LOCAL REVENUE
DMINISTRATION PROJECT

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An Evaluation of The Real Property Tax Administration Project

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and Roy Bahl

Local Revenue Administration Project
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EXECUTIVE SUMMARY AND RECOMMENDATIONS

1. The RPTA/MLGCD Program[1] is a good project that could be made even better. Its basic objectives are clearly important and sensibly conceived. The project is designed to improve revenue mobilization by local governments and therefore to assist in implementing the Government's policy of promoting decentralization and local initiative. While the program has made a strong positive contribution to this objective, it has lagged behind its schedule (which we think was unduly optimistic) and has met some unexpected obstacles.

ACHIEVEMENTS

2. Achievements to date are noteworthy:

   a. In the present project, (and the predecessor pilot project in the PDAP provinces) the primary goal has been tax mapping. As of May 31, 1980, one hundred and forty seven (147) local governments(mostly municipalities but also including several cities) had been tax mapped and their property tax records had been brought to date.

   b. As of May 31, 1980, tax mapping was underway in 143 additional cities and municipalities.

   c. A Tax Mapping Manual has been prepared in conjunction with MOF. RPTA/MLGCD (and predecessor projects) made a major contribution to the preparation of this manual.

   d. An improved collection procedure was developed as part of the pilot project and has been implemented in the current project. Even in the absence of tax mapping, this procedure has the potential to significantly raise collection efficiency and tax revenues.

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[1] We use this notation to differentiate the USAID-funded project under consideration from the more broadly defined goal of real property tax administration which the MOF takes to be its mission and also designates as RPTA.

e. A draft of the Collection Manual, which incorporates this procedure, is now in the final stages of MOF review.

f. Training seminars and on-the-job training have been provided in the areas of tax mapping, record keeping and collections. A particularly valuable result of this portion of the project is the creation of an in-house capability to tax map and maintain tax maps in assessers' offices.

3. The project has shown initiative and drive in the face of serious obstacles. Its achievements are a tribute to the appropriateness of its purpose and the dedication of the Project Directors and their staffs.

4. The RPTA/MLGCD program has a laudable goal; it is essential to GOP policy to decentralize government services and to increase the financial self-reliance of local governments. The program also recognizes the necessary interaction of the four stages of property tax administration --mapping, records management, assessment and collection.

PROBLEMS

5. The project is seriously behind schedule. While this is due in part to administrative delays, the more fundamental difficulties can be traced to inappropriate project design and overly optimistic objectives. In the paragraphs that follow we set out the most important of these difficulties, as we see them. (This list is not exhaustive. Additional matters of concern are discussed in the body of our report.)

6. First, the program correctly assumes that local public officials want to increase property tax revenues, but does not appear to have carefully considered the costs of increasing property tax collections. Conservatively estimated, these costs range between ₱15 and ₱20 per parcel

for tax mapping and records management alone. Even in a small jurisdiction with 10,000 parcels, the cost of tax mapping can be as high as ₱150,000 to ₱200,000. Provincial and municipal governments, therefore, would have to divert substantial funds from their current uses and/or borrow to participate. A second disincentive to participation is that local politicians may see no immediately visible results from this large tax mapping expenditure. When property tax revenues finally increase as a result of RPTA, for a number of years most of this increase may be used to repay the loans necessary to complete the tax mapping program. Politicians, being understandably short-sighted (applying high discount rates to projected revenue benefits) have less incentive to embrace the RPTA program than it might appear. This situation might explain the slow implementation of RPTA, especially in municipalities that are fiscally stressed.

7. The second assumption is that the seed money would be a substantial inducement for participation in the RPTA program. In fact, the seed money (₱30,000 per province) is an inadequate monetary incentive to tax map (several governors with whom we spoke noted this specifically). The additional monetary incentives to map, e.g., a ₱30,000 grant per municipality accrue only after mapping is completed. Deferral of the reward, delays in program implementation, and inflation all act to make the ₱30,000 grant per municipality a much less potent incentive. The same is true of the ₱10,000 to be paid upon completion of the collection program.

8. Third, with respect to coverage, the project design lacks a clear direction. It proposes to tax map 576 municipalities but does not establish any criteria for choosing them from among the approximately 1500 municipalities in the Philippines. A more effective program design would set up criteria of choice (as discussed below).

9. Fourth, undue delay in commodity distribution has seriously slowed the project's progress. Lack of tax mapping equipment and a scarcity of trained tax mapping personnel hamper local government RPTA efforts. The pace of mapping may quicken now that the commodities are about ready for distribution.

10. Fifth, governors and local officials appear to lack adequate information about the RPTA/MLGCD program. For example, several governors thought the project provided only the provincial seed money and technical assistance. We suggest, at a minimum, that MLGCD send monthly newsletters to governors about the features of RPTA and the program's progress in other municipalities.

11. Sixth, in conversations with us, both Governor Agbayani of Pangasinan and Mr. Stocks opined that the three-day lecture/seminar is a less effective training format that on-site training and technical assistance. We tend to agree. The present format also places costs on provinces for the participants' transportation and room and board. Site visits would be less expensive for provinces and may encourage more requests for on-site technical assistance.

12. Seventh, the program's expectations should be recast in more realistic terms. Given the actual cost of tax mapping, it is unlikely that 576 municipalities could be covered by 1982. Moreover, with the wide diversity among municipal and provincial treasurers in will and capability to collect, it is unlikely that an average collection efficiency of 75 percent can be achieved.

13. The program design implicitly assumes that MOF would eventually cooperate once they saw the inherent value of the program. As it turns out, MOF sees the RPTA/MLGCD program as usurping some of its traditional functions. Accordingly, MOF has not participated as assumed. Unless and until MOF and MLGCD have common objectives for RPTA, provincial treasures with their manifold tax collection and expenditure authorization responsibilities will not give the priority to property tax collection that the project design assumes.

RECOMMENDATIONS

14. To address the above problems of the RPTA/MLGCD project, we offer two sets of recommendations. One set is directed at increasing the effectiveness of the present program. The other concerns reforms necessary to undertake a major extension--a Phase II--of the RPTA program.

15. Several intermediate reforms would increase the effectiveness of the current RPTA program.

a. First, we think that the project should target tax mapping to a more explicitly chosen, smaller number of municipalities. The choice of municipalities might be based on population size, ease of mapping, regional location, and of course, the degree of local government official interest. The latter would have distinct advantages for local government receptiveness of the project staff and its operations.

b. With fewer municipalities in the program, the size of the ₱30,000 grant for the accomplishment of tax mapping might be doubled. To partially relieve municipalities of the cash flow demands of a tax mapping project, one-half of this grant could be awarded when the municipality begins tax mapping, the remainder upon completion.

c. Given the program's targeting, the training sessions could be reoriented toward on-site technical assistance for participating municipalities rather than large seminars and lectures. The project staff's concentration on fewer municipalities may result in more effective communication with local political office holders as well as better training for the staffs of participating municipalities.

IN THE LONGER RUN--PHASE II

16. With respect to Phase II--the next stage of the RPTA program which could commence in 1983--a new institutional structure is required.

17. The first phase of the project has been characterized by a relationship between MLGCD and MOF that may be described as "creative tension." MLGCD by seeming to take over some of the mantle of MOF may have pushed the latter to do more in connection with RPTA than it would otherwise have. This has been good for both Ministries and has resulted in a more effective RPTA program.

18. However, the point has been reached, we think, at which the redundancies and conflict of this relationship outweigh the contribution of the creative tension. The parties at interest in RPTA--MLGCD and MOF particularly--must recognize more directly and explicitly the commonality of concern between them and the necessity to focus their resources on the same objectives. While we are not in a position to prescribe the exact institutional arrangements for achieving this relationship, we

can suggest some alternative possibilities on the one hand and a procedure for developing an informed choice from among them on the other.

19. There would seem to be two reasonable possibilities for an institutional arrangement. One would be to place the RPTA program totally within the jurisdiction of the Ministry of Finance. This would seem justified by the authority of MOF in matters of local government financial administration. A second possibility would be to create a separate Task Force, perhaps under the Office of the President, to deal explicitly with all facets of the RPTA problem. This latter arrangement might be justified on grounds of, (a) the important national objective of the program, (b) the need to accelerate the pace of RPTA, and (c) the need to cut across Ministries to bring to bear a variety of ministerial resources and responsibilities on a common objective.

20. These are the alternatives that we have considered. There may in fact be other viable possibilities. In order to insure that all possibilities are fully considered and that consensual support is reached among all the Ministries involved, we propose the creation of an Inter-agency Committee.

21. The Committee would be designed as a technical working group with its primary purpose being to develop that institutional arrangement necessary to complete the job of tax mapping and collection improvement. In principle, the Committee should include among it members all parties of interest:

Ministry of Finance
MLGCD
Bureau of Lands
Coast and Geodetic Survey
Ministry of Human Settlements
Chief of Assessment Services - Metro Manila
Ministry of Justice
Bureau of Forestry Development
NEDA

22. All these entities and, perhaps others we have not delineated, participate in at least one phase of RPTA: the Ministry of Finance because it has the responsibility for assessments and collection; MLGCD because it is the major source of tax mapping equipment, effort, and training; the Bureau of Lands and the Coast and Geodetic Service have an obvious interest in mapping; the Ministry of Human Settlements because it is interested in zoning and land values; the Chief of Assessment Services--Metropolitan Manila because of his centrality in the assessment process; the Ministry of Justice because of registration and land titles; the Bureau of Forestry Development to whom mapping is an important concern; and NEDA because of its role in regional development.

23. All these Ministries' Projects and Bureaus have an interest in RPTA. However, to include them all may make the proposed Committee unwieldy. Therefore, it might be preferable to limit the membership of of the Committee to MOF, MLGCD and the Bureau of Lands. A logical choice for Chairman of the Committee would be the person who holds the post of Director of Local Government Finance in MOF since he/she is constitutionally empowered to carry out assessments and collections which, in turn, are crucially dependent on tax mapping.

24. We propose, further, that a standing Advisory Committee be appointed to monitor and evaluate the work of the Interagency Committee. The Advisory Committee would meet periodically, say, every quarter for a full day, reviewing the work of the Interagency Committee over the most recent period. As a member of the Advisory Committee we suggest a representative from the Office of the President, a Mayor of a Municipality or City, a Governor of a Province, a tax mapping specialist, a property tax expert, and a land appraiser.

25. The Interagency Committee should be established now to insure that by the end of the current phase of the RPTA project, in 1982, a new institutional arrangement will have been developed and installed to carry out Phase II of the project.

I. INTRODUCTION

The purpose of this report is to offer an evaluation of the RPTA/MLGCD program.[1] This general objective has led us to consider four more specific concerns: (1) What guidelines might be developed to measure the success of the program? (2) How does the progress of the program stand up to these objective measures? (3) What problems have arisen in implementation of the program? (4) How might the program design be modified to meet these problems and better achieve program objectives?

We see the scope of this inquiry as calling for an evaluation of the overriding RPTA project goal--the improvement of local government's financial capacity and tax effort--as well as for a more detailed consideration of the relative success of the tax mapping, assessment, record keeping and collection components of the program. Whether or not these successes represent sustainable, long-term improvements is a theme to which we regularly return in all phases of this evaluation.

Certain concerns with RPTA/MLGCD, some of them quite relevant, are ignored in our report. The difficulties of the flow-through of resources between the central and local governments are too far-reaching and complicated an issue to be done any justice here. Still, the particular difficulties that hinder the effectiveness of RPTA/MLGCD may reflect general

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deficiencies and ineffectiveness of budgeting procedures of the Government of the Philippines. Likewise, we have not considered alleged "personality" conflicts. On the other hand, we would emphasize our judgment that, so often, fundamental difficulties in program design are described as "personality" conflicts.

Time was too short to permit an objective, quantitative evaluation of program success in each province. Indeed, data limitations and the infancy of the program would make such an approach difficult if not impossible in any case. We have instead followed the course of undertaking structured interviews with the principals involved in program design and implementation as well as with other analysts of the real property tax (see Annex A). Interviews were carried out during field visits in the Provinces of Iloilo, Pampanga, Pangasinan, (see Annex B), and supporting data were gathered where it seemed warranted. We used three Philippine consultants to second-guess the inferences and conclusions we drew from these interviews and from our reading of the other available evidence: Raul DeGuzman, Dean, College of Public Administration, University of the Philipoines; Angel Yoingco, Executive Director, National Tax Research Center; and Mila Reforma, University of the Philippines. The conclusions reached here, however, are ours alone.

This report is presented in three parts. In the two background sections immediately below, the current status of the RPTA program (as we understand it) is laid out and the objectives of this program are considered in the broader context of the Philippine local finance. The middle sections (IV-VI) are analyses of specific successes and problems. The two final sections deal with methods for improving the RPTA/MLGCD program.

II. DESCRIPTION OF RPTA/MLGCD

While the intention of the loan agreement is to have a single RPTA/MLGCD program with MOF cooperation and assistance, we find that there are essentially two related programs, one in the Ministry of Finance (MOF) and one in Ministry of Local Government and Community Development (MLGCD). The relationship between the two is at once competitive and complementary. We report on the RPTA program attached to MLGCD (heretofore RPTA/MLGCD) and discuss the RPTA/MOF only to the extent that it relates to the RPTA/MLGCD.

Statement of RPTA Objectives

RPTA attempts to increase the collection of property taxes in municipalities, provinces, and cities. The program addresses the poor state of local government property tax records and poor property tax collection rates.[1]

The program has a longer run strategy as well as a short-run strategy for achieving this goal. The longer run strategy is a four point program of tax mapping, records management, assessment, and collections. Briefly, the program's purpose is to provide technical training in tax mapping, records management and assessment for provincial assessors, their tax mapping staffs and municipal assessors. The program also provides useful tax mapping equipment and some vehicles to provincial assessors' offices, financial incentives to the provincial and municipal

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[1] Property tax collection rates, countrywide, averaged only 56 percent in 1979.

governments, and technical training in property tax collections for provincial and municipal treasurers.

A predecessor RPTA program was implemented in many municipalities in PDAP provinces between 1972 and 1978 under the PDAP program. In 1978 this was extended to all of the Philippines via the RPTA/MLGCD program that is evaluated in this report. The underlying assumptions of the program are that all provinces and municipalities want to participate in RPTA and that they are willing to finance the four-phase program in anticipation of a more equitable and productive property tax.

As a result of RPTA, increased property tax revenues are anticipated because of the identification of more taxable parcels and because of better collection efficiency. The four-step process, however, may not yield quick results. Between tax mapping and increased property tax revenues, there could be a delay of two to five years. Moreover, the tax mapping project itself is expensive.[1] To increase property tax collections more rapidly, RPTA/MLGCD has adopted a short-run strategy.

The short-run strategy employs a tax validation and collection procedure even before the municipality is tax mapped. Under this procedure, municipalities not scheduled for tax mapping validate their assessment records. They first organize the tax declaration records by barangay and then attempt to eliminate duplicate declarations on the same property. Once the property tax records are organized, tax collection enforcement

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[1] We address these issues in more detail in subsequent sections of this report.

procedures are implemented. These procedures range from collection campaigns in each barangay to public auction of the tax delinquent properties. The RPTA project encourages the public auction procedure.

Current Status of RPTA

RPTA/MLGCD aims to accomplish the project's four phases--mapping, records management, assessment, and collections--in 576 municipalities, i.e., in one-third of all municipalities in the Philippines, and in 56 cities, by the end of 1982. The program incorporates several incentives for provincial and municipal participation. First, seed money of ₱30,000 has been distributed to each province. In addition to seed money, the program provides tax mapping commodities, technical training and assistance, a ₱30,000 grant for each municipality which completes tax mapping, and a ₱10,000 grant for each municipality which implements the recommended collection procedure. Most of the commodity assistance will be distributed to the provincial assessors' offices, though some will be distributed to municipal assessors. Each of these aspects of the program are discussed below.

Commodities Assistance. Tax mapping commodities have not yet been distributed, and it appears that the delay in releasing commodities to provincial governments has considerably reduced the progress of the RPTA program. The lack of commodities is more likely to affect the non-PDAP than PDAP provinces, since the latter have received some tax mapping equipment under the PDAP program, whereas the non-PDAP provinces have received no tax mapping equipment.

Since the beginning (1978) of the RPTA project, 56 municipalities and cities have completed tax mapping and records management; 33 of these municipalities and cities are in PDAP provinces while 23 of these municipalities are in non-PDAP provinces (See Table 1). Municipalities in PDAP provinces number 630, compared to 871 municipalities in non-PDAP provinces. Thus, under RPTA about 5.2 percent of municipalities within PDAP provinces have installed tax mapping and records management, while only about 2.5 percent of municipalities within non-PDAP provinces have installed tax mapping and records management.

The non-PDAP municipalities that have installed tax mapping and records management tend to be concentrated in a few provinces. For example, seven of the 23 mapped municipalities are in Sultan Kudarat Province. Thus, it appears that the lack of commodities and equipment has limited the scope of the RPTA project and limited the diffusion of tax mapping to only a few non-PDAP provinces.

Information About the Program. The progress of the program may also have been hampered by an apparent lack of information about the structure of the RPTA program. The Governors of Pampanga and Pangasinan were both enthusiastic about the RPTA program and its potential impact on local economic development, yet neither appeared to have more than partial knowledge about the specifics of the program. (One was unaware of the ₱30,000 grant to be received upon completion of tax mapping.)

It appears that the program is still in its nascent stages, and has yet to become familiar. Formal and regular communications about RPTA from the Minister or Deputy Minister of MLGCD could improve understanding of the program and possibly intensify the interest of some Governors, especially those in non-PDAP provinces.

Technical Training. RPTA offers two types of training: (1) tax mapping and records management and (2) tax collection. Training in tax mapping and records management was conducted on a regional basis in 1979. There were about two training sessions per region, and attendance at each session numbered approximately 200 people--including provincial/municipal assessors and staffs as well as staff from the provincial treasurer's land tax division. Each training session was conducted during a one week period.

Four trainers conducted each session, which consisted of lectures and a workshop or field work. Each trainer is knowledgeable in one of four aspects of tax mapping and records management: (1) management of tax mapping operations, (2) organization of base maps, (3) checking field-drawn maps against base maps, and (4) matching records to properties on the map and redrawing maps. During this phase of training MOF provided at least one of the four trainers who, according to RPTA/MLGCD staff members, actively participated in the lecturing.

A second phase of tax mapping and records management training is a refresher course for each province. Each refresher course is a three-day seminar which concentrates on field work. The refresher courses are offered on the request of the Provincial Governor, although RPTA staff also lobby governors to consider refresher courses.

Provincial/Municipal assessors and their staffs, and occasionally, provincial treasurers, attend the refresher sessions. The attendance at these sessions numbers between 20 and 30 persons. Four trainers conduct the sessions, but MOF does not participate. Five refresher sessions were held in 1979, and three have been held so far in 1980.

In addition to these training sessions, RPTA staff also conducts spot checks in provinces that are tax mapping. The spot checks are generally done in provinces which have not requested refresher courses. The RPTA must schedule the visit and cannot spot check unless invited.

Tax collection training sessions, held on a provincial level, began in 1980. This training consists of three-day lecture sessions with one lecture spent on tax validation and two on tax collection. The sessions have between 60 and 100 persons in attendance--mostly the provincial and municipal treasurers and staffs.

According to RPTA/MLGCD staff, MOF has only passive participation in tax collection sessions; their participation consists generally of opening and closing speeches. To date, five tax collection sessions have been held and one session is currently planned.

RPTA Staffing. The current RPTA staff consists of 37 persons, including the director, six of whom are skilled trainers in tax mapping and records management. Five persons are involved in tax validation and collection procedures, three of whom are being trained at this area. In addition, Attorney M. Reyes is a full-time consultant who is an expert in tax validation and tax collection. Seven persons are involved in the coordination of training requests and trainer's schedules and in organizing materials for distribution at training sessions. Of the

TABLE 1

TAX MAPPING OPERATION ACCOMPLISHMENT SURVEY: AS OF JANUARY 17, 1980

Region	Tax Mapping Completed			Tax Mapping Started But Not Completed			Tax Mapping Not Yet Started		
	Number of Municipalities	Number of Barangays	Number of Land Parcels	Number of Municipalities	Number of Barangays	Number of Land Parcels	Number of Municipalities	Number of Barangays	Number of Land Parcels
Supported by RPTA Loan									
I	2	56	33,931						
II	4	76	35,256	8	193				
III	4	79	18,637	2	48	18,455	6	88	34,431
IV									
IV-A	3	98	27,913	1	87	33,631	1	36	14,719
V	5	121	17,330	3	88	19,559	7	161	34,689
VI	2	56	8,019	1	26	3,823	3	80	12,657
VII	1	36	5,037	7	161	63,268	5	163	84,663
VIII		1	236		1	873	2	16	10,630
IX-A				1	41	3,368		12	3,294
IX-B		45	5,651		8	3,768	2	63	16,507
X	3	155	46,746	12	216	66,518	5	88	30,319
XI	6	123	35,004	2	55	10,578			
XII	4	143	15,941	4	170	15,875			
Total	34	987	249,701	41	1,097	303,491	31	707	241,209
Supported by Means Other than RPTA Loan									
I	5	116	229,255	10	287	193,388	141	2,402	1,838,028
II	3	65	19,530	11	300	133,879	79	3,710	531,681
III	7	105	38,447	5	117	58,166	72	1,802	514,733
IV		206	130,182		62	5,290		31	15,000
IV-A	24	483	123,862	8	185	57,054	63	1,581	329,277
V	11	334	88,316	15	422	93,691	55	1,580	329,759
VI	6	146	73,547	7	307	80,150	22	545	119,871
VII		8	1,731	5	106	62,801	59	1,099	585,671
VIII	10	355	67,919	2	120	9,675	73	2,055	534,620
IX-A	1	7	4,151				15	228	28,824
IX-B	10	238	35,858	13	369	71,880	29	688	117,609
X	7	224	72,884	4	51	24,380	34	627	182,801
XI	8	169	43,066	5	85	24,936	39	683	194,506
XII	2	34	29,227	5	111	29,805	48	102	143,580
Total	120	7,124	1,102,958	94	2,645	876,941	903	23,221	7,638,525

SOURCE: Information provided by Conrado Sabater, Ministry of Finance, Government of the Philippines.

remaining 19 staff positions, six monitor and evaluate the program and its effect on various features of the property tax, and the remaining 13 are filing clerks, typists, an illustrator, messengers, a driver and other support personnel.

The skill of the training staff currently lies in tax mapping and records management. Attorney Reyes and Mr. Donald Stocks furnish most of the skills in tax validation and collection procedures, but others are being trained in these skills. At best, only 11 persons are employed directly as trainers, with over 70 percent of the staff employed as support personnel.

Financial Support. In addition to a ₱30,000 seed grant to provinces, the program will pay ₱30,000 to 56 cities and 576 municipalities which complete tax mapping and a ₱10,000 grant to the cities and 576 municipalities which implement successfully the RPTA tax collection procedures. The 576 municipalities are eligible for each grant on a first-come-first-served basis. Moreover, the 576 municipalities receiving the ₱30,000 grant need not be the same as those receiving the ₱10,000 grant.

As of now, only the seed grant has been released, even though 147 municipalities have completed tax mapping and records management. (Most of these municipalities and cities had been tax mapped under the PDAP predecessor phase of the RPTA/MLGCD program.) We could not obtain a clear statement from anyone on what constitutes successful implementation of the tax collection procedure and qualifies a municipality for the ₱10,000 grant.

Moreover, participation in the program sets up an immediate cash flow problem for local governments. Tax mapping is relatively expensive

(this issue is discussed in detail below) and the grant is given only after tax mapping and records management are accomplished.

Provincial governors and the mayors generally finance the RPTA/MLGCD operation in municipalities on a shared 50-50 basis. Still the financing is a major stumbling block of the program. The MOF provides one major source of financing for tax mapping. MOF has a ₱50 million revolving fund which lends money to provinces upon MOF approval of the provincial tax mapping plans. To date MOF has loaned about ₱23 million.

The MOF loan is interest free and repayable in installments of between three and five years beginning one year after the mapping is completed. Table 2 reports the number of municipalities using the MOF loan for tax mapping. In total as of January 1980, 106 municipalities are financing tax mapping via the MOF loan fund, while 120 municipalities have completed tax mapping without the loan fund and 94 have begun tax mapping without the loan fund. As will be discussed in Section IV, most of the 120 municipalities that completed tax mapping without loan fund support, did so under the predecessor pilot RPTA project in the PDAP provinces.

Several provinces have contracted for tax mapping by private firms. There are disadvantages to contracting, including: (a) it is more expensive, (b) there is limited quality control, (c) the private contractors do not complete the record-keeping program, and (d) private contracting does not

TABLE 2

SOURCES OF FUNDING FOR TAX MAPPING IN COMMUNITIES THAT COMPLETED TAX MAPPING BY MARCH 31, 1980
(in pesos)

Source	Amount of Funds	Percent of Total
Municipal Government	1,186,533	22.8
Provincial Government	2,034,812	39.2
Ministry of Finance (Revolving Fund)	1,823,187	35.0
MLGCD (Seed Money)	165,179	3.1
Total	5,209,711	100.0

SOURCE: Eduardo M. Aguinaldo, "Tax Mapping: Its Significance in Real Property Tax Administration," unpublished Masters Degree Thesis, Submitted to the National Defense College of the Philippines, 1980.

develop the in-house capability in the provincial assessors office to maintain tax maps and the related records. These difficulties not withstanding, both Governor Agbayani of Pangasinan and Governor Faustino Dy of Isabel cite contracting as quicker than in-house mapping. Thus, they argue, property tax revenues can increase at a faster pace than with in-house capability. Governor Faustino Dy volunteered that RPTA/MLGCD could contribute a trained staff to maintain the tax mapping operation after contracting, but as it is presently implemented the RPTA mapping phase takes too long. The objective of increased revenues is unduly delayed.

A recent study by Eduardo M. Aguinaldo, "Tax Mapping: Its Significance in Real Property Tax Administration," provides some useful evidence on the relative strength of MOF and the RPTA/MLGCD in providing financial support for tax mapping--the basic first stage of any Real Property Tax Administration Program.

In his study, Engineer Aguinaldo had access to a survey conducted by the Ministry of Finance, apparently early in 1980. Questionnaires were sent to the thirty-five (35) provincial assessors covering the 156 municipalities that had completed tax mapping as of March 31, 1980. Replies received from 17 assessors in 76 municipalities constituted the date base from which Aguinaldo drew his results. The respondents were asked to identify the sources and amounts of funding for the tax mapping operations. The replies are summarized in Table 2, which is based on Table 25, page 89 of Aguinaldo's study.

The results show that local governments provided the major portion of the costs of mapping. Together the provinces and the municipalities supported 62 percent of the total cost, with the provincial share amounting to 39 percent of the total, and the municipalities contributing 23 percent. The revolving fund of the Ministry of Finance was also a substantial source of funding, accounting for 35 percent of the total cost of mapping. The RPTA/MLGCD Project, to date, has not been an important source of funding for tax mapping. Its contribution was about 3 percent of the total.

Organizational Arrangement

Constitutionally, MOF is charged with the primary responsibility for all four phases of RPTA--Mapping, Record-Keeping, Assessments and Revenue Collections. MOF directs both the assessors and the treasurers who are civil servants responsible to MOF.

On the other hand, governors and mayors coordinate more closely with MLGCD, and they can informally influence the activities of assessors and treasurers. At present there are, de facto, two RPTA programs--one run by MOF, the other by MLGCD. This has resulted in competition between MOF and MLGCD which has had some constructive aspects. The RPTA/MLGCD program has probably prodded MOF into more vigorous pursuit of RPTA than would have occurred in the absence of a counterpart MLGCD program.

The creative tension generated by the competition between MOF and MLGCD was a piece of serendipity that the government can no longer rely on. MLGCD's RPTA program is impinging on MOFs "turf." The assumption that MLGCD will develop procedures so appropriate and efficient that MOF

participation and support would be forthcoming in the natural course of events was too sanguine. The joint agreement between the two Ministries that sought to achieve cooperation turned out to be merely pro forma, lacking substance.

With MOF feeling like "a guest in its own house," since it sees MLGCD taking primary responsibility for activities that it--MOF--has constitutional responsibility for, the success of RPTA is seriously threatened.

For the next phase of the Project, which would bring RPTA to the rest of the Philippines, a closer relation between the two RPTA programs is required. We note the problem here and address it at a later stage in our report.

III. LOCAL PUBLIC FINANCE AND RPTA OBJECTIVES

To place the RPTA program and its objectives in some perspective, we review recent trends in Philippine local government finance. While Philippine local government expenditure has increased in absolute amount over the 1970-1979 period, Table 3 reports that local government is a declining share of total (central and local) government expenditure over the period. The ratio of local government expenditure to Central government expenditure declines from .23 in 1970 to .11 in 1979. During the same period, Central government grants to local government decreased from 51 to 39 percent of local expenditures. Thus, while grants as a share of local government expenditures are shrinking, local government expenditure growth lags behind Central government expenditure growth.

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NO. 16

The decline in grants as a share of local government finance is consistent with intended Central government policy to decentralize governments and make local governments financially self-reliant. In PD 464, President Marcos cites passages from the Local Autonomy Act and the Decentralization Act--legislation intended to make local governments financially self-reliant and stable. To reach these goals, he says:

> "There is an urgent and compelling need to upgrade assessment services by updating assessment techniques, procedures and practices and thereby bring about equitable distribution of the realty tax burden among real property owners throughout the country..."

Table 4 reports that per capita local expenditures increased from ₱25.37 in 1970 to ₱78.57 in 1979. In real terms, per capita local expenditures decreased over the decade of the 70s, i.e., in 1979 they were 6 percent less than in 1970. Thus, local government per capita expenditures have not kept pace with inflation, and real local government service levels per capita have decreased over the last ten years.

Government policy of decentralization and increasing local government self-reliance implies a necessity to increase local government revenue capability. The property tax is one major source of local government finance, and with many properties not identified for tax purposes, and with only a 50 percent collection efficiency for those that have been, local revenue capacity may be substantially increased without raising the statutory tax rates.

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Revenue Importance of the Property Tax

Table 5 reports the percentage share of locally raised revenue from property taxes, business taxes, charges, and other. Property tax revenues remain about 30 percent of locally raised revenues between 1971 and 1973, decline to 26 percent of locally raised revenues between 1974 and 1976, and return to about 30 percent of local revenues over the 1977 to 1979 period. Business taxes as a percentage of locally raised revenues fluctuate over the 1970-1979 period but tend to be between 25 and 30 percent.

Revenues from charges include registration fees for cattle, marriages and other fees and rentals. In 1979, charges comprise 29 percent of locally raised revenues. Other revenue includes fees and charges from the operation of economic enterprises and comprise 10 percent of locally raised revenues.

Table 6 reports these same taxes as a percentage share of total local revenues raised including grants. Property taxes comprised from 15 to 20 percent of total local revenues between 1970 and 1979. Business taxes and charges increased as a share of total local revenues over the same period. Other locally raised revenues (economic enterprises) declined from 11 percent of total revenue in 1971 to 6 percent in 1979. Grants-in-aid are a declining share of total local revenue. They comprised 48 percent of total local revenues in 1970 but only 38 percent in 1979.

Real per capita revenues from property taxes fell from 1969 through 1976, but recovered in the later years of the 70s (see Table 7). This stability in per capita real property tax revenues, even in the face of

TABLE 5

CHANGING IMPORTANCE OF LOCAL GOVERNMENT FINANCE
(EXCLUDING GRANTS), 1969-1979

Year	As a Percent of Revenues			
	Property Tax	Business Tax	Charges[1]	Other Locally Raised Revenue[2]
1969	31	29	34	5.3
1970	35	20	25	20
1971	31	22	27	20
1972	30	27	27	15
1973	30	31	26	13
1974	26	33	29	11
1975	26	32	31	11
1976	26	31	31	12
1977	30	25	33	12
1978	30	27	31	11
1979	32	29	29	10

[1]Charges include among others, registration fees on cart and sledge and large cattle, marriage fees, secretary's fees, fishery rentals, but excluding fees and charges on the operation of economic enterprises.

[2]This consists of the fees and charges in the operation of economic enterprises, namely: operation of public utilities, markets and slaughterhouses, toll roads and bridges, and cemeteries.

SOURCES: Commission on Audit Reports on Local Governments for 1969 to 1971 data; Ministry of Finance for 1972 to 1979 data.

TABLE 6

CHANGING IMPORTANCE OF LOCAL GOVERNMENT
REVENUE SOURCES (INCLUDING GRANTS)

	As a Percent of Revenues				
Year	Property Tax	Business Tax	Charges	Other Locally Raised Revenue	Grants
1969	13	12	15	2	58
1970	18	10	13	11	48
1971	15	11	13	10	51
1972	14	13	13	7	53
1973	17	17	14	7	55
1974	16	20	18	7	39
1975	16	19	19	7	39
1976	16	18	18	7	41
1977	20	17	22	8	33
1978	21	19	21	7	32
1979	20	18	18	6	38

TABLE 7

GROWTH IN THE REAL PROPERTY TAX, PER CAPITA

Year	In Current Pesos		In Constant Pesos	
	Amount	Percent Increase	Amount	Percent Increase
1969	₱ 6.07		₱9.20	
1970	4.97	(19)	6.56	(29)
1971	4.29	(14)	4.65	(30)
1972	5.10	19	5.10	10
1973	6.54	29	5.62	11
1974	7.41	11	4.74	(16)
1975	8.23	2	4.94	5
1976	8.37	55	4.60	(7)
1977	12.94	12	6.46	41
1978	14.44	15	6.72	4
1979	16.61		6.63	(2)

SOURCE: COA Reports on Local Governments (1969-1971); Ministry of Finance (1972-1979); Central Bank Statistical Bulletin, 1978 (CPI, 1972=100); National Census and Statistics.

a rapid rate of population growth, can occur for several reasons: (1) reassessment of existing properties as property values rise, (2) new properties are added to the tax rolls, (3) an increase in nominal property tax rates, and (4) an increase in collection efficiency.

Table 8 sets out the four components of changing property tax revenues between 1974 and 1979. The number of parcels increased by about 8 percent over the period, while assessed value per parcel increased by about 76 percent. The nominal tax rate has remained constant over the 1974-1979 period, but collection efficiency increased from 41 percent to 56 percent between 1974 and 1979. Thus, the principal causes of property tax revenue growth over the period would appear to be reassessment of existing properties and improvements in collection efficiency.

Table 9 reports the property tax base, rate and total elasticities. The relative size of the rate and base elasticities indicates whether reassessment or increasing collection efficiency has yielded more growth in property tax revenues. The base elasticity measures the ratio of the percentage growth of assessed value of property to the percentage growth in personal income. The base elasticity averages about 0.8 over the 1974 to 1979 period, i.e., the assessed value of property grew only 80 percent as rapidly as personal income.

The rate elasticity measures the ratio of the percentage growth in property tax revenues to the percentage growth in assessed value. The rate elasticity averages about 1.9 over the 1974 to 1979 period, i.e., property tax revenues grew almost twice as rapidly as assessed value. If both nominal property tax rates and collection efficiency were constant over the 1974 to 1979 period, the rate elasticity would have an average

TABLE 8

INDICATORS OF PROPERTY TAX PERFORMANCE

Year	Number of Parcels	Percent Change	Assessed Value	Percent Change
1974	12,095,287		₱43,911,027,291	
1975	12,588,655	4.08	46,279,928,639	5.39
1976	12,055,681	(4.23)	49,491,049,874	6.94
1977	12,309,845	2.11	55,646,382,125	12.44
1978	13,204,942	7.27	67,302,340,738	20.95
1979	13,073,319	1.00	83,825,748,117	24.55

Year	Revenue from the Property tax (in million pesos)	Percent Change	Collection Rate[1]	Revenue/ Assessed Value	Assessed Value per Parcel
1974	₱307		41.15	₱.0070	₱3,630.42
1975	346	12.70	43.96	.0075	3,676.32
1976	368	6.36	43.76	.0074	4,105.21
1977	586	59.24	61.95	.0105	4,520.48
1978	674	15.02	58.92	.0100	5,096.75
1979	799	18.55	56.07	.0096	6,402.91

[1] Collectibles were estimated by using this formula: [(Av x .01) + .70 (Av x .01)]

The assumptions are:
1. Collectibles from the basic property tax equals assessed value multiplied by 1 percent tax rate.
2. Collectibles from the SEF tax equals assessed value multiplied by 1 percent less 30 percent which is remitted to the national treasurer.

SOURCES: For assessed values and number of land parcels: Assessor's Report to the Ministry of Finance. For revenues: Commission on Audit Ministry of Finance.

TABLE 9

ELASTICITY OF PROPERTY TAX REVENUES AND PROPERTY TAX BASE[1]

Year	Base Elasticity	Rate Elasticity	Total Revenue Elasticity
1975	.38	2.36	.90
1976	.46	.92	.42
1977	.66	4.76	3.14
1978	1.48	.72	1.07
1979	1.01	.76	.77

[1]The rate elasticity is the ratio of the annual percentage change in property tax revenues to the annual percentage change in the assessed value of property. The base elasticity is the ratio of the annual percentage change in the assessed value of property to the annual percentage change of personal income. Total revenue elasticity is the product of the rate and base elasticities.

SOURCES: Assessed Value: Reports of Assessors to the Ministry of Finance; Personal Income: National Economic and Development Authority NEDA, NAS Estimates, 1971-1979; Revenue from the Property Tax: Ministry of Finance.

of unity. Since nominal tax rates are constant over the 1974 to 1979 period, the responsiveness of property tax revenues to assessed value results from increased collection efficiency over the period.

The total revenue elasticity, which measures the ratio of the percentage increase in revenues to the percentage growth in personal income, averages about 1.3 over the 1974-1979 period. Alternatively stated, property tax revenues grew 30 percent faster than personal income during this period. Increases in collection efficiency have been a more important source of property tax revenue growth than has the growth in assessed values.

Local Development Funds and Property Taxation

In two recent speeches,[1] Minister Virata of MOF reiterates the national goal of local economic development financed through local revenues. Real property tax administration is expected to play a major role in raising revenue for local development. Minister Virata cites a desire to increase property tax collection efficiency as a principal means of increasing real property tax revenues.

Toward the goal of increasing property tax collection efficiency, the GOP has launched the KPTA/MLGCD tax mapping, assessment, records management, and tax collection project. The project focuses on cities and municipalities.

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[1] Minister Virata's two speeches are entitled: "Financing Local Development: Policy Changes, Issues and Problems" (Feb. 4, 1979), and "Local Government Finance: Challenges and Prospects" (no date).

The importance of emphasizing municipalities in the project is related to their much lower property tax collection efficiency. This perceived lower collection efficiency is not easily verified. While we could not obtain property tax collection efficiency by type of local government, we did obtain data on the percentage of locally raised revenues derived from property taxation by provinces, by cities and by municipalities.[1]

The data reported in Table 10 offer indirect evidence on the importance of RPTA for provinces and municipalities. In 1975, property tax revenues accounted for about 23 percent of provincial and locally raised revenues, while the comparable figure for cities is 28 percent and for municipalities is only about 15 percent. In years prior to 1975, provinces raised about the same percentage of their local revenues from property taxes as did cities. Municipalities lag behind provinces and cities in their dependence on property taxation.

To us, this evidence suggests that property tax collection efficiency in municipalities lags behind that of cities. We would have expected that business taxes would account for a greater percentage of locally

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[1] Unfortunately, the most recent information available is for 1975, and we obtained it from a quinquennial local finance survey conducted by NTRC. In discussion with NTRC staff, they argued that while the absolute percentage of property tax as a proportion of local revenues may have changed between 1975 and 1980, there is little reason to think that the relative positions among provinces, cities and municipalities had changed. Since it is these relative positions which are of most interest here, we think this somewhat dated property tax information is a reliable indicator of existing relative property tax revenue patterns among provinces, cities and municipalities.

TABLE 10

PROPERTY TAXES AS A PERCENTAGE OF TOTAL LOCALLY RAISED REVENUES IN MUNICIPALITIES, CITIES AND PROVINCES, 1971-1975
(in percent)

	Property Taxes as a Percentage of Locally Raised Revenues		
	Provinces	Cities	Municipalities
1971	37.4	37.4	14.2
1972	30.2	30.6	15.1
1973	37.9	33.5	20.9
1974	21.9	29.5	18.3
1975	22.8	28.3	15.4

SOURCE: National Tax Research Center, Local Finance Survey, 1976.

raised revenues in cities than in municipalities, while property taxes would comprise a greater share of the municipalities, locally raised revenues, compared to cities. This indirect evidence, while tentative, underscores the importance of RPTA's records management and collection efficiency program for municipalities.

IV. PROGRESS AND DESIGN PROBLEMS

The progress of RPTA/MLGCD toward the goals of tax mapping, improving records management, assessments, and tax collection throughout the Philippines has been slow. Indeed, most of the accomplishment of the program to date has been in PDAP provinces.

Table 11 reports that 147 municipalities (including several cities) were tax mapped as of May 31, 1980. Ninety-one of these municipalities had completed tax mapping and records updating prior to the 1978 extension of the RPTA program to the entire country. Omitting those municipalities tax mapped prior to the loan agreement, only 56 municipalities have been tax mapped and had their records updated since the USAID loan more than 2 years ago. Moreover, 33 of these 56 municipalities are in PDAP provinces. Although 143 municipaltities have tax mapping in progress, the program had made only slight progress towards its goals, especially in non-PDAP provinces.

We think that this slow progress should have been expected. The calendrical timing for accomplishment of tax mapping and records management in the project document is unrealistic, even under the best of situations.

TABLE 11

ESTIMATED NUMBER OF CITIES AND MUNICIPALITIES TAX-MAPPED AND WITH RECORDS BROUGHT UP TO DATE[1]

Province	Number of Municipalities Tax-Mapped and With up to Date records as of May 31, 1980	Number of Municipalities Where Tax-Mapping Started Before 1978	Number In Process Of Tax Mapping May 31, 1980	Number of Municipalities Tax-Mapped and With Records Brought up to Date from January 1, 1978 through May 31, 1980	
				PDAP PROVINCES	NON-PDAP PROVINCES
I	7	4	9	3	0
II	11	4	21	0	7
III	12	6	12	6	0
IV	33	23	14	9	1
V	6	2	27	4	0
VI	33	26	12	4	3
VII	0	0	9	0	0
VIII	9	7	6	2	0
IX	11	7	0	1	3
X	10	7	15	3	0
XI	7	5	15	1	1
XII	8	0	3	0	8
	147	91	143	33	23

[1] In estimating the number of municipalities (and cities) that had been tax-mapped and completed records management under this program before May 31, 1980, we used the following procedure:

a. We assumed RPTA/MLGCD started at the beginning of 1978. Since it really did not start until the signing of the loan agreement in May 1978, the assumption results in an upward bias to the estimated number tax-mapped in RPTA/MLGCD during the first two years.

b. We went through the documentation furnished us by RPTA/MLGCD and picked out all municipalities for which mapping started before 1978 who had completed mapping in May 1980. We also picked out all municipalities and the several cities who had completed tax mapping by May 1980, no matter when mapping started. From the latter we subtracted the former to derive the number of municipalities that were tax mapped due to the RPTA/MLGCD.

Table 11 continued:

c. It should be noted that in some cities where tax mapping is underway, having started in 1978, they have tax mapped a number of barangays, some of which are as large as small municipalities. In that sense, the computation we made tends to understate the tax mapping accomplishment of the RPTA/MLGCD program. However, even if these were included, i.e., a tabulation were undertaken that covered municipalities and barangays in cities each counted separately, the proportion of entities tax-mapped since 1978 to all entities tax-mapped as of May 31, 1980 would not be substantially different from those in our table.

SOURCE: Summary Tabulations RPTA/MLGCD

In addition, the inability to distribute the commodities has further slowed the progress of RPTA/MLGCD, especially in non-PDAP provinces.

Granting the above as partial reasons for RPTA's slow progress, we think that while the overall design of the program may be appropriate for PDAP provinces, the program may be inappropriately designed for the extension of RPTA to the entire country.

In particular, the program's design and schedule did not properly allow for the inertia and delays attendant in enlisting the support of non-PDAP governors and mayors who may not have the same pre-disposition toward this program that characterized their counterparts in the PDAP provinces. For another, the "flow of funds" problems of local governments were not properly recognized; a system of grants awarded after an objective has been accomplished may not be a meaningful incentive to local governments that cannot find the funds necessary to accomplish that objective. Finally, extending its concern with RPTA to collections (and, of course, the record management necessary for collections) RPTA/MLGCD invaded MOF's "turf." Prospects of success in collections are slim without active MOF support. Treasurers may work for the local governments, but they are controlled by MOF. Collecting the real property tax is only one of a manifold set of responsibilities of provincial and municipal treasurers. They are responsible for all

disbursements, for all other local tax collections and for managing other kinds of local receipts as well.

To get a treasurer to put property tax collections higher up on his list of priorities may require some "muscle" from his mayor or governor, but it will certainly require a directive and continuing support from MOF. This is particularly true if, as we think is (and should be) the case, the program wishes to accomplish a rise in collections sustainable in the long-run, rather than a spasmodic upward skip in property tax revenues.

So a closer relation between MOF and RPTA/MLGCD is in order, if the objectives of RPTA/MLGCD are to be achieved. But this crucial task is not built into the RPTA/MLGCD program nor is it, as far as we can see, tending to evolve over time.

In the next section we elaborate on some of the major problems--the design of financial incentives, an overly optimistic set of objectives, the neglect of the assessment function, and personnel and training issues.

The Design of Financial Incentives

The MLGCD funding of the project staff seems adequate for supporting the staff that the program was designed to have. A personnel compliment of 37 seems generous, especially since about 70 percent of the staff are not directly involved in training--the main responsibility of the RPTA staff. In general, the program has not been maintained at its full authorized level. It has been hard to find people to fill the program

slots, and it has proved difficult, also, to keep them in the unit. One reason for this is, we have been told, the relatively low rate of pay allowed for the various positions in the program. We have not confirmed that this is a fact. We have also been told that a number of important personnel have left the program for another reason--training and study opportunities in West Germany.

With respect to the financial incentives offered to local governments under this program, the present level of assistance seems both inadequate and inappropriately structured. In this respect, it would appear that a number of unrealistic or highly optimistic assumptions were made, explicitly and implicitly, in designing the program.

First, the "seed money" of ₱30,000 cash to the provinces is very small, and covers only a fraction of the cost of mapping. These payments represent only about 3 percent of the cost of mapping undertaken to date (see Table 2). It was implicitly assumed that finance would be provided from other sources.

We have been given several estimates of the cost of mapping, ranging from ₱10 to ₱20 per parcel. Eduardo M. Aguinaldo, in his submitted Master's thesis, "Tax Mapping: Its Significance in Real Tax Administration," estimates that 1,374,960 parcels have been tax-mapped as of March 31, 1980; 1,121,082 are in process, and 8,136,487 are yet to be mapped. Assuming that the mapping of parcels in process is half-finished, on average, and taking ₱15 per parcel as a typical cost per parcel, we estimate that the current cost of mapping undertaken to date is ₱25 million, and it will cost ₱130 million to map the rest of the Philippines.

If the real cost of mapping is closer to ₱10 per parcel or ₱20 per parcel, the estimates would be lower or higher respectively. But, and this is important, no matter which is the correct figure, the cost of the mapping yet to be done is more than four times the cost of the tax mapping accomplished to date.[1]

A second implicit assumption was that some of this required finance would be (and has been) forthcoming from the Ministry of Finance Revolving Fund of ₱50 million. But a considerable contribution is also required from the province, cities and municipalities. This finance will not be forthcoming automatically. Governors, mayors and city councils have to be persuaded, resources have to be marshalled, etc. All this takes time. The project design, we think, overlooked the inevitable time lag and delays in this process.

Moreover, assessors and treasurers may be reluctant to adopt new procedures, first because implementing them would involve additional work on their part, and secondly, because they would want to "clear it" with MOF which supervises them, evaluates their performance, and determines whether they are promoted.

To overcome these built-in impediments to change, the program needs adequate incentives. In this connection, we feel that the ₱30,000 grant per municipality after mapping has been completed, and the ₱10,000 grant per municipality after a revised tax collection system

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[1] On page 29 of the Project Paper (AID-DLC/P-2277), the total costs of implementing the RPTA system developed in the project for all of the Philippines is given as $10 million or ₱74 million.

is in place, are poorly conceived. An *ex post facto* award is not a powerful incentive for cities and municipalities that have to search for funds to finance the operation *before* they can get the grant. Given the time it takes to map, to be inspected and to get budget clearance, it could be that the grant would not be received until two to three years after the start of the tax-mapping operation. With inflation running at 20 percent, a delay of two years in the grant receipt would mean that the amount received would be the purchasing power equivalent of 55 percent of the amount budgeted at the start of the project.

We recognize the validity of the argument for awarding the grants under the project only after specified tasks have been completed, since if the money were given out in advance, the tasks might never be undertaken. However, more important in our judgment is the need for initial funding to begin the work on tax-mapping and on improved tax collection. Given that these are both legitimate objectives, some compromise is in order.

Therefore, we recommended that the grants under the program be modified with 50 percent of the total, ₱15,000, given to each municipality immediately at the start of mapping, and ₱15,000 turned over when the mapping exercise is completed. We also recommend a similar 50-50 allocation for the ₱10,000 grant for the collections phase of the project.

A third issue to be raised in connection with the design of the project has to do with the uniformity in the size of the financial incentive. As we understand it, each city and municipality covered by the project will receive the ₱30,000 and ₱10,000 grants, regardless of size, complexity of the tax-mapping, collection effort required, or previous support for the same objectives under the PDAP Pilot Program. This raises questions of equity and allocational effectiveness. The program's funds are limited and insufficient for its purposes. Why should cities and municipalities that already received a good deal of technical support for tax-mapping and some help in the collection process, be included in the new program? Excluding them would free resources for areas of greater need. Why should all cities and municipalities covered by the program get the same grants? Clearly, some have a bigger tax-mapping and tax collecting job to do than others.

Fourth, there is an issue of which local governments should receive the funds. The program expects to eventually include 576 municipalities and 56 cities. In all, there are about 1,500 municipalities and cities in the Philippines. The program will determine coverage on a first-come-first-served basis. Since mapping and associated record management are costly and the program's resources limited, it would seem preferable to target the coverage, toward, for example, urban municipalities, municipalities with the most potential for development, or on the basis of some measure of community interest in RPTA.

We are concerned that a first-come-first-served basis will be based in favor of the communities with more resources, or municipalities in PDAP provinces. Also, first-come-first-served in conjunction with payment of the ₱30,000 grant only after mapping is completed, may encourage hasty and careless mapping.

These questions suggest our line of thinking. The magnitude of grants under the project as now designed is too small to be an effective incentive, an insufficiency compounded by their delayed receipt.

We urge that the project design be rethought and recast to include fewer but a more specific set of municipalities, larger grants, with half of the total amount awarded at the start and the other half at the end of mapping and collection implementation. For example, if only half the number of municipalities were included in the project, grants twice as large as are presently budgeted could be given each municipality. If 50 percent of the grant is given before tax mapping begins, each municipality would receive ₱30,000 to defray part of the mapping cost with an additional ₱30,000 after mapping is completed. Moreover, if the intention is to spread the project outside of PDAP provinces, perhaps the grants should be used exclusively to encourage municipalities in non-PDAP provinces to tax map.

Overly Optimistic Expectations

The project document, we think, is overly sanguine about collection efficiency results. Donald Stocks, in his final report of 3/18/80, emphasizes that with respect to collections, "Performance of an office is influenced

more by the official-in-charge than any other factor." With the quality and zeal of treasurers likely to remain the "mixed bag" it is today, a wide diversity of collection efficiency across municipalities can be expected. The average collection efficiency of 75 percent assumed in the project document implies very high collection rates, say 90 percent, in the efficient municipalities to offset the low rates, say 60 percent in less efficient municipalities.

Dr. Kenneth G. Orr, who undertook a "Social Soundness Analysis" of the new system, found grounds for expecting support for it, but also saw limitations on its success posed by cultural and historical factors in the Philippines.

> "It seems probable that provinces with developmental potential plus paucity of feudal type lenders and single-mindedness in regard to paying the tax (like Palawan) will show excellent results from the new system. It also seems unhappily probable that old-line provinces with many feudal families and caciques will continue to make a poor showing (like Pangasinan). Those provinces with close ties to the main source of power, the President, will follow his bidding at least as long as Martial Law remains (like Leyte)."

This mixture of "good news" and "bad news" is too easily dismissed in the project document where it is noted (page 5) that

> "...groupings within specific political or geographic areas, could pose problems in the implementation of the RPTA system. However, the social analysis points out that strong, dominant local leadership can force (or persuade) such groupings to comply with all sections of the law." As we read Dr. Orr's conclusion, the better part of realism is to expect that in some areas of the Philippines the prospects for effective implementation of RPTA are not bright."

The project was implicitly overly optimistic in emphasizing the increase in property tax revenue to be expected, and not placing this in a broader perspective of local finance.

The property tax represents 20 percent of all local government revenue (including grants). A 50 percent increase in local revenue. Even a doubling of the property tax would increase local revenue by only 20 percent. Of course an increase of 20 percent would be very welcome, but it is not massive when viewed with reference to local governments' total revenue needs.

The Neglect of Assessment

We think that the project neglects the importance of property assessment. A good structure of relative property values is a sine quo-non of an effective and sustainable property tax. It is important that relative values reflect the market, because if they do not, effective rates of tax will be widely different for properties of equal value. If,

in fact, taxpayers with properties of about the same market value have widely different assessed values, it will be difficult to sustain the property tax, let alone raise collection efficiency. If too many of the taxpayers think their tax is too high, i.e. too high relative to what other people pay, there will be widespread protest and delinquency.

The RPTA system should, therefore, be interested in the quality of assessments, and procedures to improve them. How good are assessed values in the Philippines? There is very little evidence on this point. Such evidence could be acquired from a special study. It would start with the evidence on sales, and measures of assessment-sales ratios. This might be the end of it, for it might be that the values set by assessors in the Philippines "cluster" tightly enough, by relevant categories of property, to allay concern. But it is more likely, if the experience of other property taxing jurisdictions is any guide, that the dispersion of assessment-sales ratios would be large enough to warrant a closer examination of the structure of assessed values and the process by which they are derived. This examination would have the purpose of developing improvements that would generate assessments that depart less from market values.

We do not recommend that the scarce resources of RPTA/MLGCD be used for this purpose at this stage. We do, however, stress the importance of the assessment process, and the need to ensure the quality of the values it generates, before the property tax can be considered viable.

Personnel and Training Issues

Only 5 of the 75 provinces and sub-provinces lack a tax mapping staff (See Table 12). One of the 28 PDAP provinces lacks a tax mapping staff, as do four of the 47 non-PDAP provinces. Eleven of the 56 cities are without a tax mapping staff.

Tax mapping and records management staffing are maintained in most of the provinces and cities. The staff's lack of adequate training does appear to be a problem which inhibits the progress of the RPTA/MLGCD program. Training and technical assistance is appropriately a major element of the RPTA/MLGCD program. Technical training support for tax mapping has been provided both by MOF and RPTA/MLGCD. From Aguinaldo's study, it appears that support provided by RPTA/MLGCD has been both more extensive and intensive. We reproduce in Table 13 the data he developed from the survey responses on inspection/evaluation made during the pre-field, field and post-field stages of the tax mapping operations by MOF and RPTA/MLGCD.

RPTA/MLGCD inspectors and evaluators visited almost twice as many municipalities as their MOF counterparts, and made a greater number of visits, on average, to the municipalities that they helped. Of the 28 municipalities visited by MOF, 23 had a one day visit, and only one was visited as many as three times. By way of contrast, most of the municipalities inspected and/or evaluated by RPTA/MLGCD had more than one visit; and 37 percent of the municipalities had three or more visits.

TABLE 12

NUMBER OF PROVINCES AND CITIES WITH AND WITHOUT A TAX MAPPING STAFF

	Provinces		Cities	
REGION	With	Without	With	Without
I	6	1	3	1
II	7	0	0	0
III	6	0	3	2
IV	10	1	6	2
V	6	0	3	0
VI	6	0	8	0
VII	3	1	7	2
VIII	6	0	2	1
IX	4	1	4	0
X	7	0	5	2
XI	5	0	2	0
XII	4	1	2	1
TOTAL	70	5	45	11
PDAP Provinces	27	1		
Non-PDAP Provinces	43	4		

TABLE 13

INSPECTIONS AND/OR EVALUATIONS MADE DURING THE MAPPING OPERATION, FROM PRE-FIELD THROUGH POST-FIELD

Frequency of Visits	By MOF Representatives		By RPTA/MLGCD Representatives	
	Number of Municipalities Visited	Total Number of Visits	Number of Municipalities Visited	Total Number of Visits
Once	23	23	21	21
Twice	4	8	11	22
Three Times	1	3	5	15
Four Times			8	32
Five Times			2	10
Six Times			1	6
Eight Times			2	16
Eleven Times			1	11
Total	28	34	51	133

SOURCE: Eduardo M. Aguinaldo, "Tax Mapping: Its Significance in Real Property Tax Administration," Unpublished Masters Degree Thesis, National Defense College of the Philippines, 1980.

Despite the excellent training and technical record of RPTA/MLGCD, training is probably better focused if it is handled in smaller groups, as are the refresher courses. The large five-day regional training sessions were likely inadequate in imparting substantial information to participants. By contrast, we think that project staff visits to the tax mapping municipalities--as distinct from refresher courses--should receive more emphasis. These sessions could impart more specific knowledge to tax mapping staffs and avoid canned lectures that perhaps reitorate what is already known.

A major problem is that provinces must request visits for technical assistance, so training resources are not easily reallocated. Nonetheless, provinces and municipalities bear the transportation and lodging costs of the large 3-day refresher sessions and these costs may discourage some provinces from taking advantage of the training program. If training is reoriented toward local visits, the local government's share of training cost would be reduced, since the project staff would do most of the traveling. The smaller sessions could also mean that more specific knowledge is transferred to tax mappers, and since local government costs are reduced, they are more likely to take advantage of the project's technical assistance. This reorientation of training would also imply that more technical personnel should be added to the project staff. Some of the current support staff slots could be eliminated and their salaries reallocated to cover some part of the salary of new technical personnel.

V. MONITORING AND EVALUATING THE RPTA PROGRAM

The project staff has developed several measures for monitoring RPTA implementation. They employ three levels of evaluation. First, inputs are monitored. Input measures include the number of training sessions held, the number of municipalities obtaining base maps, and the number applying for technical assistance. The second level of evaluation monitors the direct output of the program. Measures of direct output include the number of municipalities starting or completing each of the four phases of the RPTA program. A third level of evaluation monitors the effectiveness of the program's direct outputs. Some apparent measures of effectiveness include changes in the number of parcels, in assessed value of property, in collection efficiency, and in other dimensions of the property tax.

Inputs and direct output are more easily measured than program effectiveness and are limited measures of the speed with which municipalities are adopting the program. These measures are limited in that they do not, for example, capture the quality of the training nor do they attempt to ascertain the accuracy of the tax map with respect to the actual property land areas. Inputs and direct output measures, however, are useful as measures of the program's acceptance among local governments.

For purposes of evaluating the overall effectiveness of the program, measures such as changes in the number of parcels, in assessed value of properties and in collection efficiency would seem more appropriate than

input or output measures. Some of these measures lack a clear directional scale for judging the effectiveness of the RPTA. For example, is it better that the number of parcels increase or decrease after tax mapping? If the number of parcels increases, more properties are identified and added to the tax rolls, but a decrease in the number of parcels may also indicate that RPTA is effectively removing a large number of duplications in the old records. Changes in the total assessed value of property before and after mapping are fraught with similar difficulties.

Increases in collection efficiency are a clear positive indicator of RPTA effectiveness. Increases in collection efficiency, while easily measured, do not necessarily imply more property tax revenues, especially if tax mapping reduces the amount of property tax collectibles in a municipality as a result of the elimination of duplicate property tax records. In this case, tax revenues could fall while collection efficiency increases.

We caution against the premature use of collection efficiency as a measure of RPTA effectiveness. Improved collection efficiency may not occur immediately after RPTA is operationalized in a municipality. Thus, improved collection efficiency should not be taken as the only measure of program success.

The training component of the program is an important an output as the increased collection efficiency. Only the training of assessors' staffs will insure that the RPTA system will be maintained after it is installed.

We suggest monitoring the number of municipalities completing tax mapping, by PDAP and non-PDAP provinces. Closer examination of the maintenance of the RPTA system, once it is installed, is also appropriate. We also suggest examining the effectiveness of the training system. This might be done with a written questionnaire about training administered to provincial assessors and treasurers. The questionnaire could also be used to solicit suggestions for improvements in training sessions and technical assistance.

Evidence of the Effects of RPTA

We collected data on property tax performance in selected municipalities in three provinces. Specifically, we collected data on the number of parcels (taxable and exempt), assessed value of property (taxable and exempt), collectibles, collections and collection efficiency. The data were collected for a time series and the municipalities in our sample include both tax mapped and non-tax mapped municipalities (See Table 14).

In consultation with local officials, we have matched each tax mapped municipality with a non-tax mapped municipality whose socio-demographic and economic characteristics are similar to those of a tax mapped municipality. This matching procedure allows us to make some admittedly rough inferences about tax mapping's effect on property tax variables compared to non-tax mapped municipalities. We also distinguish municipalities undergoing land reform from those which are not. The effects of RPTA in tax mapped municipalities and comparisons between tax mapped and non-tax mapped municipalities are summarized in Table 15.

TABLE 14

SUMMARY OF EFFECTS OF RPTA ON NUMBER OF PARCELS, ASSESSED VALUE OF PROPERTY AND COLLECTION EFFICIENCY FOR SELECTED MUNICIPALITIES IN THREE PROVINCES

	Total Number in Sample	No. of Municipalities Where Changes in Taxable Parcels are More Than 10 Percent		No. of Municipalities Where Assessed Value Changes		Collection Efficiency 1979 Compared to the Year Before Tax Mapping	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
Iloilo	10	8	0	8	1	7	3
Pampanga	5	1	4	NA	NA	2	3
Pangasinan							
Non-land Reform Municipalities	3	1	2	2	1	2	1
Land Reform Municipalities	1	1	0	1	0	0	1
Totals[a]	19	11	6	11	2	11	8

[a]Totals may not add to 19 in all cases because some municipalities experience neither a decrease nor an increase in some categories and thus are recorded in neither column.

TABLE 15

PAIRWISE COMPARISONS OF COLLECTION EFFICIENCY BETWEEN SELECTED TAX MAPPED MUNICIPALITIES AND THEIR NON-TAX MAPPED COUNTERPARTS BY PROVINCE IN 1979[a]

	Number of Comparisons	No. of Tax Mapped Municipalities Where Collection Efficiency is Higher Than Their Non-Tax Mapped Counterparts	Average Collection Efficiency in Percent	
			Tax Mapped	Non-Tax Mapped
Iloilo	10	7	69.83	55.57
Pampanga	5	0	51.79	47.51
Pangasinan	3	1	51.67	45.54
Total	18	8	61.76	57.21

[a]To avoid noncomparability between municipalities undergoing land reform and those that are not, only municipalities that have not undergone Land Reform are considered here.

Table 14 reports the effects of RPTA property tax variables in the 19 selected tax mapped municipalities in the three provinces. The number of taxable parcels increased by more than 10 percent in 11 of 19 tax mapped municipalities, decreased in 6 of the 19 and remained essentially unchanges in 2. Assessed value data suitable for judging RPTA effectiveness are available for 14 municipalities. After tax mapping, assessed value increased in 11 of the 14 municipalities, decreased in two and remained unchanged in one municipality. Collection efficiency increased in 11 of the 19 municipalities after tax mapping, while it decreased in 8 of the 19 municipalities. From these results, it appears that tax mapping may not lead to increased assessed value, collectibles and collection efficiency in every municipality. They also underscore the importance of enacting a vigorous property tax collection program if collection efficiency is to be increased.

Table 15 reports 18 comparisons of collection efficiency for non-land reform municipalities in three provinces. Collection efficiency is higher in tax mapped municipalities than in non-tax mapped municipalities in only 8 of 18 cases. Average collection efficiency is 61.8 percent in the tax mapped municipalities compared to 57.2 in non-tax mapped municipalities. These data also underscore the importance of implementing a vigorous collection program if collection efficiency is to be increased.

VI. SUSTAINABILITY OF AN EFFECTIVE PROPERTY TAX AFTER RPTA/MLGCD

After RPTA is implemented, there is reason for concern about whether the program can remain viable and local governments can maintain the system. In one respect, the RPTA/MLGCD builds sustainability into the program through its training programs in mapping and records management for assessors' staffs. The program, however, appears to rely simply on local officials recognition of the programs' inherent value as the basis to keep RPTA operational even after the project is finished. The long-range sustainability of RPTA also depends on MOFs ability and desire to emphasize the importance of the maintenance of RPTA to its treasurers and assessors.

Several provinces have used private contractors to tax map some municipalities. The use of private contractors will inhibit the sustainability of the program, since the provincial assessor's staff does not perform the tax mapping and will not acquire the necessary skills to adequately maintain the maps.

For this reason, we suggest discouraging the exclusive use of private contractors for tax mapping. Where private contractors are used, provinces should examine the quality of the contractor's performance, and private contractors should not be used to map all the municipalities in a province. We think it important that each provincial assessor's tax mapping staff perform tax mapping in at least some of their municipalities, so that the staff can acquire the necessary skills to maintain the maps and property tax records.

Sustainability also depends on the quality of assessments, a matter which we have emphasized earlier in this report.

The present assessment scheme has much to recommend it. The ₱1000 exemption and the progressive structure of the assessment ratio with respect to market value are interesting features. A form of use value assessment is also employed in that there are different progressive assessment schedules of each type of property; agricultural, residential, commercial, and industrial.

While the progressive assessment schedule can lead to a more progressive property tax than would result if the same assessment to market value ratio is used for all properties, a schedule with wider marginal property value brackets and thus fewer changes in the assessment ratio may be administered more easily and more accurately. Thus in practice a less complicated assessment schedule may yield a more progressive property tax than the present more complicated but theoretically more progressive assessment schedule. We hasten to add that we have not studied this matter in depth, and offer this suggestion tentatively.

We raise the problem of assessment to emphasize its importance to a viable property tax. We do not make a specific recommendation about assessment here other than to suggest that property assessment in the Philippines could be fruitfully studied.

Cooperation from MOF and Sustainability

Basic to the sustainability of tax maps, records management, and increased collection efficiency is the commitment of provincial assessors and treasurers. An important element in their commitment is a corresponding

commitment to RPTA from MOF, since MOF formally supervises and promotes city and provincial assessors and city and provincial treasurers. The assessors and treasurers commitment to RPTA is likely to lag if MOF does not fully support the program.

The issuance and updating of manuals for all phases of the RPTA program are also important inputs for sustainability. Here also MOF has primary responsibility. Thus, it appears that a closer link of RPTA/MLGCD with MOF will have to be established, if the RPTA/MLGCD is to achieve its present goals and be sustainable.

VII. MLGCD AND/OR MOF AS A LOCATION FOR RPTA

The institutional and ministerial conflicts that plague RPTA/MLGCD show up in numerous ways, some bordering on minor annoyances, others severe enough to contribute major impediments to the progress of the program. Illustrative of the minor annoyances is the existence of at least two prescribed sizes for tax maps, two approved systems of Property Index Numbers, and two sizes of the Post-Tax Mapping Control Roll. Illustrative of the major impediments is the long delay in the preparation of the Tax Collections Manual.

While everyone we spoke with recognized the sources of these difficulties, very few, if any, agreed on what to do about them. At issue are a number of questions. Some see the central issue as being the ministry in which the project belongs.

others view the primary question as this: How can we design a structure to implement a project that requires major inputs equally from politicians and career civil servants?

When initially developed as part of the PDAP program and operating under the PDAP umbrella, the RPTA and the other special projects were in the Office of the President. The President's Office stands athwart the Ministries, and is able, therefore, to enlist (or compel) the support of MLGCD and MOF. It is quite clear that active and continued cooperation of both ministries is required to enlist support for the program from elected local officials on the one hand and assessors and treasurers on the other.

Somewhere along the line, the special projects were taken out of the Office of the President and lodged in the Ministry of Local Government and Community Development (MLGCD). This, in theory at least, strengthened the ties to the elected officials whose support is necessary for the implementation of the RPTA project, but location in MLGCD broke the ties to the technical staff Corps-assessors and treasurers--whose support is also necessary for implementation of the RPTA project.

While we have heard much of the personality conflicts in our discussions of the project and its relation to other Ministries, particularly the MOF, it seems clear that even in a world of sweetly reasonable and agreeable people, conflicts and their attendant inefficiencies would arise. Will assessors and treasurers implement procedures and programs developed by RPTA/MLGCD unless these programs are fully endorsed and pushed by MOF, which is their "boss?" For successful and

smooth implementation, RPTA/MLGCD requires a degree of cooperation from MOF that could not be expected to be forthcoming in the absence of some special arrangement.

Apparently, there was an attempt at a special arrangement in the joint agreement between MOF and MLGCD in March 1977. It is our understanding that this mechanism has not proved effective. Rather than closely cooperating in carrying out RPTA, the two participating Ministries have proceeded down parallel paths (sometimes bordering on conflicting). This is more wasteful than the failure to consolidate forces; it sometimes is counterproductive.

When, in the PDAP phase of its operation and at the start of the RPTA/MLGCD project, the concentration was on tax mapping, the project brought a strength that clearly complemented and enhanced substantially MOFs capabilities. This added strength appeared to be welcomed by MOF, or at least, MOF did not see a serious threat to its "turf." But as RPTA/MLGCD extended its scope to the other steps in the RPTA system, MOF began to feel like "a guest in its own house."

That under these conditions, the RPTA/MLGCD has had a degree of success is a tribute to the ability and dedication of the director and the project's staff, and to a degree of understanding by the MOF official in charge of RPTA implementation in that agency.

In addition to the conflict with MOF, MLGCD--never an entirely appropriate location for RPTA/MLGCD--has under consideration a modification of its organizational structure that would make it an even less appropriate location for this special project. As we understand it, the proposed organization would place all the functional activities of the project--

training, mapping, on-the-job training, etc.--under different division heads in MLGCD, leaving the director of the RPTA project as a coordinator. If, for example, a Provincial Governor were to call the Director of RPTA/MLGCD and ask for a training seminar in his province on a specified date, the RPTA Director could not respond immediately, but would have to work through the head of the Division of Training of MLGCD who might or might not sanction it, etc. While the Project Director of RPTA would be a coordinator, under the new set-up, coordination of her/his various functional responsibilities would be very cumbersome and difficult.

But this change in MLGCD, if it comes, would, in a sense, only speed up the date at which a decision has to be made as to where to locate AID's expression of interest "in continuation of the real property tax program after the MLGCD and RPTA contract staff is dissolved on termination of the project." (Quotes from AID-Manila Initial Evaluation Report (Preliminary Versus), August 1980).

At that time, the appropriate location, in principle, would be MOF. The problem, of course, is the transition from principle to practice. Upon transfer to MOF, the challenge would be to keep the verve, zest and drive of the RPTA program in the face of the day to day operation of a Ministry wish many other programs and concerns. Some special mechanism is called for.

An easy way out would be to recommend that the project be returned to the Office of the President. The President, however, has not asked for it, and moreover, even under such auspices bureauticratization tends to set in. Even more importantly, however, it is clearly MOF that has the functional mission and supervision over the field staff necessary to maintain RPTA over time.

The Case for a Closer Link with MOF

At the Ministry of Finance (MOF), we discussed theiry RPTA program. They are concerned, they tell us, with the four basic steps--links in a chaon--that are the bases of an effective, sustainable and productive property tax:

1. Tax Mapping
2. Assessment
3. Records Management
4. Collection

The MOF stresses the financial and the personnel support they have given to tax mapping in the Philippines. They talk about efforts to improve assessments, emphasizing the training that assessors, who are organizationally under MOF, have had abroad and at home. They stress that the assessment capability of the country has been enhanced by the creation of the Office of Municipal Assessors. When these posts are filled, the manpower available for tax mapping and assessing will have been added to substantially. Finally, they note the central role in tax collection of the provincial and municipal treasurers who, like assessors are under MOF.

At the Ministry of Local Government and Community Development (MLGCD), their RPTA program was described to us as designed to provide substantially more property tax revenues for local governments. To that end, they are undertaking a program which is designed to cover the four basic requisites for an effective, sustainable and productive property tax:

1. Tax Mapping
2. Assessment
3. Records Management
4. Collections

RPTA/MLGCD stresses the important role it has played in the tax mapping process by providing training, technical advice and services and, in due time, commodity assistance. They also note the great improvement in assessments and records management that follow from tax mapping and cite the tax collection procedures they have developed as well as the training provided.

Why should there be two programs with the same objectives running in parallel? Wouldn't it be more efficient to link them in some way? By way of response to these questions, we have been told that MLGCD, via its concern with local government and its "clients"--municipal mayors who employ the assessors and treasurers and provincial governors--have a deep interest in a more productive property tax. MOF points out that all revenue measures, including property tax, fall within their domain, and assessors and treasurers are under their purview. Moreover, we are told that the two RPTA 'projects' do work together. In fact they do, but in an informal and inefficient way. A joint Letter of Agreement signed in 1977 has not been meaningfully implemented.

While we think a closer relation between the two RPTA programs is in order, we do not believe that the RPTA tasks should, at this time, be given exclusively to MOF or MLGCD. The two RPTA programs that are somewhat complementary and somewhat competitive set up a creative tension

which has resulted in a clearer and more meaningful set of objectives for the stages of the RPTA process, and more rapid progress in achieving them than, in our judgment, would have been the case with RPTA lodged solely in one Ministry.

But this is a transitional process during a period of implementation. After the improvements required for a productive and viable property tax have been implemented, the task changes to maintenance by assessors and treasurers who will be drawing on staff and skills built up in the previous phase of RPTA. The RPTA, we think, should become the sole responsibility of MOF.

While, as explained earlier, we think there are real advantages to continuing two RPTA programs until as much of the country as is feasible is tax mapped, we think they should be more closely coordinated on grounds of efficiency in resource use, to curb duplication and to limit actions that are at cross-purpose. There are illustrations of this cross-purpose. MOF required submission of a Multi-year plan from applicants for loans from its Revolving Fund. In that plan, a program for tax mapping is usually described and its cost estimated. We have been told that the costs are not very accurately estimated--that they tend generally to be unrealistically high--and that for tax mapping they frequently propose to purchase unnecessary and overly-expensive equipment. But as the two RPTA programs are organized at present, one of them does not feel that it should adopt a critical or advisory role with respect to submissions made to the other. In other words, one RPTA program thinks that the other may, in effect, be wasting scarce resources, but does not feel free to do anything about it.

This condition should not prevail. Incidentally, we make no judgment as to the validity of these allegations. We merely cite them to illustrate why we think closer communication is important. A more general way of putting this point is simply to note that if two entities are pursuing a common objective, it is sensible to have them get a common flow of information.

There are two other illustrations: RPTA/MLGCD provides "seed money," will provide commodities, and will award grants all designed to speed tax mapping. MOF has a loan program, a major portion of which has been (and will be) used primarily for tax mapping. Yet, to the best of our knowledge, there is no flow of information between the two RPTA programs, and no attempt to coordinate their efforts in this respect. Finally, one may note that it should take less than three years to produce a Tax Collection Manual satisfactory to both RPTA programs.

We assume (and recommend) that the objective remains to continue the RPTA programs more rapidly than in the past (which is a reasonable expectation since kinks have been removed from the program and a new collections manual will soon be ready) and with emphasis on tax mapping and records management.

In carrying out Phase II (commencing in 1983), to use available resources more effectively in the achievement of the objective to reduce competition among the two RPTA programs and to make them more complementary, we think a closer link between MOF and MLGCD is in order.

VIII. PLANNING FOR PHASE II

We recommend that the present RPTA/MLGCD be extended to the end of 1982, and carried out as presently structured. We recommend further, that the present phase be succeeded in 1983 by a Phase II designed to complete the RPTA project's objectives for as much of the rest of the Philippines as could feasibly be covered. At the end of Phase II, the RPTA project would have accomplished its objectives. The task of sustaining RPTA would be turned over solely to MOF.

The present phase of the project has been characterized by a relationship between MLGCD and MOF that we have described as "creative tension." MLGCD by seeming to take over some of the mantle of MOF has pushed the latter to do more in connection with RPTA than it may otherwise have. This has been good for both Ministries and has resulted in a more effective RPTA program.

However, the point has been reached, we think, at which the redundancies and conflict of this relationship outweigh the positive contribution of creative tension. The parties at interest in RPTA--MLGCD and MOF particularly--must recognize more directly and explicitly the commonality of concern between them and the necessity to focus their resources on the same objectives. While we are not in a position to prescribe the exact institutional arrangement for achieving this relationship, we can suggest some alternative possibilities on the one hand and a procedure for developing an informed choice from among them on the other.

There seem to be two reasonable possibilities for a more appropriate institutional arrangement. One would be to place the RPTA program totally within the jurisdiction of the Ministry of Finance. This would seem justified by the authority of MOF in matters of local government financial administration. A second possibility would be to create a separate task force, perhaps under the Office of the President, to deal explicitly with all facets of the RPTA program. This latter arrangement might be justified on grounds of (a) the important national objective of the program, (b) the need to accelerate the pace of RPTA and (c) the need to cut across Ministries to bring to bear a variety of ministerial resources and responsibilities on a common objective.

These are the alternatives that we have considered. There may in fact be other viable possiblities. In order to insure that all possiblities are fully considered and that consensual support is reached among all the Ministries involved, we propose the creation of an Interagency Committee.

The Committee would be designed as a technical working group with its primary purpose being to develop that institutional arrangement necessary to complete the job of tax mapping and collection improvement. It would consider and evaluate the program design as well as alternative organizational arrangements for Phase II. In principle, the Committee should include among its members all parties of interest:

Ministry of Finance
MLGCD
Bureau of Lands
Coast and Geodetic Survey
Ministry of Human Settlements
Chief of Assessment Services - Metro Manila
Ministry of Justice
Bureau of Forestry Development
NEDA

All these entities, and perhaps others we have not delineated, participate in at least one phase of RPTA: the Ministry of Finance because it has the responsibility for assessments and collection; MLGCD because it is the major source of tax mapping equipment, effort, and training; the Bureau of Lands and the Coast and Geodetic Service have an obvious interest in mapping; the Ministry of Human Settlements because it is interested in zoning and land values; the Chief of Assessment Services--Metropolitan Manila because of his centrality in the assessment process; the Ministry of Justice because of registration and land titles; the Bureau of Forestry Development to whom mapping is an important concern; and NEDA because of its role in regional development.

We propose, further, that a standing Advisory Committee be appointed to monitor and evaluate the work of the Inter-Agency Committee. The Advisory Committee would meet periodically, say, every quarter for a full day, reviewing the work of the Inter-Agency Committee over the most recent period. As a member of the Advisory Committee we suggest a representative from the Office of the President, a Mayor of a Municipality or City, a Governor of a Province, a tax mapping specialist, a property tax expert, and a land appraiser.

The Inter-agency Committee should be established now to insure that by the end of the current phase of the RPTA project, in 1982, a new institutional arrangement will have been developed and installed to carry out Phase II of the project.