

**Cadastre – Registry decentralization services in the Management
Property System in Honduras**

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I. Introduction

In recent years, Honduras has achieved substantial improvements in the legal, institutional and operational framework for the management and protection of property rights, which should be continued progressively until its consolidation efforts. The property law of 2004 represented a historical development, establishing a legal framework for the land administration strengthening in the country.

In addition, the Institute of Property (IP) was created to oversee the national cadastre, property registries and regularize the land ownership in an integrated way; It initiated the change of the personal folio registration system to the Royal folio, which allowed to collect cadastral information (description and geo-referenced of the venue) and rights legally recognized, it also created innovative mechanisms for regularization and legalization of land tenure, non-existent until then.

The current property management model of Honduras, constitutes a set of actions and decisions in legislative, technological and procedural matters that have allowed the active integration of different actors involved in the management on the subject of land and property rights. After 11 years of the beginning of this model adoption, the property administration system of Honduras has experienced significant advances. Honduras is actively integrating stakeholders in the subjects of land and property-rights management, both public and private; under a decentralised scheme for the easy access to services provision on a common platform, with predefined standards that guarantee transparency in operations, and at the same time reducing operating costs and transaction times.

The property-rights administration system has advanced considerably through the transactions technological system development, which monitors and publishes registration and cadastre operations, allows the transfer execution of a registration in personal folio (based on the person) to a record in Royal Folio (based on the plot), the transactional research, conflict resolution, transactions traceability and facilitates the implementation of massive legalization as well ascertainment processes.

It is important to note, that in 2014, the Honduras Government, through the Institute of Property (IP), devised a strategy for the institution transformation according to the new context of private and public actors that includes among other things: the professionalization and modernization of

the human resources involved in the process, the establishment of standards and incorporation of new technologies in order to achieve, in the short term, the services decentralization and Institute establishment as a charge, governing and supervisor body.

With the latter, it seeks to improve the investment climate and economic growth, with benefits such as: the land value increase of the titled and registered estates under the royal folio technique, the increase in land-related investments and the increase in mortgage credit.

"the productive decentralization consists in an organization form of the goods or services production process for the final consumer market, under which a company decides not to directly perform through their personal and material resources certain phases or precise activities to reach the final consumer goods, opting instead to move them to other companies or individuals with whom establishes very different type cooperation agreements"

Therefore, the Institute of Property mechanism used to transfer to banking as a partner institution is the operating's faculty for transactional services on Royal Folio. This is done by means of a computing platform called Unified Registry System (SURE in spanish), which is used in all Honduras to register property rights, with certified professionals in specific skills of buying and selling, mortgages etc.

This document develops main strategic axes and the methodology that allowed the registry services transfer to banking, highlighting the following:

- The customer attention schema using Front-Back Office has allowed to create a more efficient and transparent way of service delivery, through the separation and specialization of the receipt/delivery applications processes, including the attention in the cadastre area and the request internal processing.
- The certified professionals integration in the property management chain.
- Creation of a service contract or agreement between the Institute of property and banking.

As a result of these aspects adoption, Honduras is integrating actively different stakeholders in the management on the land and property-rights subject, both public and private; under a decentralised scheme for the provision of easy access services on a common platform, with predefined standards that guarantee transparency in operations by the traceability of these, reducing operating costs and transaction times.

II. Background

Honduras is a country in Central America with 112,492 km² and its current population is 8.7 million inhabitants. More than 45% of the population lives under the poverty line and 20 per cent live in extreme poverty; approximately 80% of the population lives in settlements areas, with a title lack which guarantees them legal certainty; in general, around 70% of the plots in the country (estimated at 2.2 million urban and rural 0.8 million) presented irregularities in their registration or are not registered.

In the property management field, before 2003, different efforts to modernize the territory management had been made with little success due to the legislative dispersion and lack of synergy between institutions related to the processes of property title, land registry and land-ordinance.

The land registry was a Supreme Court of Justice faculty, that managed 24 registries in the country. All the information was handled in physical volumes, with many difficulties in the applications traceability, transparency and the guarantee of documents conservation. The registration technique that was used was focused on the act registration, rather than the property; technique known as Personal Folio or bundle.

The land registry was a dependent direction of the Executive Branch. Massive cadastral surveys for title purposes had been performed in the previous two decades, this didn't maintain a direct relationship with the municipalities and there wasn't a binding relationship with the land registry. Mapping was carried out by the National Geographical Institute attached to the Ministry of Transport, however, in the absence of a territorial law, the institution was only devoted to the maps elaboration in physical formats.

The previous efforts approach prioritized the cadastral survey in lands of national and ejidal legal nature without a vision towards the registry modernization, or strengthening of actors linked to the territory management chain. As a result, is caused overlapping of property rights, duplication of functions and investments, thus increasing legal insecurity in the country.

In the Decade of the 1990s was done a pilot project called Rural Areas Administration Project (PAAR). Even though it included a component for the property-registry modernization, it was attached to a State Secretary whose priority was the rural sector; in addition it didn't have a holistic approach to land administration, it did not include transcendence legal reforms or a

methodology of subsequent mechanisation processes. Based on the learned lessons from this project, conditions for a new lands management model implementation were created. For this, the Government allocated new resources for the creation of a new legal framework and the continuity of the activities for the national property management system integration, creating the law of property.

Through the adoption of the law, this grants at the Institute of property name and regulate Center Partners that operate and administer the registry services that rely on the Institute of property, whereas the services administration through a public private partnership counts with more agile mechanisms and procedures to respond to the requirements for the establishment and promotion of a stock market.

The first Associated Centre was formed in July 2006 delegating to the Commerce and Industries Chambers of Honduras the operation and administration of the merchant registry; this one includes the resulting services from the companies constitutions registration as well as movements registration of partners and capital.

III. The services decentralization context in the management property system in Honduras

The property decentralization services have been included as one of the necessary requirements to meet the challenges arising in the property transactional volume growth, in the increase of users expectations for improving the services quality, reduce operating costs and response times that result from a good's registration

Through this mechanism of Peripheral Registry Offices OPR (associated centres), the National Property Administration System of Honduras (SINAP), seeks to take the route towards decentralization hoping to achieve efficiency, maintain transparency, mobility in the transactions; thus, creating a greater mobilisation in the landmarket.

For the implementation of these OPR offices is required:

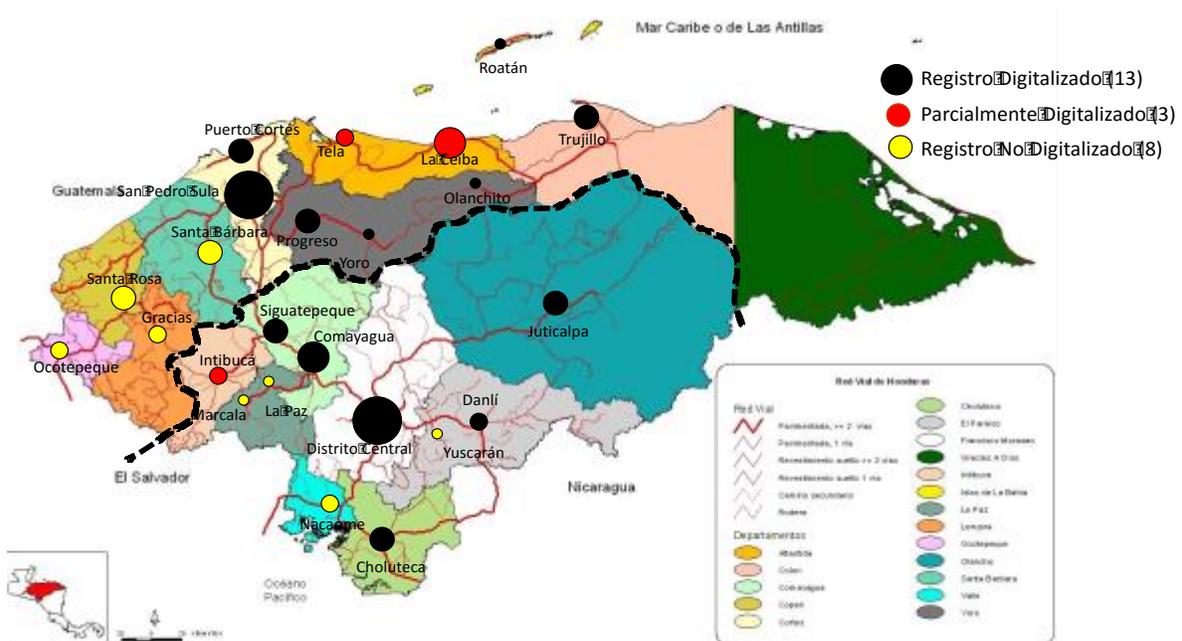
- The stability of a technological platform capable of supporting the transactional registry of the nation assets;

- A mechanized digitalization process of the property physical volumes and the conversion of the registration technique from Personal Folio to Royal Folio;
- Linking between Registry - Cadastre;
- The separation of reception processes and applications processing for registration services, through the Front & Back Office model implementation;
- Rules and Procedures establishment that must operate an OPR (Manual of criteria and standards unification as well as quality indicators);
- Agreement between both parties.

Under these conditions, the law empowers the Land Institute to decentralize services to actors running roles relating to the legalization and updating of information, establishing the unified registry system as a single destination.

IV. Current Situation

When we talk about the land registry, we are referring to the operation of 24 offices nation-wide, established in the country's 17 departments, 16 of these offices are operating 100% of transactions in the Unified Registry System SURE, it is said that has a coverage of 80% of the generated transactions in the country on real property.

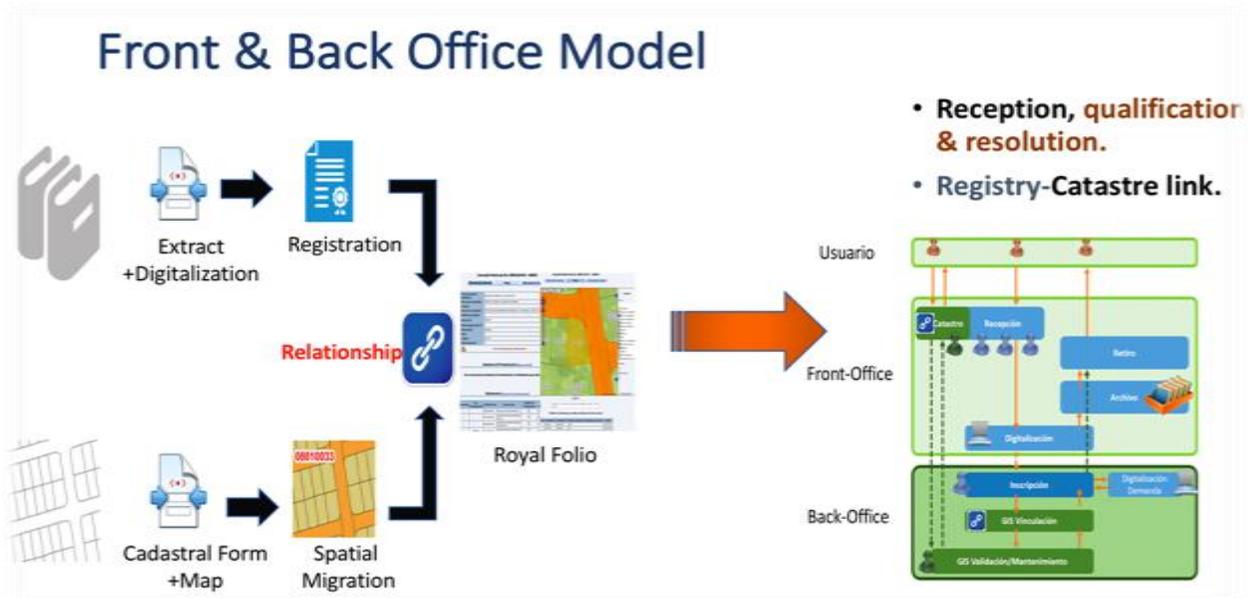


With an annual growth of 12.7% in the property-registry transactions a Front and Back Office model is implemented with the purpose of improving the traceability and transparency of transactions in property-registry, unfortunately the reduction of end-user response times was not possible.



Figure 1.- growing transactional real property in Honduras.

Once validated the model in the land registry, it facilitated the creation of Cadastre Registry Associated centers so as to operate under the regulations and in one only technology platform established by the Directorate of the registry- property of Honduras.



Thus in April 2016 it was formed the second associated Center, the first in the Cadastre Registry field, delegating to the Honduran Bank for production and housing (BANHPROVI), the manage and operation of registry transactions related to the clients portfolio accessing the BANHPROVI funds for housing loan.

The third Associate Center, the second in the Cadastre Registry area was formed in October 2016, delegating to the Honduran Comercial Financial Bank S.A. (FIHCOSA) to manage and operate registry transactions related to the clients portfolio accessing the FIHCOSA funds for housing loan.

Through this decentralization mechanism of the registry services, SINAP seeks to promote the economical and effective management of the State resources, through the interventions both in the private sector, civil society and international cooperation agencies avoiding duplication of efforts.

1. Why banking?

Private banking moves an average of 31 million dollars a year in mortgages on real estate sale therefore is the main actor in reducing response times in the registration of these transactions on real estate.

2. Benefits to the property system in Honduras.

Optimize the public administration, improving services to citizenship through a solid and efficient banking network, where all movements are subjected to rigorous audit processes.



3. Standards, control and monitoring of operations.

Each operation center shall be submitted to the rules and procedures established by the Registry-property direction, such as regulations, procedures agreements, operating manuals and certification guidelines.

The IP with the technical support of the PATH II within the institutional strengthening and policy framework has improved the public service through changes in their institutional processes. For this, since 2015 it implemented Front Office - Back Office model, in the registry of Francisco Morazán property estate.

This model is characterized by specialization to the user response and the Registration Act processing, managing the digital document by the Unified System of Registries SURE over Real Folio.

As processes are specialized, is feasible to deconcentrate, or decentralize services to operators or certified professionals, minimizing the public institution actions to regulatory roles.

V. Conclusions

Honduras model embodied in this document illustrates the challenges, actions, lessons and good practices so frequent in the modernization processes of land administration systems in developing countries. While some of the actions are in the implementation process, the following are some of the most important conclusions identified at the time of the present document drafting.

1. The reduction of operating costs and transactional times is the priority approach to the modernization processes of the property administration system of Honduras, to generate wealth and activate the economy. Prioritize over these targets allows that all modernization efforts are seen as a means and not an end.
2. The partnership model applied to the property administration is an almost irreversible trend in developed countries. The outsourcing scheme in Honduras is currently in process and has required a contextual adaptation of gradual phases to ensure the transition, because there are not all the conditions to transfer the total number of services provided, nor can be transferred responsibilities which are state grant as guarantor of security in its different dimensions.
3. In the Associate Center called Registry Peripheral Office (OPR) stands the situation of win - win, for banking and the IP since it allows: increase the amount of appropriations, the generation of revenue by fees from both parties, as well as a reduction in operating costs from the side of the IP in regards to technology infrastructure , software licensing, and eventually qualified and certified personnel.