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Report No.: 17259-PNG

PAPUA NEW GUINEA

LAND MOBILIZATION PROJECT
(LOAN 3051-PNG)

IMPLEMENTATION COMPLETION REPORT

December 31, 1997

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

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CURRENCY EQUIVALENTS

Currency Unit = Kina (K)

US\$1.00 = K 0.90 (at appraisal, October 1988)

US\$1.00 = K 1.30 (at completion, June 1997)

WEIGHTS AND MEASURES

1 kilometer = 0.62 miles (mi)

1 square kilometer (sq km) = 1,000 ha = 0.39 sq miles

1 hectare (ha) = 2.47 acres (ac)

1 kilogram (kg) = 2.2 pounds (lb)

1 metric ton (ton) = 2,206 pounds

GOVERNMENT OF PAPUA NEW GUINEA FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ACLMP	-	Australian Contribution to the Land Mobilization Program
AusAID	-	Australian Agency for International Development
DOL	-	Department of Lands
EMC	-	Executive Management Committee
FIMS	-	Forest Inventory Management System
GOPNG	-	Government of Papua New Guinea
ICR	-	Implementation Completion Report
LAGIS	-	Land and Geographic Information System
LEAD	-	Land Evaluation and Demarcation Project
LIU	-	Land Information Unit
LMP	-	Land Mobilization Project
MIS	-	Management Information System
MOU	-	Memorandum of Understanding
NLMC	-	National Land Management Committee
NMB	-	National Mapping Bureau
PNG	-	Papua New Guinea
PNGGIS	-	Papua New Guinea Land Information System
PNGRIS	-	Papua New Guinea Resource Information System
SAR	-	Staff Appraisal Report
UNOPS	-	United Nations Office of Project Services

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Map No. IBRD 25561R

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IMPLEMENTATION COMPLETION REPORT

PAPUA NEW GUINEA

LAND MOBILIZATION PROJECT

(Loan 3051-PNG)

Preface

1. This is the Implementation Completion Report (ICR) for the Land Mobilization Project in Papua New Guinea, for which loan 3051-PNG in the amount of US\$19.6 million was approved on May 4, 1989 and made effective on March 22, 1990.
2. The loan was closed on June 30, 1997, compared with the original closing date of June 30, 1994. The final disbursement was made on October 15, 1997. An amount of US\$451,000 had been canceled on January 13, 1994, following misprocurement of civil works. Cofinancing of the project was provided in 1994 by the Government of Australia in the amount of A\$9.0 million to finance the Australian Contribution to the Land Mobilization Project (ACLMP); this component is scheduled to be completed in 1998.
3. The ICR was prepared by Hendrik van Voorthuizen and reviewed by Osman Farruk, Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region. Mr. Klaus Rohland, Country Director, Papua New Guinea/Pacific Islands Country Unit, East Asia and Pacific Region, reviewed and cleared the final draft.
4. Preparation of this ICR was begun during the Bank's final supervision mission which visited Papua New Guinea from February 3-14, 1997. It is based on material in the project file and the findings of the ICR mission.

IMPLEMENTATION COMPLETION REPORT**PAPUA NEW GUINEA****LAND MOBILIZATION PROJECT****(Loan 3051-PNG)****EVALUATION SUMMARY****Introduction**

1. The Land Mobilization Project (LMP), with a loan amount of US\$19.6 million, was the first (and for now the only) Bank project to focus entirely on the land sector in Papua New Guinea (PNG). The project was to support the first five years of Government's long-term Land Mobilization Program, designed to address a multitude of land sector issues which were impeding progress of the country's development.

Project Objectives

2. The long-term Land Mobilization Program was intended to encourage all land-users to invest in land-based activities by achieving the following objectives over 15-20 years: (a) create a clear policy and legislative environment to promote investment in land; (b) enable customary land owners to increasingly participate in the development of their own land; (c) provide effective land services to all land users; (d) transfer land administration responsibilities from the national Government to the provincial governments; and (e) optimize the use of the stock of alienated land. The project's components covered: (a) Program management and institution building; (b) land administration standards and quality control; (c) land and resource information; (d) mobilization of alienated land; (e) mobilization of customary land; and (f) decentralization of land administration. In the wake of the volcanic eruption in Rabaul in 1994, an emergency program for the provision of land services to the affected communities of the Gazella Peninsula in East New Britain Province was added to the project's objectives.

3. A large number of detailed undertakings were specified in Schedule 5 of the loan agreement. Compliance has been mixed; many actions were delayed or canceled for a variety of reasons. The standard covenant requiring Government to provide the funds and other resources required for the project, was only partially met, hampering achievement of the project's objectives.

4. All Program objectives remain valid in the long term and are of great importance for the country's economic and social development. As for the short-term, most of the

targets specified in the SAR were too ambitious and would have been more realistic as mid-term or long-term goals of the Land Mobilization Program.

Implementation Experience and Results

5. There has been movement towards achieving two of the five objectives. First, Government has begun to transfer some of the land administration functions from the center to the provinces. However, maintaining quality control for the decentralized functions has been hampered due to the perennial budget problems. Second, after a long delay there has been some progress toward the objective of creating a clear policy and legislative environment. The process of consolidation of disparate and scattered pieces of land law and legislation is nearly complete and Parliament approved the Consolidated Land Law in 1996. In addition, there have been meaningful efforts to move along the process in regard to draft legislation for the registration of customary land. As for the other stated objectives, not much progress has been made during the initial phase of the Program. The land information system chosen is suitable and appropriate for PNG circumstances. But only very modest progress has been made in the delivery of needed land administration services.

6. The actual cost of the LMP part of the project is now estimated at about US\$22.4 million, of which about US\$15.7 million was to be disbursed during the initial five year project period. This corresponds to only 40 percent of the appraisal estimate for those five years. The much lower actual cost is mainly due to: (a) inability of the Department of Lands (DOL) to expand its staff as planned originally; (b) more than two years delay in the start-up of the construction program and the recruitment of consultants; and (c) much lower operating budgets than had been anticipated¹. The estimates do **not** include the AusAID financed parts of the project; these started only in 1994 and will not be completed until the end of 1998. The total cost of the Gazelle part of the project was about US\$6.3 million equivalent.

7. Of the original loan amount of US\$19.6 million, US\$13.4 million was disbursed against expenditures under the LMP part of the project, and US\$5.7 million under the Gazelle part. An amount of US\$451,000 was canceled in 1994 following the misprocurement of 15 staff houses in Lae.

8. Project implementation suffered from factors both within and outside the control of the DOL. A good number of competent and dedicated managers and staff have served the DOL well over the project years. But all too often their efforts were frustrated by undue delays, lack of response, or poor judgments of other individuals in critical management positions. The perennial funding problem was a serious factor outside the control of the DOL that disrupted project progress throughout the implementation period.

¹ In fact there was a reduction in the DOL's operating budgets after 1988 resulting in a negative actual project cost for recurrent costs (see Table 8A).

9. The Bank's performance during preparation and appraisal was less than satisfactory. The scope of the project turned out to be over-ambitious and more emphasis could have been given in the project design to supporting field-based land administration services. The Bank's performance during implementation was satisfactory and the decision to use loan savings for the Gazelle restoration works fully justified. The Borrower's performance was satisfactory during project preparation but not so during implementation. Project budgets were frequently reduced in an arbitrary fashion, while the recruitment of technical assistance and the start-up of the construction program were delayed due to poor management.

10. Although there have been solid achievements in some areas, the overall outcome of the project, measured against its expectations, was not satisfactory.

Summary of Findings, Future Operations, and Key Lessons Learned

11. Overall, achievements fell short of expectations. The performance of the land administration services at central government level has somewhat improved due to better budgeting and monitoring procedures introduced under the project and relevant staff training. However, few improvements have been realized in the provinces, other than the construction of 5 offices and 90 staff houses. Some progress has been made in the drafting of improved legislation but apart from the Consolidated Land Law of 1996, no new legislation has been approved by Parliament. Significant progress has been made since 1993 with the development of a PC-based Land and Geographic Information System (LAGIS). But other than for improving land rent collections, its usefulness until now is limited and its sustainability uncertain. Implementation of the Australian Contribution to the Land Mobilization Program (ACLMP) did not start until 1994 - the original project completion year - mainly due to lack of counterpart staff and funds. Overall, the intended improvements by the project were appropriate and necessary, but the original implementation schedule was much too optimistic.

12. Unless future funding of land administration and related services can be fully secured, the sustainability of the project's achievements will remain in doubt. Of particular concern is the long-term sustainability of maintenance and further development of the LAGIS, primarily because the staffing situation has still not been resolved and adequate funding for system deployment has not been made available. The DOL has identified several options for operating and maintaining the system, some of which include utilizing private sector contracts for development and maintenance. As for the National Mapping Bureau (NMB), options for moving towards partial commercialization are now being explored. In regard to land administration services to be performed in the provinces and the districts, it has been suggested that part of the revenue from land rentals should be allocated to those entities to cover the cost of land administration functions transferred or delegated to them. The suggestion has much merit and deserves serious consideration.

13. A sharper vision is needed of future land tenure arrangements in PNG. A full and well informed discussion within the society of future land tenure options would be helpful

to develop such a vision. Meanwhile, it probably would be more effective to support land administration improvements in the framework of province or district based area development schemes, rather than as a freestanding project, and by working more closely with the intended beneficiaries. Such schemes still could include one or more national components, such as the further development and maintenance of centrally managed land and resource information systems, or the development of improved legislation.

IMPLEMENTATION COMPLETION REPORT

PAPUA NEW GUINEA

LAND MOBILIZATION PROJECT

(Loan 3051-PNG)

PART 1: PROJECT IMPLEMENTATION ASSESSMENT

A. PROJECT OBJECTIVES

1. **Statement of Objectives.** In 1988 the Government of Papua New Guinea (GOPNG) formulated a long-term Land Mobilization Program. Its stated goal was to contribute to economic growth through more productive use of land resources throughout the country, whilst promoting equity, employment, participation and social stability. It was intended to encourage land-users (clan groups, joint ventures, companies, individuals and Government agencies) to invest in appropriate land-based activities by achieving the following objectives over 15-20 years: (a) create a clear policy and legislative environment to promote investment in land; (b) enable customary land owners to increasingly participate in the development of their own land; (c) provide effective land services to all land users (surveying, valuation, land transfer and disposal, mapping, title registration, land acquisition, dispute settlement, physical planning and land information); (d) transfer land administration responsibilities from the national Government to the provincial governments in line with the country's Organic Law on Provincial Government; and (e) optimize the use of the stock of alienated land. The Land Mobilization Project (LMP) was intended to support the implementation of the Land Mobilization Program during its initial five year phase. In the wake of the volcanic eruption in Rabaul in 1994, an emergency program for the provision of land services to the affected communities of the Gazelle Peninsula in East New Britain Province was added to the project's objectives.

2. **Evaluation of Objectives.** The overall goal of the Land Mobilization Program, as stated above, would by its nature be valid for any country at any time. In regard to the more specific objectives, these remain valid in the long term and are of great importance for the country's economic and social development. As for the short-term, most of the specific targets specified in the SAR were too ambitious and would have been more realistic as mid-term or long-term goals of the Land Mobilization Program. For example, GOPNG's successive financial crises, starting after the Bougainville rebellion, have impeded the introduction of simplified systems to deliver cost-effective services, mobilize and rationalize the use of unallocated alienated land, address a backlog of incomplete land administration transactions, and improve the Department of Lands' (DOL) staff capacity.

Similarly, the decentralization of land services to five provinces will take more time than the intended 5-7 years because of the uneven administrative capacities of the provinces. Also, the original target of establishing an up-to-date information base for customary and alienated land was too ambitious. With the development of the data base for registration and valuation of land, this process is just in the beginning stages. Finally, the 5-7 year objective of developing an improved and cost effective approach to customary land registration proved to be more elusive than originally imagined. The funds provided for the Gazelle volcano restoration program were fully and effectively disbursed.

3. **Project Components, Costs and Financing.** The project's components covered: (a) Program management and institution building; (b) land administration standards and quality control; (c) land and resource information; (d) mobilization of alienated land; (e) mobilization of customary land; and (f) decentralization of land administration. The project cost at appraisal was estimated at US\$42.8 million equivalent (including US\$6.0 million in physical and price contingencies). About 52 percent of planned project expenditures was for construction of offices and staff houses (20 percent), procurement of equipment and furniture (19 percent), and technical assistance (13 percent), and the remaining 48 percent for incremental staff salaries and other recurrent costs (48 percent). The Bank was to finance US\$19.6 million (46 percent of project cost, net of taxes); the Government of Australia through AusAID¹ US\$6.4 million equivalent (15 percent, in parallel financing), chiefly for strengthening the National Mapping Bureau (NMB); and GOPNG the remaining US\$16.8 million equivalent (39 percent), including US\$4.3 million in taxes and duties. In 1995 an amount of US\$3.5 million in savings was identified in the Bank loan and reallocated for emergency activities in the Gazelle Peninsula. A further US\$2.7 million in loan savings were disbursed in 1997 against expenditures for emergency activities in the Gazelle area, bringing the total for the Gazelle part to about US\$5.7 million.

B. ACHIEVEMENT OF PROJECT OBJECTIVES

4. It was not anticipated that any of the stated Land Mobilization Program objectives would be fully achieved during the initial 5-7 year phase, but some progress was expected in all of those. In fact, progress has been uneven and there has been movement towards achieving only two of the five objectives. First, GOPNG has begun to transfer some of the land administration functions from the center to the provinces, albeit as part of a mandated change rather than a shift in land policy. Maintaining quality control for the decentralized functions with the current budget constraints is an issue of serious concern to the DOL, and justifiable so. Second, after a long delay there has been some progress towards the objective of creating a clear policy and legislative environment. The process of consolidation of disparate and scattered pieces of land law and legislation is nearly complete and the Consolidated Land Law of 1996 has been enacted. In addition, there

¹ A few years ago, the acronym for the Australian Agency for International Development was changed from AIDAB to AusAID; the latter acronym is used in this report.

have been meaningful efforts to move along the process in regard to draft legislation for the registration of customary land. Government plans to resume the awareness campaign in the provinces which had been interrupted in 1995 due to public misperceptions of the goals of LMP.

5. In regard to the other stated objectives, not much progress has been made during the initial phase. The land information system approach chosen is suitable and appropriate for PNG circumstances. But the system should be viewed just a tool, not an end in itself. The institutionalization and organization of such tools is a pre-requisite for delivering increased and better services. So far only modest progress has been made in some areas. Backlogs still characterize almost every stage of the land transaction process, both in Port Moresby and in the provinces. Finally, there is no evidence of more optimized use of the national stock of alienated land than before. The survey of alienated land done between 1989 - 1992 was not completed, and its results have not been integrated into a land use optimization planning tool.

C. IMPLEMENTATION RECORD AND MAJOR FACTORS AFFECTING THE PROJECT

6. The starting date for LMP was January 1, 1989, the loan became effective (after a substantial delay) in March 1990, and the scheduled completion date was December 31, 1993. Eventually, the loan closing date was extended three times until June 30, 1997. The first extension was granted mainly to facilitate the development of the new Land and Geographic Information System (LAGIS) which Bank supervision missions had helped develop in 1993. The last two extensions were granted to allow more time for the further development of LAGIS and for the completion of the Gazelle Restoration Works. The project's achievements are summarized in the following paragraphs.

7. **Program Management and Institution Building.** The reorganization of the DOL was completed by the end of 1989, as planned, but the agreed increase of its establishment from 424 to 588 staff positions was canceled following a Government decision (recommended by the World Bank) to reduce the overall size of the civil service. Efforts to control costs have caused serious delays in filling key staff vacancies during the entire project period. This situation caused AusAID to delay the effectiveness of the Australian Contribution to the Land Mobilization Program (ACLMP) until early 1994². The ACLMP is now scheduled to be completed by the end of 1998. An elaborate Management Information System (MIS), including both physical and financial indicators, has been established in 1990. There have been problems with the timely collection of data and the implementation of follow-up actions but the MIS reports did reveal some improvements in the Department's performance. The Executive Management Committee (EMC) was reinstated and meets regularly to discuss policy issues and generate action plans. The National Land Management Committee (NLMC) was established but has failed to perform its intended functions for lack of support from other land user departments. The

² The Bank had agreed in December 1989 to waive the cross condition of loan effectiveness with AusAID.

original plan to employ a local accounting/management firm to coordinate and manage all technical assistance inputs had to be abandoned as none of the local firms was interested in the assignment. After a delay of over one year, Government entered in 1990 into a contract with the United Nations Office of Project Services (UNOPS) to recruit and employ technical assistance personnel for the project. The arrangement has worked well from 1992 when OPS recruited several long-term consultants. Over the last five years the DOL has benefited from the services of a number of well qualified individuals.

8. **Land Administration Standards and Quality Control.** A number of studies were undertaken under the project, intended to streamline and simplify operations and help the Offices of the *Registrar of Titles, Surveyor General, Valuer General, and Chief Physical Planner* maintain their professional standards. The results and follow-up actions of these studies were mixed. A study of the nature and extent of the backlog of incomplete land transactions in the *Registrar of Titles' Office* was conducted in 1991. The study was followed by two successful interventions involving the temporary employment of groups of students from the Technical University in Lae to help clear the backlog. A contract to secure title documentation by microfiche was completed in 1993. Provision of technical support to regional and provincial title offices, to be set up during the decentralization process and to be involved in registration of customary land, was not accomplished because the registration process of customary land has stalled. As for the *Surveyor General's Office*, execution of a study to determine appropriate means of survey and demarcation of customary land was delayed until 1994 when it finally started in East New Britain Province. However, the study was not completed as intended as the services of the consultant were directed to the resettlement areas for evacuees in the aftermath of the volcanic eruption in Rabaul. The study of the role of private surveyors in undertaking studies required for land allocation and review of survey fees was completed in 1991. Most survey work is now routinely undertaken by private surveyors on behalf of the landowners but the *Surveyor General's Office* faces a serious backlog in clearing the survey files for lack of a sufficient number of qualified staff.

9. As for the *Valuer General's Office*, a study of land lease determination policies was undertaken in 1991 but its results were considered unacceptable by both AusAID, which financed the study, and the DOL. Plans to repeat the study never materialized. The study to investigate the prospects for computer-assisted valuation techniques was delayed until 1996. A conceptual design was prepared and awaits programming and integration into the LAGIS. Under the direction of the *Chief Physical Planner*, a physical planning manual was prepared in-house in 1991 and the planned consultancy for this purpose was dropped. The planned consultancy to extend the professional capacity of physical planners to include peri-urban and rural planning skills also was canceled as the small number of planners available to DOL were fully occupied with urban planning.

10. A series of amendments to the Land Act and Land Registration Act was drafted by a consultant with a view to expediting the land administration processes by eliminating known bottlenecks. Of these, only two were passed by Parliament. Subsequently, the consultant drafted a Consolidated Land Act, combining provisions

scattered over a large number of existing acts. This Act, and also the amendments to the Land Registration Act, were passed by Parliament in 1996 and enacted in 1997. Another consultant conducted a study of existing land dispute settlement mechanism and recommended a series of improvements. The report is still with the Department of Justice and no follow-up action has been taken as yet. The planned study of alternative land allocation and transfer systems for alienated land was considered premature and was not executed.

11. **Land and Resource Information.** The DOL was to develop an up-to-date information base for both alienated and customary land, consisting of title, land use, cadastral, geodetic and topographical information, to be readily available to all land users and service agencies. This was to be achieved through (a) implementation and development of a transaction processing and information system, the Papua New Guinea Land Information System (PNGLIS); and (b) the enhancement of the mapping capacity of NMB.

12. During the mid-term review in 1992, the DOL's failure to complete the development of the PNGLIS was identified as the most critical factor threatening the success of the project. A strategic review of PNGLIS undertaken in 1993 redefined and re-focused the land information approach. This resulted in a decision to develop the LAGIS which would integrate the land based data from the PNGLIS with the geographic cadastral data from the AusAID supported NMB activities. The strategic approach for LAGIS also called for a change of technology from the ICL mainframe computers executing land administrative functions under the PLANES software to a PC-based system using the more powerful, easily programmed, ORACLE database software. The shift in focus and technology from PNGLIS to LAGIS also brought about the need for developing basic computer literacy skills in the staff of DOL, as well as in the regional and provincial offices.

13. The development of PNGLIS, and subsequently LAGIS, was seriously hampered from the beginning by staffing constraints. There are only a few qualified national staff with the necessary computing, database management, and land administration skills, thus making it necessary to look abroad. But contracting expatriate staff also has been problematic because of long delays in advertising, recruiting, and negotiating contracts. Therefore, a major infusion of technical assistance was introduced in 1994 in order to complete the development of the LAGIS. The technical assistance team has been very effective and has more than made up for the system development deficiencies in the staffing of the Land Information Unit (LIU). The effective implementation of some of the functions, such as the receipting system, has dramatically increased rental revenues by as much as 50 percent last year.

14. The AusAID supported NMB subcomponent was originally intended to strengthen the agency's capacity to produce more detailed maps and other land information required for land administration and land use planning. The redesign of the project from its initial conception focused more on the strengthening of institutional capacity by developing processes and providing training, rather than producing maps. In addition to the re-focusing, there has been an expansion in project components to include

such activities as management support, digital map production, integration of topographic and hydrologic information with data from the Papua New Guinea Resource Information System (PNGRIS), the development of the Forest Inventory Management System (FIMS), and the rehabilitation of NMB's physical facilities. Since 1994 good progress has been made, e.g. computer mapping and photogrammetric systems have been implemented, physical facilities and offices have been upgraded and secured, and national staff have been trained.

15. **Mobilization of Alienated Land.** There appears to have been some improvement in the administration of the country's stock of alienated land over the last 7 -8 years. Regional offices were established with the regional managers and most of the staff based in Port Moresby and some staff in the regions. Coordination of work programs of land administration personnel and staff of the technical services (surveying, valuation, physical planning and title registration) reportedly has improved. Turn-around time and accuracy of land actions reportedly is somewhat better than eight years ago but still leaves much to be desired. A country-wide survey of about 80 percent of the alienated land parcels, mostly located in the urban areas, was conducted in 1989-1992. However, not much systematic use appears to have been made of the available information and no comprehensive plans were developed for the allocation of vacant lands.

16. **Mobilization of Customary Land.** There have been no new initiatives during the project period to encourage customary landowners to participate in the development of their land. Use of existing legal instruments, i.e. lease-lease back, tenure conversion, and incorporation of customary land groups, is continuing but only at a slow pace due to staff and budget constraints. National framework legislation for the registration of customary land was drafted early during the project, using the East Sepik Province legislation as a model. The draft was taken up again and simplified in early 1995. However, an awareness campaign to explain and promote the proposed legislation in the provinces had to be abandoned in mid-1995 due to strong, and at times violent, public opposition based on serious misperceptions of the proposals. The proposed legislation is currently on hold. Meanwhile, no customary land has been registered as yet in East Sepik Province because the provincial legislation has been awaiting a determination whether it conforms to the national laws. The pilot customary land demarcation scheme in Rabaul District in East New Britain continued to proceed slowly until the volcanic eruption of 1994. Unfortunately, hardly any budgetary support has been provided by the project for this important venture and most expenditures were covered from the Province's own budget.

17. **Decentralization of Land Administration.** Activities aimed at the decentralization of land administration functions proceeded at a slow pace during the original project period. Most of these activities were of a preparatory nature but no functions have been transferred as yet, except in East New Britain and Manus Provinces. This, however, may change rapidly in the near future following the recent passage by Parliament of the new Organic Law on Provincial and Local Administrations. In both provinces the national and provincial lands establishments were combined into one Lands Office and the national staff transferred to the provincial administrations. Severe shortages

of qualified staff in the provinces is a major constraint in the new decentralized set-up. Provincial land management committees now have been established in almost all provinces but for lack of authority the committees have not become active as yet, except for the two provinces mentioned above.

18. Decentralizing the land information system to the regional and provincial levels has by and large been unsuccessful to date, although from a technology point of view little stands in the way to extending the systems to the provincial offices. PC-based systems (using the interim *Access* PNLIS database) have been installed in three provinces and intentions are to install systems in at least another ten provinces. However, travel funds for sending HQ staff to the field to install and conduct training are unavailable. The computers and printers have already been procured, but have remained in storage for over a year waiting the necessary resources to permit installation.

19. The construction program for offices and staff houses suffered in the early project years from delays in setting up implementation arrangements with the Department of Works and the preparation of tender documents. The situation eased after the appointment of a project-financed works coordinator at the DOL. During the later project years the program suffered from serious budget constraints. At the end of project period, none of the three planned regional offices have been built and only five of the planned nine provincial offices were completed. The target of constructing 90 staff houses has been reached, however.

20. **Project Cost.** Project cost was defined at appraisal as the DOL's investment budget (civil works, equipment and technical assistance), and the incremental operating costs resulting from the first five years (1989 through 1993) of the Land Mobilization Program³. The total cost of the Program (including the base operating cost) was estimated at K 74.4 million and the project cost at K 38.5 million. For the purpose of this ICR, project cost has been redefined because the Loan was extended three times until June 30, 1997 and the Gazelle restoration works were added to the project. For the original five-year project period the same definition has been used as at appraisal. In order to avoid distortion of the final project cost, only the total cost of items financed by the Bank between 1994 and 1997 has been included in the project cost.

21. Total cost of the LMP part is now estimated at K22.7 million (US\$22.4 million), of which K15.1 million (US\$15.7 million) during the initial five year project period, or only about 40 percent of the appraisal estimate for those five years. The much lower actual cost was mainly due to: (a) inability of DOL to expand its staff as planned originally; (b) more than two years delay in the start-up of the construction program and recruitment of consultants; and (c) much lower operating budgets than had been

³ The DOL's 1988 budget was used as a basis to determine incremental operating costs.

anticipated⁴. The estimates do **not** include the AusAID financed parts of the project; these started only in 1994 and will not be completed until the end of 1998.

22. **Project Financing.** Of the original loan amount of US\$19.6 million., US\$13.7 million was disbursed against expenditures under the LMP part of the project , and US\$5.4 million under the Gazelle part. An amount of US\$451,000 was canceled in 1994 following the misprocurement of 15 staff houses in Lae.

23. **Major Factors Affecting the Project.** Project implementation suffered from factors both within and outside the control of the DOL. A good number of competent and dedicated managers and staff have served the DOL well over the project years. But all too often their efforts were frustrated by undue delays, lack of response, or poor judgments of other individuals in critical management positions. And too often, no prompt action was taken to redress obvious weaknesses in the management of the Land Mobilization Program, resulting inevitably in further delays.

24. Among the external factors affecting implementation, the most serious problem was the lack of counterpart funding and delays in release of funds by Department of Finance for project implementation. These difficulties started during the early project years after the Bougainville crisis and were compounded by several other waves of financial problems. While the successive crises were perhaps unavoidable, their impact could almost certainly have been managed better through better consultation between the Department of Finance and the DOL. As it was, budget decisions often were made arbitrarily, frequently leading to erroneous allocations and/or failures to release funds on time, or at all. As a result, DOL managers often had to spend inordinate amounts of time, and wait for many months, before corrective action was taken. Related to the financial crises, were the successive periods of hiring freezes imposed by the Department of Personnel Management. This adversely affected the timely replacement of essential contract staff and threatened operations, particularly of LIU and NMB. Again, this could have been managed better through effective consultations and reaching timely understandings on selective rather than blanket measures to limit expenditures.

D. PROJECT SUSTAINABILITY

25. Unless future funding of land administration and related services can be fully secured, the sustainability of the project's achievements will remain in doubt. Of particular concern is the long term sustainability of maintenance and further development of the LAGIS, primarily because the staffing situation has still not been resolved and adequate funding for system deployment has not been made available. The DOL has identified several options for operating and maintaining the system, some of which include utilizing private sector contracts for development and maintenance. Since the LAGIS is so vital to the objectives of the Land Mobilization Program and also is a major revenue generator from

⁴ In fact there was a reduction in the DOL's operating budgets after 1988 resulting in a negative actual project cost for recurrent operating costs (see Table 8A).

land rents, it is imperative that Government resolves the development, management, and maintenance issues as soon as possible. As for NMB, options for moving towards partial commercialization are now being explored. In regard to land administration services to be performed in the provinces and the districts, it has been suggested that part of the revenue from land rentals should be allocated to those entities to cover the cost of land administration functions transferred or delegated to them. The suggestion has much merit and deserves serious consideration.

E. BANK PERFORMANCE

26. **Identification.** In 1984 Government officials requested the Bank's assistance for a Land Evaluation and Demarcation Project (LEAD). The proposed project was to follow an earlier operation (supported by AusAID) which had focused on a reorganization of the DOL and improvement of existing land administration practices. Over the following two years several Bank missions agreed with Government representatives that the proposed LEAD project merited a high priority since the prevailing land tenure arrangements were considered one of the most serious impediments to the country's development. There are no indications that possible alternative approaches to a free-standing project were explored. In hindsight, both the seriousness of the land tenure impediments and the prospects for resolving PNG's land problems through a separate project, may have been overestimated. The identification phase ended in December 1986 when the initiating Project Brief was issued.

27. **Preparation.** Bank preparation missions, and particularly the pre-appraisal mission, were concerned about the scope of the proposed project. The pre-appraisal team scaled down both the scope and duration of the project, emphasizing the short term need to strengthen the DOL, improve inter-ministerial coordination, initiate studies on customary land in different provinces, and support resource survey and land use planning work. In doing so, it virtually eliminated operational support for land administration activities in the field, which affected achievement of project objectives for decentralization of land administration capability and a long-term impact on sustainability.

28. **Appraisal.** The project was appraised by a Bank mission in October 1988. By that time the project was viewed by GOPNG as the first phase of a long-term Land Mobilization Program, and the project name was therefore changed to Land Mobilization Project (LMP). Government officials were keen to engage the Bank in a long term policy dialogue on land issues and wanted the Bank to coordinate all Program activities. However, AusAID expressed a preference for parallel financing of one or more Program components without close operational links to other components. AusAID's representatives did not join the Bank appraisal mission except during the wrap-up meeting in Port Moresby. Upon its return to Washington the appraisal mission expressed its concern about the risks facing the operation and noted prophetically in its BTO report: "Sudden changes in staffing and budget, which are so common in PNG, will affect the program and project and can only be partially offset by foreign funding". Again with

hindsight, the complexities and difficulties foreseen during preparation were not sufficiently analyzed during the appraisal stage.

29. **Negotiations.** Negotiations were held in February 1989. The Government delegation asked, and the Bank agreed, to include the construction of 90 staff houses in the project in support of the decentralization of the land administration process. The Bank also agreed to finance US\$1.4 million worth of equipment for the NMB that could not be financed by AusAID.

30. **Supervision.** The Bank conducted 14 supervision missions between October 1989 and February 1997. Representatives of AusAID participated in eight of the first nine missions but did not participate in the last four (except for attending the missions' wrap-up meetings). Field visits were made to the provinces during nine missions. There was only one change of Task Manager during the project implementation period. Throughout the project's life supervision missions spent a large part of their time trying to resolve problems, mainly related to inadequate budget allocations, slow release of funds and staff hiring freezes. Bank missions played a key role in all phases of the development of the LAGIS system.

31. In summary, the Bank's performance from project identification through appraisal was not fully satisfactory, mainly due to less than perfect insights in the country's land tenure problems and over-optimism on the prospects for change. Also, more emphasis could have been given in the project design to supporting field-based land administration services. The Bank's performance during implementation, while not brilliant, was on the whole quite satisfactory. Especially its active involvement in the development of the LAGIS system was commendable.

F. BORROWER PERFORMANCE

32. **Preparation.** It took nearly two years to prepare the project. A significant part of that time was used up in discussions between the preparation team, the Bank and AusAID on the project's scope. The preparation team emphasized both institution building of the DOL and the mobilization of customary land for agricultural and forest development projects in a number of provinces. Bank missions emphasized better administration of alienated land, including aspects of policy, institutional development, and simplification of procedures. AusAID, which financed the project's preparation, tended to side with the preparation team. On the whole, Government's performance was satisfactory and some momentum had been built by the time the project was appraised.

33. **Implementation.** The Memorandum of Understanding (MOU) between the Departments of Lands, Finance, Personnel Management, and Prime Minister's Office, detailing the undertakings of each Department for project implementation, was largely ignored from the beginning⁵. In many instances the recruitment of key staff for the DOL

⁵ Signing of the MOU by all parties was a Condition for Loan negotiations.

was delayed, often indefinitely. Budgets were routinely reduced from the first project year onwards, and particularly after the Bougainville crisis. Recruitment of technical assistance and start-up of the construction program were delayed due to inadequate management actions. While eventually some of these problems were partially resolved, staffing and budget constraints continued to slow down progress, raising questions about Government's commitment to the project. Therefore, GOPNG's performance for most of the implementation period was not satisfactory.

G. ASSESSMENT OF PROJECT OUTCOME

34. Although there have been solid achievements in some areas, the overall outcome of the project, measured against its expectations, was not satisfactory. The sustainability of the project components that were successfully completed, including the new LAGIS system, is doubtful because of continuing uncertainties on future staffing and funding of operations.

H. FUTURE OPERATIONS

35. Since the ICR mission of February 1997, the DOL has informed the Bank that revenue collections have substantially improved through a more aggressive commercial approach to collections. Other reported achievements include improved integrity of data, ease of access to information, reduction of response time to the clients, and introduction of systems to alert management to anomalies and bad practices. An organization restructure review of the LIU is being undertaken and all vacant senior staff positions have been advertised. Some changes already have been implemented, including a name change from LIU to Information Services Center (ISC). It is envisaged that the ISC will be one of the core business functions of the DOL while the land allocation management processes are decentralized to the provinces and districts throughout the country. The plan also provides for interconnections with other Government Departments and major legal and banking clients who may require direct access to land information. Eventually the clients should be able to directly perform their own enquiries from their offices against payment for the services provided. It is the DOL management's intention to eventually fund operations from internal sources. The DOL management also intends to review at regular intervals its capability to proceed with a minimum of external technical assistance.

I. KEY LESSONS LEARNED

36. Despite the high profile of LMP, as reflected in its status as a freestanding operation, progress has fallen short of the original expectations. The question should be asked: Was this disappointing outcome avoidable? Would the results have been better without continuous Government financial crises and staff hiring freezes? Maybe the results would have been somewhat better but not necessarily a whole lot. Given the importance people attach to their land, no changes will come fast. It does not seem

advisable to design and implement another free-standing land administration project - at least not until all elements are in place to start a country-wide land registration program. It would probably be more effective to support land administration improvements as part of province or district based area development schemes and by working more closely with the intended beneficiaries. Such schemes still could include one or more national components, e.g. to support centrally managed land and resource information systems, or to develop improved legislation. Some of the other lessons learned follow below.

37. **Vision.** A sharper vision is needed of future land tenure arrangements in PNG. This vision should go beyond generalities such as "contributing to economic growth through more productive use of land resources". Will communal ownership remain the dominant land tenure form for the foreseeable future, or will it evolve into individual ownership? Only PNG citizens can answer that question. In developing their vision for the future they may wish to carefully balance the country's traditional values, as reflected in prevailing land tenure customs, and the aspirations of the people to improve their levels of welfare. A full and well informed discussion within the society of future land tenure options would be helpful to develop such a vision. Such discussion will require considerable time.

38. **Sustained Support.** For any project, and particularly one involving sensitive land tenure issues, sustained support by all involved departments and agencies is critically important. Reductions in resources, be it funding or staffing, should be made only in full consultation with the departments concerned and never in an arbitrary or unpredictable manner.

39. **Management.** Qualified and dedicated management of a project of this nature is another must. Bottlenecks in the management chain should not be allowed to persist as it will inevitably slow down progress, reduce efficiency, and undermine the morale and dedication of the staff.

40. **Focus.** More attention should be focused on improving the quality of land administration services in the provinces and districts. While strengthening of the DOL's central operations, particularly that of the land information system, was an important achievement, the real success of the project can only be measured on the ground where the people live.

PART II: STATISTICAL TABLES

Table 1: Summary of Assessments

<u>A. Achievement of objectives</u>	<u>Substantial</u> (✓)	<u>Partial</u> (✓)	<u>Negligible</u> (✓)	<u>Not applicable</u> (✓)
Macro policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sector policies	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Institutional development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poverty reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Gender issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other social objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Public sector management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private sector development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other (specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B. <u>Project sustainability</u>	<u>Likely</u> (✓)	<u>Unlikely</u> (✓)	<u>Uncertain</u> (✓)
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

C. <u>Bank performance</u>	<u>Highly satisfactory</u> (✓)	<u>Satisfactory</u> (✓)	<u>Deficient</u> (✓)
Identification	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Preparation assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Appraisal	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Supervision	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

D. <u>Borrower performance</u>	<u>Highly satisfactory</u> (✓)	<u>Satisfactory</u> (✓)	<u>Deficient</u> (✓)
Preparation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Covenant compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Operation (if applicable)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

E. <u>Assessment of outcome</u>	<u>Highly satisfactory</u> (✓)	<u>Satisfactory</u> (✓)	<u>Unsatisfactory</u> (✓)	<u>Highly unsatisfactory</u> (✓)
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Table 5: Key Indicators for Project Implementation

Key implementation indicators in SAR/President's Report	Unit	Estimated	Actual
1) Capital Works:			
Regional Offices	No.	3	0
Provincial Offices	No.	9	5
Staff Houses	No.	90	90
2) Additional Staff	No.	146	0
3) Decentralization Alienated Land Administration	No. of Provinces	5	2
4) Enactment Customary Land Legislation	No. of Provinces	3	0

Table 6: Key Indicators for Project Operation^{1/}

Key operating indicators in SAR/President's Report	Estimated	Actual
Land Rent Revenue	K 12.2 million ^{2/}	K 13.2 million ^{3/}

1/ Other than land rent collections, the SAR did not specify project operations indicators.

However, the annual operational plans of the Department of Lands now customarily include detailed annual targets for the Department's operational divisions, covering the entire spectrum of services provided by the Department. Examples of these annual targets and achievements may be found in the various editions of the draft ICR prepared by the Department.

2/ For 1993, originally planned as the final project year.

3/ For 1996; collections in 1993 amounted to about K 9.3 million.

Table 7: Studies Included in Project

Study	Purpose as defined at appraisal/redefined	Status	Impact of study
1. Incomplete Land Transactions (1991)	Identify nature and extent of the delays in processing land transactions and recommend improvements in procedures.	Study completed	Most recommendations have been implemented.
2. Implementation of Action Plan for Incomplete Land Transactions (1993)	Follow-up on 1991 study. Formulation of plans to reduce backlogs in land transactions.	Study completed	Plan has been implemented.
3. Land Release Strategy (1993)	Formulation of a strategy for the use of information in PNG LIS.	Completed	No impact so far.
4. Legal assistance to formulate new land legislation and manuals (1991-1994)	Assist DOL/GOPNG with the preparation of improved legislation.	Completed	Legislation has been enacted.
5. Review of Land Dispute Settlement Organizations and Mechanisms (1995)	Improve capacity to settle land disputes.	Completed	No action plan prepared as yet.
6. Customary land Demarcation Techniques (1995)	Devise simple techniques to demarcate customary land.	Study was re-directed to covering the disaster areas in the Gazelle Peninsula.	Demarcation of resettlement areas for evacuees.
7. The Registration of Customary Land (1995)	Preparation of legislation for the registration of customary land.	Completed	Still under consideration.
8. ACLMP Project Implementation Document (1995)	Details implementation arrangements for ACLMP.	Completed	Being implemented
9. Staff Development and Training Interventions Implemented under LMP (1995)	Review of activities undertaken during 1992-1995.	Completed	Substantial impact of most of the training programs.
10. Technical Services for Land Information Unit (1994-1997)	Improve land transaction capabilities of DOL, including collection of land rentals.	Completed	Improvements are being implemented.

Table 8A: Project Costs

Component	Appraisal estimate (US\$M)			Actual/latest estimate (US\$M)		
	Local costs	Foreign costs	Total	Local costs	Foreign costs	Total
A. Land Mobilization Program:						
1. Civil Works	4.2	4.2	8.4	2.5	2.4	4.9
2. Equipment & Supplies	0.7	7.7	8.4	0.7	7.6	8.3
3. Technical Assistance	0.7	4.8	5.5	-	5.1	5.1
4. Incremental Staff Salaries	9.1	-	9.1	4.3	-	4.3
5. Other Incremental Recurrent Costs	9.7	1.7	11.4	(-)0.2	-	(-)0.2
Sub-total:	24.4	18.4	42.8	7.2	15.2	22.4
B. Gazelle Restoration Works:						
1. Civil Works	-	-	-	3.0	2.9	5.9
2. Equipment	-	-	-	0.0	0.0	0.0
3. Technical Assistance	-	-	-	0.0	0.4	0.4
Subtotal:				3.0	3.3	6.3
TOTAL PROJECT COST (including contingencies)	24.4	18.4	42.8			

Table 8B: Project Financing

Source	Appraisal estimate (US\$M)			Actual/latest estimate (US\$M)		
	Local costs	Foreign costs	Total	Local costs	Foreign costs	Total
IBRD	8.5	11.1	19.6	7.1	12.0	19.1
Government of Australia ^{1/}	0.9	5.5	6.4	-	-	-
Government of Papua New Guinea	15.2	1.6	16.8	3.1	6.5	9.6
TOTAL	24.5	18.3	42.8	10.2	18.5	28.7

1/ The Australian financed activities started only in 1994 and are scheduled to be completed by the end of 1998. Actual costs and financing amounts of these activities have therefore been excluded from the actual/latest estimates.

Table 9: Economic Costs and Benefits

Due to the nature of the project, no estimate of benefits or economic returns was possible at appraisal.

**Table 10: Status of Legal Covenants
Papua New Guinea
Land Mobilization Project**

Agreement	Section	Covenant type	Present status	Original fulfillment date	Revised fulfillment date	Description of covenant	Comments
Article III	3.01 (a)	4	NC			Provide funds and other resources required for the project.	Counterpart funding remains inadequate.
Article VI	6.01 (a)	5	C			Employ consultants to assist in carrying out of Parts A(1)(a), A1(F), B.1(A) and B.2(B) of the project (condition of effectiveness).	OK
Sch. 5	para. 1(a)	5	C	12/31/89		Complete the reorganization of DLPP.	Further reorganizations being implemented.
	para. 1(b)	5	C	12/31/89		Reinstitute regular meetings of Program Management Committee.	OK
	para. 1(c)	5	C	12/31/89		Establish the National Land Management Committee.	Complied with but Committee is not effective.
	para. 2(a)	5	C	12/31/90		Complete study on incomplete land transactions and thereafter carry out an action plan.	In compliance; recommendations being implemented.
	para. 3	5	CP	12/31/90		Study the role of private surveyors and carry out an action plan.	Study was completed but no action has been taken.
	para. 4(b)	2	CP	06/30/90		Review existing rent collection systems and establish a system.	Study was completed but no action has been taken.
	para. 4(c)	12	C	06/30/90		Prepare draft legislative and procedural amendments to improve alienated land administration procedures.	OK; Consolidated Land Act approved by Parliament in 1996.
	para. 4(d)	12	NC	12/31/92		Study different alienated land allocation and transfer systems.	Study considered premature.
	para. 4(e)	5	C	12/31/90		Employ consultants to review development of national framework legislation for customary land.	In compliance; consultations with the provinces temporarily suspended.

para. 4(f)	12	CP	12/31/91	Review existing land dispute settlement mechanisms and carry out an action plan.	Study completed but no action plan prepared.
para. 4(g)	12	C	12/31/90	Amendment of the Survey Coordination Act.	In compliance.
para. 5	5	NC	12/31/89	Appointment of staff to key DLPP positions.	Several key positions in LIU and NMB currently vacant; only limited recruitment activities due to freeze on hiring new Government staff.
para. 6	5	C	12/31/89	Establishment of mapping advisory committee.	OK
para. 7	5	C		Carry out annual implementation review of LMP.	OK

Covenant Class: 2 Financial performance/generate revenue from beneficiaries
4 Counterpart funding
5 Management aspects of the Project or of its executing agency
12 Sectoral or cross-sectoral policy /regulatory/institutional action

Present Status:
C = Covenant complied with
CP = Complied with Partially
NC = Not complied with

Table 11: Compliance with Operational Manual Statements

Statement number and title	Describe and comment on lack of compliance
There are no OMS relevant to the project that have not been complied with and/or been acted against.	

Table 12: Bank Resources: Staff Inputs

Stage of project cycle	Planned		Revised		Actual	
	Weeks	US\$	Weeks	US\$	Weeks	US\$'000
Through appraisal	n.a.	n.a.	n.a.	n.a.	46.2	122.0
Appraisal - Board	n.a.	n.a.	n.a.	n.a.	0.4	1.3
Board - effectiveness	n.a.	n.a.	n.a.	n.a.	0.0	0.0
Supervision	n.a.	n.a.	n.a.	n.a.	86.7	311.9
Completion	n.a.	n.a.	n.a.	n.a.	10.1	28.4
TOTAL	n.a.	n.a.	n.a.	n.a.	143.4	463.6

Table 13: Bank Resources: Missions

Stage of project cycle	Month/ year	Number of persons	Days in field	Specialized staff skills represented	Performance rating		Types of problems
					Implementation status	Development objectives	
Identification							-
Preparation	03/88						-
Appraisal	10/88	5	19	TM, OA, S, LA, ID			-
Supervision 1	10/89	5	12	TM,OA,S,LA,ID	2	1	-
Supervision 2	5/90	5	13	TM,LTS,S,LA,ID	2	1	-
Supervision 3	11/90	4	9	TM,OA,LA,ID	2	1	-
Supervision 4	5/91	5	12	TM, LUS,OA,LA,ID	3	2	-
Supervision 5	2/92	2	11	TM, FTM	3	2	-
Supervision 6	10/92	5	19	TM,OA,PSMS,LA,CS	3	2	-
Supervision 7	6/93	3	12	TM,PSMS,OSS	2	2	-
Supervision 8	10/93	3	12	TM,PSMS,OSS	2	2	-
Supervision 9	6/94	3	12	TM,PSMS,OSS	S	S	-
Supervision 10	11/94	1	4	TM	S	U	-
Supervision 11	5/95	3	5	TM,PSMS,OSS	U	U	-
Supervision 12	2/96	2	7	TM,OSS	U	S	-
Supervision 13	05/96	1	10	TM	U	S	-
Completion	02/97	3	11	TM, OSS, LTS	U	U	-

Specialized Staff: TM=Task Manager; FTM=Former Task Manager; OA=Operations Assistant; S=Surveyor; LA=Land Administration; ID=Institutional Development; LTS=Land Tenure Specialist; PSMS=Public Sector Mgt. Specialist; CS=Computer Specialist; C=Consultant; OSS=Operation Systems Specialist..

APPENDIX A

PAPUA NEW GUINEA

LAND MOBILIZATION PROJECT, Ln. 3051-PNG

Implementation Completion Mission, February 1997

Aide Memoire

I. INTRODUCTION

1. During the period February 3-14, 1997, Messrs. Hendrik van Voorthuizen, Wayne Luscombe (World Bank), and James Riddell (FAO) conducted the final supervision of the Land Mobilization Project (LMP). The mission visited Eastern Highlands and East Sepik Provinces for discussions with provincial officials and landowners. In Port Moresby the mission met with Mr. John A. Painap, OBE, Secretary of the Department of Lands (DOL), and officials of DOL, the National Planning Office (NPO), and the Lands Titles Commission. The mission also met with Mr. Finn Reske-Nielsen, Deputy Resident Representative of UNDP, and Mr. John Westcott, First Secretary, Development Cooperation, of the Australian High Commission. The wrap-up meeting was held on February 14, 1997 and co-chaired by Ms. Cathy Pianga and Mr. Rober Laua, Programs Officers of the Foreign Aid Management Division of NPO. The mission's findings and recommendations are summarized in this Aide Memoire and are subject to confirmation by Bank management. The mission wishes to thank all officials concerned for their valuable assistance.

II. RECENT PROGRESS

2. The status of actions agreed during the May 1996 mission is summarized below:

- (a) the Loan closing date was extended for the third time until June 30, 1997, to allow more time for the further development of the Land and Geographic Information System (LAGIS) and completion of some of the Gazelle restoration works;
- (b) the 1996 budget error was finally corrected, four buildings in various stages of construction were completed, and all outstanding contractors' bills paid; however, the Goroka provincial office is only 40 percent completed and no funds appear to be available in the 1997 budget to fully complete the office; the DOL should take this matter up with the Department of Finance (DOF);

- (c) the existing vacancies in the Land Information Unit (LIU) still have not been filled due to a continuing freeze on the recruitment of new staff; this situation seriously threatens the sustainability of the development work accomplished during recent years; the DOL should discuss this matter urgently with DOF and the Department of Personnel Management (DPM); and
- (d) the DOL prepared a third draft of the Implementation Completion Report (ICR); the report follows the format suggested by the May 1996 mission but the information presented in the text and the tables has not yet been updated to include the year 1995, and now also 1996.

3. Good progress on the development of the computerized LAGIS has been made since the last supervision mission. The mainframe ICL system was decommissioned with the successful "porting" of the Papua New Guinea Land Information System (PNGLIS) to an interim PC based *MS Access* database. All of the Land's offices at the national headquarters that had access to the mainframe system now have access to the PC based system; however, provincial offices have lost the direct connectivity (via modem) to the system. Stand alone PNGLIS systems have been installed in three provincial offices--Alotau, Goroka, and Kavieng.

4. Regarding the development of the land administration functions, many of the transactional processing capabilities and subsystems have been designed and implemented; however, some functions, particularly related to land allocation will not be completed by the Loan closing date.

III. SUMMARY OF FINDINGS AT PROJECT COMPLETION

A. PROJECT OBJECTIVES

Original Objectives

5. The overall goal of the Land Mobilization Program was to contribute to economic growth through more productive use of land resources throughout the country, whilst promoting equity, employment, participation and social stability. It was intended to encourage land-users (clan groups, joint ventures, companies, individuals and Government agencies) to invest in appropriate land-based activities by achieving the following objectives over 15-20 years:

- (a) create a clear policy and legislative environment to promote investment in land;
- (b) enable customary land owners to increasingly participate in the development of their own land;

- (c) provide effective land services to all land users (surveying, valuation, land transfer and disposal, mapping, title registration, land acquisition, dispute settlement, physical planning and land information);
- (d) transfer land administration responsibilities from the national Government to the provincial governments in line with the country's Organic Law on Provincial Government; and
- (e) optimize the use of the stock of alienated land.

Added Objective

6. In the wake of the volcanic eruption in Rabaul in 1994, an amount of US\$3.5 million savings was identified in the Loan and reallocated to provide land services, i.e. land administration, surveys, valuation, physical planning and site development, including road construction and the provision of site services, in the District of Rabaul.

Assessment of Objectives

7. The objectives detailed at paragraph 5 refer to a plan that was originally seen as a 15 to 20 year process. In light of the experience gained during the first seven years, are the objectives still valid? The overall goal or objective of LMP to contribute to economic growth through more productive use of land resources throughout the country, whilst promoting equity, employment, participation and social stability would by its nature be valid for any country at any time. In regard to the more specific objectives:

- (a) the first original objective of the project to create a clear policy and legislative environment to promote investment in lands was, is and will continue to be vital for sustainable economic and social growth in PNG. Two specific objectives identified for the first 5-7 years were: (i) the establishment of a National Land Management Committee, and (ii) to establish improved land policies, legislation procedures and staff capabilities. These both have proven to be an essential and continuing process;
- (b) much the same can be said of the second objective, to enable customary land owners to increasingly participate in the development of their own land. At the time the project was conceptualized the contemporary wisdom was that the difficulty in getting access to land held under the variety of customary land tenure systems found in PNG's more than 700 linguistic/tribal groups prevented the necessary capital investment needed for urban expansion, employment generation and agricultural growth needs. This is an important question for Government as an estimated 97 percent of all land is jealously guarded under these customary tenures. While the objective remains the same, the focus has changed to one of working with and adapting to existing land tenure regimes. The original project formulation envisaged a 5-7 year objective of

developing an improved and cost-effective approach to customary land registration and mobilization for economic development. Such approaches are much more elusive than originally imagined, yet achievement of this objective is key to any possible sustainable development in the country;

- (c) the third objective of providing effective land services to all land users (surveying, valuation, land transfers and disposal, mapping, title registration, land acquisition, dispute settlement, physical planning and land information) remains critical for development plans. The initial phase of the project (seen in its 15 - 20 year perspective) has focused almost exclusively on the 118,000 plus parcels that constitute the "alienated" land base of PNG. The initial 5-7 year objectives were identified as simplified administrative systems that would be able to deliver cost-effective services, mobilize and rationalize about 300,000 ha of unallocated alienated land, address a backlog of about 7,000 incomplete land administration transactions and improve DOL's staff capacity by increasing staff numbers and intensive staff training. While the short term objectives remain desirable, continued economic crises following the rebellion on Bougainville have made them somewhat unrealistic and more reasonable as mid-term goals;
- (d) the fourth objective to transfer land administration responsibilities from the national government to the provincial ones will become more pressing as the customary tenure systems start entering into the national land tenure system. It is clearly recognized that provincial (often district) officials are best placed to deal with the local land issues. The original project design indicated a 5-7 year objective as the development of an acceptable and cost-effective system for, and expedite, the decentralization of land services to five provinces. The present capacity of the provinces is uneven and this will likely be a long term process. The long term goals remain valid but the short run achievements were overly ambitious; and
- (e) the last objective of the project, to optimize the use of the stock of alienated land remains essential. To date, data are only beginning to emerge. In the original project design it was envisaged that in 5-7 years there would be an up-to-date information base for customary and alienated land. This was far too ambitious. A survey of properties was carried out in the 1989-1992 period in each of the provinces. The data, which only covered an estimated 80 percent of the properties, was then entered into the ICL system that soon after was replaced. Thus, the initial baseline data were never adequately established. Now with the development of the LIS data base for registration and valuation, PNG is beginning to establish an accurate inventory of what property it is responsible for. This is a process that is just in the beginning stages.

B. IMPLEMENTATION EXPERIENCE AND RESULTS

PROJECT COMPONENTS

Program Management and Institution Building

8. **Program Management.** The reorganization of the DOL was completed by the end of 1989, as planned. However, the agreed increase of the Department's establishment from 424 to 588 staff positions was canceled following a Government decision (recommended by the World Bank) to reduce the overall size of the civil service. The DOL was one of the first Government departments to introduce program budgeting with objectives and performance indicators identified for all activities. However, the program budgeting concept could not be implemented as the DOF withdrew all financial authorities delegated to the heads of departments to transfer funds between activities. An elaborate Management Information System (MIS), including both physical and financial targets and performance indicators, has been established in 1990. Although there have been problems with the timely collection of data and the implementation of follow-up actions, the MIS reports have revealed an improving trend in the Department's performance.

9. The Executive Management Committee (EMC) was reinstated. It meets regularly to discuss policy issues and generate action plans. The National Land Management Committee (NLMC) was established at the beginning of the project period. However, it has failed to perform its intended functions for lack of support from other land user departments and the National Executive Council (NEC). The original plan to employ a local accounting/management firm to coordinate and manage all technical assistance inputs had to be abandoned as none of the local firms was interested in the assignment. After a delay of over two years, Government entered into a contract with the United Nations Office of Personnel Services (UNOPS) to recruit and employ technical assistance personnel for the project. The arrangement has worked well and the DOL has benefited from the services of a number of well qualified individuals. The start-up of the National Mapping Bureau subcomponent was delayed until early 1994 due to long drawn-out negotiations concerning shortage of counterpart staff between the Government and AusAID; this subcomponent is now scheduled to be completed on December 31, 1998.

10. **Legislative Improvements.** A series of seven amendments to the Land Act and Land Registration Act was drafted by a consultant with a view to expediting the land administration processes by eliminating known bottlenecks. Of these, only two were passed by Parliament. Subsequently, the consultant drafted a Consolidated Land Act, combining provisions scattered over a large number of existing acts. This Act, and also the amendments to the Land Registration Act, were passed by Parliament in 1996. Another consultant conducted a study of existing land dispute settlement mechanism and recommended a series of improvements. The report is still with the Department of Justice and no follow-up action has been taken as yet. The planned study of alternative land allocation and transfer systems for alienated land was considered premature and not executed.

11. **Personnel Services.** The DOL benefited greatly from the services of an effective consultant who served in the Department for a period of three years. At the outset, a detailed inventory was made of all existing staff resources. The inventory led to the discovery of a significant number of "ghost" employees. Subsequently, a comprehensive staff performance appraisal system was designed and introduced into the Department in consultation with the DPM. Training needs of the entire staff were ascertained through an extensive survey. This was followed by the design and implementation of a large number of training modules in cooperation with existing training institutes such as the Administrative Training College in Waigani.

Land Administration Standards and Quality Control

12. The project was to support the Offices of the Registrar of Titles, Surveyor General, Valuer General, and Chief Physical Planner through a series of consultancies to facilitate their operations and help those Offices maintaining their professional standards.

13. **Registrar of Titles.** A study of the nature and extent of the backlog of incomplete land transactions was conducted in 1991. The study was followed by two successful interventions involving temporary employment of groups of students from the Technical University (UNITECH) in Lae to help clear the backlog. A contract to secure title documentation by microfiche was completed in 1993. Provision of technical support to regional and provincial title offices, to be set up during the decentralization process and to be involved in registration of customary land, was not accomplished because the registration process of customary land has stalled (see para 30).

14. **Surveyor General.** A study to determine appropriate means of survey and demarcation of customary land was delayed for several years and started finally in East New Britain in 1994. However, the study was not completed as intended as the services of the consultant were diverted to the resettlement areas for evacuees in the aftermath of the volcanic eruption in Rabaul. The study of the role of private surveyors in undertaking studies required for land allocation and review of survey fees was completed in 1991. Most survey work is now routinely undertaken by private surveyors on behalf of the landowners. However, the Surveyor General's Office now faces a serious backlog in clearing the survey files for lack of a sufficient number of qualified staff. Earlier, this function was delegated to the Regional Offices but the authorization for final registration was withdrawn following a failure by one of the Offices to perform its duties correctly.

15. **Valuer General.** A study of land lease determination policies was undertaken in 1991 but its results were considered unacceptable by both AusAID, which financed the study, and the DOL. Plans to repeat the study never materialized. The study to investigate the prospects for computer-assisted valuation techniques was delayed until 1996. A conceptual design was prepared and awaits programming and integration into the LAGIS.

16. **Chief Physical Planner.** A physical planning manual was prepared in-house in 1991 by staff of DOL and the planned consultancy for this purpose was dropped. The consultancy to

extend the professional capacity of physical planners to include peri-urban and rural planning skills also was canceled as the planners available to DOL were fully occupied with urban planning.

Land and Resource Information

17. The DOL was to develop an up-to-date information base for both alienated and customary land. This information base was to consist of title, land use, cadastral, geodetic and topographical information to be readily available to all land users and service agencies. This was to be achieved through two subcomponents, i.e. (a) implementation and development of a transaction processing and information system, the Papua New Guinea Land Information System (PNGLIS), and (b) the enhancement of the mapping capacity of the National Mapping Bureau (NMB, to be supported by AusAID).

18. **Land Information System.** The development of the land information system began slowly. During the mid-term review in 1992 the project was heavily criticized for its failure to complete the development and installation of the PNGLIS, especially the transaction processing capability for land administration functions. This issue was identified as the most critical factor threatening the success of LMP. A strategic review of PNGLIS was undertaken in 1993 which redefined and refocused the land information approach. This resulted in a proposal to develop an integrated land and geographic information system called LAGIS, which was submitted to, and enthusiastically supported by, NEC.

19. The foundation for the LAGIS system was based on an assumption that the land based data from the LIS system would be integrated with the geographic cadastral data from the AusAID-supported NMB activities. The strategic approach for LAGIS also called for a change of technology from the ICL mainframe computers executing land administrative functions under the PLANES software to a PC based system using the more powerful, easily programmed ORACLE database software. The shift in focus and technology from PNGLIS to LAGIS also brought about the need for developing basic computer literacy skills in the staff of DOL, as well as in the regional and provincial offices. A consultant, financed by the project, designed and implemented basic computer training programs.

20. Development of PNGLIS, and the subsequent LAGIS capabilities, was seriously hampered from the beginning by staffing constraints in the Land Information Unit (LIU). Reasons for staffing problems are several. It is difficult to find qualified national staff with the necessary computing, database management, and land administration skills, thus making it necessary to look abroad. Recruiting expatriates for some of the senior LIU positions has also been problematic because of long delays in advertising, recruiting, and negotiating contracts. It is important to note that the DPM is responsible for approving the positions and authorizing recruitment. The government-wide staff rationalization and provincial decentralization programs further frustrated attempts to staff the LIU by delaying decisions and freezing some of the vacant positions. The problem of not assigning national counterparts to the expatriate "contract" staff has missed valuable opportunities to develop technical and management skills on the job in the unit. The staffing problem persists through today, where 13 of the established 18 positions in the LIU are vacant.

21. With insufficient staff and skills, it was evident that it was impossible to bring LAGIS to fruition without external inputs. As a result, a major infusion of technical assistance was introduced in 1994 to complete the development of the LAGIS system. The technical assistance, which was not envisioned in the original LMP project design, has been extremely effective and has more than made up for the system development deficiencies in the staffing of LIU. Because of the critical importance of a functional and reliable LIS for land management and administration, the Loan has been extended three times, the last of which was specifically to protect the initial investments and to allow completion of system development. The effective implementation of some of the functions, such as the Receipting system, has dramatically increased rental revenues by as much as 50 percent last year.

22. Although initial tests and pilot activities have demonstrated the feasibility of linking the LIS information with the cadastral data being developed in the NMB geographic information system, no effort has yet been made to formally integrate the two sets of information. Similarly, the project's objective of integrating spatial information from the Papua New Guinea Resource Information System (PNGRIS) database into the LIS database has not yet been achieved, because of the delayed schedule in developing LAGIS and because at present most of the LIS information is large scale and focuses heavily on alienated lands in urban areas, while the PNGRIS is relatively small scale and focuses on rural and agricultural areas.

23. Decentralizing the land information system to the regional and provincial levels has by and large been unsuccessful to date, although from a technology point of view little stands in the way to extending the systems to the provincial offices. PC-based systems (using the interim *Access* PNGGIS database) have been installed in three provinces and intentions are to install systems in at least another ten provinces; however, travel funds for sending HQ staff to the field to install and conduct training are unavailable. Priority will be given to those provinces that had remote access to the ICL mainframe PNGGIS that was decommissioned last year. The computers and printers have already been procured, but have remained in storage for over a year waiting the necessary resources to permit installation.

24. Long term sustainability of the maintenance and development of the LAGIS system remains a major concern, primarily because the staffing situation has still not been resolved and adequate funding for system deployment has not been made available. The DOL has identified several options for operating and maintaining the system, some of which include utilizing private sector contracts for development and maintenance. Given past experience and no expectation that the staffing and funding environment will change any time soon, and given that the land information system is so vital to the objectives of the Land Mobilization Program and is a major revenue generator from land rents, it is imperative that Government resolve the development, management, and maintenance issues as soon as possible, but certainly no later than the end of June, 1997.

25. **National Mapping Bureau.** The support to NMB under the Australian Contribution to the Land Mobilization Program (ACLMP) was intended to strengthen the agency's capacity to produce more detailed maps and other land information required for land administration and land use planning. Startup of the ACLMP was seriously delayed because of non-fulfillment by GoPNG of a condition related to the staffing and counterpart funding situations in NMB. The Project Design Document for the ACLMP was revised in August 1992 prior to the joint Bank-AusAID Mid-term Review. The project design was finalized and agreed to in 1994 with subsequent revisions responding to changing conditions and technologies. The project is scheduled to operate through December 31, 1998 with a total estimated cost of A\$10 million.

26. The redesign of the project from its initial conception focused more on the strengthening of institutional capacity by developing processes and providing training rather than producing products. In addition to the refocussing, there has been an expansion in project components to include such activities as management support, digital map production, integration of topographic and hydrologic information with PNGRIS data, the development of the forest inventory management system (FIMS), and the rehabilitation of NMB's physical facilities.

27. Since 1994, considerable progress has been made in the ACLMP supported computer mapping and photogrammetric systems have been implemented, physical facilities and offices have been upgraded and secured, and national staff have been trained. Despite some impressive results, staff shortages--nearly half the established positions are vacant--and inadequate counterpart funding continue to plague the sustainability of the project. To address these concerns, NMB is moving towards partial commercialization of their operations. Support for this approach has been obtained from the Prime Minister's Department and the Department of Commerce and Industry.

Mobilization of Alienated Land

28. There appears to have been some improvement in the administration of the country's stock of alienated land during the project period but little has been achieved so far in decentralizing the functions to the provinces (see para 32). Regional offices were established with the regional managers and most of the staff based in Port Moresby. Some staff were based in offices in Hagen for the Highlands Region, Lae for the Northern Region, and Rabaul for the Islands Region. Coordination of work programs of land administration personnel and staff of the four technical services (surveying, valuation, physical planning and title registration) reportedly has improved. Turn-around time and accuracy of land actions is better than it was eight years ago but still leaves much to be desired.

29. A country-wide survey of all alienated land parcels was conducted in 1989-1992. The survey covered about 80 percent of all parcels, mostly located in the urban areas. The results were recorded in the Land Information System. However, not much systematic use appears to have been made of the available information and no comprehensive plans were developed for the allocation of vacant lands. Collection of land rentals has increased substantially following the recent completion of the land rental module of LAGIS (see also para 21).

Mobilization of Customary Land

30. There has been little progress during the project period at facilitating the participation of customary landowners in the development of their land. Use of legal instruments already in existence before the start of the project, i.e. lease-lease back, tenure conversion, and incorporation of customary land groups, is continuing but only at a modest rate due to staff and budget constraints. Customary land registration legislation was drafted early during the project, using the East Sepik legislation as a model. The draft was taken up again and simplified in early 1995. However, an awareness campaign to explain and promote the proposed legislation in the provinces had to be abandoned in mid-1995 due to strong, and at times violent, public opposition based on serious misperceptions of the proposals. The proposed legislation is currently on hold. Meanwhile, no customary land has been registered as yet in East Sepik Province because the provincial legislation has been awaiting a determination whether it conforms to the national laws.

31. The pilot customary land demarcation scheme in Rabaul District in East New Britain continued to proceed slowly until the volcanic eruption of 1994. Unfortunately, hardly any budgetary support has been provided by the project for this important venture and most expenditures were covered from the Province's own budget.

Decentralization of Land Administration

32. Activities aimed at the decentralization of land administration functions proceeded at a slow pace during the original project period. Most of these activities were of a preparatory nature but no functions have been transferred as yet, except in East New Britain and Manus Provinces. This, however, may change rapidly in the near future following the recent passage by Parliament of the new Organic Law on Provincial and Local Administrations. Some of the land administration functions had been delegated to East New Britain and Manus prior to the enactment of the new Organic Law (however, the functions delegated to East New Britain have recently been withdrawn following alleged misuse of authority). In both provinces the national and provincial lands establishments were combined into one lands office and the national staff transferred to the provincial administrations. Severe shortages of qualified staff in the provinces is a major constraint in the new decentralized set-up. Provincial Land Management Committees now have been established in almost all provinces but for lack of authority the Committees have not become active as yet, except for the two provinces mentioned above.

33. The capital works program for the construction of offices and staff houses suffered in the early project years from delays in setting up implementation arrangements with the Department of Works and the preparation of tender documents. The situation eased after the appointment of a project-financed works coordinator at DOL. During the later project years the construction program suffered from serious budget constraints. At the end of project period, none of the three planned regional offices have been built and only five of the planned nine provincial offices were completed. The target of constructing 90 staff houses was reached, however.

PROJECT OUTCOME

The Extent Project Objectives Were Achieved

34. Although it was not anticipated that any of the stated primary objectives of the project would be completed in this initial phase, it is still important to give some indication of where the progress on various components outlined above appears to be leading. The progress has been uneven. There has been some movement toward two of the objectives.

35. For example, there is evidence that Government is beginning to transfer some of the functions from the center to the provinces. Unfortunately, this seems at present to be more of a mandated change than a shift in land policy. Little in the way of any concrete re-orientation of functions has yet been achieved. In addition, little conceptualization of relationship between transfer of responsibilities and the achievement of the main objective of LMP has been institutionalized at this point. The DOL is justifiably concerned with the possibility of maintaining any quality control to international standards in the current budget constraints if scarce human capital resources are pulled away from mission critical activities in Waigani.

36. There has been some progress after a long delay toward the objective of creating a clear policy and legislative environment. This concerns the advances in land legislation. The consolidation of disparate and scattered pieces of land law and legislation is nearly complete. The Consolidated Land Law was passed by Parliament in 1996 and will be enacted this year. In addition, there have been meaningful efforts to move along the process in regard to draft legislation on customary land tenure. The draft legislation was to be fully discussed in the provinces. The process was halted due to the violent disturbances associated with a misunderstanding of the LMP. There is the need to continue with the public awareness program begun in 1995.

37. In regard to the other objectives, especially the objective to provide increased services, in functional terms the situation remains pretty much as it was at project initiation. Backlogs still characterize almost every stage of the land transaction process. This is true at headquarters, but especially so in the provinces. This has implications for the whole decentralization process discussed above. In the provinces it is not unknown to find survey plans that have been pending ten years or more. It can take a provincial office several years to have its plans cleared (or even acknowledged) by the regional office. There are similar backlogs in registration and other land dealings at all levels.

38. The land information system approach chosen is suitable and appropriate for PNG circumstances. At present it is little more than an operating skeleton. The LIS should be viewed as just a tool, not an end in itself. The delivery of needed services is the institutionalization and organization of such tools. In other words, the tool cannot substitute for the knowledge and the planning in how to use it.

39. In regard to the fifth objective of the project, there is no evidence whatsoever that there is any more optimized use of the national stock of alienated land than before. For instance, it is said that there is intense competition for access to alienated land. Yet the survey of alienated land done between 1989 - 1992 was never completed, and has not been integrated into a land use optimization planning tool.

40. Finally, there is at present little evidence of any major policy shifts or new land policy goals resulting from LMP so far.

Major Factors Affecting Achievement of Objectives

41. Project implementation suffered from factors both within and outside the control of the DOL. Without question, a good number of competent and dedicated managers and staff have served the DOL well over the project period and the mission has the highest regards for the quality of their work. But all too often their efforts were frustrated by undue delays, lack of response, or poor judgments of other individuals in critical management positions. And too often, no prompt action was taken to redress obvious weaknesses in the management of the program, resulting inevitably in further delays.

42. Among the external factors affecting implementation, the perennial funding problems caused more setbacks than any other. It started in the early project years in the wake of the Bougainville crises and was followed later by several other waves of financial problems. While the successive crises were perhaps unavoidable, their impact could almost certainly have been managed better through better consultation between the DOF and DOL. As it was, budget decisions often were made arbitrarily, frequently leading to erroneous allocations and/or failures to release funds on time or at all. As a result, DOL managers often had to spend inordinate amounts of time, and wait for many months, before corrective action was taken. Related to the financial crises, were the successive periods of hiring freezes imposed by DPM. This adversely affected the timely replacement of essential contract staff and threatened operations, particularly of LIU and NMB. Again, this could have been managed better through effective consultations and reaching timely understandings on selective rather than blanket measures to limit expenditures.

Sustainability of Achievements

43. Unless future funding of land administration and related services can be fully secured, the sustainability of the project's achievements will remain in doubt. The provision of these services, whether by the national or provincial governments, depends thus far entirely on annual Government budget allocations. Hence, the quality of these services will remain exposed to the vagaries of the country's overall financial situation. Experience of recent years has demonstrated the pitfalls of that situation. The administrations of both provinces visited by the mission suggested that part of the revenue from land rentals should be allocated to the provinces to cover the cost of land administration functions transferred or delegated to them. The suggestion has much merit and deserves serious consideration, not only for the functions to be performed by the provinces but also

for the functions remaining with the national Government. There is little question that much can be gained from such an arrangement. After all, revenue collection will to a large extent depend on maintaining the integrity and quality of the LAGIS system.

PROJECT COST AND FINANCING

44. This section will be finalized after the Loan is closed and actual project cost can be determined. However, a number of preliminary observations already can be made at this time.

45. **Project Cost.** At the time of project appraisal project cost was defined as DOL's incremental costs resulting from the first five years (July 1, 1989 through June 30, 1994) of the Land Mobilization Program, using the 1988 DOL budget as a base. The total cost of the Program was estimated at K 74.4 million and the project cost at K 38.5 million. For the purpose of this ICR project cost needs to be redefined in view of the fact that the Loan was extended three times until June 30, 1997 and the Gazelle restoration works were added to the project. For the original five-year project period the same definition will be used as at appraisal. However, the estimates of total project cost would be distorted if the same definition were to be used for the following three years. Instead, the total cost of Bank financed items over those three years will be included in the final project cost. These items are: technical assistance, capital works, and equipment and furniture for the LMP program, and the costs associated with the Loan financed portion of the Gazelle restoration works.

46. Currently available information indicates a project cost of about K 17.3 million during the initial five year project period, or only 45 percent of the appraisal estimate. The much lower actual cost during that period was mainly due to: (a) the Department not being allowed to expand its staff as planned originally, (b) delays exceeding two years in the start-up of the capital works program and recruitment of consultants, and (c) substantially lower operating budgets for the Department than had been anticipated. Since mid-1994 another K 1.5 million was expended on the capital works program, K --- on equipment and furniture, and US\$ --- million on technical assistance. The estimates do **not** include the ACLMP which started only in 1994 and will not be completed until the end of 1998.

47. **Project Financing.** The present status of the Loan is given in Annex 1 (attached). An amount of US\$451,000 was canceled on January 13, 1994, following the misprocurement of 15 staff houses in Lae. The remaining balance in the LMP portion of the Loan now stands at about US\$2.8 million, including a balance of about US\$0.6 million in the Special Account (the remaining US\$0.7 million in the Special Account is for the Gazelle restoration works). No further disbursements under the LMP portion of the Loan are anticipated. Government may wish to consider using the identified savings for the financing of additional emergency works in the Gazelle Peninsula, provided these works will be completed by the final June 30, 1997, Loan closing date.

PROJECT RATING

48. Although there have been solid achievements in some areas, the overall outcome of the project, as measured against its expectations, was not satisfactory.

C. KEY LESSONS LEARNED

49. **Vision.** A sharper vision is needed of future land tenure arrangements in PNG. This vision should go beyond generalities such as "contributing to economic growth through more productive use of land resources". It should be based on a careful balancing of traditional values, as reflected in prevailing land tenure customs, and the aspirations of the people to improve their levels of welfare. A full and well informed discussion on future options within the society is needed to develop such a vision.

50. **Sustained Support.** For any project, and particularly one involving sensitive land tenure issues, sustained support by all involved departments and agencies is a must. Reductions in resources (funding and staffing), if absolutely unavoidable, should only be made in full consultation with the departments concerned and never in an arbitrary or unpredictable manner.

51. **Management.** Qualified and dedicated management of a project of this nature is another must. Bottlenecks in the management chain should not be allowed to persist as it will inevitably slow down progress, reduce efficiency, and undermine the morale and dedication of the staff.

52. **Focus.** More attention could have been focussed on improving the quality of land administration services in the provinces and districts. While strengthening of DOL's central operations, particularly that of the land information system, was an important achievement, the real success of the project can only be measured on the ground where the people live.

D. ACTION PLAN

53. The successive drafts of the ICR prepared by staff of DOL have been very helpful for the mission's work. According to the Bank's Procedures the final ICR (to be prepared by the Bank) should include a summary of the Borrower's evaluation, or the full text if it is ten pages or less. The mission **recommends** that a summary, **not** to exceed ten pages, be prepared of the following sections of the third draft of DOL's ICR: (a) Evaluation of Project Objectives (Section 5), (b) Implementation Experience and Results (Section 6, paras 1-6), (c) Key Factors that Affected Implementation and Achievement of Major Objectives (Section 8), (d) Sustainability of Achievements (Section 6, para 7), and (e) Performances of the Bank and the Borrower (Sections 9 and 10). In order to be included in the final ICR, the Borrower should send its contribution to the Bank within six months after the Loan closing date, i.e. December 31, 1997. The mission

recommends, however, that the contribution be sent earlier, preferably by June 30, 1997, to allow for another exchange of views, if deemed useful.

54. As already discussed above (para 24), the mission is very concerned about the future operation of LIU, given its worsening staffing situation. The mission therefore **requests** that by March 31, 1997, a plan be prepared, detailing LIU's envisaged operations over the next three years and the resources needed to accomplish its mission. The plan should also include the completion of the ongoing title validation project. For the longer term, the mission **suggests** that by June 30, 1997, Government considers options for financing the cost of land administration services, including the option of dedicating part of the revenue from land rentals for that purpose.

Port Moresby,
February 14, 1997

Current Loan Status, as of January 27, 1997
(US\$ million)

Loan Category	Allocation	Disbursed	Balance
LMP:			
1. Civil Works	5.2	3.2	2.0
2. Equipm. & Furniture	3.0	2.7	0.3
3. Techn. Assistance	4.6	5.1	-0.5
4. Incr. Staff Salaries	<u>2.5</u>	<u>2.4</u>	0.1
Sub-total LMP	15.3	13.4	1.9
Gazelle Restoration Works:			
5. Civil Works	2.9	0.3	2.6
6. Equipment	0.1	-	0.1
7. Consultants Services	<u>0.5</u>	<u>0.0</u>	<u>0.5</u>
Sub-total Emergency Works	3.5	0.3	3.2
8. Unallocated	0.3	-	0.3
Special Account	—	<u>1.3</u>	<u>(1.3)</u>
Current Total	19.1	15.0	4.1
Canceled	<u>0.5</u>		
Original Loan Amount	19.6		

