Towards Improving Land & Fiscal Governance

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

The Philippines

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FIG Working Week 2012 | 7 May 2012, Rome, Italy

The Philippines

Outline

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

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- Wide disparities; generally low, decades-old, outdated, distorted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
**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**

- Depoliticize valuation; make taxation equitable
- Support the widening of property tax base
- Standardize, harmonize approaches in valuation & taxation
- Improve Land & Fiscal Governance
- Enhance capacity thru training & education
- Computerization & information management
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)

**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 comingle 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

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.
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

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

SALAMAT at MABUHAY!

www.valuationreforms.org.ph