

# ***Terra Institute, Ltd.***

## **Annual Report**

**Fiscal year:  
2002 - 2003**



### ***TERRA INSTITUTE LTD.***

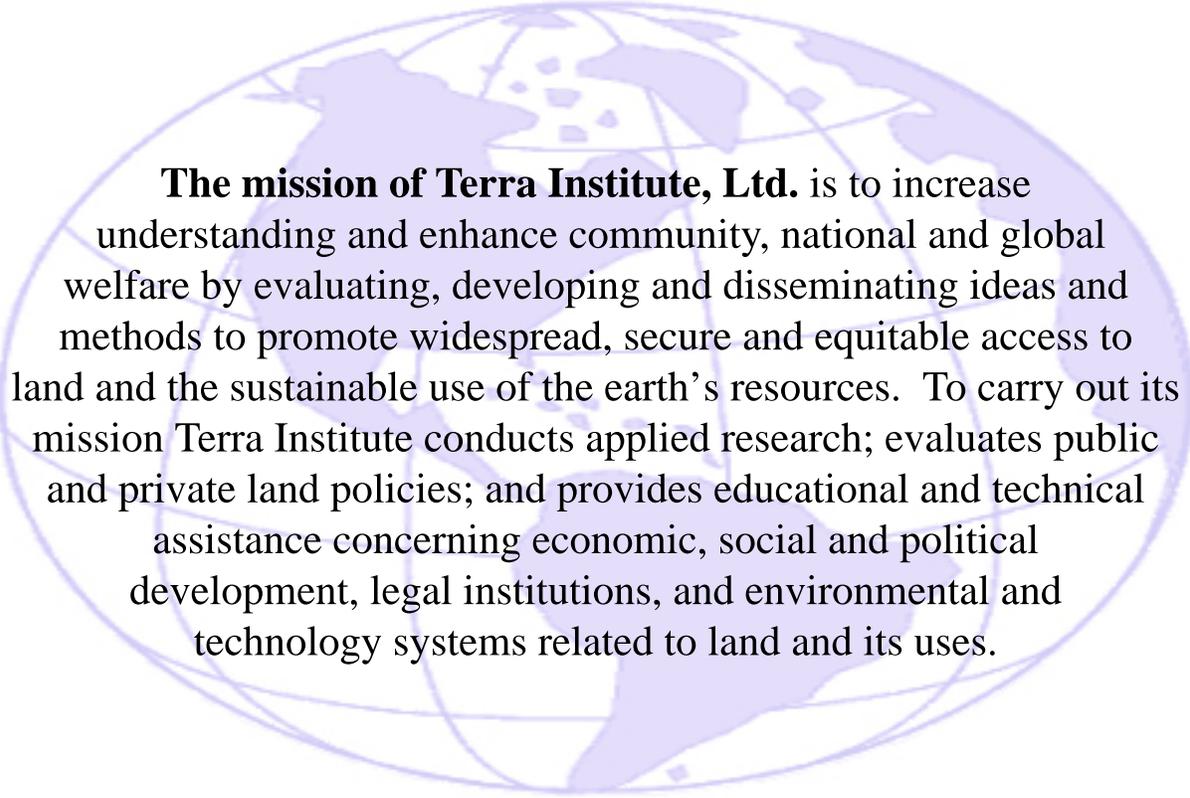
10900 Stanfield Road • Blue Mounds, WI

53517 USA

ph: (608) 767-3449 • [jdstanfi@wisc.edu](mailto:jdstanfi@wisc.edu)

# **Terra Institute, Ltd.**

## **MISSION STATEMENT**



**The mission of Terra Institute, Ltd.** is to increase understanding and enhance community, national and global welfare by evaluating, developing and disseminating ideas and methods to promote widespread, secure and equitable access to land and the sustainable use of the earth's resources. To carry out its mission Terra Institute conducts applied research; evaluates public and private land policies; and provides educational and technical assistance concerning economic, social and political development, legal institutions, and environmental and technology systems related to land and its uses.

## **REMARKS OF THE PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS**

Terra Institute, Ltd., continued its success as an international research and consulting firm dealing with land tenure, land reform, land administration and registration activities during the fiscal year ending in June 2003. The Institute has one large project in the Republic of Georgia and a variety of smaller ones in various locations throughout the world. As a result of these projects and assistance in organizing overseas conferences, Terra continues to be financially sound.

Terra Institute was organized as an independent 501(c)(3) nonprofit association in 1974 and incorporated as such under the statutes of the State of Wisconsin. In addition to the professionally staffed home office in Mt. Horeb, Wisconsin, USA, Terra Institute has over 40 members, not only in the United States, but worldwide, who have a broad range of skills and expertise in both the physical and social sciences available to the Institute as the need arises for projects. The skills and expertise of these member-consultants were called upon several times and contributed greatly to Terra's success this year.

Terra's Board of Directors represents a variety of professions with both private and public employment experiences to adequately govern the Institute in performing its mission. The Board met for an annual meeting in addition to several special meetings during the year to establish policy and provide guidance to the Institute in its work.

Financial support for Terra's various projects is from the United States Agency for International Development (USAID), World Bank and several international regional banks, such as the Asian Development Bank and Inter-American Development Bank. Terra Institute has been a prime contractor and a subcontractor with other consulting firms, universities and NGO's.

At the end of fiscal year 2003 Terra Institute completed the third year of the five-year "Land Market Development Project" (GLMDP) under a Cooperative Agreement with USAID in the Republic of Georgia working with the Association for the Protection of Landowner's Right (APLR), a Georgian nongovernmental organization, to strengthen the APLR's administrative, financial and legal capacities as it undertakes to protect the Georgian landowners. Terra has contracted with other consulting firms to perform certain portions of the project. Terra has also consulted this fiscal year in the countries of Cambodia, Laos and the Philippines. The Institute was involved, with others, in organizing the Caribbean Land Policy, Administration and Management Workshop held in Trinidad during March. In addition, Terra also provided training to visitors from the Republic of Georgia and Vietnam.

As Terra Institute moves forward we look to expand our scope to include taxation, privatization, environmental issues, soil conservation and erosion control, forestry, public land management, land use controls and water resources. Work on these subjects may include domestic as well as foreign activities.

To learn more about Terra Institute, its work and its capabilities, please visit our website at [www.terrainstitute.org](http://www.terrainstitute.org)

Dean T. Massey  
President  
Terra Institute, Ltd.

## PROJECTS DURING THE FISCAL YEAR 2002 - 2003

Terra Institute focuses on issues concerning urban and rural land use and policies, environmental protection, land law and natural resource management. In its twenty-six years of existence it has undertaken research, technical assistance and training projects relating to land use, land law and land registration in over fifteen countries. The two large ongoing projects that Terra Institute has been involved with this past year (July 1, 2002 - June 30, 2003) have focused mainly on assisting foreign countries with land administration, management and property rights issues.

### WORKSHOP ON LAND POLICY, ADMINISTRATION AND MANAGEMENT IN THE ENGLISH SPEAKING CARIBBEAN

#### Background:

In the past several decades, the Caribbean has been faced with difficult dilemmas about land usage and policies. Because of tourism development, property markets opening to foreign investors, and the emigration of citizens to the United States, it has been necessary to re-think and re-establish the policies about land access, market investment, and conservation. It is against this background that the workshop was constructed. The workshop took place in Port of Spain in Trinidad & Tobago during March 19-21, 2003. The participants consisted of 78 individuals from 14 countries and 9 regional and international organizations. It also attracted a variety of professions including commissioners of land, permanent secretaries, private sector representatives, directors of land programs, lawyers, physical planners, university professors, surveyors, consultants, and NGO officials.

Terra Institute, Ltd. was one of the facilitating institutions along with the Land Tenure Center (University of Wisconsin – Madison) and ACT Consulting (Trinidad).

#### Objectives:

The purpose of the workshop was to consider in depth the institutional (legislative), social and environmental challenges facing the Caribbean in the administration and management of its land resources. It was the hope of all individuals involved in the workshop to create a more vibrant land market, eliminate poverty through allowing equitable access to property, and to

continue to protect the natural environment. To facilitate the policy-making decisions that would allow these occurrences, the workshop focused on the following objectives:

- Share practical experiences between the various stakeholders of the countries in the region to assist the development of more effective land policies and investment programs;
- Develop a Caribbean perspective on land administration and management, in order to ensure that the policies of international agencies reflect the realities of the region; and
- Discuss ways in which broadly agreed principles of land policy can be translated into feasible national policies and programs that respond to the specific problems confronting the countries and the region.



*Workshop participants from Jamaica and Trinidad & Tobago enjoying some social time.*

The Network Steering Committee (NSC) that was established has guided the production of a CD of the Proceedings of the Workshop. Approximately 100 copies of the CD have been distributed to all participants of the Workshop including some institutional representatives.

The workshop was largely successful in identifying key issues for land policy to enhance programs in land policy and administration in the

Caribbean. By sharing experiences and lessons learned, the various stakeholders were better able to re-focus on Caribbean land policies, and look at strengthening land management and land administration institutions, to achieve the broad goals of economic development, social equity and environmentally sustainable development. A Caribbean Land Network (CLN) was created, as was deemed necessary by those involved in the workshop. The CLN will be responsible for defining the specific “next steps” it will implement, which will be the greatest priority for helping to resolve the problems identified at the Workshop.

The NSC, also with the assistance of Terra Institute and ACT Associates, produced a manuscript of the Proceedings including the Framework papers, case studies and diagnostic country papers. This material provides significant reference support to technical persons throughout the Region. Three hundred copies of the book have been distributed to workshop participants by Terra Institute, Ltd. To receive information about the book, please contact Terra Institute at the listed address or visit the workshop website for a complete online version of the book at: [www.caribbeanwolpam03.org](http://www.caribbeanwolpam03.org)

**Total Contract Value:** US \$108,380

## **GEORGIA LAND MARKET DEVELOPMENT PROJECT**

### **Background:**

In a market oriented economy, the private ownership of land is fundamental where that ownership gives the right of the owners to sell their properties, and guarantees their ownership of land to encourage owners to invest in the land. However, privatization of property rights is not sufficient to achieve properly functioning land markets or adequate investments. The effective use of privately owned real estate depends on secure property rights and on a functioning legal and institutional framework which guides the sustainable use of land and water resources and provides mechanisms for the disadvantaged to secure access to real estate assets.

In June 2001, Terra Institute, Ltd. entered into a Cooperative Agreement with the United States Agency for International Development (USAID). The Cooperative Agreement (C.A.) was to

provide financial and project management development in order to position the Association for the Protection of Land Owner’s Rights (APLR) to assume full operational responsibility for the registration of ownership of approximately 1,130,000 agricultural parcels and 270,000 residential parcels.



*Farmers in the town of Pasanauri, Republic of Georgia, waiting to receive their certificates of land ownership.*

The C.A. was also put forth in order to continue with public education and land market policy work, and to develop a program for Self Regulating Organization (SRO) formation and a pilot effort for services for mediation among conflicting parties and resolution of legal difficulties of property owners. Specific responsibilities of Terra Institute, Ltd. to the APLR included: 1) financial training; 2) revenue supply, financial monitoring and contracting; 3) APLR capacity building; 4) land privatization, legal reform, and land market support; 5) SRO development support; 6) development of real estate and cadastral services associations and 7) resident advisor support.

### **Objectives:**

In April 2003, an extension program was approved and signed. Under the present conditions of the Georgian transition to a market oriented economy, the proposed extension described core objectives. The core objectives were for the APLR to: 1) implement quality assurance of initial registration, 2) advance the process of land privatization, 3) strengthen APLR and land market institutions, 4) conduct legal and business consultations, 5) provide land and property information services, and 6) continue financial management development.

As in the C.A., Terra Institute continued to support the APLR in the implementation of the extension activities, some of which were new to the APLR. Terra guided the APLR to concentrate more on its professional

development, public education activities and consultancy work, as these are the tools to successful establishment of the Association as a Self-Regulatory Organization with strong management skills, high public awareness, and self-financing capabilities.

Terra continues to facilitate the APLR in the establishment of linkages with and support to other USAID programs and with other international organizations. These include the UNDP, the World Bank, BP, KfW, GTZ, DFID, and the UN's Working Party on Land Administration. The APLR continues to develop linkages with Georgian organizations such as the Georgian Development Foundation, the Association of Notaries, GREA, GFPNAV, the Association of Judges, the Association of Banks, and the Georgia Business Confederation.



*David Stanfield, Terra's founder and Georgia Land Market Project Director, talks with a local real estate broker at the "real estate market" which is held at a park in Tbilisi, Georgia. Here people convene to buy, sell, or trade real estate.*

David Stanfield of Terra Institute states *"The Land Market Development Cooperative Agreement has three components: 1) organizing and validating the ownership of 2.4 million agricultural land parcels through the initial registration of these properties in the new Public Registries; 2) develop land policy options, particularly concerning the privatization of the ownership of remaining state owned agricultural land; and 3) doing this initial registration and land policy work from a Non Government Organization (NGO) base, the Association for the Protection of Landowners' Rights (APLR), in a way to assure the sustainability of that NGO.*

*In other countries the first two activities have been done with varying degrees of success, by working with governmental or quasi governmental organizations, using techniques which are more or less well known. The novelty of the Georgian work is the focus on building the*

*capabilities of an NGO to handle the other two activities and thereby move into future land tenure and use activities with an ability to mobilize governmental policy actions and resources and as well as non-governmental resources and people. This "grass roots" approach has proven its vitality in Georgia, by accomplishing the objectives of the initial registration and policy option development to an extent generally exceeding that achieved in other countries with the traditional "governmental agency" approach. Terra Institute has from the beginning of the CA viewed its role as supportive of the APLR capacities for project direction, implementation and management, and not one of direct project direction and management. The main weakness of the project has been the lack of resources available for the re-shaping of governmental agency actions and structures, relying instead on other development organizations to provide those resources. Nonetheless, the NGO focus of this program has proven its effectiveness in the short run, and shows promise for producing long term policy and structural development of the country."*

**Total Contract Value:** US \$8,122,795

## RESEARCH SUPPORT

As mandated by its mission statement and its status as a 501(c)(3) non-profit organization, research and educational assistance are integral components of Terra's activities. In fiscal year 2002/2003 Terra began an assistantship with University of WI doctoral candidate, Mr. Kyle Rearick. Mr. Rearick is a research assistant in the Department of Urban and Regional Planning. He has written and is continuing to develop a project proposal that will implement a new association support initiative in the Republic of Georgia and in other former Soviet Republics. The project aims at linking new research on the state of social relations in the former Soviet Union with the development of educational materials and a new system of association support. The project will be implemented through the Terra Institute in cooperation with the Center for Strategic Research and Development of Georgia (CSR DG). This new approach will encourage local association professionals to engage in an indigenous discussion on culturally relevant strategies for the promotion of land related associations. In addition, Mr. Rearick and David Stanfield, of

Terra Institute, are identifying potential funding sources and are developing three Wisconsin case studies on association development. They have also been in consultation with a variety of scholars and professionals in the non-profit support community to develop an advisory committee for the project.

*“Developing the association support project with Terra,” says Mr. Rearick, “is allowing me a wonderful opportunity to add to the discussion on civil society development in the former Soviet Union both as an academic and as a practitioner”.*

## **TECHNICAL REVIEW FOR THE LARES PROJECT IN THE PHILIPPINES**

### **Background:**

There is significant evidence and many examples (and failures) to show that creating an effective and efficient land registration operation requires the adaptation of Information Technology. Through technology we can process land registration information and create the institutional environment which will support the good functioning of the land registration system. In July 2002 Terra Institute, Ltd. entered into a subagreement with KPMG accounting to provide services to conduct a technical review of the Land Registration Authority.

### **Objective:**

This technical review by the Institute was used as one of the inputs to the IFC (International Finance Corporation) decision to invest in the LARES project. Dr. Kenneth Lyons was deployed by Terra Institute, Ltd. in July and August, 2002 as a Land Administration Specialist to provide a technical review as part of a team designed to undertake a technical and financial review of the LARES Project in the Philippines.

**Total Contract Value:** US \$20,388

## **LAND TITLING PROJECT II**

### **Background:**

Under this project, a World Bank Team assessed the progress to date on resolving outstanding

land policy issues under the Laos Land Titling I Project. The team examined strategies for strengthening the ability of the government of Laos to formulate land policies and resolve issues in the future. The proposed Land Titling Project II was the second phase of the long-term land titling program. The objectives of the project were to (i) improve the security of land tenure; (ii) facilitate the development of land markets; and (iii) improve government revenues from property related fees and taxes. These objectives were to be achieved through formulating and approving land policy and regulatory changes, strengthening institutional capacity, better coordination, and project management, accelerating land titling activity in areas of high demand that meet selection criteria, developing and implementing an efficient and transparent land registration system, and strengthening land valuation systems. In October and November of 2002, Dr. Malcolm Childress traveled to the Lao Peoples Democratic Republic (Laos) as part of the World Bank Team.

### **Objective:**

The Land Titling II Identification Mission was set out to prepare an Aide Memoire (AM), which reflected the findings and conclusions of the mission. The body of this AM highlighted the main understanding reached. The annexes of the AM include project logical framework, the Project Preparation Terms of Reference including the work plan and budget for the Government executed portion of the Japanese PHRD Grant.

**Total Contract Value:** US \$21,000

## **INTERNATIONAL VISITORS TRAINING PROGRAMS**

Terra also conducts training programs for foreign visitors to the United States. Topics include land tenure issues, natural resource management, environmental protection, rural and urban land use controls, business organization, privatization of state-owned enterprises, economics of agriculture, and best farming practices. Terra Institute wishes to continue and expand upon the concept of international exchange programs within the next few years.

## Terra Institute, Ltd.

### STATEMENT OF FINANCIAL POSITION - June 30, 2003

#### ASSETS

##### Current Assets

Cash	\$	323,746
Accounts Receivable		11,439
Advances		15,000
Total Current Assets		350,185
Property & Equipment		12,557
Less: Accumulated Depreciation		(9,370)
Net Property & Equipment		3,187
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>353,372</b>

#### LIABILITIES AND NET ASSETS

##### Current Liabilities

Accounts Payable	\$	33,640
Accrued Expenses		13,275
Payroll Withholdings		6,615
Refundable Advances		7,441
Line of Credit		5
Total Current Liabilities		60,976

##### Net Assets

Unrestricted Net Assets:		
Board Designated Net Assets		87,089
Undesignated Net Assets		205,307
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>353,372</b>

### STATEMENT OF ACTIVITIES - for the year ended June 30, 2003

##### Revenues and Support

Grant Revenue	\$	2,487,649
Contract revenue		124,633
Interest Income		3,950
Total Revenues and Support		2,616,232

##### Expenses

Program Services		2,361,193
Management and General		181,716
Total Expenses		2,542,909
Increase (Decrease) in Unrestricted Net Assets		73,323
Net Assets at Beginning of Year		219,073
Net Assets at End of Year	<b>\$</b>	<b>292,396</b>

**Johnson ▲ Block**  
AND COMPANY, INC.

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Certified Public Accountants



*Our top priority is your bottom line.*

Millard W. Johnson ▲ James L. Block ▲ Alan L. Brey ▲ Joseph G. Mohlmann

September 16, 2003

**Board of Directors**  
**Terra Institute, Ltd.**

We have audited the financial statements of Terra Institute, Ltd. for the year ended June 30, 2003 and have issued our report dated September 16, 2003. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 25, 2003, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but no absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal controls of Terra Institute, Ltd.. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Terra Institute, Ltd. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2003. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.



#### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Organization that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Organization's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on these statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

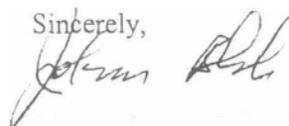
#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Directors and management of Terra Institute, Ltd. and should not be used for any other purpose.

Sincerely,  


Johnson Block & Co., Inc.

## Terra Institute Board of Directors

James Bockheim, PhD  
Regional Planner and Professor of Soil Science  
University of WI - Madison

Malcolm Childress, PhD  
Associate Scientist  
Land Tenure Center, University of WI - Madison

Lynn Burns  
Chief Operations Officer  
Terra Institute, Ltd., Mt. Horeb, WI

William Chatterton  
Legal Specialist and Attorney  
Madison, WI

Carol Grant  
Attorney and Certified Financial Planner  
Minneapolis, MN

Dean T. Massey  
President  
Legal Specialist and Economist,  
Madison, WI

J. David Stanfield, PhD  
Principal Founder  
Land Tenure Specialist and Senior Scientist -  
Land Tenure Center, University of WI - Madison

Michael Waidelich  
Senior Planner – City of Madison  
Madison, WI