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UNITED STATES GOVERNMENT

Memorandum

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TO : Mr. J.B. Robinson, Director
 THRU : J.M. Stone, HRD
 FROM : Fred L. Zumwalt, HRD-M

DATE: October 20, 1977

SUBJECT: Detailed Work Plan, National Cadaster: 522-T-024

REF : Oficio No. PCN-0205
 Oficio No. 219 (Hacienda)

Brief History of the Project

The National Cadaster Loan was made as a follow on to a grant Demonstration Cadaster Project, A.I.D. 522-11-790-036.4, implemented from June 1973 to July 1975. The Demonstration Project was designed primarily to gain experience in carrying out a multipurpose cadaster. The experience gained in the demonstration area (Departments of Choluteca and Valle) was to be applied in a National Cadaster Project. Though A.I.D. grant funding terminated July 1975, the Demonstration Project was not completed and continuing work has been funded by the National Project since that date. Approximately L.1,700,000 have been spent to date from National Cadaster funds for continuing work in the Demonstration Project area.

Although the design and estimated inputs for the National Cadaster Loan did not take into account the considerable amount of time and inputs required to finish the demonstration area, it appears from the CAP that the Loan was intended to absorb the demonstration area into the National Program. ^{1/} Vehicles and other equipment used on the Demonstration Project are being used on the National Project. At the time the CAP was being prepared, it was estimated that the Demonstration Project was 50% complete with 50% of the scheduled time used. ^{2/} This estimate implied that the Demonstration Project would be completed or nearly completed by the time the National Project got underway. This turned out not to be the case. The GOH, by adding L.1,700,000 will, in any case, pay the cost of completing the Demonstration Project from counterpart funds additional to those committed under the Loan Agreement.

^{1/} CAP pg. 16, pg. 44.

^{2/} CAP pg. 13.



The National Cadaster Loan Project was designed to accomplish three purposes:

- (1) Create a technically and legally sound property registry system;
- (2) Establish an efficient property tax administration system;
- (3) Develop a natural resources information base.

From the initiation of the National Cadaster Project, the funds committed to the Project have been insufficient to carry it out as designed. There are several reasons for the inadequacy of funds: (1) since the Demonstration Project was not completed, funds from the National Program were used to finance continuing work on the Demonstration Project; (2) inflation, made more serious by delays in implementation; (3) delays. Delay in meeting Conditions Precedent caused continuing administrative overhead expenses while little or no field work was being done. Labor-management problems also impeded implementation; (4) estimated outputs per units of inputs to produce delineation-maps, valuations, and other elements were too high in the original design. Since the National Program was designed concurrently with the implementation of the Demonstration Project, experience gained in the Demonstration Project did not influence the National Program design, particularly with regard to cost estimates. (CAP submitted June 1974 - Loan signed December 1974).

History of the Detailed Work Plan

Section 5.02 of the Loan Agreement requires that a comprehensive work plan, mutually acceptable to the Government and A.I.D., be prepared within a year of the date of signing the Agreement, or December 31, 1975. Implementation Letter No. 15 extended the date for preparation to June 30, 1976. On June 30, 1976 a plan was submitted to the USAID; however, the budget for the plan exceeded funds committed to the Project (both Loan and GOH counterpart) by \$2,775,902. On August 6, 1976 USAID responded that it would approve the Work Plan if the Government of Honduras would: (1) Finance the additional \$2,775,902; and (2) Provide satisfactory evidence that the cartographic requirements would be met in a timely manner. The PCN believes that the inter-institutional agreement between CONSUPLANE and SECOPT, included in Detailed Work Plan, meets the requirement. The inter-institutional agreement and reduction of work to be performed by IGH by contracting orthophotos and changed mapping methodology (electronic digitizing instead of manual compilation) should provide orthophoto products without unreasonable delays. (For a more detailed history of the Work Plan, see Attachment A.)

A Revised Detailed Work Plan was submitted to USAID on July 27, 1977. This Work Plan also contained a budget exceeding the resources committed to the Project, this time by \$850,000. In a meeting with the PCN Director on July 6, 1977, when the Detailed Work Plan was completed but not reproduced, it was suggested that A.I.D. could better evaluate the Plan when data from the annual evaluation describing present status of the Project was available. It was also made clear that, in any case, A.I.D. could not approve the Plan as prepared unless the Government of Honduras was willing to commit the additional funds (L.1,700,000) required for full implementation of the Plan. The PCN prepared a draft evaluation report and in a subsequent meeting additional data, conclusions and some courses of action were agreed upon. The PCN is preparing quantified progress data. (For additional details see Attachment B.)

On October 6, 1977 USAID received an Oficio (Ref B) from the Ministry of Finance and Public Credit stating their intention to increase the GOH counterpart by L.1,700,000 subject to the following: (1) That the strategy and implementation of the Project be defined and programmed by critical path, following the system adopted by the Ministry of Finance; (2) That such programming demonstrate that it is feasible to complete the Project in 1979; and (3) PCN will make bi-monthly progress reports. The qualified commitment by the Ministry of Finance poses no problem and, in fact, reinforces the types of planning and reporting USAID is and has been attempting to secure from the PCN.

Analysis of the Work Plan

The Revised Work Plan changes the methodology for mapping and the scope of Project. In addition, it calls for an extension of one year. Much of the rural photo-cartographic work, which has to have been done by the National Geographic Institute (IGN), will now be contracted. Mapping will be done electronically rather than manually by IGN personnel. The IGN will be responsible for urban, low altitude photography, development of rural photography and assistance in establishing ground controls for urban photography. The rest of the process will be assumed by the PCN either under contracts or with regular PCN employees.

The Plan reduces the area of the Project by about two thirds, from 66,000 square kilometers to 22,250 KM². The number of rural properties to be delineated is reduced from 100,000 to 63,000 (a reduction of 37%). The number of urban properties is reduced from 27,850 to 18,850 (a

SEE Annex C,
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reduction of 32%) ^{1/}. (For a more detailed comparison see Attachment C.)

> (Although the area of the Project has been reduced by two-thirds, the number of properties to be mapped has only been reduced by approximately one-third. The first Work Plan called for a budget of over \$12,500,000. The present plan requires a budget of \$9,050,000, a reduction of 29%. Although there are changes in methodology, probably more significant in terms of cost is the 13 month difference, and subsequent inflation, between preparation of the signed and revised work plans.

The contract Project Monitor, the Chief Berger Consortium Consultant, and the Director of PCN believe that the Revised Plan is feasible and consistent with available financing. However, I believe there is some doubt that the targets can be achieved without substantial improvement in operations. For example, rural delineation teams are expected to delineate an average of six properties per day. During July, the fourth month of operations in Comayagua, the teams achieved a maximum average of only 3.4 properties delineated per day. However, it is possible that assigning individuals rather than two man teams to delineation (as was done in Nicaragua and other countries) could make up the difference within the budget. The contract Project Monitor has so recommended and the matter is under discussion in PCN.

Since no property valuations have been completed, or even started, there is no Project experience upon which to judge the probability of meeting planned targets in this activity. Though mass valuation techniques will be used, it will still be necessary for valuers to go to most of the improved properties, on a unit by unit basis, and measure buildings and other improvements. Special attention must be given to this activity in order to achieve appraisal of the 47,000 rural and 24,000 urban properties targeted in the Revised Work Plan. /target

Though I remain skeptical that the total number of properties indicated in the Revised Plan will be delineated, mapped and valued by the end of 1979, it is reasonable to assume that the PCN will have completed a significant percentage of this work by the new TDD. The numbers should be sufficient to thoroughly test the system's design and institutionalize the entire cadaster process. A solid foundation will have been laid for the Government to continue the process in the rest of

^{1/} The change in methodology (i.e., the use of orthophoto, electronic digitalization, and computer graphics), was approved by USAID by Implementation Letter No. 29 on November 4, 1976.

the country, utilizing their own resources, after Loan funds have been disbursed. It is also possible, of course, that the elimination or reduction of sparsely settled mountainous areas within the Project, improved performance of delineators, a reduction in training time as workers gain experience, improved field support, and an increased emphasis on production by PCN management may result in the targets of the Revised Plan being met or even exceeded.

Although the methodology, particularly in the cartographic component of support activities, has been changed considerably, the Project purpose remains the same and the basic activities described in the CAP remain the same.

Status of Project

By the end of 1977, approximately one-half of the Project funds will have been committed, of which 77% (\$3,475,000) are Loan funds. Contracts for Orthophoto Services, Purchase of Computer Graphic Systems, and Property Valuation Services totaling \$1,194,000 are in process now.

The Loan Agreement stipulated eleven Conditions Precedent to disbursement including: contracting technical assistance; a financial plan; an evaluation plan; legislation enacted providing for the administration of the property tax system; contracted valuation technical assistance; a plan for training; a plan for utilization of technical assistance services; and, a plan for replacement and maintenance of vehicles. The PCN management has negotiated a contract for property valuation technical assistance and submitted it to A.I.D. for approval. All other Conditions Precedent have been met.

> The purposes of the Project (property registry system, property tax system, and natural resources data base) are to be accomplished by carrying out the following activities:

> 1. Property Registry

Process all registry data and prepare computer print-outs of antecedents of all active inscriptions and of the transcendants of all inscriptions not cancelled. These data together with the cadastral data defining the actual possession and tenure of land and microfilm of the registry books will greatly facilitate the adjudication and verification process of disputed ownership of property.

✓ Status

One objective for this activity is to reduce the existing 28 registry offices from seven to ten. Seven buildings will be constructed and equipped from Project funds. One building has been constructed in Choluteca, sites have been selected for three others and sites are being studied for the remaining three. Property registry data has been extracted in Comayagua and is being extracted in the Departments of Francisco Morazán and San Pedro Sula. Work is underway extracting and interpreting historical title documents.

2. Tax Administration

Property values will be determined by a mass valuation system that will establish equitable values throughout the country. Data covering service charges and other municipal charges will be collected during the mapping phase of the Project and all data stored at the central computer facility of the Ministry of Finance, resulting in an integrated system for the collection of municipal taxes.

✓ Status

The Government has passed the required legislation. Tax valuation technical assistance is being contracted.

3. Agricultural Resources Survey

A resources inventory will be made of soils, water, forest and range vegetation, land use, land capability and sufficient socio-economic and yield data to provide an adequate data base.

✓ Status

Soils field work has been completed in Comayagua, Cortés, Atlántida, Yoro, and Santa Bárbara and 2900 KM² of Francisco Morazán. Water resources studies have been completed for the Chamelecón and Ulúa watersheds and precipitation maps drafted.

Species of vegetation found in Honduras have been listed.

Reconnaissance level sampling of 1782 KM² has been completed in the Department of Cortés.

Actual use (areas of various types of produce) has been calculated for the Comayagua Valley.

Fifteen statistical tables have been prepared for the 19 municipalities of Comayagua.

4. Support Activities

Aerial photography, except for some gaps caused by cloud cover which will have to be re flown next season, has been completed for rural mapping (1:40:000 scale). Work is beginning on ground controls for urban photography. Ground controls must be established in order to correct distortions in photography before maps are drafted.

Property delineation activities, though slow to get started, are gaining some momentum. This activity started in April with 10 teams and was increased to 14 teams in July. Forty-five teams of rural delineators are targeted by the end of 1977. The PCN is actively recruiting for delineators and assistants.

Property delineation is nearing completion in Comayagua and plans are being finalized to move teams into the Department of Cortés.

Conclusion

Although the Detailed Work Plan represents a significant reduction in scope from the original design, it is in accordance with the amount of money available. It probably was about all we could have obtained for the amount of money available at the time the Project was designed since original estimates of rate of completion of work units were too high. The Plan will accomplish the same purposes as described in the CAP within the reduced scope, and will leave an installed capacity to continue the process.

Since over \$1.0 million of procurement actions are now in process (for A.I.D. approval or being negotiated with supplier) we should now decide to approve the Revised Work Plan or terminate the Project and deobligate the Loan.

Recommendation

That the attached Implementation Letter, approving the Revised Work Plan and extending the Loan TCD and TDD dates for one year, be approved by the USAID.

Cleared by: CPD:BBurnett (in draft)

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