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**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
PROJECT ASSISTANCE COMPLETION  
REPORT**

**AGRARIAN REFORM SUPPORT  
PROGRAM  
(ARSP)**

**[AID PROJECT # 492-0431]**

**USAID/PHILIPPINES**

**DECEMBER 1991**

## **DISCLAIMER**

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**AGRARIAN REFORM SUPPORT  
PROGRAM**

**PROJECT ASSISTANCE COMPLETION REPORT**

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## AGRARIAN REFORM SUPPORT PROGRAM

### I. DESCRIPTION OF THE PROJECT

#### A. Background

Land Reform is widely perceived throughout the developing world as a means by which existing societal and economic inequities can be redressed. Similarly in the Philippines, land reform has been a perennial concern, and "Land to the Tiller" has become a major rallying cry of political and populist movements.

Formal efforts at legislating land reform in the Philippines were started during the Commonwealth Period in the late 1930's under President Quezon, and successively reemphasized by Presidents Magsaysay, Macapagal and Marcos. However, despite the fervor with which each of these land reform programs was initially spawned -- ostensibly to benefit the poor tenants, sharecroppers and landless peasants -- resistance by well-entrenched landed interests has always rendered subsequent implementation of such programs lethargic and largely ineffective.

The most promising of these earlier efforts -- "Operation Land Transfer" (OLT)<sup>1</sup> -- anticipated transferring ownership of all privately-owned rice and corn lands cultivated under sharecropping or lease tenancy. OLT's concepts were relatively straightforward. Tenant-farmers would be eligible to own the land they tilled -- up to 3 hectares irrigated, or 5 hectares unirrigated. Land costs were to be established on the basis of what the government determined to be an objective formula -- 2.5 times the average annual value<sup>2</sup> of the crop production during the previous three years.<sup>2</sup> This amount was to be paid by the new owner in equal annual installments over a 15 year period. While amortizing the land, the farmers were to receive provisional Certificates of Land Transfer (CLT). After full payment, Emancipation Patents (EPs) were to be issued which would permit transfer of the land within the family. USAID provided considerable technical assistance and support to Operation Land Transfer at the time, and -- given continuation of the incumbent political will to follow through -- with a martial law regime in effect, OLT had great potential for successful implementation.

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<sup>1</sup>Promulgated by President Marcos in 1972, through Presidential Decree Number 27 (PD 27).

<sup>2</sup>I.e. Crop Years 1969 to 1971.

Unfortunately, numerous technical obstacles were encountered during OLT program implementation. Lack of a nationwide cadastral survey was a fundamental constraint to establishing the precise boundaries of the land to be transferred, and an intensive survey program had to be undertaken. Disputes over boundaries and area to be transferred were paralleled by disagreements over value and price. Although the formula for compensation was unambiguous, when attempting to determine appropriate values for the land, differing perspectives of owners and tenants on the amount and value of prior year crop production led to many emotive disputes (as well as legal maneuvers to circumvent the program's intent). Furthermore, many popular expectations of land reform as a benevolent government "land grant" were also fomented. A variety of methods for compensating owners (each with differing financial implications) were also formulated. In turn, problems of obtaining adequate financing arose, as well as difficulties in establishing appropriate mechanisms for the new owners to pay for the land acquired. Inability to use the land as collateral for production credit during the transitional amortization period also created production problems for some farmers, which often led to an inability to make timely repayments. Lenders attempts to enforce earlier-agreed-to consequences for such defaults -- i.e. foreclosure -- raised numerous new societal issues, as well as administrative and legal difficulties for the farmers, the previous land owners, the administrative agencies, and financial organizations. Ultimately, a combination of insufficient financing and a lack of political will to implement the program overwhelmed OLT,<sup>3</sup> and it eventually fizzled out as yet another *ningas cogon*.

This pattern of oft-aborted land reform initiatives has left a residue of social discontent in the rural Philippines, as well as a trend towards declining agricultural productivity -- for ensuing administrations to address. Indeed, in the 1985 presidential election campaign, the need for land reform was once again raised as a major issue, and continued to capture popular attention long afterwards.

In a concerted attempt to break with the past and finally cap the controversy, the Aquino Administration -- ushered in during February 1986 by a "Peoples' Power" Revolution -- wrangled for more than two years with the newly created Congress to formulate a ten year

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<sup>3</sup>i.e. "Flash fire".

"Comprehensive Agrarian Reform Program" (CARP)<sup>4</sup> as the "centerpiece" of its development program.<sup>5</sup>

CARP's objective was (and is) to:

- a. Review and develop the full potential of Philippine Agriculture in order to pave the way for national industrialization as well as assure genuine independence of the country;
- b. Provide farmers and farmworkers with the opportunity to enhance their dignity and improve the quality of their lives through greater agricultural productivity;
- c. Carry out the provisions of the article on Social Justice of the 1986 constitution; and
- d. Heed the call of the time for change and for an agrarian reform program that is workable and sufficiently funded.<sup>6</sup>

CARP encompasses support services -- such as rural roads, irrigation systems, post-harvest facilities, production credit and farm inputs -- as well as production-sharing agreements, corporate land ownership schemes, and agro-forestry; in addition to traditional approaches which were limited to transferring agricultural land from large (and/or absentee) owners to their tenants, sharecroppers and/or laborers.

As a comprehensive long term program, CARP envisaged implementation by the Philippine Government (GOP) in three distinct phases. Phase I -- scheduled to be implemented over a seven year period -- will concentrate on revitalizing Operation Land Transfer (OLT) to complete the transfer of rice and corn lands initiated by PD 27; plus idle or abandoned lands; private lands voluntarily offered for sale; land foreclosed by government financial institutions or acquired by the government from deposed President Marcos's "cronies"; and government-owned lands. Phase II will include both land transfer and other support activities for other crop lands, agroforestry, and pasture; while Phase III will cover the transfer of other private agricultural lands.

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<sup>4</sup>Authorized by the Comprehensive Agrarian Reform Law (CARL), Republic Act 6657, CARP was approved by the Philippine Congress in June 1988.

<sup>5</sup>The term "Agrarian Reform" is envisaged as a much broader concept than "Land Reform" -- i.e. the transfer of land from owners to sharecroppers and/or tenant farmers -- and to encompass provision of essential support inputs and services to the new emancipated land owners.

<sup>6</sup>"Comprehensive Agrarian Reform Program of the Philippines", Volume II - Program Requirements, Presidential Agrarian Reform Council (PARC), September 1988, p. 2.

## B. Introduction

In December 1987, the U.S. Congress earmarked \$50 million to support the new GOP's agrarian reform efforts. Mindful of the fate of earlier GOP land reform program endeavors, however, and the political, economic and financial risks involved with a new populist administration, the U.S. was not predisposed to play a major role or undertake another long-term technical assistance Project per se for this latest GOP Agrarian Reform initiative.

Some preliminary meetings were held by USAID with representatives of the Department of Agrarian Reform (DAR), the Land Bank of the Philippines (LBP) and the Department of Agriculture (DA) to explore the possibility of financing production credit needs under agrarian reform. A study was subsequently undertaken to determine the absorptive capacity of LBP to accept additional credit programs, and the role of credit in agrarian reform.

After the passage of CARP in 1988, USAID's earlier focus on providing credit support shifted, and a more comprehensive supportive -- but detached -- performance-oriented sector assistance program was devised and proposed. Through this innovative approach, financial assistance was cautiously proffered by USAID to support the GOP's initial efforts to revitalize the Operation Land Transfer (OLT) component under CARP for a very limited period of time.<sup>7</sup>

## C. Project Purpose and Description

### 1. Purpose

As stated in the Project Assistance Approval Document (PAAD), and the Project Grant Agreement (PROAG), the purpose of the Agrarian Reform Support Program was

to assist the GOP in agrarian reform efforts, by providing program support and monitoring, and evaluation services for the early implementation phase of CARP

and

to assist the Grantee in meeting early term goals of its Comprehensive Agrarian Reform Program. [Emphasis added.]

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<sup>7</sup>Eighteen (18) months, almost half of which was retroactive -- as opposed to the more usual terms of project assistance which specify a five (5) year period commencing from the date of signing the Agreement. [By contrast, ARSP's period of performance effectivity and authorized items for reimbursement began in January 1989, i.e. eight (8) months before the Program Agreement was signed.]

A \$50 million financial grant from the Economic Support Fund (ESF) was earmarked with the bulk of the money (i.e. \$47.5 million) for operational program support -- to be released in the form of tranche "progress payments" when certain initial conditions were met and as subsequent quantifiable physical performance levels were achieved.<sup>8</sup> This concept -- i.e. for general performance-based program support, rather than specific project implementation assistance -- was accepted by the GOP and formally embodied in an Agrarian Reform Support Program (ARSP).

The ARSP Program Agreement (PROAG) was signed on 28 August 1989

. . . . to assist the Grantee's financing of disbursements for maintenance and operating expenses and capital outlay costs incurred on or after January 1, 1989 and on or before June 30, 1990, or such later date as the Parties may agree upon in writing, in the Grantee's Agrarian Reform Fund Budget Categories specified . . . .

Five (5) physical indicators of program activity were identified and specified as proxies for CARP program performance during the period 1 January 1989 through 30 June 1990. Separate quantitative "benchmark" levels were established for each indicator, and a formula was developed to assess program performance levels, as well as to compute concomitant payments based on progress achieved. The indicators and benchmark levels were as follows:

<u>Physical Performance Indicator</u>	<u>Performance Benchmark</u>
1. Area Surveyed (in hectares)	182,695 Has
2. Emancipation Patents Generated (by hectares)	176,987 Has
3. Emancipation Patents Generated (by number of patents)	190,633
4. Emancipation Patents Distributed (by hectares)	131,223 Has
5. Emancipation Patents Distributed (by number of patents)	138,130

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<sup>8</sup>The targets -- or "Performance Benchmarks" -- for five (5) "Physical Performance Indicators" were specified. Furthermore, performance was to be verified by an independent monitoring entity.

#### D. Implementation Plan

The GOP's Comprehensive Agrarian Reform Program (CARP) is being implemented by nine separate Philippine government agencies, as indicated in the chart on the following page. Republic Act # 6657 -- the Comprehensive Agrarian Reform Law (CARL) -- designated the Department of Agrarian Reform (DAR) as the lead implementing agency for CARP, but also gave specific roles to eight (8) other government line agencies, with policy direction from the Presidential Agrarian Reform Council (PARC), chaired by the President herself.

Executive Order No 129-A<sup>1</sup> in turn provided for the organization of the Department of Agrarian Reform (DAR). In addition to the DAR, the other organizations involved are the:

Department of Agriculture (DA)  
 Department of Environment & Natural Resources (DENR)  
 Department of Public Works & Highways (DPWH)  
 Department of Labor & Employment (DOLE)  
 Land Bank of the Philippines (LBP)  
 Land Registration Authority (LRA)  
 National Irrigation Administration (NIA)  
 Department of Trade & Industry (DTI)

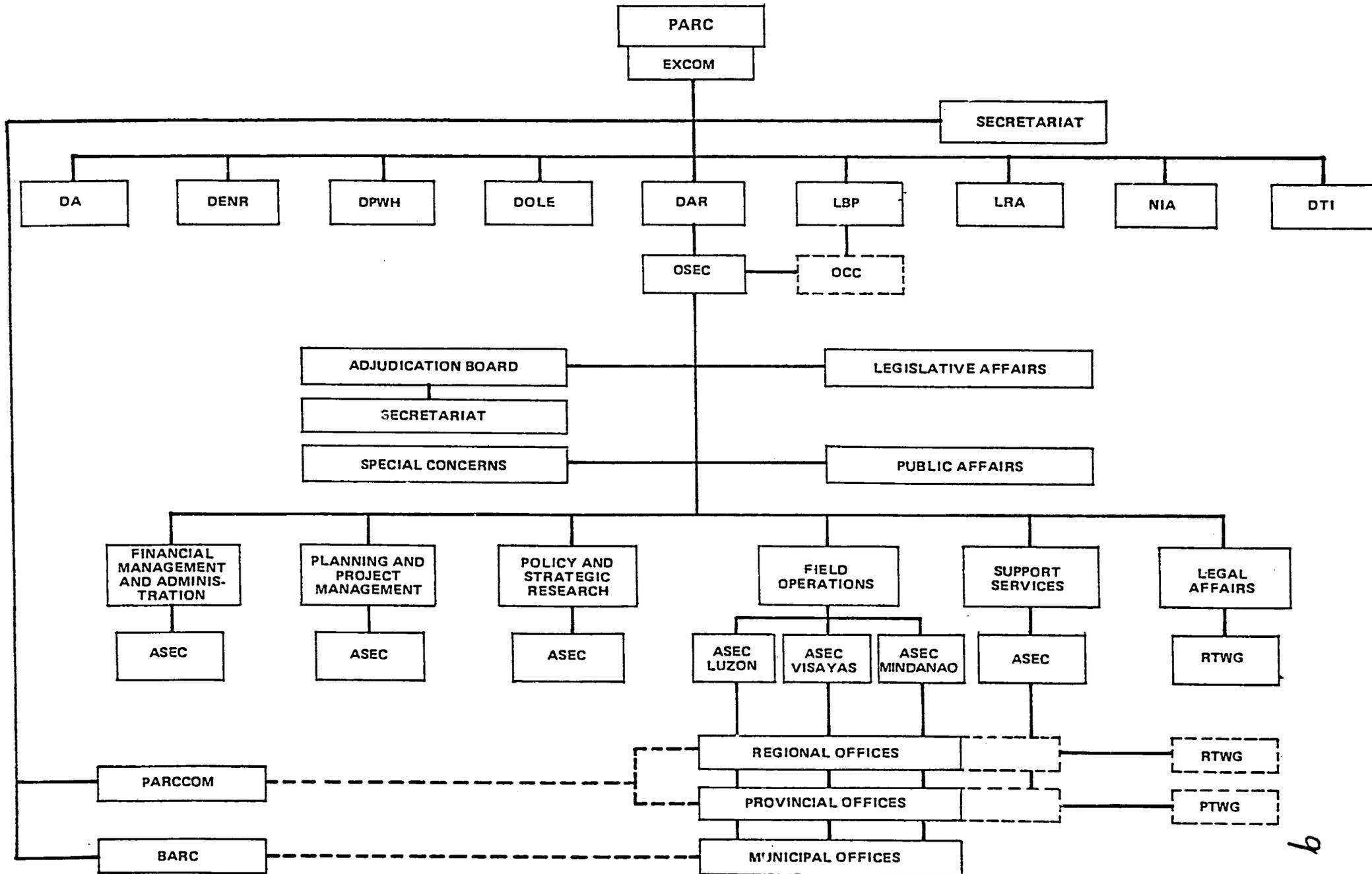
An Executive Committee (ExCom) was created for PARC, chaired by the Secretary of the Department of Agrarian Reform. The ExCom is empowered to make day-to-day decisions, subject to final approval (or veto) by PARC.

The legislation also called for coordinating committees at both the provincial, and barangay levels -- Provincial Agrarian Reform Committee (PARCOMs) and Barangay Agrarian Reform Committee (BARCs) respectively -- to assist the government line agencies, but without any supervisory power over those agencies.

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<sup>1</sup>Dated 26 July 1987.

# ORGANIZATION FOR CARP IMPLEMENTATION



In measuring program accomplishment, performance on each variable was to be rounded to the nearest one-tenth of one percent; while in determining overall achievement, equal weight was allocated to each variable.

Progress payments in percentages of the earmarked funds (computed to the nearest \$100,000) as a function of actual composite attainment of the benchmarks. The agreement provided for up to eighty percent (80%) of the available funding to be disbursed in this manner until the final cumulative amount had been computed.

As indicated earlier, progress payments were to be made on demand -- but not more than once a fiscal quarter -- based on 80% of the "Average Cumulative Percentage of Physical Performance" (calculated to the nearest one tenth of one percent) with each of the foregoing indicators weighted equally; as a function of the \$47.5 million (rounded to the nearest \$100,000).

An initial disbursement was also authorized applying the formula to prior accomplishments -- i.e. from January 1989 to August 1989.

In order to attain an impartial assessment, USAID subsequently awarded a contract to Sycip Gorres & Velayo (SGV) -- an independent private management audit firm -- to conduct field surveys of CARP's various participatory organizations implementation efforts, monitor, appraise and report various aspects of qualitative performance to USAID, as well as estimate the levels of quantitative progress attained.

## II. CURRENT STATUS OF THE PROJECT

### A. Physical

The GOP's Comprehensive Agrarian Reform Program (CARP) will continue for several more years. However, the time period for GOP performance to trigger USAID assistance under the USAID Agrarian Reform Support Program (ARSP) is now long past.

The performance period specified by ARSP was only eighteen months -- from 1 January 1989 - 30 June 1990, however, no formal Project Assistance Completion Date (PACD) was established. As indicated earlier, a large portion of this performance period preceded the program agreement. Furthermore, a contract to monitor the GOP's performance under the terms of the program was not awarded to Sycip, Gorres & Velayo (SGV) until almost the end of the program performance period -- i.e. March 1990. Moreover, SGVs assessment was not completed until over a year and a half later -- i.e. 13 December 1991.

The December 1991 SGV report<sup>1</sup> indicated that GOP accomplishments during the specified time period were satisfactory.

In terms of the five physical performance indicators, the average percentage of accomplishment reached was **112.01%**. [Emphasis added.]

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<sup>1</sup>Sarmago, Cayetano. Short Form Report on the Agrarian Reform Support Program/Monitoring Services, Project No. 492-0431; (Contract No. 492-0431-C-00-0050-00). Sycip, Gorres & Velayo, Manila, Philippines. 13 December 1991.

## B. Financial

The ARSP Program Agreement was signed on 28 August 1989 and provided grant funding of \$50 million. \$47.5 million of this amount was to reimburse the Philippine Government (GOP) for eligible budget line items under the CARP, and the balance of \$2.5 million was for program monitoring services.

The December 1991 SGV report<sup>2</sup> indicated that GOP accomplishments during the specified time period with respect to financial performance,

the level of accomplishment reached in relation to the minimum amount to be disbursed was 229.92%. [Emphasis added.]

A balance of \$2.5 million currently remains for GOP reimbursement. The GOP has applied for this amount, and it is expected to be liquidated during the next quarter (i.e. the 2nd Quarter of FY 92).

As of the 4th Quarter of FY 1991 (i.e. 30 September 1991), \$1.6 million of the \$2.5 million reserved for Program Monitoring Services had been liquidated -- but SGV has yet to complete its final billings. This too is expected to occur during the next quarter (i.e. the 2nd Quarter of FY 92).

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<sup>2</sup>Sarmago, Cayetano. Short Form Report on the Agrarian Reform Support Program/Monitoring Services, Project No. 492-0431; (Contract No. 492-0431-C-00-0050-00). Sycip, Gorres & Velayo, Manila, Philippines. 13 December 1991.

### III. SUMMARY OF CONTRIBUTIONS

Originally, it was planned that the payments would be made to the GOP upon request, after verification of eligibility by the monitoring contractor (SGV). However, a large portion of the program performance (and eligible expenditures) period already predated the program agreement, and issuance of the monitoring contract itself was further belated. Consequently, USAID amended the payment procedures to provide interim tranche payments to the GOP based on their requests, subject to a withholding of \$2.5 million (5%) for a final payment, after verification by SGV. Three tranche payments were made against the \$50.0 million as follows:

<u>Tranche #</u>	<u>Time Period</u>	<u>Tranche Amount</u>	<u>Cumul- ative</u>	<u>Available Balance</u>
	Initial Amount Available			\$50.0 m
	Reserved -- for Program Monitoring Services	\$ 2.5 m		\$47.5 m
Tranche 1	4th Q FY 89 (Sep 89)	\$21.4 m	\$21.4 m	\$26.1 m
Tranche 2	1st Q FY 90 (28 Dec 89)	\$ 9.1 m	\$30.5 m	\$17.0 m
Tranche 3	1st Q FY 91	\$14.5 m	\$45.0 m	\$ 2.5 m

Approximately \$1.6 million had been paid for program monitoring and evaluation services as of 30 September 1991.

#### IV. PROJECT ACCOMPLISHMENTS

##### A. Planned & Actual Outputs

As indicated earlier, the ARSP Program Agreement identified five (5) physical indicators as proxies of CARP program activity, to be accomplished within the eighteen (18) month period 1 January 1989 through 30 June 1990.

One of these indicators -- Area Surveyed -- was subsequently modified because "Peace & Order" problems and threats to the personal safety of the SGV monitoring teams made it impossible to physically verify accomplishments in the sample areas selected in Region XII -- Lanao del Sur and Maguindanao. Because this experience was significantly different from other sample areas, rather than imputing the same level of performance of other sample regions to Region XII, the original target for the area surveyed (i.e. 182,695 hectares) was reduced by Region XII's reported accomplishment -- to 161,850.<sup>1</sup>

	<u>PHYSICAL PERFORMANCE INDICATOR</u>	<u>PERFORMANCE</u>		
		<u>Benchmark</u>	<u>Actual</u>	<u>Percent</u>
1.	Area Surveyed (in hectares)	182,695	342,332	187.38 %
2.	Emancipation Patents Generated (by hectares)	176,987	121,681	68.75 %
3.	Emancipation Patents Generated (by number of patents)	190,633	154,271	80.93 %
4.	Emancipation Patents Distributed (by hectares)	131,223	134,081	102.18 %
5.	Emancipation Patents Distributed (by number of patents)	138,130	166,912	120.84 %
AVERAGE PERCENTAGE OF ACCOMPLISHMENT:				----- 112.01 % =====

<sup>1</sup>A similar adjustment should also have been made in the Emancipation Patent targets. However, since no data on emancipation patents could be obtained, there was no numerical basis for making the adjustment. Consequently, the percentage accomplishments verified in the above table are understated.

**B. Assessment**

It is significant to note that the foregoing achievements under CARP did not result from a standing start, but were cumulative achievements during a period of time, in an on-going process.

The program targets were set and mutually agreed to by USAID and PARC as an appropriate rate -- i.e. 30 percent higher than 1988 accomplishments. Without additional data regarding historical operating norms and desirable ratios in each of these aspects (that would be derived from a Line-of-Balance analysis), it is not possible for me to independently analyze whether these targets and/or the program performance during this period was reasonable, or to assess the current rate and state of CARP. However, from a "flow-through" analysis of the above data in the following table, five key observations can be made.

**FLOW-THROUGH ANALYSIS**

	<u>STAGE I</u> <u>Area Surveyed</u>	<u>STAGE II</u> <u>Patents Generated</u>	<u>STAGE III</u> <u>Patents Distributed</u>
<b><u>TARGETS</u></b>			
Hectares	182,685 -->	176,987 (97% of previous stage)	131,223 (74% of previous stage)
# Patents		190,633	--> 138,130 (72% of previous stage)
Average # of Hectares/Patent		.93 Has	.95 Has
<b><u>ACTUALS</u></b>			
Hectares	342,332 -->	121,681 (36% of previous stage)	134,081 (110% of previous stage)
# Patents		154,271	--> 166,912 (108% of previous stage)
Average # of Hectares/Patent		.79 Has	.80 Has
<b><u>ACTUAL vs EXPECTED</u></b>			
Hectares	187% of Target (i.e. 342/183)	37% of Target (i.e. 36%/97% )	149% of Target (i.e. 110%/74% )
# Patents		81% of Target # (i.e. 154k/191k)	150% of Target (i.e. 108%/72% )
Average # of Hectares/Patent		85% of Target (i.e. .79/.93 has)	84% of Target (i.e. .80/.95 has)

### C. Conclusions

Although the SGV December 1991 report reflects that the GOP essentially accomplished the objectives established in the ARSP program agreement by attaining an Average 112.01 Percentage of Accomplishment for the Five Physical Performance Indicators, the analytical table on the previous page highlights five key observations:

1. The "actuals" were not well articulated with the "targets".
2. Program performance in distributing Emancipation Patents during the "ARSP period" was significantly enhanced by the backlog of Emancipation Patents which must have been generated during a prior period.
3. Although the broad objectives of the land reform program indicate distribution of farm lands on the order of 3 - 5 hectares, both the benchmark and actual average patents generated and distributed were less than one hectare -- i.e. considerably smaller than the typical small rice/corn farms already in existence which are struggling for economic survival. However, farmers may receive more than one patent. This data would indicate that on the average, 4 or more patents per farmer would be necessary to put him/her in the target "small farmer" range. Furthermore, it indicates that the actual number of agrarian reform beneficiaries may be overstated by a similar factor of four.
4. Emancipation Patent generation (i.e. only 36% of area surveyed, and only 37% of the anticipated target) is a major bottleneck. Without greater attention to, and speed up of this aspect, the overall "system" will soon "run down".
5. Some performance indicators are obviously easier to accomplish than others. Equal weighting of intermediate "throughput" items (i.e. Survey & Generation) with "output" (i.e. Distribution) indicators reflects internal distortions in the CARP OLT system which are not apparent from the overall ARSP program accomplishment summary statistic.

This analysis thus raises several warning signals with respect to the need for:

- A. Reviewing the viability of the overall policy of redistributing land
- B. Support services in order to attain and maintain individual small farm viability, and
- C. Improved program planning to develop and maintain a sustainable thrust in CARP implementation.

**V. FINAL, & POST-PROJECT RESPONSIBILITIES**

Remaining USAID activities involve the following:

1. **Reports** Review and acceptance of the SGV report
2. **Disbursement of Project Funds**
  - a. Approval and processing of a final payment of \$2.5 million to the GOP for reimbursement of eligible items as agreed to under the ARSP Program Agreement
  - b. Approval and processing of a final payment to SGV for monitoring and evaluation services.
3. **Disposition of Excess Funds** \$1.6 million of the \$2.5 million earmarked for Monitoring and Evaluation services has been expended as of 30 September 1991. After SGV and other consultants have submitted their final vouchers against the \$0.9 million, USAID should take appropriate steps to dispose of the balance.
4. **CARP OLT Program Monitoring Responsibilities** Once the ARSP targets for the five performance indicators have been verified by SGV as having been achieved at an average 100% level, USAID has no continuing responsibility for OLT or CARP program monitoring per se. However, land reform policy and performance is a volatile issue in Philippine political life as well as a vital factor in determining the potential for small farm economic viability.

USAID is also currently providing (and anticipating additional) assistance to the Philippine Government in the Agricultural Sector through the Natural Resources Management Program with the Department of Environment & Natural Resources (DENR), and the imminent Agribusiness Systems Assistance Program (ASAP) with the Department of Agriculture (DAR).

It would therefore be appropriate for the USAID Mission to discuss the conclusions in this report with appropriate GOP officials.

ONRAD should also continue to informally monitor future events in agrarian reform as such developments could have a major impact on developments in current and future AID-assisted programs.

## **VI. REVIEW OF PROJECT EVALUATION FINDINGS**

SGV was contracted as an external entity to review, survey, monitor and evaluate GOP performance in implementing Operation Land Transfer (OLT) in the context of the ARSP. In addition to monitoring the GOP financial performance in terms of eligible disbursements, and the five specific pre-designated program performance indicators, SGV also conducted several Management Organizational and Technical Program appraisals of the Land Reform Program, and reviewed a number of related studies. Notable among these are:

Management Association of the Philippines -- MAP Position Paper on The Comprehensive Agrarian Reform Program (CARP), Circular No. 09-88, 6 June 1988

Management Association of the Philippines -- Position Paper on Managing the Comprehensive Agrarian Reform Program for Maximum Economic Development Benefits, 28 December 1990

Riedinger, Jeffrey. "Philippine Land Reform in the 1980s in Agrarian Reform and Grassroots Development: Ten Case Studies", edited by Roy L. Prosterman, Mary N. Temple, & Timothy M. Hanstad, (Lynne Rienner, 1990)

Sarmargo, Cayetano S. SGV Report -- A Preliminary Evaluation of the Impact of CARP on the Farmer-Beneficiaries, 8 October 1990

Sarmargo, Cayetano S. SGV Report -- On the Issues Raised by MAP on the CARP, 11 March 1991

Sarmargo, Cayetano S. SGV Report -- Organization for the Implementation and Monitoring of CARP, 2 August 1990

Sarmargo, Cayetano S. SGV Report -- Short Form Report on the Results of the Review of the Disbursements and the Five Physical Performance Indicators under the Agrarian Reform Support Program, 30 June 1991

Sarmargo, Cayetano S. SGV Report -- Short Form Report on the Results of the Review of the Disbursements and the Five Physical Performance Indicators under the Agrarian Reform Support Program, [Some minor technical corrections to the 30 June 1991 Report] 24 July 1991

Sarmargo, Cayetano S. SGV Report -- Some Issues on the Intervention in the Rural Sector, undated circa 1990/1991

Sarmargo, Cayetano S. SGV Report -- The M&E Scheme for the CARP, 4 October 1990

Highlights of the findings and observations in the foregoing reports are as follows:

### Program Objectives

1. Farm Viability CARP's program of Agrarian Reform appears to be more redistributive (i.e. for the beneficiaries' sake) than productive (i.e. for the country's economic benefit). Indeed, far from solving the problem of rural poverty, Operation Land Transfer (OLT) may be exacerbating it. Small farms are generally not viable entities, and most farms are operating below the per capita poverty level and off-farm employment is necessary to sustain the family; while many of the "poorest of the poor" -- i.e. the landless -- are no longer employed by the newly fragmented small farm families, as they previously were when the land holding was larger and/or share cropped. Making a beneficiary a landowner does not automatically make him an effective manager. Improvements in farmers incomes in general have been more due to new technology rather than "incentives" resulting from OLT. Many of the vocal advocates of land-to-the-tiller are not beneficiaries themselves.

Reductions in productivity in the non-OLT components of CARP -- i.e. banana, coconut, sugarcane, pineapple, etc. -- are also likely if such lands are placed under land reform, and the prospect is that plantation workers turned owners would be worse off as owner-producers than they are at present as wage earners.

2. Support Services CARP's objectives are hampered by weaknesses in farmer support services. However, SGV noted a major shift during the 1989-1990 period in increased provision of wholesale credit by the Land Bank to cooperatives; more branches opening; and relatively high (92%) repayment rates.

### Program Management

1. Definitions Although seemingly precise at the outset, the terms established as performance indicators were not the same as the titles used operationally in existing government reports. Furthermore, methods, interpretations, and sources for data accumulation frequently differ among the implementing Agencies and

their field offices.<sup>1</sup> Consequently, SGV encountered a considerable amount of confusion, mis-counting and double-counting as data was requested, and compiled from various sources and combined in the Central Offices.

2. Records Storage & Retrieval Records are poorly maintained, stored, and difficult to retrieve in most participating Government agencies, at all levels.
3. Management Information System (MIS) The implementation and monitoring structure for the CARP is relatively strong at the top (i.e. the Presidential Agrarian Reform Council (PARC)) but it becomes weaker and weaker as it goes down the line -- especially in the field at the Barangay level. Furthermore, the figures of DAR's MIS do not necessarily tally with the reports of the other agencies. MIS is largely viewed merely as a data gathering unit, rather than a system for management decision making and program improvement. The current data base is also considered inadequate for future program impact evaluation.
4. Accounting Systems Government accounting systems are not compatible with general private sector accounting practices, nor were CARP program categories standardized across agencies. Furthermore, during the period under review, the government system was changed from a "Cash" to an "Obligation" basis. This compounded the monitoring teams difficulties in verifying "actual" against "authorized" expenditures.
5. Program Funding USAID funding provided the GOP some flexibility for program implementation, and USAID was very supportive in accepting interim draft audit reports as the basis for providing tranche payments due to delays by COA in providing final audit reports. During the period under review, however, the GOP experienced budgetary and appropriation delays, major funding shortfalls and cutbacks. Despite CARP's high priority in the Aquino Administration agenda, the program was not exempted from the general curtailment of expenditures. Funding Warrants from the GOP Treasury were also processed at a very slow pace. Thus, the Program's implementers never had any

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<sup>1</sup>For instance, a working decision had to be made to use Emancipation Patents registered as a proxy for Emancipation Patents distributed. Land surveying is a lengthy process (up to one year) involving several stages and agencies. The field work is verified by DENR before being passed to the DAR for Emancipation Patent generation. However, DENR reports initial (unverified) field surveys as "land surveyed", and also includes non-OLT surveys in their accomplishment reports.

assurance of funding continuity from the GOP. Consequently, despite the promise of money in the AID pipeline to reimburse expenditures, some planned program activities were cancelled for lack of readily available funds. Subsequent slow liquidations of funding advances for various program components further constrained the amount of available funding.

No further evaluation of the ARSP is planned.

## VII. LESSONS LEARNED/RECOMMENDATIONS

1. Performance Indicators Precise Definitions of performance indicators to monitor a program should be verified and/or field tested with line operating personnel for practicability before being established. This will ensure that the definitions are consistent with operational usage, are well understood, and that the data required is indeed available and will subsequently be obtainable.

2. Reporting Requirements Program reporting requirements should be verified and/or field tested with line operating personnel for both practicability of content and timing/availability before finalization. Reports preparation and transmission is a time-consuming process.<sup>2</sup> Field testing will minimize unreasonable requests for information, and improve the timeliness of reports.

3. Program Monitoring *Ex post facto* verification of program operations tends to be regarded as "auditing" by field personnel and is not conducive to rapid and open gathering of information. For maximum effectiveness and field cooperation, program monitoring should be concurrent with program operations.

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<sup>2</sup>This is particularly true of requests for financial information. The Commission on Audit (COA) exercises very tight control over the data and information it receives and is generally reluctant to release such information "on demand". Indeed, COA Audit Reports are generally not available until 6 months after the quarter audited, whereas USAID tends to expect such information the following month. The problem was even more difficult in this particular instance as audit reports were required from eight different Agency COA Resident Auditors.