mid-term evaluation, a work plan and monitoring program will be agreed upon, to be reviewed annually during the remaining program execution period (paragraph 3.24), to ensure that the objective agreed upon are attained with respect to the conditions.

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^2 For the Maritime Land Zone, this condition will only apply to the areas located in the first four cadastral areas.
and targets referred to in paragraph 3.18. Within 12 months after program completion, the borrower will submit an ex post evaluation report to the Bank (paragraph 3.24).

Social and poverty sector classification:

This program does not qualify as a social equity-enhancing project, as described in the key objectives for the Bank's activity in the Report on the Eighth General Increase in Resources (document AB-1704).

Exceptions to Bank policy:

An exception to the Bank policy is requested for recognition of counterpart expenditures incurred for aerial photography of the country's rural areas and initial processing, and studies on aerotriangulation and geodetic network density, and procured, at a cost of US$2 million, between 1998 and June 1999, that is, prior to 18 months before approval of the proposed project by the Board of Executive Directors, the period authorized according to Bank policy, provided that procedures and requirements substantially similar to those set forth in the loan contract have been complied with (see paragraph 3.21).

Recognition of previous expenditures:

It is proposed that up to the equivalent of US$1.5 million in expenses incurred for outfitting offices and procuring computer hardware and software for geographic information systems for the agencies participating in the program, compilation of background information and preparation of project briefs, file reconciliation, digital mapping and field surveys of the physical characteristics of the buildings for purposes of assessment for IFAM-supported municipal projects, prior to the date of approval of the respective resolution by the Bank's Board of Executive Directors during the 18-month period prior to said resolution, be recognized as part of the local counterpart contribution, provided that procedures and requirements substantially similar to those set forth in the loan contract have been complied with (see paragraph 3.20).

Procurement:

The procurement of goods and the awarding of construction contracts will be carried out in accordance with the procedures set forth in Annex B to the loan contract. International competitive bidding will be required for the procurement of goods and services valued in excess of US$250,000 and construction contracts for over US$1 million. These thresholds are justified, taking into account that, in similar projects in the country, foreign bidders participated when the amounts were higher than the proposed thresholds.
I. FRAME OF REFERENCE

A. The issue to be resolved

1.1 Despite Costa Rica's efforts to modernize the plat/property registry system, the country lacks a technically adequate, legally established physical plat of the entire national territory, reflecting the legal status of real property. While there are close to 1.2 million registered parcels in the country, there are almost 1.6 million recorded plat maps, many of them inconsistent and outdated when compared with the legal description of the corresponding parcels. It is estimated that 40% of the physical plats contained in the National Cadastre pertain to multiple registrations or titles. Currently, there are approximately 400,000 erroneous documents filed in the Real Property Registry, and the parcels that are registered represent over 20% of the total national territory. In addition, lands have been encumbered in connection with mining, forests, aquifers and land use plans by the Ministry of the Environment and Energy (MINAE), the National Technical Environmental Secretary, the Bureau of Housing and Urban Development (INVU), Bureau of Agricultural Development (IDA), Water and Sewerage Authority, municipal governments and other public institutions. Such encumbrances do not appear in the Real Property Registry.

1.2 The Ministry of the Environment and Energy owns 590,000 hectares (about 11% of the national territory) and is responsible for managing all protected areas, which are divided into 25 national parks, 8 wildlife parks, 2 strict nature reserves and a national monument, whose management is the responsibility of the National System of Conservation Areas (SINAC). However, notwithstanding their declaration as protected lands, some of these areas are not properly delimited. In fact, since there are no clearly defined boundaries, problems arise when purchasers are not aware of the boundaries, and by purchasing properties within the boundaries of such areas, they become "good faith purchasers." This gives them rights to the purchased property and causes conflicts for the State and the purchaser. Similarly, the border areas and the Maritime Land Zone, which are specially protected by the State, are frequently invaded by individuals because the boundary lines have not been marked out.

1.3 Among other reasons for the lack of adequate boundary demarcation and issuance of land titles for the 22 indigenous land reserves currently in the country, there have been several invasions in recent years of non-indigenous squatters to these areas, generating potential conflicts concerning land ownership. The National Commission on Indigenous Affairs (CONAI), responsible for defending the rights of indigenous populations, is subject to institutional restrictions that prevent it from reaching a definitive solution. Likewise, the Bureau of Agricultural Development (IDA), which, by law, is responsible for and holds the reserves on behalf of the

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1 This does not include categories of protected areas of restricted use which are managed by the MINAE, but can be privately-owned property, the total of which is an additional 14% of the total national territory.
Associations for the Development of Indigenous Communities, does not have sufficient information or resources to carry out this task. The indigenous population consists of approximately 39,000 inhabitants (0.9% of the total population), and the areas designated as reservations cover almost 348,000 hectares (6.4% of the national territory), of which an average of 42% is estimated to be currently occupied by non-indigenous squatters.

1.4 In the rural areas, there are 208 small farmer (campesino) settlements established by the IDA, located totally or partially within protected areas in the various categories set forth by law. The IDA is also in the process of issuing approximately 28,365 land titles for campesino settlements, making demarcations of boundary lines, awarding land titles, implementing procedures for title warranty or regularization with respect to the occupancy of the 22 indigenous land reservations, and is seeking possible solutions to the invasion of squatters on private property.

1.5 As part of the administrative deconcentration of operations to the municipalities and pursuant to Law 7509 of 1995 on Property Taxes (ISBI), the shortcomings of the current plat/property registry system have hindered the ability to increase tax collections and manage these funds more effectively. By means of the above-mentioned law, the municipalities became responsible for real property assessments under the rules of the Technical Standardization Agency (ONT) of the Ministry of Finance, and for applying and administering taxes on rural and urban real property in their respective cantons. Even with the deficiencies of the outdated lists of rural and urban customers, the municipalities inaugurated the property tax in 1996, and over a three year-period (1996 to 1998), tax receipts had increased, in real terms, by almost 50% for the municipalities as a whole. Improving the tax situation of local governments is likely to reduce the need for transfers of authority by the central government to local governments and improve the population’s quality of life through investments in infrastructure and local services.

1.6 Preliminary estimates indicate that an up-to-date integrated plat/property registry system could increase the municipal tax base by 30% to 40%. Inasmuch as this tax is key to greater municipal funding, many local governments, with technical and financial support from the Bureau of Municipal Development and Support (IFAM), have initiated programs since 1997 to update and refine cadastral information which have served to augment the tax base and modernize assessment methods (with the support of the ONT). However, these data do not meet the technical and legal requirements for structuring the National Cadastre so as to provide legal security to real property ownership, and therefore do not provide the legal backing necessary for the local government’s right to collect land taxes.

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2 The property tax revenue allocation in accordance with the rules is as follows: 3% transfer to the National Cadastre; 1% to the Technical Standardization Agency (ONT) and 96% administered by the municipalities on the condition that not more than 10% is earmarked for public expenditure and at least 10% is utilized by the Boards of Education of the respective municipality.
1.7 In addition to the lack of an adequate plat/property registry system, a large number of municipalities do not have adequate infrastructure or sufficient staff to effectively manage the provision of basic services. Primary among the current shortcomings are: (i) the lack of sufficient staff to prepare the annual operating plans in accordance with law; (ii) only 25% of the towns have a taxpayer census, albeit out-of-date, which constitutes the property tax revenue base; (iii) approximately 57% of the municipalities do not have a taxpayer current account system to accurately determine revenue, balances due and delinquencies; (iv) only 23% of the towns have instituted an assessment office. Consequently, the surplus reflected by some municipalities is the result of greater revenue yield compared with low expenditures, indicating the inability of most municipalities to prepare participatory investment-prioritization programs.

B. Source of the problem

1.8 The problem identified is that the plat/property registry system lacks the basic elements to fully ensure real property security in the country. This stems from an historic combination of legal, institutional, regulatory, technological and cultural reasons that have allowed the overlapping of formal, informal and customary systems of land tenure over the years, which differ from each other and have partial or relative validity.

1. Legal and cultural aspects

1.9 The National Cadastre, established by Law in 1916, only became an integral part of the National Real Property Registry in 1982, while the Public Registry that was created in 1865 was combined with the National Registry in 1975, which demonstrates a dissociation from the very beginning.

1.10 Since the 1900s, the Civil Code has provided that real property title registration is declaratory, but lacks the nature of being essential or compulsory. This enabled the custom to prevail among the people of not registering real property titles, which would ensure the validity of any rights to real property. Additionally, the transfer of property, due to sale, donation, inheritance or other transactions, is not registered, nor is a term specified for recording changes in ownership due to such transactions.

1.11 There are currently no areas of the national territory that have been declared legally platted in accordance with Article 5 of the Law of the National Cadastre. Even though Article 24 of this law requires the submission of cadastral plans to identify the real property transactions at the Registry, this requirement was not reflected in the Law on Recording Documents with the Public Registry (Ley de Inscripción de Documentos en el Registro Público) nor in the Civil Code, and was not workable in the absence of the declaration of platted areas in the country. This situation made it possible to continue separately recording physical plats in the National Cadastre
and documents relating to real property rights in the Real Property Registry without reconciling these documents.

1.12 The Criminal Code does not establish sufficient penalties to adequately protect property against real property fraud, usurpation and misrepresentation. The occurrence of fraud and its impunity contributes to a situation that fails to fully ensure the legal security of title to real property. Likewise, the Code of Civil Procedure and the Property Ownership Information Act do not effectively provide for the protection of real property rights, and do not satisfactorily distinguish between the rights of land holders and registered owners under the statute of limitations.

1.13 The Notarial Code and the Law of Land Surveying do not provide for effective penalties and registration oversight of the quality of professional inputs. For example, there are no effective penalties for not fulfilling the obligation to register notarial certificates, and no procedures requiring that the physical plats submitted to the National Cadastre be properly georeferenced.

1.14 Lastly, the current legal and administrative framework fosters non-compliance with the requirements under the Law of Urban Planning and construction codes, and does not contemplate procedures for regularizing unrecorded improvements, which makes it difficult to legally recognize improvements for issuing property titles and making appraisals for tax purposes. No regulatory or administrative mechanisms have been established to ensure that encumbrances attached to title are shown in the registry, such as those pertaining to the environment, mining, forests, aquifers, land use plans, Maritime Land Zone restrictions, and public utility easements, among others.

2. Institutional aspects

1.15 The National Registry is attached to the Ministry of Justice (MJG) and has legal status, its own funds, and a technical and professional staff, including the following departments: Real Property Registry, Registry of Personal Property, Registry of Intellectual Property and the National Cadastre. Although the Real Property Registry (text description of information concerning the land area) and the physical plat (map information concerning that land) are currently managed by agencies of the same public institution, the initial dissociation by law has, in practice, remained.

1.16 Among the major institutional shortcomings are: (i) a lack of adequately trained officials; (ii) user services are concentrated in San José; (iii) the National Cadastre and the Real Property Registry are using database systems containing separate and inconsistent criteria and incompatible programs, (iv) the registrars do not require a cadastral survey at the time a certificate is recorded; (v) from a technical viewpoint, the number linking the certificate to the cadastral procedure is only the cadastral survey number in the notary public's formal registry, and there is no number that
permanently identifies the parcel of land; (vi) the cadastral survey bears a text
description in addition to the physical plat, which implies that individuals often
regard the cadastral survey as having a legal validity that it does not have; and
(vii) the Real Property Registry has been updated recently, through the introduction
of the automated real property page (folio real) and internal restructuring, while the
National Cadastre has maintained the same structure and working methods, with
procedures for registering cadastral documents that do not utilize the most modern
technology to allow physical plats to be digitized.

Thus, from the institutional and regulatory point of view, no adequate foundation
nor operational links have been established for effective coordination and
integration of the cadastral information with the registry information. There are still
two separate processes of recording cadastral surveys, real property titles and other
real property rights.

Lastly, it should be mentioned that the available cadastral information in Costa Rica
has never acquired legal validity, since it never reached the point of being declared
platted areas, which requires periods for public review and appeals. In fact, the
National Cadastre grants no legal validity to cadastral surveys (and consequently
does not guarantee them), but rather it is restricted to limited registration of such
documents, which greatly weakens the registry’s ability to guarantee the recorded
rights on real property.

C. Consequences of the problem

The most noteworthy consequences are the following: (i) lack of transparency and
certainty in the land market, increasing transaction costs; (ii) difficulty for
municipalities to collect property taxes, adversely affecting planning and
investments to boost local development; (iii) imprecise cadastral information that
hinders the demarcation of boundaries of areas under special regimes (protected
areas, Maritime Land Zone, border areas, forest preserves, indigenous lands and
conservation areas), fostering illegal land occupancy; (iv) low levels of investment
in real property and capital investments in rural areas, with economic development
implications; and (v) inability to document land use management and national
development planning.

D. Current government strategy

The Government of Costa Rica considers the creation of a single Real Property
Registry a priority for tax and legal purposes, starting with the formation of a
National Cadastre integrated into the real property registry, so as to be able to
institute single entries containing properly georeferenced text and graphic
information for each and every one of the land parcels in the country. Therefore, the
government has entrusted the Office of the Second Vice President with the internal
coordination of the necessary legal, regulatory and institutional modifications. Also,
early this year, by decision of the Administrative Board of the National Real Property Registry, the Internal Cadastre Commission (Comisión Interna de Catastro) was created, whose mission is to study the institutional and technical changes necessary to combine the National Cadastre with the Real Property Registry.

1.21 The government is also interested in strengthening municipal management in the use of the cadastral information and in regulating the tenure of lands under special regimes. To this end, the government formed the Comisión Interinstitucional de Fortalecimiento Municipal (Inter-agency Commission for Municipal Strengthening) in mid-1999, under the Office of the Second Vice President and the technical coordination unit of the IFAM, to build consensus among the stakeholders with respect to the basic strategy of modernizing and upgrading the cadastral and public registry information in the country.

E. Bank Strategy

1.22 Within the guidelines of the Bank’s Eighth Capital Replenishment, priority was given to the modernization of public services, identifying technology innovation as a mechanism for increasing effectiveness, public sector reform to improve services and training and extension activities to strengthen local governmental management.

1.23 The heads of state of the 34 signatory countries of the 1998 Summit of the Americas in Santiago, Chile, agreed to an action plan for market strengthening through a second generation of reforms, focusing on the modernization of real property title registration systems, considering this goal one of the key elements for boosting foreign investment and fighting poverty.

F. Basic Program Concept

1.24 The program is designed to recognize the existence of a state-related issue, the solution of which calls for the physical formation of the National Cadastre and properly reconciling it with the registry information on real property rights throughout the country (“data scanning” by geographic area). It should be noted that modernizing the Cadastre will uncover conflicts concerning land tenure that will need to be resolved through the appropriate mechanisms. Lastly, proper cadastral and registry information will bolster the financial sustainability of municipal governments, which will need assistance to properly utilize such information. Based on these factors, the program will focus activities in three areas: formation of the physical plat and reconciling it with the Real Property Registry; mechanisms for prevention and alternative resolution of disputes and municipal strengthening.

1.25 For the unified, compatible cadastre and registry system to be sustainable over time, as intended by the program, and for the information contained in the National Land
Information System (SNIT) to be regularly and continually updated, the current legal and regulatory framework must be modified to ensure that at least the registration of real property rights and administrative operations and actions affecting such rights are made mandatory, and to ensure the high quality of the information submitted to the National Cadastre and the Real Property Registry, by amendments to the Civil Code and related laws, the Notarial Code and the Law of Land Surveying. The rules and procedures of plat registration and real property registration must also be modified to integrate the operations of the Cadastre and the Real Property Registry under the general rule of conditioning the legal validity of the cadastral survey to its registration in the Real Property Registry. It is also highly recommended that supplemental reforms be adopted to encourage users to systematically formalize the transactions encumbering real property rights.
II. THE PROGRAM

A. Goals and description

2.1 The program's main goal is to strengthen legal security of the rights concerning real property and to seek to improve the climate for public and private investment in Costa Rica (See Logical Framework in Annex I).

B. Program structure

2.2 The program consists of three components, whose collective outcomes should achieve the stated goal: (1) formation of the National Cadastre and reconciling it with the Real Property Registry; (2) prevention and resolution of disputes concerning real property rights, and (3) municipal strengthening in the use of cadastral information.

2.3 To ensure that the reconciled Cadastre and Real Property Registry contemplated by the program will be sustainable over time, and for the information contained in the National Land Information System (SNIT) to be regularly and continually updated, legal and regulatory changes will be necessary, which will be tied contractually to the program by means of the Bank authorizations for the invitation to bid on the formation of the physical plat and reconciling it with the Real Property Registry, as set forth in paragraph 2.18.

1. Component 1: Establishment of the National Cadastre and its reconciliation with the Real Property Registry (Estimated cost: US$50.4 million)

2.4 This component is aimed at forming the physical plat of all existing parcels in the country, properly georeferenced, and reconciling that information with the Real Property Registry. At the end of the program, it is hoped that each of the existing parcels in the country will have one sole file card issued by the new Real Property Registry on which both the property description and physical plat are recorded, guaranteeing the legal and geographic identity of each parcel. This component will also call for a modification of the legal and regulatory framework, while the plat/property registry system will undergo restructuring and deconcentration. This component includes the implementation of three subcomponents.

2.5 Subcomponent for institutional restructuring of the Cadastre-Registry system and modification of the legal and regulatory framework. The main activities relate to the final design and implementation of the institutional restructuring and operating procedures of the plat/property registry system, support for the
establishment of regional offices as part of the deconcentration, staff training and modification of the legal and regulatory framework.

2.6 The modification of the legal and regulatory framework calls for specific actions for laying the groundwork that would fully ensure real property certainty, by means of operating systems that will guarantee the reliability of registry information and provide the incentives and penalties that would bolster demand for the formalization of real property rights. The National Registry must therefore be restructured to establish, by means of a new law, the Real Property Registry Department, by combining the existing departments of the National Cadastre and the Real Property Registry. Thus, the National Cadastre Act will be superseded by new cadastral guidelines that would become an integral part of the new Real Property Registry Act. The new law would expressly provide that the physical plat will only become legally valid once it is codified in coordination with the corresponding Real Property Registry document, and that real property transactions require a properly georeferenced cadastral survey in accordance with the provisions of said law. The new law of the registry would also establish the requirement of recording at the registry all real property rights, including mortgages and concessions, easements, encumbrances, usufruct rights, etc. The regulations to the new law should establish an operating procedure to ensure uniformity of the graphic and legal descriptions, as well as the registration notice of real property rights pertaining to each parcel (Annex A, subparagraph 3.01(1)(a)(i)).

2.7 The Civil Code will need to be made consistent with the changes introduced by the new real property registration law to strengthen the compulsory nature of registration of real property rights in the Real Property Registry (Annex A, subparagraph 3.01(1)(a)(ii)).

2.8 To ensure consistent quality of the registry services, the following additional actions will be necessary: (i) supplemental changes in the Civil Code (and related laws) to redefine the right of ownership to provide that, without registration, title to property or other real property rights would lose effectiveness and validity before third persons and with respect to administrative and legal procedures, clearly establishing the principles of registration priority and defining deadlines for recording transfers or other changes in title due to real property transactions, inheritance, administrative acts or other events (Annex A, subparagraph 3.01(1)(a)(ii)); (ii) modification of codes of ethics, operating and professional guidelines and registration procedures for notaries and land surveyors that constitute the basic inputs for cadastral and registration processes (Annex A, subparagraph 3.01(1)(a)(iii)); and (iii) adaptation of the rules and procedures of state institutions that manage a portion of the territory and/or have the power to
To bolster the medium- and long-term demand for registration, the following changes will have to be made: (i) a clear distinction between agricultural and urban jurisdictions concerning land parcels under jurisdictional rules; (ii) changes in the criminal code to increase the maximum penalties for crimes of usurpation, real property fraud and misrepresentation; (iii) modifications to the Code of Civil Procedure, the Property Ownership Information Act and related laws to increase the terms for the statute of limitations and injunctions, and to establish additional guarantees for legally registered owners; (iv) establishment of procedures for regularizing unrecorded improvements by special rules or modifications to the construction and urban development laws; and (v) establishment of an effective warranty system for recorded titles to supplement and enforce the provisions of the new notarial Law and the Law of the National Registry on indemnification for damages to users and third parties.

Component 1 includes technical assistance resources to finalize the proposed changes in the laws and regulations directly relating to the internal operation of the plat/property registry system. Additionally, to establish consistency among the laws involving real property rights, Component 2 includes an expanded study of alignment of the rules pertaining to real property rights and the administration of such rights, which will provide options to correct inconsistencies, adopt additional measures for remedying current irregularities, avoid future disputes and optimize the long-term operation of the system.

The restructuring of the National Registry consolidates the Department of the National Cadastre and the Real Property Registry Department into a new Real Property Registry Department. Regional offices serving the cadastral areas will be organized for purposes of forming the physical plat. The goal of this deconcentration is to make the institution's services more accessible to the user, who will not have to travel to the capital city for any kind of formalities or requests for information. Each office will be fully operational to carry out recording activities, making changes to the cadastral and registry documents and issuing single certificates to the user.

Inasmuch as the restructuring of the National Registry will require some time, the process will be implemented in two stages. The first, to be initiated by a resolution by the Civil Service Office, the publication of which will be one of the conditions precedent to the first loan disbursement, will create the regional offices that will

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3 Such institutions include the Ministry of the Environment and Energy, the National Technical Environmental Secretary, the Department of Housing and Urban Development, the Bureau of Agricultural Development, the Water and Sewerage Authority, the Costa Rican Council of Tourism and the municipalities.
2.13 **Subcomponent for establishment of the Cadastre and its reconciliation with the Registry.** This subcomponent refers to the physical survey of the national territory, preparation of plat maps (orthophoto maps) for each parcel and comparing it to the documents currently recorded in the Registry, for purposes of: (i) creating the physical plat, by area, of the entire national territory, (ii) technical “clean-up” of the Registry, based on a comparison of the current Cadastre and Real Property Registry information with the information obtained from the field, (iii) identification, inventory and notation of any differences and possible disputes, and (iv) supporting the Component 2 activities to remedy inconsistencies and discrepancies or to channel such disputes to suitable mechanisms for resolution.

The work will begin in four of the 13 cadastral areas into which the country will be divided. The remaining nine areas will be surveyed once the legal and regulatory framework has been reworked. As a condition precedent to the first disbursement, the GOCR will publish the presidential decree declaring the 13 cadastral areas agreed for the program to be implemented throughout the Costa Rican territory.

2.14 The four cadastral areas covering 31 of the 81 existing cantons, which will inaugurate the formation of the physical plat and its reconciliation with the Real Property Registry are: (i) canton of San José; (ii) cantons forming the Greater Metropolitan Area of San José (18 cantons); (iii) canton of Perez Zeledón, and (iv) province of Guanacaste (11 cantons). These areas were selected on the basis of the following criteria: (i) administrative territorial division, by province and by canton; (ii) territorial area of each province and canton; (iii) concentration of parcels in each canton (physical plats, urban and rural properties recorded in the Registry); (iv) population by canton (estimated through July 1998); (v) demographic density; (vi) infrastructure and road access to and from the sites where future regional offices will be located; and (vii) geomorphological characteristics of the area.

2.15 The main specific activities in this subcomponent include the following: (i) implementation of disclosure campaigns with full community involvement to explain what the program is about and what actual benefits will result; (ii) declaration of cadastral areas by executive decree; (iii) preparation of cadastral maps for the whole country; (iv) physical and legal rehabilitation of cadastral and

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4 The proposed breakdown of the cantons into 13 cadastral areas can be found in the RE2/EN2 technical files.
registry documents, including office and field work; (v) census-taking (actions necessary to complete the cadastral information sheet for properties that do not have a physical plat recorded with the National Cadastre); (vi) cadastral survey; (vii) registry survey; (viii) public review with stages for remedy and appeal; (ix) declaration of platted areas, and (x) inputting information into the database.

2.16 **Subcomponent for the National Land Information System (SNIT),** which includes the final design and implementation of this system to manage the single plat/property registry database in the country, and on whose basic foundation various geographic information systems (GIS) can be added to handle other issues of particular interest. The SNIT will interconnect with municipalities throughout the country, as well as with public institutions using the plat/property registry database, and optionally, with private users, such as notaries, surveyors, and others. Once the SNIT has been implemented, its operation and administration may be concessioned to specialized private operators.

2.17 The principal activities of this subcomponent would be: (i) final design of the SNIT, including technical specifications of the equipment; (ii) purchase and installation of the equipment, including training for the primary users; (iii) geodesic network densification; (iv) establishment of photogrammetric control points; taking of additional aerial photographs, inasmuch as the existing aerial photographs will be used for rural areas; and (v) preparation of orthophoto maps.

2.18 The Bank and the lender have agreed that, prior to the Bank's authorization of the bidding for the formation and reconciliation of the physical plat for nine of the total 13 cadastral areas proposed by the program, the following targets in this component should have been attained: (i) completion of the legal and regulatory modifications as required in paragraphs 2.6, 2.7 and 2.8; (ii) at least three of the first four cadastral areas declared platted areas, with the publication of the corresponding decrees; (iii) final design for the restructuring and deconcentration of the finalized plat/property registry system, approved by law, and fully operational in the four cadastral areas; (iv) final design of the SNIT completed and the central system with connections with the four cadastral areas in operation.

2.19 Upon conclusion of the program, it is expected that the respective published decrees will declare the entire territory of Costa Rica as platted areas, the restructuring and deconcentration of the plat/property registry system will have been implemented in the 13 cadastral areas, and the process of adapting and modifying the legal and regulatory framework mentioned in paragraphs 2.9 and 2.10 will have been concluded. (see also the logical framework of the program attached as Annex I).
2. Component 2: Prevention and resolution of disputes over real property rights (Estimated cost: US$9.3 million)

2.20 This component will help strengthen the legal security of real property rights, by rapid dispute resolution during the plat/property registry data scanning process and by establishing appropriate alternative dispute resolution procedures. The component will support the identification, prevention and resolution of property title and use disputes, from the physical measuring of the properties, boundary, title or possession overlaps (resulting from inconsistencies in the physical plat and/or registry) to the assessments, regularization of unrecorded improvements, rights and concessions with respect to the Maritime Land Zone, occupancy of protected areas, inappropriate land use, and the irregular occupancy, without titles, of state- and privately-owned lands, among others.

2.21 Subcomponent for Alternative Dispute Resolution (ADR) as an administrative supplement to the Cadastre and Registry survey. This subcomponent calls for the hiring of professional teams for alternative dispute resolution as part of the field team preparing the inventory of Cadastre data and real property registry data. The decisions made under this procedure will have the nature of res judicata in accordance with the Law on Alternative Dispute Resolution and Protection from Social Unrest. Most of the disputes caused by incorrectly defined boundaries, informal transactions, failure to record, document overlaps and transpositions could be resolved by this team. In cases not resolved by this method, the parcels of land involved will be platted and recorded with the pertinent notations, and the parties will be directed to the respective authorities for eventual resolution. In the program’s preliminary stage, an operating manual for property dispute resolution will be prepared, which will establish a typology of disputes, classifying them for negotiation, mediation, arbitration or court proceedings, and the basic procedures and forms for each case.

2.22 Subcomponent for the establishment of three regional ADR centers, specializing in property rights and public information on them. This subcomponent will support: (i) the process of selection and final analysis of the service areas and location of these centers, by compiling user and demand data; (ii) preparation of administrative manuals and systems for the ADR centers; (iii) training of ADR specialists in property matters and stakeholders of the real property system in the use of alternative dispute resolution methods and user screening methods, and encouraging and referring them to institutional authorities for dispute resolution; (iv) establishment and operation of three ADR centers specializing in real property, two of which will be located outside the Greater Metropolitan Area of San José; and (v) the disclosure of ADR methods to resolve real property title and land use disputes. In accordance with the results of the selection and analysis processes, the regional centers will have the capability to conduct dispute resolution procedures within the community, and deal with special
issues such as rights of the indigenous community, disputes in the use of the Maritime Land Zone, and conflicts relating to management of protected areas.

2.23 **Subcomponent for regularization of areas under special regimes.** This subcomponent proposes to establish a consistent, flexible and participatory frame of reference to support the rational management of areas under special regimes. The principal activities include a study of the legal-regulatory alignment of the rules affecting real property in Costa Rica, and preliminary activities for regularization of illegal occupancies in areas under special management. Also included will be delimitation and selective demarcation of approximately 1,200 kilometers of the 1,697-kilometer perimeter of the protected areas.

2.24 The alignment study will be conducted by national and international experts, including legal specialists in the fields of agriculture, the environment and indigenous communities, as well as participatory workshops on the laws and regulations concerning property in Costa Rica, with particular attention to: (i) identifying loopholes and overlaps and recommending regulatory changes or laws to remedy them; (ii) defining the scope of the categories of protection set forth in the Law on the Environment and the Law of Forests, specifically with respect to permitted uses, technical studies necessary to define such uses, and the establishment of suitable management methods, including contractual procedures for co-management, including private and commercial management procedures; (iii) consolidating the additional rules required to adapt state agency procedures to the requirements of the new Real Property Registry law to record in the corresponding registry any encumbrances on the registered parcels of land (Annex A, subparagraph 3.01(2)); (iv) proposing management and/or co-management guidelines for protected areas, maritime land zones and other areas, under the appropriate technical and legal criteria that call for the municipalities and the community to be involved in managing these areas, under special agreements and rules issued by the respective authority; (v) proposing the scope of negotiation for the responsible agencies in terms of administrative resolutions or ADR procedures; (vi) proposing special regulations, procedures and possible regulatory changes to facilitate the regularization of unrecorded improvements; (vii) considering options to deal with the illegal occupancy of protected areas, forests, coastal areas and indigenous reservations, including concepts such as the freezing of settlements, rent and limited usufruct systems, designation of special use areas, etc.; (viii) review of the sector laws concerning family assets to improve the rights of women to participate in campesino settlement plans; and (ix) other issues given priority by focus groups to be interviewed by the consultants.

2.25 The outcome of this activity will include the implementation of regulatory reforms, management manuals, samples of interagency agreements and community management models, and, if necessary, the preparation and presentation to Congress of legislative reform bills, as agreed between the Bank and the government during the mid-term program evaluation. This activity will take place
in the program's first stage, so that its results can be taken into account in the pilot programs for the regularization of areas under special regimes. Monitoring, evaluation and modification will be included in the second stage.

2.26 The preliminary activities of regularizing illegal occupancies will include: (i) titling of settlements of the Bureau of Agricultural Development (IDA) and transfer of forested areas to the Ministry of the Environment and Energy (MINAE); (ii) delimitation and selective demarcation of protected areas; (iii) demarcation of the Maritime Land Zone; (iv) demarcation and titling of 22 indigenous land reservations; (v) demarcation and titling of the remaining conservation areas. Such activities will be carried out on the basis of census analysis and mapping for cultural uses, consultations and coordination with the affected communities, preparation of plans for the use, tenure and management of the lands to avoid forced resettlements to the extent possible, the implementation of pilot initiatives to institutionalize and execute certain plans, including, if necessary, the preparation and implementation of resettlement plans. The types of activities to be carried out in the pilot initiatives will focus, among other things, in addition to the resettlement plans, on institutional strengthening, training and organization of community stakeholders, formalization or implementation of planning and administrative procedures, development of specific legislative, regulatory and administrative proposals, contract negotiations and models, supplemental management plan studies, including an internal survey of indigenous areas and collective use areas, landmarks, signs and related activities proposed by the community.

2.27 Prior to the Bank's authorization of the bidding for formation of the physical plat in nine of the 13 cadastral areas of Costa Rica, proposed by the program, this component should have attained the following targets: conclusion of the census analysis and consultations, and preparation of action plans for pilot programs in areas under special regimes, including, if necessary, a resettlement action plan. If resettlements are necessary, a preliminary inventory of areas to be resettled and the corresponding action plan should be included, together with the resettlement plans and sample community commitment agreements, approved by the Bank according to the guidelines set forth in the Operating Regulations and the following principles: (i) all possible measures will be taken to avoid or minimize the need for involuntary resettlement; and (ii) when relocation is unavoidable, resettlement plans that ensure that the affected persons will be properly and equitably indemnified and resettled must be prepared and submitted to the Bank for approval on a timely basis.

2.28 During the mid-term evaluation, and as part of the subsequent reviews, the Bank and the borrower will verify: (i) the execution of analysis, research, training and planning activities for the three ADR regional centers, their initial operation and

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5 For the Maritime Land Zone, the condition applies only to areas within the first four cadastral areas.

6 The plans must meet the basic requirements under the Bank’s policy on involuntary resettlement (CP-710).
performance in accordance with a Bank-approved schedule; (ii) the finalization and execution of the action plan agreed as a result of the legal and regulatory alignment study; and (iii) selection and implementation of action plans for pilot programs in areas under special regimes.

2.29 At the end of the program, this component should have attained the following targets: (i) the work of the administrative ADR teams carried out in all surveyed areas and compilation of statistics of resolved and referred cases and pending registry notations; (ii) establishment and start-up operations of the three ADR regional centers and performance evaluation; (iii) implementation of the recommendations for modifying the law on real property rights; (iv) implementation of action plans for pilot programs agreed with the communities and the pertinent authorities for the regularization and management of areas under special regimes; and (v) final inventory of areas for resettlement and evidence that the action plan was executed, including commitments signed by affected communities to carry out future activities.

3. Component 3: Municipal strengthening in the use of cadastral information (estimated cost: US$10 million)

2.30 This component will support the establishment of the physical plat to maximize property tax collection by the municipalities. The component provides for: (i) the establishment of effective procedures, based on technical, legal and economic criteria, for the demarcation of boundary lines of homogeneous areas and the establishment of national guidelines for land and building assessments; (ii) interconnecting all towns to the Real Property Registry database and integrating such information with thematic geographic information corresponding to their respective areas; (iii) strengthening municipal procedures for updating the tax base and for collecting property taxes; (iv) integrating the real property cadastral information into the land use planning processes considering the cantonal and regional division of the country; (v) contributing to political-administrative deconcentration by assisting municipalities in the formulation and integration of development plans; investment prioritization with citizen involvement; preparation and administration of an expense budget and annual operating plans. This component has two subcomponents.

2.31 Subcomponent for support for municipal tax management whereby municipalities will be assisted in modernizing the processes of land parcel and building assessments, as well as the process of collecting property taxes. This subcomponent calls for the following: (i) procurement of computer equipment, GIS applications and software, and database management programs to integrate the graphic cadastral data into the thematic data bases of homogenous areas, infrastructure for services and land and building assessments; (ii) computer and GIS training of personnel; and (iii) ONT strengthening by means of equipment and staff training.
2.32 **Subcomponent for support for municipal planning and land use management**

To strengthen the capacity of cities to utilize their physical and financial resources, using the cadastral information and integrating it into land use and zoning procedures, as well as in investment planning and prioritization with greater citizen involvement and gender perspective. This subcomponent calls for: (i) computer equipment, GIS applications and programs, and database management programs to integrate graphic cadastral data into thematic data bases for tax purposes; (ii) staff training on computers, cadastral and registry guidelines, operation and use of the GIS, property tax assessment, tax collection, participatory planning procedures and environmental considerations of land use management, investment planning and execution, and natural resources management, especially in municipalities with forest and coastal resources; (iii) studies for the establishment of guidelines for municipal planning and citizen involvement programs; and (iv) strengthening of the IFAM in the area of municipal counseling through the procurement of equipment and training of staff.

2.33 Upon conclusion of the program, it is expected that this component will have attained the following targets: (i) that the tax survey is established for the 81 municipalities in the country; (ii) that the municipal governments have established, together with the Technical Standardization Agency (ONT), the criteria for marking the boundaries of homogenous areas and the rules for real property and building assessments; (iii) that the municipalities are fully integrated into the cadastral database; (iv) that the municipalities have been trained in the preparation of development plans and expenditure budgets; and (v) that all computer hardware, software and GIS applications include the graphic survey information. It is also expected that the IFAM has been strengthened in municipal counseling through the procurement of equipment and training of staff.

C. **Cost, financing and local contribution**

2.34 The program has an estimated cost of US$92 million, of which the government would contribute US$27 million (30%) and the Bank loan would be US$65 million (70%) over a five-year execution period.

2.35 The Ministry of Finance will contribute the necessary counterpart funds in accordance with the investment schedule, as arranged by the executing unit, which will administer the funds according to the Operating Regulations. The Government of France has expressed interest in contributing approximately US$20 million to the local counterpart funding for the program. If these or other resources are confirmed, Management will make the necessary adjustments in the cost and financing table, in accordance with the applicable Bank policies.

2.36 The Ministry of Finance will make the appropriate internal agreements with each of the beneficiary public institutions under the program, so that the investments made
by the Ministry for each beneficiary institution are reflected in the respective budget performance.

2.37 The tables below itemize costs by investment category and funding source for each of the components and show investment schedules by component.

Regularization of the Cadastre
and Real Property Registry
(in millions of US$)

<table>
<thead>
<tr>
<th>Categories</th>
<th>IDB</th>
<th>Local</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>4.6</td>
<td>-</td>
<td>4.6</td>
<td>5.0</td>
</tr>
<tr>
<td>Formation of physical plat and reconciling it with</td>
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<td>17.8</td>
<td>50.4</td>
<td>54.8</td>
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<tr>
<td>Real Property Registry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dispute prevention and resolution</td>
<td>5.3</td>
<td>4.0</td>
<td>9.3</td>
<td>10.1</td>
</tr>
<tr>
<td>Municipal government strengthening</td>
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<td>2.7</td>
<td>10.0</td>
<td>10.9</td>
</tr>
<tr>
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<td>24.5</td>
<td>74.3</td>
<td>80.8</td>
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<tr>
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<td>5.6</td>
<td>6.1</td>
</tr>
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<td>3.3</td>
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<tr>
<td>Escalation</td>
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<td>Financing Costs</td>
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<td>1.2</td>
<td>12.1</td>
<td>13.1</td>
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<tr>
<td>Interest</td>
<td>10.3</td>
<td>-</td>
<td>10.3</td>
<td></td>
</tr>
<tr>
<td>Credit Fee</td>
<td>-</td>
<td>1.2</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Inspection and Supervision</td>
<td>0.6</td>
<td>-</td>
<td>0.6</td>
<td></td>
</tr>
</tbody>
</table>
| Total                                                | 65.0| 27.0  | 92.0  | 100%
|                                                      | 70% | 30%   | 100% | 100%|

( in millions of US$)

Regularization of the Cadastre (catastro)
and real property registry
disbursement schedule

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
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<td>IDB</td>
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<td>13.0</td>
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<td>Local Contribution</td>
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<td>10.0</td>
<td>5.2</td>
<td>5.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>10.4</td>
<td>26.6</td>
<td>20.0</td>
<td>18.6</td>
<td>16.4</td>
</tr>
<tr>
<td></td>
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<td>11.3%</td>
<td>28.9%</td>
<td>21.7%</td>
<td>20.2%</td>
<td>17.9%</td>
</tr>
</tbody>
</table>

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7 Includes resources for EU, mid-term evaluation, ex post evaluation, and annual audits.
III. PROGRAM EXECUTION

A. Borrower

3.1 The borrower of the operation is the Government of Costa Rica. The executing agency and program execution plan are described below.

B. Coordination and administration plan

3.2 The program, which will be in effect throughout the national territory, involves many institutional sectors and a number of state agencies that will benefit from the program's outcome. The principal institution of these is the National Registry, attached to the Ministry of Justice, which, to ensure the program's adequate sustainability, must undergo an institutional restructuring and modernization of the systems and procedures of the Departments of the National Cadastre, Real Property Registry\(^8\) and Information Technology. The program will also benefit, although to a lesser degree, the country's 81 municipalities, the Ministry of the Environment and Energy, the Bureau of Agricultural Development, the Technical Standardization Agency, the Bureau of Municipal Development and Support, the Bureau of Housing and Urban Development (INVU), the National Geographic Institute, the National Commission on Indigenous Affairs with the 22 Associations for Indigenous Development and the ADR Department of the Ministry of Justice, which will be linked to the new National Land Information System (SNIT) to be established at the National Registry as part of the program, for which the municipalities will receive the appropriate equipment and training. Therefore, the program requires a suitable mechanism that will ensure, from the highest institutional level in the country, the proper coordination and monitoring of the work of the major participants involved and related activities. This mechanism, in turn, must allow for an adequate separation between the administrative portion of the overall responsibilities of program execution and the operational portion of the technical supervision of such execution, which are specialized in nature. This type of arrangement will permit a satisfactory demarcation of institutional responsibilities under the program, while facilitating smooth, effective and efficient technical and operational execution.

3.3 In view of the above, an executing unit (EU) will be created within the Ministry of Finance, by means of the law approving the loan from the Bank. This unit will be responsible for overall coordination and execution of the program, and will therefore be considered a regional agency with authority limited to the program's execution period. The EU will be established with its own administration and funding, a separate budget, the ability to make direct bids, contract and disburse

\(^8\) Includes the Registry of Mortgages and Registry of Concessions.
funds for all activities relating to the program. Most of the activities will be executed through service agreements with specialized companies, which will be awarded through the bidding process, while the responsibility of technical supervision will be shared between the EU and the applicable public agencies involved in each case, as described below.

3.4 The basic responsibilities of the EU will be: (i) monitor the program according to the agreed plans and schedule; (ii) oversee compliance with the program’s conditions; (iii) keep the government’s executive administration adequately informed of such commitments; (iv) maintain proper coordination between the activity being carried out and the institutions involved in technical supervision; (v) plan and budget the activities of the various program components; (vi) prepare, with the technical cooperation unit of the pertinent agencies, the terms of reference and terms and conditions for the invitation for qualification bids, competitive bids and the corresponding contracts; (vii) evaluate the performance of the contractors and the technicians of the National Registry and other pertinent institutions, and make the respective disbursements under such contracts, upon approval of the technical performance by the beneficiary institutions; (viii) maintain the program accounting up to date; (ix) prepare and submit for the Bank consideration the applicable reports; and (x) act as spokesperson vis-à-vis the Bank.

3.5 The EU will be directed by a high-level general coordinator appointed by the GOCR with ample and acknowledged experience in registration and cadastral matters, assisted by four international coordinators, who are experts in the following areas: (i) physical plat and registration; (ii) information systems; (iii) alternative dispute resolution, and (iv) municipal strengthening. He or she will also be assisted by the following staff: a legal advisor (specializing in bidding procedures) an administrative expert, an accountant/financial expert and secretarial support. The Ministry of Finance will appoint the general coordinator of the EU, subject to prior authorization by the Advisory Board and nonobjection by the Bank. The other coordinators will be selected and directly appointed by the general coordinator, subject to prior authorization by the Advisory Board and nonobjection by the Bank. The general coordinator will also select and appoint the administrative support, legal, and financial staff necessary for proper operation of the EU.

3.6 The program will be monitored by the government through a high-level advisory board chaired by a representative of the Executive Branch appointed by the President of Costa Rica, consisting of representatives of the Ministries of Finance, Justice, and the Environment and Energy, as well as from the National Registry, the Bureau of Municipal Development and Support, the Bureau of Agricultural Development, the National Geographic Institute and the Inter-agency Commission for Indigenous Affairs. The duties of the board will be to monitor the program, provide advice and guidance to the EU and recommend solutions to problems, propose strategic guidelines and ensure high-level inter-agency cooperation to facilitate the program’s execution.
3.7 The Inter-agency Commission for Municipal Strengthening will act as technical advisory agency under the program, with advisory and consulting duties for the Advisory Board and the EU.

C. Execution

3.8 As mentioned above, although the coordination, execution and administration of the program will be under the direct responsibility of the EU, the technical supervision of the various contracts for activities relating to the implementation of the components will be coordinated by the EU with the various beneficiary institutions involved in each case, depending on the nature and area of responsibility of the subject matter.

3.9 To implement this program, an inter-agency framework agreement will be signed that will formally establish the responsibilities and duties between the EU and the other participating agencies, thus ensuring mutual cooperation and participation in the program. This agreement must be formalized before the first disbursement of the Bank loan. Furthermore, to ensure the program's execution and transparency, it has been agreed that the detailed administrative procedures and mechanisms, as well as technical supervision responsibility, will be described in the program's operating guidelines, which will appear as an annex to the framework agreement.

3.10 In the case of Component 1 (establishment of the National Cadastre for real property and its reconciliation with the Registry), representing about 80% of the total program, the Director of the National Registry will appoint three high-level technical experts to be responsible for representing and coordinating activities with the EU, at least one expert for each of the three program areas (physical plat, registration and information technology). These persons will be responsible for reviewing, consulting with their respective departments and giving technical approval to the bidding terms of reference for consultation and technical services relating to the plat/property registry data scanning process, as well as for information technology and interconnection services to be implemented with respect to the municipalities covered in Component 3. These individuals, together with the technicians from their respective departments, will also be responsible for the technical monitoring and services provided by the companies and consultants hired. If these activities include areas where other institutions operate that will benefit from such work, these institutions will similarly appoint a high-level technician who will act, together with the National Registry technicians, as a direct link between his or her agency and the EU and validate the performance of the contractors.

3.11 To implement the institutional restructuring of the Departments of the National Cadastre and Real Property Registry (Subcomponent 1 of Component 1), a Reorganization Committee will be formed, consisting of the National Registry Director, the Deputy Director General of the National Registry, the directors of the
Departments of the National Cadastre, Real Property Registry and Information Technology and the legal advisor of the Ministry of Justice, who will be responsible for carrying out the restructuring according to the plan and schedule formulated by the respective departments. The directors will be responsible for their own actions with respect to this restructuring, such as staff transfers, activity execution and new organizational structures, putting the regional offices into operation according to the plan, among other things. However, the Director General of the National Registry will be directly responsible for this restructuring and for complying with the schedule for this activity, supported by said Committee, to direct, coordinate and implement the restructuring according to the goals and provisions set forth in the loan contract with the Bank.

3.12 With respect to training and education, the EU coordinators will be responsible for organizing, planning, coordinating and supervising, jointly with the beneficiary institutions, the various events and activities necessary under the program. In particular, they must receive the terms of reference and list of candidates proposed by these institutions, including the municipalities and, once the requested activity has been verified as relevant, and the eligibility and qualifications of these candidates have been established according to the program operating guidelines, the EU will proceed to hold a bid or competition for the activity requested.

3.13 Component 2 (dispute prevention and resolution) will be carried out by professional service contracts awarded by bids held by the EU, and technically validated by the Department of Alternative Dispute Resolution of the Ministry of Justice. Subcomponent 1 (Administrative ADR) will be included as part of the services contracted for Subcomponent 2 of Component 1 (Formation of the physical plat, field survey and reconciliation with the Registry). The bidding terms and conditions will contain a specific section identifying the requirements and resources needed.

3.14 For the Subcomponent 2 (establishment of regional ADR centers and public information on them) bidding will be carried out separately, since it involves services for the final design, training of specialized personnel and the operation of the Alternative Dispute Resolution Centers specializing in property matters. These centers will handle more complex disputes during the field survey that cannot be resolved at the administrative level, and will be part of a permanent installed capacity for rapid resolution of property disputes arising from land market transformation and activation.

3.15 The EU will be in charge of bidding for activities under Subcomponent 3 (alignment of laws and regularization of areas under special regimes) including census studies, mapping for cultural use, community consultations and concerted actions. Technical supervision of these bids will also be entrusted to the EU and the ADR department of the Ministry of Justice, with the participation of the experts designated for that purpose by the applicable institutions, such as the Bureau of Agricultural Development (IDA), the Ministry of the Environment and Energy.
(MINAE), the National Geographic Institute (IGN) and the Inter-agency Commission for Indigenous Affairs (CIAI). The action plans and pilot programs to be created as a result of the subcomponent activities should have community approval and the commitment of the pertinent institutions. The plans selected for support in the pilot phase, in consultation with the EU and the Bank, will receive assistance and have access to the program's funds for eligible activities in accordance with the content and specificity of each plan.

3.16 Component 3 (municipal strengthening) includes procurement of equipment, consultations and training for municipalities that will be part of the plat/property registry network. All of these activities will be subject to bids held by the EU, with the participation of the Technical Standardization Agency (ONT) and/or the Bureau of Municipal Development and Support (IFAM), as applicable, as technical supervisor. The Inter-agency Commission for Municipal Strengthening will monitor and advise the EU on the progress and implementation of this component.

D. Mode of operation and indicators

3.17 The program will be executed within an estimated period of five years. After modification of the legal and regulatory framework has concluded, and after the first four of the 13 cadastral areas have been declared platted areas, estimated to occur by the end of the second year, a mid-term evaluation will be performed (see paragraph 3.23) to verify compliance with the program's concept and the legal and regulatory modifications, as set forth in paragraphs 2.18 and 2.27.

3.18 As part of the mid-term evaluation, the progress made on the other activities will also be reviewed, with particular attention to the targets specified in paragraphs 2.9, 2.19, 2.25, 2.28, 2.29 and 2.33. This evaluation will also determine, if necessary, whether it is appropriate to make adjustments to the activity schedule for the years following the program's end, and will culminate in a working plan and monitoring program for the remaining activities, whose progress will be reviewed annually until the program concludes, to verify that the agreed goals have been met and to make any additional adjustments that may be necessary (see paragraph 3.24).

E. Procurement of goods and services

3.19 The procurement of goods and the contracting for construction works will be in accordance with the procedures set forth in Annex B to the loan contract. International competitive bidding will be required for procurement of goods valued in excess of US$250,000 and US$1,000,000 for construction works. These thresholds are justified, taking into account that, in similar projects in the country, foreign bidders have participated when the amounts are higher than these thresholds. Bidding below these thresholds will comply with local legislation, as set forth in Annexes B and C to the loan contract. In no event will terms or conditions be established that restrict or impede the participation of contractors from the
Bank's other member countries. The procurement plan is shown in Annex II. The Bank procedures will apply in selecting and contracting consulting services financed in whole or in part with proceeds from the loan.

F. Recognition of previous expenditures

3.20 It is proposed that up to the equivalent of US$1.5 million in expenses incurred prior to the date of approval of the respective resolution by the Bank's Board of Executive Directors during the 18-month period prior to said resolution, be recognized as part of the local counterpart contribution, provided that procedures and requirements substantially similar to those set forth in the loan contract have been complied with. The expenses identified concern outfitting offices and procuring computer hardware and software for geographic information systems for the agencies participating in the program, compilation of background information and preparation of project briefs, file reconciliation, digital mapping and field surveys of the physical characteristics of the buildings for purposes of assessment for IFAM-supported municipal projects, (clause 4.04 of the loan contract).

G. Exceptions to bank policy

3.21 As an exception to Bank policy, it is also proposed that the costs incurred by the borrower for aerial photography and processing and studies on aerotriangulation and geodetic network density carried out between 1998 and June 1999 for an estimated value of US$2 million, be recognized as part of the local counterpart contribution (loan contract clause 4.04).

H. Advance of funds for program execution

3.22 To initiate the activities that have been assigned priority under the program, a special disbursement of up to US$300,000 is planned, once the conditions precedent set forth in Article 4.01 of the general guidelines have been satisfied with respect to the legal report, designation of officials, and account code. The priority activities are, among others: (i) fulfillment of the conditions precedent; (ii) preparation of Terms of Reference and hiring of staff required by the Executing Unit, (iii) review and disclosure of the Operating Regulations, and (iv) commencement of the review of laws that will need modification (loan contract clause 3.03).

I. Monitoring and evaluation

3.23 For the Bank to adequately monitor the program, in addition to the work and responsibilities of the Country Office in Costa Rica, and the necessary administrative duties by the headquarters staff, a mid-term evaluation will have to be conducted two years after the date of the first disbursement or any other period agreed upon by the Bank and the Borrower, by an independent specialized firm or company to be contracted by the EU, whose purpose is to verify compliance with
the program's concept and completion of the legal and regulatory modifications. It is estimated that the cost of such evaluation will total about US$200,000. Based on that evaluation, the GOCR and the Bank will decide on the appropriateness of continuing with the investments under the program for nine of the 13 cadastral areas proposed by the program, and will define the working plan and monitoring for the remainder of the program (loan contract clause 4.06).

3.24 An independent public accounting firm acceptable to the Bank will conduct an annual audit of operations and finances by component. Based on these audits, the annual administrative tasks for program evaluation will be carried out. The audit of operations will be contracted with loan funds, and will be aimed at determining the degree of attainment of the targets and activities under the program, as well as providing the EU with the necessary basis for making any necessary adjustments to the program. Within 12 months after program completion, the borrower will conduct an ex post evaluation of the program based on the logical framework, in accordance with the guidelines and preliminary terms of reference set forth in the loan contract (Annex A, Section IX) and in the Operating Regulations of the program.

3.25 Maintenance. The borrower and the executing agency agree to: (a) ensure that the works carried out and equipment procured under the program will be properly maintained according to generally accepted technical standards; and (b) submit to the Bank, within the first quarter of each calendar years during the life of the program, a report on the state of repair of the works and equipment and the annual maintenance plan for that year, as stipulated in Section VIII of Annex A. If the inspections performed by the Bank or the reports it receives should indicate that the maintenance is being performed to a standard below that agreed upon, the borrower and the executing agency must take the necessary steps to fully correct any deficiencies.
IV. FEASIBILITY AND RISKS

A. Institutional Feasibility

4.1 The institutional feasibility is based on a mechanism that will provide independent execution through a unit within the Ministry of Finance, to ensure better coordination, supervision and convocation among the institutions to implement the various program activities. The program will have regulations establishing the responsibilities of each institution in executing the various components. These Operating Regulations are part of a framework agreement that must be signed prior to the first disbursement. The technical supervision will be entrusted to the beneficiary institutions responsible for adopting the new systems and procedures, which, in turn, ensures that such systems and procedures will be adopted according to the components’ design and formulation. This mechanism is based on the experience accrued in use of the arrangement under sector loan 1030/OC-CR, which is being executed satisfactorily by the Ministry of Finance. The mechanism for the proposed program includes certain necessary variations and adjustments based on that experience.

B. Social and Environmental Considerations

1. Environmental impact

4.2 In general, the program will have positive environmental effects to the extent that it attains the targets of improving the information base and physical demarcation for management of protected areas and putting the land use plan into operation. Clarification of the ownership of natural resources is a major requirement for the sustainable management of such resources. As to social impact, the program seeks to resolve disputes concerning the use and possession of rural lands, which would bring about an improvement in the living conditions of campesino populations currently living on irregular settlements without land titles under the authority of the Bureau of Agricultural Development or are occupying lands as squatters.

2. Major social and environmental benefits

4.3 It is a well-known fact that landowners with unregistered property cannot use their property as security for loans because state-owned banks (which are the only banks in many areas) only accept properties that are duly registered and platted. In resorting to informal financing sources, which are not as strict as to warranties, such landowners pay the highest interest. The issuance of land titles, then, has a positive social effect because it would allow increased investments, and, when capital costs are reduced, the return on practically any activity would be higher. In the case of Costa Rica, there are no quantitative estimates with respect to the scope such an effect would have.
4.4 Similarly, the clarification of private property with registered title would allow access to financing for adequate forest management, payments for environmental services and forest incentives, which have the potential to improve the quality of life of rural populations and enhance the sustainable management of forest resources. It will also boost participation in conservation programs.

4.5 Greater capability by municipalities to collect property taxes will allow them to make larger investments in public goods, which will lead to an improvement in the quality of life, particularly with respect to low-income populations.

4.6 The demarcation of boundaries and issuance of titles for indigenous land reservations will help develop these communities and normalize relationships with their non-indigenous neighbors through census surveys, community consultations and implementation of pilot programs to regularize the use, tenure and resource management of their lands. These activities are designed to take into account the participation of the Asociaciones Indígenas de Desarrollo (Indigenous Associations of Development) and other leaders within each land reservation.

3. Environmental and social measures

4.7 By marking the boundaries of protected areas and recording encumbrances in the Real Property Registry, the program directly contributes to the protection of the country’s natural heritage. The census studies, community consultations, concerted actions and pilot programs for compensation and regularization of the use and occupancy of such areas will help establish a baseline for monitoring future activities, and institute a rationalization process of existing occupancies in these areas. Starting with a mapping process for cultural use and concerted community action, the benefits also extend to the activities of the Bureau of Agricultural Development, the Ministry of the Environment and Energy and other public institutions, as well as within the scope of local and community planning, social standards, participatory processes and strategies for rational use that meet the community’s expectations and levels of tolerance, as well as standards of sustainability in the use of resources.

4.8 Although the program does not include infrastructure works that may involve the need for the resettlement of individuals, the demarcation, platting and registration of lands will uncover illegal or irregular situations. This can, in certain cases, lead the landowners involved to seek the restitution of their lands and the eviction of occupants. An aspect of the program that will help minimize this problem is the establishment of alternative dispute resolution methods, whereby some of these problems can be resolved by consent of the parties.

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9 The surveying of the Maritime Land Zone and the indigenous land reserves may be done selectively, at the request of the affected communities, as part of the pilot programs.
Illegal occupancies in urban areas are, as a result of the government’s campaigns to control the formation of illegal settlements, restricted within the framework of the Shantytown Eradication Act (Ley de Erradicación de Tugurios). The law seeks to rehabilitate areas classified as uninhabitable and to help in the relocation of the occupants of such areas. The Ministry of Housing conducts ongoing housing bonus and social assistance programs, for which there is already a census that includes a large part of the population living in makeshift housing, especially in urban areas. The program’s operating guidelines will call for the commitment of the GOCR to give priority, within existing programs, to eligible persons who have been displaced as an indirect result of the program.

The program will support the issuance of rural land titles to many campesinos and indigenous communities that, as yet, have no access to ownership of the lands they occupy. However, the demarcation of the indigenous land reserves, the transfer of forest areas from settlements of the Bureau of Agricultural Development to the Ministry of the Environment and Energy, and the regularization of certain protected areas in the Maritime Land Zone may involve the need for resettlement.

In this context, with reference to indigenous land reserves and state-protected areas, the program includes funds for census analysis, consultation and dispute resolution procedures, as well as pilot programs for indemnification, regularization of use and tenancy and management of protected and restricted areas through concerted action with the community, with a view to minimizing the need for forced resettlements.

When there are no alternatives to resettlement, the GOCR should undertake to: (i) submit for the Bank’s approval, prior to the bidding for nine of the 13 cadastral areas, a preliminary inventory of areas to be resettled and the corresponding action plan, including resettlement programs and sample commitment agreements with the communities as set forth in paragraph 2.27, and (ii) review with the Bank each year, following the mid-term evaluation, the progress of these plans, so as to have, to the end of the program, a final inventory of areas to be resettled and evidence that the action plan has been implemented, including the commitment by the communities involved to carry out future activities (see paragraphs 2.28 and 2.29).

Among the activities of municipal strengthening is support for the preparation and implementation of participatory plans for municipal investment. The plans will help improve use of the higher income generated by the increase in property tax collections in the municipalities and thereby increase the provision of public goods that the communities consider a priority for enhancing the quality of life.

4. Community involvement

During the program, the community will participate in the following activities: disclosure campaigns for areas to be platted, workshops and focus groups to study the legal modifications, consultations and concerted community action to establish
the pilot programs for management and regularization in areas under special regimes, educating the municipalities and preparing local participatory investment programs.

4.15 During the program preparation, the consultants had interviewed a diverse range of potential beneficiaries and users of the Real Property Registry system and dispute resolution method for real property matters, whose feedback contributed to the concept of the activities of dissemination, consultation and concerted action included in the program. In the specific case of indigenous communities, census information provided by the Mesa Indígena was also included, as well as institutional and conceptual factors concerning the activities to be executed with these communities brought in by their leaders on the national level.

5. Women’s participation

4.16 The growing temporary and permanent migration of men to other areas of the country has considerably increased the percentage of female heads of rural households, from 13% in 1984 to 25% in 1994. Furthermore, this figure rises among rural families in poverty. In Guatuso and in Guanacaste, the estimates are between 34% and 35% of rural households headed by women.

4.17 In Costa Rica, there are no legal impediments for women to have title to property, and considering their enlarging role in rural households, women in these areas are likely to benefit. In issuing titles for rural areas, the IDA will include, in the title and plat registry forms, questions concerning gender and will encourage joint tenure.

4.18 To guarantee that this occurs, all community involvement programs and public information programs should be executed from the gender perspective, and include special women-oriented bulletins explaining their tenure rights, in particular, with respect to marriage. Activities for training municipalities in the preparation of investment prioritization programs should also include training in methods to encourage the participation of women and specific issues relating to rural women in the context of the family and community, their involvement in and access to productive resources, and the role of rural women in agricultural production.

C. Economic considerations

4.19 The current situation of the plat/property registry system in the country is a disincentive to investment and increases the costs and risks of productive activities. Economically, it is hoped that: (i) the program will boost property market activity, accompanied by higher investment levels that would increase the value of both public and private lands, an indirect benefit that cannot be quantified ex-ante; and (ii) a number of costs and transactions as described below would be reduced or avoided.
4.20 A cost-effectiveness study considers two different processes in time. First, the formation of the physical plat and, second, the operation of the Real Property Registry after the land information system is in operation. The analysis in the first case is associated to the cost effectiveness of attaining the target of parcels that have been platted, which would be close to 1.2 million. The program’s concept and design include a total survey of each cadastral area established, achieving significant economics of scale. Likewise, the best available international technologies will be used, which would help minimize the cost of implementing the various processes necessary to complete the physical plat and register the parcels.

4.21 The formation of the physical plat as contemplated in the program would be considerably cost effective if one compares the average cost of US$42 per parcel to the costs of the Bureau of Agricultural Development (IDA), which is the alternative that would be adopted if the project is not executed with respect to the legalization of campesino settlements, which are more than US$350. Thus, this IDA program activity implies a saving of almost US$10.3 million for attaining the target of granting titles to the 28,000 settlements. The cost effectiveness of forming the physical plat is also reflected in savings in expenses for boundary demarcation of national parks of the Ministry of the Environment and Energy, which, in using the project’s economies of scale, would save more than US$6 million.

4.22 The cost effectiveness during the operations stage of the combined real property registry and Cadastre was established by including the reduced costs obtained with the new technology with the savings in resources utilized by the National Registry and by the users of the Real Property Registry in recording the documents submitted for qualification and registration. According to historic information from the 1995-99 period, an average of 230,000 documents were filed annually.

4.23 Considering the reduction in expenses and projections of increased registration applications submitted to the National Registry as a result of the project, it is estimated that the net average cost of each registration made by the Real Property Registry would be reduced from US$21 to approximately US$16.8, which demonstrates the increased cost effectiveness of the registration service.

4.24 From the users’ viewpoint, there will be savings of travel and processing times at the National Registry offices, having the ability to submit documents for registration to registrars in the local field offices, which currently can only be done at the central office of the National Registry. These savings of time for the users will also be reflected when the new database of the Cadastre is put into operation at the various local field offices, i.e., starting in the fourth or fifth year. Estimates show that the users could save US$3.3 for each document submitted for processing at the registry offices. This means, on the average, that the estimated savings on each document submitted to the Real Property Registry is US$7.3, equivalent to a minimum savings each year of US$1.8 million, due to the increased effectiveness of the new system and user services.
Moreover, the availability of adequate cadastral information would avoid a series of costs associated with the selective review of databases or the field work to prepare other analyses and market studies relating to population and housing that various institutions in the public and private sector would have to bear. In the first case, one could mention the high cost incurred by the taxing agencies of the Ministry of Finance and subsequently by the municipalities in reconciling the databases supplied by the National Cadastre and the Real Property Registry, in order to formulate its taxpayer census. The loans granted by the IFAM to more than 70% of the municipalities earmark 60% of the contracted amount (US$6 million) to defray costs associated with the formation of the taxpayer base. Currently, identifying a new taxpayer with possibly minimal tax benefits involves a high marginal cost for the municipalities; however, in the future, with the implementation of the program, the marginal cost-benefit ratio would be totally positive. Moreover, the Office of Statistics and the Census, in relying on a formal plat, would save on expenses of forming specimen frameworks, which they now incur.

The formation of the physical plat, considering its multiple uses, creates a number of benefits in addition to those associated with the legal security resulting from a legal plat or a well-established Real Property Registry. In this sense, the uses of cadastral information for purposes of zoning and land use, tax applications and public utility collection, will produce many social and environmental benefits not easily quantifiable, as well as increased tax effects. These effects are especially significant in the case of municipalities that are the key support of the program’s third component.

D. Financial feasibility

There would be no reduction of the National Registry’s operating costs due to a transition period during the project execution. A 4% reduction in staff costs would begin in the fourth year, with savings in operating expenses of up to 10% in the fifth year and up to 14% after the project ends. The greatest impact will occur after the project ends, with the achievement of greater effectiveness, the establishment of the SNIT, a streamlined support staff, and deconcentration of operations in the regional offices. This would allow the central government to save at least US$2 million a year, which represents approximately 14% of the current operating costs.

To assist the National Registry in increasing its revenue, a study will also be carried out during the program to rationalize all fees and charges collected by the National Registry and to establish the legal and institutional mechanisms for making periodic adjustments in the charges for the provision of services. In particular, alternatives will be studied for the sale of cadastral information, and its multiple uses, and specifically, the possibility of granting licenses for such services.

The program’s tax impact is associated with the increase in revenue from property taxes and title transfer taxes received by the Ministry of Finance. The property tax,
which currently totals approximately US$14 million each year, would increase appreciably during the first two years of the program, with support for municipal tax management that would be implemented by component for municipal strengthening. Moreover, the transfer tax revenue collected by the municipalities is associated with the parcel assessment rate and economic activity resulting from greater property market transparency. Transfer tax revenue totaled US$4 million in 1990, and rose substantially to US$8.43 million in 1999, for a total of US$23 million in central and municipal tax receipts.

4.30 Considering the combined effect of property tax receipts collected by the Ministry of Finance and the transfer tax collected by the municipal governments, there could be an additional US$6 million average collected annually, starting in the program's fourth year, possibly growing to US$7.5 million annually starting in the sixth year. This effect would recover the counterpart expenses within five years, and thereafter would contribute to repayment of the debt.

E. Risks

4.31 The technical modernization of the institutional processes and reorganization of the National Registry are a requirement for adequate management of the SNIT, thereby increasing the legal security of real property. Thus, sustaining the government's current decision to go forward with the necessary transformation of the National Registry is a key element for the program's success.

4.32 Attainment of the program goal is closely tied to the legal and regulatory modification of existing laws in the country concerning real property rights and the formalization of those rights. Thus, the timely implementation of the legal and regulatory modifications by the executive and legislative branches of the country is a condition for legal security of real property rights. For this reason, the Bank and the government have adopted the strategy of conditioning a substantial portion of the program investments, in particular, under Component 1, to legislative approval and/or administrative implementation of the legal, regulatory and institutional modification of the real property registration system in the country (see paragraph 2.18).

4.33 Another consideration is the possible reluctance of property owners, and squatters, to clear their titles, fearing that they will be obligated to pay property taxes. For that reason, local awareness campaigns have been provided to explain to the population the advantages of having the most up-to-date and complete information concerning land tenure, in addition to the personal benefits resulting from legal security of real property title rights and establishing the obligation to register property titles.
COSTA RICA (CR – 0134)
PROGRAM FOR THE REGULARIZATION OF THE CADASTRE AND PROPERTY REGISTRY

LOGICAL FRAMEWORK

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<th>DESCRIPTIVE SUMMARY</th>
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<th>VERIFICATION METHODS</th>
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<td></td>
<td>30% increase in the average number of properly recorded real property transfers over 10 years</td>
<td>Impact assessment based on annual data of the National Registry</td>
<td>Macroeconomic policies and modified sectoral policies</td>
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<td>80% reduction in the average annual number of civil and criminal lawsuits concerning real property arising from deficiencies in registry/cadastral information systems by program completion</td>
<td>Impact assessment based on annual comparisons of statistics of real property courts</td>
<td>Active financial markets</td>
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<td>Elimination of redundant or contradictory real property titles by program completion</td>
<td>Impact assessment based on annual data of the National Registry</td>
<td>Equitable compensation for persons</td>
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<td>81 cantons platted and registered, with data stored in the data base at the end of the program's fifth year: 31 cantons at the end of the third year, 33 cantons at the end of the fourth year and 17 cantons at the end of the fifth year.</td>
<td>EU Reports and records, based on National Registry data</td>
<td>Approval of legal and regulatory reforms, and approval of institutional reorganization of the cadastral and real property registry.</td>
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<tr>
<td></td>
<td>Elimination of redundant or contradictory real property titles by program completion</td>
<td>Impact assessment based on annual data of the National Registry</td>
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<td>Elimination of redundant or contradictory real property titles by program completion</td>
<td>Impact assessment based on annual data of the National Registry</td>
<td>Equitable compensation for persons</td>
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The operations audit will verify the status of the program activities.
### Descriptive Summary

<table>
<thead>
<tr>
<th>Subcomponent</th>
<th>Indicators</th>
<th>Verification Methods</th>
<th>Assumptions</th>
</tr>
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</table>
| Subcomponent 1.1: Modernized Cadastre and Registry | - Key legal reforms adopted at the end of the second year  
- Provisional reorganization of the cadastral registry and real property registry approved the first year  
- 12 regional cadastral registry and real property registry offices established and operating at the end of the fifth year; 3 at the end of the second year, 5 at the end of the third year and 4 at the end of the fourth year  
- Permanent reorganization of the cadastral registry and real property registry completed (creation of the Department of the Real Property Registry) at the end of the second year | - Executive decrees and laws published in *La Gaceta Oficial*, mid-term evaluation report  
- EU, MIDEPLAN, and Civil Service Department report  
- EU Report  
- EU Report | - Policy support for institutional legal reforms |
| Subcomponent 1.2: Establishment of the Cadastre and Registry | - 13 platted areas declared at the end of the third program year: 4 in the first year, 4 in the second year, and 5 in the third year | - EU Report and executive decrees published in *La Gaceta Oficial* | - Effective participation in Cadastral and Real Property Registry |
| Subcomponent 1.3: National Land Information System (SNIT) | - SNIT detailed design prepared at the end of the second year  
- SNIT established and operating by program completion | - EU Report  
- EU Report | - Effective participation of institutions of the SNIT |
**DESCRIPTIVE SUMMARY**

**COMPONENT 2:** Prevention and resolution of disputes relating to real property rights

**Subcomponent 2.1** Administrative-type Alternative Dispute Resolution (ADR)

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>VERIFICATION METHODS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
</table>
| • State-owned lands, protected areas, indigenous land reserves, and campesino settlements delimited, platted, and titled, with selective demarcation, by program completion | • Plat maps; publications, reports of the Ministry of Justice (MJG) • Registry documents; publication and notification system • Documentation of ADR technical teams and data user surveys | • Harmonized studies and consultation processes build consensus on proposals
• Demand from stakeholders concerning property disputes
• The system will have the support of operators and users (judges, lawyers and professionals involved in property disputes), as well as from social sectors involved in the disputes

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<th><strong>INDICATORS</strong></th>
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<th><strong>ASSUMPTIONS</strong></th>
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<tbody>
<tr>
<td>• System compatibilized with Real Property Registry for recording encumbrances and concessions implemented by program completion</td>
<td>• Elimination of backlog of documents pending registration by the end of the fifth year.</td>
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</tr>
</tbody>
</table>
| • 50% of the boundary disputes, document errors and appraisals resolved by the administrative-type ADR by the end of the fourth year. Elimination of backlog of documents pending registration by the end of the fifth year. | - | • Effective coordination among cadastral department, the Property Registry and the municipalities for operation of RAC
• User confidence |

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<th><strong>ASSUMPTIONS</strong></th>
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<tbody>
<tr>
<td>• Administrative-type ADR (of operating in 13 cadastral areas by program completion: 4 at the end of the second year, 4 at the end of the third year, and fourth year, and 5 at the end of the fifth year.</td>
<td>• Files of resolved cases; user surveys</td>
<td>-</td>
</tr>
<tr>
<td>DESCRIPTIVE SUMMARY</td>
<td>INDICATORS</td>
<td>VERIFICATION METHODS</td>
</tr>
<tr>
<td>---------------------</td>
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<td>----------------------</td>
</tr>
</tbody>
</table>
| **Subcomponent 2.2** Establishment of ADR centers for real property disputes | - Three ADR centers established, skilled and recognized in the field of real property, including rural land, in operation by program completion: 1 in the third year, 1 in the fourth year, and 1 in the fifth year.  
- 30 persons with basic ADR training at the end of the second year; 60 ADR professionals in real property rights with advanced training at the end of the second year; 100 participants in the administrative section of the property system with special ADR training; 50 at the end of the third year and 50 at the end of the fifth year. | - EU Report based on files of cases heard; and user surveys  
- EU Report and mid-term evaluation report | - There are a sufficient number of professionals with the interest and capability to respond to the call for bids  
- There is demand for ADR services  
- Interinstitutional coordination  
- Willingness of the Community to participate  
- Flexibility in enforcing regulations in order to allow co-management |
| **Subcomponent 2.3** Regularization of areas under special property systems, including harmonized of the legal framework | - Approximately 250 census analyses in 35 protected areas, 208 campesino settlements, 22 indigenous reservations and special areas of the Maritime Land Zone, at the end of the second year  
- Approximately 250 community consultations made in 35 protected areas, 208 campesino settlements, 22 indigenous reservations and in priority areas of the Maritime Land Zone at the end of the second year | - Reports of the EU, MINAE, IDA, and CIAI, and mid-term evaluation  
- Reports of the EU, MINAE, IDA and CIAI and the mid-term evaluation  
- EU, IDA, MINAE, and CIAI report  
- EU and MINAE report  
- EU report and mid-term evaluation report |
### DESCRIPTIVE SUMMARY

#### Component 3: Municipal Strengthening in the Use of Cadastral Information

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Verification Methods</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 50-100 pilot programs implemented in 35 protected areas, 208 campesino settlements, 22 indigenous reservations and the Maritime Land Zone by the end of the program</td>
<td>EU report and mid-term evaluation</td>
<td>• Municipalities interested in participating in the program</td>
</tr>
<tr>
<td>- Demarcation of 1,000 km of boundaries in priority protected areas at the end of the fifth year</td>
<td></td>
<td>• Order from the National Tax Administration of the Ministry of Finance to modify the ONT</td>
</tr>
<tr>
<td>INDICATORS</td>
<td>VERIFICATION METHODS</td>
<td>ASSUMPTIONS</td>
</tr>
<tr>
<td>------------</td>
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<td>-------------</td>
</tr>
<tr>
<td>• 81 municipalities and 6 districts with improved revenue collection procedures by the end of the fifth year; 31 municipalities and 1 district at the end of the second year, 33 municipalities and 5 districts at the end of the third year and 17 municipalities at the end of the fourth year&lt;br&gt;• Average increase in municipal property tax receipts of 30% at the end of the third year and 20% at the end of the fourth year.</td>
<td>• EU and IFAM reports</td>
<td>• Political and administrative decenecentralization process continues in the country and is reinforced.</td>
</tr>
</tbody>
</table>
**COMPONENT I ACTIVITIES:**

**Establishment of the Cadastre and its reconciliation with the Real Property Registry**

### Subcomponent 1.1

- **Institutional reorganization and modification of the legal and regulatory framework:**
  - 1.1.1: Studies on the reorganization of the National Cadastre and the Real Property Registry regulatory framework
  - 1.1.2: Modification of the legal and regulatory framework
  - 1.1.3: Establishment of regional Real Property Registry offices

### Subcomponent 1.2

- **Establishment of the Cadastre and its reconciliation with the Registry**
  - 1.2.1: Declaration of public interest
  - 1.2.2: Program executing unit
  - 1.2.3: Declaration of cadastral areas
  - 1.2.4: Training in cadastral and registry considerations
  - 1.2.5: Preparation of manuals
  - 1.2.6: Information campaigns
  - 1.2.7: Preparation of plat maps
  - 1.2.8: Transfer of parcels recorded under the real property page system of the Real Property Registry
  - 1.2.9: Digitization of cadastral information
  - 1.2.10: Preparation of background information
  - 1.2.11: Reconciliation
  - 1.2.12: Field survey work

### Indicators

- 1.1.1: 170,000
- 1.1.2: 110,000
- 1.1.3: 880,000
- 1.2.1: 5,000
- 1.2.2: 4,583,000
- 1.2.3: 10,000
- 1.2.4: 240,000
- 1.2.5: 60,000
- 1.2.6: 350,000
- 1.2.7: 11,380,326
- 1.2.8: 3,492,835
- 1.2.9: 2,400,000
- 1.2.10: 1,560,000
- 1.2.11: 3,000,000
- 1.2.12: 16,755,669

### Verification Methods

- EU reports
<table>
<thead>
<tr>
<th>SUBCOMPONENT</th>
<th>INDICATORS</th>
<th>VERIFICATION METHODS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2.13</td>
<td>1,800,000</td>
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<tr>
<td>1.2.14</td>
<td>720,000</td>
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<td>1.2.15</td>
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<td>1.2.16</td>
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<td>1.2.17</td>
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<td>1.2.19</td>
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<td>1.3.1</td>
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<tr>
<td>1.3.2</td>
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</tr>
<tr>
<td>1.3.3</td>
<td>1,700,000</td>
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<tr>
<td>1.3.4</td>
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<td>1.3.5</td>
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<td>1.3.6</td>
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<td>1.3.7</td>
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<td>2.1.1</td>
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**COMPONENT 2 ACTIVITIES:**

Prevention and resolution of real property disputes

<table>
<thead>
<tr>
<th>Subcomponent</th>
<th>Indicators</th>
<th>Verification Methods</th>
<th>Assumptions</th>
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<td>EU reports</td>
</tr>
<tr>
<td>Component</td>
<td>Subcomponent</td>
<td>Activities</td>
<td>Indicators</td>
</tr>
<tr>
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<tr>
<td>2.2</td>
<td>Subcomponent 2.2</td>
<td>Establishment of ADR centers for real property disputes</td>
<td>2.2.1 80,000</td>
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<tr>
<td></td>
<td></td>
<td>Study and analysis</td>
<td>2.2.2 40,000</td>
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<tr>
<td></td>
<td></td>
<td>Training</td>
<td>2.2.3 200,000</td>
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<tr>
<td></td>
<td></td>
<td>Dissemination</td>
<td>2.2.4 600,000</td>
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<td>2.3</td>
<td>Subcomponent 2.3</td>
<td>Regularization of areas under special property systems, including harmonization of legal framework</td>
<td>2.3.1 280,000</td>
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<tr>
<td></td>
<td></td>
<td>Maritime Land regularization</td>
<td>2.3.2 1,000,000</td>
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<tr>
<td></td>
<td></td>
<td>Regularization of protected areas</td>
<td>2.3.3 1,200,000</td>
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<tr>
<td></td>
<td></td>
<td>INAE transfers</td>
<td>2.3.4 600,000</td>
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<td></td>
<td>Regularization of indigenous areas</td>
<td>2.3.5 1,500,000</td>
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<td>Demarcation of protected areas</td>
<td>2.3.6 2,000,000</td>
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<td>3.1</td>
<td>Subcomponent 3.1</td>
<td>Municipal tax management</td>
<td>3.1.1 100,000</td>
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<td></td>
<td>Equipping of ONT</td>
<td>3.1.2 4,000,000</td>
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<tr>
<td></td>
<td></td>
<td>Equipping municipalities</td>
<td>3.1.3 300,000</td>
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<td>Training of ONT staff</td>
<td>3.1.4 700,000</td>
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<td></td>
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<td>Municipal staff training</td>
<td>3.1.5 1,500,000</td>
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<td>Interconnections to the SNIT</td>
<td>3.1.6 2,160,000</td>
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<tr>
<td></td>
<td></td>
<td>Assistance in municipal tax assessment</td>
<td>3.1.7 600,000</td>
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<tr>
<td></td>
<td></td>
<td>Assistance in municipal charging and collection systems</td>
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</tr>
<tr>
<td>DESCRIPTIVE SUMMARY</td>
<td>INDICATORS</td>
<td>VERIFICATION METHODS</td>
<td>ASSUMPTIONS</td>
</tr>
<tr>
<td>---------------------</td>
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<tr>
<td>Subcomponent 3.2</td>
<td></td>
<td></td>
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<tr>
<td>Municipal strengthening on investment and land use planning issues</td>
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<tr>
<td>3.2.1 Equipping of the IFAM</td>
<td>3.2.1</td>
<td>40,000</td>
<td>• EU reports</td>
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<tr>
<td>3.2.2 IFAM staff training</td>
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<td>3.2.3 Municipal staff training</td>
<td>3.2.3</td>
<td>500,000</td>
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</table>
### PROCUREMENT PLAN

<table>
<thead>
<tr>
<th>Purchase/Activity</th>
<th>Estimated Value (US$)</th>
<th>Type</th>
<th>Contract Type</th>
<th>Year-quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPONENT I: Establishment of the Cadastre and its reconciliation with the Registry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Institutional study</td>
<td>170,000</td>
<td>Consulting services</td>
<td>LLCP</td>
<td>1-II</td>
</tr>
<tr>
<td>2. Modification of legal and regulatory framework</td>
<td>110,000</td>
<td>Consulting services</td>
<td>LLCP</td>
<td>1-II</td>
</tr>
<tr>
<td>3. Equipping of regional offices (several contracts)</td>
<td>880,000</td>
<td>Equipment</td>
<td>LCB</td>
<td>1-IV</td>
</tr>
<tr>
<td>4. Executing unit (EU) program coordinators (several contracts)</td>
<td>2,748,000</td>
<td>Consulting services</td>
<td>ICB</td>
<td>1-I</td>
</tr>
<tr>
<td>5. Consultations for the EU (several contracts)</td>
<td>240,000</td>
<td>Consulting services</td>
<td>LLCP</td>
<td>1 to 5</td>
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<tr>
<td>6. Mid-term evaluation studies</td>
<td>200,000</td>
<td>Consulting services</td>
<td>LCB</td>
<td>2-IV</td>
</tr>
<tr>
<td>7. Training in cadastral and registry considerations (several contracts)</td>
<td>240,000</td>
<td>Consulting services</td>
<td>LLCP</td>
<td>1-III</td>
</tr>
<tr>
<td>8. Preparation of manuals</td>
<td>60,000</td>
<td>Consulting services</td>
<td>LLCP</td>
<td>1-III</td>
</tr>
<tr>
<td>9. Information campaigns (several contracts)</td>
<td>350,000</td>
<td>Consulting services</td>
<td>LLCP</td>
<td>1 to 5</td>
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<tr>
<td>10. Establishment of active GPS network</td>
<td>410,000</td>
<td>Equipment</td>
<td>ICB</td>
<td>1-IV</td>
</tr>
<tr>
<td>11. Maintenance of the active network</td>
<td>65,000</td>
<td>Consulting services</td>
<td>LLCP</td>
<td>2-II</td>
</tr>
<tr>
<td>12. Geodesic network densification</td>
<td>2,600,000</td>
<td>Equipment and consulting services</td>
<td>ICB</td>
<td>1-III</td>
</tr>
<tr>
<td>13. Aerial photography</td>
<td>2,200,000</td>
<td>Consulting Services</td>
<td>ICB</td>
<td>2-I</td>
</tr>
<tr>
<td>14. Aerotriangulation</td>
<td>2,000,000</td>
<td>Consulting Services</td>
<td>ICB</td>
<td>2-I</td>
</tr>
<tr>
<td>15. Creation of orthophotos and models</td>
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<td>Consulting Services</td>
<td>ICB</td>
<td>2-I</td>
</tr>
<tr>
<td>16. Property transfers and volume digitization</td>
<td>2,000,000</td>
<td>Consulting Services</td>
<td>ICB</td>
<td>1-III</td>
</tr>
<tr>
<td>17. Microfilm and microfiche conversion</td>
<td>1,400,000</td>
<td>Consulting Services</td>
<td>ICB</td>
<td>1-III</td>
</tr>
</tbody>
</table>
18. Digitization of cadastral information | 2,400,000 | Consulting Services | ICB | 1-III
19. Field survey IA (cadastral areas IA, San José) | 900,000 | Consulting Services | ICB | 1-I
20. Field survey IB (cadastral areas IB, 2 and 7) | 5,800,000 | Consulting Services | ICB | 2-I
21. Field survey II (cadastral areas 3, 4, 5 and 6) | 7,400,000 | Consulting Services | ICB | 3-II
22. Field survey III (cadastral areas 8, 9, 10, 11 and 12) | 2,600,000 | Consulting Services | ICB | 3-II
23. Inspection and supervision | 1,800,000 | Consulting Services | ICB | 1-IV
24. Provisional input of data to the Real Property Registry database | 720,000 | Consulting Services | ICB | 1-IV
25. Definitive input of data to the Real Property Registry database | 4,200,000 | Consulting Services | ICB | 2-IV
26. Preparation of maintenance manuals | 60,000 | Consulting Services | LLCP | 1-III
27. SNIT detailed design and applications development | 170,000 | Consulting services | LLCP | 1-II
28. Equipment procurement and installation | 1,700,000 | Equipment | ICB | 2-II
29. Installation of interconnection networks | 200,000 | Equipment and services | LLCP | 2-III
30. SNIT training and development | 100,000 | Consulting services | LLCP | 2-III

**COMPONENT II: Prevention and alternative resolution of property disputes**

31. Field survey I – ADR administrative-type | 700,000 | Consulting services | ICB | 2-I
32. Field survey II – ADR administrative-type | 700,000 | Consulting services | ICB | 3-II
33. Field survey III – ADR administrative-type | 400,000 | Consulting services | ICB | 3-II
34. ADR centers study, design and training | 320,000 | Consulting services | ICB | 1-II
35. ADR regional centers operation and dissemination | 600,000 | Consulting Services | ICB | 3-II
36. Study of alignment of laws regarding real property | 280,000 | Consulting services | ICB | 1-III
37. Census analysis of areas under special regimes (several contracts) | 1,600,000 | Consulting services | LLCP | 1-IV
38. Management plans for areas under special regimes (several contracts) | 800,000 | Consulting services | LLCP | 1-IV
39. Pilot programs for areas under special regimes (several contracts) | 1,800,000 | Consulting services | LLCP | 3-II
40. Demarcation of protected areas | 2,000,000 | Consulting Services | ICB | 3-II
| COMPONENT III: Municipal strengthening in use of cadastral information |
|--------------------------------------------------|-------|-------|-------|
| 41. Equipment for the ONT, IFAM and municipalities | 4,140,000 | Equipment | ICB | 1-III |
| 42. ONT Training (several contracts) | 300,000 | Consulting services | LLCP | 1-I |
| 43. Training for municipalities on tax management and revenue collection (several contracts) | 700,000 | Consulting services | LLCP | 1-II |
| 44. Interconnection of municipalities to SNIT | 1,500,000 | Consulting services | ICB | 1-III |
| 45. Cofinancing of tax assessing and collection efforts (several contracts) | 2,760,000 | Consulting Services | LLCP | 1-III |
| 46. IFAM training | 100,000 | Consulting services | LLCP | 1-II |
| 47. Training for municipalities on land use planning (several contracts) | 500,000 | Consulting services | LLCP | 1-III |

ICB= International competitive bidding  
LCB= Local competitive bidding  
LLCP= Local limited call for proposals
PROPOSED RESOLUTION

COSTA RICA. LOAN No. ___/OC-CR
TO THE REPUBLICA DE COSTA RICA

(Program For Regularization of the Cadastre and Property Registry)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the República de Costa Rica, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Cadastre and Registry Program. Such financing will be for the amount of up to US$65,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the "Financial Terms and Conditions" and to the "Special Contractual Conditions" of the Executive Summary of the Loan Proposal.