Making Property Valuation and Taxation Work Better: A Brief Review of Policy and Program Interventions in the Philippines (12197)

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SUMMARY

During the last two decades, the Philippine Government has pursued efforts to improve the country's real property valuation and taxation system as part of its land governance agenda to alleviate poverty and promote economic growth and development. The components of such agenda have all the elements of policy and legislative reforms, institutional strengthening, information technology (IT) systems development, capacity building and professional development, and formal education. While the strategies under the LAM agenda that began in the early 2000s have evolved, the interventions of the government to date continue to focus on addressing the gaps and inefficiencies in the real property valuation and taxation sector.

Anchored on the premise that improving the country's property valuation and taxation system will generate additional revenues, promote equitability, and foster confidence in the land market, the Government adopted a programmatic and phased approach for reforms and interventions, with the funding and technical support of various development partners. Starting with the two-phased Land Administration and Management Project (LAMP) up to the recent Local Governance Reform Project (LGRP), the reform channels are the central and local governments and aimed at two main objectives: first, to optimize the domestic resource mobilization of government, targeting real property-related taxes to broaden their contribution to public fiscal space and, second, to address systemic and operational problems that weaken real property valuation and taxation as a whole. The recent project loan investment in LGRP, which is bigger in scale and scope than LAMP, signals new leads for future directions and an impetus to adopt policy safeguards. The underlying public policy suggests the real property tax is an important driver and revenue tool for development.

This paper will discuss the experience of the Philippines and will highlight the latest updates on the LGRP and related developments in the sector. This paper will also focus on the effectiveness of interventions in meeting the Government's objectives, especially in the compliance of local governments in updating property values, professionalizing the real estate appraisers, and improving the administration of real property tax and related fees at the national and local levels.

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1. INTRODUCTION

Situated in Southeast Asia as an archipelagic country of more than 7,500 islands, the Philippines is a unitary state with decentralized and devolved functions to local government units (LGUs), mainly provinces, cities, municipalities, and villages (*barangays).* As territorial and political subdivisions, they enjoy constitutionally guaranteed local autonomy, and their mandates and governance structure are set by the Local Government Code (LGC) of 1991 for the delivery of public goods and services. As the decentralization approach expanded from the 1950s and subnational fiscal transfers and taxing mandates increased, these LGUs also grew in number, and there are now 82 provinces, 146 cities, 1,486 municipalities, and 42,022 barangays.

Vested with political and corporate powers, all LGU levels, in varying degrees and authorities, have decentralized revenue-generating powers through local taxes, regulatory fees, and user charges to support their expenditure responsibilities. However, revenue autonomy remains challenging for most LGUs, except for urban and high-income LGUs. Only 25 percent of their aggregate local income comes from own-sourced revenues (OSR), and the more significant revenue streams flow mainly from intergovernmental transfers of the central government. Comparatively, the Philippines fare similarly to other developing countries, but expectedly lower than industrialized and upper middle-income countries where their subnational governments register 40 percent OSR (Blöchliger and King, 2006).

While there is a consensus suggesting that real property tax (RPT), when effectively managed, is a progressive and sustainable source of OSR, this local tax is not fully optimized by the LGUs in the Philippines, despite land and other real properties being among their essential tangible assets. In most decentralized systems, property and property-related taxes typically represent a major source of revenue for local governments. However, they account for only 28 percent of all local OSR, or 9 percent of total revenues, compared with local business tax contributing 44 percent share and 28 percent from non-tax revenues. At the macro level, the country's RPT to GDP ratio in 2019 stood at 0.47 percent only, close to Thailand (0.45 percent), but distantly far from the performance of Singapore (1.75 percent), Japan (2.6 percent), and Korea (3.1 percent).

Foregone RPT revenues stem from outdated valuations and inefficiencies in tax administration. Multiple overlapping valuation systems exist, which result in wide disparities in property values for the same property at a given time. In the central government, more than 20 agencies perform or require valuation-related functions for various purposes, such as taxation, expropriation, agrarian reform, socialized housing, mortgage, lease, sale, or imposition of fees. At the LGU level, legal compliance with updating property valuations for taxation purposes is weak. The LGC of 1991 requires that the LGU's Schedule of Market Values (SMV), the official basis for valuations and assessments within an LGU's territorial jurisdiction, as approved by the local legislative council and chief executive, should be updated once every three years for new property assessments and classifications to take effect. However, this revaluation cycle is not in place in most LGUs—a conscious decision that has a wide-ranging impact on the LGUs' fiscal capacity to meet financing needs and leads to unreliable market-based valuations given the absence of a current and authoritative basis for governmental uses, such as taxation, and non-governmental purposes, such as market-based transactions.

Recognizing the potential to improve government revenues and address inefficiencies in local tax administration, the Philippine Government had since embarked on a land administration and management (LAM) reform agenda in the early 2000s and continues to be part of the Government's long-term programs to date. To fully utilize the potential of real property revenue tools to fund development projects and socio-economic programs at the local level, the Department of Finance (DOF), through the Bureau of Local Government Finance (BLGF), has since made real property valuation and taxation integral parts of this LAM agenda, and led, programs, and projects to address the constraints in the valuation and taxation fronts. Most of these programs and projects were supported by development partners and multilateral financing institutions, such as the World Bank, the Asian Development Bank (ADB), the Australian Government, the UN Food and Agriculture Organization (FAO), among others.

2. REAL PROPERTY VALUATION AND TAXATION: COUNTRY OVERVIEW

The national and local governments, primarily provinces and cities, tax real properties and property-related transactions in the Philippines. Local governments are responsible for administering real property tax (RPT), including identification, appraisal and assessment, records management, and collection and enforcement. As a local tax, RPT must be legislated by the provincial or city legislative council through a local ordinance. LGUs must follow the procedures, standards, and regulations set by the central government, through the DOF and the BLGF, which are mandated to exercise technical supervision of LGUs.

Administering the RPT depends on two main components: first is the assessed value according to property classification and actual use that is set in the approved Schedule of Fair Market Values, also commonly referred to as Schedule of Market Values (SMV), and the second is the applicable tax rate. Both serve as policy levers of LGUs in determining the overall property tax burden. The assessed value is determined by multiplying the appropriate assessment level of the property with the applicable unit value of the property provided in the SMV. The corresponding assessment level is then applied (based on property's actual use, regardless of location, manner of use, and ownership) to arrive at the assessed value on which the final RPT tax rate will be multiplied. Provincial and city governments can decide on the tax rates, assessment levels, imposition of interest and penalties, application of discounts, relief for property owners and taxpayers, and tax enforcement within their respective jurisdictions. Component municipalities within a province are responsible for administering and collecting RPT and enforcing penalties and sanctions for non-payment.

The maximum imposable tax rate for provinces is 1 percent, while cities are allowed up to 2 percent. Among all local taxes, the basic RPT, which becomes due and demandable every first of January, is the only tax that is shared across all types of LGUs where the property is located—i.e., a provincial RPT is shared as 35 percent to the province, 40 percent to the municipality, and 25 percent to the *barangay;* while a city RPT is shared as 70 percent to the city, and 30 percent to the *barangay*. The assessment levels for the kind and classification of property varies, and the maximum levels are set by law. For example, residential lands and timberlands may be assessed up to 20 percent of the fair market value and 40 percent for agricultural lands. In contrast, commercial, industrial, and mineral lands are assessed up to 50 percent. Buildings, machinery, and equipment are taxable using the set maximum RPT rates, but their assessment levels vary according to classification, use, and thresholds of fair market value.

Local governments can also levy additional real property-related taxes, such as the special education fund tax, idle land tax, socialized housing tax (all of which are based on assessed values of real property), tax on the transfer of real property ownership (based on fair market value or actual cost of sale), special levy on land benefitted by locally funded projects (based on the public on the cost of public investment), and tax on quarry resources. All these real property and property-related taxes imposed by LGUs accrue on specific dates, have predetermined purposes, and are shared with lower-level LGUs.

Two decades before the decentralization in 1991, RPT contributed 50 to 65 percent of the LGUs' OSR. A decade later, RPT's share to OSR dipped to 40 to 55 percent, and local business tax became the more dominant, if not favored, revenue source of most cities and municipalities. RPT's performance decline is attributed to a myriad of reasons. First, LGUs' administration of RPT is weak, as political, and institutional challenges create conflicting incentives for revenue optimization. For one, elective officials generally hesitate to update assessments for fear of political backlash of any change in the tax burden. Even if all provinces and cities are mandated by law to update and revise their real property assessments every three years, this is openly neglected, and compliance remains low, thus leading to severely outdated property values. The undue politicization of the revaluation process also creates rent-seeking scenarios—the decision to do it is typically timed to the preference of local leaders, often hardly exercised during election cycles, to avoid electoral backlash from taxpayers and the public or use lower property taxes to lure investors and businesses. Other challenges in RPT administration faced by LGUs are technical capacity, data availability, and huge costs associated with revising assessment records and tax documents. In most LGUs, the values in the assessment rolls do not reflect nor approximate the true market values. As a result, property values stagnate and create disparity and distortions with the valuations used for the collection of internal revenue taxes on property transactions, such as the capital gains and estate taxes, and the reference values used for expropriation, lease, sale, or acquisition of real property by the central government.

In the last decade, the gross value added (GVA) of real estate and ownership of dwellings has been growing annually at 7.4 percent on average. GVA to gross domestic product (GDP) ratio during the same period averaged 6.33 percent. On the other hand, the average RPTs collected as a percentage of GDP has been 0.36 percent for the last ten years. Further, residential real estate prices in the country rose by 4.9 percent year-on-year in 2021. But property tax revenues are lagging the real estate market's growth due to low collection efficiency and outdated valuation bases, even if realty developments, township projects, and residential subdivisions are in a boom, especially in urban and peri-urban areas.

3. POLICY AND PROGRAM INTERVENTIONS: 2000 TO PRESENT

The Philippine Government started designing and implementing its long-term land administration and management (LAM) program in 1997 and developed a strategic direction to reform the country's LAM services (Alvina, 2013), noting the inefficient and inequitable land market as the core problem of the land sector in the country (World Bank, 2005). Through policy-based programmatic approaches and interventions, the real property valuation and taxation system considerably became a core component of the government's land governance agenda as a poverty reduction and socio-economic growth strategy during the last two decades.

Starting in 2000 with the two-phased Land Administration and Management Project (LAMP), the Government adopted a long-term program towards improving land governance, particularly on tenure security, provision of land administration services, and property valuation and taxation. LAMP Phase 1 (or LAMP1) identified the structural defects found in the country's land administration system, such as conflicting policies and regulations, disincentives to the formalization of land transactions, multiplicity in land valuation methods, and duplication and overlap in the roles, functions, and activities of land administration agencies, among others (DENR, 2004). In 2005, LAMP Phase 2 (or LAMP2) continued the policy and institutional reforms initiated in LAMP1, especially on legislative advocacy, development of new guidelines, standards, and procedures for property valuation, pilot revaluation, and reassessment in some cities, and broadened education and capacity-building opportunities for government assessors and appraisers. In the institutional strengthening and land policy reform, the advocacy strategy of LAMP2 caused stakeholders in LGUs, non-government organizations, realty firms, real estate service professionals, and financial services to recognize the need to pass reforms under the proposed Valuation Reform Act (VRA) and the Real Estate Services Act (RESA), in which only the latter was successfully legislated in 2009. When the DOF adopted the standards issued by the International Valuation Standards Council (IVSC) into the Philippine Valuation Standards (PVS) of 2009, it became an essential addition to the rules and regulations on valuation and assessment, particularly for taxation and other governmental purposes. Various stakeholders were driving and demanding the Philippine government to do the reform, with some lobbying too for the passage of the bills (World Bank, 2015).

As SMV updating has always been politically challenging for most local governments, LAMP2 proved that the reforms are doable in three pilot LGUs of Naga City, Iloilo City, and Mandaue City when they revised their SMVs using the new standards and tools developed. However, only Naga City completed the full revaluation and tax enforcement cycle in 2008. Changing its 12-year-old SMV increased the city's base unit market values of residential lands by 100 to 500 percent, commercial lands by 55 to 200 percent, and agricultural lands by 42 to 209 percent. Overall, the aggregate market value of properties soared by 147 percent, and assessed values consequently increased by 110 percent. The revaluation project also led to an additional 40,025 real property units (RPUs) in the tax roll, where 87 percent of the city's RPUs increased their values, while the rest had lower assessments due to reclassification. The Bureau of Internal Revenue (BIR), the national agency in charge of collecting national taxes on real property transactions, also adopted Naga City's SMV as its basis for zonal values used for capital gains tax and other transfer taxes and charges. For the first time, the government achieved a uniform basis for national and local taxation in Naga City (Alvina, 2022). Despite the city's successful adoption of reforms in 2008, it has not since revised its already 14-year-old SMV.

As an interim policy on the low compliance and inaction of LGUs in updating their SMVs, the DOF and the Department of the Interior and Local Government (DILG) issued Joint Memorandum Circular (JMC) No. 2010-01 in 2010. The DOF and the BLGF also started publishing in the national dailies the list of non-compliant LGUs and the foregone revenues in RPT to inform the public. Such advocacy strategy gained traction in 2014 when LGU compliance significantly increased to 20 percent (from only 4 to 15 percent baseline) after the advocacy campaign. Other tools used by the DOF include regular notices and individual letters to the local chief executives explaining the consequences and fiscal impact of the inaction of the LGUs. In both strategies, the BLGF regional offices implemented a series of capacity-building programs using the latest standards and guidebook on property valuation and mass appraisal techniques. Valuation manuals were also developed and disseminated to all LGUs, and local assessment personnel were trained in real property valuation techniques. Further, the DOF issued the Philippine Valuation Standards (PVS) in 2009 and the Mass Appraisal Guidebook (MAG) for assessors in 2010. These provided detailed guidance on the correct market valuation given existing market conditions affecting the property market as part of the official rules and regulations of the DOF on property appraisal and assessment required by the LGC of 1991. As a result, the highest LGU compliance in SMV updating came in 2020 at 46 percent, where 43 out of 81 provinces and 60 of the 145 cities complied with the JMC.

With the RESA law, the professionalization program formally began with the law recognizing how real estate service practitioners contribute to the country's social, political, and economic development and growth. Real estate service practice is now regarded under the law as a professional service, and not anymore as a trade function, that promotes the real estate market, helps stimulate economic activity, and enhances government revenues. The new law also marked an important milestone in the reform program as it provides the human resources regulatory regime to support the real property valuation reforms in the country, which requires the positions in national and local government service to be filled only by licensed and professional real estate appraisers. The professionalization program for government appraisers was further complemented by developing formal higher education programs and continuing professional development courses on land valuation and management in partnership with the Central Queensland University in Australia and the University of the Philippines Open University (UPOU), which are now offered as Diploma and Master of Land Valuation and Management Programs through online, distance learning platform (Alvina, 2022).

As technical support to the pilot cities and to help operationalize the new guidelines, two prototype information systems for property valuation and data capture were developed—i.e., the Valuation Database and Information System (VDIS) and the electronic Field Appraisal and Assessment Sheet (eFAAS). The VDIS was designed to be a data storage facility for capturing sales transactions in the LGUs, but this system was not sustained in the pilot LGUs. At the same time, the eFAAS became a computerized real-property tax administration and records management system designed for low-income class LGUs to back up and manage all assessment records currently in manual forms and to generate computer-based tax declarations, assessment roll, assessment notices, and other external reports. In addition, the spatial information and revenue generation systems were implemented in selected LGUs that applied for technical support from the project. In 2010, new revenue systems were adopted by ten LGUs using the Enhanced Tax Revenue and Collection System (ETRACS), while other LGUs upgraded their commercially developed systems (World Bank, 2015). Both the VDIS and eFAAS systems remained in prototype versions and were hardly scaled up for wider LGU use. Alongside LAMP2, the World Bank (2009) assisted selected LGUs through the Local Government Finance and Development (Logofind) Project to improve their RPT collection. The project also produced a fiscal information database system, through the Statement of Income and Expenditure, which is the precursor to the Statement of Receipts and Expenditures that now serves as the official financial reporting systems of all LGUs to the DOF and the BLGF

Because the VRA bill remained pending, the DOF sought executive action to set up an office that could sustain the reform momentum of LAMP2 and continue the capacity-building and IT-related support provided by the BLGF to LGUs. In 2009, the President of the Philippines signed Executive Order No. 833 authorizing the creation of the Property Valuation Office (PVO) in the DOF as an interim sustainability measure to prepare the transition to the envisioned regulatory regime for a uniform, market-based valuation system that follows internationally accepted valuation standards and best practices, while VRA legislation was ongoing. Designed as an *ad hoc* unit to meet the commitments under LAMP2, the PVO has 16 approved permanent positions as of 2010. Its formation, however, was eventually deferred to minimize costs and because the VRA bill's approval at that time was promisingly imminent, but it was to no avail.

Through LAMP2, the medium to long-term approach and vision on the property valuation and taxation sector were set in two important land governance-related policy documents, namely the Land Sector Development Framework (LSDF) and the DOF Roadmap for Property Valuation and Taxation, which adopted the principles of the Voluntary Guidelines on the Responsible Governance of Tenure (VGGT), published by the UN FAO, and the parameters of the World Bank (Alvina, 2013). Developed in 2010, the LSDF set the overall policy framework to achieve an efficient LAM system by 2030. For the property valuation and taxation sector, the commitments in the LSDF were three-pronged: (1) strengthen LGU revenues through RPT; (2) promote and roll out the PVS and compatible valuation methods; and (3) reform national land-related taxes to ensure that they are not overly onerous and a barrier to participation in the formal system (Alvina, 2013). Under the DOF Roadmap, a 10-year scoping timeline, with financing and investment strategy, was envisioned to scale up the reforms across the country through a phased and regional replication strategy of the LAMP experience (Alvina, 2013).

Post-LAMP2 Interventions. Towards the end of LAMP2, the Asian Development Bank (ADB) provided the BLGF with a grant facility called Support to Local Government Revenue Generation and Land Administration Reforms (Regala) Project in 2011 to support ten pilot LGUs develop their land information system (LIS), automate the assessment and collection of RPT, business taxes and fees (through the ETRACS) and undertake tax compliance studies (ADB, 2011) to expand their tax base, increase collection efficiency, and accelerate services through IT systems that promote transparency in property tax administration and more streamlined LGU operations (BLGF, 2013). When the LGUs started using computerized land and tax information systems, new parcels were added to the tax rolls, tax delinquencies were identified, and discretionary tax assessments were reduced, thus resulting in yearly increases in RPT and business tax collections from 2011 to 2013 (ADB, 2016). Bayawan City, a rural city in the Visayas, invested in IT and GIS for revenue collection systems, which enhanced the interconnectivity of city services and increased RPT collection by 23 percent.

After the LAMP 1 and 2, Logofind and Regala projects concluded, other technical assistance (TAs) projects from the Asian Development Bank (ADB) supported additional LGUs and assisted the DOF and the BLGF in other policy studies. These additional TAs kept the momentum of the LAM agenda for interested LGUs in full swing, namely:

1. In 2015, under the Supporting Local Government Accountability Systems facility, a comprehensive assessment of the existing LGU financial reporting regime was done, leading to the development of a roadmap to integrate various LGU financial reporting tools focusing on RPT data. On the policy front, the ADB TA also supported the review of the fiscal provisions of the LGC of 1991 (which has not been comprehensively examined for almost three decades) and developed new proposed policy amendments to address the issues related to the revenue-raising mandates of the LGUs. (ADB, 2015).

2. Under the Support to Strengthening Tax and Fiscal Policy for Inclusive Growth Program in 2016, ADB assisted in policy-oriented analysis and communication of fiscal and economic policy priorities of the Duterte Administration, which included RPT-related reform initiatives (ADB, 2016). The TA facilitated the updating of the PVS with the latest standards of the International Valuation Standards Council (IVSC), thus leading to the issuance of the Philippine Valuation Standards (PVS) 2nd Edition in 2018, with the BLGF becoming an institutional member of the IVSC in the same year. A compliance enforcement framework was also developed for the PVS to be used in both the LGU's assessment procedures for RPT and the BIR's zonal valuations for national taxation. For the drafted framework to work, coordination between the LGUs' assessors

and the BIR's technical, sub-technical, and executive committees for real property valuation is indispensable (Doctolero, 2019) to ensure the valuations of national and local governments for tax purposes comply with the PVS.

3. By 2017, the Domestic Resource Mobilization Trust Fund (DRM TF*)*, a multi-partner trust fund of ADB to help achieve the United Nations 2030 Sustainable Development Goals (SDGs), was extended to support the government's sectoral priorities (ADB, 2017). In this project, the DOF and the BLGF benefited from TA support to pursue RPT policy studies, computerization, and training that will contribute to the increased mobilization of domestic resources as an enabling factor to help meet the SDGs.

With the series of ADB TA grants from 2015 to 2017, implementable reforms and 'low-hanging fruits' identified in the LSDF were generally on-track, but emerging challenges were identified in the professionalization of real estate appraisers pursuant to the RESA law. For instance, the number of appraisal units in the Bachelor of Science in Real Estate Management (BS REM) curricula were found insufficient to make a real estate appraiser well-versed with the technical aspects of valuation, because such specialization is not segregated from the other real estate courses that are centered on real estate brokerage profession (Benitez, 2019). Formal valuation education programs also do not require on-the-job training, unlike in other countries, even if it can be done through the Philippine Qualifications Framework that could help set the national and industry standards for the individual professional appraisers. In implementing the RESA law, delays in the formation of the required accredited and integrated professional organization (AIPO) for real estate service professionals led to the issuance of the interim rules for the National Code of Ethics and Responsibilities by the Professional Regulatory Board for Real Estate Service (PRBRES) under the Professional Regulation Commission (PRC), instead of the AIPO itself as required by law. It was also observed that the number of applications and licensees dwindled when the RESA requirement for the BS REM degree in 2016 was finally implemented, with less than 500 examinees passing the tests since then (Benitez, 2019).

Outside the pilot LGUs of LAMP, Logofind, and Regala projects, other cities adopted the reform independently and drew from the lessons of the said projects. For example, Baguio City, a highly urbanized city in northern Luzon, updated its 1996 SMV and conducted a general revision of property assessments after 23 years. As the updated land values in 2020 saw an increase of more than 60 times, the impact on the RPT burden for taxpayers was cushioned when the city fixed its assessment levels for agricultural and residential lands at 2 percent, while commercial, industrial, mineral, and special classes of lands were assessed at 7 percent. The city also phased the imposition of the adjusted RPT for two years, such that only 70 percent of the new RPT was collectible for the first year, and the full amount will start in the second year.

4. CURRENT INTERVENTIONS AND OPPORTUNITIES

It is fair to say that the benefits of a modern and well-managed RPT system remain to be fully harnessed on a larger, country-wide scale in the Philippines, notwithstanding the series of projects and TA grants implemented over the years. From 2001 to 2011, RPT collections, in aggregate, reached ₱290.29 billion, which constituted only 35 percent of total local revenues. Comparatively, RPT's share to local revenues continued declining as it contributed only 29 percent to local revenues, even if collections reached ₱570.90 billion or an increase of 97 percent from the previous period. In contrast, the stellar collections from local business tax of ₱851.90 billion during the same period filled the gap or even exceeded the potential revenue targets of LGUs. By 2021, the Covid-19 pandemic led more local governments to defer updating their SMVs and compelled them to offer some tax relief as a socio-economic mitigating measure. From the pre-pandemic SMV updating compliance of LGUs at 41 percent, many local governments also suspended the effectivity of their new tax ordinances. Taking these LGU actions altogether during the pandemic, the BLGF estimated that ₱10.2 billion of additional property tax revenues were either foregone or missed by LGUs, and that cities could have potentially collected ₱27.8 billion more revenues if the pandemic did not happen.

As the lessons and key recommendations of past projects and individual TAs shared many commonalities to best improve tax policy and administration, it became strategic for the DOF and the BLGF to pursue a comprehensive project that would build on the recommendations of the LSDF and the DOF Roadmap. This led to the design and approval of the LGRP, a project loan of US$26.53 billion with the ADB, with ₱4.96 billion counterpart from the Philippine government, to be implemented from 2020 to 2024 (ADB, 2020). The new investment will help the Philippines boost its domestic resource mobilization goal, targeting national and local real property-related taxes and addressing systemic and operational problems that weaken the real property valuation and taxation system.

At the outcome level, the LGRP aims to enable 1,458 LGUs achieving 100 percent collection targets set by the BLGF and an increase by 30 percent in the total own-source revenues of LGUs by FY2024. Conservatively, the project is also aiming for total RPT collections reaching ₱113.4 billion at the end of the project, or an increase of ₱26.7 billion from the 2017 level (ADB, 2020). This more than justifies the new project investment, which is by far the largest to be implemented by the BLGF in terms of scale, scope, and financing. To bind the efforts under the LGRP, the President of the Philippines issued Administrative Order No. 40 in 2021, creating an interagency governing board (IGB) that will set policy directions and linkages of executing and implementing agencies and stakeholders to ensure the LGRP's success.

By design, the LGRP will have four output areas that will: (1) support institutional development and policy formulation for property valuation, (2) implement a property tax valuation database and information systems, (3) enhance the RPT administration for selected LGUs, and (4) professionalize local assessors and strengthen the capacity of LGUs, and the detailed activities of these outputs (ADB, 2020) are summarized below:

1. Under *Output 1*, the LGRP will support legislative advocacy for the proposed Real Property Valuation and Assessment Reform Act (RPVARA), which is an enhanced version of the VRA bill, and other RPT-related policy development initiatives, set up the Property Valuation Office in the BLGF, update the existing guidelines on property

valuation and assessment that are aligned with international standards, and establish valuation training centers. Given the global developments in the field of real estate management and property development, and their impacts on business, investments, and governance decisions, the existing policies and manuals in real property valuation and taxation, such as the PVS, the MAG, and the Manual of Real Property Appraisal and Assessment Operations (MRPAAO), will be updated to align with the latest standards. Trainings for central government agencies and BLGF regional staff and formulation of policies and processes for compliance monitoring will also be adopted.

2. Within *Output 2* are big-ticket IT systems that aim to modernize valuation and RPT administration to support national and local information and data exchange networks on real property transactions for taxation and other purposes. Envisioned as a module-based and user-specific platform, the project is developing a real property valuation information system (RPVIS) to connect local assessment offices, the Bureau of Internal Revenue, and the Land Registration Authority as data exchange institutional partners for common referencing and verification of values used by the government for taxation and other official purposes. At the local level, pilot LGUs will be supported with new computer-assisted mass appraisal (CAMA) and real property information system (RPIS) with billing and collection modules that will eventually link to the central system. An online transparency portal will also be developed to make SMVs, local tax codes, and LGU fiscal performance available to the public.

3. In *Output 3,* the project will partner with 20 prototype LGUs to update their SMVs and property assessment records towards enforcement and capacitate LGUs on tax compliance review. The LGRP will engage selected provinces, cities, and municipalities according to their readiness, capacity, and commitment to undertake the RPT administration in their jurisdictions, which means local elective officials will spend political capital to enforce an updated SMV. The project's technical support for each participating province, city, and municipality includes trainings, hands-on data processing and analytics, assessment records management, tax compliance review, and advocacy with local stakeholders.

4. Finally, under *Output 4,* at least 50 percent of all the assessors in the country will be trained with the latest valuation techniques using blended approach and e-learning system to sustain a professional cadre of real estate appraisers in the public sector. In designing such training programs, a diagnostic study and mapping of core competencies of local assessors and appraisers will be undertaken. With the continuing professionalization program prescribed by the RESA law, the LGRP will collaborate with local state universities and academic institutions to upgrade the quality of existing formal academic degrees and courses in the country, and produce updated teaching materials, training manuals, and performance assessments. Like in LAMP2, the LGRP will partner with an international academic institution for a twinning program to enhance local valuation course curricula and pursue exchange programs and trainings.

Adopting a digital ecosystem for tax administration is central to the LGRP's success, as the RPVIS should be able to capture accurate and timely relevant data in the market and from the LGUs. Overall, LGRP's core activities, as discussed above, are laying down the groundwork to provide institutional capacity, operational effectiveness, and systems readiness and build-up for the DOF and the BLGF to implement the RPVARA once legislated.

5. INSTITUTIONALIZING THE REFORMS

At the heart of the government's LAM agenda is the proposed Real Property Valuation and Assessment Reform Act (RPVARA), which continues to gain traction as a priority bill of the Marcos Jr administration. Optimism runs deep not only because RPVARA is deemed urgent but because strong political and stakeholder support head-started the discussions of 13 HOR and five Senate bill versions of RPVARA filed in the current 19th Congress. Passed on as Package 3 of the Comprehensive Tax Reform Program of the Duterte Administration, the eventual legislation of the RPVARA is regarded as the best-case scenario to fully institutionalize the reforms and improve the legal landscape of the property valuation and taxation system to one that is efficient, effective, and equitable. The bill has been pending from its original version (VRA bill) for 18 years, and its current enhanced form (RPVARA bill) shows the government's change in strategies. The original plan to create a National Valuation Authority (NVA) to regulate the sector was not pursued because the DOF's decided in 2013 to empowering the BLGF and expanding its existing mandates. As such, the revised bill seeks to authorize the creation of a Real Property Valuation Service (RPVS) within the BLGF's central and regional offices and strengthen the existing organizational mandates of the BLGF for LGU supervision and technical support at a much lower cost.

Essentially, the RPVARA will (1) Adopt international standards and rationalize the valuation process, (2) Establish a single valuation base for all national and local property-tax related purposes, and use it as benchmark for other governmental purposes, such as socialized housing, lease, just compensation, right of way reference among others, (3) Insulate valuation from undue politicization by recentralizing the approval of property valuations of LGUs, while local governments continue to regulate the tax rates and assessment levels, (4) Enhance the statutory procedures and timelines in the conduct of property revaluation and integrate tax impact studies in every revaluation, (5) Develop a national property information system and database linked to local governments and key agencies to support appraisal work and tax compliance, (6) Improve the selection and appointment of assessors in the LGUs, (7) Establish central and regional consultative forums to discuss cross-cutting issues on property valuation and taxation, (8) Strengthen the appeals process on property valuation and assessment, (9) Reorganize the BLGF to supervise and review the valuations of LGUs, and (10) Provide specific penal sanctions to the LGUs and involved government officials for non-compliance with the law.

Unlike the status quo, the review and approval process of the SMVs under the reform will be purely a technical evaluation process and will establish a more uniform and authoritative valuation reference necessary for trust and transparency in the valuation and tax administration services using the right tools, standards, technologies, and balanced regulatory oversight.

6. CONCLUSION AND RECOMMENDATIONS

The long-term reform program to make property valuation and taxation work better in the Philippines highlights two important lessons. First, it is not only necessary that there is high-level commitment of the government, but it is vital for such commitment to be sustained, despite changes in political leadership, and supported by stakeholders who co-own the reforms because they are engaged and are active participants in the reform process. Secondly, owing to the complex challenges of legislation and structural reforms, well-designed and scalable projects are critical interventions that sustain the reform momentum and serve as building blocks in charting the future directions of the LAM agenda in the Philippines. Thus, the ongoing implementation of the LGRP holds anew such promise, as the project deploys and expands time-tested strategies and introduces newer tools and systems. In this whole-of-government approach, the role of development partners cannot be understated, as they provide technical and funding support, and leverage global best practices and lessons suitable to country contexts.

When the LGRP is completed, the measures of success must not rest alone on increased revenues but should also lead to transformative governance of the real estate sector towards reduced disputes, faster transactions, robust property market, increased revenue autonomy of LGUs, increased public spending on capital investments, and greater trust in the overall land and fiscal governance in the Philippines. The expectation is therefore high that the LGRP must not only deliver all project commitments but also chart the critical next steps and cast a new reform roadmap to help achieve the country’s growth and economic development agenda in the long-term. As demonstrated by earlier pilot LGUs, successful adoption of reforms at the local level could either be a long-drawn process and non-systemic (because of the need to for capacity build-up), or it would happen only when the leader is much willing to spend the scarce political capital to raise the much-needed revenues of the government.

Drawing from experience and lessons of the LAM agenda in the Philippines, improving real property valuation and taxation in the country will always need a critical mass of LGUs taking on the reform and sustaining them at will, especially in urban and peri-urban areas. The central government must acknowledge that it should continue providing technical and technological support to the LGUs, especially those with weak capacities, and that stakeholders should provide feedback in the process to build greater trust in the system. The adoption of reforms by the LGUs without the more binding institutional mechanisms proposed by the RPVARA bill will always be prone to short-lived trajectory of benefits because the current landscape favors political convenience at the expense of improving public service delivery. This sets the impetus to urgently institute the needed structural and legislative reforms consistent with the government’s socio-economic priorities and growth agenda.

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