

Independent Evaluation of Land Administration and Management Project Phase 2

MANAGEMENT RESPONSE

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Approved by: Andrew Egan, Acting Minister Counsellor

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Aid Activity Summary

Aid Activity Name	Land Administration and Management Project – Phase 2 (LAMP2)		
AidWorks initiative number	ING041		
Commencement date	9 February 2006	Completion date	30 June 2010
Total Australian \$	A\$30.1 million (committed amount)		
Total other \$	US\$16.19 million (World Bank) US\$1.99 million (Government of the Philippines (GoP) counterpart)		
Delivery organisation(s)	Land Equity International		
Implementing Partner(s)	Department of Environment and Natural Resources (DENR) Department of Finance (DOF) – Bureau of Local Government Finance		
Country/Region	Philippines – Asia		
Primary Sector	Economic growth		

Aid Activity Objective:

The Project aims to reform the land administration system to better contribute to Philippines' socio economic development through:

1. policy development/reform
2. institutional development and capacity building
3. acceleration of land adjudication and titling to ensure tenure security and establish efficient and accessible land registration information system
4. instituting uniform valuation standards resulting in a single valuation base for taxation

AusAID also funded a competitive facility for LGUs (the Innovation Support Fund or ISF), which assisted interested LGUs to implement land administration reform within their respective jurisdictions, applying the technologies and methodologies developed at the national level under LAMP2.

Independent Evaluation Summary

Evaluation Objective:

The evaluation gave emphasis in assessing the following aspects of the Project:

1. Relevance of land administration and management (LAM) reform in reducing poverty and enhancing economic growth in the Philippines.

2. Relevance of LAMP2 and how it supports LAM reform, specifically in the areas of titling, valuation, human and institutional development, and policy.
3. Appropriateness of the following list of elements in pursuing LAM reform within the political, legislative and institutional environment:
 - whole-of-reform approach (simultaneous engagement in areas of LAM such as policy, capacity building, the land information system, survey, titling and valuation)
 - partnership arrangements (between national and sub-national levels and between the GoP and AusAID – World Bank)
 - funding arrangement (co-financing)
 - way of working (using a managing contractor to implement AusAID-funded activities)
4. The difference in the success or failure of reforms at national and sub-national levels and how the ISF sub-component of LAMP2 has contributed to achievements and outcomes.
5. Sustainability of initiatives completed under LAMP2.
6. Identify sustainability-enhancing activities.

Evaluation Completion Date: 10 October 2010

Evaluation Team: Gilberto M Llanto, James Riddell and Aniceto Orbeta, Jr.

Management Response

In general, the independent evaluation met the expectations of AusAID, despite the limited time and the complexity of the program and key evaluation questions. It benefitted from discussions and consultations not only with LAMP2 partners but also of broader stakeholders not directly involved in LAMP2 implementation. It also made use of the Activity Completion Report of LAMP2 managing contractor without losing the level of independence.

The evaluation validated many of AusAID's initial assessment about LAMP2. Initial findings were also used as inputs to the internal discussions on AusAID's new country strategy as well as the Philippine Government's land sector development framework. This framework is a roadmap for land sector reform, which is critical for mainstreaming and sustaining the gains of LAMP2.

The evaluation provided insights about some of the tensions, in practice, of the Paris Declaration/Accra Action Agenda principles and the efficiency and effectiveness principles of project implementation. These are aspects that should be more carefully considered in any future programs. It also underscored the need to assess the real demand for reform and the dynamics, limitations and strengths of key stakeholders. This reinforces AusAID's recognition of the relevance of in-depth political economy analysis in reform efforts.

Recommendation One

Recommendation: *The Government of the Philippines and donors should use a demand-driven approach in design of future LAM projects.*

LAMP2 demonstrated the strategic advantage of using a demand-driven approach to project design. This involved understanding what potential beneficiaries thought of the project, how it would impact beneficiaries and how to harness local resources and expertise for project sustainability. These are among the many demand-side issues that project designers need to understand. In particular, the ISF succeeded in part because it resonated with local needs and priorities and was flexible enough to deal with varied local circumstances. LAMP2 also illustrated the need to generate information critical to sound project design by conducting serious field investigation and/or research and to engage potential beneficiaries in discussion.

Response: Agree. A demand-driven approach could also be applied to projects in other sectors.

Generally, AusAID-Manila closely consults and collaborates with partner government agencies (both national and local) in designing a project. However, generally less emphasis is given in consulting directly with the communities/potential beneficiaries. While some projects may not require direct engagement with communities in the design, this is something that AusAID-Manila should seriously consider, in addition to close consultations with government partners, to ensure that assumptions, interventions and outcomes are in sync with the general views and perspectives of the end-beneficiaries.

Flexibility, while a desired feature, remains a challenge. AusAID-Manila continues to think of how flexibility could be incorporated into the designs of future projects without losing the focus. This will enable the project to nuance its interventions from context to context and then adjust as the context changes.

Actions:

- AusAID-Manila Counsellors will look at how demand-driven approach could be used in the designs of future projects and to inform delivery strategies.
- AusAID-Manila will, where applicable, include community consultations in the design of future programs.

Recommendation Two

Recommendation: *The GoP and donors should engage more with sub-national government units (provinces, cities, municipalities and barangays) as a pathway to promote and advance LAM reform.*

There will soon be other large-scale land related or LAM projects being proposed for the Philippines. Certainly, this will include an effort to ramp Component 4 (Valuation) up a couple of notches. Based on experience, it should be pointed out that having a mainly national government focus proved to be a significant flaw in the design of LAMP2. The ISF can support this initiative and become an effective vehicle for valuation reform.

Based on its success, it is logical to continue with ISF, including by engaging more sub-national governments in LAM reform. ISF can do much more than act solely as a vehicle for large-scale valuation projects. It can, for example, support locally designed initiatives that include the other aspects of LAM that the Philippines so desperately needs. Not all *barangays* are ready for valuation reform any more than they were ready for One-Stop-Shops. Some will need land information system, others land use planning, still others zoning, and so forth.

The ISF experience has shown that building a reform constituency is easier at local level where benefits (or losses if reforms are not pursued) are more easily understood and felt. A broader-based reform constituency of more and more LGUs emulating successes will take place and this will naturally cause a push for more reform, including at the top levels (national government agencies and legislators). Perhaps at that stage, it will be easier to consolidate all land agencies into a single institution that is best positioned to effectively and efficiently provide land administration services. Future legislation will thus be driven by pressure from a broad constituency of sub-nationals representing the will of the majority of the population.

An approach to LAM reform relying chiefly on sub-national government units to take the lead does not mean ignoring the significant role that national government agencies—such as Land Management Bureau, Land Registration Authority or Bureau of Local Government Finance—should play. However, it is best to clearly define their subordinate and collaborative role as support for the LGUs.

Response: Partly agree.

AusAID-Manila has recognized that while it is relevant to maintain strategic engagements with national government agencies, there has to be increased engagements at the subnational level, which has more direct interaction with end-beneficiaries. This is especially relevant for initiatives that affect service delivery. This approach could also potentially reduce and defuse implementation risks as seen in the ISF experience.

However, AusAID recognizes the reason for greater emphasis of LAMP2 at the national level particularly in the early years of the project when changes in LAM policies, systems and procedures took place. These changes need to happen at the national level where policies and systems are developed for implementation at the subnational level. It would have been premature to engage more LGUs at the onset when there was yet no technologies, systems and policies to implement. ISF could be viewed as part of the 'piloting' of LAM systems and procedures developed under LAMP2. It owed its success partly to these technologies developed at the national level. However, ISF demonstrated a more feasible rollout of integrated LAM reforms especially given the current legislative and institutional constraints. This has also been recognized by government partners. The land sector development framework reflects the importance of subnational engagement beyond LAMP2 with national agencies playing more of the policy-setting and technical support functions.

Success of few local government units (LGUs) could inspire other LGUs to replicate the interventions, which could lead to creation of a broader-based reform constituency. For instance, the success of ISF LGUs has created the interest of other LGUs, as evidenced by queries and level LGU participation during forums. It even gained the support and endorsement of the Secretary of the Department of the Interior and Local Government (DILG). Yet, replication at scale is not common partly due to lack of strong leadership and political will in many other LGUs as well as the limited funding and availability of and access to appropriate expertise/technical support.

Supporting efforts to address these factors could increase chances of ISF gains to be sustained and replicated. This could also facilitate implementation success of other AusAID bilateral programs such as the Provincial Road Management Facility and the Disaster Risk Management and Climate Change, given their

links to LAM reforms (e.g., land information system as platform for effective, efficient and more accurate valuation and taxation and disaster risk management mapping). LAM reforms could also assist in enhancing local revenue generation, a strong incentive for many LGUs and even the national government as it will ease up budget pressure.

Actions:

- AusAID-Manila Eco-growth Counsellor will continue to explore ways of integrating ISF principles and aspects into other initiatives (e.g., Provincial Road Management Facility and the Disaster Risk Management program) and relevant delivery strategies (e.g., subnational and climate change/disaster risk management). The increased local revenues brought by LAM reform interventions could complement with these other initiatives and provide incentives for LGUs to sustain reforms beyond the initiatives.
- Where possible, AusAID should explore feasible incentive mechanisms to elicit the desired responses from partners. This should be assessed in a long-term perspective (e.g., additional funding support may influence how partners behave within the life of the project but may not necessarily be so beyond the project).
- To support replication of gains at the subnational (including the ISF):
 - AusAID-Manila Ecogrowth Counsellor will pursue the development of a subnational delivery strategy that would guide AusAID's engagement with LGUs. This could look into increasing sustainability of previous LGU engagements that could also assist the ongoing and future LGU engagements.
 - AusAID-Manila Human Resource and Organizational Development Facility (HRODF) will provide strategic support to key LAM national agencies and selected ISF LGUs. This will strengthen and broaden the technical support for LGUs on selected LAM reforms (e.g., land information system, valuation and taxation), which would enhance sustainability of LAM interventions and would be useful and relevant in ongoing and future AusAID initiatives.
 - AusAID-Manila Coalitions for Change team will consider supporting the strengthening of public awareness and engagement in selected LAMP2 LGUs to sustain LAM initiatives. This support is consistent with CfC's objective of improving the implementation of policies to better meet the needs of the public.

Recommendation Three

Recommendation: *The GoP and donors should consider public-private partnerships or collaboration in donor-funded projects when appropriate, including through academic institutions, as well as enlist broad-based stakeholder support in future project design and implementation.*

There is major scope for involving the private sector in LAM reform activities, especially if a project is designed to respond to local needs and priorities (for example, revenue generation benefiting from an efficient valuation methodology). ISF has been attractive to promote a technology to produce a digital cadastral data base which is the platform for a range of purposes for the LGU. These include tax mapping, revenue collection, real property valuation and taxation, business permits and licenses, survey and titling, poverty mapping and analysis, asset/infrastructure mapping, geo hazard mapping and land use planning and management. This points to the potentially large and competitive role of the private sector in service provision, maintenance and governance.

Response: Agree. There is increasing consciousness to consider how private sectors could be involved in development work.

AusAID-Manila has done initial work on public-private-partnership framework for development initiatives under the Philippine Economic Government Reform Program.

The land sector development framework also recognizes the potentials of private partnership that could help pursue reforms more effectively and efficiently and at a lesser cost to the government.

Actions: AusAID-Manila Counsellors will continue to explore possibilities of strategically engaging private sector in ongoing and future development programs.

Recommendation Four

Recommendation: *The GoP and donors should design future projects with as much flexibility as possible without, of course, risking the loss of accountability. This would enable project management to respond*

quickly and decisively to varying circumstances or changes that may affect project viability and the delivery of expected outputs and outcomes.

A common problem with donor-funded projects, especially those dependent on loans from multilateral and bilateral institutions is the absence of flexibility in the use and deployment of loan funds. Tight, rigid loan covenants define the eligible projects or activities that may be funded by such loans. Procurement guidelines—typically following those established by the multilateral or bilateral funding institution—are imposed rigidly due to fears that weak governance in recipient or borrower developing countries will misuse, misappropriate or steal donor funds.

The LAMP2 experience proved that lack of flexibility constrained the use of loan funds for the component identified in the loan covenant (in this case, land tenure security). Thus, while the ISF was delivering desired LAM results, it could not be given more funds outside of the grant money made available by AusAID because project management did not have the authority to move funds poorer performing components to better performing components (Component 4 and the ISF).

Response: Partly agree.

AusAID agrees that flexibility is a feature that allows a project to adopt and respond to changing context. This could potentially increase implementation risks. AusAID would like to incorporate this feature, where possible, into future designs without compromising the focus and accountability of the project to deliver against clear objectives.

However, while the lack of flexibility of the loan funds to be reallocated was partly a constraint, it should also be noted that even with flexibility, the loan funds would have limitations in terms of funding ISF. It is a policy of the Philippine Government not to use loan funds as grants of the national government (being the lender) to LGUs. The World Bank loan was also governed by the Philippine Government processes, which could be slow and highly bureaucratic. This also limits reallocation of loan funds.

Actions:

- AusAID-Manila Counsellors will continue to look for ways of integrating flexibility into future designs without losing the focus and accountability of the project to deliver against clear objectives.
- In the future, AusAID-Manila and the broader Agency should examine the implications possible co-financing arrangement with a donor in project implementation particularly in the effectiveness and efficiency of AusAID's funding. This means, where possible, appropriate strategy should be developed to mitigate any possible adverse impact instead of shunning away from harmonizing donor support.

Recommendation Five

Recommendation: *Donors should only consider funding projects where the GoP demonstrates a commitment to project success by providing a realistic risk management plan to minimise political interference on project implementation; conversely, donors should require the GoP to appoint professional managers and experts of the highest calibre to donor-funded projects. Government people who are recommended to head PCOs or Project Management Offices should pass the scrutiny of donors.*

LAMP2 demonstrated the effect that political intrusion can have on the effectiveness and efficiency of project implementation. In this case, frequent leadership changes led to policy instability in the project executing agency (the DENR), which resulted in inefficiencies in project management, procurement and financial management. This resulted in delays in buying necessary equipment and in paying salaries and allowances, which combined to ultimately constrain staff capacity to deliver expected project results. The GoP and donors must find a way to shield ODA-funded projects from political interference and instability.

Response: Partly agree.

AusAID agrees that demonstrated commitment of government partner is a necessary factor especially for a reform program. It should be a key consideration for AusAID in deciding whether to support or not support an initiative.

AusAID also agrees that it is desirable to ensure that any project, especially donor-funded, has the right people in government to manage and implement it. However, this does not necessarily imply that donors need to be directly involved in the selection of officials and staff to any position dealing with project implementation. It would be more consistent with partnership principle if at the onset government and donor could just mutually agree on qualifications and terms of reference of the key positions for the projects. Subsequent changes to these may also be discussed and mutually agreed on by donor and government partners.

Donors would also like to shield any projects from politics. But 'politics' (not just pertaining to elected officials) is prevalent particularly in the Philippines. The lack of recognition on the impact of politics to projects may have been one of the fundamental weaknesses of many projects. AusAID has now recognized that technically sound solutions are necessary but not sufficient conditions for a successful reform intervention. Thus, there is more attention given in doing in-depth political economy analysis at the onset and closely monitoring changes along the process.

Actions:

- AusAID-Manila, where applicable, will consider suggesting to partner agencies at the onset to mutually agree on ToRs and qualifications of key positions involved in project management and implementation.
- AusAID-Manila will continue to consider commitment of GoP partners as a critical and necessary factor for its development interventions in the Philippines. Where appropriate, exit strategy should take into account how AusAID may withdraw support contingent on commitment of GoP.
- AusAID-Manila and the broader agency will consider conducting political economy analysis of a particular sector to inform support in that sector. Changes on the context including appetite of partner government will also be part of the continuous monitoring during implementation.

Recommendation Six

Recommendation: *In the interest of sustainability after an ODA-funded project has terminated, the GoP and donors should develop an approach to ensure that project lessons and activities will be sustained through regular government staff. This may mean assigning regular staff full time to the project and releasing them from their former duties and responsibilities, which are not germane to the project. Creating a dedicated unit, funded on a regular basis, is also important for sustainability of post-project activities. This approach should form part of project design.*

LAMP2 experience showed that the sustainability of project activities may be at risk because of the potential loss of key project contractual personnel unless the executing or implementing government agency has in place at least a core of regular staff who can carry forward project activities. Typically, ODA-funded projects depend on highly-paid consultants and contractual staff who leave after the funding provided by the ODA has been exhausted. The ideal situation is for the executing or implementing government agency to absorb project contractual staff who will have, at that point, been well trained and who will have the expertise to continue with project activities long after ODA funds are spent. Mainstreaming project activities, in other words, is essential for sustainability and this relies on capable government agency staff.

Response: Agree.

Sustainability is one of the factors that any donors, including AusAID, would like to ensure. The approach could vary depending on the nature of the intervention.

In the case of LAMP2, it was decided that project could only engaged organic staff in selected positions because:

- (i) project activities, especially in the early years, were different from the regular operations of the partner agencies. Nature of LAMP2 activities were more of developing and testing technically-sound reform interventions.
- (ii) number of staff required for the project was also high. It could paralyse the regular operations of the agencies if regular staff will be relieved from their posts.
- (iii) reforms may not be facilitated if they are discussed and implemented by the same people who may have the interest to keep the status quo. Cooperation could be difficult especially in the initial phases when outcomes are still not clear.
- (iv) level of expertise required was highly technical which was not available within the implementing agencies.

However, at mid-term, LAMP2 started to come up with operational sustainability and mainstreaming activities. It was at this time that the project has already developed and tested enough technologies which it could start to rollout and mainstream.

What appears to be the key challenges for the sustainability of LAMP2 gains (at the national level) are leadership, political will and financial resources to mainstream the reforms. While there is still opportunities to enhance technical capacities of the implementing agencies, they already have the technical base that could maintain the mainstreaming efforts started in LAMP2. This rollout and mainstreaming of the LAM technologies within LAM national agencies (including their field offices) is also critical in sustaining the gains

and momentum of LGUs to pursue LAM reforms. Many of the LGUs will need access to and the technical support from the field offices of the LAM national agencies.

Actions:

- AusAID-Manila, through HRODF, will provide appropriate human resource, organizational and institutional strengthening to partner agencies. This could facilitate the necessary transfer of skills from project staff to regular staff.
- Where appropriate, involvement and participation of as many regular staff in project implementation should be the preferred setup.

