WORKSHOP ON TAX POLICY FOR DOMESTIC RESOURCE MOBILIZATION AND SEMINAR ON PROPERTY TAX REFORM:
## THE PHILIPPINE REGALA EXPERIENCE
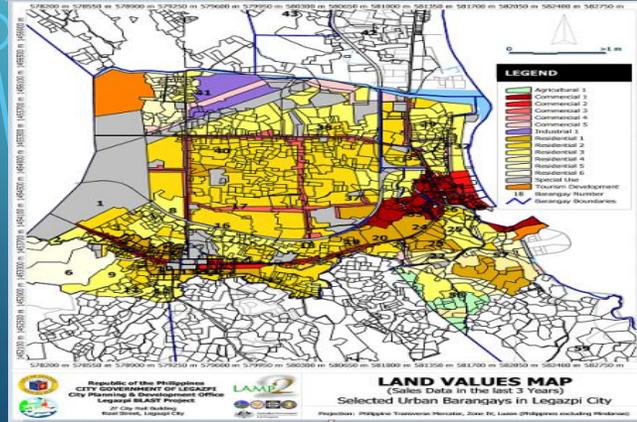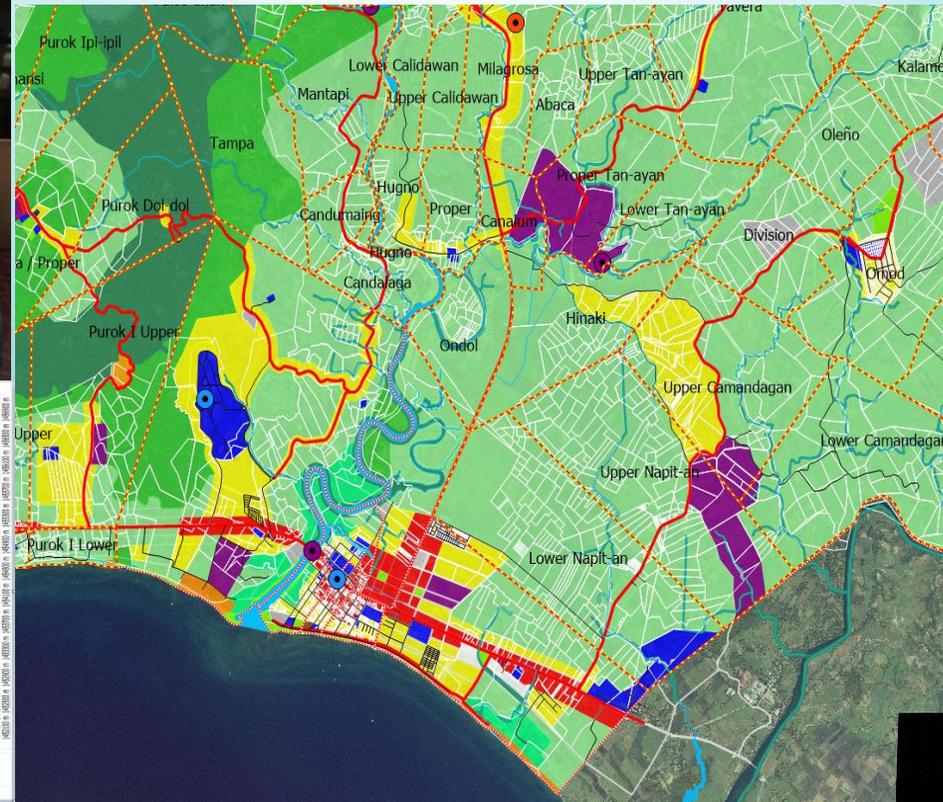
ADBI, Tokyo
20–23 February 2018

The Philippines is at a critical juncture.

- By 2050, more than **65%** of the total population will live in cities.

- Cities generate **70%** of the Philippines's GDP.

- Economic benefits of urbanization are not fully utilized. 75% of all jobs are informal.

- Challenges: infrastructure investments do not match demands of a growing population ; connectivity issues; limited access to basic services & economic opportunities

- Urgent need for **Competitive, Sustainable and Inclusive Cities**

CHALLENGES IN LAND AND LOCAL GOVERNMENTS

OVERALL CONFIDENCE AND PERFORMANCE IN LAND SECTOR

FOR ATTRACTING INVESTORS

❖ DOING BUSINESS RATINGS IN ASEAN

❖ **PROPERTY RANKING DRAGGING DOWN BUSINESS EFFECIENCY IN 6 ASEAN COUNTRIES***

SOME ASIAN CASES: The land sector is weighing down business environment.
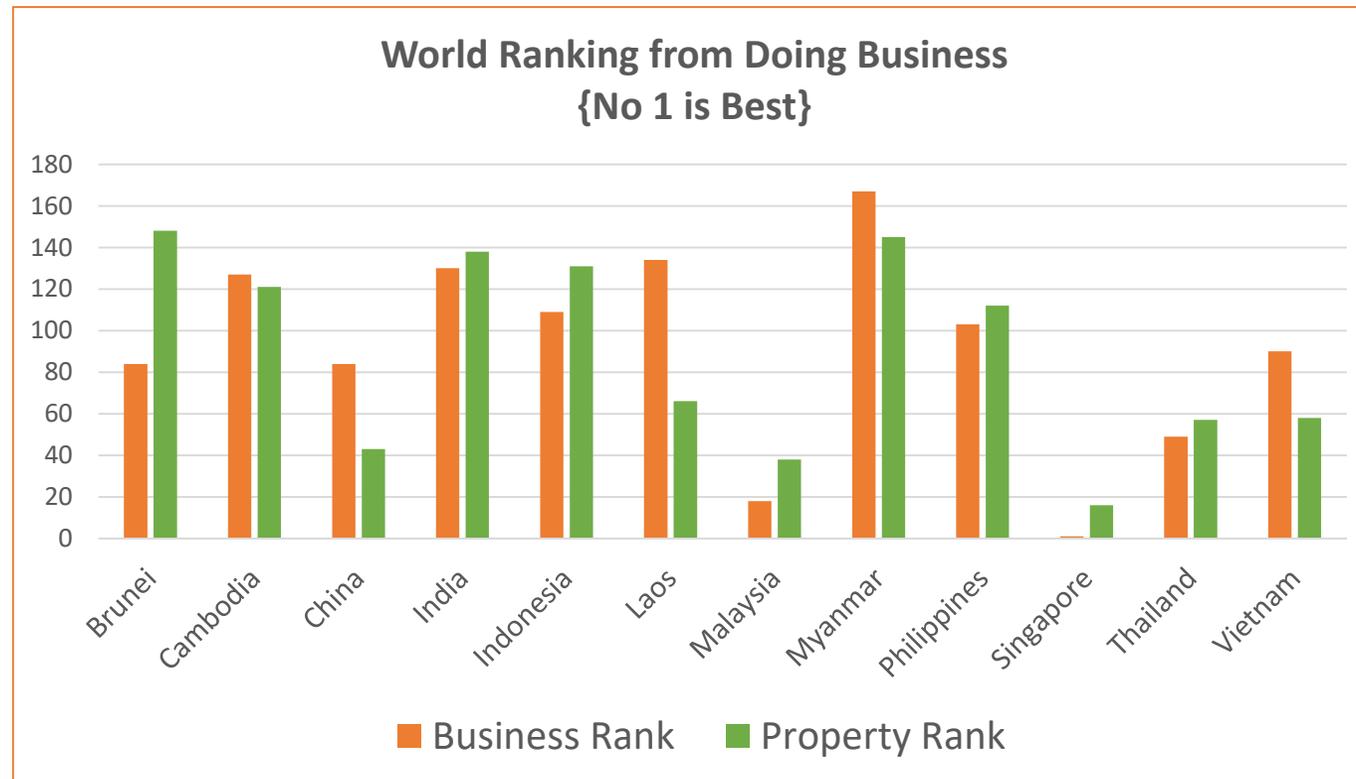
Brunei
Indonesia
Malaysia
Philippines
Thailand
Singapore

CHALLENGES IN LAND AND LOCAL GOVERNMENT

LAND ADMINISTRATION PERFORMANCE (ONLY 2 OF 10 ASEAN COUNTRIES PASS)

Land Administration Performance (0-30)
Source: Doing Business
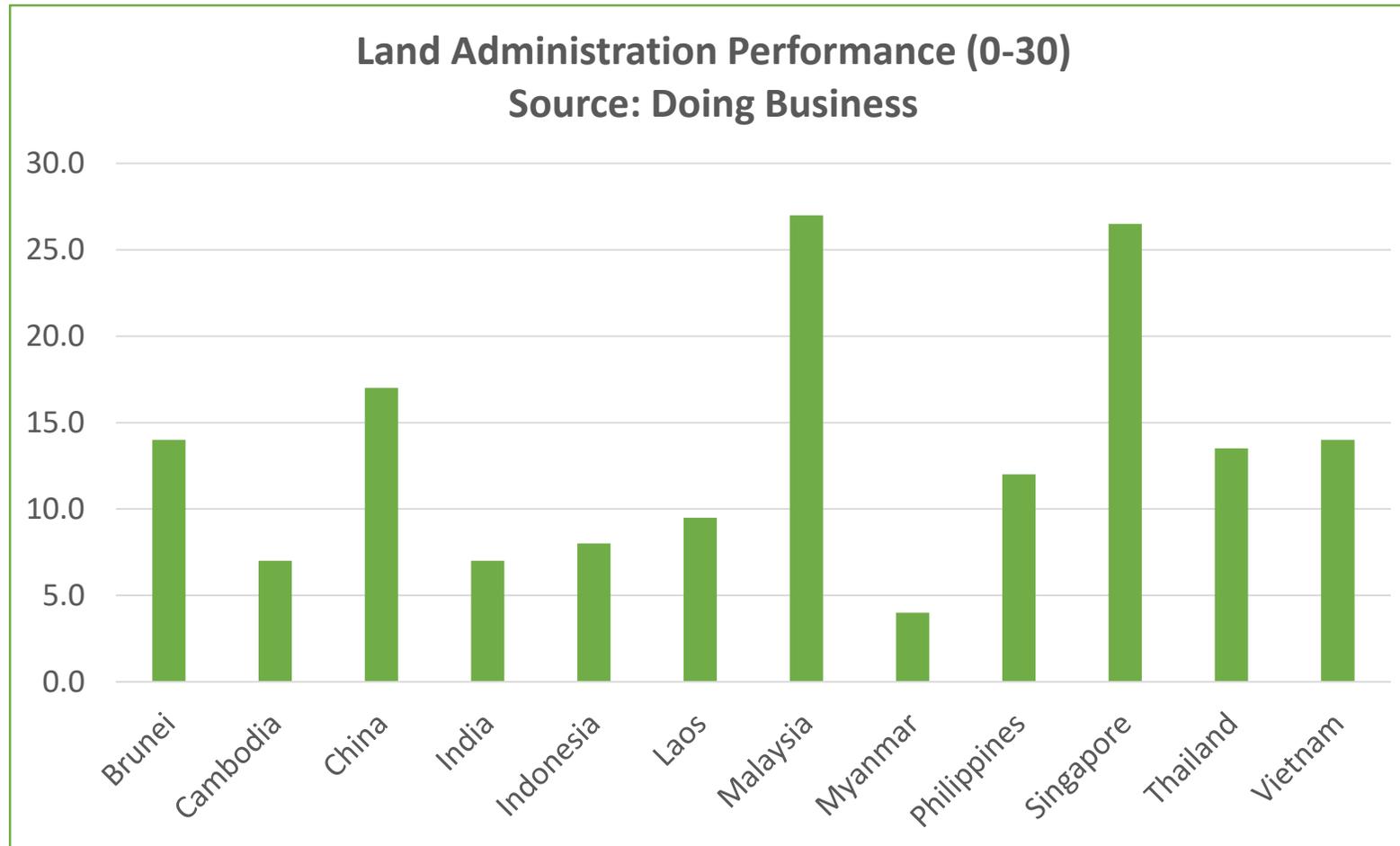
Malaysia
Singapore

CHALLENGES IN LAND AND LOCAL GOVERNMENT

LOW REVENUES FROM REAL PROPERTY (See 3 groups)

Property Tax Total by Year as % GDP {OECD Data Base}

Legend: Japan, Korea, OECD Average, Malaysia, Indonesia, Philippines, Singapore

Malaysia
Philippines
Indonesia
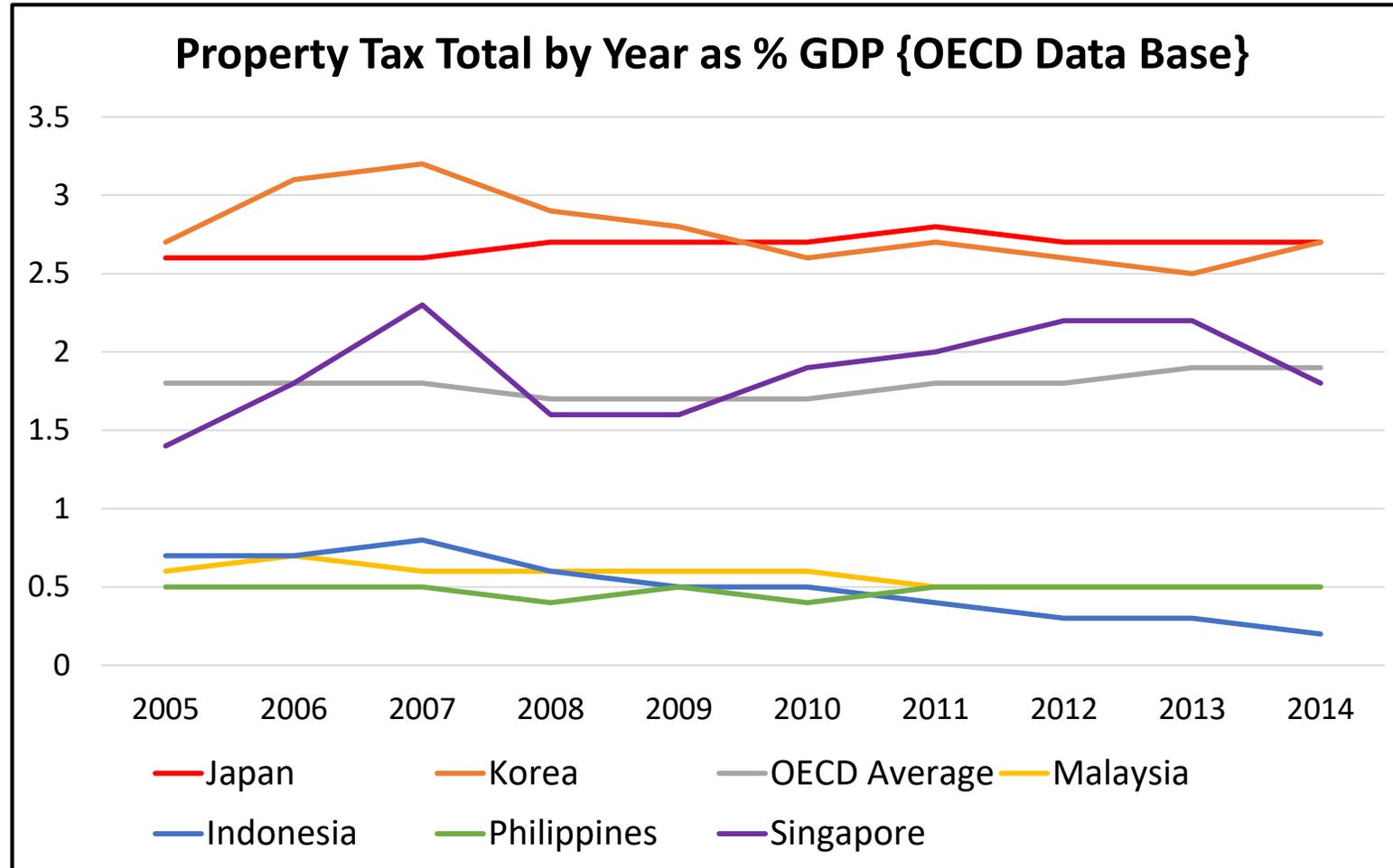
Durable Challenges (2014 LGAF, 2017 Land Conference, ASEAN Mayors' Forum, ASEAN Sustainable Land Governance)

- Fragmented land administration & management
- A large proportion of untitled urban residential and rural properties
- Disincentives to registration of land transactions and information in cadaster or registry not updated
- Lack of access to an integrated land information: disorganized records management; cadastral map based on old records; errors and missing survey records
- High land transaction costs
- Poor land regulatory oversight
- Outdated property values
- LGUs do not maximize their internal revenue generating capacity from land
- Lack of a national land use policy
- Large number of unresolved court cases mostly on land

LGU-NGA Partnership, LGU-led LAM reforms under REGALA

- **Piloted under LAMP2, thru NG-LG partnerships and TA support under AusAID Innovation Support Fund**

- **Broad, menu-based, demand-driven reforms for LGUs**

- **Intensive capacity building on LAM activities, particularly on market-based valuation, GIS, land use planning, DRRM/CCA**

- **ADB scaling up thru TA (REGALA project), with focus on mature & new entrant LGUs to build capacity**

- **14 LGU partners (cities, municipalities, provincial model)**

LAM Menu
One-Stop-Shop (OSS) Development
Systematic Titling and Tax Mapping
Land Management & Investment Planning
Property Valuation & Revenue Generation
CIM & GIS Applications
Systems and Database Development

Inter-agency Coordination & Collaboration

An Integrated Approach to REGALA for a More Efficient Land Market in the Philippines

NGA - LGU Partnership Model
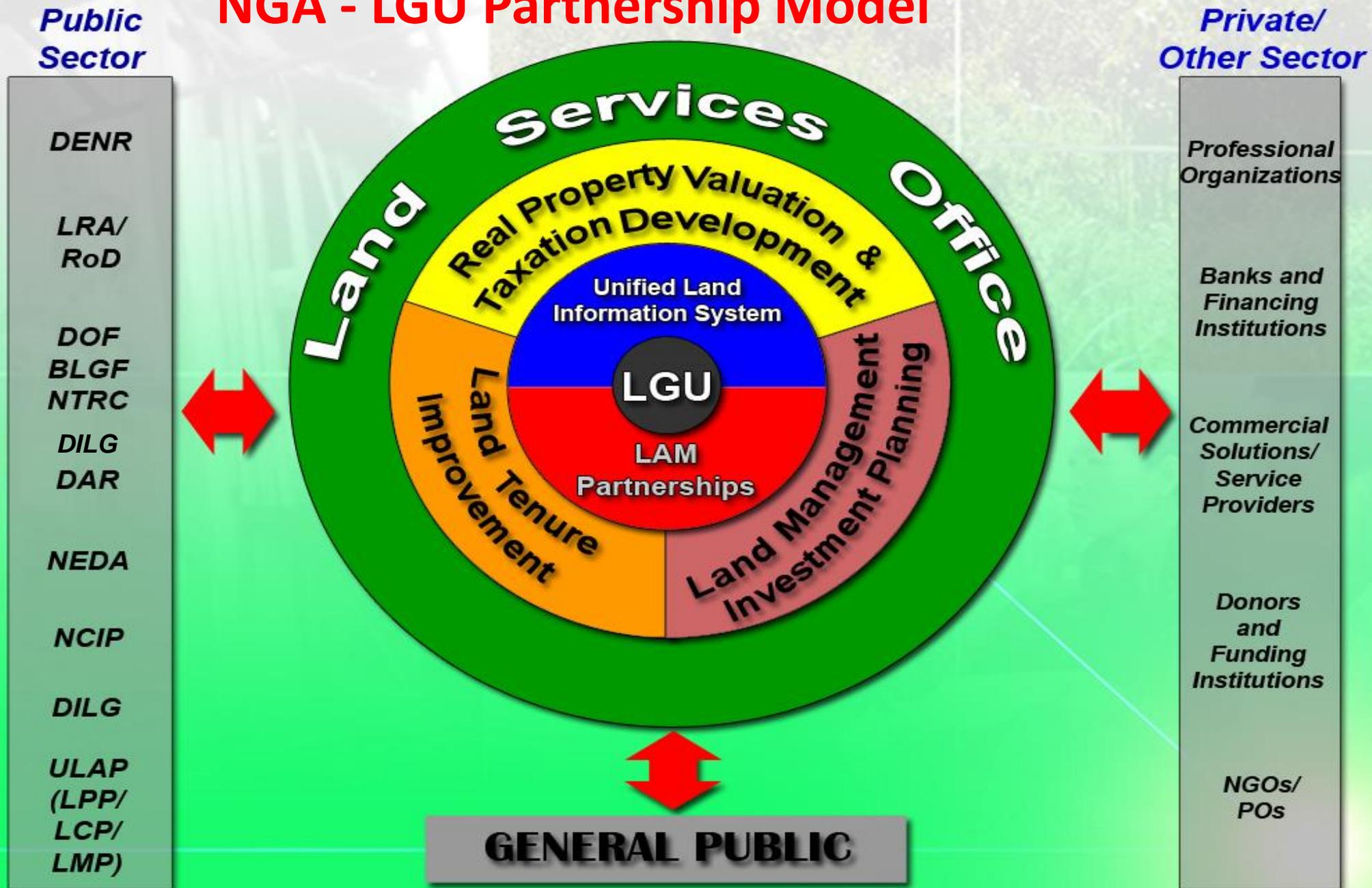
STRATEGIES AND MITIGATING FACTORS

- Integrated approach to Land Administration and Management
- Political commitment
- Partnership agreement
- Linking legal with fiscal cadaster
- Progressive management and technical capability: focused, iterative, learning by doing using a mix of methodologies
- Infrastructure build-up
- Big-brother approach

LGU DELINQUENCY MAP

SAMPLES OF LGU WORK PRODUCTS
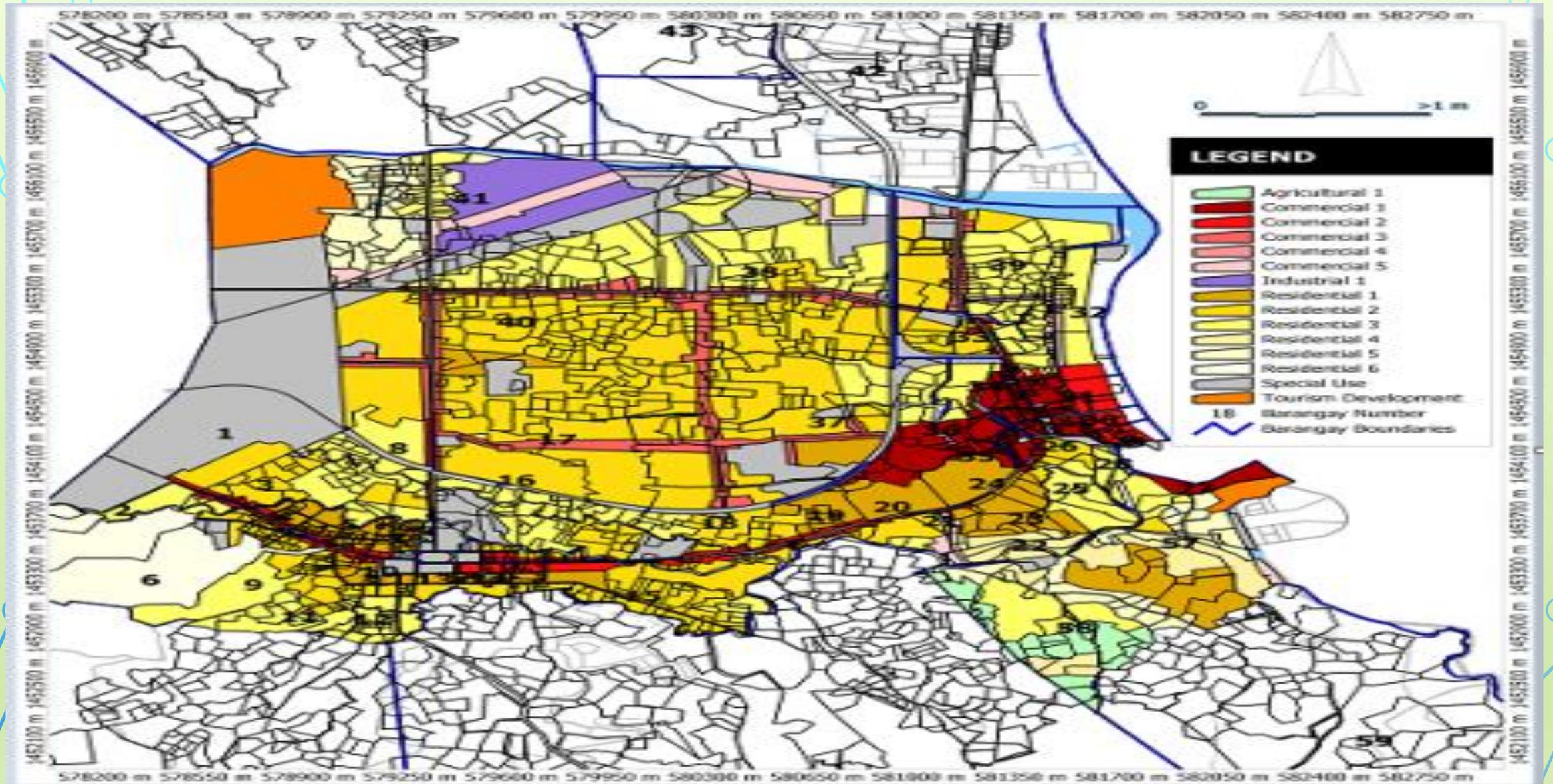
LAND VALUES MAP

CLIMATE CHANGE VULNERABILITY
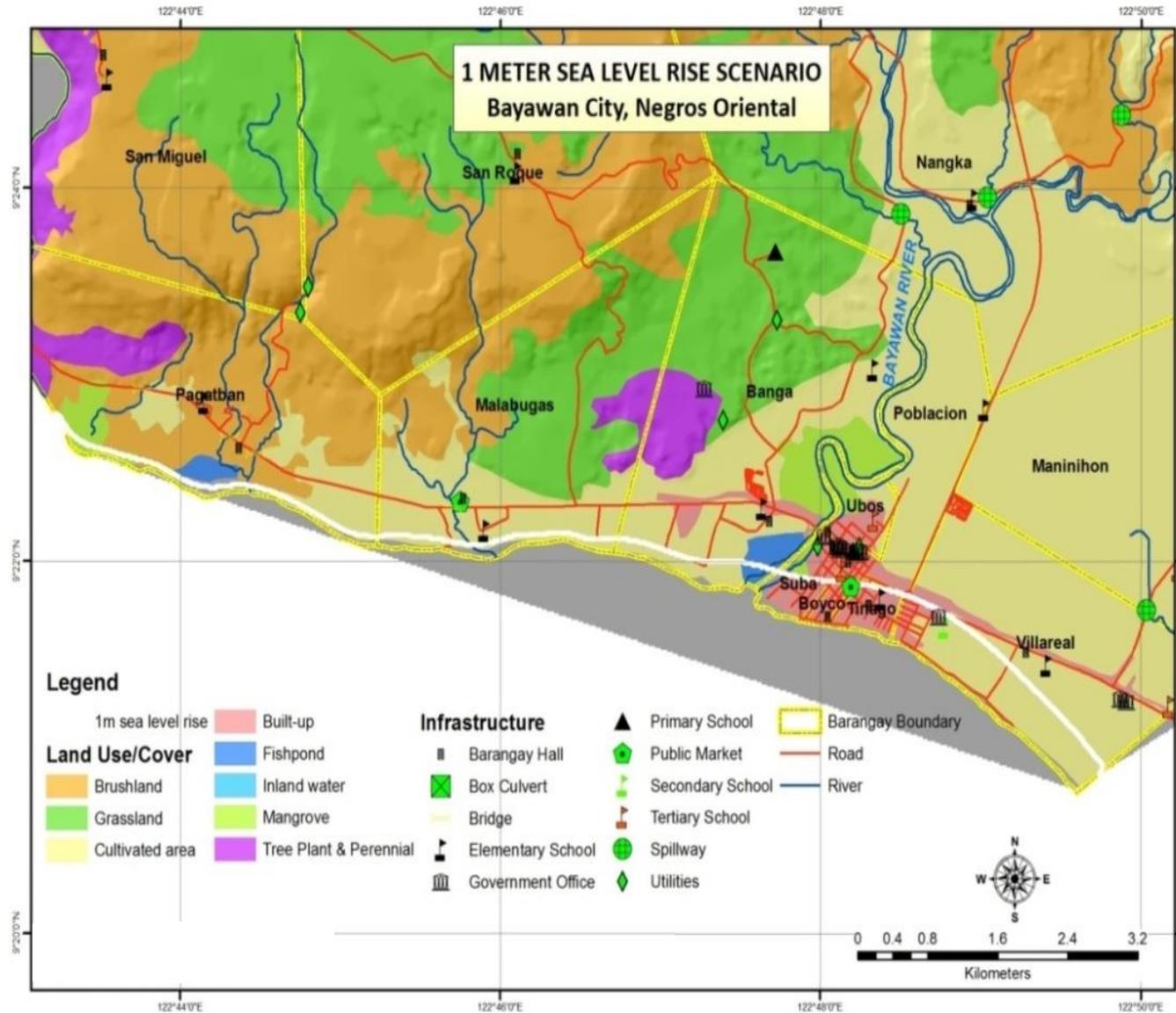
DISASTER HAZARD MAPPING

Hazard Analysis

LEGEND (left map)
- High Risk to Composite Volcanic Hazards
- Low Risk to Composite Volcanic Hazards
- 6 Km Radius Permanent Danger Zone
- 7 Km Radius Extended Permanent Danger Zone
- Barangay Boundaries
- Road Network
- Rivers and Creeks

Republic of the Philippines
City Government of Legazpi
CITY PLANNING AND DEVELOPMENT OFFICE
2nd Floor City Hall Building
Rizal Street, Legazpi City

DECISION ZONES PRONE TO COMPOSITE VOLCANIC HAZARDS
Legazpi City

LEGEND (right map)
- Areas Prone to Heavy Ash Fallout
- Areas Prone to Moderate Ash Fallout
- Areas Prone to Minimal Ash Fallout
- 6 km. Radius Permanent Danger Zone
- 7 km. Radius Extended Permanent Danger Zone
- Road Network
- Barangay Boundaries
- Rivers and Creeks

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MAYON VOLCANO ASHFALL HAZARD MAP
Legazpi City

LGU WORK OUTPUTS ON DRMM/CCA: Legazpi Hazard Analysis

Volcanic Hazards

| Criteria Map Overlayed	Decision Zones	Implications	Policy Options
Airfall Tephra	• 5 barangays within the 7-km. EDZ	• 3,306 population • 602 HHs • 904 children • 288 elderly • 68 PWDs	• Relocate affected residents to a safe site • Diversify livelihood activities • Make available disaster risk transfer/financing • Provide alternate evacuation route • Provide safe temporary shelter • Improve baseline conditions • Improve land tenure security • Provide safety nets for fast economic recovery • Include DRR parameters in infra design, location & linkage • Implement an integrated env. mgt. approach • Maximize stakeholder participation • Strict implementation of ordinances and laws
Pyroclastic Flow	• 5 barangays within the 7-km. EDZ	• 11,797 population • 2,509 HHs • 3,759 children • 1,197 elderly • 182 PWDs	
Lava Flow	• 5 barangays within the 7-km. EDZ	• 35,076 population • 7,164 HHs • 10,875 children • 2,854 elderly • 495 PWDs	
Lahar	• All 11 Northern brgys • 2 Urban brgys		
	Damages (composite) • Roads, Bridges & FC System: P3.5B • School Bldgs & Health Fac.: P38M • Utilities: P10M • Housing Fac. P1.5B	Composite • 41,179 population • 8,410 HHs • 12,856 children • 3,269 elderly • 527 PWDs	

Earthquake Hazards

Criteria Map Overlayed	Decision Zones	Implications	Policy Options
Ground Shaking	North: 11 brgys Urban: 45 brgys South: 9 brgys	• 61,930 children • 7,678 elderly • 780 PWDs	• Adhere to the guidelines of the NBC and other laws re: seismic integrity, etc. Strengthen capabilities with the use of updated technology • Establish adequate institutional structures • Integrate DRRM and CCA parameters in the processing system for permits and clearances: requirement for EGGAR, EIA, etc. • Provide structural (i.e. retrofitting) and non-structural measures • Establish early warning systems
Ground Settlement or Subsidence	Urban: 45 brgys South: 10 brgys	• 34,538 children • 4,319 elderly • 660 PWDs • PhP2.6B damages	
Soil Liquefaction	North: 3 brgys Urban: 45 brgys South: 9 brgys	• 61,930 children • 7,678 elderly • 780 PWDs • PhP8.9B damages	
Tsunami	Coastal: 21 brgys Inner: 18 brgys (North & Urban)	• 37,632 children • 4,707 elderly • 468 PWDs	

Updating of LGU Property Valuation Policies and Practices

Based on Philippine Valuation Standards & Guidelines:

- Tax Compliance Study

- Tax Efficiency and Tax Impact Study

- Revenue Management Plan

- General Revision

- Training infrastructure (skills/modules)

SMV Process Flow

Mass Appraisal Process	Completion of SMV documents/ GR Forms	Submission to BLGF for compliance review & certification	Presentation of Proposed New SMV to the Mayor	Submission of Proposed New SMV to Local Council
Pre-publication of proposed ordinance	Committee Deliberation & confirmation of public hearing dates	Sending of Notices of Public Hearing	Public Hearing	Committee Reporting
Floor Deliberation on Second Reading	Third & Final Reading	Enactment of Ordinance	Approval by the Mayor	Review by the Provincial Council
Publication of Approved Ordinance	General Revision	Appeals period	Tax Effectivity	

Some REGALA Results and Impacts

- **Efficiency of LAM services in terms of time and cost**

As a result of:
- ▪ **Utilizing LAM technology to automate tax assessment and collection (ETRACS)**

- ▪ **Standardizing LAM processes due to automation**

| Process	Before	After
Issuance of tax declaration (new)	2 days	2 hours
Issuance of tax declaration (transfer)	45 mins.	30 mins.
Issuance of certificate of true copy of tax declarations	15 mins.	5 mins.
Issuance of certification of landholdings	12 mins.	5 mins.
Issuance of assessment records (certifications)	2 hours	30 mins.
Issuance of Community Tax Certificates (CTCs)	10 mins.	3 mins.
Payment of RP taxes and fees (single property)	30 mins.	3 mins.
Payment of business taxes and charges	30 mins.	3 mins.

REGALA Results and Impacts

- Continued increases in city revenues from land tax and LAM agency service provision

As a result of:

- Utilizing LAM technology to automate tax assessment and collection (ETRACS) & to support risk assessment, land use planning, & socio-economic development (GIS)

- LAM inter-agency coordination and collaboration
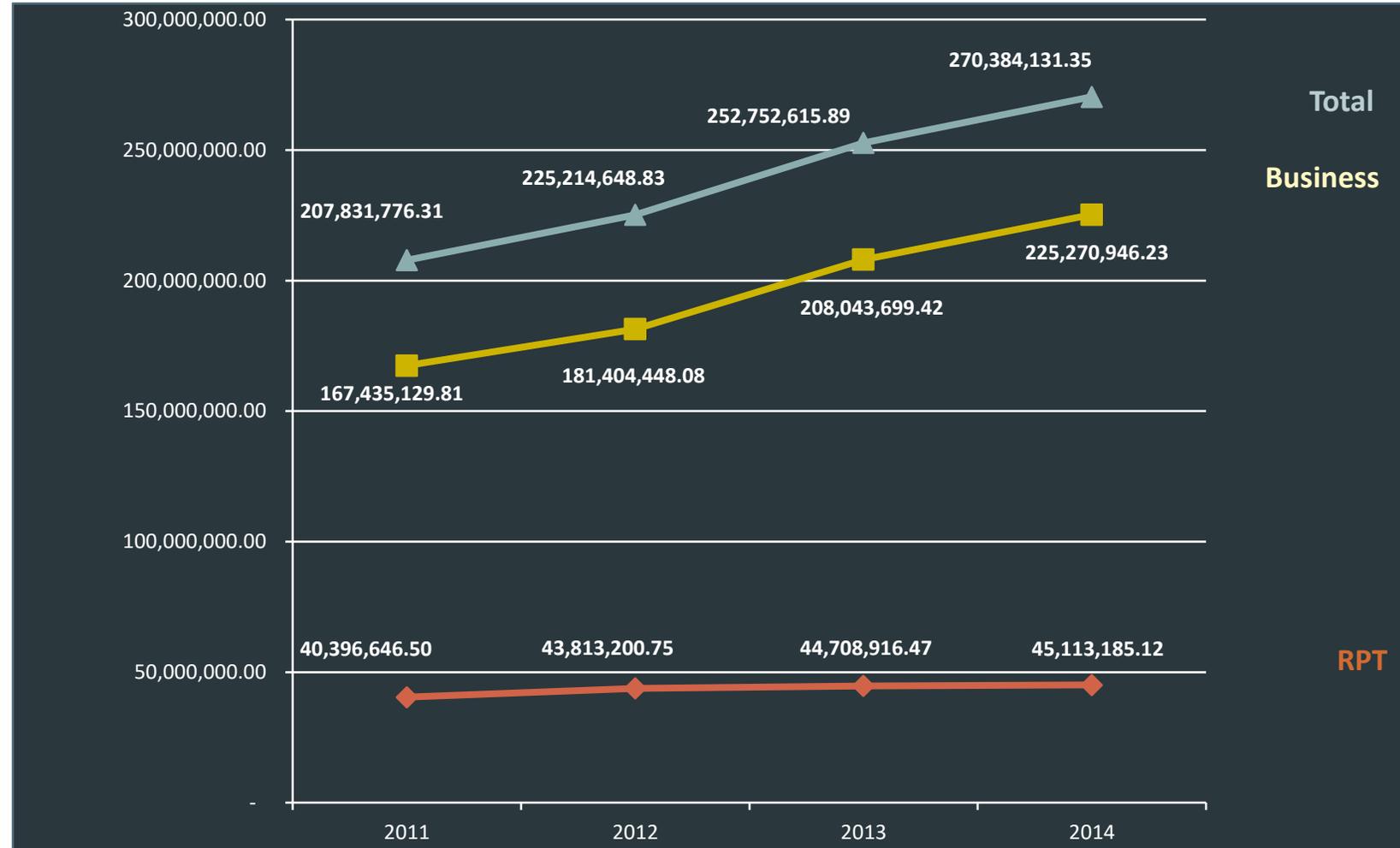
Average Increases (2011 to 2014):
Real Property Tax: 4%
Business Tax: 10%
Total Local Taxes: 9%

Results and Impacts

Expanded delivery of socio- economic services

- Private sector investments in property development as a result of improved LAM services

- Increased spending for socio-economic development programs

Private Sector Investments
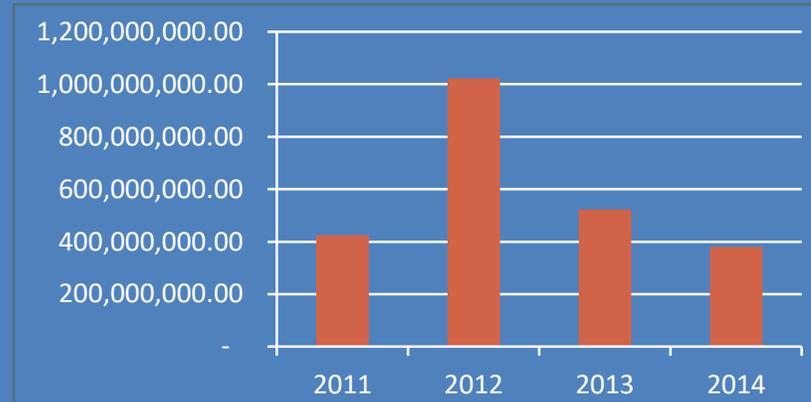
Expenditures for Socio-Economic Development Programs
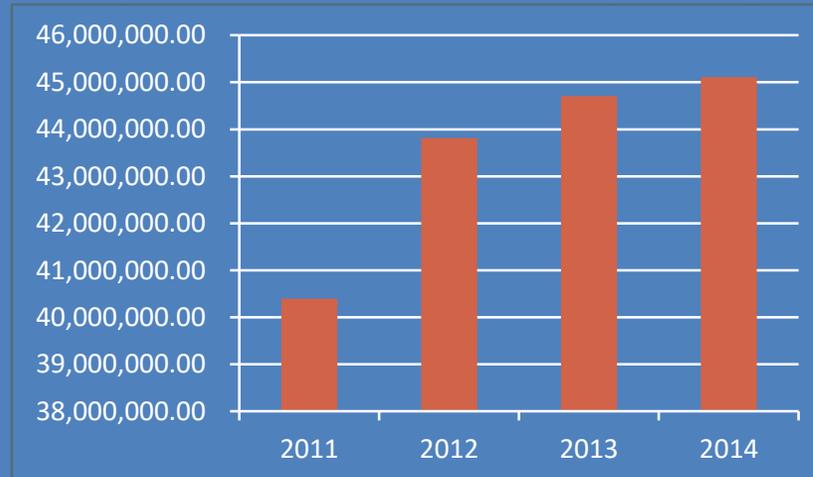
KEY LESSONS FROM REGALA
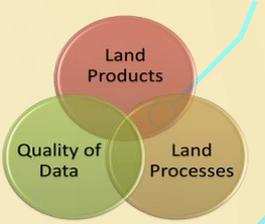
1. Partnerships key between the NGAs (policy making) and the LGUs (implementing);.

2. Core governance functions (budgeting, investment planning, local revenue generation, spatial planning, access to land) are inter-related and should be linked to avoid duplication of resources.

3. Core good governance requires a strengthening of the mutually reinforcing processes as part of the "whole of government" process.

4. Core governance requires a committed and reform-minded Local Chief Executive and a focused, iterative training characterized by "learning by doing", cross-visits, immersion, network building;

5. Adoption by national agencies of standards and diagnostic assessment on reform compliance;

6. Good governance through comprehensive local development planning serves as a good foundation to increase opportunities for investments, for job opportunities and to spur economic growth;

7. Spatial information systems essential for data sharing.

RECOMMENDATIONS

- **Policy support for Inclusive land tenure** for all people;

- Land information from the legal cadastre should be made freely available to LGU as a basis for establishing the **land tax roll**;

- **Consolidated Compliance Monitoring and Reporting** on key performance indicators across the land sector on socio-economic goals and impacts on ALL sectors of society;

- **Broad-based multi-sectoral coalition** including professions (GE), CSOs and local government in designing and implementing land management and administration programs to validate, issue up-to-date records and for networking support;

- Adoption of a **One Map** approach for a nation

- **Develop geospatial information data and services** for integrated land sector planning, management, impact assessment, disaster management, and community and health services in cities

- **Leveraging the benefits** of the REGALA to include Asset Management to improve the efficiency of LGU finances and utilization of assets

Summary: LAND IS CENTRAL TO A COUNTRY'S DEVELOPMENT AND GROWTH

Improved Tenure Security

Increases investment in land

Expands access to credit

Optimizes land & labor markets

Attracts outside investment

Socio-Economic Development

Source: Roth, M. & McCarthy, N. (2014, February 5). Land Tenure, Property Rights, and Economic Growth. *Land-links.org*. Retrieved from https://www.land-links.org/issue-brief/land-tenure-property-rights-and-economic-growth-in-rural-areas/.

Summary: An Efficient Land Market in Any Country
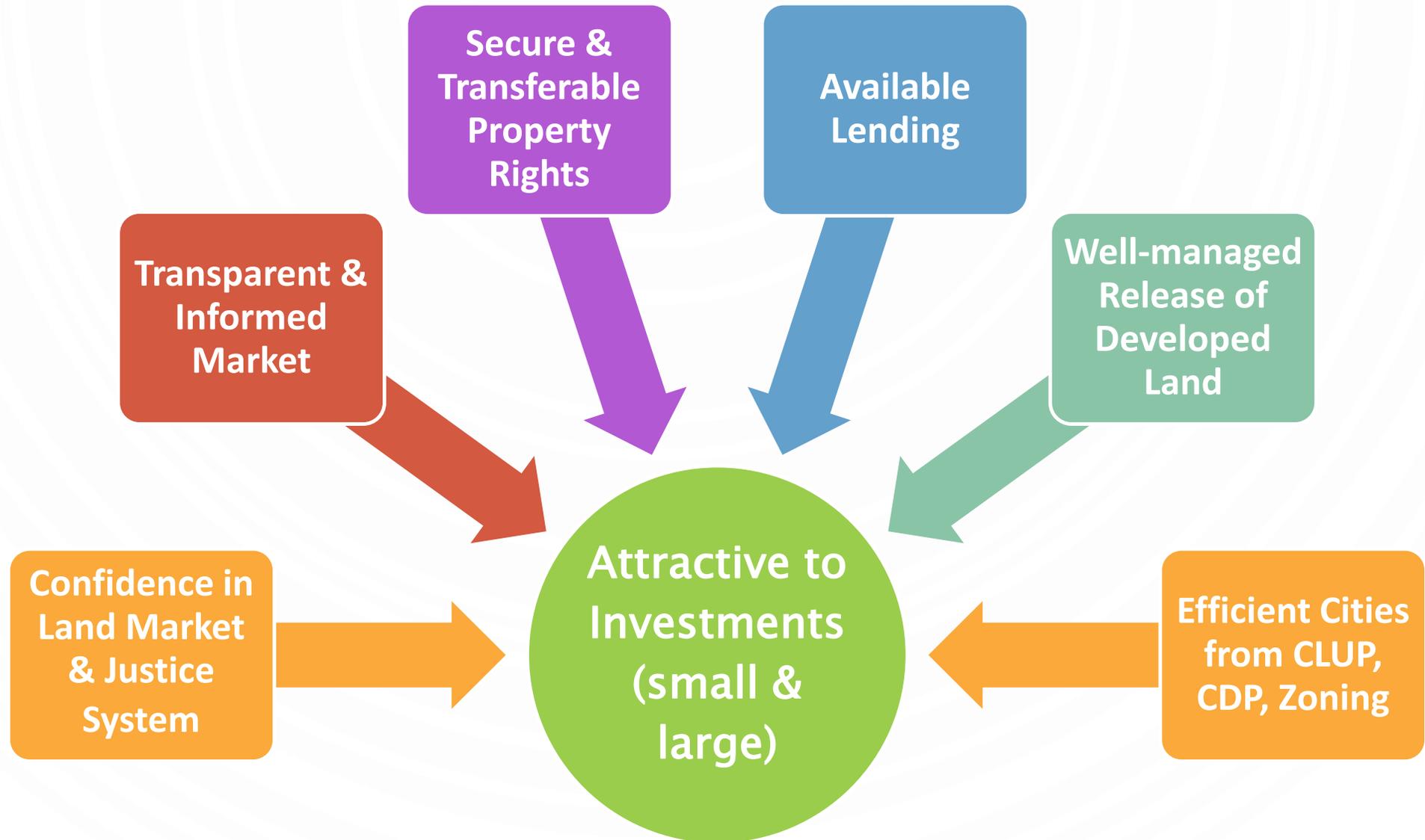
- Transparent & Informed Market
- Secure & Transferable Property Rights
- Available Lending
- Well-managed Release of Developed Land
- Confidence in Land Market & Justice System
- Attractive to Investments (small & large)
- Efficient Cities from CLUP, CDP, Zoning

Making our collective dreams a reality now.