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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendation...
For the Review of the
Development Loan Committee

COLOMBIA - CABASTRAL LOAN

AID-TLC/1-943

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

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AID-DLC/P-943
December 31, 1970

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Colombia - Cadastral Loan

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$3,600,000 to the Government of Colombia to assist in financing the costs of the continuation and expansion of the Borrower's cadastral program, including participant training, technical assistance, and equipment and supplies in support thereof.

Please advise us as early as possible but in no event later than close of business on Tuesday, January 12, 1971, if you have a basic policy issue arising out of this proposal.

Rachel R. Agee
Secretary
Development Loan Committee

Attachments:

Summary and Recommendations
Project Analysis
Loan Administration
ANNEXES I, III, IV and V
ANNEX II available in Office of Development Resources, Bureau
for Latin America

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December 31, 1970

COLOMBIA

CADASTRAL LOAN

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December 31, 1970

COLOMBIA - CADASTRAL LOAN

SUMMARY AND RECOMMENDATIONS

1. Borrower: The Borrower will be the Government of Colombia (GOC).

The executing agency will be the "Instituto Geográfico Agustín Codazzi" (IGAC).

2. Loan:

a. Amount: Not to exceed \$3,600,000 to cover the foreign exchange costs of the project and the local currency costs of loan funded technical assistance (up to \$90,000).

b. Terms:

Interest - 2% per annum during the grace period, 3% per annum thereafter.

Maturity - 40 years

Grace Period - 10 years

Disbursement period - 4 years

3. Total Cost: Total cost of the proposed program from 1971 thru 1974 is estimated at the equivalent of \$22,941,225 including GOC funding.

The relative contribution for financing are as follows:

Table 1

Relative Financial Contributions
(Thousands of U.S.\$ and \$/E)

	<u>Estimated Dollar Costs</u>	<u>%</u>	<u>Estimated Local Costs (in dollar equivalent terms)</u>	<u>%</u>	<u>Total Cost</u>	<u>%</u>
AID	3,510	88	90	1	\$ 3,600	15.0
EXIM**	430	22	--	--	430	2.0
GOC	--	--	18,911*	99	18,911	83.0
	<u>3,940</u>	<u>100</u>	<u>19,001*</u>	<u>100</u>	<u>22,941</u>	<u>100.0</u>

* \$1.00 U.S. equals 20 Colombian Pesos.

** EXIM Bank has been approached regarding the financing of an aircraft for this project, estimated at \$430,000.

4. Description of the Program

- a. The proposed loan is to provide dollar and a small amount of local currency support to an ongoing cadastral program that is undertaking (i) an inventory and evaluation of about 3.5 million properties covering an area of about 357,000 square kilometers for property tax collection on a "municipio"* basis in the populated regions of the country; (ii) soils studies to support rural property valuations, agrarian reforms projects and other agricultural development projects; and (iii) refining property maps and continuously updating property valuations on a selective basis as the above stated activities are completed within each department.
- b. Loan funds will be expended in the financing of dollar costs for (i) procurement of imported equipment, materials and supplies to carry out cadastral, cartographic and soils activities; (ii) advisory technical assistance to support and further develop specific phases of the program; and (iii) participant training on a technical and professional level in order to develop future refinements and to expand the use of cadastral data for other GOC development programs. In addition, up to \$90,000 will be reserved to finance the local currency support costs of loan funded technical assistance.

* A Municipio is the political equivalent of a county and is the smallest tax base unit in Colombia.

5. Purpose

The purpose of the loan supported program is:

To establish standardized property values based on a national system and to establish and maintain centrally controlled property tax lists for tax collection to support "municipio" governments and development programs;

a) By assisting the completion of the ongoing inventory and evaluation of all real estate properties in the populated and/or developing regions of Colombia by the end of 1974; and

b) By developing a system for continuous refinement and updating of property maps and/or property valuations on a selective priority basis and for providing cadastral, soils and related data to support other GOC development programs.

6. Financial Plan**a. By Activity Components**

Table 2
Financial Plan **

(Thousands of U.S.\$ and \$/E)

	AID		IGAC		<u>\$ + \$/E</u>	<u>%</u>
	<u>\$</u>	<u>%</u>	<u>\$/E</u>	<u>%</u>		
Cadastral Dept.	1,224	30.6	11,228	59.7	12,452	54.4
Soils Department	146	3.6	2,238	11.8	2,384	10.5
Cartographic Dept.	1,464*	36.6	3,339	17.7	4,803	21.1
Technical Assistance	629	15.6	137	0.7	766	3.3
Participant Training	144	3.5	208	1.1	352	1.5
Equipment Maintenance	200	5.0	346	1.8	546	2.4
Local Purchase Items	0	0.0	73	0.1	73	0.1
Administration	0	0.0	1,342	7.1	1,342	5.9
Contingency (5.1%)	223	5.1	0	0.0	223	0.8
	4,030	100.0	18,911	100.0	22,941	100.0

* Includes \$430,000 for Airplane

** The amounts shown herein are approximations and minor adjustments can be expected between line items during the implementation period of the loan.

b. By Yearly Distribution

Table 3Yearly Distribution of Funds

(Thousands of U.S.\$ and \$/E)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>Total</u>
EXIM	430	--	--	--	430
AID *	2,279	561	681	79	3,600
IGAC	4,411	4,629	4,835	5,036	18,911
Total	7,120	5,190	5,516	5,115	22,941
% AID	37.8%	10.8%	12.3%	1.5%	17.5%

* The majority of equipment will be procured during the first year.

(1) For exchange calculations in the above tables the exchange rate has been taken as Colombian Pesos 20.0 to the dollar. The Colombian contribution amounting to approximately Col.Ps. 378 million (82.5% of total project costs) represents the programmed expenditure over the four-year project period by IGAC in support of its cadastral program. It does not reflect total IGAC expenditures.

(2) The peso contribution of IGAC will necessarily be subject to annual review and approval by the Colombian Congress since IGAC's resources come from budget appropriations. However, in view of the support given during the past five years, no special difficulty is anticipated in the GOC's providing adequate support. The required GOC contribution will be formalized in the Loan Agreement as a covenant.

(3) The figures are taken from the IGAC's revised budget plan submitted to the Mission in November 1970.

7. Alternative Sources of Financing:

The Inter-American Development Bank and the International Bank for Reconstruction and Development expressed "no interest" in participating

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in the financing of this project in their letters dated Sept. 17 and Sept. 19/1970 respectively. The Export-Import Bank has been informed of this project and authorization of this CAP will be contingent upon prior receipt of its written expression either of "no interest" or "partial interest" in this project.

8. Host Country Clearance

The Colombian National Planning Agency approved the proposed loan in a letter received by the USAID on May 5, 1969.

9. Statutory Criteria (See Annex IUI): All statutory criteria have been met.

10. Issues

See Annex IV of this paper for a clarification of issues including those raised at the time of the IRR approval.

11. Recommendations

The Mission recommends that AID/W authorize it to negotiate a loan on the terms and conditions summarized above and as further explained in this Capital Assistance Paper, and particularly in Section III C, Conditions and Covenants.

Project Committee:

Loan Officers

Consultant

Engineer

Controller

Legal Officer

Reviewed by

Approved by

* R. R. Greenspan, CDPED
* H. M. Smolkin, CDPED
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SECTION I - NATURE OF THE PROJECT

A. Description of the Loan Supported Program

1. Definition of Objectives

Colombia requires an accurate and current inventory of all real property in order to identify and develop its human and natural resources; to improve its property tax structure; and to clarify its land tenure problems. The basic components for such an inventory are:

- (a) Accurate property or cadastral maps, based on an identification and location of property boundaries.
- (b) Equitable property evaluations, which will form the basis for a modern tax assessment system.
- (c) A modern and functional property registration system based on the cadastral information.

The proposed loan will support an ongoing cadastral program designed to accomplish the above objectives in the developed and populated regions, which encompass over 357,000 square kilometers of the country (See Annex II, Exhibit 1).

The loan will accomplish three principal objectives:

- (a) The acceleration and completion of the property inventory and evaluation program initiated by the GOC in 1966;
- (b) The establishment of a modern system for property value adjustments on a current basis; and
- (c) The systematization and expansion of utilization of all property data, which will facilitate the use of this data for other GOC development programs.

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The following summarizes the above objectives:

- (a) With the aid of the proposed loan, 90% of the properties in the program area can be inventoried and placed on the tax roles by 1973; by 1974, 97% completion will be achieved; (see Annex II, Exhibit 7).

The work will be carried out concurrently in each department, by 22 sectional offices, and within each department the work will be carried out in "municipios" on a selective priority basis.

- (b) In addition to the above, a program of refinement and readjustment will begin in 1972 and will consist of two functions:

- (1) Updating property values as the property inventory and initial property values are completed on a departmental basis by the sectional offices; and
- (2) Improving the cadastral maps and/or cadastral map products for more accurate property delineation and property area calculations.

Updating Property Values

Like the formation of the property inventory, the ICAC program for updating property values will be carried out on a "municipio" basis within each department. The selection of the areas will be made on a priority basis according to three main factors:

- 1) The economic growth of the area; that is the amount of development and construction that has taken place since the inventory was made;
- 2) The period of time from the last evaluation. For example, properties evaluated in 1966 would be reevaluated first unless other factors are involved; and

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3) The requirements of regional development programs of other GOC agencies such as INCORA, the agrarian reform agency. (See section IIC).

Although the updating process will involve a visual inspection of each property to note particular improvements and new construction, the main function will be to refine the price leveling data that is used as the basis for property values. For this purpose, IGAC is requesting the technical assistance of an agricultural economist; a statistician with an economic background; and a specialist in urban valuations, particularly for the valuation of factories and major constructions. The main objective is to develop a method of continually updating the price leveling data with a statistical sampling of market values of properties, since the property values increase due to inflation and/or development within a specific area.

Improvement of Cadastral Maps

Like all cadastral programs of this nature, the cadastral maps are directly dependent upon the availability of aerial photography at suitable scales. In carrying out the first stage of the cadastre, essentially a property inventory, IGAC is using all photography that is available, including basic mapping photography at 1:50,000 scale that was enlarged to 1:10,000 scale. Consequently, new photography and better cadastral maps will be required in the gradual refinement process of the multi-purpose cadastre in many areas. Some of the equipment being requested under the loan, such as the orthophoto projectors for producing orthophoto maps, will be used for this purpose.

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Thus, during the period from 1971 through 1974, IGAC will be engaged in a complex program of completing the first stage of the cadastre in some departments and/or initiating the second stage of refinement or updating in others. The reasons for developing the program in this manner, instead of completing the first stage in all departments before starting the second stage, are fundamental:

First, the success of the entire program lies in the fact that the work is being carried out on a "municipio" level by the sectional offices working independently in each department.

Second, some areas of the country are developing much faster economically than others. Therefore, since the cadastre must adapt to meet the functional needs of the country, it is more important to update and refine the cadastre in some areas before completing the inventory in others.

Third, the entire cadastral program is geared to a national program of regional development. The work carried out in each "municipio", selected on an economic priority basis, forms a part of a regional plan involving other GOC agencies.

(c) One of the important benefits to be derived from the IGAC cadastral program is the systematization of all property data. It is estimated that there are over three million properties presently on the "municipio" tax rolls in the IGAC program area. This is the result of cadastral efforts carried out over the last 30 years. Unfortunately, most of the original cadastral work had not been properly maintained prior to 1966. The new IGAC program begun in 1966 of inventorying and

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evaluating properties systematically by "municipio" in each department has created an up-to-date record for over 1,660,000 properties. Thus, the procedures of manually organizing, maintaining and updating these records has reached the point of becoming unwieldy and uneconomical. Also, the enormous amount of basic data cannot be fully utilized for the GOC programs of economic development.

The GOC has a central government computer center (DANE) which, among other things, has an IBM 360-30 computer. The IGAC will work with DANE in setting up an ADP system of property records. Since these records are located in the sectional cadastral offices in each department, IGAC plans to microfilm these records and bring the microfilm to Bogota. Then, using microfilm readers, the data will be transcribed to IBM cards, and later stored on computer tapes.

One of the main functions of the operation will be to print out the property tax bills for each "municipio" and to maintain central records on property tax collection. Another important function will be the maintenance of property values, once the IGAC program of updating property values gets underway. This administration of data, and the facility for processing particular data for development programs being undertaken by other GOC agencies, will be one of the most important benefits to be derived from the IGAC cadastral program.

(d) Within the broad outlines of the property inventory and value updating program discussed above are a number of diverse, but interrelated, sub-activities. Perhaps the most important of these from the viewpoint of immediate social and economic impact are those affecting property

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registration and soils studies.

Since cadastral maps and records, and the corresponding property registers of titles and/or deeds, form complementary parts of the same system of property description and identification, there has to be some system of cross-reference between the cadastre and the property registries. The GOC has recognized the need for developing a better land registration system, and a law was passed in November of 1969 giving the central government the right to change, update and modernize the present property registration system. The decree established a commission under the National Registry Office, Ministry of Government, to study the various systems and to recommend changes in the present system. Thus, a new property registration law was passed in July, 1970, which establishes the cadastre as the basis for property descriptions in the registry. This is an important first step in the clarification of land tenure problems.

Within the property evaluation portion of the cadastral program, the portion that has perhaps the closest linkages to other developmental programs is that related to soils analysis.

About 75% of the total program area has been covered by some type of soils studies for property evaluation purposes. The soils studies along with the physical characteristics of an area, such as drainage, permeability, slope, erosion, depth of soils, etc. are used as an index for the potential value of the land by the Cadastral Department.

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IGAC is aware of the problems of possible discrepancies in property valuations based on the methods being used, and desires to improve these methods for the program of updating of property values due to be initiated in 1972. Thus, they are requesting technical assistance from the loan; specifically an expert in the potential use of land and an expert in classification of soils according to soils genesis. The latter requires a soil correlation of all studies undertaken to date.

The immediate relevance of the cadastral program to other Colombian Development programs is illustrated by the use of the cadastral data by other GOC entities. Since 1967, the IGAC Soils Department has worked closely with the agrarian reform agency (INCORA) on specific projects, particularly irrigation projects in arid and semi-arid regions. Much of the soils equipment being requested under the loan is to expand these special capabilities and to expand the facilities for making soil fertility studies for INCORA and other Colombian agencies, the purpose being to improve specific crop production in a given area. Inderena, the National Conservation Agency, will begin using IGAC established property values to form the base from which private property in the Tyrouna National Park is purchased. Also, the Public Works entity in the city of Pereira is using property values established by the IGAC Cadastre as a basis for purchasing lands for its Rio Otun Watershed. These and other examples can be cited to point out the use of the cadastre in priority GOC programs.

2. AID Financing

a. In 1966 the GOC initiated an accelerated program of mapping to identify and evaluate all real estate properties in the developed and

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populated regions of Colombia, using modern mapping and property identification techniques based on aerial photography; modern property evaluation methods based on market value studies, local construction costs, soils studies, etc. to develop equitable property values on a national standard.

In order to obtain this objective by 1974, the GOC proposes to spend a total of \$37,685,385. The cost for the five year period from 1966 through 1970 has been \$18,774,160*; and the cost for the remaining four year period from 1971 through 1974 is estimated to be \$18,911,225** (See Annex II, Exhibit 6).

The proposed AID loan will be limited to dollar financing for equipment, technical assistance and participant training (See Section II D 3 for a discussion on the treatment of local costs of technical assistance). The acquisition of new equipment during 1971 will enable the IGAC to meet the above objectives, and to continue a long range program of updating and refining property mapping and property registration. The technical assistance and participant training will develop IGAC capabilities for improving valuation techniques and for maintaining property values on a current year by year basis. It will also develop means for using the cadastral and soils data for other GOC development programs, particularly urban planning, agricultural development, land reform and a centralized control for property tax collections.

The following tables give a summary of proposed AID loan funds and the respective GOC contributions during the period 1971 - 1974.

* Based on yearly average exchange rates

** Based on an exchange rate of 20 pesos to \$1.00 U.S.

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TABLE 4
SUMMARY OF TOTAL CADASTRAL PROGRAM FUNDS 1971 - 1974
(In Thousands of \$ and \$/E)

	<u>AID</u>	<u>AID %</u>	<u>IGAC</u>	<u>IGAC %</u>	<u>Total</u>
Administration		0.0%	1,342	100.0%	1,342
Cadastral Dept.	1,224	8.9%	11,228	90.1%	12,452
Soils Department	146	6.1%	2,238	93.9%	2,384
Cartographic Dept.	1,464*	30.5%	3,339	69.5%	4,803
Participant Training	144	40.9%	208	59.1%	352
Technical Assistance	629	82.1%	137	17.9%	766
Equip. Maintenance	200	36.6%	346	63.4%	546
Local Purchase Items	-----	<u>0.0%</u>	<u>73</u>	<u>100.0%</u>	<u>73</u>
SUB-TOTAL	3,807	16.8%	18,911	83.2%	22,718
Contingency 4.8%	<u>223</u>	-----	-----	-----	<u>223</u>
TOTAL	4,030	17.5%	18,911	82.5%	22,941

* Includes \$130,000 for Aircraft.

TABLE 5
SUMMARY OF LOAN FUNDS

	(U.S. \$)	
Equipment	3,033,590	75.9%
Technical Assistance	628,800	15.7%
Participant Training	143,590	3.6%
Contingency	<u>223,720</u>	<u>4.8%</u>
TOTAL	4,030,000	100.0%

* Includes \$130,000 for Aircraft.

TABLE 6
DISTRIBUTION OF AFD LOAN FUNDS
(U.S. \$)

<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>TOTAL</u>
2,279,150	560,625	681,025	79,200	3,600,000
63.0%	16.0%	19.0%	2.0%	100.0%

3. Operating Criteria

The ICAC is an autonomous agency of the Government of Colombia given the responsibility by law to:

- a) Establish geodetic control networks and lower order control for mapping purposes.
- b) Complete basic topographic maps of the country.
- c) Undertake a national cadastre and property valuation throughout the country, except in the Special District of Bogotá and the Department of Antioquia, which have their own programs in coordination with the national program. (See Annex II, Exhibits 1 and 2).
- d) Undertake soils studies for the cadastre and for all other GOC entities.
- e) Keep a central depository of original negatives of all aerial photography taken in Colombia.
- f) Make geographic studies and perform other duties related to the above activities.

There is no other GOC entity that has these responsibilities and the AID loan supported activities will operate within the preceding framework.

B. BACKGROUND OF THE PROGRAM

1. History of Development

Most of the basic laws establishing the national cadastral system, as well as the most important advances in the property tax systems, including uniform and standard property valuations under centralized control, resulted from recommendations of Swiss Cadastral Commissions working in Colombia during the period 1930 to 1939. As a result of the Swiss recommendations, sectional cadastral offices were established in each department under the technical control of the Geographic Institute and the Ministry of Finance.

The Swiss recognized the need for a multi-purpose cadastre that would fulfill the economic, fiscal, social and legal requirements of the country. They also recognized, from many decades of experience, that such a cadastre would be time consuming and expensive. Consequently, their solution was to plan a cadastre that would cover essential areas of the country on a selective basis and which could then be carried out in progressive stages of refinement. The logical first step was to make a property inventory, which, if maintained, could be used as the foundation for subsequent stages, including precise property surveys and a modern land title registration system.

Considerable progress was made in this program until 1954 when President Rojas Pinilla decentralized the cadastral and property evaluation systems by creating municipal cadastral commissions which operated independently of central government control or guidance. As a result of this change, property

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inventories were not maintained and cadastral records gradually outdated. Although the 1954 legislation was repealed in 1958, sufficient damage had been done to set the cadastral program back by at least fifteen years. In 1958, the "Instituto Geográfico Agustín Codazzi" (IGAC) was given the responsibility to inventory, evaluate, and classify all property under a national program, again working through sectional cadastral offices in each department. However, little progress was made until 1966 because of budgetary limitations.

In 1965 a resolution was passed giving new impetus to the national cadastral system under the IGAC. Building on the groundwork laid by the Swiss, and supported by a special budget set up for the cadastre in 1966, a revitalized program began which continues through the present. This program is essentially the first stage of a multi-purpose cadastre that is, a property inventory that has as a basic goal the evaluation of real estate properties for property tax collection on a "municipio" basis. During the period from 1966 to 1969 the IGAC inventoried, classified and evaluated over 1,600,000 properties which were placed on the "municipio" property tax roles, increasing property values by about 1.4 billion dollars. See Annex II Exhibit 7.

2. Genesis of the Loan Application

In August 1969 the Mission received a loan application for \$4.7 million dollars from the IGAC. The Mission reviewed this application and accepted it on the basis that:

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a. In the opinion of the Musgrave Commission, which conducted an extensive review of the Colombian tax situation in 1968, a completed cadastral program is of crucial importance to the effectiveness of any future property tax reform.

b. The results of the accelerated GOC cadastral program from January 1966 to June 1969 clearly indicated that the IGAC had the capability to undertake a major cadastral program and, given impetus through the loan, could complete the basic property inventory and evaluation by 1974.

3. Adjustments to Original Loan Application

The original GOC loan application has been reviewed in detail and several adjustments, both major and minor, were found to be needed. Among the major revisions was a re-calculation of the GOC input to the cadastral program from 1971 through 1974. Adjustments were made based on the actual funds received by the IGAC as compared to their proposed yearly budget during the period from 1966 through 1970 (See Annex II, Exhibit 6). Also, a re-calculation was made for the amount of properties to be mapped, identified, evaluated and placed on the tax roles for the period 1970 through 1974. Adjustments were based on the IGAC accomplishments from 1966 through 1969. Based on this analysis, 97% of the basic inventory and evaluations can be completed by the end of 1974, provided, of course, that aerial photography can be obtained, (See Annex II, Exhibit 7).

Other major revisions include the elimination of the new soils laboratory and other items that can be financed or purchased with local funds.

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The National Planning Department has approved funds to cover these items in the IGAC budget for 1971 and 1972.

A review was made for every item of equipment being requested. This review took into consideration the amount and age of equipment on hand; the type of equipment on hand and the capability with new equipment; the need for new equipment for each activity according to the number of people engaged in each activity; and available facilities for installing new equipment. Also, equipment control and maintenance aspects were reviewed. Changes were made and, in several cases, prices adjusted. (See Annex II, Exhibits 2, 11 and 12). All equipment not considered essential to the cadastral program was eliminated. The remaining items are considered minimal essential requirements for the program.

The need for technical assistance and participant training was analyzed and changes made according to present capabilities and long range objectives.

TABLE 7

SUMMARY OF ADJUSTMENTS

(Thousands of U.S.\$)

	<u>APPLICATION</u>	<u>LOAN</u>
Building	\$ 400	\$ 0
Equipment	3,710	3,034*
Technical Assistance	420	629
Participant Training	170	144
SUB-TOTAL	<u>4,700</u>	<u>3,807</u>
Contingency	<u>0</u>	<u>223</u>
	4,700	\$4,030

* Includes \$430,000 for Aircraft.

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4. Evaluation of A.I.D. Previous Assistance

In order to provide the GOC with the necessary technical assistance to carry out its agrarian reform, the GOC and USAID/Colombia signed the Land Settlement and Development Project in 1961 and the Basic Resources Project Agreement in May 1962.

The purpose of the Basic Resources Survey was to accelerate and expand the activities of the IGAC to carry out cartographic work, soils surveys, a cadastral survey, and other related scientific studies. The following is a summary of A.I.D. funds used for this purpose:

TABLE 8
BASIC RESOURCES SURVEY
(U.S. \$)

	<u>Obligation</u>	<u>Expenditure</u>	<u>Balance*</u>
U.S. Technical Assistance	578,256	598,041	(19,785)
Participant Training	165,037	154,745	10,292
Commodities	233,267	233,122	145
Other Costs	<u>31,363</u>	<u>16,444</u>	<u>14,919</u>
Total	1,007,923	1,002,352	5,571

* Deobligated during pipeline review of 1970

In March 1970, an audit was made of this Project, and in order to determine accomplishments and/or end-utilization of commodities, the audit team visited the IGAC facilities in Bogotá and sectional cadastral offices in Cali, Popayán, Barranquilla, Cartagena and Santa Marta.

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The audit examination disclosed that, despite some difficulties in the procurement of commodities and the lack of experienced pilots for taking aerial photography during the early years of the Project, reasonable progress was made in each of the program objectives specifically outlined in the Project Agreement. Audit Report No.70-10-C is on file at the Mission.

Moreover, as a result of this assistance, the IGAC had the means for initiating an accelerated cadastral program in 1966, which, with additional assistance at this time, can accomplish the objectives outlined in Section I.

5. Country Team Review

The Country Team has been informed of this project and considers it to be of high priority in conjunction with U.S. objectives in Colombia as outlined in the 1972 CASP.

6. Host Country Clearance

The Colombian National Planning Department approved the proposed loan in a letter received by USAID on May 5, 1969.

C. PROGRAM JUSTIFICATION

1. Place of the Project in the Country Program

The proposed loan assists in the achievement of objectives A, F and B of the 1972 CASP. The project is included in the approved 1972 Country Field Submission, and directly supports the education, agricultural and urban-regional sector loan portions of the 1972 Colombian loan proposal. Previous work in the cadaster field together with the presently proposed program directly support these priority programs. In agriculture up to date geographic information is crucial for the implementation of investment

and agrarian reform projects. The soils studies discussed in detail in Annex II, Exhibit 2 are particularly relevant in this regard. It is in the area of municipal development, however, where the need for the acceleration of the cadastral program is most pressing.

In Colombia, 53% of the population lives in urban areas. Most of these urban areas have found themselves unable to adequately meet the needs of their rapidly growing populations. Part of the reasons for this inadequacy has been a lack of ability to properly levy and fully collect property taxes. Such taxes are often an important source of "municipio" revenues.

In an effort to assist the cities meet their heavy developmental responsibilities the urban-regional loan will provide financing for a wide variety of infrastructure projects. If the cities are to do their part in helping themselves, however, they must have a sound system of property tax collections which grows in revenue intake as development needs increase. The cadastral program, by increasing the number of registered properties and by regularly updating property assessments, plays a crucial role in the "municipios" efforts toward self sufficiency.

2. Project Contribution to Colombian Economic Development

The relationship of this project to other economic development programs has been outlined in Section C 1 above and will be further discussed in Section II C, Economic Evaluation.

3. Impact on U.S. Economy

a. No competition with U.S. private enterprise is expected to arise from this loan supported program due to the nature of the activities involved.

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b. The loan supported program should have a favorable impact on the U.S. economy because of the specialized nature of the commodities and services to be procured. Therefore, it is estimated that \$3.7 million in U.S. goods and services, with continuing purchase of supplies, materials and spare parts should be procured in the U.S.

4. Building IGAC Capabilities

As shown in Section I, Nature of the Project, the loan procurement of equipment, technical assistance and participant training will enable the IGAC not only to complete the basic property inventory and evaluation but to establish procedures for refining these basic elements on a long range program, as well as to provide increasing support to other GOC development programs.

During the past twenty years the IGAC has developed into an effective mapping organization through direct collaboration with the Inter-American Geodetic Survey which has supplied essential equipment, technical assistance and continuous technical training. Although these efforts were limited to the basic mapping program, they have provided the necessary foundation for IGAC's expansion into other development mapping projects and have formed the basis for IGAC to undertake a successful cadastral program of this magnitude.

5. Consultative Group Clearance

This project was presented by the Government of Colombia to the last session of the Consultative Group at which time it was endorsed for financing. A representative of the Comité Interamericano de la Alianza

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para el Progreso (CIAP) attended the review of the IRR for this project in AID/W and endorsed the project as one which would be beneficial to the development of Colombia.

6. Certification of the USAID's Director

The USAID Director certified on November 27, 1970 as to the satisfactory performance by the GOC with respect to previous AID Loans and its capability of implementing the proposed loan. Annex I contains a copy of this certification.

SECTION II - Project Analysis

A. Borrower

1. Principal Entities

a. The Borrower will be the Government of Colombia.

b. The entity responsible for the execution of the program is the "Instituto Geográfico Agustín Codazzi" (IGAC). The responsibility for the cadastral activities lies with the IGAC Cadastral Department, which receives related support in mapping and soils studies from the IGAC Cartographic and Soils Departments; and administrative support, including equipment maintenance, from the IGAC Administration Department. (See Annex II, Exhibit 10).

2. Organization and Management

The IGAC is an autonomous government agency governed by a board of directors with representatives from the Ministries of Finance, Agriculture, and Defense. The Director of IGAC and the National Director of the Cadastral Department are appointed by the President with Congressional approval.

The IGAC is composed of five principal departments:

- a. Cadastral Department
- b. Cartographic Department
- c. Agrological or Soils Department
- d. Geographic Department
- e. Administration Department

The Cadastral Department has twenty-two sectional offices, one in each department. The organizational charts and bio-data of all key personnel are given in Annex II, Exhibit 9.

B. Technical Feasibility

1. Studies:

a. Inasmuch as the IGAC has an ongoing cadastral program, an analysis was made of the results obtained during the period 1966 - 1969. This analysis also took into consideration IGAC manuals, annual reports, and other information and data furnished by IGAC, DANE, the National Planning Department and the Inter-American Geodetic Survey. This supporting material is on file at the Mission.

b. The rationale for the selection of the program area and the various aspects relating to the program are outlined in Annex II, Exhibit 2.

2. Plan for Execution:

a. Under the proposed plan, the IGAC will contract technical personnel for developing methods and procedures for refinement and continuous up-dating of the cadastre and property values, as well as for the use of all data from this program by other GOC development programs.

b. The IGAC will expand its soils laboratory facilities. The procurement of soils laboratory equipment and the arrival of two short term soils specialists are contingent upon the termination of this expansion program.

c. The essential element for meeting the objectives of the program in the period allotted will be the procurement of equipment for the cadastral and cartographic activities.

3. Maintenance

a. Property Inventory and Property Values

(1) Colombia has adequate laws to assure that the cadastre, or property inventory, can be maintained, particularly with the recent law on property registration (Decree No.1250 of July 1970). The IGAC has developed the procedures and published a manual on cadastral maintenance, which is to be undertaken by the sectional offices on a "municipio" basis. (See Annex II, Exhibit 2). The maintenance aspects will increase as the property inventory advances and the IGAC has taken this into consideration in its overall program. (See Annex II, Exhibit 7).

(2) An important part of the IGAC Program is to develop methods and procedures for the maintenance of property values. In 1972 it will initiate a program of re-evaluation, and with technical assistance, will develop procedures for maintaining current price leveling data by statistical analysis of market values. In the rural areas, land capability studies will be undertaken with the aid of technical assistance in order to develop better procedures for maintaining rural property values. (See Annex II, Exhibits 2 and 4).

b. Equipment

(1) Vehicles: The IGAC has excellent facilities to maintain all vehicles based in Bogotá. These facilities will be expanded into the area currently housing the soils laboratory facilities, adjoining the present motor pool, when the new soils laboratory is completed. The vehicles assigned to the sectional offices will be maintained by commercial shops and, in addition, the IGAC will train and assign mechanics to these offices for preventive maintenance. (See Annex II, Exhibit 11).

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(2) Airplane: The IGAC presently has four airplanes that are maintained by a commercial firm in Bogotá, which has an equivalent FAA rating. Adequate maintenance facilities are also available in other major cities, particularly as provided by Avianca, the major Colombian airline.

The IGAC has the capacity to operate and maintain its airplanes at operational cost which have proven more favorable than contracted aerial photography.

To accomplish the project over the extensive areas involved in this accelerated cadastral program, IGAC needs an airplane with higher elevation capacities. The new airplane will replace two old model Beechcrafts which (a) cannot operate at the required elevation capacities and (b) whose down time is adversely affecting the program, making their operating expenses and maintenance costs uneconomic.

IGAC will have a continuous need for the new airplane beyond 1974 to provide the aerial photography required to update and refine cadastral maps and property values, particularly in areas of progressive development. Arrangements will be made for EX-IM Bank to finance the airplane.

(See Annex II, Exhibit 12 for detailed analysis of justification for new airplane acquisition).

(3) Other Equipment: IGAC has a contract for the maintenance of its major photogrammetric equipment. Its survey instruments are maintained, at cost, by the Inter American Geodetic Survey Facilities in the Canal Zone. The electronic distance measuring instruments are sent to the United States for major repairs. Facilities exist in Bogotá for minor maintenance of these instruments. The IGAC maintains a facility in Bogotá for the repair of other equipment.

4. Appraisal of Technical Soundness

a. Summary - The Project Committee's analysis of the existing program activities indicates that the activities are technically sound and that the program objectives can be met in the time period allotted. However, like all projects of this nature, the activities will have to be geared to the availability of aerial photography which depends upon the uncontrollable factors of weather or climatic conditions.

b. Cadastral maps and map products - The photo products, photo mosaics and resultant cadastral maps are designed to meet the basic requirements of the accelerated program. General photo scales, map scales, and procedures and methods for the construction of cadastral maps are similar to those used in other cadastral projects. A long range program of refinement of the cadastral maps will be undertaken on a selective basis as the country develops and as the need arises.

c. Property Valuations: The procedures used for determining property values are comparable to those used by U.S. consultants in developing cadastral projects in other Latin American countries. The IGAC, with technical assistance, will improve these methods and develop procedures for a continued adjustment of its basic value curves every two years, or according to the rate of development in the different "municipios".

d. Soils Studies - As a result of previous technical assistance, the IGAC has developed capabilities for undertaking soils studies in accordance with standard U.S. Department of Agriculture methods and procedures. However, additional technical assistance is required to develop better procedures for relating soils information to potential land use.

Also, the IGAC needs to expand their capabilities for making soils fertility studies, mineral analysis, etc. to support other GOC development projects.

e. Systematization of Data - This is the weakest part of the existing IGAC program. The cadastral and related data are not in a form that can be readily used to support other GOC development programs, including improved property tax collection. Technical assistance will be required in order to logically compile and store the large quantity of data that has been and will be generated. For this purpose, computer facilities and other automatic data processing facilities (as described earlier in Section I A 1 c) will be used.

5. Basis for Cost Estimates

a. Equipment - For the most part, prices were obtained from available catalogs that listed items similar to those to be requested. Some prices were based on previous purchases. Shipping costs were also taken into consideration. (See Annex II, Exhibits 3, 11 and 12).

b. Technical Assistance - Cost estimates are based on positions using comparable salaries at the GS-12 and 13 levels, plus 30% contingency for personal benefits and 300 dollars per month housing allowance. Also, estimates for travel and shipment of household goods and automobile were based on average Mission costs. (See Annex II, Exhibit 3).

c. Participant Training - Estimates were based on similar and/or previous training assistance provided by the Mission to IGAC and other GOC entities. (See Annex II, Exhibit 4).

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d. Contingency - The Project Committee included a contingency estimated to provide sufficient margin to cover price increases and any unforeseen expenses.

6. Conclusions

The Mission considers that there has been planning and analysis sufficient to ensure that the program is technically feasible and that reasonable estimates of program costs have been made, meeting the requirements of FAA Section 611.

C. Economic Evaluation

The economic implications of the proposed project are extremely favorable both in terms of increased tax collections and the non-tax impact on developmental programs in the agricultural and urban sectors. As may be seen in Annex II Exhibit 7, cadastral activities undertaken between 1966 and 1969 added property values of 27 billion pesos (US\$1.35 bil.) to the tax roles with a resulting increase in property tax collections of 262,839,000,000 pesos (US\$13.1 million). This increase in property tax revenues, moreover, understates the direct tax benefit from the program. In addition to the effects on the local property tax collections, the completed cadastral survey, by increasing assessed land values, would significantly increase national tax collections since the income tax in Colombia includes a net worth tax which is based in part on the value of land holdings. While accurate data showing the amount of tax increase resulting from this factor is not available, the Musgrave Commission review of Colombian tax policy estimates that completion of the cadastre would permit the net worth tax to yield the equivalent of US\$4 million annually in national tax revenues.

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According to this review about 61% of that amount, or the equivalent of \$2.4 million, could be attributable to the program now being proposed. The underestimation of public revenue benefits is further aggravated by the inability to calculate the degree to which public utility charges, which are based in part on value of the users real property, have increased as a result of the availability of accurate value assessment data. Even omitting consideration of these causes for underestimation, however, and ignoring for the moment the non-tax benefits from the cadastral program to date, the calculable property tax increases alone, in comparison with program costs over the 1966-69 period, justify the increased support of the program. (See Annex II, Exhibit 7).

The planned program for 1971-74 by accelerating the increase in the number of properties on the tax rolls and by establishing a system of continuous property revaluation will continue to swell property tax revenues. As may be seen in Table 6, heavy investments are required in the early years to finish the first stage of mapping and to establish the institutional capability for property revaluation in successive years. These heavy inputs exceed in the 1971-1974 period the corresponding property tax benefits, resulting in a benefit-cost ratio for the period of 0.88. When the Musgrave estimate for the increase in net worth tax resulting from the program is included, however, the benefit-cost ratio of benefits to costs rises to 1.30. As the program period is extended to 1980, the cost of the program is covered by property taxes alone with the property tax benefit/total cost ratio rising to 1.17 and the property plus net worth tax benefit/total cost ratio reaching 1.64. (See Table 9).

TABLE 9

Benefit-Cost Analysis (Thousands of Pesos)

	Total Taxable Property Values ^{1/}	Annual Change in property values ^{1/}	Change in Property Tax Receipts ^{1/}	Cost of Mistral Program (000) ^{1/}	BT Discount Factor	Discounted Property tax Benefits	Discounted Cadastral Program Costs	Discounted Net worth Benefits	Discounted Benefits
1966	45,164,587	5,985,897	39,514	30,336					
1967	52,550,185	7,385,598	62,039	52,314					
1968	64,850,468	12,300,283	103,322	67,562					
1969	71,750,875	6,900,407	57,964	76,566					
1970	80,791,485	9,040,610	75,941	81,506					
1971	90,971,211	10,179,727	85,510	141,802	.9255	79,140	131,238	44,424	123,564
1972	102,433,565	11,462,373	96,284	103,792	.8565	82,467	88,698	41,112	123,579
1973	115,340,217	12,906,632	108,416	110,326	.7927	85,941	87,455	38,050	123,991
1974	129,873,084	14,512,867	122,076	122,304	.7337	89,567	75,060	35,218	124,785
						<u>337,115</u>	<u>382,651</u>		<u>495,919</u>
1975	142,860,293 ^{2/}	11,787,303 ^{2/}	109,095	80,000	.6790	74,074	54,320	32,592	106,666
1976	157,146,431	14,286,039	120,003	84,000	.6284	75,410	52,786	30,163	105,573
1977	172,861,074	15,714,643	132,003	88,000	.5816	76,773	51,181	27,917	104,690
1978	190,147,181	17,286,107	145,203	91,000	.5383	78,163	49,524	25,838	104,001
1979	209,161,899	19,014,718	159,724	94,000	.4982	79,574	47,827	23,914	103,488
1980	230,073,089	20,916,190	175,696	100,000	.4610	80,995	46,100	22,128	103,123
						<u>802,104</u>	<u>684,389</u>		<u>1,123,460</u>

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A. Property Tax Benefits 1971-1974 = .88
Cadastral Program Costs

C. Property tax Benefits 1971-1980 = 1.17
Cadastral Program Costs

B. Property & Net worth Tax Benefits 1971-1974=1.30
Cadastral Program Costs

D. Property & Net worth Tax Benefits = 1.64
Cadastral Program Costs

^{1/} Data 1966-1970 Based on ICAC and Mission records and estimates.

^{2/} Annual change in property values and resulting change in registered property values based on annual revaluation of 20% of total registered properties at a rate of value increase of 10% per annum for period 1971-1980.

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For this infra structure project, which accelerates the creation of the a solid base upon which/GOC could, in the future, embark upon even more significant tax improvements, the Project Committee considers the benefit-cost ratio projected to 1980 to be a satisfactory justification of the investment in the project.

There are a number of factors to be considered in evaluating this program, not the least of which is the conservative nature of the analysis. Not only have public service changes based on property values been excluded, but even viewing property taxes alone, a conservative bent is evident. The annual projected increase of 10 percent in land values is substantially below the rates of increase registered in sample reevaluation trials, and estimated tax collections are based on 70 percent of potential collections in conformity with the rate of delinquency calculated in the Marshall and Stevens Inc. report The Ad Valorem Tax Program (Contract No. AID/1a-275; 1965). When these factors are considered, the resulting project prognosis is far more favorable than the calculated benefit cost ratios would indicate.

Most importantly, the value of the project in its non-tax ramifications probably equals or exceed the value resulting from the revenue impact. Also, as previously discussed in Section I A.1 (d), cadastral activities provide a factual basis for making investment decisions in agriculture, transport and communications.

One of the serious bottlenecks in the planning of certain investment projects has been the lack of accurate geographic information. The completion of the mapping in the program area at a scale of 1:25,000,

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coupled with the intensive mapping at 1:10,000 of areas of rapid growth or where investment projects are planned, will increase the potential for success of development programs.

The basic property inventory, for example, is fundamental for the establishment of a functional property registration system and subsequently to the resolution of land tenure problems, which in many rural areas are retarding economic development, particularly in private investments for agricultural improvements. Cadastral studies, and the rural census, have shown that the most serious social problems in rural areas stem from the predominance of minifundios, caused by the large number of landless families seeking land through the system of renting, sharecropping, colonization and other forms of tenure. INCORA is actively engaged in expropriating and redistributing land in areas of potential development where land tenure conditions and conflicting ownership rights have seriously retarded each development. However, a majority of farms in Colombia have not been covered by the cadastre and thus have not received a technical appraisal, which Decree No.2895 of 1963 ^{as} establishes the legal value of the property and therefore the base for amount of compensations for expropriated properties. The lack of technical appraisals in many areas have hampered INCORA efforts. Lacking a technical appraisal INCORA must rely on an ad hoc "administrative appraisal" which has presented serious problems.

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The soils studies and related information on the physical characteristics of the land, which are part of the second stage of the cadastral program, will bring economic benefits in the form of improved agricultural production, through private investments, as well as through other GOC development programs. This information, plus land tenure information mentioned above, is a basic required input to an equitable and logical agrarian reform program.

These few examples, while not precisely quantifiable, illustrate the type of important non-tax benefits that will flow from the cadastral program. In conjunction with the increase in public revenues which are a direct result of the program, these benefits will greatly assist the development of the Colombian economy and provide a strong justification for supporting the cadastral program.

D. FINANCIAL SOUNDNESS1. Funding Requirements

TABLE 10

PROGRAM FUNDS 1971-1974
(Thousands of U.S.\$ and \$/E)

	<u>AID</u> <u>\$</u>	<u>IGAC</u> <u>\$/E*</u>	<u>Total</u> <u>\$ + \$/E</u>
1) Equipment costs	2,717,000***	73.400**	2,790,400
Shipping Costs	116,890	0	116,890
Spare parts/maintenance	<u>200,000</u>	<u>346,000</u>	<u>546,000</u>
Sub-Total	3,033,890	419,400	3,453,290
2) Technical Assistance	628,800	136,725	765,525
3) Participant Training	143,590	207,550	351,040
4) Soils Building	0	400,000	400,000
5) Operational Costs			
a. Cadastral Activities	0	11,228,400	11,228,400
b. Soils Activities	0	1,837,800	1,837,800
c. Mapping Activities	0	3,339,400	3,339,400
d. Administration	0	1,341,950	1,341,950
6) Contingency	<u>223,720</u>	<u>0</u>	<u>223,720</u>
TOTAL	\$4,000,000	18,911,225	22,941,225

* Exchange rate: \$1.00 equals 20 pesos

** Does not include items considered a part of other GOC activities and not directly related to cadastral program.

*** Includes \$130,000 for Aircraft.

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TABLE 11
DISTRIBUTION OF PROGRAM FUNDS

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
1) IGAC Cadastral Program (\$/E*)				
a. Cadastral Activities	2,667,550	2,734,100	2,814,850	3,011,900
b. Soils Activities	304,000	339,000	577,050	617,450
c. Cartographic Activities	683,550	796,700	898,159	961,000
d. Support activities	482,480	558,890	545,200	445,655
e. Soils building	200,000	200,000	-	-
f. Local purchase equipment	<u>73,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	4,410,980	4,628,990	4,835,250	5,036,005
* Exchange rate: \$1.00 equals 20 pesos				
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
2) AID Loan (U.S. Commitments)				
Equipment costs	2,356,480*	257,390	420,020	-
Technical Assistance	157,300	213,600	188,400	69,500
Participant Training	36,630	62,485	39,625	5,850
Contingency	<u>129,740</u>	<u>52,150</u>	<u>32,980</u>	<u>3,850</u>
TOTAL	2,679,150	590,625	681,025	79,200
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
3) Total Program (U.S.\$ + \$/E)	7,090,130	5,219,615	5,516,275	5,115,205

* Includes \$130,000 for Aircraft

2. Alternative Sources of Financing

The Inter-American Development Bank in its letter dated September 17, 1970 and the World Bank in its letter dated September 19, 1970 expressed "no interest" in participating in the financing of this project. The Export-Import Bank has been informed of this project and authorization of this CAP will be contingent upon prior receipt of the written expression either of "no interest" or "partial interest" in the project. IGAC has indicated that on the basis of grant fund support previously supplied by AID (See Section I B 3) it considered AID the logical source of future expanded support to successfully conclude this program.

3. Local Cost Financing

IGAC will provide funds for local travel and per diem for the cadaster specialists contracted under the program. While the Loan will be essentially for dollar costs, the Mission proposes that up to \$90,000 dollar funds from the AID loan be used for local currency financing of support costs of the AID funded technicians, such as housing and education allowances.

4. Financial Analysis and Prospects of Loan Repayment

Since the executing agency (IGAC) is not revenue producing and since the Borrower (the Government of Colombia) will meet the loan obligations from its general resources, the repayment capacity of IGAC or the Borrower on the terms contemplated is not in question. Perhaps a more relevant subject of financial discussion is the ability of the Ministry of Finance.

to guarantee the timely provision of local currency contributions to meet project requirements. On this point favorable past experience certainly suggests satisfactory performance.

The Ministry has contributed \$18.5 million to the continuing survey program over the last five years. The Colombian contribution will amount to about 470% of the AID loan. The table below indicates the budget allocations to IGAC for activities directly related to the survey over the last five years and projections for the years of the proposed loan.

TABLE 12

BUDGET ALLOCATIONS
(Millions of Pesos)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
IGAC Budget Plan	49.3	77.7	92.3	135.9	108.0
IGAC Expenditures	42.5	73.0	90.2	102.7	103.4
Cadastral Program	30.3	52.3	67.6	76.6	81.5
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	
IGAC Budget Plan	115.9	124.1	132.8	142.0	
IGAC Expenditures*	104.6	111.0	117.2	124.0	
Cadastral Program *	88.2	92.6	96.7	100.7	

* Adjusted according to previous five year expenditure level.

Note: Funds for 1971 already appropriated; budget plan for 1972 and 1973 approved by National Planning Department.

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It can be seen that during the years 1966 through 1970 the support by the GOC for the cadastre survey has increased considerably and its projected to continue increasing through 1974. Given this record no difficulty should be expected in the GOC's providing the necessary local resources for the program. Furthermore, the availability of outside resources will form the base which GOC budget allocations for the program will be made (i.e., the amount of necessary outside assistance has been determined and the amount of local costs to utilize those resources estimated has then been budgeted). Thus, should outside funds to complement local costs not be available, the program would not be able to advance at anything close to the currently projected levels.

5. Financial Conclusions

Based on the foregoing, the Mission concludes:

- a. The loan supported program is financially sound.
- b. Except for the possible EX-IM Bank financing there are no appropriate alternate sources of financing.
- c. The GOC's contribution will be available in the amounts and timing consistent to meet the program objectives.
- d. The prospects of loan repayment are excellent.

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SECTION III - LOAN ADMINISTRATION

A. Project Execution

1. Implementation Plan

The schedule of activities presented "as Annex II, Exhibit 8 assume" rapid GOC action in reviewing, negotiating and signing the Loan Agreement. The basic implementation letter will be submitted at the same time. This initial action should be completed within two months following authorization.

Immediately following loan signature, the IGAC will initiate action on contracting a procurement administrator, who in turn will initiate action for the procurement of equipment. Concurrently, the IGAC will initiate negotiation for contracting other technical assistance. Also, selection of participant training will be initiated as soon as possible.

The period of loan funding is expected to terminate 36 months after arrival of the long term specialists.

2. Primary responsibility for action

a. The primary responsibility for the execution of all phases of this program lie with the IGAC, including the procurement of equipment; the contracting for technical assistance; and arranging for participant training. It is the opinion of the Mission that IGAC, by contracting a procurement administrator and a cadastral program monitor, will be able to administer the loan input to the program.

b. Monitoring Responsibilities

Primary responsibility for the implementation and monitoring of this loan within USAID will reside in the Capital Resources Development Office (CRDO). Coordination and monitoring of the technical assistance

portion of the loan will be accomplished by a loan financed project monitor as approved by AID jointly reporting to IGAC and the USAID.

4. Technical Assistance

The accelerated cadastral program includes specific advisory services of eight long term specialists and two short term specialists of 36 months and 6 months respectively. The major feature of their scope of work are included in Annex II, Exhibit 4. These specialists will work in different sections of the IGAC Cadastral and Soils Departments, and will coordinate directly with the chief of each Section.

IGAC indicated its desire to obtain these specialists pursuant to personal services contracts. It is AID's opinion, however that the number of technicians required dictates against such an arrangement and that the technical assistance should be contracted with a firm, a consortium of firms or a joint venture. If the loan agreement is signed no later than March, 1971 IGAC expects to have the long-term specialists by July 1971. The arrival of the two short-term specialists will depend on the termination date of the new soils laboratory and the subsequent arrival of soils laboratory equipment.

B. Implementation Procedures

1. Target Dates

- | | |
|------------------------------------------------------------------|-----------|
| a. Loan Authorization signed | 15 Jan 71 |
| b. Loan Agreement Signed | 15 Mar 71 |
| c. Selection of Technical Assistance Initiated | 20 Mar 71 |
| d. Procurement Administrator Contracted, Meeting First Condition | 20 May 71 |

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e. Loan Monitor Contracted, Meeting Second Condition	15 June 71
f. Long Term T.A. Contracted	1 July 71
g. Participant Training Initiated	1 Aug 71
h. First Letter of Commitment	1 Sept. 71
i. IGAC Soils Building Completed, Meeting Third Condition	15 Jan 72
j. Short Term T.A. Contracted	1 Feb. 72
k. Short Term T.A. Terminated	1 Aug. 72
l. Final Letter of Commitment	15 Dec 73
m. Participant Training Completed	1 June 74
n. Long Term T.A. Terminated	1 July 74
o. Final Loan Disbursement	1 Sept 74

2. Disbursement and Procurement Procedures

Disbursement of funds for technical assistance will be made directly by AFD/W upon presentation of the customary documentation. Disbursement for direct purchase of imported equipment, materials and supplies will be handled through the Letter of Commitment procedures.

C. Conditions and Covenant

In addition to the standard conditions and covenants the project committee recommends that the loan agreement contain the following conditions and covenants to the extent they are not already fulfilled prior to the signing of the loan agreement.

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1. Prior to issuance of first commitment document for equipment and/or commodities, the IGAC shall present to A.I.D. a contract, in form and substance satisfactory to A.I.D., with a person acceptable to A.I.D., for the personal services of a procurement administrator.
2. Prior to the first disbursement or issuance of the first commitment document for equipment and/or commodities; for technical assistance; and for participant training, the IGAC shall present to A.I.D. a contract, in form and substance satisfactory to A.I.D., with a person acceptable to A.I.D., for the personal services of a cadastral program monitor.
3. Prior to the first disbursement or issuance of a commitment document for soil lab equipment and/or commodities and short term loan-funded technical assistance for the IGAC Soil Department, the IGAC shall present evidence to A.I.D. of a reasonable termination date for the construction of the new soil building.
4. Borrower shall covenant that it shall present to A.I.D. in form and substance satisfactory to A.I.D., an IGAC budget plan approved by the National Planning Department, for implementing the cadastral program for the years 1971 through 1974, with expenditures equal to or in excess of the amounts indicated in the loan document.
5. IGAC shall covenant that it shall present to A.I.D. evidence in form and substance satisfactory to A.I.D., that sufficient funds will be budgeted each year for the future replacement of all equipment purchased with loan funds, as the need arises to meet continued program requirements and objectives over the next ten years.

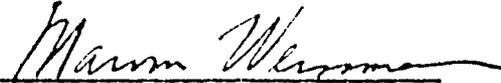
CERTIFICATION PURSUANT TO SECTION 611 (a) OF THE FOREIGN ASSISTANCE
ACT OF 1961, AS AMENDED

Re: Colombia - Capital Assistance - Government of Colombia

Cadastral Survey Loan

Having taken into account, among other things, the maintenance and utilization of projects in Colombia previously financed or assisted by the United States, I certify that in my judgment Colombia has the financial capability and the human resources capability to effectively utilize the proposed Cadastral Survey Loan.

This judgment is based primarily on the facts developed in the Capital Assistance Paper for the proposed loan of \$4.0 million which discussed in detail the capabilities of the Government of Colombia and finds it possesses the adequate financial and human resource capability to effectively maintain and utilize the project.


Mission Director

November 27, 1970

Date

AID-DLG/1'-9/43

ANNEX II

COLOMBIA - Cadastral Loan

ANNEX II - TECHNICAL DATA

Available in Office of Development Resources, Bureau
for Latin America, AID/Washington

CADASTER LOAN
CHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

In the right-hand margin, for each item write answer, or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1969.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1970.

COUNTRY PERFORMANCE

Progress Towards Country Goals

1. FAA Sec. 200. Sec. 251 (b).

A. Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

(1) Colombia's efforts to increase food production and improve the means for food storage and distribution are discussed in the 1970 Agricultural Sector Loan Paper.

(2) Colombia has created an acceptable climate for foreign and domestic private enterprise and investment.

- (3) Increasing the public's role in the developmental process
- (3) The GOC has increased the public's role in the development process through the stimulation of wide public discussion of development policies, financing widespread and active community development programs, and substantial increases in the financing of education and credit to small and middle-sized farmers.
- (4) (a) Allocating available budgetary resources to development.
- (4) The GOC is allocating available budgetary resources to development. (See 1970 Program Loan Paper).
- (b) Diverting such resources for unnecessary military expenditure (See also Item No. 18) and intervention in affairs of other free and independent nations. (See also Item No. 17).
- (b) The GOC is not diverting such resources for unnecessary military expenditures and intervention in affairs of other free and independent nations. (See Items 18 and 17 below, respectively.)
- (5) Willing to contribute funds to the project or program.
- (5) The GOC will contribute a substantial amount of funds to the project. See Section IA2 of the Loan Paper.

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AID 1240-2 (1-70)

(6) Making economic, social and political reform such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.

(7) Adhering to the principles of the Act of Bogotá and Charters of Punta del Este.

(8) Attempting to repatriate capital invested in other countries by its own citizens.

(9) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

B. Are above factors taken into account in the furnishing of the subject assistance?

(6) The GOC recently received a study by Colombian and foreign experts to reform further the tax laws and presented tax reforms based thereon to the Congress in 1969. The GOC recently reorganized and improved the administrative organization of the Government. The GOC is carrying out a large program of agrarian reform and is increasing the provision of land reform. Freedom of press, speech and religion continue. The development plans of the GOC recognize the importance of industrial freedom, initiative and private enterprise.

(7) The GOC is adhering to the principles of the Act of Bogotá and Charter of Punta del Este and is showing a responsiveness to the vital economic, political and social concern of its people. The current determination of the GOC to take effective self-help measures is evidenced by its performance of its commitments under the 1970 Program Loan(514-L-061) and by the terms of its Memoranda to IBRD and IMF which will be incorporated into the loan agreement by reference.

(8) Under the 1967 Foreign Exchange Statute Colombian nationals were to repatriate demand and time deposits by mid-1967, upon their sale, and no Colombian national was to invest abroad without the prior approval of the Department of Planning. During 1967 it is estimated that up to \$50 million was repatriated. No data are available for later period.

(9) The GOC is undertaking effective self-help measures in response to vital concerns of its people.

B. Yes

AID 1240-2 (1-70)

Treatment of U.S. Citizens

2. FAA Sec.620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?
2. It has not been determined that the GOC is indebted to any U.S. citizen for goods or services furnished or ordered where such citizen has exhausted available legal remedies or where the debt is not denied or ontested by the Borrower of the indebtedness arises under an unconditional guaranty of payment by the GOC.
- (3) FAA Sec.620(e) (1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing-ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?
3. It has not been determined that the GOC or any governmental agency or subdivision thereof, has after January 1, 1962, nationalized, expropriated, or seized ownership or control of property of any U.S. citizen or firm, taken steps to repudiate or nullify contracts with such citizens or firms, or to impose or enforce discriminatory taxation or other exactions of restrictive conditions, or taken other actions having the effect of nationalizing expropriating or otherwise seizing ownership or control of property owned by U.S. citizens or firms, as specified in this section of the FAA, without taking appropriate steps to discharge its obligations as specified in this section of the FAA.
- (4) App. Sec. 106. If country attempts to create distinctions because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U.S. citizens generally, what steps (will be) (have been) taken during loan negotiations to influence elimination of such distinctions?
- (4) No attempts by Colombia to create distinctions because of race or religion among Americans in granting personnel or commercial access or other rights otherwise available to US citizens generally are known.

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5. FAA Sec. 620(o); Fishermen's Protective Act. Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters.

a. has any deduction required by Fishermen's Protective Act been made?

b. has complete denial of assistance been considered by A.I.D. Administrator?

Relations with U.S. Government and Other Nations

6. FAA Sec. 620(d) If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action, of U.S. property?

5. There is no evidence to indicate that the GOC has so acted against any U.S. fishing vessel. Two fishing vessels were detained in the last year in the area of Quitasueño Bank and Serrana Cay, areas which are claimed both by the U.S. and Colombia. The fact the area is in dispute was recognized by a U.S.-Col. treaty signed in 1928. The detentions were in error, admitted by the Colombian Government, and the vessels were released without fine.

a. N/A

b. N/A

6. Loan funds will not finance the construction or operation of any productive enterprise which will compete with US enterprise.

7. Colombia is taking adequate measures to prevent the damage or destruction by mob action of U.S. property.

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8. FAA Sec. 620 (1). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?
8. An active guaranty program has been instituted pursuant to a determination by the Administrator of A.I.D. which expires December 31, 1970.
9. FAA Sec. 620 (a). In the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?
9. No such default exists.
10. FAA Sec. 620 (t). Has the country severed diplomatic relations with U.S.? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
10. Colombia has not severed diplomatic relations with the United States.
11. FAA Sec. 620 (u). What is the payment status of the country's U.N. obligation? If the country is in arrears, were such arrearage taken into account by the A.I.D. Administrator in determining the current A.I.D. Operating Year Budget?
11. Colombia is not delinquent with respect to dues, assessments or other obligations to the U.N.
12. FAA Sec. 620(a); App. Sec. 107(a) and (b). Does recipient country furnish assistance to Cuba, sell strategic material to Cuba, or permit ships or aircraft under its flag to carry cargoes to or from Cuba.
12. No assistance will be furnished under this Loan to the present Government of Cuba, and Colombia does not furnish assistance to the present Government of Cuba. Colombia has taken appropriate steps to prevent ships or aircraft under its registry from engaging in any Cuba trade.

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| <p>13. FAA Sec.620 (b). If assistance is to a government, has Secretary of State determine that it is not controlled by the international Communist movement.</p> | <p>13. The Secretary of State has determined that Colombia is not controlled by the International Communist Movement.</p> |
| <p>14. FAA Sec.620 (f). App.Sec.109. Does recipient country have a communist government.</p> | <p>14. No.</p> |
| <p>15. FAA Sec.620 (i). Is recipient country in any way involved in (a) subversion of. or military aggression against, the U.S. or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression.</p> | <p>15. No determination has been made that GOC is in any way involved in (a) or (b).</p> |
| <p>16. FAA Sec.620 (n); App.107 (b) and 116. Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?</p> | <p>16. To the best of our knowledge no Colombian ships or aircraft trade with North Viet-Nam.</p> |

Military Expenditures

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>17. FAA Sec.620 (s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points to be coordinated with PPC/MAS).</p> | <p>17. (a) Estimate of 11.9% in 1970
 (b) Estimate of 7.5 million dollars for 1970.
 (c) None
 (See 1970 Program Loan Paper for discussion of certain GOC considerations in this area).</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

18. App. Sec. 119. How much spent by country during current U.S. fiscal year for sophisticated military equipment purchased since January 1, 1968? Has corresponding amount been deducted from current OYB, or is the weapons purchase determined by the President to be important to U.S. national security? (Responses to these questions to be coordinated with PPC/MAS.)
18. Colombia has not spent any funds for sophisticated military equipment since the effective date of Section 119 of the Appropriation Act. AID/W has determined that the C-130 aircraft purchased by Colombia since that date are not sophisticated military equipment given their nature and intended use in Colombia. (See 1970 Program Loan Paper for certain GOC considerations in this area.)

CONDITIONS OF THE LOAN

General Soundness

19. FAA Sec. 201.(d). Information and conclusion on reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.
19. The terms of the proposed loan are consistent with the laws of Colombia and the United States and are not excessive or unreasonable for the Borrower.
20. FAA Sec. 251 (b) (2). Sec. 251 (e) Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner.
20. The proposed activity is economically and technically sound. (See Section II of the Loan Paper). The GOC has submitted an application for the proposed loan and the Mission has been provided sufficient information and assurances to indicate reasonably that the funds will be used in an economically and technically sound manner.

21. FAA Sec.251(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects"
21. The terms of the proposed loan are such that there are reasonable prospects for its repayment.
22. FAA Sec.611(a) (1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
22. (a) Yes
(b) Yes
23. FAA Sec.611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that each action will be completed in time to permit orderly accomplishment of purposes of loan?
23. No further legislation is required.
24. FAA Sec.611(c). If loan is for capital assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?
24. Yes.
25. FAA Sec.251 (b). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.
25. The IDB and IBRD have indicated that they have no interest in financing this project. See Section II D 2 of the Loan Paper with respect to possible interest of the Export Import Bank.

Loans's Relationship to Achievement
of Country and Regional Goals

26. FAA Sec.207; Sec.251(a). Extent to which assistance reflects appropriate emphasis on; (a) encouraging development of democratic economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs, or (e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and voluntary agencies; transportation and communication; planning and public administration; urban development; and modernization of existing laws.
27. FAA Sec.209. Is project susceptible of executing as part of regional project? If so why is project not so executed?
28. FAA Sec.251(b)(3). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.
- 26.(a) The proposed loan will promote economic development in Colombia and will contribute to the welfare of its people; (b) The loan is not directed towards meeting the country's food needs; (c) Part of the loan will be used to train manpower for Colombia; (d) The proposed loan is not designed to meet the country's health needs; and (e) It is anticipated that the loan will contribute to the economic development of the country by assisting in the development of an accurate tax base which future tax measures can be presented.
- 27.The proposed project is not susceptible of execution as part of a regional project.
28. The activity is consistent with and is related to other development activities being undertaken or planned and will contribute to realizable long-range objectives.

29. FAA Sec.251(b)(7). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.
29. The proposed loan will contribute to the self-sustaining growth of Colombia. (See Section II of the loan paper.)
30. FAA Sec.281(a). Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.
30. The participant training component of the proposed loan and the resulting improved institutional capability of IGAC will contribute directly to the objective of assuring maximum participation in the task of economic development on the part of the people of Colombia.
31. FAA Sec.281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development, and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.
31. The proposed loan recognizes the goals herein described but apart from the probable benefits in strengthening public administration, the loan does not emphasize these areas.

32. FAA Sec.601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.
32. The proposed loan will not directly emphasize these goals, although through a strengthened public administration at the local level it is anticipated that these areas will be emphasized.
33. FAA Sec.619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?
33. Assistance is not for a newly independent country.
34. FAA Sec.251(h). Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities.
34. Proposed loan is consistent therewith. (See Section IIC5 of the Loan Paper.)
35. FAA Sec.251(g). Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.
35. In view of the nature of the project, it is not appropriate to utilize the loan to assist in promoting the cooperative movement in Latin America.

36. FAA Sec. 209; Sec. 251(b) (8).
Information and conclusion whether assistance will encourage regional development programs, and contribute to the economic and political integration of Latin America.

36. By strengthening the Colombian economy and its capacity to support its development program it is believed that the proposed Loan will indirectly contribute to encouraging regional development and the economic and political integration of Latin America.

Loan's Effect on U.S. and A.I.D. Program

37. FAA Sec. 251(b)(4); Sec. 102
Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.

37. The Borrower will be authorized to procure loan-funded goods and services from countries included in Code 941 of the A.I.D. Geographic Code Book, though it is estimated that a substantial amount of procurement under this Loan will be from United States sources.

38. FAA Sec. 601 (b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

38. To the extent that the proposed Loan provides for the purchase of goods and services it is believed that U.S. private trade abroad will be encouraged.

39. FAA Sec.601(d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?
39. It is contemplated that the principal professional services financed under the proposed loan will be governed from U.S. sources.
40. FAA Sec.602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan.
40. U.S. small business shall be assisted to the maximum extent practicable to participate equitably in the furnishing of goods and services for the project, in accordance with the procedures described in this section of the FAA.
41. FAA Sec.602(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?
41. Assistance provided by the proposed loan will not be used in a manner which promotes or assists foreign aid projects or activities of the Communist bloc countries.
42. FAA Sec.621. If technical assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.
42. See Item 39.

43. FAA Sec.252(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.
43. See Table 2 in the Loan Paper

Loan's Compliance with Specific Requirements

44. FAA Sec.201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter?
44. Yes.
45. FAA Sec.608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.
45. It is contemplated that the loan agreement will provide for the utilization of U.S. Government excess property under the appropriate circumstances.
46. FAA Sec.604(a); App.108. Will all commodity procurement financed under the loan be from U.S. except as otherwise determined by the President?
46. Procurement will be from countries included in Code 941 of the A.I.D. Geographic Code Book.

47. FAA Sec. 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price?
47. The loan agreement and implementation letters will so provide.
48. FAA Sec. 604(d). If the host country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the U.S. on commodities financed by the loan?
48. Goods financed under the proposed loan will be purchased on a CIF basis with the responsibility for the purchase of the marine insurance being left to the exporter.
49. FAA Sec. 604(e). If off-shore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?
49. The loan funds will not be so used.
50. FAA Sec. 611(h); App. Sec. 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962?
50. The proposed loan will not finance water or water-related land resource construction projects or programs.
51. FAA Sec. 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable?
51. The proposed loan will not finance contracts for construction.

52. FAA Sec.620(g). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?
52. Assistance provided by this loan will not be used to compensate for expropriated or nationalized property.
53. FAA Sec.612(b); Sec.636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.
53. See Section ID3 of the Loan Paper.
54. App. Sec. 104. Will any loan funds be used to pay pensions, etc., for military personnel?
54. No.
55. App. Sec.111. Compliance with requirements for security clearance of U.S. citizen contract personnel.
55. Will be complied with.

56. App. Sec. 112. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms? 56. Yes.
57. App. Sec. 114. Will any loan funds be used to pay U.N. assessments? 57. No.
58. App. Sec. 115. Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964 (Regulation 7). 58. N/A
59. FAA Sec. 636(1). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction? 59. Only if a waiver of this section is granted.
60. App. Sec. 401. Will any loan funds be used for publicity or propaganda purposes within U.S. not authorized by the Congress? 60. No.
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|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| 61. <u>FAA Sec. 620(k)</u> . If construction of productive enterprise, will aggregate value of assistance to be furnished by U.S. exceed \$100 million? | 61. N/A |
| 62. <u>FAA Sec. 612(d)</u> . Does the U.S. own excess foreign currency and, if so, what arrangements have been made for this release? | 62. No. |

ANNEX IV: ISSUES

Page 1 of 8
December 31, 1970

A. General

One major issue discussed during the review of this loan application was whether A.I.D. should make a loan for a cadastral program without the prior enactment of new and improved property tax legislation. The history of the earlier efforts to obtain such legislation, and the possibility of obtaining such legislation as a quid pro quo to the acceptance of the loan application, were considered by the Country Team. It is the Mission's position that the loan should be made to the ongoing cadastral program without the requirement of new tax legislation.

The Mission believes that, as the cadastral program advances **year by year**, there will be a progressively stronger incentive for the GOC to promulgate new property tax legislation. If the present tax delinquency rate is allowed to continue, the property tax loss in 1974 will be greater than the amount of property tax revenue collected in 1966. The nature of the information and data being provided through cadastral efforts will clearly focus upon, and identify the delinquent tax payers and will provide the basis for a functional and enforceable collection mechanism. A law by itself has no real value without a functional system to apply it. In this case, the cadastre serves a dual purpose: it will identify the problem so that proper legislative action can be taken; and once a law is enacted, it will provide the means for carrying it out.

The magnitude of the loan would appear to provide only marginal

leverage to affect such a crucial issue as tax policy, and direct pressure of such a loan conditioned upon draconic tax reform measures could be deemed to run counter to the announced "mature partnership" policy. Nevertheless, the loan itself provides early increased tax revenues and a base from which improved tax legislation can be effected.

The efficient implementation of an equitable property tax system requires that properties be identified and mapped; property ownership be determined; properties be evaluated by standard, technically correct methods; and collection mechanisms to obtain revenues be implemented. It is obvious that these basic steps, as well as the next logical steps of maintaining updated records of ownership and values and of implementing functional administrative collection procedures, are pre-requisite to the formation of sound property tax policy that focuses on collection mechanisms. Tax legislation is presently not a viable means for increasing tax revenue through enforceable collection procedures because the system permitting equitable assessment and collection is in the process of being established.

B. IRR Issues

The Mission's comments in resolution of the issues specifically pointed out in State 164375 IRR approval are noted below:

ISSUE 2A: "Why this size loan? Amounts of input requirements to be financed must be justified as minimal. Needs-whether T.A. commodities

or training must meet test of essentiality and be placed in time frame. Need convincing justification for financing purchase of airplane rather than contracting for aerial photography. Also what operations, maintenance and repair capability for aircraft exist within Instituto Geografico Agustin Codazzi (IGAC)?"

Response: The original loan application presented by the IGAC totalled \$4.7 million of which about 79% was for equipment and supplies. Every item of equipment was carefully checked by a cadastral program specialist from the Interamerican Geodetic Survey. This review resulted in the elimination of about \$600,000 worth of equipment not deemed essential for the program's implementation and the addition of a small amount of equipment considered essential, but omitted in the original application. Equipment needs were also reviewed from the standpoint of compatibility of new equipment with that presently in use. The same careful analysis was undertaken with regard to technical assistance and participant training. This analysis resulted in a \$200,000 increase for technical assistance that was considered essential to meet program objectives. Conversely, the funds for participant training were reduced by \$26,000 as being in excess of program needs.

As a result of this intensive review of the intended expenditures (See Part I Section I A.3) the Mission was able to reduce the amount of required funding by almost one million dollars to 3.8 million. Because of the rigorous nature of the analysis and the uncertainty regarding potential future price increases, a contingency factor of 4.8 percent was added to the loan total to arrive at the minimum expenditure necessary for the efficient implementation of the program. Annex II, Exhibits 3, 4, 5, 6, 11 and 12, give detail cost breakdowns and place

these items in their respective time frames.

With regard to the purchase and maintenance of an airplane, IGAC has the capacity to operate and maintain its airplanes at operational costs which have proven more favorable than contracted aerial photography.

To accomplish the project over the extensive areas involved ^{an} in/accelerated cadastral program, IGAC needs an airplane with higher elevation capacities. The new airplane will replace two old model Beechcrafts which (a) cannot operate at the required elevation capacities and (b) whose down time is adversely affecting the program, making their operating expenses and maintenance costs uneconomic.

IGAC will have a continuous need for the new airplane beyond 1974 to provide the aerial photography required to update and refine cadastral maps and property values, particularly in areas of progressive development. (See Annex II, Exhibit 12 for detailed analysis of justification for new airplane acquisition).

ISSUE 2B: "What other GOC Agencies are engaged in land survey work and how will proposed project be integrated into unified photogrammetric program which avoids duplication of effort and facilities multi-purpose uses of loan project's end products - maps, soil data, land use capabilities, etc.?"

Response: The only GOC Agencies, other than IGAC, engaged in land survey work are the cadastral offices of the Special District of Bogotá and the Department of Antioquia, which are doing the work in

the two areas of the country that were not incorporated into the national cadastral program. (See Annex II, Exhibits 1 and 2). These two offices function exactly the same as the other 22 sectional cadastral offices that are under IGAC control and management. There are no duplications of efforts or facilities. The IGAC furnishes all these offices with aerial photography, map products, soils studies, etc. which in the case of the two independent offices is on a reimbursable basis. Like the IGAC Sectional Offices, these two offices forward all data emanating from the cadastre to IGAC and/or DANE, the National Department of Statistics.

INCORA, also does survey work in conjunction with their land distribution program. This data is forwarded to the IGAC cadastral office for maintenance purposes.

ISSUE 20: "Will loan simply meet external assistance needs for initial years of program or will GOC have financial, management, and technical capability to continue program without further external assistance after proposed loan proceeds expended? Where will resources come from in post loan disbursement period?"

Response: Unlike A.I.D. loan financed cadastral projects in other Latin American countries, this loan will not be an input for the initial years of the formulation of a cadastral program, but rather an input for the acceleration and future refinement of an ongoing program. The IGAC has proven management and technical capabilities to carry out the basic property survey and property evaluation. The loan financed equipment will enhance these capabilities and establish

a more efficient operation. The loan financed technical assistance and participant training will enable IGAC to better support other GOC development programs with cadastral and related data, and more important, will develop IGAC capabilities to maintain property values on a continual basis, which is clearly beyond the scope of cadastral projects financed by AID in other countries.

As shown in Annex II Exhibit 2, the GOC has supported cadastral activities for the past forty years. The GOC input to the new accelerated IGAC cadastral program for the past five years has been \$13.7 million dollars and the input for the next four years will be \$13.9 million dollars. (See Annex II Exhibit 6). As shown in the Section on Economic Analysis, the tangible and intangible benefits to be derived from a functional ongoing program far outweigh the costs involved. Thus, considering all factors, the mission is reasonably assured that the GOC will continue to support this the future.

ISSUE " Related to question (C) above, suggest USAID explore feasibility of IGAC charging tax authorities and other potential users of IGAC services listed in Section VII C and D of IRR. Such a scheme or special tax could go into trust fund for IGAC use so that Cadastral Survey Program can be put on self-supporting basis and avoid dependence on annual budgetary allocations."

Response: Past experience and the present budgetary positions of

the majority of the "municipios" makes it inadvisable for IGAC to directly charge the tax authorities for cadastral services; the tax authorities are the national government in the case of the net worth tax partly based on property values, and the "municipio" governments in the case of the direct property tax. The national government more than pays for its share of the cadastral services rendered through its annual budgetary allocations to the IGAC.

The issue then is whether the "municipios" should be charged a fee commensurate with the benefits they receive. Prior to 1966, the GOC did apply a surtax to support cadastral activities through the use of tax stamps on "municipio" property tax receipts. The GOC found however, that from an administrative point of view, it was more efficient to channel these funds into the general revenue coffers and directly provide IGAC funds through budgetary allocations. Since this surtax is still in effect, and actually provided 28.9 million pesos in revenue in 1969 to the national government, the "municipios" are contributing to support the cadastral program. Inasmuch as the "municipio" revenues are increasing as a result of cadastral efforts, the income from this surtax is also increasing. On the other hand, the national government subsidizes the poorer "municipios" to meet their expenditures. Thus, the insistence upon user cost charges in excess of those provided by the surtax would have the practical effect of increasing the subsidization required by these "municipios". Moreover, the present system allows the GOC to allocate cadastral services in the most

efficient manner regardless of the receiving localities capacity to pay.

As far as all other public and private entities are concerned, the IGAC does charge for products and services provided. In 1970, for example, the IGAC received 4 million pesos from INCORA for services rendered and 6.4 million pesos from other sources, such as map sales.

DRAFT
LOAN AUTHORIZATION

Provided From: Alliance for Progress Funds

COLOMBIA: Cadastral Loan

Pursuant to the authority vested in the Deputy U.S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegation of authority issued thereunder, I hereby authorize the establishment of a loan ("Loan") pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, to the Government of Colombia ("Borrower") of not to exceed three million six hundred thousand United States dollars (\$3,600,000) to assist in financing the costs of the continuation and expansion of the Borrower's cadastral program, including participant training, technical assistance, and equipment and supplies in support thereof, the Loan to be subject to the following terms and conditions:

1. Interest and Terms of Repayment: Borrower shall repay the Loan to the Agency for International Development ("A.I.D.") in United States dollars within forty (40) years from the first disbursement under the Loan, including a grace period of not to exceed ten (10) years. The Borrower shall pay to A.I.D. in United States dollars on the disbursed balance of the Loan interest of two (2) percent per annum during the grace period and three (3) percent per annum thereafter.

2. Other Terms and Conditions:

(a) Except for marine insurance, goods and services financed under the Loan shall have their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book. Marine insurance financed under the Loan shall be procured by the exporter on a CIF basis and placed in any country included in Code 935 of the A.I.D. Geographic Code Book.

(b) The Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Deputy U.S. Coordinator