

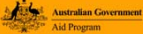



*Towards Improving Land & Fiscal Governance*

## Comprehensive Development of Property Valuation and Taxation under the Land Administration and Management Programme (LAMP)

 **The Philippines** **LAMP2**

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## Outline

- **Context, overview**
- **LAMP & the property valuation & taxation agenda**
- **Reforms & Innovations**
- **Policy framework**
- **Benefits, lessons from implementation**
- **The way forward**

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## Context

- Reforms in property valuation & taxation are at the core of the long-term (15-20 years) programme of Government to improve the country's land administration & management system (LAM).
- One of five components of LAMP
- Part of the Philippine Government's overall strategy for poverty alleviation and economic growth.
- Interest in the sector's potential started in late 1990s when Government studied the needed reforms in the capital market, particularly in rationalizing taxation in the financial sector.
  - Real property's biggest potential resource.
  - Spur development and growth
  - Impact on fiscal management, governance, transparency, etc.

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## Sector Challenges

### Valuation

- Wide disparities; generally low, decades-old, outdated, distorted
- Largely politicized process at subnational levels
- Multiple agencies with varying methodologies
- Lack of common, national valuation standards
- Lack of formal education, capacity building programs
- Limited access to information & use of IT in appraisal process: dispersed data source
- Overvaluation vis-à-vis undervaluation

### Taxation

- Multiple, high taxes on land ownership & transfers
- No singular base for assessment of all *ad valorem* taxes

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## LAMP as a solution...

- **Comprehensive coverage: local & national**
  - Policy development & legislation
  - Capacity building, formal education, professional development
  - Systems development/enhancements; includes IT
  - Institutional strengthening
- **Phase 1 (2001-2005); Phase 2 (2006-2012)**
- **With international linkages; strong, sustainable partnerships with local governments, private sector, academe**
- **Development partners: AusAID, World Bank, FAO**

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## Valuation & Taxation Reform Agenda



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## Key Innovations, Interventions...

- Professionalization, regulation of appraisers through legislation
- Adopted international valuation standards (by promulgating the Philippine Valuation Standards) & developed the Mass Appraisal Guidebook—all disseminated to cities, provinces, & municipalities
- Tax policy study templates & trainings
- Policy and administrative issuances as sustainability measures (Executive Order No. 833, Valuation Reform Act bill, inter-agency circulars)



## Key Innovations, Interventions...

### Capacity Development

- Piloted in cities: Naga, Iloilo, Mandaue
- Developed new technical training programs on valuation
- Available formal higher education programs thru distance learning offered by UP Open University
- Development of computer-based information systems to support valuation work
- Advocacy & IEC: paradigm shift; more local governments are now updating property values to raise revenues





## Lessons Learned

- **Valuation reforms:** means to achieving better governance, better public finance, better services for people, transparency
- **Education of public officers/local leaders** that valuation, as technical function, should not be comingled with the political function of taxation
- **Benefits from valuation reforms outweigh political costs**
  - ✓ Win public support thru 'champions': requires political support
  - ✓ Participatory communication
- **Perpetuating incorrect valuation only leads to greater inequity in sharing the tax burden:** correct valuation = fair, equitable taxation
- **Convergence/collective commitment & cooperation;** broad-based multi-stakeholders & whole-of-government support

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## Policy Impetus for Sustaining Reforms

- **Land Sector Development Framework (LSDF)**
- **Roadmap for Valuation and Taxation Reforms**
  - ✓ LSDF as overall land governance framework
  - ✓ Both reflect key elements of the *Voluntary Guidelines on the Responsible Governance of Tenure* of the FAO
  - ✓ LSDF sets the strategic directions of the land sector by providing the vision, mission, goals and long-term development strategies.

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## Onward with the reforms...

- Reforms will go on in the property valuation & taxation sector as part of government's mission for fiscal governance and meaningful local autonomy: but needs to exert more effort, time, resources
- Revenue generation and LAM reforms: sustain the gains & seize the momentum to realize the stream of benefits through mainstreaming/rollout of innovations
- Government to invest further in the sector, starting with the LAMP Additional Financing to broaden replication of innovations

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*"Man cannot discover new oceans, unless he has the courage to lose sight of the shore."*

**SALAMAT at MABUHAY!**

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