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PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 10.8 MILLION (US\$14.82 MILLION EQUIVALENT)

TO THE

LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR

SECOND LAND TITLING PROJECT

May 29, 2003

**Rural Development and Natural Resources Sector Unit  
East Asia and Pacific Region**

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective May 29, 2003)

Currency Unit = Lao Kip

LAK 1 = US\$.0000938

US\$1.00 = LAK 10,650.00

## FISCAL YEAR

October 1 -- September 31

## ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
CAS	Country Assistance Strategy
CES	Community Education and Services
CFAA	Country Financial Accountability Assessment
CRS	Community Relations Services
DAO	District Administration Offices
DAFO	District Agriculture and Forest Offices
DLO	District Land Office
DOF	Department of Forestry
DOL	Department of Lands
DONLUPAD	Department of National Land Use Planning and Development
DSA	Department of State Assets Management
EMP	Environmental Management Plan
ERR	Economic Rate of Return
FINNIDA	Department for International Development Cooperation, Finnish Ministry of Foreign Affairs
FMR	Financial Monitoring Reports
FMU	Financial Management Unit
FRR	Financial Rate of Return
GAD	Gender and Development
GIS	Geographic Information Systems
GOL	Government of Lao PDR
GPS	Global Positioning System
GPAP	Governance and Public Administration Reform Program
GTZ	German Agency for Technical Cooperation
HDSLAL	High Diploma in Survey and Land Administration
HRD	Human Resources Development
IAPSO	Inter – Agency Procurement Service Office
ICB	International Competitive Bidding
IDA	International Development Association
IFI	International Finance Institution
I-PRSP	Interim Poverty Reduction Strategy Paper
IRR	Implementing Rules and Regulations
JICA	Japan International Cooperation Agency
KPI	Key Performance Indicators
Lao PDR	Lao People's Democratic Republic

## FOR OFFICIAL USE ONLY

LTP	First Land Titling Project
LTP II	Second Land Titling Project
LTPO	Land Titling Project Office
LUP/LA	Land Use Planning and Land Allocation
LWU	Lao Women's Union
MAF	Ministry of Agriculture and Forestry
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
MoU	Memorandum of Understanding
NCB	National Competitive Bidding
NEM	New Economic Mechanism
NGD	National Geographic Department
NLPC	National Land Policy Committee
NPEP	National Poverty Eradication Program
NPV	Net Present Value
PER	Public Expenditure Review
PFD	Planning and Finance Division of DOL
PFS	Planning and Finance Section of the Provincial Land Offices
PFU	Project Facilitation Unit
PPFU	Provincial Project Facilitation Unit
PLO	Provincial Land Office
POC	Project (Provincial) Oversight Committee
PSC	Project Steering Committee
PSU	Project Support Unit
QCBS	Quality Cost-Based Selection
SA	Special Account
SAT	Surveying and Adjudication Team
SBCQ	Selection Based on Consultants' Qualifications
SIDA	Sweden International Development Agency
SOE	State-Owned Enterprise
TLUCs	Temporary Land Use Certificates
VIS	Valuation Information System

Vice President:	Jemal-ud-din Kassum, EAPVP
Country Director:	Ian C. Porter, EACTF
Sector Director:	Mark D. Wilson, EASRD
Task Team Leader:	Wael Zakout, EASRD

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**LAO PEOPLE'S DEMOCRATIC REPUBLIC  
SECOND LAND TITLING PROJECT**

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LAO PEOPLE'S DEMOCRATIC REPUBLIC  
Second Land Titling Project

## Project Appraisal Document

East Asia and Pacific Region  
EASRD

<b>Date:</b> May 29, 2003 <b>Sector Manager/Director:</b> Mark D. Wilson <b>Country Manager/Director:</b> Ian C. Porter <b>Project ID:</b> P075006 <b>Lending Instrument:</b> Specific Investment Loan (SIL)	<b>Team Leader:</b> Wael Zakout <b>Sector(s):</b> General public administration sector (50%), General agriculture, fishing and forestry sector (50%) <b>Theme(s):</b> Land management (P)
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**Project Financing Data**

Loan     Credit     Grant     Guarantee     Other:

**For Loans/Credits/Others:**

**Amount (US\$m):** 14.82

**Proposed Terms (IDA):** Standard Credit

**Grace period (years):** 10

**Years to maturity:** 40

**Commitment fee:** Standard

**Service charge:** Standard%

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER		1.92	0.34	2.27
IDA		9.69	5.13	14.82
AUSTRALIA: AUSTRALIAN AGENCY FOR INTERNATIONAL DEVELOPMENT		0.00	6.84	6.84
<b>Total:</b>		11.61	12.31	23.92

FY	2004	2005	2006	2007	2008	2009			
<b>Annual</b>	1.80	2.40	2.40	2.70	3.50	2.02			
<b>Cumulative</b>	1.80	4.20	6.60	9.30	12.80	14.82			

## **A. Project Development Objective**

### **1. Project development objective:** (see Annex 1)

The proposed Second Land Titling Project (LTP II) will be the second phase of the long term land titling program aiming at the development of the land administration capacity to support the country's economic development and poverty reduction goals. The project would contribute to the government's National Poverty Eradication Program (NPEP) under preparation. The objectives of the project are to (i) improve the security of land tenure; (ii) develop transparent and efficient land administration institutions at the national and provincial levels; and (iii) improve the government's capacity to provide social and economic services through broader revenue base from property related fees and taxes. These objectives would be achieved through formulating and approving land policy and regulatory changes, strengthening institutional capacity and project management, accelerating land titling activities in areas of high demand, developing and implementing an efficient and transparent land registration system, and strengthening land valuation systems.

### **2. Key performance indicators:** (see Annex 1)

Key performance indicators include measures of improved land tenure security, such as reduction in land disputes, increased investment in urban areas, and growth in agricultural productivity. They include benchmarks for more efficient land administration institutions, such as an increase in formal land transactions registration, performance and service standards indicators for land offices, as well as benchmarks for increasing government revenues from land related taxes and fees. Output indicators include number of titles issued, number of land office buildings with established and efficient Community Education and Services (CES) and forward-planning processes for land titling, number of land offices with established property valuation system, and number of students having graduated from the High Diploma in Surveying and Land Administration offered by the Polytechnic School.

## **B. Strategic Context**

### **1. Sector-related Country Assistance Strategy (CAS) goal supported by the project:** (see Annex 1)

**Document number:** 19098-LA **Date of latest CAS discussion:** April 20, 1999

The CAS for the Lao People's Democratic Republic (Lao PDR), which was submitted to the Board of Directors of the International Development Association (IDA) in March 1999, outlined IDA assistance strategy for the period 2000-2002. The fundamental objective of this CAS was to focus on poverty reduction efforts with the ultimate goal of accelerating GDP growth. The first Lao Land Titling Project (LTP) is mentioned in this CAS as one of the main elements of the strategy to achieve poverty reduction and private sector growth. LTP was designed to directly support the achievement of two of the five objectives of the last CAS, which are to: (i) support the development of the private sector; and (ii) investing in rural development and natural resources management and improving agriculture productivity to increase economic growth. However, LTP II was not identified at the time of preparation of the last CAS (since it was scheduled for FY2004) and, therefore, not mentioned as part of the specific lending program for the CAS period. Nevertheless, the proposed LTP II is the second phase of a long-term land-titling program to develop the land administration capacity to support economic development and poverty reduction goals, and its objectives are fully consistent with the last CAS. A new CAS is under preparation to cover the period 2003-2005, and the land-titling program (including the proposed LTP II) will certainly be an integral part of the strategy. The new CAS will support the implementation of the National Poverty Eradication Program (NPEP) under preparation (as Lao PDR's PRSP). Although the NPEP has not been finalized yet, the I-PRSP included an analysis of poverty in Lao PDR which



highlighted the importance of land policy and land management to provide the basis for poverty reduction and economic growth. The proposed project will provide secure land titles in urban areas, which provide security for property development and access to credit for the property sector. The titles could also be used as collateral to access credit for the purpose of developing businesses. In addition, the proposed project will also provide secure land titles for peri-urban areas, most of which (75%) is agricultural land, and lowland agricultural areas, providing incentives for rural land holders to invest in agricultural land and in sustainable agricultural practices. The titles could also be used to access credit for agriculture inputs and land improvement. Several rural development projects in Laos financed by donors (such as irrigation projects) request for land titles to be provided to the beneficiaries before the start of these projects. The information dissemination and community participation activities of the project will ensure that the most vulnerable households are aware of the risks and benefits of using land as collateral, and the project will seek, through information campaigns, studies and/or collaboration with other partners, to promote better linkages with the finance sector. In addition, as part of its land policy development component, the project will support research on customary practices around land rights and communal land tenure to prepare the ground for addressing, at a later stage of the country's land reform program, the broader issues associated with land management in rural areas not yet covered by the project.

The Australian Agency for International Development (AusAID) country strategy also has a focus on poverty alleviation, with strategic support to the Government of Lao PDR (GOL) own reform agenda. The strategy highlights the need for the equitable distribution of the benefits of development as well as the need to enhance GOL's effective management of available resources. The project is therefore in line with AusAID country strategy.

## **2. Main sector issues and Government strategy:**

### **Land, People and the Economy**

With an estimated per capita income of US\$320 in 2001 (see Table 1), the Lao PDR is the poorest and least developed country in the East Asia region, and one of the poorest in the world. Bordered by Thailand, Cambodia, Vietnam, China, and Myanmar, landlocked Lao PDR covers 236,800 square kilometers with a population of 5.3 million growing at 2.5 percent per annum. More than three-quarters of the population lives on less than US\$2 a day. Of the Lao inhabitants, about 80% resides in rural areas, and 39% (in 1997/98) lives below the national poverty line. Social indicators are among the worst in the region, and closer to the average for Sub-Saharan Africa. With its vast natural resources of forestry, minerals and hydro-electric power, and its geographical position at the center of the rapidly growing Mekong region, Lao PDR is well positioned to accelerate growth and redress poverty. However, Lao PDR is still heavily reliant on external support; indeed, a significant amount of public investment expenditures are financed by donors. In Lao PDR agriculture remains the major sector of the economy, contributing 50.9 percent of GDP and employing over 80 percent of the labor force; the industrial and service sectors in total account for just 49.1 percent of GDP in 2001 (23.4% for industry and 25.7% for services).

The population density of the country has risen from 15 persons/km<sup>2</sup> in 1985, to 23 persons/km<sup>2</sup> in 2000. While the country is predominantly agricultural, it is the urban areas that are experiencing the fastest growth, both in total population and household formation. For example, the national population grew from 3.6 to 5.2 million or an increase of 39 percent, in the period 1985 to 1997 (1997/98 LECS2), but the Vientiane municipality population increased by 50 percent, from 381,000 to 572,000 people during the same period. The difference was more pronounced in terms of household or family numbers. Nationally, the number of families or households increased from 601,797 to 783,376, or 30 percent, from 1985 to

1997, compared to an increase of 49 percent for Vientiane Prefecture, which increased from 61,561 to 92,000 households. The National Statistics Center's 1997/98 LECS2 Report determined that the average household size in urban areas was 6.3, and slightly larger (6.5 persons) in rural areas. As the population and economic activities increase in urban areas, so does demand for land and the need to improve efficiency of land use and land administration.

Two basic types of land parcels can be distinguished in the country: home plots or parcels used for residential purposes, and agricultural land parcels. In 1993-94, there was a total of 394,417 hectares (ha) of land in use and subject to tax. Paddy and rice fields comprised 65 percent of the total area. Some 15 percent of the Lao households were in possession of irrigated land and 64 percent possessed dry land. Only 29,928 ha of land were utilized for urban uses. According to the 1997/98 National Agricultural Census, the average size of cultivated holdings for Lao households is about 1.6 ha, with an average of 2 parcels per holding. 36% of land holdings have less than 1 ha of land, 36% of holdings have between 1 and 2 ha of land, and 27% have 2 ha or more.

**Table 1: Landholding, Land Use and Land Tenure in Lao PDR**

<b><u>Landholdings</u></b>	
Number of agricultural households ('000)	798
Number of agricultural holdings ('000)	668
Number of urban households ('000)*	149
Number of urban holdings ('000)*	200
Farm population ('000)	4,058
Urban population ('000)*	1,142.61
Average household size	6.5
<b><u>Land use (% of land)**</u></b>	
Arable land	3
Permanent Pasture	3
Forest	54
Other land (includes urban areas)	40
<b><u>Land Tenure (Agricultural and Urban)</u></b>	
Land Tenure (% of land)	
- in owner-like possession	97
- other land	3
Percent of holdings renting land (%)	5

Source: National Lao Agricultural Census (1995-1997/98)

\*Estimate from 1995 Population Census, \*\*CIA Factbook (1993 estimates)

### **History of Land Titling**

Land titles were originally established with the creation of the Land Book in 1912 and were kept in force under a Royal Order of 23 May 1958. These titles certified ownership of land and were supported by cadastral plans and maps for the towns of Vientiane, Pakse, Savannakhet, and Luang Prabang. While these original records were not maintained, there were a number of subsequent initiatives made for the establishment and maintenance of cadastral systems but they could not be sustained and were eventually abandoned after 1975. Since 1975, despite the fact that all land became vested in the State, and the fact that approximately one quarter of the urban population fled to neighboring countries, land use rights were informally recognized and a process of administering and recording transactions with those rights developed. This basic process is still in place today and, although land use rights now have legal standing

and registration of transactions with those rights is required by law, the system is one of registration of transactions not involving certification of title. However, this system is not in place uniformly in all areas of the country and, in those areas in which it is in place, it is not being fully used by the people.

The number of parcels in the country is not known with accuracy. Estimates made during the preparation of the first Land Titling Project (LTP) suggested a total number of about 1.6 million parcels.

The objective of the LTP was to develop the legal and regulatory framework for land administration, and issue land titles to around 300,000 parcels in Vientiane Prefecture and the provinces of Vientiane, Savannakhet, Champassack, and Luang Prabang. A brief description of the first project, including its achievements and lessons learned through its implementation thereof is included below.

### **Rationale for Land Titling**

Since the introduction of reforms under the New Economic Mechanism (NEM) in 1986, the Government has been transforming the economy from a centrally planned to a market-oriented system. The structural reforms and sound macroeconomic management initiated under the NEM fostered a steady movement towards macroeconomic stability, production growth, the emergence of a small private sector, and increased foreign direct investment and trade flows, particularly with neighboring countries.

A major element of the Government's policy in supporting the transition from centrally planned to market economy has been the development of efficient markets for land, capital and labor to complement improvements in the capacity of the public sector to both plan and implement development programs. Efficient land markets and security of land tenure, on which they depend, are important in order to permit land to get allocated to its most efficient use and users and to encourage land-related investments and sustainable use of land. While land markets are now in existence in Lao PDR, they are not yet considered to operate efficiently, effectively or openly. Land is being traded but the turnover figures, as measured by recorded land transactions, are not high and transactions are hampered by the problems of establishing occupancy and use ownership rights. There is a prevalence of illegal possession, sale and use of land and a large number of court cases relating to land, many of which are hampered by lack of ascertainable rights to and clear information on land; all these represent symptoms of an inefficient land market. Moreover, the great majority of the sale transactions are not registered. And since land registration is not common, there are foregone opportunities of using land as collateral to obtain loans from banks.

Another missing link in the necessary framework for efficient land use has been the absence of a land valuation profession and capacity in Lao PDR. A land valuation function is important for both the Government and the private sector in their activities related to economic development. With the creation of the Valuation Information System (VIS) through the LTP, this problem is being addressed, albeit that there remains much scope for further development and expansion of the coverage of the existing system. The Government is already benefiting from the improved valuation capacity, as it assists in determining the value of land and other properties for purposes of assessing rental tax, land registration fees and land tax. It is important for the Ministry of Finance' (MOF) Department of State Assets Management (DSA) to have a valuation capacity to enable it to determine the most appropriate lease terms for the properties that are being leased out to the private sector as well as compensation values for properties acquired by the Government. On the private sector side, the banking industry represents the largest known demand for valuation related services. Mortgage lending activity has been very small, due in part to the lack of a complete and trusted system of registration but also due to the lack of reliable estimates of value (in particular, outside of Vientiane Prefecture and a few of the larger towns in the country) on which to base the loan. There are indications that the LTP is impacting positively on the banking sector, in particular with regard to raising certainty in the system. The recent "Banking and Financial Sector Note of Lao

PDR" (July 15, 2002, Bank of Lao PDR/ADB/World Bank) included a chapter on the legal framework and judicial enforcement covering the question of "secured transactions" and the use of land as collateral.

### **The Institutional Framework for Land Administration**

The Law on Land of 1997 sets out the main institutional responsibilities for land management and administration in Lao PDR and defines seventeen specific functions of land management which government must fulfill. Management responsibilities for these functions are assigned in a general way to a set of ten ministries, with the Ministry of Finance assigned to "take charge of centralized management through land registration, land titling and land leasing". Within the ministries in charge of land management functions, specific areas such as land titling are the responsibility of individual departments. The Lao government is undergoing a process of decentralization, based on the Governance and Public Administration Reform Program (GPAP), supported by UNDP. The joint PER conducted in 2002 by the World Bank, IMF and ADB discusses further implementation of the decentralization process and analyzes fiduciary implications. Central government departments now typically oversee policy and planning functions while provincial and district level agencies are responsible for implementation. They report to and are funded by provincial government.

*The Department of Lands (DOL) under the Ministry of Finance (MOF).* The DOL is the core national agency responsible for the design and implementation of land administration programs. DOL is the agency that has been responsible for the implementation of the first project. The mandate of DOL, as defined by the Prime Minister's Office Decree (No. 104) dated 6 July 1993, is to carry out, under the direction of the Land Re-Management Committee, the design and supervision of national land registration and titling programs through the offices of the provincial services. The DOL, while expanded and strengthened during the implementation of the first project, still has limited resources and capabilities, a factor that needs to be fully recognized in the formulation of a national land registration program. The total staff of DOL has expanded from 19 at the beginning of the LTP to around 45 in the central office and another 360 staff directly involved in land titling in the provinces.

*The Department of National Land Planning and Development (DONLUPAD) under the Office of the Prime Minister.* The newly created DONLUPAD has the responsibility of assisting the Government in ensuring coordination and implementation of national policy, legislation and regulation of land administration and management, state management and administration (macro-management) of land survey, land use planning and land development throughout the country (Office of the Prime Minister, Decree 237 of 11 December 2001). It succeeds and takes over some of the responsibilities of the former Land Re-Management Committee. The Department consists of 4 divisions, namely the Division of Land Legal Documents, the Division of Land Control, the Division of Land Development and Promotion, and the Administrative and Information Division.

The main functions of this new Department are to:

- disseminate and implement legislation, regulations etc. relating to land management and administration;
- coordinate with other agencies concerned with drafting policies, legislation and regulations to be submitted to the Government and National Assembly for approval and promulgation;
- undertake surveys and planning in order to determine and manage land categories;
- co-operate with agencies and Ministries concerned with strategic planning for land use and development;
- at the request of macro-agencies and local administrative authorities, study and put forward suggestions for the resolution of land disputes;

- implement projects and programs assigned by the government;
- monitor projects and activities of central and local government agencies and report to the Government before taking decisions on land use for parcels under Government authority;
- control the implementation of existing orders, regulations, etc. to ensure compliance;
- make contact and cooperate with other countries and international organizations concerning land issues, based on the direction of the government; and
- manage personnel in compliance with regulations, assign staff to positions in a suitable manner, suggest ways to improve organization structures of land agencies at local government level.

*Provincial Divisions of Finance.* Administratively, the country is divided into 17 Provinces plus one special region and further divided into 129 Districts. At provincial level, the Division of Finance carries out the major functions relating to land administration. The actual implementation of the LTP was done through the Division of Finance in the project provinces.

*The National Geographic Department (NGD) under the Office of the Prime Minister.* The Department has the responsibility for carrying out mapping services, such as the establishment of the geodetic control, aerial photography and orthophoto mapping. The Department has played a key role in supporting the surveying and mapping activities of the LTP and is expected to continue to play a key role in the second project, through the provision of control points to support systematic adjudication and the supply of base maps.

*Department of State Assets Management (DSA) under the Ministry of Finance.* The DSA is responsible for the registration, supervision and maintenance of the assets in the form of property, land and enterprises owned by the State. The DSA is the holder of the national Government's shares in enterprises which are divested through privatization, and has been the major player in the privatization program. The Department maintains a register of national Government entities that have been privatized. The DSA is responsible for registering and maintaining a register of leases between foreign investors and Lao entities relating to state property. Provincial level state State Assets Divisions carry out the same functions for provincial Government owned assets and, as a result, considerable overlap in functions occurs particularly in Vientiane Prefecture where DSA carries out a hands-on registration program in parallel with the Prefecture administration. The DSA has received support from the ongoing Land Titling Project mainly through Technical Assistance (TA) provided by the Australian government in developing policies on state land leasing. Implementation of these policies can however only take place once the Prime Minister issues the decree on state land leasing.

*Department of Forestry (DOF) under the Ministry of Agriculture and Forestry (MAF).* DOF is responsible for implementing the program of land use planning and land allocation (LUP/LA) which is being undertaken in rural areas. Through the District Agriculture and Forest Offices (DAFO) and District Administration Offices (DAO), Temporary Land Use Certificates have been issued to over 330,000 households. At least another 300,000 such certificates are expected to be issued. Registration of these rights, however, is the responsibility of DOL.

### **The Legal Framework**

Since the early 1990s, the government has moved to formalize the land administration system. The 1991 Constitution affirmed the rights of individuals to use land. The Fifth Party Congress (March 1991) identified the need to accelerate land registration and issue land title certificates so that the use rights for each parcel of land were be clearly defined. Land management and administration policies are reflected mainly in the decrees that followed the promulgation of the Constitution in 1991. The LTP has supported the development of most of the existing legal and regulatory framework for land administration:

(a) Laws: the Property Law (Ownership Law of 1990), and the Land Law (33/PO of 1997). The Land Law of 1997 has six parts. Part One establishes that all land in the National territory is owned by the State. The State may grant several types of right to citizens: protection right, use right, usufruct right, transfer right and inheritance right. Use rights can be temporary or permanent. Taking land as a commodity for buying and selling, and land speculation are prohibited, but holders of permanent use rights have the right to transfer them.

Part Two on land management defines a number of national land management functions and sets up a classification scheme for all land in seven categories (Agricultural land; Forest land; Construction land; Industrial land; Communication land; Cultural land; Land for national defense and for peace-keeping; Water-area land). Each class of land is to be managed by a corresponding Ministry. Maximum size limits for various types of agricultural land are established. Part Two also establishes provisions for land registration. Land registration is officially carried out in the Land Register Book at the provincial or municipal level on the basis of either systematic or sporadic registration. Land certificates are established as the record of provisional use rights. The rights recorded on the land certificate may be inherited but not transferred or used as guarantees or share capital. Land titles are established as the record of permanent land use rights. Land titles can be inherited, transferred, mortgaged and used as share capital. Land certificates may be converted to land titles based on application.

Part Three of the Land Law regulates the different rights and establishes that foreigners may only lease land, for a maximum period of fifty years. Part Three also establishes that Lao who have fled the country have no land claims. Land rights established during the war are also invalid.

Part Four of the Land Law establishes that control of land use is the responsibility of the seven ministries who manage land according to the seven classes established in Part Two. The Ministry of Finance is designated to be responsible for land registration, land leasing and land allocation. Part Five of the Land Law concerns dispute settlements and violations. Part Six contains Final Provisions.

The Land Law of 1997 expressly repealed a number of previous laws – the articles 22/CPM of 1989 on the management of agricultural land, 129/PM of 1979 on “The land and houses of reactionaries sentenced by the Court” and 99/PM- the Land Law of 1992 (Article 86). This article also specifies that other regulations inconsistent with the Land Law are repealed.

(b) Presidential Decrees on Land Tax (03/PD of 2000).

(c) Prime Ministerial Decrees on Document Registration (52/PM of 1993), transforming State land use rights and ownership of houses, vehicles and essential household equipment to Government personnel ownership (194/PM of 1994 - apparently amended by 3900/MoF of 1996), on implementing the Land Law (22/PM of 1999), on the implementation of the Presidential Decree on Land Tax (150/PM of 2000), and on the organization and activities of the Department of National Land Use Planning and Development (237/PM of 2001).

(d) Ministerial Directions on the fee for issuing titles (2232/MoF of 1997), on land parcel registration system (996/MoF of 1998), on systematic adjudication of land use rights (997/MoF of 1998), on sporadic adjudication of land use rights (998/MoF of 1998), on the position, roles and functions, rights, organizational structure and working method of the DOL (1362/MoF of 1999) and on cadastral surveying and mapping (748/MoF of 2000).

The seventh Congress of the Party (2001) highlighted the need to develop the land policy framework as

regards land use and land allocation, in particular in agricultural areas. It further emphasized the potential impact of land management in laying the foundation for the country's economic development.

### **The First Land Titling Project (LTP)**

The objectives of LTP were to foster the development of efficient land markets and to facilitate domestic resource mobilization in order to achieve the ultimate goal of strengthening the basis for long term sustainable economic and social development in Laos. The project included the following components:

- (a) the completion of the development of the land policy and legal framework for land administration and management;
- (b) the implementation of an accelerated land titling program;
- (c) improvements in infrastructure, facilities and land administration systems;
- (d) improvements in land valuation;
- (e) support for institutional strengthening; and
- (f) studies on community land tenure and registration, definition of forest boundaries, cost recovery, land rights issues on nationalized land and the socio-economic impact of land titling.

The project was appraised in 1995 and presented to the Board in early 1996. The Credit became effective around mid 1997. Delay in effectiveness was due to the late mobilization of TA, caused by different processing schedules of AusAID and IDA. The project cost was around US\$29 million; around US\$20 million was financed by IDA, US\$6 million by AusAID and the remaining US\$3 million was financed by government counterpart funds.

This project has been successful in the development of the regulatory framework and the implementation of the property valuation component. The revised Land Law was passed in 1997 and several decrees on land administration and property valuation have been prepared and enacted. The project was less successful in the issuance of land titles. The project was designed to issue land titles to around 300,000 parcels in Vientiane Prefecture and the provinces of Vientiane, Savannakhet, Champassack, and Luang Prabang. Later, four more provinces were added for semi-systematic land titling. The number of titles issued under the project has been much lower than initially planned, due to factors that include the lack of government counterpart funds during the period from 1997 to 1999, weak staff capacity and bottlenecks in the technical processes. An assessment of the impact of the first project and lessons learned was undertaken in February 2002. A summary of the assessment is provided below.

### **Review of the Socio-Economic Impact of the First Land Titling Project**

The design of the LTP included several studies to assess the socio-economic and environmental impact of the project. Following procurement delays, the Land Tenure and Forest Lands study was only completed in May 2002, and the Social Assessment study in December 2002. A comprehensive socioeconomic impact assessment will be conducted in the year 2003.

In view of these delays, and in order to get initial insights about the impact of the project and to identify some lessons for the design of the second project, a review mission was sent to Lao PDR in February 2002 to conduct a brief assessment of the socioeconomic impact of the first project. In view of time and financial resources limitations, the review mission focused on Vientiane Prefecture. In addition to conducting a small household survey in six urban and peri-urban villages, the team interviewed numerous government officials in the Prefecture (at central, provincial and village level), representatives from four banks, and one realtor. As land titling has only occurred fairly recently, and relevant socioeconomic statistics are generally lacking in Lao PDR, it was difficult to isolate and measure the economic impact of

titling. However, the study made the following observations, which were later on confirmed by the Social Assessment study:

(a) There is strong demand for land titles in urban areas. There are numerous reports of individuals registering land individually at considerable cost. There are also demands being made on central government by provinces to expand the coverage of the Land Titling Project. Demand for land titling in unserved provinces is strong, with people having generally good knowledge of benefits and risks.

(b) Government land administration revenue has been boosted through the land-related taxes and fees introduced through the project. The titling project has assisted government officials (and in particular district officials) in verifying land tax registers and setting collection targets. (the systematic titling system and the formal recording of parcel ownership prevent landlords from understating the number of taxable parcels they possess and therefore the size of taxable land). Although land tax revenue at this point in time still represents only a relatively small portion of total government revenue, it has increased from around Kip 10 billion in 1999/00 to around Kip 26 billion in 2001/02. In addition to the land tax and fee revenue income to the Government, the Department of State Assets in the Ministry of Finance gets an income from the lease and sale of government property. The VIS, and in particular the zoning tables established through the LTP is perceived as a useful tool to assist the State in determining realistic property values on which to base rental rates.

(c) Some individuals who received titles under the project have used the titles as collateral to get bank loans, and used the loan money to expand existing businesses or establish new (small) businesses. With titles as collateral, obtaining longer term loans from banks has to some extent been made easier (family and money lenders prefer giving shorter-term loans). This has apparently promoted larger projects investments such as building apartment blocks, etc. Bankers considers the VIS as a useful credit assessment tool, together with reliability of land titles and ease of verification. However, at this point, unlike what has been the case in Thailand, titling has not yet had any measurable impact on interest rates.

(d) There is some evidence suggesting that land titling has positively impacted on property transactions and building and construction activities in the Vientiane Prefecture area. The number of registered property transactions (registration of dealings in land use rights) in the 100 village area included in the VIS appear to have increased significantly since 2000 (after/during titling in much of the area). Building and construction activities may also have in part been stimulated by titling - the number of building permits issued for example rose substantially between 1996/97 (shortly after the project was launched) and 1997/98, but this is not conclusive. Economic benefits in terms of increased sale and mortgage value of titled land are visible but these cannot be isolated from overall growth in business due to the longer time span required for economic impact.

(e) The LTP appears to have stimulated discussion about the rights of women with regard to owning land use rights, as well as inheritance issues. It has also promoted the involvement of the Lao Women's Union (LWU) in community outreach. The number of titled land parcels registered jointly and in the names of women exceeded the number registered in the name of males, as opposed to provinces not covered by the project. In addition, the Social Assessment study found out that the project has improved women's access to resources as nearly half of the mortgaged lands in the survey sample belonged to women. Community Relations Services (CRS) has played a key role in information dissemination to the beneficiaries, especially women, about project processes, benefits and risks. In particular, community outreach activities have raised the issue of risks associated with land titling, especially the danger of titleholders making land sales without full understanding of the transaction.

(f) In addition to the above, the project has in some instances forced simmering land disputes into the



open, and has assisted in resolving a number of these in an orderly fashion. The Social Assessment study confirmed that there has been a decrease in land disputes and a greater sense of tenure security among the beneficiaries after land titling.

### **3. Sector issues to be addressed by the project and strategic choices:**

The experience and lessons learned under the LTP point toward a set of three issues in the land administration and management sector which should be areas of focus for LTP II. These issues are:

(a) *Continuing insecurity of tenure.* Notwithstanding the accomplishments of the LTP, the majority of property holders in Lao PDR still lack legally recognized, long-term rights for their property. The ability to make legally binding transactions and to use land as collateral for loans is still not available to most property holders in both urban and rural areas. The demand for titles is especially high in areas of high population density and growth, undergoing rapid commercial and industrial development and a concentration of economic development activities and employment opportunities, such as urban and peri-urban areas. Where investments in the development of agricultural land and intensification of agricultural practices are underway (e.g. irrigation projects), there is also a strong demand for the provision of land titles. The use of systematic land titling and registration procedures in project areas will ensure that all households, including the poorest ones, have access to land titles at an affordable cost.

(b) *Lack of resolution in policy and regulatory decisions.* Many important policy decisions (for example, the extension of the period for disposal of excess land ownership, or the conditions under which temporary land use certificates will be converted to titles) have been delayed for years. The Government's ability to define policy positions based on research and consultation, to create consensus among agencies involved, and to effectively implement them is admittedly holding back the resolution of a number of problems. Furthermore, a number of issues in implementing the Land Law have emerged since its passage, mostly because of the lack of explicit instructions for procedural handling of the law's provisions during first registration. This lack of legal and procedural clarity applies to situations of disposal of land under foreign ownership, land in excess of the size limits prescribed by the Land Law, parcels covering planned roads, land under corporate ownership and the land of Lao who fled. The land of Lao who fled is in many cases occupied by a relative, and is a politically charged issue with much at stake for Lao living outside the country. A draft ministerial order which would recognize the rights of peaceful occupants has been under review for some time without action. The draft decree would also provide instructions for handling the other issues during first registration until comprehensive procedures for resolving these cases are put in place.

(c) *Institutional weaknesses.* The current institutional setting in DOL and provincial and district land offices, including the separate arrangements for the implementation of the LTP, is not conducive to the sustainable strengthening of the DOL and provincial and district land offices and to the long-term development of the land administration. Project management and implementation functions need to be mainstreamed in DOL's structure to avoid duplication of functions. The lack of sufficient and skilled staff, including in provincial land offices, is negatively affecting the quality of services delivered, in particular the capacity to develop forward-planning processes for land titling, good coordination between CRS and the adjudication process, and eventually the number of titles delivered. In addition, in order to ensure the sustainability of the land administration system and to maximize the benefits of land titling for the Lao people and the government, CRS activities need to be upgraded and revamped to cover the whole range of land administration activities and to respond to the demand for "post-titling" information and advice about legal issues and other issues related to the use of titles (e.g. access to credit). The functional line of command between DOL and provincial land offices also needs to be strengthened to avoid staffing and human resources management conflicts, as experienced during the first project.

## **Strategic Choices**

Important factors in ensuring the success and longer term sustainability of the Land Titling Project are the development and clarification of the land policy and regulatory framework, the strengthening of the land administration system, the establishment of partnerships with other donors operating in Lao PDR, and a carefully phased expansion of project activities based on demonstrated capacity of the land administration to move to new provinces.

### **Support to land policy and regulatory framework development**

Despite some progress in the development of the legal and regulatory framework for land administration, lack of clarity in the legal framework and lack of resolution of a number of policy issues have been major obstacles to meeting the objectives of the first project. The government has showed its commitment to improving and clarifying the legal and policy framework for land administration and land management by creating DONLUPAD under the Prime Minister's Office, with a clear mandate for coordinating the development of the national land policy framework. More recently, in March 2003, the government has also approved the establishment of a National Land Policy Committee (NLPC) to facilitate inter-agency coordination on land policy issues. DONLUPAD will act as the Secretariat of the NLPC. The project will help build DONLUPAD's capacity to coordinate the development of the national land policy and regulatory framework, and will support the formulation and adoption of key land policies for land administration and management.

### **Institution strengthening**

The first project has focused on the development of the legal and regulatory framework, on developing the procedures, guidelines, and the capacity for systematic land adjudication and issuance of land titles and the associated CRS, and on cadastral surveying and mapping and other technical processes. These achievements need to be consolidated by the development of the institutional capacity of the central DOL and provincial and district land offices, the improvement of service delivery and land office functions, and human resources development in all aspects of land administration. The proposed project will therefore put strong emphasis on restructuring DOL, provincial land offices and, in selected areas, district land offices, including staffing and human resources development both at central and provincial level, upgrading land offices functions, and further developing partnerships with communities through redesigned and expanded CRS activities renamed Community Education and Services (CES). To ensure that the improvements introduced are sustainable, all project activities will be implemented through the normal structure of DOL and provincial and district land offices. In addition, strong emphasis will be put on encouraging community participation in the project, integrating gender issues and considering the impact on ethnic communities.

### **Phased implementation**

Although the number of land parcels in Lao PDR is not known, an estimate of about 1.6 million was determined during the design of the LTP. In preparing the first project, it was anticipated that it would take 25 years to complete the task and a decision was subsequently made to phase project activities, with the first phase placing significant emphasis on building the institutional capacity to enable the Government of Lao PDR to complete the registration of all rights in land over a 25-year program. Weaknesses in government project implementation capacity, identified during the first project, do not allow to consider the immediate expansion of the project to new provinces. The expansion of the project to new provinces would be reassessed during implementation based on demonstrated indicators of the

government's capacity to support such an expansion. These indicators are described in more details in Annex 2.

### **Areas covered by the project (urban, peri-urban, lowland agricultural areas)**

Within provinces already covered by the first project, the proposed project will focus on strengthening the capacity and upgrading functions of land offices, and continue titling and registration in urban and peri-urban areas. The project would also gradually move to cover lowland agricultural areas, when sufficient clarification and development of the land policy framework allows it. Sequencing of activities will be carefully planned so that systematic titling does not take place on land with unclear status until after the status is agreed with all stakeholders. The selection of areas to be covered will be based on a forward-planning process to ensure that agreed criteria for area selection are met. Community mapping before titling activities take place, through the CES activities, will further ensure that these criteria are respected. It is expected that the project will not issue individual titles in upland areas nor lowland rural areas where ethnic groups live in indigenous ways; however, it is not possible to completely rule out the possibility that the project may encounter, in lowland agricultural or peri-urban areas, communities including ethnic peoples living in indigenous ways. Should the case arise, community mapping and further consultations with the community concerned will help determine whether and where individual titling may or not be appropriate.

### **Working with other donors**

The Australian government is co-financing the LTP and has expressed an interest in co-financing the second project. In order to ensure good coordination between the Bank and AusAID, it was agreed that AusAID and Bank task teams would work very closely during the entire project processing cycle.

In addition, there are a number of recent and current projects related to land registration in Lao PDR. The ADB is supporting a program in the financial sector. The EU and SIDA have supported the Land Use Planning and Land Allocation program in rural and forest areas. Since 2002, Swedish assistance has focused on projects for conservation and intensification in upland agriculture. GTZ is active in two regional rural development projects which have land management activities. The Memorandum of Understanding between the German and Lao governments concerning technical cooperation drafted in 2002 allocated 500,000 Euro for support to land use planning. FINNIDA and JICA have been supporting the NGD, respectively through an Urban Mapping Project and a Geographic Information System (GIS) for the Mekong River Basin Project.

The strategy for the proposed project is to operate in cooperation and coordination with existing and planned donor activities in the land sector to ensure complementarities. In particular, the possibility to involve other donor agencies in supporting complementary activities such as NGO legal and advisory services on the use of titles as collateral and credit development will be further explored.

## **C. Project Description Summary**

**1. Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

**Component 1:** Development of the Land Policy and Regulatory Framework

- (a) Development of government's capacity to formulate land policies;
- (b) Land policy formulation and development of regulatory framework;
- (c) Establishment of a coordination mechanism for land information.

**Component 2: Institutional Development**

- (a) Long term institutional development of the DOL and Provincial Land Offices;
- (b) Training and Human Resources Development;
- (c) Education in the areas of land administration, land management, and property valuation.

**Component 3: Development of a Modern Land Registration System**

- (a) Strengthening of land offices to achieve agreed service standards;
- (b) Community Education and Services;
- (c) Strengthening land valuation to support land registration;
- (d) Support to the Department of State Assets Management (DSA).

**Component 4: Accelerated Land Titling through Systematic Registration**

- (a) Community Education and Services;
- (b) Systematic land titling.

**Component 5: Support to Project Management and Implementation**

- (a) Technical Assistance to support capacity building;
- (b) Support to project management and implementation; and
- (c) Monitoring and Evaluation.

Component	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
A. Development of Land Policy and Regulatory Framework	3.13	13.1	2.79	18.8
B. Institutional development	2.13	8.9	1.99	13.4
C. Development of a Modern Land Registration System	2.24	9.4	1.86	12.6
D. Accelerated Land Titling through Registration	7.98	33.4	6.91	46.6
E. Support to Project Management and Implementation 1/	8.44	35.3	1.27	8.6
<b>Total Project Costs</b>	<b>23.92</b>	<b>100.0</b>	<b>14.82</b>	<b>100.0</b>
<b>Total Financing Required</b>	<b>23.92</b>	<b>100.0</b>	<b>14.82</b>	<b>100.0</b>

1/ About US\$6.84 million proposed to be financed by bilateral grant funds

**2. Key policy and institutional reforms supported by the project:**

The proposed project will seek policy and institutional reforms in two areas:

**Policy Formulation and Oversight.**

The LTP supported several key developments in the legal framework for land administration, including the adoption of the new Land Law (1997) and several sub-decrees. However, as discussed above, clarification of the legal framework is still needed in certain cases. In addition, substantial work is needed to develop the broader land policy framework, such as linking the land administration system to land management and the allocation of land. There has also been a lack of regular oversight of the project by policymakers. The government has now clearly given to the new DONLUPAD the responsibility for the coordination of land-related policy. As part of project preparation, dialogue and inter-agency consultations on appropriate institutional arrangements to facilitate the development of the land policy framework were initiated by DONLUPAD. On March 25, 2003, the Prime Minister approved the creation

of a NLPC, with representation of line agencies involved in land administration and management, to provide an effective oversight mechanism to resolve policy matters as they arise and to facilitate the development of a comprehensive land policy framework. The project will support the work and operation of the Committee and of its Secretariat, which will be in DONLUPAD.

### **Institutional Strengthening**

Under the first project, agreement was reached on the need to restructure DOL and land offices and strengthen staff capacity, training, recruitment and staff retention, to allow it to effectively perform its functions and implement the project. In addition, the lack of management expertise in the DOL has been an issue for the implementation of the first project, in particular weaknesses with regard to planning, budgeting, and monitoring and evaluation (M&E). The implementation of the proposed project through DOL's structure will ensure that the benefits of further capacity building, training, and in general, human resources development, as well as further upgrading and development of land administration activities and procedures accrue directly to DOL and its provincial and district offices, and that the improvements introduced are therefore sustainable. The proposed project will support the implementation of the restructuring plan for DOL and provincial and district land offices, which was approved by the Minister of Finance on May 12, 2003. The regulations adopting the new structure of DOL, the functions and responsibilities of the various divisions, approval of the long term staffing requirements, and appointment of senior management is a condition for Credit effectiveness.

### **3. Benefits and target population:**

By securing land tenure rights, the project will help to promote social stability, contribute to poverty reduction and stimulate economic growth. By improving the land administration system, the project will stimulate the development of more efficient land markets, thereby facilitating the allocation of land to its best use. Increased government revenues from property related fees and taxes will improve the government's capacity to provide social and economic services through a broader revenue base. About 200,000 households in urban, peri-urban, and lowland agricultural areas will receive titles to land under the systematic land titling program, bringing the total number of households having benefited from land titling since the beginning of the program to about 300,000 families. The beneficiaries of land titles would enjoy the benefits associated with land titles, by way of increased tenure security, access to credit and opportunities to increase investments and productivity. Many of the expected beneficiaries are the poor and vulnerable who cannot afford to obtain land titles through the existing system. In addition, the first project also demonstrated the positive impact of land titling on women's access to titles and subsequent access to financial resources. The emphasis on information dissemination and community participation will be strengthened in LTP II to ensure, in particular, that women and other vulnerable groups are fully aware of their rights, and of the benefits and risks associated with the use of land titles as collateral. In view of the current weaknesses in the legal and policy framework for land management, the project will not issue titles in areas under shifting cultivation, other upland rural areas, and where ethnic communities live in indigenous ways, where an important share of the rural poor live. However, through its land policy development component, the project will support the clarification of the policy framework to allow, at a later stage of the development of the country's land titling program, to address these issues, and to explore options to improve land administration and management in rural areas.

#### **4. Institutional and implementation arrangements:**

**Project Coordination and Management.** Overall project management and coordination of project implementation by all executing agencies will be the responsibility of the DOL under MOF, through its central and decentralized structures at the provincial and district levels (provincial and district land offices, PLOs and DLOs). The Minister of Finance has given formal approval to a restructuring plan with the objective of strengthening the agency's capacity for project implementation as well as ensuring its long-term sustainability. Based on the experience gained under LTP, the implementation of this institutional restructuring program will merge the Land Titling Project Office (LTPO), established for the implementation of LTP, into the new institutional structure of DOL. The final institutional restructuring plan (including detailed description of the new structure, functional responsibilities, job descriptions, and staffing plans), as well as the regulations for its implementation, will be adopted by MOF as a condition for credit effectiveness. The staff responsible for the management of the on-going project will be re-assigned to the new Planning and Finance Division (PFD) of DOL. Therefore, the Director General of DOL will also be the Project Director, directly responsible for overall project implementation, thereby ensuring effective support to all units in the DOL national structure.

The PFD of DOL would be headed by the Deputy Director General, who will be also appointed Project Manager. This unit, in direct contact with the Project Director, will be responsible, on a daily basis, for: (i) planning of project activities, including work plans and budgets; (ii) accounting, financial management and internal control systems; (iii) coordination of project activities with provincial and district offices, as well as other executing agencies; (iv) monitoring and evaluation of project implementation, including preparation of progress reports; and (v) acting as Secretariat for the Project Steering Committee (PSC). The PFD will count on the staff re-assigned from the LTPO (already having significant experience in project implementation), and additional support from the technical assistance activities included in the project, either financed by IDA or by the AusAID.

Similarly, at the provincial level, the existing Provincial Facilitation Units will be transformed into the Provincial Planning and Finance Sections (PFS) of the Provincial Land Offices (PLOs), with the responsibilities, at the local level, for: (i) planning and coordination of activities with other executing agencies; (ii) maintaining project accounts and verifying expenditures; and (iii) participating in monitoring and evaluation activities. These decentralized units will be strengthened through additional staff, as well as training and technical assistance.

**Project Steering Committee (PSC).** At the national level, PSC will be established to oversee the overall implementation of the project, review and approve annual work plans and budgets and provide guidance to improve project effectiveness. The Committee will be chaired by the Minister of Finance and include the Director General of DOL, the Director General of DONLUPAD, the Director General of the Department of State Assets, the Director of NGD, the Director of the Polytechnic School and the Director General of the Women's Rights Department of the Lao Women's Union (LWU). The PFD of DOL will serve as Secretariat for this Committee. Similarly, at the provincial level, provincial Project Oversight Committees (POC, called interchangeably Provincial or Project Oversight Committees), will be established to oversee the implementation of the project in each project province. These POCs will be chaired by the Vice Governor and include representatives from the relevant provincial agencies, reflecting the composition of the central PSC. The provincial PFS will serve as Secretariat for the POC in each project province.

**Project Implementation.** The newly-created DONLUPAD, in the Office of the Prime Minister, will be responsible for the implementation of Component I of the project and would play a central role in the development of land policy and the legal framework, as well as coordination of land information. In

addition to its responsibilities for project coordination and management, DOL will be directly responsible for implementation of Components II, III, IV, and V. Several agencies will be participating in the implementation of important subcomponents or activities included in the project under the coordination of DOL. The Polytechnic School, under the Ministry of Education, will implement the subcomponent on the development of the High Diploma education program in land administration (Subcomponent II.3), as well as contribute to important aspects of the project training program. The LWU will assist in planning and implementation of the CES activities (Subcomponents III.2 and IV.1) and will continue to play a key role in supporting the information dissemination and community participation program under the project. The National Geographic Department (NGD), under the Prime Minister Office, will implement the subcomponent dealing with the provision of control points and base maps to support systematic adjudication and titling (Subcomponent IV.2). Finally, the Department of State Assets Management (DSA) will support the implementation of the subcomponent on state land registration. In order to ensure that responsibilities and obligations of each partner for project implementation are clear and agreed upon, a Memorandum of Understanding (MoU) will be signed between the DOL and each of the agencies and institutions involved in project implementation. Signature of the MoUs between DOL and, respectively, DONLUPAD, NGD, LWU, and the Polytechnic School is a condition for credit effectiveness.

### **Financial Management and Disbursement**

*Arrangements of accounting system and audit.* The PFD to be created under the new structure of the DOL will be responsible for overseeing overall financial management functions for the project. The PFD will ensure flow of funds to all components, supervise the financial management of the central and provincial units, and be responsible for preparing and consolidating financial reports and reporting to the government and the Association. The financial reports of the project will at least consist of the annual financial statements and the quarterly financial monitoring reports (FMRs). Project records and accounts will be maintained centrally by the PFD. The accounting system will be computerized and processed by an accounting software with specifications acceptable to the Association. Supporting documentation will be made available at PFD for subsequent audit by IDA and independent auditors. The selected external auditor has to be acceptable to the Association, and will audit the project financial statements on an annual basis according to terms of reference acceptable to IDA and following internationally acceptable auditing standards.

*Fund flow Arrangements.* The funding sources for the project will come from IDA, AusAID and government counterpart funds. A US dollars Special Account will be opened at the Central Bank of Lao PDR to receive the project funds from IDA. It will be used exclusively to cover the eligible portion of project expenditures as stated in the DCA. The Special Account will be operated by MOF.

Under the project, DOL will maintain separate project accounts covering all financial transactions for project activities. Initial advances pre-financed by GOL to the existing project sub-accounts under LTP will continue to be used by the associated institutions, NGD and LWU, and all 9 project provinces, i.e., Vientiane Municipality, and the provinces of Vientiane, Luang Prabang, Xayabouly, Borikhamxay, Khammuane, Savannakhet, Saravane, and Champassack. Two additional sub-accounts with initial deposits pre-financed by GOL will also be opened for DONLUPAD and the Polytechnic School. To ensure adequate financial level of autonomy to DONLUPAD, it was agreed that DONLUPAD will have a higher level of initial deposit advanced to its sub-account by GOL, equivalent to at least 90-days of implementation. The sub-accounts are denominated in local currency (KIP) and will be kept at a commercial bank acceptable to IDA. The proposed fund flow arrangements are presented in the full financial management assessment annex (Annex 6(B)).

## **D. Project Rationale**

### **1. Project alternatives considered and reasons for rejection:**

**Expanding project coverage to new provinces.** Under political pressure and strong demand for the project from the provincial governors, the government expressed interest in expanding the project to cover all 17 provinces (and Vientiane Prefecture). Because of the limited capacity of the DOL to support all the provinces at once, the project will consolidate land titling and registration activities in the provinces covered by the LTP (now 8 provinces and Vientiane Prefecture). Expansion to other provinces would only be considered once the government completes the needed institutional reform of the Department of Lands and demonstrates that it has the capacity and budget to support systematic registration in a larger number of provinces. Criteria to be met before considering the expansion of the project to other provinces have been agreed upon during project appraisal, and are described in Annex 2.

**Financing the project through a learning and innovation loan (LIL) or an adjustable program loan (APL).** The project will be the second phase of a long-term program estimated to last up to 25 years. The achievements of the first phase (the six-year Land Tiling Project financed through a specific investment credit) already go beyond the scope of a learning and innovation loan or the first phase of an APL. In addition, under the first project, technical assistance was funded by the Australian government (AusAID) through parallel financing. The duration and procedures of the specific investment credit have proven adapted to allow coordination with AusAID's own processing procedures and schedule, and coordination between IDA and AusAID processes has been gradually improved. The proposed project would be implemented under similar arrangements with AusAID. At this stage of the program, and in view of the level of activities reached under the first project, a specific investment credit is the appropriate lending instrument to support the project.

**Including a land allocation component under the project.** The government is currently implementing an agriculture and forest land allocation program by distributing forest and agriculture land to eligible beneficiaries. The program is under the responsibility of the Ministry of Agriculture and Forestry and its provincial divisions. Supporting these activities under the proposed project was rejected for the following reasons: (i) land titling is focusing on recognizing existing rights to land and therefore, land allocation does not fit with this criteria; and (ii) land allocation is implemented through government agencies other than the Department of Lands (the project implementing agency), and this makes coordination difficult. Under its Land Policy and Regulatory Framework Development component (Component 1), the project will study modalities for upgrading the Temporary Land Use Certificates (TLUCs) issued under the land allocation program to full land titles. Conversion of TLUCs to full land titles will only be considered once these modalities has been developed and adopted by the government.

**Supporting state land leasing.** The project will only provide very limited support to the DSA. This support will be limited to strengthening DSA record management processes, including measures to ensure that these processes are compatible with similar processes used for land registration in land offices, and assisting the establishment of a system to register State land leases in the Provincial Land Offices. This will enable the government to keep all land use certificates and land leases under the same office. While more comprehensive strengthening of State land lease management is an area of potential economic benefit, it is also an area in which major steps in policy and legislation are required before further support can be considered.



**2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).**

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
<b>Bank-financed</b>			
Land Management, Titling and Administration	Laos Land Titling Project	S	S
Land Management, Titling and Administration	Thailand Land Titling Project I, II and III	S	S
Land Management, Titling and Administration	Indonesia Land Titling Project	S	S
Land Management, Titling and Administration	Cambodia Land Titling Project	S	S
Forest Management	Sustainable Forestry		
Forest Management	District Upland Development Project	S	S
Judicial Reform			
Financial Sector Reform			
<b>Other development agencies</b>			

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

**3. Lessons learned and reflected in the project design:**

In February 2002, an independent review mission was sent to Laos to review the performance of LTP and identify lessons to be incorporated into the design of LTP II. The main findings are summarized below.

**Project Achievements.** While the project was successful in the development of the legal and regulatory framework, it was less successful in building the capacity of DOL. In addition, the number of titles issued under the project is far less than what was anticipated during appraisal. This is due to lack of counterpart funds from 1997 to 1999; weak capacity of the Project Support Unit; and the unavailability of technical staff to join the adjudication teams, as well as bottlenecks in technical procedures. Performance of the project has significantly improved recently (achieving the project target in PY5), as some of the technical constraints identified are gradually being addressed; the number of titles issued in PY5 has exceeded the total number of titles issued from year 1 to 4.

**Government Capacity.** In general, GOLs capacity to implement projects is weak. Project implementation requires a high level of expertise in policy development, community development, procurement and financial management and a large number of staff in surveying, mapping and adjudication. Planning is also an area where capacity has proven to be weak, including for the development of forward-planning processes for land registration. The capacity of staff with regard to the above is very low and it took much longer than initially envisaged to train new staff. Also, government salaries have depreciated rapidly during the period 1997-1999, resulting in government jobs becoming less attractive to qualified candidates. Furthermore, DOL needs to hire a large number of new staff to undertake its recently expanded mandate, but a government freeze on hiring of civil servants has limited

DOL's ability to recruit the essential staff. The proposed project will support the implementation of the agreed restructuring plan for the DOL and provincial and district land offices, including training and HRD, staffing plan, and the development of stronger planning and M&E processes. Strong emphasis is put on building the Government's capacity to implement the project and thereafter sustain the project's achievements in the longer term.

**Policy Formulation/Project Oversight.** Lack of clarity in policy formulation has negatively affected the implementation of the LTP. Little progress was made in developing land policy in the wider context such as linking the land administration system to land management and the allocation of land. There has also been a lack of regular oversight of the project by policymakers. Experience from other projects shows that projects focused narrowly on titling before a national consensus on land policy has been reached rarely succeed in meeting their objectives. A better approach is to include land titling as part of a comprehensive policy and regulatory framework for land administration and management. The coordination of land-related policy is now the responsibility of the new DONLUPAD. As part of project preparation, dialogue and inter-agency consultations on appropriate institutional arrangements to facilitate the development of the land policy framework were initiated by DONLUPAD. The creation of a National Land Policy Committee (NLPC), with representation of line agencies involved in land administration and management to provide an effective oversight mechanism to resolve policy matters as they arise and to facilitate the development of a comprehensive land policy framework, has been approved by the Prime Minister on March 25, 2003.

**Emphasizing stakeholders participation.** Experience shows that active participation of all stakeholders is critical to the success of land titling and registration programs. There have been achievements in the CRS and Gender and Development (GAD) activities under the LTP, but there is room for improvement. As part of project preparation, the effectiveness of communication tools with the various groups and how to best obtain their active involvement and participation in the project have been assessed, and the recommendations have been included in the design of information dissemination and community participation activities, renamed CES. Specific recommendations include broader coverage of CES activities, institutionalizing CES in DOL, clarifying roles of central and provincial level CES staff, introducing community mapping activities, strengthening participatory approaches, training and raising awareness of CES staff about gender and ethnic group issues, improving the diversity of CES staff, and improved communication materials, including for non-Lao speakers. Ways to allow communities to in turn guide the course and contents of the project and on an ongoing basis contribute to the development of land tenure policy and strategies are also included in the project design. The restructuring plan of DOL will include ways of ensuring that qualified and skilled staff are attracted and retained for CES activities, and that additional (and better targeted) CES materials are developed in a professional manner, with appropriate M&E, and distributed widely within the project areas. Activities to improve the effectiveness of the LWU in supporting the CES, such as training and capacity building, improved mechanisms for collaboration with LWU, and improved approach to gender issues in CES, have been included under the proposed project.

**Lessons from other projects.** Strong government commitment at the highest level is required to build consensus on sensitive issues of land rights and to provide the conditions for efficient coordination of land-related agencies. The creation of the DONLUPAD is a clear indication of the government's commitment to improving the coordination of land agencies and the development of the land policy framework. The decision to restructure the DOL also demonstrates the government's commitment to reach the objectives of the project.

#### **4. Indications of borrower commitment and ownership:**

The Government of Lao PDR has showed its commitment to the proposed project in several ways. The government requested IDA and AusAID to finance the proposed project and requested IDA to apply for a PHRD grant to support project preparation. A government team worked very closely with the consultants who undertook a review of the first phase and assisted the government in preparing project objectives and tentative components. The government held a high level workshop at the vice minister level (including all concerned government agencies and vice governors of key provinces) to review and endorse the proposed project objectives and components. The Minister of Finance has approved in principle the restructuring plan for the Department of Lands and provincial and district land offices, as a basis for the longer term development of the land administration system, which provides a clear signal of the government's commitment to the project objectives and design. Formal approval by the Minister of Finance of the new structure of DOL and provincial and district land offices is a condition for negotiation. As indicated above, the creation of the DONLUPAD is another indicator of ownership and commitment of the government to move forward the land policy agenda. More recently, the creation, in March 2003, of the NLPC provided another confirmation of the government's commitment to the project's objectives. There have also been serious discussions within the government to about further reform of land agencies, although a final decision has not been taken.

#### **5. Value added of Bank support in this project:**

IDA support to the proposed project will consolidate the achievements of the first phase by focusing on institutional strengthening of the land agencies (DOL, NGD, and DONLUPAD) to ensure the land administration system is sustainable once donor support ends. The co-financing arrangements between IDA and AusAID will build on the experience of the first phase, will reduce the management burden on the government and facilitate the provision of technical assistance (TA) essential to ensure successful implementation of the project. Finally, IDA and AusAID have developed extensive experience working together in supporting land titling/administration projects in the East Asia region and in integrating policy, institutional and technical aspects to improve land tenure security, as well as to promote the development of land markets.

### **E. Summary Project Analysis** (Detailed assessments are in the project file, see Annex 8)

#### **1. Economic (see Annex 4):**

- Cost benefit      NPV=US\$19 million; ERR = 21 % (see Annex 4)
- Cost effectiveness
- Other (specify)

A cost benefit analysis was carried out for the proposed project using existing evidence from studies and field surveys conducted under the LTP to derive assumptions on the economic impact of the project. The cost benefit analysis includes the total project costs. Benefits were estimated for urban areas, where it was assumed that the increase in land price would provide a good proxy to estimate the benefits of the project; conservative assumptions were used as regards the increase in land prices (15% over five years), compared to increases observed in other countries in the region. Benefits in peri-urban areas, where 75% of the land is used for rice cultivation (paddy fields), and in lowland agricultural areas, where information on prices is lacking, were not included to estimate total project benefits. The estimated economic rate of return and net present value are therefore considered to represent lower bounds of the real ERR and NPV. Based on these assumptions, which are described in detail in Annex 4, the overall economic rate of return of the project over a 35 year period is estimated to be 21%, with a net present value of US\$19 million. Sensitivity analyses have been conducted and the results show that, with

significant changes of either project costs or benefits (increase or decrease by 20%), the proposed project still remains economically sound. A socioeconomic impact study, to be carried out as part of the LTP, will provide data that will allow to review and consolidate the findings of the economic analysis conducted as part of the preparation of the LTP II. The basic methodology is to collect land price information plus other control variables, such as household characteristics and plot characteristics, in both LTP project area and control area. An empirical analysis using econometric techniques can then be carried out. By using this method, Economic Rate of Return (ERR) can be calculated but not the Net Present Value (NPV). The information generated by the proposed beneficiary survey would be used as a basis to undertake an ex-post cost benefit analysis for the LTP and an ex-ante cost benefit analysis for the LTP II. The quantifiable benefits will mainly be in terms of land price since the focus of the LTP on urban and peri-urban areas.

## **2. Financial (see Annex 4 and Annex 5):**

NPV=US\$ 4.4 million; FRR = 14 % (see Annex 4)

The objective of the financial analysis is to assess whether the net financial benefits expected from the project are attractive enough for the different stakeholders. In the proposed LTP II, there are two main categories of stakeholders: the landholders and the Government.

### *Financial benefits and costs for landholders:*

As in most cases, there are two major incentives for landholders to obtain land titles through the proposed project: i) to improve land ownership security and ii) to access a cheaper and larger amount of credit from formal financial institutions by using land titles as collateral. As a result of improved land tenure security and improved access to formal credit, the landholders will increase their investment in land and hence increase their productivity and income. The decision by a landholder to participate in the LTP II would depend on whether the expected financial returns are higher than the payment for a land title. The majority of land titles will be obtained through systematic adjudication. To ensure a high participation of landholders on a voluntary basis, the cost of land titling has been kept at a level significantly lower than the cost of producing a title. The affordability of the poorest landholders is one major criteria for setting an appropriate registration fee. The difference between the actual titling cost and the fee charged to landholders is subsidized by the Government, and the Government will recover the subsidy by charging registration fee on subsequent land transactions. This arrangement is similar to the one used under the LTP, and has also worked well in other countries. A careful study of the fee structure and levels of land-related taxes was conducted under the first project, to find a balance point between the need to attract people to register land and subsequent transactions and the need for cost recovery and sufficient government revenue.

### *Financial benefits and costs for the Government:*

For the government, the financial benefits come from increased revenue from sources such as initial registration fee, subsequent transaction registration fee, increase in land taxes, etc. The financial costs to the Government are the project cost and the Government's future management costs associated with each title issued by the proposed project.

The major assumptions are described in Annex 4. As for the economic analysis, the estimated FRR and financial NPV are considered to be represent lower bound figures. They are based on estimated project costs and estimated benefits of the LTP. The estimated financial rate of return of the proposed project is 14%, with a net present value of US\$4.4 million. Sensitivity analyses have been carried out to test the robustness of these results to changes in turnover rate, land transaction value, and number of titles issued.

The sensitivity analyses shows that changes in the total number of titles issued and in transaction value (increase or decrease by 20%) will have a significant impact on the project's financial results.

**Fiscal Impact:**

In the short term, the fiscal impact of the proposed project will be neutral given the low percentage of the total project costs to be financed by the Government. In the long-run, it is expected that the fiscal impact of the proposed project will be very positive, as shown by the high financial rate of return. The cost recovery arrangements (fee structure) will strengthen the demand for services provided by the project, and the affordability for the poorest has been taken into account. Therefore, the cost recovery arrangements of the proposed project will have a positive impact on distribution of project benefits and will promote the efficient use of the outputs (titles) from the project.

**3. Technical:**

The technology to be applied in LTP II is based on the same technology utilized in the LTP, that in turn was based on other titling projects in the region. Processes have been refined to better suit circumstances in Lao PDR.

Refinements in LTP II include a greater reliance in systematic adjudication on Global Positioning System (GPS) technology and less on orthophotos and the use of total stations. In addition, software applications including the VIS, First Registration application and the scanning of key land records will be introduced in further land offices following trials in the Vientiane Municipality Land Office (the largest land office in the country).

As was the case in the first project, the selection of technology was based on striking a balance between providing appropriate levels of accuracy and minimum cost, all within the constraints of available skill-levels in Lao PDR and the legal requirements for boundary surveys.

**4. Institutional:**

Sustainability of the land administration system in Lao PDR will depend, among several factors, on the ability of DOL and their provincial offices to undertake institutional and human resources reforms to adopt to their new expanded mandate in the coming years. It is unlikely that the land administration system will be sustainable unless the government takes serious steps to strengthen DOL and their offices. The development of a new structure and restructuring plan of DOL have been supported as part of project preparation. The approval of the new structure and of the restructuring plan of the DOL and provincial and district land offices by the Minister of Finance has been introduced as a condition of negotiation of the proposed credit for this project. In addition, the proposed project will be implemented in a phased manner, and expansion of project activities to new provinces will be subject to the full implementation of the proposed institutional changes and demonstrated government capacity to support further development of project activities. Specific criteria for project expansion to new provinces have been agreed upon during project appraisal. Improved coordination among agencies (especially DOL's central office, with its provincial and district land offices, and DONLUPAD) is a priority, and the ongoing upgrading of human resource capabilities in these lead agencies will be supported under the project. In the medium-term, the land administration and management education program supported under the project will supply the human resources needed to run the land registration system.

**4.1 Executing agencies:**

In addition to project coordination, the DOL, under the MOF, is responsible for the implementation of Components 2 through 5. Other agencies such as the NGD under the Prime Minister Office, the LWU, and Polytechnic School under the Ministry of Education, will be supporting DOL in carrying out specific

activities under DOL's coordination. The DONLUPAD, under the Prime Minister Office, will be responsible for the implementation of Component 1.

#### 4.2 Project management:

Under the LTP, project implementation has been done through the Project Support Unit (PSU), a parallel structure under the DOL. Other divisions in DOL were not involved in project implementation. Under the proposed project, the existing PSU structure will be mainstreamed in DOL's new structure to enable the project to directly support the capacity of DOL to fulfill its new mandate. The PFD of DOL will be responsible for project coordination, financial management, and M&E, with the actual implementation undertaken through the various divisions of DOL and their provincial land offices departments. The structure and mandate of the various divisions are being developed as part of the development of DOL's restructuring plan.

Experience from the first project suggested that the PSU was very weak and required strong support from the project administration contractor. The AusAID-financed technical assistance has been providing technical and policy support, in addition to the IDA-financed Project Administrator who has provided management support to the PSU for the first two years of the LTP. Because of the frequent turnover of PSU staff, the PSU has not been able to manage the project efficiently following the departure of the Project Administrator. Building on this experience, adequate support and technical assistance is proposed under the project to enable DOL to be able to manage project implementation effectively.

#### 4.3 Procurement issues:

The procurement system in Lao PDR is based primarily on the Decree no. 95/CM dated December 5, 1995 and the Implementing Rules and Regulations (IRR) issued by the MOF which is the Government's entity for overall control and supervision of public procurement. The IRR has a waiver which mandates the application of International Finance Institution (IFI) procurement rules for IFI-financed procurement. In general, the procurement system is consistent with IDA's guidelines with some exceptions i.e. two envelope system, negotiations with the lowest evaluated bidder to reduce the price when bids exceed the cost estimate, rejection of bids if there are no suitable bids (less than three bidders) and giving domestic preference for National Competitive Bidding (NCB) procedures. Because of the waiver noted, specific requirements for public procurement of goods, works and consulting services have been added to the DCA.

The DOL in MOF, has been implementing the first phase of the Land Titling Project with financial assistance from IDA and technical assistance from AusAID since 1997. Most of the procurement has been centrally performed by the Procurement Unit of the Project Support Unit in DOL with the assistance of a Procurement Advisor financed by IDA for the first two years of LTP. Although the PSU is now familiar with IDA procurement procedures, long delays in procurement activities under the current project indicate that the PSU does not yet have sufficient experienced staff to handle procurement satisfactorily. Therefore, to ensure efficient project implementation and mitigate the risks from weak procurement capacity, a regional Project Implementation Advisor, with solid knowledge and proven international procurement experience, will be hired by DOL using IDA funds to provide support and hands-on training. Hiring of the Project Implementation Advisor is a condition for Credit effectiveness. In addition, a senior staff intensive procurement training will be implemented by DOL.

#### 4.4 Financial management issues:

The Country Financial Accountability Assessment (CFAA) has been prepared by IDA and the report was shared with the government in mid 2002. The overall fiduciary risk in Lao PDR is considered to be high. Despite the fact that there are some built-in controls within the government's financial management system, there is insufficient transparency related to public finances and the general attitude towards fiscal

discipline is not strong. The budget process is not yet transparent and public access to government financial information is limited. These weaknesses are compounded by an inadequate awareness of modern practices of internal control in the public sector. While an elaborate control system is in place, involving many pre-approval and checking processes, it needs to be made more effective. The government's decentralization initiative needs to be supported with a sufficiently robust institutional framework that clearly defines the new responsibilities at lower levels. Technical capacity of staff at these levels needs to be strengthened. The oversight functions and the National Auditor Office need improvement. The accounting and auditing profession and institutions remain undeveloped. To address these deficiencies, the government has agreed to implement several recommendations of the Public Expenditure Review (PER) and CFAA. The Financial Management Capacity Building project, as well as the government initiative supported by ADB are expected to bring the fiduciary risk to an acceptable level.

Fiduciary risks relating to financial management and the internal control framework were identified and would be mitigated through the proposed system. The major risks include low salary and compensation levels of civil servants, which make it difficult to attract and retain well qualified and motivated staff. The project financial management capacity at provincial level is weak and counterpart fund arrangements are lacking particularly at provincial level. The financial management system the externally funded projects remains weak and need substantial improvement. A number of key issues and weaknesses regarding IDA funded projects were identified as follows i) inconsistent and inadequate financial management standards, procedures and softwares in project implementation units; ii) delays to project implementation resulting from management of Special Accounts by MOF; iii) delayed audit and lack of consistent external audit standards and procedures; iv) project implementation units' accounting departments that have been poorly staffed and equipped at start-up; v) poor internal control procedures and absence of internal audit in line agencies; and vi) lack of financial management capacity at provincial and district levels. These risks are considered as manageable due to the risk-mitigation measures agreed to be taken under the project.

During project pre-appraisal in February 2003 and appraisal in May 2003, the proposed financial management and disbursement arrangements, including accounting, financial reporting, auditing and fund flow for the project were reviewed by IDA. The mission also assessed the existing financial management capacity of the LTP (CR.2832-LA) to ensure its capacity and system will be adequate and fit with the proposed project. The review concluded that the project would meet minimum IDA financial management requirements subject to implementation and completion of the following actions before the start of the project: (i) completion of the design format of Financial Monitoring Reports (FMRs) acceptable to IDA before negotiation; (ii) hiring of a short-term expert to assist in developing a computerized accounting system and revising the financial and administration manual; (iii) installation of equipment and accounting software to be ready for testing; (iv) completion of the development of the accounting system with chart of account capable to capture project expenditures by provinces, components, disbursement and procurement category, and funding sources; (v) adoption of a project financial management manual acceptable to IDA; (vi) completion of staffing arrangements within the PFD of DOL with an adequate number and mix of skilled and experienced staff who understand the project and relevant accounting concepts and government regulations; and (vii) hiring of an external auditor under qualifications and terms of reference acceptable to IDA. Actions (ii) to (vi) should be completed before Credit effectiveness.

## **5. Environmental:**

Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

An independent environmental consultant was hired by the DOL during project preparation to assess any environmental issues encountered under the LTP, to evaluate the potential environmental impact of the project and to identify, where necessary, mitigation measures for any potentially negative environmental impact. A summary of the environmental analysis is presented in Annex 14. During the preparation of the environmental analysis, the consultant undertook consultations with the various stakeholders in the country. The environmental analysis was sent to the World Bank Info Shop and to the World Bank's Vientiane office for disclosure on March 18, 2003. The document is also available through DOL in Vientiane and has been sent to Provincial Land Offices in project provinces.

The project is classified as safeguards category B/S2 because it is not expected to have significant adverse environmental or social impacts. Other than rehabilitation or construction of small land offices, the project will not support any major civil works. Furthermore, the project will not support land conversion, resource extraction, industrial production or any other activity which could damage the environment. The project will not provide titles in upland areas or areas covered by forest, protected areas or other sensitive natural habitats. The titling activities will be limited to land areas which have already undergone significant utilization such as urban and peri-urban areas, and lowland agricultural areas adjacent to urban villages.

Indeed, the overall environmental assessment shows that, land titling will most likely facilitate a number of land management changes that have potentially high positive environmental impact. Positive impacts of the project on the environment include: the preparation of maps and identification of land ownership which are often used for environmental management, improvement in land tenure security which would provide incentives for using land in a sustainable manner, clarification of tenure rights in cultural heritage sites to prevent encroachment on these sites and, if accompanied by adequate land use planning, more efficient provision of urban and peri-urban infrastructure, enforcement of environmental regulations, better drainage and protection of environmentally sensitive sites.

Nevertheless, the environmental assessment indicates that certain risks may be present if these precautions are not met. For example, in the absence of efficient land use planning and enforcement, land titling may be a contributing factor to uncontrolled urban development which could lower the government's ability to enforce environmental regulations.

Regarding the project's small-scale civil works, measures will be followed to ensure that adverse environmental impacts do not arise. First, to the extent possible all buildings will be located on existing government lands that have already been developed. Second, all proposed civil works will be screened using a simple checklist of potential impacts during the design stage. Based on the screening review, a recommendation will be made as to whether a limited environmental assessment (IEE) or Environmental Management Plan (EMP) will be required. In the unlikely event that an IEE or EMP is needed, it will be completed prior to issuance of construction bid documents. For all sub-projects requiring IEE or EMP, IDA will review these documents prior to construction. In most cases however, adverse impacts will be negligible. Finally, all bid documents for all civil works will include standard clauses to ensure that appropriate measures for waste disposal, sedimentation, dust and noise control are included in construction contracts. Contractors will be obligated to comply with the agreed measures.

## 5.2 What are the main features of the EMP and are they adequate?

The project has been designed to promote environmental management and mitigate any potentially negative impact arising from project activities. To minimize negative impact on the environment, land titling would be limited to urban, peri-urban areas and lowland agricultural areas surrounding urban



villages. No land title will be issued in forest, reserved or other environmentally sensitive areas. The project will support DONLUPAD in developing clear guidelines for the treatment of environmentally sensitive areas by the land administration system, and a clear policy on which certificate would be used for these areas. The project will also support DONLUPAD in reviewing land use planning procedures and enforcement guidelines to ensure that the development and implementation of these guidelines are coordinated with land titling activities. The environmental screening and review and oversight of construction contracts will be the responsibility of DOL.

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: January 2003

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

Consultation took place with various government departments, donors active in the sector and several NGOs during the preparation of the environmental assessment. At present, other donors involved in land and land-related issues include SIDA, AusAID and GTZ. The LWU has also been consulted.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

A baseline survey to measure the socioeconomic and environmental impact is being undertaken under the LTP. A follow-up survey will be undertaken in year 4 of the proposed project with the objective to measure the socioeconomic and environmental impact of the project. Environmental indicators are included in the baseline survey and the follow-up survey. Project supervision teams will periodically monitor the use and effectiveness of environmental screening mechanisms used for civil works and construction supervisors will ensure that waste, dust and noise management controls are followed during civil works construction.

## **6. Social:**

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

During project preparation, a social assessment was carried out that covered areas served by the first project, as well as unserved areas. In general, the social assessment found that the first project had had satisfactory outcomes. Most people surveyed felt that they had benefited in terms of greater security and the power to transfer rights of ownership. They reported a decrease in the number of land disputes, and general satisfaction with the way the project had been run. The economic benefits and associated improvements in well-being were less clear. Although mortgage and land sales values have been increasing, it is difficult to determine what proportion can be attributed to land titling rather than other general improvements in infrastructure and the rise in business activity.

Other activities carried out during the LTP or the preparation of the second project that have provided information for this social analysis include the Land Tenure and Forest Boundaries Study, and results from the CRS/GAD review workshop which took place in March 2003. The following are the social issues raised in the assessments that have been conducted:

(a) *Vulnerability of the poor to the project's risks.* Results from the Social Assessment indicate that the benefits of the project may accrue more to the better-off land owners, while the risks may be greater for the poor. One of the benefits is that land titles can be used as collateral for loans giving title holders greater access to credit. However, formal institutions are more likely to provide loans to those with a regular income and/or thriving business ventures. Also, the indications are that the better-off are borrowing money to start or expand their business enterprises. For the poor there are two areas of risk. The first is that even with the land titles the formal institutions may be reluctant to provide them with loans, forcing them to turn to the informal money lenders where interest rates are much higher. In addition, it may be the case that the poor are more vulnerable to the impact of economic shocks caused by ill health, failed crops, or other family emergency. In these circumstances they may seek loans for non-income generating purposes that place them in a situation where they are unable to repay the loans and may eventually be forced to sell their land. It was certainly the case from the social assessment that almost all of those selling land that they had received titles for, were poor – and many were poor farmers. Special attention will be placed on providing services through the improved CES, that will mitigate the possible risks for the poor, and enhance the benefits.

(b) *Land disputes.* The indications are that the procedures used in the project have forced early and open discussion of potential land disputes and hence more frequent resolution of these issues. However, there are two areas of potential disputes that have been flagged. The first is where there has been a tendency for some of those who have received titles to fence in their land. In some cases, this has been to the detriment of their inner neighbors who may lose their access across the land. This risk can be mitigated by increasing the intensity of community participation at an early stage and using community mapping techniques to raise awareness of potential problems and find solutions early on. However, the project will continue to provide title to the complete block of land owned. If the community wishes to discuss voluntary contributions of land for community purposes such as access or drainage, these discussions should take place after the title has been issued for the complete plot and therefore outside of the project. The second potential dispute risk is that as the value of land and titles increases, inheritance disputes may increase in number or intensity. By increasing the information given out on inheritance rights, and providing legal advisory services, the CES can help to reduce the risk of dispute and find solutions.

(c) *Transparency and accountability.* The need to improve accountability and transparency has been raised at several levels. At the community level, there have been reports of communities, who are not told official fees, being charged some additional expenses not previously agreed. Also there is often confusion over their rights and entitlements. At the district and provincial level, there has been a lack of clarity between the different stakeholders, especially between the LWU and the project teams, about their roles, and the budgets attached to the different activities. This also extends to the provincial and central levels where it is important to clarify expectations in a more transparent way, and to encourage greater accountability for delivering the budgets, services, or resources, that have been promised.

(d) *Land previously owned by Lao who fled.* Land previously owned by people who fled Lao PDR is officially titled as State land. With regard to the rights of those that fled, many have now changed their nationality, and as land can only be titled to Lao nationals, they no longer have claim to the land. People living on or using the land prior to the Land Titling Project, and who may or may not be relatives of those that fled, are granted long term leases. This arrangement gives those living or using the land right to continue to do so, while not permanently removing the possibility of previous owners making a claim in the future should this ever be entertained by the State.

(e) *Community land titles.* Land on which temples or other community assets are built, is titled as State land. There is no current category of community land although under the policy component of the LTP

II. The possibility of introducing such a category will be explored. Community land category may also be appropriate for areas where ethnic groups traditionally manage land on a communal basis and wish to maintain communal rights to the land. It is not possible to completely rule out the possibility that this kind of communal land use will be found in the areas included in the project. In order to preserve these rights, initial screening will identify if there are ethnic minorities using land communally in each project site, and these areas will be excluded from titling. In the event that a policy and law is introduced for granting community titles, and this law is acceptable to IDA, then it may be possible to pilot community titling in those areas identified and previously excluded under the project.

(f) *Gender Mainstreaming.* The LWU have played an important role in increasing significantly the number of parcels of land titled to women and this work needs to continue. Both the legal and customary environment are favorable for this. Legally, the constitution and national laws promote equality by entitling a married woman to one half of property acquired during marriage. Several cultural groups have matrilineal traditions including female land inheritance, and it is customary in many areas for parents to leave their main land-holding to the child that stays at home to look after them in their old age – this is usually a daughter.

While issuing titles in the name of women or joint names is undoubtedly important, women have also expressed through the social assessment survey that they were not given sufficient opportunity to participate throughout the project process and to fully understand their rights with respect to land ownership and inheritance. An improved approach would be one that took a much broader approach to mainstreaming gender throughout the project. At the village level, this will mean adopting procedures that are adapted to the needs of women – separate meetings, different methods of communicating information, and timing activities to fit in with women’s schedules. It will also mean reviewing all other aspects of the project, such as the policy and capacity building components to ensure gender sensitivity. Details of how this can be done are included in the Social Annex.

(g) *Working with Mass Organizations.* Mass organizations, such as the Lao Women's Union, or the Lao National Front for Development, offer opportunities to reach out to, and include groups of people that might otherwise be excluded. Including representatives of these organizations in policy discussions and consultations will also ensure that opportunities are provided for the voice of these marginalized groups to be taken into consideration. However, working with these organizations requires carefully developed procedures to ensure a balance between being effective service delivery mechanisms for the State, and effective channels of voice-representing and responding to the real needs of their members.

(h) *Ethnic group issues.* A Land Tenure and Forest Study was undertaken during the first project and the findings indicated significant issues that would need to be overcome before the project moved into these areas. Therefore they will not be covered in LTP II. By restricting implementation to urban, peri-urban areas, and lowland agricultural areas, it is unlikely that there will be adverse impacts on ethnic groups covered under the Bank's policy on indigenous peoples. Since there is still the possibility that ethnic groups may in some cases be affected by the project, a policy framework has been prepared which aims to a) ensure the informed participation of ethnic groups in the project activities; and b) ensure that ethnic groups are not adversely affected during the development process in accordance with the World Bank's policy on Indigenous Peoples (OD 4.20). In order to identify ethnic groups the CES teams will be trained to assess the communities and identify if groups meeting the criteria are present.

In addition to the specific focus at community level, ethnic groups should be encouraged to apply for positions on the project teams, and also for the courses at the Polytechnic School. Ethnic groups should be represented in policy consultations, through the inclusion of the Lao Front for National Development in these discussions.

(i) *Land Acquisition and Involuntary Resettlement.* Some new offices or buildings may be constructed under the project, although in most cases minor rehabilitation of existing buildings should be sufficient. In the event that individuals are evicted from land because of the need to use such land for carrying out civil works under the project, a resettlement policy framework has been prepared with the government.

(j) *Right of Way.* Where land has been occupied prior to the establishment of state-designated Right of Way, the titles will be issued up to the boundaries of the existing land rights. If the land is then required later for road widening, ditches, or other service provision, the title holder will be eligible for compensation from the State in accordance with the guidelines on involuntary resettlement.

## 6.2 Participatory Approach: How are key stakeholders participating in the project?

The primary beneficiaries are landowners currently without a formal title to their land. The systematic adjudication process proposed for the project is one that is based on a participatory approach whereby all landowners in the area are involved in the process. Similar to other projects in the region, stakeholders will be involved in the preparation, implementation and monitoring of the project as follows: during preparation, stakeholders have been involved in the social assessment and in several consultation workshops and seminars related to project design. During implementation, community groups will participate in the CES, a key activity in the project, which will be used to disseminate information, build community relations, and encourage community participation and public awareness in general. Furthermore, it is proposed that the project develop and establish a mechanism to monitor project implementation at local level, involving the participation of community members, local representatives, Lao Women's Union, and senior citizens groups.

## 6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

A major partner and participant in the project will be the LWU. Currently, it is proposed that the LWU will be involved in several ways, and have a number of different roles in the project: i) as *project implementer and service provider*, the LWU representatives will work alongside the adjudicating teams in the villages and have specific responsibility for ensuring that women understand their rights and entitlements under the project, and with respect to the current Land laws of the country; ii) as *representatives of women*, they will be involved in discussions on future land policies, iii) as *project monitors*, they will be encouraged to monitor the performance of other agencies involved, and the use of the funds. By concentrating all these roles in one organization several areas of conflict of interest are introduced that may limit the effectiveness of the project and need to be carefully assessed.

A second group that will be involved will be the Lao Front for National Development who will be consulted as the representatives of ethnic groups in the discussions on policy and approaches to ethnic groups.

## 6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

In the first project, the involvement of the LWU was considered to be sufficient in itself to ensure community participation and gender sensitivity. However, without a formally recognized role, formal procedures, and the resources to undertake the significant area of responsibility that was assigned to

them, they were limited in their ability to achieve the social development objectives, despite their huge commitment and very considerable efforts to do so. The second project will formalize the responsibility for the community participation, education, and services, within the structure of the project teams. Consultants and contracted staff with clear Terms of Reference will be included. Procedures will be carefully developed, staff will be trained and sensitized, and accountability mechanisms in place. The Lao Women's Union will continue to play a significant role, but with their role as service provider on behalf of the government reduced, they should be encouraged to work more on behalf of those they represent in ensuring the services reach their constituents, lobbying on their behalf, and holding the service providers accountable.

Key to building capacity to address many of the social development objectives will be the introduction of a community mapping activity as an entry point to working with communities in each village. The activity, done jointly by men and women in the community, will identify those who are vulnerable to risks (for example, poor families for whom selling their land would constitute disposal of the majority of their assets, ethnic minority groups that will need to have special consideration, those who may be blocked in without access if all their neighbors constructed fences, and female heads of household). The CES detailed methodology is being worked out and the adoption by the MOF of the CES Operations Manual, which will detail the CES design and working arrangements, is a condition for credit effectiveness. In addition, project staff will be trained in implementation of CES activities, and also in developing service approaches to assist those that have been specifically identified as vulnerable. Annex 11 provides an outline of the CES strategy under the project.

#### 6.5 How will the project monitor performance in terms of social development outcomes?

The baseline survey for the first project was considerably delayed, and with some redesign can now be used also as a baseline for the second project. The second project includes a socioeconomic survey in the fourth year that will measure impacts of the project. Furthermore, the general monitoring and evaluation system of the project, under the responsibility of the PFD of DOL, will be strengthened, including specific output, outcome, and impact indicators of social development.

In addition, the community mapping exercise offers the opportunity to collect basic data from the villages as the project proceeds and some simple community monitoring approaches could be introduced that would help to identify issues as the project proceeds.

**7. Safeguard Policies:**

7.1 Are any of the following safeguard policies triggered by the project?

Policy	Triggered
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Indigenous Peoples (OD 4.20)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

*Involuntary Resettlement:*

The new buildings proposed in the second project include new offices for DONLUPAD in Vientiane, a new two story building and drawing laboratory at the Polytechnic School in Vientiane, and construction or rehabilitation of existing offices in nine districts in five provinces. Two or three alternative locations have been identified for the two new buildings in Vientiane. Both buildings will be on State land, within the boundaries of the existing office/Polytechnic School land. Only one of the possible sites identified so far has a family living on and using the land. Sites in the districts have not been identified, but are all expected to similarly be on State land close to or within the boundaries of existing office lands. Resettlement within the project will be limited and only a few families, if any, will be affected.

A National Policy and a Decree on Resettlement and Compensation have been drafted by the Science, Technology and Environment Agency with technical assistance provided by the ADB. The policy has been widely discussed, and has been submitted with the Decree to the Prime Minister's office. Approval of both documents is expected in May, and technical guidelines are also drafted to be adopted once approval has been given. As the policy and decree have not yet been approved, and in order not to risk any associated delays that would affect the project, a separate resettlement policy framework for the project has been prepared with the Government for the project. The Resettlement Framework and Guidelines are in line with those being proposed for adoption by the Government under their own national policy.

*Indigenous People:*

The project has determined that it will not provide individual titles of land in areas inhabited by indigenous minorities. Instead as mentioned above, relevant studies will be undertaken and appropriate measures will be put in place in order to facilitate future land titling to these groups.

The teams contracted to undertake community outreach and mapping in the project sites will conduct the screening to determine the presence of people who would meet the criteria as indigenous minorities to be covered by IDA's policy, in the area. Consultations will take place with these groups to explain about the project and to inform them that land titling of their areas will take place at a later date or during the next project.

*Cultural Property:*

Laos has sites of great cultural significance, not all of which are currently known. The project will not issue titles to lands the government deems as high priority for further study. It is expected that under the project, the boundaries of these areas will be delimited and title will be issued in the name of the state.

Social and Environmental Guidelines have been prepared to ensure that appropriate policies and procedures are defined and applied to avoid or mitigate any potential negative impact of the project on vulnerable groups and on the environment, in particular when safeguard policies are applicable. The Social and Environmental Guidelines was approved by the Minister of Finance prior to negotiations.

**F. Sustainability and Risks**

**1. Sustainability:**

A number of actions will be taken to ensure project sustainability. Firstly, to ensure that benefits of the first-time registration are sustained through the registration of subsequent transactions, the project will include public information campaigns to explain the importance of registering land transactions for maintaining land tenure security and gaining access to credit. Secondly, the project will support the development of institutional and human resource capacity that will sustain titling and registration activities which will help build capacity to manage title transfers after the project is completed. Thirdly, the project will study and formulate land policies aimed at eliminating factors that discourage people from registering land transactions, such as high transfer taxes and the requirement for three levels of registering transactions (village, district and province). Finally, Component 1 of the project (Further development of land policy and regulatory framework) will conduct a specific study on the financial sustainability of the land registration system, with a view to formulating recommendations on options to strengthen the long-term sustainability of land administration.

**2. Critical Risks** (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

<b>Risk</b>	<b>Risk Rating</b>	<b>Risk Mitigation Measure</b>
<b>From Outputs to Objective</b>		
Domestic market conditions with regard to demand and prices remain stable.	S	External to the Project.
Financial sector is not strengthened.	S	The Financial Sector Reform Project will assist in strengthening the financial sector.
Social and political stability.	M	External to the project.
<b>From Components to Outputs</b>		
The government is not committed to land policy reform.	S	IDA is maintaining an active dialogue with DOL and other implementing agencies to keep abreast of the developments in government. The project will be scaled back if commitment to reforms flags.
Stakeholders are not able to reach consensus on the priority policy areas.	S	The project would include support to the government to undertake consultations with the main stakeholders on land policy issues to facilitate consensus building. The scope of the land policy component will be reduced if it is clear that the government is not able to reach consensus.

The government is not committed to institutional reform.	S	IDA is maintaining an active dialogue with DOL and other implementing agencies to keep abreast of the developments in government. The project will be scaled back if commitment to reforms loses momentum.
Government counterpart funds are not available.	H	Continued dialogue with the Ministry of Finance.
Skilled professionals are not available to join land adjudication and surveying teams.	M	The project will support the development of a high level diploma in surveying and land administration.
Government is not committed to gender mainstreaming in project activities.	M	Technical Assistance will be provided to develop gender mainstreaming activities under the project and provide adequate awareness at all levels of the importance of gender mainstreaming to achieving the overall objectives of the project.
Government does not fulfill the commitment to increase the number of government staff in provincial and district land offices.	S	Continued dialogue with government. The scope of the land registration component will be reduced if the government is not able to fulfill its commitment.
Community are not aware of the benefits of land registration.	S	Extensive public relations would be implemented under the project to explain the benefits of land registration.
<b>Overall Risk Rating</b>	<b>S</b>	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

### 3. Possible Controversial Aspects:

None

## G. Main Loan Conditions

### 1. Effectiveness Condition

The Association will consider the Credit effective when:

- The Borrower has adopted the Procurement Manual, the Financial Management Manual, and the Community Education and Services (CES) Operations Manual (PAD, Annex 2 and Annex 6 (A) & (B); DCA Article VI (a) and Schedule 4, para. 4).
- The Borrower, through the Ministry of Finance, has adopted the Restructuring Plan and appointed essential personnel in accordance therewith in its Department of Lands, satisfactory to the Association; (PAD, Section C.2; and DCA Article VI (b)).
- The Borrower has hired a Land Policy Advisor to provide support to DONLUPAD in the implementation of component I and has hired an Implementation Advisor to support DOL in project implementation (PAD, Annex 2; DCA, Article VI (c) and Schedule 4, para. 1 (b)).
- DOL has executed the MoUs between DOL and LWU, DONLUPAD, the Polytechnic School, and NGD (PAD, Section C.4; DCA Article VI (d), and Schedule 4, para. 6).
- The Borrower has established within PFD/DOL a computerized financial management system, which includes accounting software capable of generating FMR reports and financial statements, all acceptable to IDA; and hiring and training three additional financial management staff at PFD (2 accountants and 1 cashier), as well as two additional staff at DONLUPAD (1 accountant and 1



- cashier) (PAD, Annex 6 (A) & (B); DCA Article VI (e) and Schedule 4, para. 1).
- All conditions precedent to the effectiveness of the AusAID Grant Agreement have been fulfilled, other than those related to the effectiveness of this Agreement (DCA Article VI (f)).

## **2. Other** [classify according to covenant types used in the Legal Agreements.]

### **Other Conditions**

A Project Steering Committee (PSC) will be established by November 30, 2003, to oversee general project implementation, and will be maintained over the life of the project; in each project province, a provincial Project Oversight Committee (POC) will be established and will be maintained over the life of the project (PAD, Section C.4; DCA, Schedule 4, para. 2).

- DOL and DONLUPAD will, by November 30, 2003 and August 31 of each year thereafter, furnish to IDA for its review and comments, an annual work plan and budget, a procurement plan, and a training plan for each agency, and implement them taking into consideration the comments received from IDA (DCA Schedule 4, para. 3).
- DOL and DONLUPAD will submit a joint mid-term review report no later than February 28, 2005 in preparation of the first Mid-Term Review, to be undertaken no later than March 30, 2005. The Mid-Term Review report will include an assessment of the project performance, re-calculation of project costs and procurement arrangements, and discuss the need to adjust or restructure the project design based on the experience of the first half of the project implementation period. DOL and DONLUPAD will submit similar reports for the second Mid-Term Review no later than September 28, 2006. The second Mid-Term Review will be undertaken no later than October 31, 2006 (DCA, Schedule 4, para. 13 (b) and (c)).
- DOL and DONLUPAD will, by August 31, and February 28 of each year, beginning February 28th, 2004, furnish to IDA and other co-financiers a joint six-monthly progress report outlining progress in project implementation in the previous six months, any issue which requires attention, and a plan for the next six months. The progress reports will also include a section on the key indicators and another section on Financial Management. The format of this report will be developed and submitted to IDA for its review and comments no later than December 31, 2003 (DCA Schedule 4, para. 14).
- An annual financial audit will be conducted by an independent auditor acceptable to IDA, following terms of reference approved by IDA, and in accordance with international auditing principles. Such audits will be submitted to IDA within six months of the close of each fiscal year (PAD, Section C.2, and Annex 6 (B); DCA, Schedule 4, para.15).
- DOL and DONLUPAD will jointly submit a government contribution to the Implementation Completion Report within six months after project completion.

### **Conditions for Component I**

- DONLUPAD will, by April 1, 2004, initiate public consultations for the development of a national land policy. The national land policy paper will be completed by September 30, 2005, and the a revised land law based on the national land policy will be submitted to the National Assembly by September 30, 2006 (PAD, Annex 2; DCA, Schedule 4, para. 7 (b)).
- DONLUPAD will develop a strategy on coordination and sharing of land information no later than December 31, 2004 (PAD, Annex 2; DCA, Schedule 4, para. 7 (c)).

### **Conditions for Component II**

- Implementation of the restructuring plan of DOL shall be completed by October 31, 2003. The yearly staffing plan for DOL and the provincial land offices will be fully implemented by December 31 of each year (PAD, Annex 14; DCA, Schedule 4, para. 8).

**Conditions for Component III**

- DOL would develop, adopt, and monitor service standards for the operations of provincial land offices by June 30, 2004 (PAD, Annex 2; DCA, Schedule 4, para. 9).

**Conditions for Component IV**

- DOL will, by May 31, 2004, submit to the Association for its review and comments, a timebound action plan in respect of the community education and services activities to be carried out under the Project. DOL will, by June 30, 2004, commence, the implementation of the said plan (PAD, Annex 11; DCA, Schedule 4, para. 10(a) and 10 (b)).

**Conditions for Component V**


- A monitoring and evaluation system will be developed in DOL to monitor project inputs, outputs, outcome and impact. The system will also report on progress on the activities undertaken by DONLUPAD. The system will be completed by June 30, 2004 (PAD, Annex 15; DCA, Schedule 4, para. 11 (c)).
- The second round of the socioeconomic and environmental impact assessment will commence no later than October 31, 2006 (PAD, Annex 2; DCA, Schedule 4, para. 12(b)).

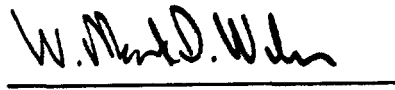
**H. Readiness for Implementation**

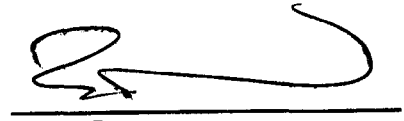
- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
- 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

**I. Compliance with Bank Policies**

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

  
Wael Zakout  
Team Leader

  
Mark D. Wilson  
Sector Manager/Director

  
Ian C. Porter  
Country Manager/Director

**Annex 1: Project Design Summary**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

<b>Hierarchy of Objectives</b>	<b>Key Performance Indicators</b>	<b>Data Collection Strategy</b>	<b>Critical Assumptions</b>
<p><b>Sector-related CAS Goal:</b>            Reducing poverty and enhancing general economic growth through: (i) Promoting investment in natural resources management and improving agricultural productivity; (ii) promoting the development of private sector.</p>	<p><b>Sector Indicators:</b></p>	<p><b>Sector/ country reports:</b></p>	<p>(from Goal to Bank Mission)</p>
<p><b>Project Development Objective:</b>            To improve the security of land tenure; to develop transparent and efficient land administration institutions at the national and provincial levels; and to improve the government's capacity to provide social and economic services through broader revenue base from property related fees and taxes.</p>	<p><b>Outcome / Impact Indicators:</b></p> <p>Increasing resolution of land disputes.</p> <p>General satisfaction in land office services.</p> <p>Equal access of women to land office services and land titling activities.</p> <p>Increase in the number of formal land transactions (both sales and rentals).</p> <p>Increase in investment in the property sector.</p> <p>Increase in formal lending, increase size of loans, and reduction in interest rate.</p> <p>Increased household income in project areas.</p> <p>Increase in government revenues from land and property taxes and fees.</p>	<p><b>Project reports:</b></p> <p>Government reports.</p> <p>Socioeconomic and environmental impact assessment.</p> <p>Land office records.</p> <p>Project progress reports.</p>	<p>(from Objective to Goal)</p> <p>Domestic market conditions in regard to demand and prices remain stable.</p> <p>Financial Sector is strengthened and banks are able to extend loans to clients.</p> <p>Social and political stability.</p>

<p><b>Output from each Component:</b> Key land policies are formulated and associated regulatory instruments developed and adopted.</p> <p>DOL has the institutional capacity to undertake its mandate in an efficient, effective and sustainable manner.</p>	<p><b>Output Indicators:</b></p> <p>National Land Policy Committee established and functioning effectively.</p> <p>Procedures for policy development based on consultation with key stakeholders developed and adopted.</p> <p>Government capacity to study and formulate land policies improved.</p> <p>Policies, regulatory framework, and implementation procedures on key land policies approved by government.</p> <p>Enhance public awareness of land policy issues.</p> <p>Guidelines for the treatment of environmentally sensitive areas in land administration developed and implemented.</p> <p>A strategy on land information sharing developed and approved; a pilot of land information sharing is tested.</p> <p>Restructuring plan of DOL is approved and implemented by October 1, 2003.</p> <p>Provincial land offices established and well functioning.</p> <p>Land Tax Division of DOL strengthened and separated from DOL in year 3 of the project.</p> <p>Relationship between DOL and their provincial and district land offices is</p>	<p><b>Project reports:</b></p> <p>Government reports.</p> <p>Project Progress reports.</p> <p>Bank supervision reports.</p>	<p><b>(from Outputs to Objective)</b></p> <p>High level government commitment and strong political support to policy reform.</p> <p>Ability of key government agencies related to land resources to reach consensus on the priority policy areas.</p> <p>Increased civil society information and awareness of land policies.</p> <p>High level government commitment for institutional reform.</p>

<p>Well functioning land registration system.</p>	<p>streamlined and line of reporting on technical and administrative matters improved.</p> <p>Project implementation is streamlined through the normal structure of DOL and the provincial land offices.</p> <p>Human capacity (number of staff graduated from the high level diploma program); and number of graduates retained by the government.</p> <p>Increased percentage of women staff in DOL and their provincial and district land offices.</p> <p>Increase in the percentage of women and ethnic groups people enrolled in the high level diploma.</p> <p>M&amp;E systems and procedures developed and implemented to support project management and assessment of impact and service delivery and stakeholder perception.</p> <p>Number of provincial and district land offices established in project areas.</p> <p>Service Standards for land registration transactions developed, agreed, implemented and monitored.</p> <p>Streamlined procedures land registration procedure developed and implemented.</p> <p>Over 80% of subsequent land transactions are registered.</p> <p>Development and</p>	<p>Land office reports and statistics.</p> <p>Project quarterly annual special reports.</p> <p>Socio-economic impact assessment.</p> <p>Bank's supervision reports.</p>	<p>Counterpart funds are timely available.</p> <p>Government fulfilled the commitment to increase government staff in provincial and district land offices.</p> <p>Communities are aware of benefits of land registration.</p>
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<p>Well functioning system for issuing land titles.</p>	<p>implementation of a community relations program, including active program of monitoring community satisfaction.</p> <p>Development and implementation of land record management strategy.</p> <p>Increased percentage of women staff in the provincial and district land offices.</p> <p>Effective community education and services program implemented , including broad social awareness, impact monitoring and full LWU participation.</p> <p>Number of villages covered by the VIS system.</p> <p>Effective community education and services program implemented including broad social awareness, impact monitoring and full LWU participation.</p> <p>Number of titles issued.</p> <p>90% of issued titles collected by the beneficiaries.</p> <p>Productivity of SAT teams.</p> <p>Number of titles issued in name of women or joined titles.</p> <p>Cost per title is less than US\$25.</p> <p>Titles production and distribution in less than 4 months after adjudication.</p> <p>Percentage of women in adjudication teams.</p> <p>Forward planning process for area selection is in place and efficient.</p>	<p>Socio-economic and environmental assessment.</p> <p>Land Office Records.</p> <p>Progress Reports.</p>	<p>Availability of government counterpart funds</p> <p>Availability of skilled professionals to be hired for adjudications and surveying.</p>
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<p>Improved capacity of DOL and land offices to implement and manage project activities.</p>	<p>Enhanced DOL capacity in project management, including procurement, finance, planning, budgeting and monitoring.</p> <p>Establishment of an M&amp;E system; M&amp;E reports produced regularly.</p> <p>Contracting of the second round of socioeconomic and environmental impact assessment by October 31, 2006.</p>	<p>Project Progress Reports.</p> <p>Supervision Reports.</p>	<p>Availability of counterpart funds.</p> <p>Fulfillment by MoF of commitment to hire additional staff in DOL.</p>
<p><b>Project Components / Sub-components:</b></p> <p><b>1. Development of land policy and regulatory framework</b></p> <p>(a) Development of government capacity to formulate land policies;</p> <p>(b) Land policy formulation and development and drafting of regulatory framework;</p> <p>(c) Establishment of a coordination mechanism for land information.</p> <p><b>2. Institutional Development</b></p> <p>(a) Long term institutional development of DOL and Provincial Land Offices;</p> <p>(b) Training and Human Resources Development;</p> <p>(c) Education in the area of land administration, land management, and property valuation.</p> <p><b>3. Development of a modern land registration system</b></p>	<p><b>Inputs: (budget for each component)</b></p> <p>US\$3.13 million</p> <p>US\$2.13 million</p> <p>US\$2.24 million</p>	<p><b>Project reports:</b></p>	<p><b>(from Components to Outputs)</b></p>

<p>(a) Strengthening of land offices to achieve agreed service standards;</p> <p>(b) Community Education and Services;</p> <p>(c) Strengthening land valuation to support land registration;</p> <p>(d) Support to the Department of State Assets.</p>			
<p><b>4. Accelerated Land Titling through Systematic Registration</b></p>	<p>US\$7.98 million</p>		
<p>(a) Community Education and Services;</p> <p>(b) Systematic land titling.</p>			
<p><b>5. Support to Project Management and Implementation</b></p> <p>(a) Technical Assistance to support capacity building;</p> <p>(b) Support to project management and implementation;</p> <p>(c) Monitoring and Evaluation.</p>	<p>US\$8.44 million</p>		



**Annex 2: Detailed Project Description**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

**By Component:**

**Project Component 1 - US\$3.13 million**  
**Development of Land Policy and Regulatory Framework**

This component will support the development of the land policy and regulatory framework through (i) the development of government capacity to coordinate the formulation of land policies; (ii) the formulation of key policies in the areas of land management and administration, and the development and drafting of decrees and ministerial instructions to implement them; and (iii) coordination of land information. Technical Assistance for this component, which is essential to ensure capacity building in the recently created DONLUPAD, will be financed by IDA. An International Land Policy Advisor will be hired as a condition for Credit effectiveness.

**A. Development of the government's capacity to formulate land policy**

This subcomponent will strengthen DONLUPAD to formulate land policies and propose revisions of laws and regulations. The subcomponent will facilitate the operation of the new National Land Policy Committee (NLPC) in order to coordinate policy and regulatory development. The NLPC includes representation from the various agencies concerned with land administration and management, with its secretariat located in DONLUPAD.

The sub-component will finance a new building for DONLUPAD, vehicles, office equipment and furniture, contractual staff, public consultations, seminars and events of the NLPC, government and contractual staff travel costs, and publication and dissemination of policy papers, laws and regulations. The subcomponent would also finance technical assistance.

**B. Land policy formulation and development of legal regulatory framework.**

This subcomponent will support the formulation of key land policies for land administration and management, and the drafting of required regulatory and legal instruments to implement them. The subcomponent will provide support for reviews of policy and where necessary studies on these issues, policy development and any changes in regulations or amendments to laws, including the Land Law. A number of policy issues have been tentatively identified in the discussion paper "Issues and Options for Policy and Strategy Program for Land Administration and Land Use Planning in Lao PDR." This subcomponent will be implemented by DONLUPAD, which has responsibility for land policy development and coordination of land agencies.

Broad land policy development is the responsibility of DONLUPAD and the NLPC. Proposals for policy revisions and legal measures will be developed by DONLUPAD, discussed by NLPC and forwarded to government, and where appropriate to the National Assembly. In the short term, DONLUPAD will be conducting consultations leading to legal measures to deal with issues arising under Articles 3 and 85 of the Land Law. These measures should be proposed to government by September, 2003. In a second stage of work, from September 2003 through September 2004, DONLUPAD in consultation with the NLPC will develop a National Land Policy. There are a variety of policy issues noted in the Issues and Options paper that need attention, identified under broad categories of i) land administration; ii) land allocation and settlement; iii) land management and land use planning and development; and iv) land taxes, fees and

valuation. The National Land Policy would chart key directions for change in these areas, for approval by government. Subsequently, detailed proposals for policy revision would be prepared for priority topics.

For each priority topic a proposal for policy revision would be prepared. Where necessary, this would be preceded by a study. Each policy revision proposal would be subjected to public consultation, and based on the recommendation of the NLPC a final proposal would be sent forward to government for approval. Legal instruments needed to implement the policy change would then be prepared and approved. Priority areas for policy revision on which work would begin in Year I of the project have been identified as: i) community ownership of land, ii) land allocation, and iii) land markets. In Year II, priority issues would be iv) land classification and regulations, and v) land based revenue. A study would be required for policy development on the second topic. In Year III, a study would be carried out on vi) sustainability of the land registration system. A framework for Terms of Reference for development of these studies and proposals is included in the project preparation report. Further priority areas for policy revision work during Years IV and V are expected to be identified as policy development proceeds, including the compatibility of the existing legal framework with customary practices, including inheritance and family separation.

This sub-component will finance consultants services to undertake studies and policy analysis, consultations workshops, contractual staff, travel cost for government and contractual staff, incremental operations cost, training, education and overseas study tours, and technical assistance.

### **C. Coordination of land information**

This subcomponent will support the development of policy for the coordination of the collection and sharing of land information by land-related agencies. The sub-component will initially support the development of a general strategy to coordinate land related data. The project would support the implementation of the first phase of the strategy to focus on coordinating land information in Vientiane Prefecture.

The component will finance consultant services to develop the land information strategy, equipment and furniture and incremental staff cost. If the implementation of the first phase is successful, and in agreement with IDA, the subcomponent will finance the creation of a National Land Information Center (focusing on Vientiane Prefecture) through data acquisition, creation of a meta-data system for indexing, accessing and standardizing land information sources, procurement of GIS and image processing software, and the publication and dissemination of promotional/informational material about the Center. The component will also finance the establishment of an Infoshop to sell the data to public and private users. Government policy on data sharing and charge back will be developed before proceeding with the implementation of the establishment of the National Land Information Center.

### **Project Component 2 - US\$2.13 million**

#### **Institutional Development**

This component will provide support to three main areas: (a) restructuring of the DOL and of the PLOs and DLOs, to provide the basis for the long term institutional development of a modern and efficient land administration agency; (b) training and human resources development for DOL and other institutions involved in project implementation at central, provincial and district levels; and (c) support to the Polytechnic School's education programs in land administration, management, and property valuation.

## **A. Long term institutional development of the Department of Lands (DOL) and its provincial land offices**

Weaknesses in the organization and functioning of DOL were identified as key constraints to the successful implementation of the LTP. As part of project preparation, a workshop was held in DOL to agree on a re-structuring plan, in accord with previous analytical work, for the department and its provincial and district offices.

This sub-component will support the implementation of the agreed restructuring plan for DOL and provincial and district land offices. Major elements of the restructuring plan include:

(i) the integration of the Project Support Unit (PSU) in DOL and of the provincial Project Facilitation Units (PFUs) in the PLOs. At central level, staff of the PSU will be transferred to the new PFD of DOL and carry out the functions of project management, including planning, budgeting, procurement, disbursement, monitoring and reporting, and overall coordination of project activities. The Technical Monitoring Unit of the PSU will be transferred to the Cadastral Surveying Division (CSD); at provincial level, the Provincial Project Facilitation Units (PPFU) will be merged with PLOs' Planning and Finance Section (PFS). The PFS of PLOs will be responsible for project management, including planning, budgeting, local procurement, sub-account management, supervision of project activities (including Surveying and Adjudication Team (SATs), monitoring and reporting; similar structures would be adopted and implemented in district land offices;

(ii) streamlining the functional and administrative relationships between DOL and the provincial and district land offices;

(iii) a staffing plan for projected staff requirements in DOL and in provincial and district land offices, and analysis of training and Human Resources Development (HRD) needs. Staff will be redeployed to the new divisions and units of DOL, and to the new sections of PLOs and DLOs, with a total incremental number of staff of 187 over five years, including 49 civil servants and 138 contract staff. Most of the increase will occur at provincial and district level. In addition, SAT team composition will be strengthened by the recruitment of new CES staff. Recruitment of new CES staff will be based on criteria and skills requirements developed during project preparation; and

(iv) strengthening the monitoring capacity of provincial land taxation units including the establishment of tax database, in preparation for the transfer of land tax functions out of DOL in the medium term.

The preparation and approval of Ministerial regulations covering the functions and responsibilities of the new structure will be completed prior to the start of LTP II. Further work is also required to review skill needs, update and refine job descriptions and develop criteria for staff redeployment and recruitment. The international HRD/training adviser under the current project will assist DOL in preparing the necessary ministerial regulations, HRD requirements and a training strategy.

Support under this sub-component would include long-term inputs from an international institutional advisor and a national HRD advisor to implement the restructuring plan and build capacity in DOL. The sub-component will finance incremental contractual staff at DOL, PLOs and DLOs. The sub-component will also provide funds for furniture, office equipment and vehicles, and operating costs for the new Technical Support Unit and Central Training Unit, and fund the development costs of a land tax database system in land tax sections of PLOs.

## **B. Training and Human Resources Development**

Deficiencies in human capital and specific skills, as well as in HRD planning, practices and management were a major cause of delays in the implementation of the LTP. Addressing these weaknesses is central to the capacity building focus and to achieving the objectives of LTP II.

The implementation of the restructuring plan of DOL and provincial and district land offices and the development of project activities will require strengthening of current training activities to meet the training needs of current and new staff of DOL and other departments and institutions involved in project implementation (DSA, NGD, Polytechnic School, LWU, DONLUPAD) at central, provincial and district level.

The planning, management, coordination, outsourcing, monitoring and evaluation of training programs under the project will be the responsibility of the new Central Training Unit of DOL. The Central Training Unit will access and manage technical expertise from within DOL, the Polytechnic School and the private sector for the purposes of assessing training needs of stakeholders; preparing training modules, manuals and materials; delivering training; and evaluating training courses. Technical assistance (international and national) will be required to support train-the-trainer programs in most technical areas of the project until sufficient trained trainers become available. Training will be conducted at central and provincial level and cover the needs of all project implementing agencies. Short course training requirements are expected to include land policy, land registration, valuation, CES, project management and planning, training management and human resource management as well as computer and English skills.

An outline training strategy has been developed during project preparation. This training strategy will be further developed by the HRD/training adviser in the current project, prior to the start of LTP II.

The project will finance a long-term international institutional advisor and national HRD adviser who will assist the Central Training Unit implement the training strategy. The project will also finance the cost of conducting training programs as well as funding 10 scholarships for staff of DOL, PLOs, DLOs, NGD, LWU and DONLUPAD to attend the 3-year High Diploma in Survey and Land Administration at the Polytechnic School. A further 10 scholarships will be provided for contract and/or non-project students. Special attention to gender balance will be given in granting scholarships and in all training programs to ensure equal opportunities for women.

This sub-component will also include further support for strengthening of HRD management and planning practices in relation to merit recruitment, operating procedures and standards, job descriptions, establishment register, performance appraisal, etc.

## **C. Education in the area of land administration and management and property valuation**

Under the LTP, support was provided to the Polytechnic School, under the Ministry of Education, for curriculum development and training to enable the School to offer a High Diploma in Survey and Land Administration (HDSL A). The new final year curriculum has been specially designed to include modules relevant to LTP II including land policy, project management, valuation, land administration and CES. The annual intake for the High Diploma is 35 students.

The project will support implementation of the HDSL A through financing of short-term international and national education advisors to upgrade teaching, education management and technical skills of the Polytechnic School staff. Scholarships would be provided to two lecturers from the Polytechnic School

for study in a country in the region. The project will also support the construction of a new lecture building and a drawing laboratory, the renovation of dormitories and lavatories, the provision of teaching material, equipment and vehicles. The sub-component will also finance, on a declining basis, maintenance and operating costs incurred by the program.

### **Project Component 3 - US\$ 2.24 million**

#### **Development of a modern Land Registration System**

This component will continue to strengthen the land registration system, the associated work flow procedures and in particular the operation of land offices as this is the means of ensuring a transparent and efficient system that is sustainable and accessible to all citizens of Lao PDR. The component has four sub-components.

##### **A. Strengthening of land offices to achieve agreed service standards**

This subcomponent will focus on the operation of the land offices to ensure that they can meet the demands of a significantly increased number of transactions arising from the 200,000 titles issued under the LTP and the 320,000 titles to be issued under LTP II. Appropriate service standards will be identified, land office processes re-engineered, and new workflow processes will be implemented. The regulatory framework and work instructions for land registration will be regularly reviewed to identify opportunities for improvement and to overcome problems that may arise. Physical proximity and access to land offices will be assessed as many people do not live close to provincial land offices and for this reason, the role of district land offices will be carefully examined. Selected district land offices will be established to test the best way to provide land office services at the district level. Once the experience is tested and evaluated, a decision on further support to district offices will be evaluated during the mid-term review of the project. In selected provinces where “mobile SATs” are proposed to operate, land offices will be upgraded to enable the establishment of the Land Registration System.

The sub-component will finance office renovations and new land offices in selected provinces and districts, the development of land office computerized applications, associated hardware and software and training and equipment, training and incremental operating cost. The sub-component will also finance the costs of contractual staff, and travel cost of contractual and government staff. Technical assistance support for this subcomponent involves inputs from a land registration advisor, a cadastral advisor and an Institutional and HRD advisor.

##### **B. Community Education and Services (CES)**

This subcomponent includes support for community education and services, and information dissemination and community participation activities in all components of the project including land office services and operations. Provincial land offices will be where most of the CES activities are planned and coordinated and CES staff in those offices will need to have further training to cover the wider scope of CES in LTP II. The Lao Women’s Union will continue their role as a contracted agent for the delivery of certain CES activities although coordination mechanisms will be improved. As women make up a significant proportion of Land Office customers, strategies to deal with relevant gender issues will be incorporated into all CES activities. A communication strategy will be developed by DOL, that will take into account the expanded role of CES in LTP II. Existing CES material will also be revised accordingly. Monitoring the effectiveness of CES activities will be improved through regular, rapid participative evaluations and a customer feedback/complaints mechanism in land offices so that CES processes and materials can be modified to better meet customers needs.

One aspect of this sub-component is the development of advisory services for land title holders. It will involve finding ways to develop on-going links with communities who have already received titles to follow up on those identified as vulnerable so that they get additional support, and to ensure that registrations are kept up to date. This may involve on-going links with LWU and village leaders, and periodic communication campaigns to remind people about the benefits of updating registration.

The sub-component will support information dissemination through mass media and producing other information materials such as posters. The sub-component will finance the costs of contractual staff, travel cost of contractual and government staff, and incremental operations cost. It will also support the training of CES staff, office equipment and the contracting of the LWU's CES activities. Technical assistance includes provision of a CES advisor.

### **C. Support valuation services**

This subcomponent will support valuation capacity building through educational and training initiatives so that Lao PDR has sufficient valuers to ensure the robustness of the current Valuation Information System (VIS) and associated processes that support the land registration system, as well as the capability to provide a wider range of valuation services to support a modern land administration system in the future. In addition, during this phase of the project, the current VIS will be established in further selected provinces where systematic registration has occurred and expanded to new districts in provinces in which the VIS already exists.

The project will finance contractual staff, travel cost of contractual and government staff, training, valuation map production, office equipment (including computers), motorbikes, and incremental operational costs. Technical assistance support for this subcomponent involves inputs from a valuation advisor.

### **D. Support to the Department of State Assets Management (DSA)**

Over 20% of urban land parcels are state land. The integrity and completeness of DOL's Land Registration System is dependent on DSA participating in all aspects of the land registration process. Currently, while ownership of land by the State is recorded, the occupier's rights to lease the land are not recorded. However, DSA has indicated that it intends to register State land leases with DOL. In order to assist in the establishment of a system of registering State land leases with DOL, this subcomponent will support the improvement of DSA record management processes including measures to ensure that these processes are compatible with similar processes used in land registration in land offices. As part of this support, the means of providing access to land office information for the DSA will be explored to improve the efficiency and effectiveness of DSA and avoid duplication of effort.

The project will finance office renovations, office equipment and training. Technical assistance support for this subcomponent involves inputs from the land registration advisor.

### **Project Component 4 - US\$7.98 million**

#### **Accelerated Land Titling through Systematic Registration**

The component will include two sub-components: (i) community education and services; and (ii) systematic land titling.

## **A. Community Education and Services**

In the LTP, the information activities were carried out under a CRS component. In the second project an expanded range of activities are identified in the CES strategy and are integrated into several components of the project. A major part of the CES strategy is the community mapping and participation that will be undertaken as part of the systematic registration component. The community mapping will identify the social and ethnic profile of the communities before the commencement of the land titling activities. This information will be used to: (i) identify whether the community lives in indigenous setting and therefore, individual land titling may not be appropriate; (ii) assess whether the community uses part of the land as communal land, and therefore, this area should not be provided individual titles; and (iii) assess whether there is a need for refining the CES strategy for this community to address their specific needs.

Information dissemination and community participation in support of systematic registration will be planned and coordinated through provincial land offices. The LWU will continue to play an important role. The sub-component will also improve transparency and involve communities in the process at an early stage in helping to identify potential problems and address these jointly. Simple information about the community will be collected as part of the community mapping which will provide an opportunity to disseminate information about the land rights, benefits and risks of titling, and the project process.

## **B. Systematic Land Titling**

This component will continue to support the program of accelerated land titling. It will be based on improved methods that take advantage of the lessons learnt in the LTP and new methods, such as the use of total station and GPS technology. In the second phase, systematic registration will focus on urban and peri-urban areas and lowland agricultural areas in the eight original LTP provinces and Vientiane Municipality and will use the same 22 systematic adjudication teams (SAT). The system of forward planning will be strengthened and be based on defined area selection criteria. Forward planning will include the coordination with NGD to ensure adequate maps and control points are available before SATs are deployed in new areas.

Expansion to further provinces will only occur where there is confidence that there is capacity and funding available. A new approach, "mobile SAT" will be piloted in one province where an existing SAT will be deployed to work in new areas in another province. Should this trial be successful, up to 3 SATs will be transferred to work on areas identified and agreed with the supervision missions before the mobilization of these teams to the adjudication sites.

In provinces where the "mobile SAT's" are to operate the Land Registration System will be established to support the current titling activity and future activity with titled land.

NGD will service the need for control points for systematic registration (as well as base maps to support VIS). This work will be supervised by the Cadastral Survey Section of DOL.

Technical monitoring will continue to be an important task and will be undertaken by the Technical Monitoring Unit of DOL. Reports from the technical monitoring will form an integral part of the six monthly progress reports.

The project will finance contractual staff, travel cost and other field allowances for government and contractual staff, office and survey equipment, vehicles, aerial photography and orthophoto production to support systematic land titling, training, supplies and materials. Technical assistance support for this subcomponent involves inputs from the land registration advisor and the cadastral survey advisor.

Attachment I includes the project provinces and the list of criteria for assessment of a possible expansion to other provinces. Attachment II includes the number of land titles to be issued in each of the project provinces per year.

**Project Component 5 - US\$8.44 million**  
**Support to Project Management and Implementation**

This component includes three sub-components: (i) Technical assistance to support capacity building; (ii) Support to project management and implementation; and (iii) Monitoring and evaluation.

**A. Technical Assistance to support capacity building**

The considerable technical assistance from the Australian Agency for International Development (AusAID) under LTP has been instrumental in helping DOL build its capacity and implement the first project. Continued technical assistance to support the management and implementation of LTP II is essential to allow the project to consolidate the achievements of LTP and support the development of the new functions of the DOL and its provincial and district land offices, as well as other agencies and institutions involved in the project.

In LTP II, it is expected that AusAID will finance long-term technical assistance in the areas of project management and planning, institutional development, HRD, CES and land registration (subject to ministerial approval). Short-term technical assistance will be provided in the areas of surveying, valuation, education and monitoring and evaluation. AusAID will also finance national advisers in the areas of land registration, systematic adjudication, HRD, CES, education and survey and mapping. In addition, funding will be provided for scholarships and training in Australia and other countries in the region.

Technical assistance will have a particular focus on capacity building through support and mentoring of DOL and related agency staff in Components 2-5, as well as support for training. The technical assistance team will prepare 6-monthly rolling work programs, linked to DOL implementation plans. Attachment III includes the detailed TA inputs.

**B. Support to project management and implementation**

This sub-component aims at strengthening the capacity of the key planning, finance and management units of DOL involved in project coordination and implementation, at central and provincial levels. In particular, this involves the development of forward planning processes and work programs, including area/village selection based on specific criteria; budgeting and coordination of resource inputs from technical areas of DOL and supporting agencies; review of the effectiveness of processes and procedures; and monitoring of project implementation progress.

The AusAID funded technical assistance team leader will provide management advice and support for the development of forward planning processes and work programs. Additional support includes the provision of one long-term international Project Implementation Advisor; one medium-term national Procurement Specialist; computer, office equipment and furniture; vehicles; transportation, travel allowances and per diems for project staff; incremental operation and maintenance of vehicles and equipment, as well as recurrent costs and office supplies. The project will not finance, under any circumstances, salaries of civil servants/public sector staff.



### **C. Monitoring and Evaluation**

This sub-component aims at strengthening the Monitoring and Evaluation function of DOL, at central and provincial level, and involves two elements (i) a socio-economic impact study, and (ii) development of an M&E system within the PFD of DOL to track technical and financial project performance and progress towards the achievement of the intended development objectives.

The contractor for the baseline socioeconomic study has been selected and the study will be completed prior to commencement of LTP II. A follow-up study will be undertaken in Year IV of LTP II. The aim is to assess the extent to which the objectives and expected outcomes of LTP II are being realized over time. Impact indicators include reduction in land disputes, increase in certainty and security of tenure, increase in formal land transactions, increase in investment in the property sector, increase in lending using mortgages as collateral, increase in government revenue, access and impact on women and other vulnerable groups such as ethnic minorities, environmental impacts and measures of the level of service satisfaction.

Additionally, the project will provide support for the detailed design, establishment and implementation of an internal M&E system to track technical and financial project progress and performance at central and provincial level, including assessment of planned work program outputs against actual performance (target numbers and location, quality, timeliness, etc). The M&E system should also enable monitoring of the effectiveness of implementation processes and incorporation of lessons learned into future planning processes.

The project would finance the consulting services needed to carry out the socio-economic impact study and the short-term technical assistance for the design, establishment and testing of the M&E system, training, office equipment, travel costs of project staff and incremental recurrent costs.

**Attachment I**  
**Project Areas and Criteria for Expansion**

The project will be implemented in the following areas:

- Vientiane municipality
- Luang Prabang province
- Vientiane Province
- Xayabouly Province
- Savannakhet Province
- Champassack Province
- Khammuane Province
- Borikhamxay Province
- Saravane

Priority areas for project expansion have been tentatively identified as:

- Oudomxay
- Luangnamtha
- Bokeo
- Attapeu
- Sekong

Expansion to other provinces will be assessed by the government, AusAID and the Bank taking into consideration budget availability and DOL capacity to support such expansion, which will be judged on the following criteria.

1. Expansion into **one province** will be supported after Project Year I when the following criteria are met:

1.1 All staff have been selected and appointed in accordance with the agreed staffing plans and procedures;

1.2 Adequate Counterpart funding for Project Year I has been released;

1.3 A Monitoring & Evaluation Unit has been established;

1.4 All new CES staff have been recruited, trained and mobilized in accordance with the new CES strategy and community mapping is being implemented consistently;

1.5 There are no significant backlogs in any province at any stage in the issuing of new titles, with the difference between parcels adjudicated and parcels distributed being no more than 20,000;

1.6 Funds to the LWU, NGD, Polytechnic and DONLUPAD have been released within 4 weeks of submitting the withdrawal application in accordance with the MOUs between each organisation and the DOL.

1.7 All SAT are achieving 3 parcels a sub-team per day or better;

1.8 An Implementation Advisor is in place.

2. Expansion into **two further provinces** will be supported after Project Year II when the following criteria are met:

- 2.1 Successful expansion into the pilot province has occurred;
  - 2.2 The Monitoring & Evaluation system is operational;
  - 2.3 CES Advisory services are being provided in all provinces;
  - 2.4 An Implementation Advisor is in place;
  - 2.5 Continued achievement of criteria 1.2, 1.5, 1.6 and 1.7 are apparent.
3. Expansion into another **two further provinces** will supported after Project Year III when the following criteria are met:
- 3.1 Effective expansion into the two provinces in (2) has occurred;
  - 3.2 An Implementation Advisor is in place
  - 3.3 Continued achievement of criteria 1.2, 1.5, 1.6 and 1.7 are apparent.

**Attachment II**  
**Expected Number of Parcels to be Adjudicated Under the Project\***

The following table shows the estimated output of the LTP II titling program province by province. With respect to the new provinces, the provinces of Oudomxay, Luangnamtha, Bokeo, Attapeu and Sekong have been identified as the priority areas for expansion beyond the current LTP provinces.

Provinces	Unit	2003/4	2004/5	2005/6	2006/7	2007/8	Total
<b>Exist. Provinces</b>	Parcels						
Vientiane Mun		22,200	18,500	14,800	14,800	14,800	85,100
Luangprabang		7,920	7,700	7,600	7,500	7,200	37,920
Vientiane		11,400	11,400	11,400	11,400	11,400	57,000
Xayabouly		3,960	3,960	3,960	3,960	3,960	19,800
Savannakhet		14,400	14,400	10,800	10,800	10,800	61,200
Champassack		10,200	10,200	10,200	10,200	10,200	51,000
Khammuane		3,960	3,960	3,960	3,960	3,960	19,800
Borikhamxay		3,960	3,960	3,960	3,960	3,960	19,800
Saravane		3,960	3,960	3,960	3,960	3,960	19,800
Subtotal		<b>81,960</b>	<b>78,040</b>	<b>70,640</b>	<b>70,540</b>	<b>70,240</b>	<b>371,420</b>
<b>New Provinces *</b>							
	MSATs		1	3	3	3	
	Parcels		3,000	9,000	9,000	9,000	30,000
<b>Total</b>							<b>401,420</b>

\*\ It is assumed that 80% of adjudicated parcels shall be registered by the end of the project.

**Annex 2**

**Attachment III  
Technical Assistance Input**

	Quantities (person-months)					Total
	2004	2005	2006	2007	2008	
<b>A. Long Term International Advisor</b>						
Team Leader	12	12	12	12	12	60
Land Registration	3	3	6	6	3	21
Institution/HR	3	9	9	6	3	30
CES	6	12	3	3	3	27
<b>Subtotal Long Term International Advisor</b>						<b>138</b>
<b>B. Short Term International Advisor</b>						
Project Director	1	1	1	1	1	5
Education	-	3	9	-	-	12
Valuation	-	12	-	-	-	12
Surveying	3	6	3	-	-	12
M&E	3	3	3	-	-	9
Unallocated	-	-	3	3	3	9
<b>Subtotal Short Term International Advisor</b>						<b>59</b>
<b>C. National Advisors</b>						
Land Registration	12	12	12	12	12	60
HRD	9	12	12	12	-	45
Education	9	12	12	-	-	33
CES	9	12	12	12	12	57
Surveying & Mapping	12	12	12	12	-	48
Systematic Registration	12	12	12	12	-	48
<b>Subtotal National Advisors</b>						<b>291</b>
<b>D. Overseas Training</b>						
Scholarships Land Admin & Mgt	24	24	-	-	-	48
Scholarships Land Admin in Thailand	-	-	24	24	-	48
Valuation Undergraduate Scholarship at BIT	12	24	12	-	-	48
Valuation Certificate Scholarship at BIT	12	24	24	12	-	72
Regional Study Tours for:						
• Middle Management						
• Polytechnic on Curriculum Devt						
• CES						
• HRD						
• Operation Management						
• Land Registration						
• Valuation						

**Annex 3: Estimated Project Costs**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

<b>Project Cost By Component</b>	<b>Local US \$million</b>	<b>Foreign US \$million</b>	<b>Total US \$million</b>
A. Development of Land Policy and Regulatory Framework	1.10	1.90	3.00
B. Institutional Development	1.34	0.62	1.96
C. Development of a Modern Land Registration System	0.92	1.09	2.01
D. Accelerated Land Titling through Systematic Registration	6.37	0.74	7.11
E. Support to Project Management and Implementation 1/	0.54	7.80	8.34
<b>Total Baseline Cost</b>	10.27	12.15	22.42
<b>Physical Contingencies</b>	0.03	0.05	0.08
<b>Price Contingencies</b>	1.31	0.11	1.42
<b>Total Project Costs</b> <sup>1</sup>	11.61	12.31	23.92
<b>Total Financing Required</b>	11.61	12.31	23.92

<b>Project Cost By Category</b>	<b>Local US \$million</b>	<b>Foreign US \$million</b>	<b>Total US \$million</b>
<b>Works</b>	0.43	0.57	1.00
<b>Goods</b>	0.24	1.44	1.68
<b>Consultants Services and Training</b>	2.11	9.04	11.15
<b>Title Development Cost</b>	7.22	0.35	7.57
<b>Incremental Operating Cost</b>	1.62	0.91	2.53
<b>Total Project Costs</b> <sup>1</sup>	11.62	12.31	23.93
<b>Total Financing Required</b>	11.62	12.31	23.93

<sup>1</sup> Identifiable taxes and duties are 0.18 (US\$m) and the total project cost, net of taxes, is 23.74 (US\$m). Therefore, the project cost sharing ratio is 62.4 % of total project cost net of taxes.

## **Annex 4: Cost Benefit Analysis Summary**

### **LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

#### **Summary of Benefits and Costs:**

##### **Qualitative benefits**

Before quantifying the benefits of land titling, we need to develop a good qualitative understanding of the benefits of the proposed project. The socioeconomic impact survey conducted in early 2002, which covered 6 villages in both urban and peri-urban areas, identified the following economic and social benefits from the LTP:

1. First, tenure security has increased. People interviewed welcome the titling project as they appreciate its value in terms of providing security of ownership. Virtually all persons interviewed during the field survey recommended to speed up the titling process as well as the issuance of title deeds once adjudication has been completed;
2. Second, there is evidence showing that land titling has contributed to an increase in property investment and transactions. The four commercial banks interviewed report that there is an increase in the use of titles as collateral for loans to expand existing business or start new business. These banks also acknowledge that they have more confidence in the titles (and associated central recording system) when compared to survey certificates (previously the main document verifying ownership);
3. Third, as a result of increased investment and improved tenure security, the land price has increased by about 15% from 1999 to 2002; and
4. Fourth, adjudication and the issuing of titles have reportedly had a positive impact in resolving land disputes. The Land Titling Project has also encouraged a greater awareness of rights regarding land use as well as promoting rights of women with regard to land ownership.

Given the fact that most titles were issued after the year 2000 and that it will take some time for full benefits to materialize, there is reason to believe that the positive economic and social benefits from land titling will become more noticeable in the long-run.

##### **Main Assumptions:**

A conventional method to economic evaluation of investments is employed, which proceeds by estimating the future stream of costs and benefits and deriving net benefits to calculate the net present value (NPV) and an economic rate of return (ERR). Based on the information from field surveys and experience from similar projects in other countries, the following assumptions are made:

*Only economic benefits from urban area are included in the analysis.* There are three major reasons for doing so. First, as is the case in other countries, the socioeconomic impact survey shows that economic benefits are more noticeable in urban area than that in peri-urban and lowland agricultural areas. Second, there are some technical difficulties to measure the benefits in peri-urban and lowland agricultural areas. Given the fact that 75% of land in peri-urban area is paddy field, the gross economic benefits should be measured through incremental increase of rice yield and associated income from titling, subtracting the value of input costs. The same would apply for lowland agricultural areas. However, there is a lack of detailed information regarding the existing paddy cultivation practices and the trends in changing cultivation practices, which does not allow to conduct a reliable analysis. Third, benefits in peri-urban

and lowland agricultural areas are only a small proportion of that in urban areas. We have tried to measure the benefits in peri-urban areas by employing bold assumptions about improvements of rice technology. However, even under these assumptions, the benefits from peri-urban areas only represents about 14% of those from urban areas.

*Urban benefits:* comparing with land without title, it was assumed that land prices of plots with title would increase by about 15% in five years, and then remain constant. Present land value for urban areas have been estimated to be Kip 80000 (US\$7.5) per square meter. The net yearly incremental increase in land values have been phased times the benefited area. The actual benefits are extrapolated over a 35-year period.

*Economic costs:* total project financial costs (including TA grant).

We can reasonably argue that the estimated ERR based on these assumptions is the lower bound of the real ERR given that all these assumptions are quite conservative. For example, we assumed that the land price would only increase by about 15% in five years and then remain constant. Experience from other countries, however, shows that the prices of titled land generally increases within a range of 43% (Indonesia, 1996) to 81% (Thailand) as compared to untitled land. In addition, we only considered the benefits from the urban area and ignored that from the peri-urban and lowland agricultural areas. Finally, we included all project costs in the analysis instead of prorating them according to different nature (e.g., directly titling-related or not, benefiting only urban areas or not, benefits going beyond the narrow confine of the project or not). The ERR from this analysis, therefore, can be regarded as the lower bound of the real ERR.

## **Results**

The overall economic rate of return of the proposed project would be about 21% and the NPV would be US\$19 million (Table 1 of the Annex). However, as argued by Feder *et. al.* (1988), the ERR based on land prices may overvalue the net benefits from the perspective of the society as a whole. The overvaluation stems from the fact that landowners are risk averse, while society is risk neutral (or less risk averse). Therefore the landowners pay a higher risk premium to security than the society does. Therefore, the ERR should be discounted to reflect the real ERR to the society, particularly in areas with very high tenure security risk. Given that the incidence of eviction from land in Lao has been infrequent, the discount factor should not be high. If we assume that discount factor is 20%, the ERR to the society is still around 16%.

### **Sensitivity analysis / Switching values of critical items:**

The following sensitivity analyses have been conducted and the results show that, with the significant changes of either project costs or benefits (increase or decrease 20%), the proposed project still remains economically sound.

If total costs decrease 20%, the ERR would be 27% and NPV would be US\$22 million;  
If total costs increase 20%, the ERR would be 17% and NPV would be US\$12 million;

If total benefits increase 20%, the ERR would be 26% and NPV would be US\$25 million;  
If total benefits decreases 20%, the ERR would be 17% and NPV would be US\$9 million.



**Table 1 Calculation of Economic Rate of Return (unit: US\$ Million)**

Year	Costs	Benefits	
		Urban Benefits	Net Benefits
1	5.37	0	-5.37
2	5.44	1.07	-4.37
3	4.99	2.16	-2.83
4	4.33	3.29	-1.04
5	3.79	4.44	0.65
6	0.48	5.59	5.11
7	0.48	5.59	5.11
8	0.48	5.59	5.11
9	0.48	5.59	5.11
10	0.48	5.59	5.11
11	0.48	5.59	5.11
12	0.48	5.59	5.11
13	0.48	5.59	5.11
14	0.48	5.59	5.11
15	0.48	5.59	5.11
16	0.48	5.59	5.11
17	0.48	5.59	5.11
18	0.48	5.59	5.11
19	0.48	5.59	5.11
20	0.48	5.59	5.11
21	0.48	5.59	5.11
22	0.48	5.59	5.11
23	0.48	5.59	5.11
24	0.48	5.59	5.11
25	0.48	5.59	5.11
26	0.48	5.59	5.11
27	0.48	5.59	5.11
28	0.48	5.59	5.11
29	0.48	5.59	5.11
30	0.48	5.59	5.11
31	0.48	5.59	5.11
32	0.48	5.59	5.11
33	0.48	5.59	5.11
34	0.48	5.59	5.11
35	0.48	5.59	5.11

NPV=US\$19 million  
FRR=21%

**B. Financial Rate of Return (FRR)**

The purpose of conducting a financial analysis is to assess whether the net financial benefits expected from the project are attractive enough for the project participants. There are two key project participants in the proposed LTP II: the individual landholders, and the Government.

***Financial benefits and costs for landholders***

Two major considerations motivate individual landholders to obtain land titles: one is to improve land ownership security and the other is to have better access to credit. Due to enhanced land tenure security and improved accessibility to formal credit, landholders will increase the investment in land. This will induce a higher land value as well as increased the land productivity. Under the normal situation where titles are issued upon request by landholders (i.e., sporadic registration which requires landholders to pay the full cost), landholders who request a titling service do so with the expectation that the financial benefits from acquiring the title would be higher than the cost of the title.

In the proposed LTP II, individual landholders should have a strong incentive to participate the project. The LTP II will continue to adopt the systematic adjudication method to undertake land titling in large volumes. To ensure a high participation of landholders on a voluntary basis, the cost of land titling has been kept at a level significantly lower than the cost of producing a title. The affordability of the poorest landholders is one major criteria of setting an appropriate registration fee. In the LTP, individual landholders only need to pay about US\$1 to obtain a title although the actual cost of systematic registration is around US\$20 per title (the actual cost of sporadic registration ranges from US\$50 to US\$100 per title). This fee arrangement is very similar to that in other countries. For example, in the case of Thailand, landholders are charged less than US\$5 per title, compare to the actual cost of US\$36 per title. In the case of Indonesia, landholders are charged about US\$2 per title while the actual cost is around US\$26, and after 1999, the first registration is basically free. The difference between the actual titling cost and the fee charged to landholders is the subsidy from the Government, and the Governments will recover the subsidy by charging full registration fee on subsequent land transactions. Both the Government and IDA agreed that the fee arrangement of LTP II would be kept the same as that of the first project. This arrangement should be attractive enough to individual landholders.

#### ***Financial benefits and costs for the Government***

The key issue of financial analysis is to examine whether the proposed LTP II is financially attractive enough to the government. From the government's perspective, the incremental revenues (*financial benefits*) are generated from the following two sources:

1. First registration fee, which is about US\$1 per title;
2. Subsequent registration fee, which is about 3% of land value. The value is determined by the VIS in areas where the VIS is operational; in areas without VIS, the village committee will determine the value.

The *financial costs* to the government are all project costs and the Government's future management costs associated with each title issued by the project (2% of total project cost). The grant for TA is excluded from the calculation since it does not carry financial implications from the government perspective.

#### **Methodology and major assumptions**

All calculations are based on the estimated project costs of LTP and information about actual benefits associated with the LTP (1997-2003). Based on the results of the social-economic impact survey conducted in early 2002, it is assumed that land price will increase about 5% each year in the first five years, and no further assumptions are made regarding any expected changes or enhancements to these current actual benefits. The actual benefits (revenues) are extrapolated over a 35 year period. The capital discount factor is 0.1. Also based on information from the social-economic impact survey, the turnover rate is 3% for year 1-5, and then 5% for the year 6-35. Field observations about land markets in urban

and peri-urban areas support this distribution. Average land transaction value comes from MOF and is consistent with observations from the socioeconomic impact survey.

### **Results and fiscal impact**

The results are shown in Table 2 of the Annex. The financial rate of return (FRR) is 14% and the NPV is US\$4.4 million. As in the case of economic analysis, the estimated FRR should also be viewed as a lower bound of the real FRR given the conservative assumptions regarding the land price increase.

The fiscal impact of the proposed project should be neutral in the short-run given that less than 10 percent of the total project cost will be financed by the Government. In the long-run, it is expected that the fiscal impact of the proposed project will be very positive as shown by the relatively high FRR.

### **Sensitivity tests**

The turnover rate, average land transaction value, and total number of title issued are key parameters in this calculation. Therefore, to test the robustness of the above conclusion, a sensitivity test has been conducted and results show that, with significant changes of these major parameters (increase or decrease 20%), the proposed project still remains financially sound.

If turnover rate increases 20%, the FRR will be 17% and NPV will be US\$8.2 million;

If turnover rate decreases 20%, the FRR will be 11% and NPV will be US\$0.62 million;

If average land transaction value increases 20%, the FRR will be 17% and NPV will be US\$8.2 million;

If average land transaction value decreases 20%, the FRR will be 11% and NPV will be US\$0.62 million;

If the total numbers of title issued increases 20%, the FRR will be 17% and NPV will be US\$8.2 million;

If the total numbers of title issued decreases 20%, the FRR will be 10% and NPV will be US\$0.56 million.

**Table 2 Calculation of Financial Rate of Return (unit: US\$ Million)**

Year	Costs	Benefits		
		First Registration Fee	Derivative Registration Fee	Net Benefits
1	3.23	0.08	0.00	-3.15
2	3.27	0.08	0.29	-2.90
3	3.36	0.08	0.60	-2.67
4	3.49	0.08	0.94	-2.46
5	3.66	0.09	1.31	-2.26
6	0.34		2.86	2.52
7	0.34		2.86	2.52
8	0.34		2.86	2.52
9	0.34		2.86	2.52
10	0.34		2.86	2.52
11	0.34		2.86	2.52
12	0.34		2.86	2.52
13	0.34		2.86	2.52
14	0.34		2.86	2.52
15	0.34		2.86	2.52
16	0.34		2.86	2.52
17	0.34		2.86	2.52
18	0.34		2.86	2.52
19	0.34		2.86	2.52
20	0.34		2.86	2.52
21	0.34		2.86	2.52
22	0.34		2.86	2.52
23	0.34		2.86	2.52
24	0.34		2.86	2.52
25	0.34		2.86	2.52
26	0.34		2.86	2.52
27	0.34		2.86	2.52
28	0.34		2.86	2.52
29	0.34		2.86	2.52
30	0.34		2.86	2.52
31	0.34		2.86	2.52
32	0.34		2.86	2.52
33	0.34		2.86	2.52
34	0.34		2.86	2.52
35	0.34		2.86	2.52

NPV=US\$ 4.4 million  
FRR=14%

**Annex 5: Financial Summary**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**  
**Years Ending**

	<b>IMPLEMENTATION PERIOD</b>						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Total Financing Required</b>							
<b>Project Costs</b>							
Investment Costs	2.9	4.0	4.1	3.8	4.2	2.4	0.0
Recurrent Costs	0.5	0.4	0.4	0.5	0.4	0.3	0.0
<b>Total Project Costs</b>	3.4	4.4	4.5	4.3	4.6	2.7	0.0
<b>Total Financing</b>	3.4	4.4	4.5	4.3	4.6	2.7	0.0
<b>Financing</b>							
IBRD/IDA	1.8	2.4	2.4	2.7	3.5	2.0	0.0
Government	0.4	0.4	0.5	0.5	0.3	0.2	0.0
Central	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provincial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-financiers	1.2	1.6	1.6	1.1	0.8	0.5	0.0
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Project Financing</b>	3.4	4.4	4.5	4.3	4.6	2.7	0.0

Main assumptions:

**Annex 6(A): Procurement Arrangements**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

**Procurement**

Procurement of all works and goods to be financed under the LTP II Project will follow the “*Guidelines for Procurement under IBRD Loans and IDA Credits*” dated January 1995 and revised in January and August 1996, September 1997, and January 1999.

Consultant services financed under the Credit will be procured in accordance with provisions stipulated in the Credit Agreement and the “*Guidelines for Selection and Employment of Consultants by World Bank Borrowers*” published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (Consultant Guidelines).

The Government has requested parallel co-financing under a grant from the Australian Agency for International Development (AusAID) in the amount of US\$6.84 million. Procurement of goods and consulting services with this financing source will follow the corresponding AusAID procurement rules.

**STANDARD BIDDING DOCUMENTS:**

The Bank’s standard bidding documents for goods, works, standard evaluation reports and standard request for proposals for consulting services will be used under the Project. A standard quotation solicitation form and contract form for goods will be developed for procurement under shopping procedures.

**Summary of Procurement Assessment Capacity**

Under the proposed LTP II, the DOL will be responsible for overall project coordination, administration, procurement, and monitoring and evaluation (M&E). This follows the current arrangement under the LTP, building on the experience gained during the implementation of this ongoing operation. In addition, DOL would be the executing agency for components 2 through 5. The Department of National Land Use Planning and Development (DONLUPAD) will be the executing agency for component 1 of the project. However, all procurement will be carried out by DOL.

Within DOL, the PFD, to be created as part of the agency's restructuring plan (implementation of which is a condition for credit effectiveness), will be directly in charge of project administration, financial management, annual planning and budgeting, monitoring and reporting, as well as coordinating between DOL and other participating agencies with IDA and the bilateral donor. The PFD will also be responsible for all project procurement. However, as per the government's decentralization policy, there will be some procurement of small items, such as office materials and furniture, or expenditures in support of the field work of the systematic adjudication (local travel and per diem), which would be performed through local procurement procedures (national shopping and commercial practices) by the Provincial Planning and Finance Section (PFS) in the Provincial Land Offices (PLOs). However, since the PFSs have limited experience and knowledge of IDA guidelines, all procurement activities carried out by the PFSs will be closely monitored, as well as under the direct responsibility of the PFD in DOL.

An assessment of the procurement capabilities of the project's implementing agencies was carried out by IDA. The draft assessment report was discussed with the implementing agencies during the pre-appraisal mission (February 2003) and appraisal mission (April-May 2003). The final report is available in project files. The main findings and course of actions are as follows:

- Overall capacity of the implementing units involved in procurement is weak and the associated risks are in the "high" category. Under the LTP, most of the procurement of goods, works and consulting services has been centrally performed by the Procurement Unit of the Project Office (LTPO) in the Department of Lands. Procurement activities have been implemented by LTPO, with the assistance of a Procurement Advisor financed by the Bank for the first two years, and the procurement unit has gained some experience of procurement procedures through the on-going project. However, its experience is still limited due to English language barriers and professional skills in procurement aspects. The delays encountered with procurement activities under the ongoing project demonstrate that the LTPO does not have adequate capacity nor sufficient experienced staff to handle project procurement satisfactorily.

In order to strengthen the capacity of PFD and PFSs in procurement aspects, as conditions for credit effectiveness, the project will: (i) recruit a full-time Project Implementation Advisor, with demonstrated knowledge and solid experience in procurement, to provide additional training to project staff, as well as continued support in the daily implementation of the project; and (ii) the Project Procurement Operational Manual, translated in local language, will be adopted by GOL to guide all procurement activities under the project. Furthermore, it would be required that staff of PFD and PFSs involved in procurement activities will have to attend the procurement training session in the project launch workshop.

- National laws and regulations are mostly consistent with the IDA's procurement guidelines, except for the following items relating to NCB for which the current CPAR required these provisions to be addressed in the Development Credit Agreement:

(i) no preference whatsoever will be given to a domestic bidder over foreign bidders or to an SOE over a non-SOE;

(ii) awards shall be made on the basis of the lowest evaluated bid, and any bid award based upon a point system, or any other criteria other than the lowest evaluated bid, shall be deemed invalid;

(iii) bids will not be automatically rejected for lack of effective competition solely on the basis of the number of bidders or because all bid prices substantially exceed the budget allocated and the provisions of paragraph (j) of Article 4 of the IRRs 1639/MOF will apply only as hereby modified by the provisions on rejections of bids set forth in paragraphs 2.59-2.62 of the Guidelines;

(iv) SOEs in the Borrower's country may participate only if they can establish that they: (i) are legally and financially autonomous, and (ii) operate under commercial law. No dependent agency of the Borrower shall be permitted to bid or submit a proposal for the procurement of goods or works under the Project;

(v) the Borrower shall not require bidders or potential bidders to register as such with the relevant authority of the Borrower as a condition of bidding; and

(vi) IDA reserve the right to require that, in contracts financed by an IDA credit, it requires the

suppliers and contractors to permit IDA to inspect their accounts and records relating to the performance of the contract and to have them audited by auditors appointed by IDA.

To ensure efficient project implementation and mitigate the risks created by weak procurement capacity, the following steps should be taken:

1. Before Credit Effectiveness: (i) the Procurement Operation Manual will be translated into Lao and adopted by GOL; and (ii) a full-time Project Implementation Advisor, with procurement knowledge and experience, will be recruited to support implementation.
2. During implementation: (i) intensive English and procurement training, including overseas training such as training provided by the Asian Institute of Management in Manila, should be provided to the Project procurement staff by the first year; (ii) staff involved in procurement activities will have to attend the procurement training session in the project launch workshop; and (iii) procurement training programs will be performed by the World Bank Offices, Bangkok and Vientiane, before project start, and additional procurement training will be conducted, based on needs, during the first years of project implementation.

## **Procurement Methods .**

### **1. Procurement of Civil Works :**

*National Competitive Bidding (NCB):* Procurement of civil works for office buildings estimated to cost more than US\$50,000 equivalent per contract will be done through NCB procedures. NCB procedures are favored over ICB procedures because the small value of these contracts is unlikely to attract foreign competition. However, foreign contractors will not be excluded from participating. To perform the works, NCB procurement documents will be prepared and submitted to IDA for concurrence. The aggregate amount of contracts under this procedure will be around US\$0.90 million.

*Procurement of Small Works:* Renovation of land offices, estimated to cost less than US\$50,000 equivalent per contract, will be contracted with fixed price contracts awarded on the basis of quotations obtained from at least three reputable domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic agreement acceptable to IDA, and relevant drawings, where applicable. The total estimated cost for contracts under this procedures is US\$0.10 million.

### **2. Procurement of Goods**

*International Competitive Bidding (ICB):* Procurement of goods for GPS, computers, office equipment, field equipment, a minibus and valuation map production estimated to cost above US\$50,000 per contract will be procured through ICB procedures. In the evaluation of bids, a domestic price preference margin equal to 15% of the CIF or CIP bid price of imported goods, or the actual custom duty and imported taxes, whichever is lower, will be allowed for domestically manufactured goods. The aggregate amount of contracts under this procedure is estimated to be US\$0.79 million.



*International Shopping:* Goods such as computers and software packages estimated to cost less than US\$50,000 equivalent per contract, up to an aggregate amount not to exceed US\$0.16 million, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Bank Procurement Guidelines. Contract will be awarded on the basis of quotations obtained from at least three qualified suppliers in two different countries.

*National Shopping:* Goods such as furniture and consumable materials estimated to cost less than US\$25,000 equivalent per contract, up to an aggregate amount not to exceed US\$0.10 million, may be procured under national shopping procedures. Contracts will be awarded on the basis of quotations obtained from at least three domestic suppliers. Request for quotations will include a detailed description and quantities of goods, basic specifications, as well as the desired delivery time and place and an acceptable form of contract. The qualified firm offering the lowest evaluated price quotation will be contracted.

*Procurement through United Nations' Inter – Agency Procurement Service Office (IAPSO) :* The vehicles and motorcycles for administrative works will be purchased through IAPSO. The total contract is estimated to amount to US\$0.62 million.

### **3. Consulting services**

About US\$ 9.61 million would be allocated to consulting services and technical assistance. The majority of the contracts, estimated at US\$6.84 million, will be financed by AusAID, according to their own procurement guidelines. These would include technical assistance for the different components. Consultant services financed by IDA, totaling US\$2.77 million, shall be procured in accordance with IDA “Guidelines for the Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in July 1997, revised April 1998, July 1999 and May 2002, and using the Bank’s Standard Request for Proposal – Selection of Consultants, as well as the Bank’s Sample Evaluation Report of October 1999. Any contract above US\$200,000 will be advertised in the Development Business requesting expression of interest prior to developing a short list. Detailed requirements of Consulting Services, with terms of reference for each specialist requirements, will be available in the Project Implementation Plan.

*Quality Cost-Based Selection (QCBS):* The selection of firms would be based on quality and cost based selection procedures. Consultant assignments for consulting firms for supporting land policy and legal framework development, for institutional strengthening of DONLUPAD and for coordination of land information, for an estimated total amount of US\$1.74 million, will be procured through IDA’s QCBS procedures.

*Selection Based on Consultants’ Qualifications (SBCQ):* SBCQ procedures will be used to select the consulting firm for external financial audit, as well as for supporting the training and human resources development. The estimated amount of these contracts is less than US\$100,000 each. Consultants with the most appropriate qualifications and references may be selected from a short-list based on requested expression of interest from qualified firms, all in accordance with paragraph 3.7 of the Bank Guidelines. The aggregate amount of these contracts procured through SBCQ procedures is US\$0.30 million.

*Single-Source Selection.* As an exception, the selection of the consulting firm to carry out the socio-economic impact assessment of the project would be hired through single-sourcing, to ensure

continuity with the comprehensive socioeconomic baseline study being carried out under the ongoing Land Titling Project. This would be a small assignment, with an estimated cost of around US\$0.20 million, where a unique qualification and experience is required for achieving the goals of the impact assessment. Single-source selection would need previous Bank approval.

*Individual Consultants:* The selection of individual consultants will be based on their qualifications for the assignment (Section V; paras. 3.1 to 3.4 of the latest Guidelines). They shall be selected through comparison of qualification of at least three candidates among those who have been approached directly by the Borrower. In addition, on an exceptional basis, they may be selected on a sole-source basis with due justification, which would require previous Bank approval. The total cost for individual consultants is not expected to exceed US\$0.53 million, and this will include a Project Implementation Advisor.

#### **4. Training and Workshops**

Expenses for training and workshops supported under the project will be performed and disbursed with prior approval of IDA based on annual implementation plans. The aggregate cost of training activities and workshops is estimated at about US\$1.54 million. These would be procured according to normal commercial procedures acceptable to the Bank, and the procedures will be spelled out in the Procurement Operation Manual.

#### **5. Title Development**

A total value of US\$7.57 million has been estimated for expenditures related land titling, land recording, community education and services and information management, including transport costs and field allowances of adjudication teams, contractual staff employed by the adjudication teams, training, materials used in adjudication and surveying, and gasoline and vehicle maintenance incurred by the adjudication teams. As under the LTP, these will be procured according to normal commercial procedures acceptable to the Bank, and these procedures will be spelled out in the Procurement Operation Manual. Government staff on leave without pay are not eligible for contractual positions under the project.

#### **6. Incremental Operating Costs**

About US\$2.53 million is the total estimated cost for the incremental operating costs incurred by the central offices and the provincial offices implementing the project. The incremental operating costs will include payments for utilities, rental, transportation, subsistence, vehicles and motorbikes maintenance, office equipment maintenance, fuel, e-mail connection fees, office supplies, etc. Procurement for these services will follow government regulation in accordance with principles and procedures satisfactory to IDA. Services of permanent government staff and public sector employees will not be covered by the IDA credit under any circumstance.

Procurement methods (Table A)

**Table A: Project Costs by Procurement Arrangements**  
(US\$ million equivalent)

Expenditure Category	Procurement Method <sup>1</sup>			N.B.F.	Total Cost
	ICB	NCB	Other <sup>2</sup>		
<b>1. Works</b>	0.00 (0.00)	0.90 (0.81)	0.10 (0.09)	0.00 (0.00)	1.00 (0.90)
<b>2. Goods</b>	0.79 (0.79)	0.00 (0.00)	0.88 (0.85)	0.00 (0.00)	1.67 (1.64)
<b>3. Services</b> (Consulting Services)	0.00 (0.00)	0.00 (0.00)	2.77 (2.44)	6.84 (0.00)	9.61 (2.44)
<b>4. Training and Workshops</b>	0.00 (0.00)	0.00 (0.00)	1.54 (1.54)	0.00 (0.00)	1.54 (1.54)
<b>5. Title Development Cost</b>	0.00 (0.00)	0.00 (0.00)	7.57 (6.59)	0.00 (0.00)	7.57 (6.59)
<b>6. Incremental Operations Cost</b>	0.00 (0.00)	0.00 (0.00)	2.53 (1.71)	0.00 (0.00)	2.53 (1.71)
<b>Total</b>	0.79 (0.79)	0.90 (0.81)	15.39 (13.22)	6.84 (0.00)	23.92 (14.82)

<sup>1/</sup> Figures in parentheses are the amounts to be financed by the IDA Credit. All costs include contingencies.

<sup>2/</sup> Includes civil works and goods to be procured through small works, international and national shopping, consulting services, financing of contractual personnel (as consultants) to support the project management office, training, technical assistance services, title development costs, and incremental operating costs related to managing the project.

**Table A1: Consultant Selection Arrangements (optional)**  
(US\$ million equivalent)

Consultant Services Expenditure Category	Selection Method							Total Cost <sup>1</sup>
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	
<b>A. Firms</b>	1.74 (1.53)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.30 (0.26)	0.20 (0.18)	6.84 (0.00)	9.08 (1.97)
<b>B. Individuals</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.53 (0.47)	0.00 (0.00)	0.53 (0.47)
<b>Total</b>	1.74 (1.53)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.30 (0.26)	0.73 (0.65)	6.84 (0.00)	9.61 (2.44)

<sup>1</sup> Including contingencies

Note: QCBS = Quality- and Cost-Based Selection

QBS = Quality-based Selection

SFB = Selection under a Fixed Budget

LCS = Least-Cost Selection

CQ = Selection Based on Consultants' Qualifications

Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc.

N.B.F. = Not Bank-financed

Figures in parentheses are the amounts to be financed by the Bank Credit.

**Prior review thresholds (Table B)**

Table B indicates the thresholds for prior review. IDA will conduct prior review of procurement documents and actions in accordance with procedures set forth in paragraph 2 of Appendix 1 to the Procurement guidelines for:

All works contracts procured through NCB costing more than or equal to US\$50,000 per contract, and the first contract of small works under price comparison for each year;

All goods contracts procured through ICB and the first goods contract per year procured through shopping; and

All consulting contracts for firms under single-source selection and all the contracts costing more than or equal to US\$100,000 per contract, as well as all contracts above US\$50,000 for individuals.

The total amount of contracts/procurement processes subject to prior review is US\$4.08 million, or 24 percent of the value of the contracts under IDA financing (28% of the IDA credit amount).

**Table B: Thresholds for Procurement Methods and Prior Review<sup>1</sup>**

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$ thousands)</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review (US\$ millions)</b>	
<b>1. Works</b>	>50	NCB	All contracts (0.90);	
	<50	Small Works	First contract to be procured per year (0.05).	
<b>2. Goods</b>	>50	ICB	All contracts (0.79)	
	<50	IS/NS	The first contract to be procured by year (0.10)	
<b>3. Services</b> (Consulting Services)	a. Firms	>100	QCBS	All contracts (1.74)
		All	Single-source	All contracts (0.20)
		<100	CQ	None
	b. Individual	>50	Competition by comparison of qualifications (minimum 3 CVs)	All contracts (0.30)
		<50	Same as above	None
		All	Sole-source	All contracts (not foreseen)
<b>4. Miscellaneous</b>				
<b>5. Miscellaneous</b>				
<b>6. Miscellaneous</b>				

**Total value of contracts subject to prior review:** US\$4.08 million (24% of the total value of contracts and 28% of the IDA credit)

**Overall Procurement Risk Assessment:** High

**Frequency of procurement supervision missions proposed:** One every 4 months for the first year and one every six months thereafter months (includes special procurement supervision for post-review/audits)

Proposed post review ratio:

Considering the high volume of sub-projects and the risk of the project: 1 in 5 contracts during the first supervision (if found satisfactory - reduce to 1 to in 10 contracts in the next supervision and thereafter).

<sup>1</sup> Thresholds generally differ by country and project. Consult "Assessment of Agency's Capacity to Implement Procurement" and contact the Regional Procurement Adviser for guidance.

## **Annex 6(B): Financial Management and Disbursement Arrangements LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

### **Financial Management**

#### **1. Summary of the Financial Management Assessment**

**Country Issues.** The CFAA has been prepared by IDA and the report was shared with the government in mid-2002. The overall fiduciary risk in Lao PDR is considered to be high. Despite the fact that there are some built-in controls within the government's financial management system, there is insufficient transparency related to public finances and the general attitude towards fiscal discipline is not strong. The budget process is not yet adequately transparent and public access to government financial information is limited. These weaknesses are compounded by an inadequate awareness of modern practices of internal control in the public sector. While an elaborate control system is in place, involving many pre-approval and checking processes, it needs to be made more effective. The government's decentralization initiative needs to be supported with a sufficiently robust institutional framework that clearly defines the new responsibilities at lower levels. Technical capacity of staff at these levels needs to be strengthened. The oversight functions and the National Auditor Office need to be strengthened. The accounting and auditing profession and institutions remain undeveloped. To address these deficiencies, the government has agreed to implement several recommendations of the PER and CFAA. The Financial Management Capacity Building project, as well as the government initiative supported by ADB, are expected to bring the fiduciary risk to an acceptable level.

**Risk Analysis.** Fiduciary risks relating to financial management and the internal control framework were identified and would be mitigated through the measures proposed under the program mentioned above. Those risks include low salary and compensation levels of civil servants, which make it difficult to attract and retain well qualified and motivated staff. The financial management system for externally funded projects remains weak and needs substantial improvement. A number of key issues and weaknesses regarding the Bank-funded projects were identified: (i) inconsistent and inadequate financial management standards, procedures and software in project implementation units; (ii) delays to project implementation resulting from management of Special Accounts by MOF; (iii) delayed audit and lack of consistent external audit standards and procedures; (iv) project implementation units' accounting departments that have been poorly staffed and equipped at start-up; (v) poor internal control procedures and absence of internal audit in line agencies; and (vi) lack of financial management capacity at provincial and district levels. Given the risk-mitigation measures being proposed, these risks are considered to be manageable.

**Implementing Entity.** During project pre-appraisal (February 2003) and appraisal (May 2003), IDA reviewed the proposed financial management and disbursement arrangements, including accounting, financial reporting, auditing and fund flow for the project. IDA also assessed the existing financial management capacity of the on-going Land Titling Project (CR.2832-LA) to ensure its capacity and systems would provide an adequate basis for the implementation of the proposed project.

The organization of the proposed LTP II will be established taking into account the ongoing restructuring of the Department of Lands (DOL). The Land Titling Project Office (LTPO) established under the first project will be merged within Department of Land (DOL) and its staff transferred to DOL. Existing staff within LTPO will be transferred to the Planning and Finance Division (PFD) to be created in the new structure of DOL to carry out the functions of project support management, including planning, budgeting, procurement, financial management and disbursement, coordination between IDA and bilateral donors, monitoring and reporting. The PFD will be responsible for overseeing overall financial

management functions for the project. It would ensure flow of funds to all components within the responsibility of MOF, as well as across other ministries and associated institutions, supervise the financial management of the central and provincial units, and be responsible for consolidating financial reports and reporting to the government and to the Association.

**Funds Flow.** In the on-going Land Titling project, IDA funds flow to the project through a US\$ Special Account (SA) established with the BECL, a state-owned commercial bank. The SA is managed by the Ministry of Finance (MOF). Major items valued more than US\$ 2,000 are to be paid directly from the SA located at MOF. In order to facilitate timely payments of project expenditures incurred by the provinces and other national program units, sub-accounts in local currency with initial funds pre-financed by the government were established in two participating implementing institutions (LWU and NGD), in addition to the LTPO and 9 provinces. These 12 sub-accounts are maintained in local KIP currency under a certain ceiling depending on the number of responsible Surveying and Adjudication Teams (SATs) and the one-month projected expenditures. However, the ceiling can be adjusted from time to time according to realistic activities forecasts. These accounts are kept with either the Provincial Treasury Office or a commercial bank depending on the capacity and efficiency of the Treasury Office in that province. Eligible expenditures are paid from these accounts and when replenishment of these accounts occurs, expenditures are split to be reimbursed from the SA and counterpart funds according to sharing portions. The value to reimburse from SA is converted into US\$ equivalent based on the exchange rate of the first day of that month. IDA has reviewed such procedures and found them to be acceptable. It has concluded that the current system works well.

The proposed arrangements for the new project will be similar to the current arrangements described above with some minor modifications, as follows:

- A US dollars Special Account will be opened at the Central Bank of Lao PDR to receive the project funds from IDA and will be exclusively used for the eligible portion of project expenditures. The Special Account will be operated by and located at MOF.
- The existing funds in sub-accounts under the LTP will continue to be used for the associated institutions, i.e. NGD, LWU, and 9 project provinces, i.e., Vientiane Municipality, and the provinces of Vientiane, Luang Prabang, Xayabouly, Borikhamxay, Khammuane, Savannakhet, Saravane, and Champassack.
- Two additional sub-accounts in local currency with initial deposits also pre-financed by GOL will be opened for the Department of National Land Use Planning and Development (DONLUPAD) and the National Polytechnic School at commercial banks acceptable to IDA.
- DONLUPAD will have a higher level of financial autonomy than the rest of participating agencies, by having more authority than other sub-accounts' holders to approve expenditures for the project component under its responsibility. The initial funds will also be pre-financed from GOL funds and the ceiling of funds will be up to 90-days advance. It will be reviewed regularly to ensure liquidity of funds.
- DONLUPAD's capacity to manage its sub-account and maintain project records will be strengthened by: (i) hiring an additional accounting staff and one cashier to handle its project accounts; and (ii) on-the-job training and continued support provided by PFD, through its staff and TA.
- MOF's efficiency in managing the Special Account would have to be carefully managed, to assess whether excessive overload is causing delays in the flow of funds and slowing down implementation progress.
- PFD will have to improve its own financial management capacity, through staffing (staff number as well as skills mix), training, and enhancing its internal control systems, to enable itself to manage its own Special Account in the future.



The proposed funds flow arrangements are presented in Attachment I of this annex.

In summary, under this new arrangement a US\$ Special Account will be established and located at MOF. Each associated institution and province would operate at least a sub-account, for which the initial funds are pre-financed by GOL. These accounts will be denominated in KIP local currency and will be used for payment of regular expenditures. Eligible expenditures would be reimbursed from the SA according to the respective percentages established in the Development Credit Agreement (DCA). DONLUPAD will have a higher level of funds pre-financed by GOL, corresponding to a 90 day implementation period (estimated at US\$10,000). Other eligible expenditures above this limit will have to be paid directly from the SA by PFD/DOL. The Special Account will be with the National Bank of Lao PDR while the project bank sub-accounts will be with a commercial bank acceptable to IDA.

**Staffing.** Under the ongoing Land Titling Project, there are four accounting staff, two key professional staff and two assistants, responsible for overall financial management functions. As there will be an increased and diversified work load under the proposed project, the need for two more accounting staff and one more cashier at the new PFD was identified. This additional staff in one of the key actions included in the agreed Financial Management Action Plan. At provincial Planning and Finance Section (PFS) level, the current staffing, two accounting staff including one for accounting and the other for cashier, will remain the same.

**Cash and Bank.** In order to ensure satisfactory internal control, authorization and payment functions at the provincial PFSs and DONLUPAD will be segregated and all transactions would be authorized by authorized persons. All funds at the provincial level will be deposited with a local commercial bank. If local banking facilities are not available in some provinces, arrangements for banking should be made at a nearby province where such facilities are available. The expenditure to be paid out of sub-accounts and DONLUPAD sub-account will be clearly identified in the project Financial Management Manual.

**Accounting System.** Project records and accounts will be maintained centrally by the PFD of DOL. The accounting system will be computerized and processed using an accounting software with specifications acceptable to IDA. Supporting documentation will be made available at PFD for subsequent audit by IDA and independent external auditors.

The Financial Management and Administrative Procedures Manual, which describes the flow of funds, responsibilities and delegations of authority, disbursement procedures, internal controls, the accounting system and financial reporting already exists under the on-going Land Titling Project and it will be applicable to the new project. However, it needs a few revisions mainly in the section on fund flows, financial authority of DONLUPAD and other associated institution, accounting software and financial reports for project monitoring.

The existing MS Money accounting software is outdated and incapable of generating the required Financial Monitoring Reports and annual financial statements in a format acceptable to IDA. As the existing software cannot be upgraded, it was agreed that the LTPO, using funds available under the first project, will purchase and install a simple accounting software available off-the-shelf with specifications acceptable to IDA, and hire a short-term expert to assist in designing and setting up the computerized system, revising the manual and training accounting staff. Two more computers will be also required for the new project.

**Audit Arrangement.** The latest audit report of the on-going Land Titling Project for the years 2001 and

2002 was audited by Accounting Service Co., Ltd, a local auditing firm. The audit opinions were clean (unqualified). However, the 2001 Management Letter from the auditor indicates some weaknesses in the project financial management system as follows: (i) there is no separation of duty between accountant and cashier in the PFU of Khammuane Province; (ii) some provinces only have one bank account at the Provincial Treasury Office, which is causing on-time cash flow problem; and (iii) there is inadequate regular training of accounting staff working at PFUs. The 2002 Management Letter indicates certain weaknesses in improper classification of project expenditures by disbursement category due to unclear definitions, and in improper use and management of project vehicles and equipment. However, such weaknesses were addressed and preventive actions will be introduced into the financial management arrangements of the proposed LTP II project.

An independent external auditor acceptable to the Association will be appointed to audit the project financial statements on an annual basis. According to the results of the recent peer review by IDA, auditors acceptable to the Association are limited to certain firms. The selected auditor will have to be acceptable to the Association.

**Impact of Procurement Arrangements.** Overall Procurement Risk has been assessed as High. The proposed frequency of procurement supervision missions by IDA is once every four months during the first year, and once every six months for the years thereafter, including special procurement supervision for post-review/audits. The threshold for Prior Review will be as follows:

- all works contracts procured through NCB costing more than or equal to US\$50,000, and the first contract of small works under price comparison for each year;
- all goods contracts procured through ICB and IAPSO, and the first goods contract per year procured through shopping; and
- all consulting contracts costing more than or equal to US\$100,000 for firms, the first consultant contract for each year, and all contracts above US\$50,000 for individuals.

**Reporting and Monitoring.** All IDA-financed projects appraised from January 1, 2002 are required to provide the Association with Financial Monitoring Reports (FMRs). The project has to develop a reporting system which reports regularly and more frequently following an agreed format that helps management for timely monitoring and decision-making, and meets IDA and other statutory/donors reporting requirements. The format of the reports will have to be agreed with IDA during Negotiations. During appraisal of the project, the format has been discussed and agreed.

For LTP II, the FMRs will be prepared quarterly and submitted to the Association within 45 days after the end of each quarter. The annual financial statements are subject to audit by an external auditor acceptable to the Association. The audited annual financial statements shall be submitted to the Bank annually within 6 months after the end of each fiscal year.

**Action Plan.** In order to ensure that the project financial management and disbursement arrangements are in place before the project starts, the following Financial Management Action Plan has been agreed with the borrower to improve the system and meet IDA minimum requirements:

### Financial Management Action Plan

	Actions	Responsibility	Completed By
1	Reporting and Monitoring Complete and agree on the design format for the Financial Monitoring Reports (FMRs) acceptable to IDA.	DOL	Condition for Negotiations (Completed)
2	Project Financial Management System Hiring of a short-term expert to assist in developing a computerized accounting system and revising the financial and administration manual. With the help of the consultant, DOL shall: <ul style="list-style-type: none"> <li>· Complete the development of the accounting system with chart of account capable to capture project expenditures by provinces, components, disbursement and procurement category, and funding sources;</li> <li>· Establish a computerized financial management system, including accounting software capable to generate quarterly Financial Monitoring Reports (FMRs) and annual financial statements, all acceptable to IDA.</li> </ul>	DOL  DOL/consultant  DOL/consultant	June 15, 2003  July 30, 2003  Effectiveness
3	Project Financial Management Complete and adopt a project Financial Manual satisfactory to the Association. The manual should describe operating and accounting procedures for procurements, funds flows, responsibilities and authorities, disbursement, internal controls, accounting system and financial reporting	DOL/MOF	Effectiveness
4	Staffing and Training Complete staffing arrangements in the PFD-DOL, in adequate number and with mix of skilled and experienced staff who understand the relevant accounting concepts and government regulations, as follows: <ul style="list-style-type: none"> <li>· At PFD: Appoint at least 2 accounting staff and 1 cashier to work on project accounting, treasury and monitoring of provincial accounting functions;</li> <li>· At DONLUPAD: Appoint 1 accounting staff and one cashier, responsible for managing sub-accounts and maintaining project records and documentation;</li> <li>· Provide project financial management training to all relevant project staff.</li> </ul>	DOL  DOL  DONLUPAD  WB/ DOL/ DONLUPAD	Effectiveness  Effectiveness  Effectiveness  Effectiveness
5	External Audit: Appoint an independent auditing firm acceptable to the Association to perform annual audits of project financial statements according to TOR acceptable to IDA.	DOL	June 30, 2004

**Supervision plan.** The supervision of the project will include close monitoring of the financial management related aspects implemented by the PFD/DOL. Quarterly FMRs are to be submitted to IDA within 45 days after the end of each quarter. IDA supervision is planned at least once every four months during the first year of the project, and twice a year thereafter.

## **2. Audit Arrangements**

DOL will be responsible for ensuring that the annual financial statements are audited and forwarded to IDA. The audits will be carried out by an independent auditor acceptable to the Association to perform the audit under terms of reference acceptable to IDA. Audits will be financed from the credit proceeds. As discussed above, the audit environment in Lao PDR is weak; therefore a qualified private international auditing firm should be selected to conduct the audit of the project according to international auditing standards. This auditing firm will have to be acceptable to IDA and selected through a competitive process following IDA's procurement guidelines.

The auditor will be required to express opinions on: (i) The project financial statements; (ii) whether the Special Account funds have been correctly accounted for and used in accordance with the Credit Agreement; and (iii) the adequacy of supporting documents and controls surrounding the use of the Statements of Expenditures as a basis for disbursements. The management letter addressing internal control of the project is required in addition to basic opinion on the financial statements. The audited financial statements and management letter will be submitted to IDA within six months after the end of each fiscal year.

## **3. Disbursement Arrangements**

Disbursements from the IDA Credit will be made based on the existing system (from the Special Account with reimbursements made based on full documentation and against Statements of Expenditure (SOE), and direct payments from the Credit Account). The proposed Credit will be disbursed against the project components shown in Table C. It is expected that the proceeds of the Credit will be disbursed over a period of 5 years.

Allocation of credit proceeds (Table C)

Table C: Allocation of Credit Proceeds

Expenditure Category	Amount in US\$million	Financing Percentage
1. Works	0.81	90% of expenditures
2. Goods	1.47	100% of foreign expenditures and ex-factory local expenditures. 90% of other local expenditures procured locally.
Consulting Services	2.20	88% of expenditures
Training & Workshops	1.39	100% of expenditures
Title Development Costs	5.93	87% of expenditures
Incremental Operating Cost	1.54	100% for obligations incurred prior to September 30, 2005; and 50% for obligations incurred thereafter
Unallocated	1.48	
<b>Total Project Costs with Bank Financing</b>	<b>14.82</b>	
<b>Total</b>	<b>14.82</b>	

**Use of statements of expenditures (SOEs):**

Some of the proceeds of the Credit are expected to be disbursed on the basis of Statements of Expenditure as follows: (i) civil works contracts costing less than US\$50,000 equivalent each; (ii) goods contracts costing less than US\$50,000 equivalent each; (iii) service contracts for individual consultants costing less than US\$50,000 equivalent each and service contracts for firms costing less than US\$100,000 equivalent each; (iv) training and workshops; (v) title development costs; and (vi) incremental operating costs.

Disbursements for services and goods exceeding the above limits will be made in accordance with respective procurement guidelines and provisions in the Credit Agreement against submission of full documentation and signed contracts.

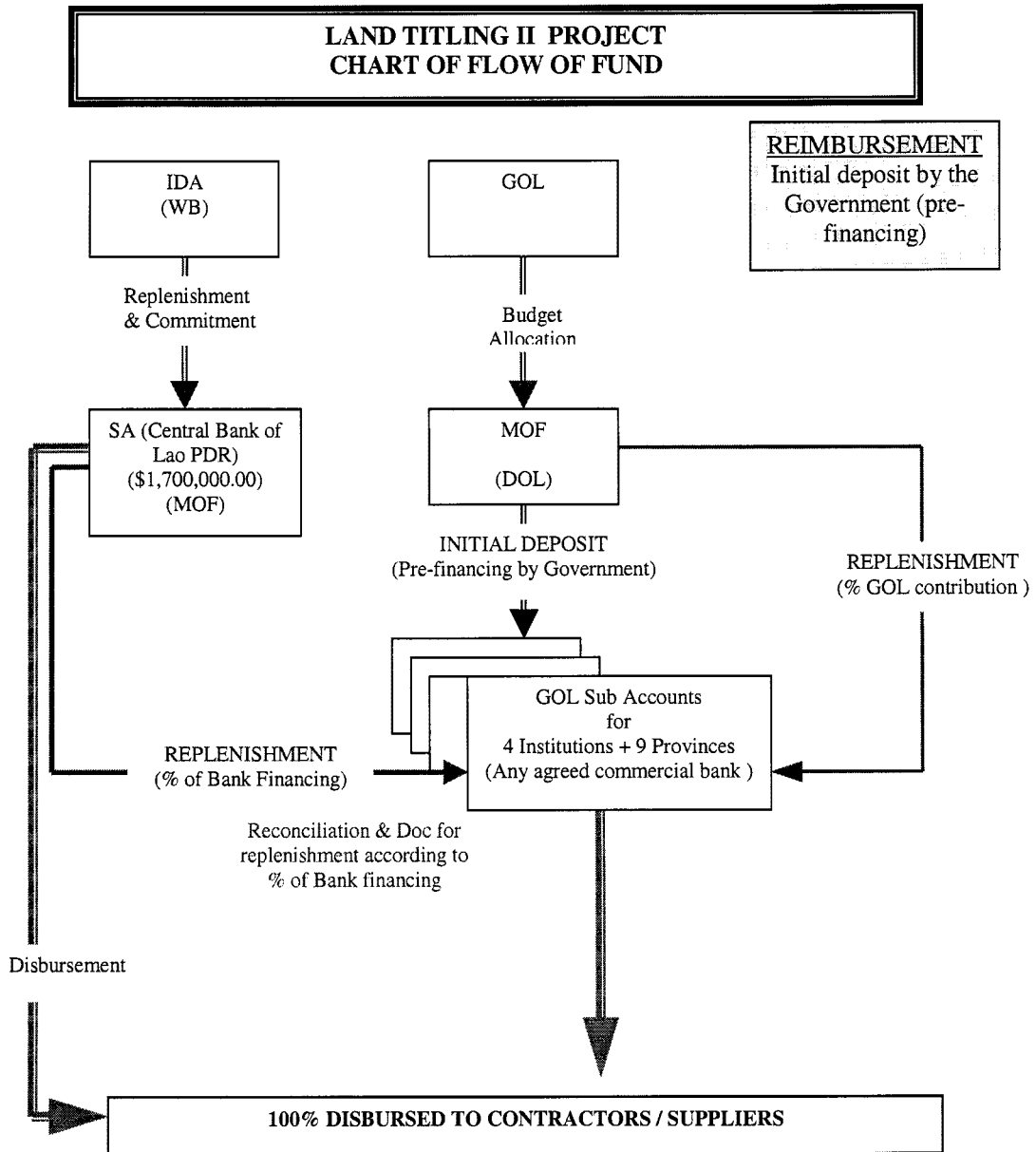
The documentation supporting SOE disbursements will be retained by PFD/DOL and PFS/DOL during the life of the project and one year after the receipt of the audit report for the last year in which the last disbursement was made. These documents will be made available for review by the auditors and IDA supervision missions. The SOE documents will be audited annually by independent auditors acceptable to IDA. Should the auditors or IDA supervision missions find that disbursements have been made that are not justified by supporting documentation, or are ineligible, IDA will have the right to withhold further deposits to the Special Account. IDA may exercise this right until the Borrower has refunded the amount involved or (if the Association agrees) has submitted evidence of other eligible expenditures that offset the ineligible amounts.

**Special account:**

To facilitate timely project implementation and credit disbursement, a US\$ Special Account (SA) will be established on terms and conditions satisfactory to IDA including appropriate protection against set off,

seizure and attachments. The account will be denominated in US dollars and located at MOF. The Special Account, which will cover the IDA share of eligible expenditures in all disbursement categories, will have an authorized allocation of US\$1,000,000 with an initial withdrawal of US\$700,000 equivalent to be withdrawn from the Credit Account and deposited in the SA. The average disbursement for the entire implementation period is around \$250,000 per month, therefore the initial deposit corresponds to about a three-month average disbursement period (since this operation is a follow up of the ongoing first LTP, the level of disbursements would be significant from effectiveness). When the amounts withdrawn from the Credit totals US\$5,000,000 equivalent (around SDR 3.5 million), the initial withdrawal will be increased to the authorized allocation of \$1 million. This authorized allocation would represent about a four-month average disbursement period, which would be needed when the project reaches its peak disbursement rate (probably around years 2 to 4). The Special Account should be replenished on a monthly basis to assure liquidity of funds or when the account is drawn down by 20 percent of the initial deposit, whichever comes first. All replenishment applications will be accompanied by reconciled bank statements from the depository bank showing all transactions in the Special Account. The Special Account will be audited annually by independent auditors acceptable to IDA.

**Attachment 1  
Chart of fund flow**



**Narrative Description:** Opening of the sub-accounts and deposit by the Government of the first (initial) funds adequate to cover expenditure for two-three months. Then, each participating agency (DONLUPAD, NGD, LWU, PS) and PFS in each project province could use the funds (initial deposit) to start implementation and send in documentation to PFD-DOL to request replenishment. IDA's share of the expenditure can be replenished from the parent SA. Once the PFD-DOL has approved and made payment, it can forward a summary of several claims under a single applications to IDA.

**Annex 8: Documents in the Project File\***  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

**A. Project Implementation Plan**

Project Preparation Report including detailed Implementation Plan and Procurement Plan

**B. Bank Staff Assessments**

Project Concept Document (PCD)

PCD Meeting Minutes

PCD Safeguard Meeting Minutes

Draft Project Appraisal Document

Decision Meeting Minutes

Appraisal Safeguard Meeting Minutes

**C. Other**

Social Assessment Report

Working Paper on Land Policy

Assessment of the First Land Titling Project

Rural Land Tenure Study

Identification Mission Report

Preparation Mission Report

Pre-appraisal Mission Report

Appraisal Mission Report

Project Information Document

Environmental and Social Guidelines

\*Including electronic files



**Annex 9: Statement of Loans and Credits**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**  
21-May-2003

Project ID	FY	Purpose	Original Amount in US\$ Millions				Difference between expected and actual disbursements <sup>1</sup>		
			IBRD	IDA	GEF	Cancel.	Undisb.	Orig	Frm Rev'd
P068069	2002	LA-Fin Mngt Adj Cr (FMAC)	0.00	17.00	0.00	0.00	11.45	14.41	0.00
P077326	2002	LA-Poverty Reduction Fund Project	0.00	19.34	0.00	0.00	20.64	-0.30	0.00
P077620	2002	LA-Fin. Management Capacity Building Cr.	0.00	8.50	0.00	0.00	9.17	0.16	0.00
P065973	2001	LA-Agricultural Development Project	0.00	16.69	0.00	0.00	17.71	-0.77	0.00
P064821	2001	LA-Road Maintenance	0.00	25.00	0.00	0.00	12.92	-0.75	0.00
P059305	1999	LA DIST UPLAND DEV	0.00	2.00	0.00	0.00	0.08	0.16	0.14
P042237	1999	LA-Provin. Infrast.	0.00	27.80	0.00	0.00	12.83	5.84	0.00
P044973	1998	LA-SOUTHERN PROVINCE RE	0.00	34.70	0.70	0.00	9.99	5.49	0.00
P004210	1997	LA-HWY Improv.III	0.00	48.00	0.00	0.00	2.55	4.94	0.00
P004208	1996	LA-LAND TITLING	0.00	20.73	0.00	0.00	9.62	10.08	5.04
P004200	1995	LA-HEALTH SYSTEM REFORM & M	0.00	19.20	0.00	0.00	5.90	7.46	6.59
<b>Total:</b>			0.00	238.96	0.70	0.00	112.85	46.71	11.77

LAO PEOPLE'S DEMOCRATIC REPUBLIC  
 STATEMENT OF IFC's  
 Held and Disbursed Portfolio  
 Jun 30 - 2002  
 In Millions US Dollars

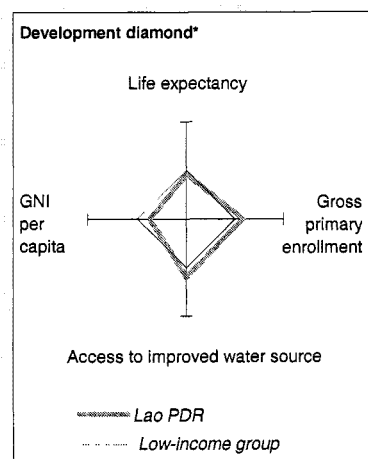
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1998	SEF BAFCO	0.77	0.00	0.00	0.00	0.77	0.00	0.00	0.00
1998	SEF Endeavor	0.15	0.00	0.00	0.00	0.15	0.00	0.00	0.00
1998/00	SEF Settha	0.18	0.00	0.00	0.00	0.18	0.00	0.00	0.00
2001	SEF Villa Santi	1.15	0.00	0.00	0.00	1.15	0.00	0.00	0.00
	Total Portfolio:	2.25	0.00	0.00	0.00	2.25	0.00	0.00	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
2002	Sepon	12.00	4.00	0.00	17.50
2002	UABL River Barge	15.00	5.00	5.00	21.00
2002	Salutia RI	0.00	0.00	0.33	0.00
2001	MSF BLINC	0.00	0.00	0.00	10.00
	Total Pending Commitment:	27.00	9.00	5.33	48.50

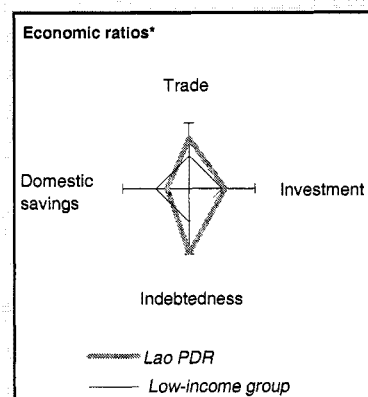
## Annex 10: Country at a Glance

### LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project

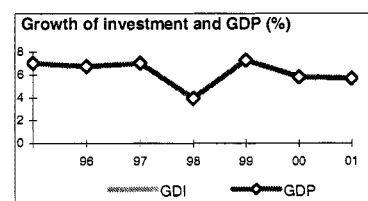
POVERTY and SOCIAL	Lao PDR	East Asia & Pacific	Low- income
<b>2001</b>			
Population, mid-year (millions)	5.3	1,826	2,511
GNI per capita (Atlas method, US\$)	320	900	430
GNI (Atlas method, US\$ billions)	1.7	1,649	1,069
<b>Average annual growth, 1995-01</b>			
Population (%)	2.5	1.1	1.9
Labor force (%)	2.3	1.3	2.3
<b>Most recent estimate (latest year available, 1995-01)</b>			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	24	37	31
Life expectancy at birth (years)	54	69	59
Infant mortality (per 1,000 live births)	93	36	76
Child malnutrition (% of children under 5)	..	12	..
Access to an improved water source (% of population)	90	74	76
Illiteracy (% of population age 15+)	50	14	37
Gross primary enrollment (% of school-age population)	112	107	96
Male	123	106	103
Female	101	108	88



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1981	1991	2000	2001	
GDP (US\$ billions)	..	1.0	1.7	1.8	
Gross domestic investment/GDP	..	..	21.8	22.1	
Exports of goods and services/GDP	..	13.0	..	..	
Gross domestic savings/GDP	..	..	..	..	
Gross national savings/GDP	..	..	..	..	
Current account balance/GDP	..	-10.8	-8.5	-6.1	
Interest payments/GDP	..	0.3	0.5	0.6	
Total debt/GDP	..	182.5	146.2	141.7	
Total debt service/exports	..	6.3	7.7	7.9	
Present value of debt/GDP	..	..	70.6	..	
Present value of debt/exports	..	..	228.9	..	
<b>(average annual growth)</b>					
GDP	4.1	6.5	5.8	5.7	5.0
GDP per capita	1.7	3.8	3.4	3.3	2.6
Exports of goods and services	..	..	..	..	..



STRUCTURE of the ECONOMY	1981	1991	2000	2001
<b>(% of GDP)</b>				
Agriculture	..	58.2	52.8	50.9
Industry	..	16.8	23.0	23.4
Manufacturing	..	12.5	17.1	17.7
Services	..	25.0	24.2	25.7
Private consumption	..	..	..	..
General government consumption	..	..	..	..
Imports of goods and services	..	25.2	..	..
<b>(average annual growth)</b>				
Agriculture	3.3	5.1	4.9	3.8
Industry	8.3	10.5	8.5	9.7
Manufacturing	11.4	11.8	..	..
Services	3.8	20.5	4.9	4.4
Private consumption	..	..	..	..
General government consumption	..	..	..	..
Gross domestic investment	..	..	..	..
Imports of goods and services	..	..	..	..

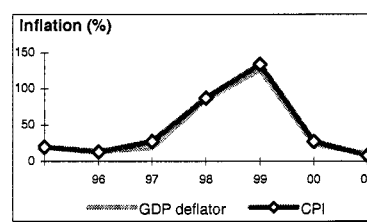


Note: 2001 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

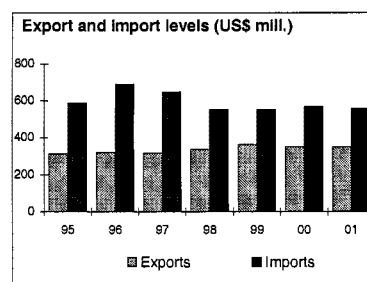
## PRICES and GOVERNMENT FINANCE

	1981	1991	2000	2001
<b>Domestic prices</b>				
(% change)				
Consumer prices	..	..	27.1	8.0
Implicit GDP deflator	..	13.2	23.8	9.9
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	..	..	18.2	18.3
Current budget balance	..	..	9.8	8.8
Overall surplus/deficit	..	..	-5.3	-5.0



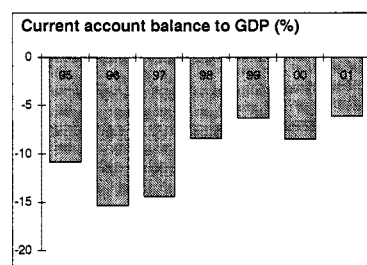
## TRADE

	1981	1991	2000	2001
(US\$ millions)				
Total exports (fob)	..	..	351	350
Wood products	..	..	120	..
Agriculture	..	..	13	..
Manufactures	..	..	88	..
Total imports (cif)	..	..	569	558
Food	..	..	..	..
Fuel and energy	..	..	..	..
Capital goods	..	..	74	..
Export price index (1995=100)	..	..	..	..
Import price index (1995=100)	..	..	..	..
Terms of trade (1995=100)	..	..	..	..



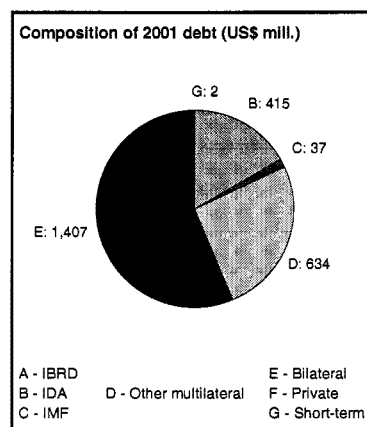
## BALANCE of PAYMENTS

	1981	1991	2000	2001
(US\$ millions)				
Exports of goods and services	..	133	515	536
Imports of goods and services	..	253	608	598
Resource balance	..	-120	-93	-62
Net income	..	-1	-73	-68
Net current transfers	..	10	21	22
Current account balance	..	-111	-145	-108
Financing items (net)	..	143	189	106
Changes in net reserves	8	-32	-44	2
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC, local/US\$)	20.0	702.5	7,887.6	8,900.0



## EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
(US\$ millions)				
Total debt outstanding and disbursed	390	1,875	2,502	2,495
IBRD	0	0	0	0
IDA	11	147	403	415
Total debt service	2	9	41	44
IBRD	0	0	0	0
IDA	0	1	7	7
Composition of net resource flows				
Official grants	15	54	135	..
Official creditors	54	101	59	77
Private creditors	0	0	0	0
Foreign direct investment	0	7	72	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	0	85	0	42
Disbursements	5	15	20	31
Principal repayments	0	0	4	4
Net flows	5	15	17	27
Interest payments	0	1	3	3
Net transfers	5	14	14	24



## **Additional Annex 11: Community Education and Services LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

### **Introduction**

The social and gender issues relevant to this project are discussed in Section 6 of the PAD. Some of the challenges raised that need to be addressed include i) reducing the risks of project negative impacts on the poor, ii) working effectively with mass organizations, iii) increasing the understanding of women and the poor with regard to their rights and entitlements under the law, and under the project rules; iii) protecting the rights of ethnic groups, iv) increasing accountability, and v) helping communities to manage potential disputes. The following section identifies the actions and procedures that will make the project respond to these aspects.

The main change that needs to be made is to considerably strengthen the community focus and demand-responsiveness of the project. All members of the community need to i) be included in the activities, ii) be given access to information, iii) have the opportunity to make informed choices, iv) have the ability to access further information as they need it, and v) have a channel for complaints, feed-back, and to provide input to policy-making. Organizational structures, procedures, capacity building activities, and monitoring needs to ensure that this happens. It requires changes throughout all of the components to bring about a change of approach of this nature. Most significantly the procedures for CES accompanying registration and titling will need to be changed. The lessons learned from the first project and proposed revised design of CES activities are summarized below.

Social and Environmental Guidelines have been prepared and are included in the project's files. The adoption of these guidelines by the Minister of Finance is a condition for negotiation.

### **Review of Social Issues Under the first Land Titling Project**

The CRS component under LTP focused on public dissemination of information about land titling to people whose land was being titled. The work of the LWU in disseminating information to community members was a crucial part of this work.

Under the first project, three studies were undertaken which provided considerable information on the social issues arising from the project, the CRS approach and its limitations and on how to improve the way social and gender issues are addressed in Phase II.

- **The Land Tenure and Forest Boundaries Study** (May 2002) investigated the issuing of land titles outside urban areas. It made several recommendations in relation to how best to treat customary land use rights, including communal, individual and family rights, and ensure that any adverse effects on these traditional land tenure systems are minimized. It recommended measures to be taken in issuing land titles in forest lands, recommended procedures for identifying forest lands in project areas and identified situations or circumstances where land titling in rural areas should not be undertaken or should be delayed until a later stage of land policy clarification and development.
- **The Social Assessment Survey** (August 2002) sought to understand the situation of potential beneficiaries of the project, identify positive and negative impacts of the project, particularly on vulnerable groups such as women and ethnic groups, and review the project components so that improvements could be made to minimize the negative impacts and enhance the benefits of the project for those groups.

- **The LWU/CRS Survey** (January 2003) drew on research conducted in 7 districts in the Vientiane Prefecture. It sought to evaluate the CRS approach and implementation, evaluate land users' understanding of the CRS/GAD process, evaluate cooperation between the CRS unit and the LWU and identify ways to improve the CRS approach.

### **Lessons Learned from the first Land Titling Project**

- **Relationship between LWU and DOL.** The LWU receives its budget from the central PSU. The nine provincial LWU divisions involved in the project received a total of US\$3,200 for their March 2002-March 2003 budget with one province receiving no money at all. Activities that were called for, mandated and approved remained unfunded. Financial support for the LWU was particularly problematic in regard to per diems to carry out community-based activities. The need has been identified for dialogue between the DOL and the LWU at the provincial and district levels to be continuous and routine, as without such high level cooperation, little support for CRS activities can be expected throughout the project as a whole.
- **Monitoring and Evaluation.** There has been a lack of consistency in the CRS approach, particularly with regards to how information is disseminated. With no meaningful system of monitoring in place, there has been no mechanism for learning from best practice and ensuring consistency in CRS implementation. It was observed in the workshops that some units have used CRS/GAD activities to improperly gain personal benefits. Some village authorities and SAT have not created opportunities for women to participate in adjudication or surveys. Such problems and inconsistencies need to be identified through a system of M&E so that they can be addressed effectively. M&E should include field reporting systems and a set of critical indicators against which activities are assessed.
- **Information and Dissemination.** There is a need for the materials produced under CRS to be improved so that more relevant information is communicated more effectively to stakeholders. Materials should be reviewed and tested for audience verification of greater appeal and higher level of retained information. In particular, the demand for information on land law and land rights, particularly for women, was identified. There must also be an improvement in the technique and modalities of dissemination of information regarding the land titling project to communities.
- **Planning and coordination of activities.** Forward planning processes are required in order to enable greater team efforts towards the goals of the project. Understanding of planning and budgeting methodology is weak across the project and this affects the impact of CRS. Activities need to be planned on a semi-annual basis and a standard operations procedure developed to guide activities and provide for consistency in implementation. All policies and procedures with regard to CRS should exist in written and accessible form. Clarification of the roles of those involved in CRS would assist in effective implementation of community activities. The responsibility for work, the authority to act, the resources to carry out programs and the coordination of activities need to be clearly defined. Such roles should take into account the need for CRS activities to be decentralized.
- **Community participation.** Overwhelmingly, it was recognized that women have a vital role to play in Community Education and should be more fully engaged in interventions at an earlier stage of land titling activities. Furthermore, community participation as a whole needs to be strengthened so that meaningful two way participation exists from the outset of the project.

- **Staffing and Training.** Continuous training is required in CRS for all those involved in the project. Many land users and village authorities remain uncertain about titling issues and the project's gender policy. Training is also a way of addressing inconsistencies in implementation. Staff recruited in DOL to work on community participation, education and service provision need to be recruited in a transparent and merit-based manner.

### **Community Education and Services (CES) under LTP II**

Drawing on the lessons learned from the first project, an improved strategy, CES will be implemented in LTP II. The new title emphasizes the need to focus on communities, and highlights the educational aspects of the strategy as well as the need to provide services and allow for greater participation. The details of CES are to be found in the CES Strategy and Operations Manual developed during project pre-implementation.

CES is a crucial element of all aspects of the project. In addition to the CES sub-components in Components 3 and 4, CES is integral to all components. In Component 1, community consultations are to be undertaken by DONLUPAD; this will require inputs from both the CES staff and LWU. Information and analysis resulting from CES operations in the field will also inform the land policy formulation process. Institutional development (Component 2) includes training and HR development. CES training and information will be provided to project staff and be an integral part of the Polytechnic School's courses. The new structure of DOL will need to ensure that clear lines of accountability and responsibility exist for CES in an integrated manner and that all related job descriptions for CES staff and their supervisors include these responsibilities.

The objectives of the CES activities are:

- i) to increase the understanding of communities, especially women and normally marginalized groups, of their land rights and entitlements, and of the benefits and risks of holding or using land title; and
- ii) to support the development of the capacity of the institutions for the transparent and responsive provision of services, especially to the poor and normally marginalized groups, and be held accountable for this by the beneficiaries.

#### *Organization and Staffing*

The importance attached to CES in the project needs to be significantly increased and reflected in the organization and staffing levels. In particular, the second project will focus more on institutionalizing the responsibility for CES within DOL. The LWU will act as a partner in the project to help facilitate village level activities and ensure that the services reach women and the poorest families. The LWU should also be strengthened and supported so that their long term capacity to provide advisory services to women on land issues is improved, and that their capacity to participate in discussions on land policy as representatives of women is enhanced. The MoU with the LWU will need to be revised to reflect this, and their inclusion in training and other institutional and capacity development activities specified.

Below is a general outline for CES activities under the project. Prior to effectiveness, a consultant will prepare a detailed manual for CES activities. The adoption of the CES Operations Manual by DOL is a condition for Credit effectiveness. In addition, technical assistance to support implementation activities will be provided periodically throughout the project, especially in the early years, under the Technical Assistance component.

### *Four Elements of the CES Strategy*

The proposed strategy has four main areas of activity:

- A. Community mapping and participation
- B. Information, Education, Communication
- C. Advisory services for title holders
- D. Monitoring and Evaluation

#### *A. Community Mapping and Participation*

The community mapping activity will take place in each village. The purpose is to improve transparency and involve communities in the process at an early stage in helping to identify potential problems and address these jointly. The community mapping will identify, for example, the poor or especially vulnerable families, people whose land is surrounded and may be vulnerable to losing access if their land is blocked in, ethnic groups, land disputes, and so on. Training in community mapping techniques will be provided to all involved prior to commencement in the field.

#### *B. Information, Education, and Communication (IEC)*

A strategy for IEC is being developed under the current project. These activities will entail more than the one-off production of posters and radio or TV campaigns. The IEC activities will seek to improve the communities understanding of their land rights and entitlements using different media and experiences. The staff at the central level with specific responsibility for IEC will be trained so that the project develops their internal capacity to produce materials and disseminate information in appropriate ways. Special emphasis will be on finding ways to reach the poorest members of the community, and the focus will be on mitigating any potential negative impacts of the project as well as providing information on the benefits of land titling. In addition to materials produced at the central level, the central staff will act as facilitators to encourage provincial CES staff to develop new and appropriate ways to improve information and communication.

IEC information will also include post project rights and obligations such as the kind of services that will be available in the long term at the District or Provincial land offices, and the need to register all future land transactions.

#### *C. Advisory Services for Land Title Holders*

In order to ensure the long term success of the project it is essential that all land transactions and changes of ownership are registered in the future. Interaction with communities must continue in the long term, after adjudication teams have moved on so that the benefits of land titling can be felt, and the registration system can be kept up to date. Activities will include liaising with legal departments, financial institutions, etc, and developing two way links between them and the communities. Continued contact with key people such as the village heads and the LWU will be essential to maintain the incentives to update registrations.

#### *D. Monitoring and Evaluation*

The CES strategy will monitor the effectiveness of the strategy itself, as well as working with communities to monitor the project from their perspective. The monitoring activities undertaken under this part would include the following:

- i) participatory monitoring of project implementation;
- ii) complaints handling procedures,
- iii) case studies,



iv) monitoring of specific CES implementation indicators

The CES M&E activities need to be fully integrated into the overall M&E framework for the project. TA will be provided under the project to develop the overall project M&E framework.

**Additional Annex 12: Environmental Analysis**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

**Introduction**

The purpose of the environmental analysis is to identify and assess how land titling could facilitate, or possibly hinder, the achievement of environmentally sustainable development in the urban and peri-urban context of Lao PDR. It is important to recognize that the nature of the Environmental Analysis (EA) presented is cursory and should therefore be considered a rapid EA. This is mainly because of the lack of primary data and analyzed information, especially in terms of the human ecosystems of Lao PDR and in terms of the impacts of the LTP, some of which will not become apparent for a number of years. The main conclusion of this environmental analysis is that, so long as certain precautions are taken, land titling in urban and peri-urban areas will likely have a significant positive environmental impact, for example, by creating incentives for improved land management by land owners; by facilitating improved land use decisions by urban planners, and by reducing the potential impacts of uncontrolled land conversion through improved land administration. However, under certain conditions, land titling in urban and peri-urban areas could potentially contribute to adverse environmental outcomes despite being positive in terms of more efficient tax collection, the revenue from which could offset some of the dis-benefits.

The project is classified as safeguards category B/S2 because it is not expected to have significant adverse environmental or social impacts. Overall, the project is unlikely to have direct environmental impacts but may be a contributing factor to inducing land use change in the project area. Thus the project is considered to have environmental implications rather than impacts per se. Other than rehabilitation or construction of small land offices, the project will not support any major civil works. Furthermore, the project will not support land conversion, resource extraction, industrial production or any other activity which could damage the environment. The project will not provide titles in upland areas or areas covered by forest, protected areas or other sensitive natural habitats. The titling activities will be limited to land areas which have already undergone significant utilization such as urban and peri-urban areas, and some lowland agricultural areas adjacent to urban villages where farming has been the dominant land use for many years.

The socioeconomic conditions of Lao PDR are undergoing rapid change. This is especially the case in urban areas where population growth is higher than the national average and growth in personal disposable income probably more than double. From being a predominantly rural country, Lao PDR is rapidly urbanizing along the same lines as other South East Asian Countries and is unlikely to escape the same urban problems. Many of these changes are fuelled by economic reforms which are creating an emerging market economy integrated with the wider regional and world economies.

As a result of this change, a dynamic transformation of the use, management and trading of land and property assets is underway, as well as a transformation of the perception of land "ownership". Land titling, and the security of land tenure this provides, is a key component of government reforms in the area of land policy, management and administration. It is important to understand the impact of land titling in urban environments within the context of this dynamic change. Land titling is only one of a number of formal and informal processes that are changing the urban environment. There are dynamic relationships amongst land titling and other factors such as taxation, interest rates, exchange rates.

In twenty years, Lao PDR will have a human population exceeding 5 million, a greater Vientiane having a population no less than 1.5 million. A population stabilized at around 16-20 millions, will translate into a Vientiane of 2.5 to 3 millions, 3 or 4 cities with populations of around 500,000 (Vientiane in 1993) and

numerous smaller but equally intensively urbanized centers. These cities will require to be serviced by transport links, water supply, electricity, and liquid and solid waste processors. An increasingly affluent middle-class will require additional space-hungry residential, transport and recreational facilities. In other words, there is dynamic change which will touch every part of the country and every way of life.

### **Legal Instruments Appertaining to Land, Natural Resources, and Environment**

The laws, regulations and legal instruments which appertain to the impact of land titling on the environment lie a wide range of ministries (and the subservient committees, departments and agencies). The legal framework includes:

- The Constitution;
- International Conventions to which the Lao PDR is a Signatory;
- National Planning and Development Laws, Regulations, Instruments, Government Policy Statements and Implementation Programs;
- Forestry and Agriculture Laws, Regulations, Instruments, Government Policy and Implementation Programs;
- Environmental Laws, Regulations, Instruments, Government Policy and Implementation Programs;
- Ethnic Groups/Vulnerable Groups Laws, Regulations, Instruments, Government Policy and Implementation Programs; and
- Land Related Financial Laws, Regulations, Instruments, Government Policy and Implementation Programs.

The Land Law is to ensure that land is able to make a contribution to the acceleration of the national socioeconomic development, as well as to the protection of the environment and the national borders.

### **Urban Organization and Administration**

In terms of town planning, land titling enables or is one of the component processes enabling a number of potential benefits which contribute to the health and well-being of citizens.

*Roads, Run-off Drains and Footpaths.* Town planning officers say that systematic land titling coordinated with town planning offices presents a good opportunity to ensure that title boundaries take account of planned road and associated run-off drainage and footpath (side-walk) plans. However, where land has been occupied prior to the establishment of state-designated right of way, the titles will be issued up to the boundaries of the existing land rights. If the land is then required later for road widening, ditches, or other service provision, the title holder will be eligible for compensation from the State in accordance with the guidelines on involuntary resettlement. Secondary benefits include improved traffic flow, better pedestrian safety, better dispersal of flood-water, and better public health related to drainage.

*Water Supply, Sewage Disposal and Other Services.* Well planned roads also enable easier installation and maintenance of water supply services to individual properties. Similarly, well planned roads enable better sewage disposal channels (open or closed), which may be designed with the road itself. Other services are easier to supply along well planned roads. These include electricity, and telephone and other cable communication services.

*Emergency Services.* Well designed and wide roads allow access to fire engines, ambulances and police vehicles. Also, in poor and over-crowded areas where wood is a significant construction material, good

roads serve as a fire-beak.

*Natural Drainage.* Run-off drains take excess water off roads and out of settled areas into the natural drainage system. Most often the natural drainage system is the local river, which would, in its natural (lowland) state have included flood plains and back-swamps. Town planning must consider local drainage processes carefully and this is especially the case in the topical monsoon climate of Lao PDR, critically so where an urban area develops on an alluvial plain.

Rapid urban growth and change usually results in illegal land-filling which can upset natural drainage systems and considered engineering modifications. Where land titling processes co-ordinate with town planning offices they can help to ensure that the titles neither infringe on natural drainage features nor involve illegal land-fill.

*Urban Organization and Administration.* All the above show that land titling has the potential to substantially aid physical urban organization but in addition, land titling actually does (as opposed merely having the potential to do), assist administration by building up information about land holdings based on accurate data in terms of boundary survey, "ownership" and use. All this substantially eases the collection of land taxes. Also, the information will help to identify the perpetrators of illegal land use, ease compensation process where land is taken for municipal or state use, and make it easier to solve disputes about title and inheritance. All this will reduce the burden upon public funds.

The environmental benefits of a well organized and administered urban area cannot be under-estimated. All these benefits are easier to provide in an urban area that is well organized and administered. However, it is important to note that good urban organization depends also on a host of the other factors in addition to land titling. These include good legislation with regulations that guide town planning, transparent government to minimize corruption and capable officers with the necessary technical support.

All the above, as stressed, are potential benefits, and the socioeconomic and environmental baseline survey should allow to assess real benefits of the project.

### **Other Potential Impact on the Environment**

*More Investment.* Well run, efficient and pleasant urban areas tend to attract more investment than less well organized and administered places. This provides better wages and job opportunities for citizens. As above however, inward investment depends on much more than just good land titling and urban management. In this respect macro-economic policy, including the national infrastructure, is important.

*Security of Title.* "Ownership" of land and property is one of the prime reasons for improvement, even with no commensurate economic return. Residential owners are much more likely to improve their properties than tenants. Therefore, land titling has a direct potential benefit for environmental health in terms of kitchens, bathrooms, lavatories, water storage and septic tanks. Environmental benefits also arise from well maintained properties in terms of pest control, planting of trees and shrubs, compound drainage (good guttering, no puddles where mosquitoes can breed), off-street parking and general appearance.

*More Efficient Taxation.* Land titling directly improves tax collection and therefore enables local government to do more in terms of the urban management outlined above.

*Efficient Land Market.* Land titling promotes an efficient land market because boundaries are known,

ownership is clear, transfer of ownership is easy, and because the process, including valuation is public knowledge inasmuch as it is registered and known to local government authorities.

*Transparent Land Markets.* An efficient land market is transparent and therefore enables local government and the community at large to control not only the illegal use of land but, importantly land-hoarding for speculation purposes. If there is a potential for a rapid increase in the value of land, individuals or companies may buy up land and properties in certain strategic locations and hold it until prices rise. Land may even be held off the market to restrict supply and thus push prices even higher. Because the value lies in the future potential of the land rather than the present economic return of the buildings on it, the buildings may be let at low rents and be badly maintained, becoming a health hazard for poor occupants and neighbors alike. A transparent market on its own will not stop land hoarding; legislation is required to limit land holdings by individuals, companies or associations.

*Increases in the Value of Land.* Increases in the value of land encourages investment in the land. The benefits of land titling to town planning have the potential to mitigate some physical environmental degradation associated with rapid urban growth and poverty. However, there are also problematic ramifications which arise from the very land market potentially enabled by land titling that can make matters worse. This tendency for the land market to disadvantage some groups of people may happen in any event (with or without land titling). Nonetheless, if land titling is undertaken with a view to mitigating what might be called "natural" market tendencies (taking into account vulnerable groups), then undoubtedly the process will have a positive environmental impact.

### **Summary Assessment of the Impact of Project Activities**

Project activities have several potential town planning benefits where there is co-operation with town planning offices. Specifically, improvements in titling and land administration can:

- Aide in the alignment for roads, run-off drains and footpaths
- Facilitate water supply, sewage disposal and other services
- Aid to management of natural drainage through improved land use decisions
- Aid to urban organization and administration
- Via good urban organization and administration, encourages inward Investment

Furthermore, security of title may lead to:

- Investment in health and sanitation
- Psychological sense of well-being

More Efficient Taxation will:

- Enables local government to spend more money on land, infrastructure and other environmental improvements.

Efficient land markets encourage:

- Transparent Land Markets which mitigate against land hoarding and the potential for urban blight arising therefrom;
- Increases the value of land and thus encourages personal investment in improvements by title holders; and
- Better enables newcomers to buy into the market

**Environmental impact assessment: Impact Significance Scoring**

	<b>Item</b>	<b>Positive Impact</b>	<b>Nil Impact</b>	<b>Negative Impact</b>
	<b>Where LT does coordinate with town planning offices</b>	High		
1	Roads, run-off drains and footpaths	High		
2	Water supply, sewage disposal and other services	High		
3	Emergency services	High		
4	Management of natural drainage	High		
5	Urban organization and administration	High		
6	Urban investment			
	<b>Where LT does not coordinate with town planning offices</b>			
7	Roads and public services			Medium
8	Management of natural drainage			Medium
9	Urban organization, administration and investment			Medium
	<b>Security of title</b>			
10	Investment in health and sanitation	High		
11	Sense of well being	Medium		
	<b>Taxation</b>			
12	More efficient	High		
	<b>More efficient land market</b>			
13	Control of urban blight	High		
14	Increases in land value	High		
15	Entry into the market	High		
	<b>Where LT is sensitive to vulnerable groups</b>			
16	Poverty and social cohesion	High		
	<b>Where LT is insensitive to vulnerable groups</b>			
17	Poverty and social cohesion			High
	<b>Technical Capacity</b>			
18	More efficient taxation	High		

**Procedure For Screening Civil Works**

To address the potential adverse impacts of the project's small-scale civil works, procedures will be followed to ensure that adverse environmental impacts do not arise. First, to the extent possible all buildings will be located on existing government lands that have already been developed. Second, all proposed civil works will be screened using a simple checklist of potential impacts during the design stage. Based on the screening review, a recommendation will be made as to whether a limited environmental assessment (IEE) or EMP will be required. The checklist is presented in the Social and Environmental Guidelines. In the unlikely event that an IEE or EMP is needed, it will be completed prior to issuance of construction bid documents. For all sub-projects requiring IEE or EMP, IDA will review these documents and issue no-objection to proceed prior to commencement of construction. In most cases however, adverse impacts will be negligible. Finally, all bid documents for all civil works will

include standard clauses to ensure that appropriate measures for waste disposal, sedimentation, dust and noise control are included in construction contracts. Contractors will be obligated to comply with the agreed measures.

**Additional Annex 13: Legal Framework**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

**A Transitional System:** The legal framework for land administration in Laos is characteristic of societies in transition toward market economies. The Constitution commits the country to a transition to a market economy, on one hand, but on the other, ideologically core concepts like state ownership of land are not shed quickly. Thus Article 15 of the 1991 Constitution proscribes full private ownership of land and the Land Law of 1997, the framework law for property rights in land, reaffirms the ownership of all land by the state (art. 3).

**Land Use Rights:** The Law on Land of 1997 sets out a system of property rights in land. Land is assigned for use by the state to individuals, families and organizations (including state, social and military organizations, and economic entities such as collectives) (art. 3). Villages are not considered to be included under Article 3, and in systematic adjudication under the project, communal grazing, public wells, temples and other village resources are being titled to the state.

District authorities are responsible for land assignment. In the case of agricultural land allowable amounts for assignment range from 1 to 15 hectares depending upon the type of exploitation, and additional land may be leased from the state (art. 17-18). Forest land is similarly owned and assigned by the state (Forestry Law, art. 5). Land rights may also be acquired by inheritance, transfer (Law on Land, art. 52) or prescription by occupation for a period of twenty years (Law on Ownership, 1990, art. 42).

The government in the Law on Land commits itself to protecting “effective, peaceful and long-term use of land” (art. 5) and sets out the basic land rights: the protection right, use right, usufruct rights, transfer right and inheritance right (arts. 54-58). The use rights are for an indefinite period, transferable and inheritable. On the initial assignment of a use right, the assignee is given a provisional certificate, valid for three years. The Law on Land provides that if the right is unchallenged, and the land has been developed, the holder may apply for a land title (arts. 18, 22). There is a similar system for assignment of degraded forest land (arts. 16-21). Land ceilings exist for both agricultural and degraded forest land (arts. 17, 21).

Land use rights are subject to requirements that the holder protect the land and environment, not violate the interests of others, accept valid servitudes, pay taxes and fees, and comply with land and forest regulations (Law on Land, arts. 18, 22; Forest Law, arts. 8, 57). Non-compliance can result in loss of land use rights, subject to unspecified compensation (Land on Law, arts. 67-71).

Permanent land use rights are inheritable, and the Property Law provides that husband and wife have equal rights over conjugal property, notwithstanding who acquired the property, but if property was acquired before the marriage, it is not considered conjugal property. In fact customary rules usually determine inheritance of land use rights.

Generally, customary land use rights are recognized as valid by the state only over forest land, under Ministerial Order on Customary Rights and Use of Forest Resources, 1996 (0054/MAF).

**Land Transactions:** Article 3 of the Law on Land prohibits taking land as a commodity which can be bought and sold, but transactions in use rights are permitted. They may be perpetual for permanent use rights, but there are time limits on transfers of provisional rights (art. 53). Article 57 restricts transfers to land which has been developed, and under Articles 3 and 13, land rights may not be held by or transferred to non-citizens. Land transfers must be registered, and the Ministerial Direction of 1999



provides that transactions concerning land covered by a land certificate or title are unenforceable if not registered (art. 23).

**Land Titles and Titling:** An adequate regulatory framework for land registration was established under Laos Land Titling I. The Law on Land provides for a system of land registration (art. 43), and the land title is the principal evidence of a permanent land use right (art. 48). The names of both husband and wife are required to be recorded in the Register Book (Law on Land, art. 43). The titling system is elaborated in a Ministerial Direction on Land Parcel Registration, 1999 (MD 996/MoF). Adjudication and titling can be done systematically or sporadically (Law on Land, art. 44). These procedures are laid out in a Ministerial Direction on Systematic Adjudication of Land Use Right (MD 997/MoF) and a Ministerial Direction on Sporadic Adjudication of Land Use Right (MD 998/MoF).

Land certificates of a provisional, temporary nature are also issued, for agricultural and forest land (The Ministerial Direction of 1995, art. 35; Law on Land, arts. 18, 22, and 48). This is done where there are uncertainties as to boundaries or ownership, or the apparent owner is not present during the adjudication. After 10 years, the provisional certificate holder may, if his right has not been successfully challenged, convert it to a permanent land title (art. 36). Land held under a certificate can be leased out but not for more than five years (Ministerial Direction of 1999, art. 19).

**Expropriation:** The Constitution does not expressly provide for expropriation of land rights, but the Law on Land provides for three types of taking of land by the state. First, it is provided that land use rights shall terminate when land is requisitioned for public use (art. 63). “Suitable compensation” is required but not defined (art. 70). Alternatively, there is a category of “purchase of land assets out of necessity” related to development, natural calamity, epidemics, and other urgent cases. Compensation is again required but not defined (art. 43). Finally, land can be taken by the state for national defense, and in this case compensation is only in case of damage to property (art. 38).

**Settlement of Land Disputes:** The Law on Land distinguishes between disputes having administrative characteristics and those having civil case characteristics. The first involve an action by government which is contested, and are to be resolved jointly by the land administration agency and local government (art. 79). Those of civil character, including inheritance of developed land, transfer of land use right, and other land contracts, are to first be arbitrated by the local authority and if that is unsuccessful, taken for resolution to the civil court (art. 80). These courts, including the Supreme People’s Court; the Local People’s Courts at provincial, prefectural and district levels, and Military Courts) are governed by the Law on People’s Courts, 1989.

**Reforms Needed:** Several reforms in the land law have been identified under LTP to be addressed under the sub-component of LTP II on land policy formulation and development and drafting of decrees and ministerial instructions. These would be the subject of studies, policy formulation and then legal reform. Legal topics to be addressed include i) time period for disposal of land in excess of maximum time limits; ii) duration of lease periods for state land; iii) land rights of foreign investors, iv) payment/tax for excess land areas; v) land rights of organizations, including villages and corporations; vi) compensation standards for expropriations, including land in road rights-of-way; vii) resettlement, and viii) the legal status and disposition of large, unused parcels of land.

**Additional Annex 14: Institutional issues**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

**Analysis of institutional issues under the first Land Titling Project**

An Organization, Management and Operations (OMO) study of DOL, conducted under the LTP and completed in February 2001, identified short, medium and long-term issues that needed to be addressed by DOL to (i) increase productivity; (ii) improve effectiveness; and (iii) ensure sustainability of the project.

The OMO Report findings and recommendations focused on the two key areas of DOL organizational structure and staffing and human resources development. The OMO Action Plan, which had the support of provincial and district officials and was endorsed by the Vice Minister of Finance, proposed:

(i) implementing new structures for DOL central, provincial and district operations with the objective of adopting clear lines of communication and strengthening the functional land line. Weaknesses identified included a lack of clear roles and responsibilities; centralized authority; and PLOs and DLOs under the MOF undermining the Director General of DOL's ability to focus work on organizational objectives. Additionally, the transfer, in the medium term, of non-core land tax functions from DOL was proposed;

(ii) recruiting staff in accord with forward staffing plans to ensure adequate staff to implement the project. Substantial staff increases are required in all DOL offices as well as the SATs not only for implementation, but for long term sustainability of the registration function. With the government committed to a reduction in public sector staff numbers, substantial staff increases in the short term needs to be accommodated by engagement of contract staff;

(iii) strengthening staff training, including through establishment of a Central Training Unit to coordinate and manage training. The main weaknesses identified included lack of adequate training needs analysis; lack of a training strategy and training plans; lack of management and land related technical skills; and few opportunities to access appropriate training internally or externally;

(iv) retaining trained staff through implementation of a long term HRD plan which sought to introduce concepts of merit selection processes, gender equity, relevant job descriptions, skill audits, training plans, performance assessment, operating procedures, etc; and

(v) ensuring sustainability through education and training of future managers and technical specialists particularly through establishment of a High Diploma in Surveying and Land Administration at the Polytechnic School.

The first project saw some progress in recruitment, training, education and HRD practices, but in August 2002, in an apparent response to concerns about productivity and the slow rate of title issuance, DOL implemented a restructure involving splitting project management (PSU) from the department and introducing a similar structure at provincial and district level. The positions of Director General of DOL and Project Director were split. This compounded concerns about the functional land line and long-term sustainability.

## **Proposed restructuring of DOL and land offices under LTP II**

LTP II project preparation proposed that the organizational structure and human resources development proposals of the OMO Report, updated as appropriate, be implemented. This was endorsed at a workshop held in March 2003 involving participants from Ministry of Finance (Department of Personnel, Ministry Cabinet), DOL, DONLUPAD, DSA, LWU and relevant provincial and district officials. Approval by the Minister of Finance of the agreed DOL restructuring and staffing plan for LTP II is a condition for negotiation. This plan involves:

(i) the integration of the PSU in DOL and of the PPFUs in the provincial land offices. At central level, staff of the Project Support Unit will be transferred to the new PFD of DOL and carry out the functions of project management, including planning, budgeting, procurement, disbursement, monitoring and reporting, and overall coordination of project activities. The Technical Monitoring Unit of the PSU will be transferred to a new Technical Support Unit in the Cadastral Surveying Division; at provincial level, the PPFU will be merged with PLOs' Planning and Finance Section. The Planning and Finance Sections (PFS) of PLOs will be responsible for project management, including planning, budgeting, local procurement, sub-account management, supervision of project activities (including SATs), monitoring and reporting; similar structures would be adopted and implemented in district land offices;

(ii) a staffing plan for projected staff requirements in DOL and in provincial and district land offices. Staff will be redeployed to the new divisions and units of DOL, and to the new sections of PLOs and DLOs, with a total incremental number of staff of 187 over five years, including 49 civil servants and 138 contractual staff. Most of the increase will occur at provincial and district level. In addition, SAT team composition will be strengthened by the recruitment of 44 new CES staff. Recruitment of new CES staff will be based on criteria and skills requirements developed during project preparation;

(iii) streamlining of functional and administrative relationships between DOL and the provincial and district land offices; and

(iv) strengthening the monitoring capacity of provincial land taxation units, in preparation for the transfer of land tax functions out of DOL in the medium term.

The proposed new organizational charts of DOL, PLOs and DLOs are presented in attachment 1. Attachment 2 presents the yearly staff increases for both government and contract staff in DOL, PLOs and DLOs, over the life of the project.

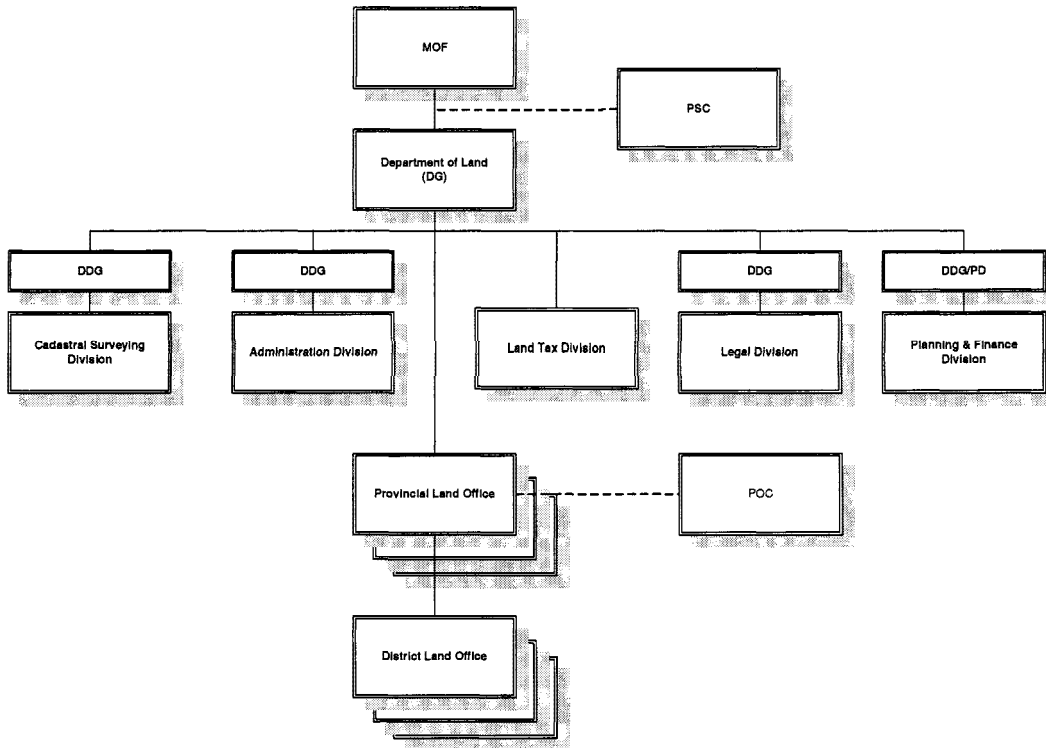
### **Technical Assistance inputs**

The international HRD/training adviser under the current project will assist DOL prepare the *Ministerial Direction on Position, Functions, Rights, Organizational Structure and Working Methods* for the agreed new structure of DOL. The adviser will also review skill needs; update and refine job descriptions; develop criteria for staff redeployment and recruitment; further develop the training strategy and prepare a review of HRD requirements and a HRD strategy prior to commencement of LTP II.

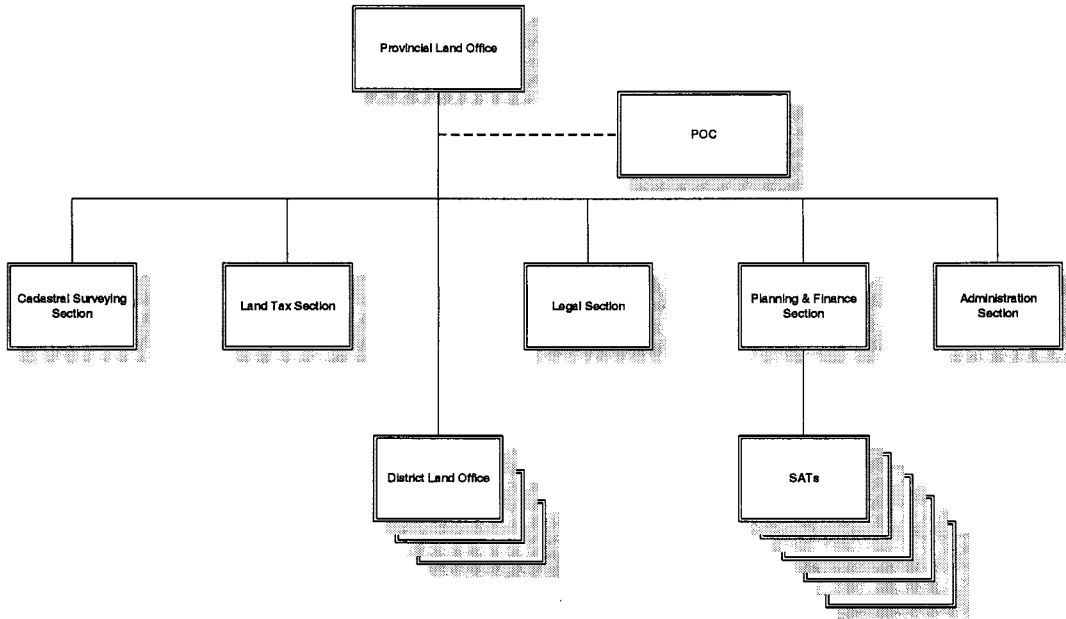
LPT II will have a focus on institutional development to establish the basis for the long-term sustainability of DOL. Consequently the focus of technical assistance will be more closely aligned to building staff and institutional capacity through mentoring and support for training of DOL and related agency staff. This is reflected in TA inputs and skill requirements, which place greater emphasis on planning and institutional development.

Attachment 1  
Proposed organizational charts of DOL, PLOs and DLOs

a/ Proposed new structure of DOL

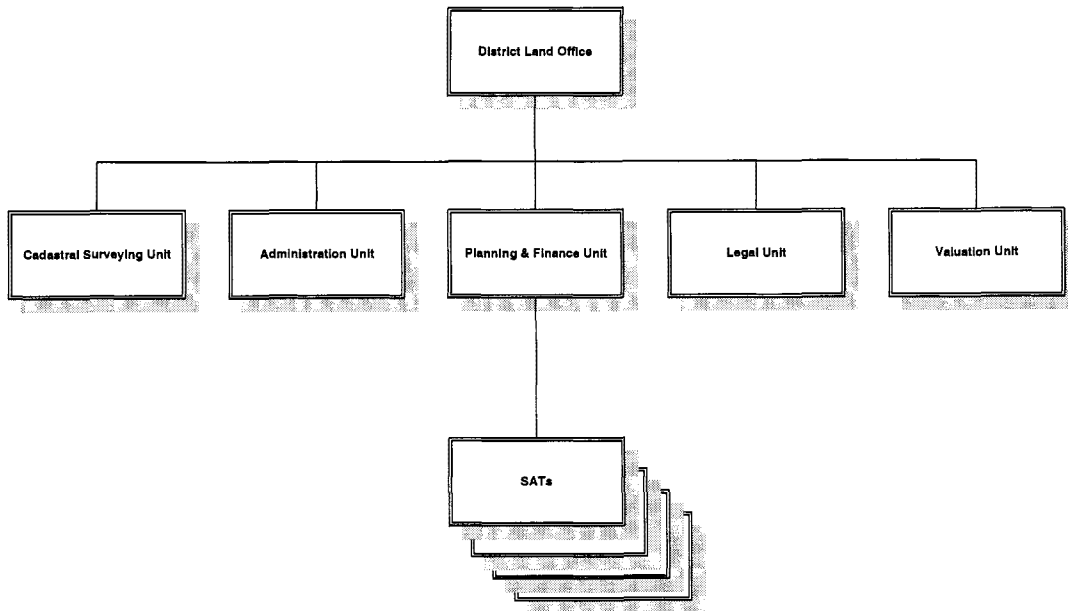


b/ Proposed new structure of Provincial Land Offices



**Annex 14**  
**Attachment 1/c**

**c/ Proposed new structure of District Land Offices**



**Staffing plan of DOL, PLOs and DLOs - Incremental staffing**

	<b>Department</b>		<b>Provinces</b>		<b>Districts</b>		<b>Total</b>	
	Govt.	Contract	Govt.	Contract	Govt.	Contract	Govt.	Contract
2004	0	0	0	49	0	0	0	49
2005	5	2	0	23	8	12	13	37
2006	4	3	0	12	8	12	12	27
2007	4	3	0	4	8	15	12	22
2008	5	3	0	0	7	0	12	3
<b>Total</b>	<b>18</b>	<b>11</b>	<b>0</b>	<b>88</b>	<b>31</b>	<b>39</b>	<b>49</b>	<b>138</b>

Govt. = Government staff; Contract = Contractual staff

**Additional Annex 15: Monitoring and Evaluation (M&E)**  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC: Second Land Titling Project**

**M&E under the First Land Titling Project**

Under the first project, technical monitoring was the responsibility of the Technical Monitoring Unit under the Project Support Unit (PSU) of DOL at central level, and PFSU at provincial level, and mainly based on output and performance indicators for systematic adjudication (number of titles adjudicated, signed, distributed; SAT teams productivity; government revenues; etc.). General reporting was done as part of project management functions of the PSU, and was also mostly based on output indicators (number of training sessions conducted, number of staff trained, number of villages covered by the valuation system, etc.). Less attention has been given to process management indicators, quality of delivery of services indicators, socioeconomic impact indicators, and to other indicators of good governance (gender balance, dispute resolution, etc.). A socioeconomic baseline survey, to allow for future assessment of project impact, is being conducted as part of the first project. Monitoring and evaluation of project performance has generally been a weak area, and opportunities to improve project performance have been missed.

**Monitoring and Evaluation arrangements under LTP II**

Monitoring and Evaluation activities under LTP II will be strengthened and will include two main elements: (i) Regular monitoring and evaluation of project performance through the establishment and implementation of an integrated M&E system; (ii) a socioeconomic and environmental impact study to be conducted during year 4 of project implementation.

**(i) Integrated Monitoring and Evaluation System**

As the basic procedures for land titling and registration are now in place and being upgraded, more emphasis is needed on monitoring and evaluation of the quality and performance of land administration services and project management at central, provincial and district level. The introduction of an integrated monitoring and evaluation system will allow regular monitoring and evaluation of activities supported by the project, and will support the assessment of DOL's capacity to further expand project activities in new provinces. The M&E system will be established during the first year of project implementation, with the assistance of an international M&E advisor, who will develop and test the system. Overall responsibility for M&E would be under the Planning and Finance Division of DOL.

*Design of the M&E system*

The design of the M&E system will:

- Identify and define key input, output, outcome and impact indicators to monitor and evaluate the performance of DOL, DONLUPAD, and other executing agencies in implementing project activities; these indicators will include:
  - (i) Project management indicators: e.g. monitoring of timing of procurement process, of financial and disbursement processes, of work plan preparation and processing schedules; actual implementation of agreed MOUs between DOL and other project executing agencies, etc;
  - (ii) Technical monitoring indicators, including services standards indicators: e.g. delays between adjudication and title distribution; number of titles adjudicated, signed, surveyed; etc;



(iii) Project implementation progress indicators: e.g. number of consultations held by DONLUPAD; staffing deployment and recruitment in DOL; progress with forward planning process implementation; number of villages covered by community mapping; number of transactions registered; progress with training activities; etc;

(iv) Economic indicators: e.g. government revenues (land taxes and fees); and

(v) Social and gender indicators: e.g. dispute cases and number of cases resolved; number of women professional staff in DOL, PLOs and DLOs, and SAT teams; number of women trained under the project; number of scholarships granted to women; titles issues in the name of women; etc.

- Specific responsibilities and reporting lines within DOL, PLOS, DLOs, LWU and other implementing agencies (DONLUPAD, NGD, Polytechnic School, DSA) for monitoring those indicators, and linkages with the integrated M&E system of the Planning and Finance Division of DOL. In particular, the role of CES staff (both central and provincial) in monitoring and evaluation of CES activities and linkages with the general M&E system will be reviewed; key indicators to be collected during community mapping, and through other CES activities, will be identified; responsibilities for technical monitoring and evaluation, and linkages with the general system will be specified; responsibilities for monitoring of component 1 implemented by DONLUPAD will be defined; and responsibilities of the Central Training Unit for M&E of training activities will be specified. In addition, a mechanism for community monitoring of project activities, using information collected during community mapping, will be proposed, and possible options for the introduction of a mechanism for complaint and complaints handling assessed.
- Frequency of data collection and reporting for the different indicators defined; and
- Reporting formats (tables, other) to be generated by the M&E system.

#### *Support from the project*

In addition to the inputs of the international M&E advisor, the project will include:

- Staffing: Two staff responsible for M&E in the Planning and Finance Division of DOL, in charge of overall coordination of M&E, including data collection from and coordination with other units (Technical Support Unit; CES; procurement and financial management units; DONLUPAD; etc.), and reporting; At provincial level, one staff responsible for M&E in the Planning and Budgeting Section with similar functions;
- Training for M&E staff;
- Office equipment (software and hardware) and operating costs.

#### **(ii) Socioeconomic and environmental impact study**

In year 4 of project implementation, DOL will implement a socioeconomic and environmental impact study, which will be designed as a follow-up to the first socioeconomic baseline survey conducted under the LTP. The objective is to assess the extent to which the objectives and expected outcomes of the project are being realized over time. Impact indicators include reduction in land disputes, increase in certainty and security of tenure, increase in formal land transactions, increase in investment in the property sector, increase in lending using mortgages as collateral, increase in government revenue, access and impact on women and other vulnerable groups such as ethnic minorities, environmental impacts and measures of the level of service satisfaction.