

~~492-0357~~

492-0358
=

PROJECT PAPER
SUPPLEMENT
LRM/REAL PROPERTY
TAX ADMINISTRATION

PROJECT PAPER SUPPLEMENT
LRM/REAL PROPERTY TAX ADMINISTRATION

Table of Contents

	<u>Page</u>
FACESHEET	
Project Authorization	
I. Summary and Recommendation	1
A. Cost	
B. Purpose	
C. Description	
II. Background	3
Output Analysis of Concluded Project	5
A. Output 1 - Development and Implementation of RPTA System	
B. Output 2 - Capacity at Central/Regional Level to Plan, Administer and Replicate Systems	
C. Output 3 - Capacity at Local Government Level to Implement Improved Processes and Systems	
III. LRM/RPTA Description	12
A. Problem	
B. Project Framework	
1. Goal	
2. Purpose	
3. Outputs	
4. Resource Requirements/Financial Plan	
5. Assumptions	
IV. Implementation Arrangements	19
A. Capacity Building	
B. Expansion/Installation of Systems	
C. Administration	
D. Implementation Schedule	
V. Feasibility Assessment	34
A. Technical	
B. Organization and Management	
C. Economic-Financial	
D. Social Soundness Analysis	
E. Environmental Analysis	

VI.	Budget Schedule	47
VII.	Evaluation Plan	51
VIII.	Conditions Precedent	52

Annexes:

- A. Cable Authorizing Mission to Proceed to PP Approval and Authorization**
- B. GOP Application for Assistance**
- C. Detailed Account of RPTA Pilot Activities (including End-of-Project Assessment: Summary Recommendation)**
- D. Logical Framework**
- E. Terms of Reference: Management System and Development and Training**
- F. Terms of Reference: Preparation of Operational Manuals**
- G. Terms of Reference: Collection Planning and Operations**
- H. Organization Plan**
- I. Cost-Share Assistance Formula and Tentative LGU Listing and Cost Estimates**
- J. Commodity Procurement Plan**
- K. Statutory Checklist**
- L. IBRD/RPTA Project Document**
- M. MOF Draft Criteria for Selection of Project Sites**

PROJECT DATA SHEET

1. TRANSACTION CODE

C
A = Add
C = Change
D = Delete

Amendment Number

1

DOCUMENT CODE

3

2. COUNTRY/ENTITY

Philippines

3. PROJECT NUMBER

492-0358

4. BUREAU/OFFICE

Asia

04

5. PROJECT TITLE (maximum 40 characters)

Local Resource Management

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
08 31 89

7. ESTIMATED DATE OF OBLIGATION

(Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 82

B. Quarter 4

C. Final FY 84

8. COSTS (\$000 OR EQUIVALENT \$1 = P18.00)

A. FUNDING SOURCE	FIRST FY <u>82</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
FD Appropriated Total	403	4,534	4,937	586	12,314	12,900
(Grant)	(219)	(218)	(437)	(407)	(2,278)	(2,680)
(Loan)	(184)	(4,316)	(4,500)	(184)	(10,036)	(10,220)
Other U.S.						
1.						
2.						
Host Country		400	400		10,599	10,599
Other Donor(s)						
TOTALS	403	4,934	5,337	586	22,913	23,499

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) 03	260	240	240	1,500	4,500	1,180	5,720	2,680	10,220
(2)									
(3)									
(4)									
TOTALS				1,500	4,500	1,180	5,720	2,680	10,220

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODES

220	250								
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code	BR								
B. Amount									

13. PROJECT PURPOSE (maximum 480 characters)

To identify replicable, targetted approaches to local development in six provinces which can be extended and institutionalized throughout the CDSS regions in subsequent phases.

14. SCHEDULED EVALUATIONS

15. SOURCE/ORIGIN OF GOODS AND SERVICES

Interim MM YY MM YY Final MM YY
04 87 04 88 04 89

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

This amendment reflects additional funding of \$6.90 million (\$5.72 million loan and \$1.18 million grant) for the real property tax administration component of the project.

17. APPROVED BY

Signature

Frederick W. Schieck

Title

Director

Date Signed

MM DD YY

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION AMENDMENT No. 1

Name of Country: Philippines

Name of Project: Local Resource Managment

Number of Project: 492-0358

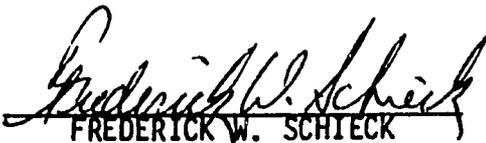
1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended and in accordance with my authority as delegated by Redelegation of Authority 133.1, as amended, I hereby amend the Project Authorization for the Local Resource Management Project for the Republic of the Philippines to increase the level of planned grant obligation to \$2,680,000 and of planned loan obligations to \$10,220,000 by adding \$1,180,000 grant and \$5,720,000 loan under this Amendment. These funds will be used for the Real Property Administration ("RPTA") Component of the Project.

2. Prior to any disbursement of these additional funds, the Cooperating Country will furnish satisfactory evidence of organization and staffing necessary to implement the Component, of an implementation plan and schedule, and of budgetary appropriations for the Project Management Office, and also of criteria under which local units will be selected to participate in the RPTA program.

3. Prior to initial disbursement of loan funds, and annually thereafter, the Cooperating Country will furnish satisfactory evidence of budgetary appropriations to cover A.I.D. financed installation of RPTA systems and the operation and maintenance of the Project Management Office.

4. A.I.D. financing for Phase B of the Component will be based on its assessment of evaluation findings on collection performance demonstrated in previously completed subprojects.

5. All other terms and conditions of the original authorization dated August 19, 1982 shall remain in full force and effect.


FREDERICK W. SCHIECK
Mission Director

DATE: September 18, 1984

Clearance: ORAD:GMFlores ^{NP/ln} (in draft)
OLA:DEspanol (in draft)
PO:RRhoda (in draft)
RLA:HAMorris (in draft)
OCD:JATennant (in draft)
CO:HWCollamer (in draft)
OPHN:JJDumm (in draft)
OFFPVC:WACarter (in draft)
OD/P/E:PDavis (in draft)
OD:MKilgour HK

LRM/REAL PROPERTY TAX ADMINISTRATION

(492-0358)

I. SUMMARY

A. COST:		<u>RPTA Add-on</u>	<u>LRM</u>	<u>TOTAL</u>
AID	Loan	\$5,720,000	\$4,500,000	\$10,220,000
	Grant	<u>1,180,000</u>	<u>1,500,000</u>	<u>2,680,000</u>
	Total	<u>\$6,900,000</u>	<u>\$6,000,000</u>	<u>\$12,900,000</u>
GRP (Dollar	National	\$2,400,000	\$3,565,000	\$5,965,000
Equivalent)	Local	<u>3,659,000</u>	<u>975,000</u>	<u>4,634,000</u>
	Total	<u>\$6,059,000</u>	<u>\$4,540,000</u>	<u>\$10,599,000</u>
TOTAL PROJECT COST		<u>\$12,959,000</u>	<u>\$10,540,000</u>	<u>\$23,499,000</u>

B. PURPOSE

The purpose of the Real Property Tax Administration activity of the LRM project is:

TO INCREASE LOCAL REAL PROPERTY TAX REVENUES TO FINANCE AND SUPPORT LOCALLY INITIATED DEVELOPMENT PROJECTS AND SERVICES.

The LRM/RPTA is an activity which is integral to the broader LRM/Track II Financial Administration improvement objective focused broadly on:

- Improved local revenue generation
- Improved fiscal management
- Strengthened regional and local government fiscal support systems.

C. DESCRIPTION

The LRM/RPTA activity will develop an institutional capacity at national, regional and local government levels to plan, implement and maintain

a national RPTA program. This program will be based on the lessons and experience of the recently concluded RPTA Project. A primary concern will be improved efficiency and effectiveness of the tax collection effort. The LRM/RPTA activity will finance technical assistance and training to strengthen the capacity of the Ministry of Finance and local government officials and staff to organize, manage and implement the establishment of RPTA systems (tax mapping, assessment, records conversion and tax collections). A fund will also be established to provide cost-share grants to local government units to help finance the establishment of RPTA systems in:

- Regions III, V, VI, and the LRM pilot provinces of Region VIII (Phase A)
- Regions I, II (Phase B)
- Region XII and remaining Region VIII local government units (Phase C).

The broader LRM/Track II component will support systems installation through related information, education and communication (IE&C), fiscal management, research and training operations plus work in developing permanent intermediary support institutions to sustain local government fiscal improvement. The LRM/RPTA activity program will be coordinated with a new IBRD assistance program in related fiscal improvement programs with the Ministry of Finance who will implement the USAID and IBRD activities and the USAID-assisted Municipal Development Fund (ESF) Project which provides technical assistance to assist selected municipalities improve their administration and financial management practices.

The concepts and activities proposed are consistent with GRP and AID policy and priorities and can be expected to contribute significantly to the attainment of AID's institution building objectives and to local level development.

II. BACKGROUND:

The proposed LRM/RPTA activity is based on pilot RPTA work initiated under the Provincial Development Assistance Program (PDAP), a general local government development and capacity building program, and expanded under a discrete RPTA pilot project concluded in December 1983. RPTA studies undertaken under PDAP in a few selected municipalities showed that improved RPTA systems (tax mapping and related operations) offered the best opportunity for increased local revenue generation. As a result, a discrete RPTA pilot project was proposed in 1978 which expanded the pilot work of developing and testing systems and otherwise establishing a base for national replication.

It was planned that administration of the RPTA pilot project would be undertaken jointly by the Ministry of Local government (MLG) and Ministry of Finance (MOF). After some delay in organizing for implementation, the MLG finally took primary responsibility for implementation. The pilot project suffered from a further series of serious delays from 1978-1981 resulting in revision of the project implementation plan based on recommendations of an external evaluation and subsequent audit.

A revised project agreement and revised administrative plan were developed and made operational by Executive Order issued in January 1982 almost three years after the signing of the original agreement. Responsibility for the project was formally transferred to the Ministry of Finance (MOF) since it was agreed that RPTA technical systems development and installation were primarily an MOF function.

The MOF proceeded to organize and train field staff and develop operational plans. In December 1982 an inter-ministerial advisory

committee^{1/} met to review MOF progress over the 12 months and concluded that the MOF had made significant progress in establishing organization and plans for their assuming responsibility for the RPTA project. They recommended that the project assistance completion date (PACD) be extended by one year to May 1983 which would allow about 18 months for the pilot installation and testing of systems. It was noted that field implementation was constrained by GRP bureaucratic problems mostly related to problems in the transfer of budget from MLG to MOF followed by the cumbersome procedures for flow of resources through the Treasury to the LGUs to initiate field operations.

During 1983, a second external evaluation was conducted which concluded that indeed significant gains had been achieved under MOF administration. The evaluation report, however, was critical of the MOF organization, planning and scheduling for implementation, but based on the overall favorable evaluation, it was recommended that the project be extended through December 1983.

During the last 24-month period of MOF administration a creditable amount of work was done by the MOF to establish a base for national replication despite the constraints caused by delays in budget. However, much of the planned training, technical assistance and commodity procurement plans had to be deferred because of lack of budget and time.

Loan expenditures over the life of the project totalled \$7.2 million:

Equipment	\$2.4 million
Technical Assistance	0.5 "
Training	0.3 "
Grants to LGU's	<u>4.0</u> "
Total	\$7.2 million

^{1/} Composed of National Economic and Development Authority (NEDA), Ministry of Finance (MOF), Ministry of Local Government (MLG) and United States Agency for International Development (USAID).

It should be noted that during the latter part of 1983 a separate local assessment was conducted by the IBRD in regard to the proposed program for Essential Municipal Infrastructure, Utilities Maintenance and Engineering Development (PREMIUMED) Project. The appraisal team concluded that the RPTA program was of critical importance to their rural and urban development projects. The appraisal team commented that as a result of RPTA pilot activities there was a new level of awareness and understanding of the benefits of RPTA in support of local government development programs. The appraisal team also concluded that there is need for management and other systems improvements, such as records management, in order to expand and sustain the program.

In early 1984 an end-of-project assessment essentially concluded that there was a need for consolidation of lessons learned, management and organizational improvements and concentrated efforts in collections. (See Annex C, Summary Recommendations)

OUTPUT ANALYSIS OF CONCLUDED PROJECT:

The following provides a summary output analysis of the concluded project drawing from various evaluations.^{2/} This section also gives a brief introduction of the systems to be installed and the feasibility of expansion (both will be covered in more detail in subsequent sections):

^{2/} Annex C provides a more detailed account of concluded RPTA activities and summary recommendations of end-of-project assessment.

A. OUTPUT 1: DEVELOPED AND IMPLEMENTED UNIFORM RPTA SYSTEMS: (TAX MAPPING, ASSESSMENT, RECORDS CONVERSION AND COLLECTIONS)

1. The tax mapping component represents the critical, costly and time consuming component on which the entire system is dependent. The tax map represents the foundation or base needed to build the RPTA system including collections. Over the last 24 months of the project, the MOF assisted in the testing and installation of tax mapping systems in 571 local government units (LGUs)^{3/}. As a result of this tax mapping effort, a significant number of participating LGUs were able to attain considerably higher increases in their assessed values and/or collection potential as discussed below.

2. Appraisal and Assessment - Valuation of property through field appraisal and subsequent tax assessment is an area that received less attention during the last 24 months of the project mostly because of time constraints. Earlier, a U.S. consultant had assisted in developing alternative methods of appraisal and improved assessment operations. The MOF deferred the scheduled 1982 reassessments until the pilot tax mapping had been improved and tested. Additional technical assistance was to be programmed during the last seven months of the program. However, budget delays did not allow the contracting of specialized services.

^{3/} Municipalities and city districts. In the Philippines there are approximately 1461 municipalities (townships) and 530 city districts (excluding Metro Manila and Cebu).

The recent end-of-project assessment reported that an "analysis of 124 completed projects indicates the significant increase in potential tax revenues that can result from the project. The increase, however, is less than the long term goal of a 50% increase in assessed value and individual LGU subproject performance is uneven."^{4/}

3. Records Conversion and Management: The detailed documentation of accurate information in a tax roll, individual tax record and tax bill is key to the eventual efficient collection of taxes. Records management and the billing process plus physical control of records is an enormous task and modernization is needed. Manuals for records management and procedures have been developed under the completed RPTA pilot project and will be tested in the next phase.

4. Tax Collection: An attempt was made early in the project to mount an intensive tax collection campaign based on existing records. The results were very mixed and several controversies resulted because of errors and omissions in the tax maps and records. The MOF revised the strategy to first establish a more correct and defensible base for tax collection through the development of improved tax maps and records systems, paralleled with the development of information and education program directed at both local government officials and at the taxpayer. Informational materials have been prepared and tested for all types of media in major dialects.

^{4/} The continuing GOP long term objectives are to increase RPTA collectibles by 50 percent through installation of an improved real property tax system (tax mapping, assessment and records management) and to increase the tax collection efficiency up to 75 percent.

The 1984 end-of-project assessment noted that increases in tax revenues (based on analysis of a sample of LGU projects) have been limited thus far, although selected LGUs show high individual performance. Because of the uneven results of the evaluation, another small sample study of RPTA collections was conducted by the MOF and USAID looking at primary data of six LGUs in the target Regions. The sample consisted of LGUs which had at least a two year history of collections after completion of project tax mapping, assessment and records conversion. (The sample was not random and does not reflect many poor as well as other good performing LGUs. The intent is to show trends and potentials.)

Table 1
Annual Rate of Increase (%) in Tax Collection of
Six Selected LGUs.^{5/}

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
Iloilo Province	+6	+115	+36	+1
Negros Occidental Province	7	31	9	32
Albay Province	15	32	57	7
Bacolod City	1	43	4	3
Tacloban City	20	38	22	7
Legaspi City	5	48	4	17
Average	9	51	22	11

The rate of increase is mixed but the sample shows positive increases after installation of tax mapping which then levels off.

^{5/} The intention is to show trends and potentials only.

The MOF and USAID sample study also shows that the collection efficiency (collections over collectibles) in the first post-RPTA year improved significantly, again indicating the untapped potentials of RPTA in tax-mapped areas:

Table 2

Collection Efficiency (percentage) Trends of Six Sample LGU's

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Iloilo	29	57	75	75
Negros Occidental	58	61	60	69
Albay	34	35	44	45
Bacolod City	48	63	62	63
Tacloban City	36	45	51	53
Legaspi City	47	62	61	58
Average	42	54	59	61

Data from the National Tax Research Center indicated that as of 1980 the average collection efficiency of provinces was 45 percent and cities 49 percent (excluding Manila). Much more needs to be done in improving collections which the project will undertake through studies, IE&C and improvement in procedures and records management.

B. OUTPUT 2: SUSTAINED CAPACITY AT CENTRAL AND REGIONAL GOVERNMENT LEVELS TO PLAN, ADMINISTER AND REPLICATE SYSTEMS.

Shortly after the transfer to the MOF of responsibility for RPTA, the MOF Assessment Division was converted into a permanent RPTA office. Some 240 local MOF officials were trained in the U.S. and locally to provide local support. In each region, mobile technical RPTA task forces were organized to support field operations, monitor implementation, train and assist local MOF and other officials in systems installation. Assessment indicates that the task force approach offers an efficient means of utilizing experienced and trained personnel in an expansion program.

As noted earlier, the 1983-84 evaluation and assessment are still critical of the central and regional MOF management arrangements, planning and implementation strategy. The 1983 evaluation recommendations (in summary) were that there was need for:

1. Clear delineation of the roles of the central and regional project management office and delegation of more responsibilities and authorities to regional units.
2. Designation of a full-time project executive officer or project manager with greater autonomy in making operational decisions.
3. Establishment of a project management training program.

The IBRD assessment also agreed that the new organization implementation plan will need to address these recommendations through technical assistance and training. (The above recommendations are addressed in the implementation plan and are conditions precedent to disbursement.)

C. OUTPUT 3: SUSTAINED CAPACITIES AT THE LOCAL GOVERNMENT LEVELS TO IMPLEMENT IMPROVED PROCESSES AND SYSTEMS.

Similar to the regional task force approach, provincial and city level task forces were created. The provincial and city task force was intended to be more of a planning, management and monitoring group, with the regional task force as the technical body to help organize and assist local officials install systems in the municipalities and cities, including provision of logistic support as available. Again, the MOF approach of mobile regional teams having primary responsibility for technical installation and replication appears to be an efficient approach for the future. However, local government-elected officials, local treasurers and assessors in the provinces, cities and municipalities still carry primary responsibility for mobilization of the resources and providing the necessary logistics and manpower support for installation and maintenance of the system. Their motivation, understanding and commitment is also critical to the collection and enforcement effort.

III. LRM/RPTA DESCRIPTION:

A. The problem has been succinctly stated by the MOF in their letter to USAID requesting continued assistance:

-- "the national government needs to continue to stimulate local government and help in preparing them for self-reliance since the national government can no longer provide for the growing needs of local development".^{6/}

The LRM concept and approach of capacity building and phased RPTA installation (as part of broad, improved local resource mobilization and local revenue generation for local development) is well understood and supported by the GRP at the highest level. AID's own local government studies agree that more needs to be done in revenue generation and capacity building.^{7/}

In the Philippines, it is also agreed that as far as local resources for local government is concerned, the primary source is real property tax. The GOP and USAID through PDAP and the concluded RPTA pilot project have made the necessary investments to initiate the RPTA processes and created a momentum, i.e., over the last two years local government officials have been oriented concerning the substantial potential of the RPTA program, and there is general support for improved real property tax administration and collection. The economic situation in the Philippines has also served to encourage officials to promote more local resource mobilization and local revenue generation. In short, the environment is very conducive to improvement of RPTA.

^{6/} Letter from MOF requesting continued USAID assistance dated March 5, 1984. (Annex B)

^{7/} See: Local Government Field Studies in the Philippines, Thailand and Indonesia; Report prepared by AID/PPC, January 1983.

The limitations are also known and the proposed LRM/RPTA program proposes a carefully planned capacity building and phased systems replication or expansion program which considers available staff resources and budget for field operations, especially tax mapping. A factor entering into the equation is the peace and order situation which must be considered in selection of LGU's for participation under the program.

B. Project Framework:

The proposed LRM/RPTA activity is designed as a subcomponent under the LRM Track II as recommended by AID/W. The RPTA activity is integral and directly linked to the LRM/Track II financial administration component which is broadly conceived to address local government financial improvement concerns of: improved fiscal management; improved local revenue generation; and development of regional and local government intermediary financial support systems.

It should be emphasized that the Track II revenue generation has a broader mandate since there is a range of revenue sources including business tax, residence tax, public markets, etc. that must be better mobilized, RPTA being the most important. The GRP/LRM staff recognized the specialized technical nature of RPTA and agreed that MOF must still undertake the actual implementation of this important component. Other Track II work by a consultant group working directly with local governments as their "clients" concerned with fiscal management and development of support systems will reinforce/support LRM/RPTA activities, and the total work will be coordinated by a working committee headed by MOF Director for Local Government Finance.

1. The goal of LRM/Track II Financial Administration is:

TO TRANSFORM LOCAL GOVERNMENTS INTO MORE FINANCIALLY SELF-RELIANT UNITS RESPONDING TO THE NEEDS OF THE PEOPLE.

The test of LRM/Track II goal achievement which RPTA directly contributes to will be the ability of local governments to increasingly determine and independently act upon and/or finance local development programs from local revenue resources. The progress can be measured by the number of new locally initiated projects and the amount of local government contributions to community managed activities.

2. Purpose: In line with the above, the LRM/RPTA activity purpose is:

TO INCREASE LOCAL REAL PROPERTY TAX REVENUE TO FINANCE AND SUPPORT LOCALLY INITIATED DEVELOPMENT PROJECTS AND SERVICES.

Particular emphasis will be placed on collection performance and resources are targetted on establishment of effective processes and procedures. The indicators of purpose achievement of the RPTA activity will be an average increase in assessed values by 50% after appraisal and an annual rate of increase in RPTA collections efficiency by 15%, approaching the GRP target of 75 percent over time.^{8/}

3. The project outputs: As described above, the systems have been pilot tested. Much is known of the needed improvements but no new structures need to be developed to install the systems. The LRM/RPTA will concentrate on (a) capacity building at national, regional and local levels and (b) phased expansion/replication of systems in selected municipalities/city districts capitalizing on the lessons and experience of the previous program. The LRM/RPTA will accomplish the following outputs:

a. IMPROVED MANAGEMENT AND TECHNICAL CAPACITY OF CENTRAL, REGIONAL AND PROVINCIAL/CITY LEVEL OFFICIALS TO SUPPORT LOCAL OPERATIONS.

^{8/} The increase is calculated at plus-15% of the previous base, thus if efficiency at year 1 is 50%, year 2 target is 57.5% and year 3 is 66.1% and so on.

b. INCREASED CAPACITY OF LOCAL PROVINCIAL/CITY GOVERNMENT FISCAL ADMINISTRATION OFFICIALS TO EXPAND AND MAINTAIN RPTA SYSTEMS SUPPORTED BY REGIONAL TASK FORCES.

c. SYSTEMS INSTALLED IN REGIONS III, V, VI LRM PILOT PROVINCES OF REGION VIII MEETING RPTA CRITERIA (PHASE A), I AND II (PHASE B), AND REMAINING REGION VIII LGUS AND XII (PHASE C).

A phased program is being proposed with USAID and IBRD support. The rate of expansion/replication will be to a great extent dependent on availability of counterpart budget, the improved management capacity of the MOF central and regional units and peace and order. During the initial planning, the local government units will be carefully selected against a criteria of earnest commitment to install and maintain RPTA systems and resolution to undertake an intensive collection effort. (See Annex M, draft criteria for selection of LGUs) To avoid conflicts and duplication, close coordination will be maintained with the IBRD program which has a programmatic focus in Region VII and other Regional cities and the USAID/ESF-assisted Municipal and Regional Development Projects focused primarily in Regions I and III.

4. Resource Requirements: Technical assistance and training inputs will be aligned with the phase-in plan and the existing capacities of the central office and the varying capacities of the regional support units. The following are estimates of resource requirements: (See Section VI for Annual Budget Schedule):

a. Financial Plan and Budget

The estimated cost of the RPTA component of the LRM project, stated in dollars, is \$12.9586 million (U.S.\$6.9 million AID contribution and U.S.\$6.0586 million GOP counterpart). As illustrated in the RPTA component

budget schedule on page 49, loan funds of U.S.\$5.72 million will be utilized for the installation and expansion of systems. Grant funds of U.S.\$1.18 million will be used to fund Technical Assistance for Management (U.S.\$0.559 million), Systems Improvement and Training (U.S.\$0.151 million), Preparation of Operations Manuals (U.S.\$0.120 million), Collection, Planning and Operation (U.S.\$0.047 million), Information, Education and Communications (U.S.\$0.053 million), Commodity Support (U.S.\$0.2 million) and Evaluation (U.S.\$0.05 million).

The GOP counterpart will be comprised of local currency contributions by both the national and participating local governments. The national government contribution will fund central government project operations in the equivalent amount of U.S.\$2.4 million while the local governments will co-finance the expansion and installation of the system in the equivalent amount of U.S.\$3.6586 million.

b. Budget and Disbursement Procedures

Project funds will be budgeted in accord with Presidential Decree (PD) 1177 and other budget regulations promulgated by the GOP. Accordingly, funds with which to implement these activities will be appropriated in the annual General Appropriations Act (GAA) under a separate and distinct Key Budgetary Inclusion (KBI) or through the Foreign Assistance Projects Support Fund (FAPSF).

Funds released to the project for grant funded activities will follow the usual GOP procedures as dictated by the disbursement mechanism described hereunder:

(1) Foreign Exchange Costs - All USAID grant funded activities within the preview of capacity building and commodity support which call for

payments in foreign exchange will be host country or USAID direct contracted. Such contracts will be financed through AID/W issued bank L/COMs and/or USAID issued direct L/COMs.

(2) Local Currency Costs - All USAID grant funded activities under the umbrella of capacity building, commodity support and evaluation which call for payments in local currency, similarly will be host country or USAID direct contracted. As it is expected that appropriations will be made available for these grant funded activities, payment will be on an advance/liquidation or reimbursement basis. If appropriations are not made available to the full extent desired the contracts will call for direct payment by USAID.

Funds released under the loan financed expansion and installation of systems on the other hand will follow the guidelines implementing PD 1914 entitled "Creating a Special Revolving Fund for Purposes of Foreign Assisted Projects Applicable to Local Government." Loan proceeds transferred to the local governments by the national government (both loan and counterpart funds) will be on a grant basis. USAID's disbursement procedures for loan proceeds is discussed in the paragraph titled Expansion/Installation of Systems, page 27.

PD 1914 was issued in 1984. It authorized the establishment of a Municipal Development Fund (MDF) to be managed by the Ministry of Finance, to provide a central conduit for all resources directed at local governments. The implementing guidelines of PD 1914 establish and describe such areas as the parameters and procedures of the revolving Municipal Development Fund, its document flows, and accounting requirements. The procedures of the MDF, however, have not been tested as it isn't fully operational. USAID believes

that the MDF provides the potential for successful project implementation and believes that the GOP will adjust the system to facilitate project implementation if the need arises. Furthermore, USAID is conducting negotiation with the GOP to develop alternate funding mechanisms. If these prove to be more responsive to project implementation than those described herein the funding mechanism may be changed through a Joint Project Implementation Letter.

5. Assumptions:

In the achievement of the project goal and purpose, it is assumed that:

- a. National government policy will continue to promote local autonomy and support local measures to create sources of revenue and levy taxes as proposed in the Local Government Code
- b. Real property tax laws will not be revised drastically by law or fiat, thus rendering the project inoperable;
- c. The peace and order situation will allow for systems installation in a majority of the country.
- d. Improvements proposed especially in regard to assessment and collections requiring legislation will be favorably passed.
- e. Appropriate number of personnel with potential will be assigned at central, regional and local levels and will be reasonably remunerated by the GRP. (condition precedent).
- f. Budget will be provided to support project field operations (condition precedent).

IV. IMPLEMENTATION ARRANGEMENTS:

A carefully planned management technical capacity building and phased systems expansion/replication program is recommended for 1984-1989. From 1984 to early 1986 it is planned that efforts will be concentrated in capacity building and consolidation of lessons and experience of the concluded pilot programs. In this regard, resources will be provided and programmed for the following:

1. Technical Assistance for Management and Systems Development and Training
2. Preparation of Operational Manuals
3. In-Country Technical Training
4. Collection Planning and Operations
5. Information, Education and Communication

Actual field work in systems installation will commence in late 1985 as plans have been carefully formulated, staff mobilized and GOP budget becomes available.

A. Capacity Building

1. Management Development - The 1983 evaluation and end-of-project assessment of the pilot RPTA program have pointed to various weaknesses in the planning and management of field activities and follow-on monitoring of progress. Technical assistance estimated at 24 person/months will be provided by an experienced U.S. management advisor working jointly with a local management institution which will be contracted to continue beyond the U.S. management specialist period for a total 48-month level of effort. Draft terms of reference are provided in Annex E which generally describe an approach which concentrates on managerial and planning skills with objectives

of clear communication, understanding of strategies/concepts and responsibilities and improved planning and coordination of central, regional and local (province/city) level offices.^{9/} The LRM/RPTA management technical assistance and training shall concentrate on the regional and provincial/city levels while IBRD technical assistance in management shall focus more at the central level but coordinated by the MOF Director of Local Government Finance.

The LRM/RPTA management and capacity building technical assistance and training will have a total 48 month implementation schedule and will be conducted through a field seminar approach concentrating first on the seven LRM Regions and three IBRD Regions to ensure that uniform procedures and guidelines will be followed. Training will be targetted to specific officials involved in the RPTA activity while at the same time a capacity will be developed at regional and central levels. Pre-implementation surveys by the MOF will determine specific LGUs that will participate based on an agreed set of criteria.

About 6 central office officials, 15 regional staff, about 100 provincial/city assessors and treasurers/staff at the management level and 35 local government officials will participate in on-the-job training in Phase A. Training programs shall be modified and improved with the experience of each seminar and it is planned that the new management techniques and innovations will be continually reinforced and expanded during Phases B and C to the other

^{9/} The approach may follow a model tested and being implemented by the Ministry of Local Government in their development of regional, provincial and city level staff capacities to administer "special projects" (see Matrix on Page 21).

LRM/RPTA STRATEGY FOR MANAGEMENT SYSTEMS DEVELOPMENT AND TECHNICAL TRAINING

	<u>CYCLE I</u> (One week/Region)	<u>SYSTEMS DEVELOPMENT I</u> (One week/Region)	<u>CYCLE II</u> (One week/Region)	<u>SYSTEMS DEVELOPMENT II</u> (One week/Region)	<u>CYCLE III</u> (One week/Region)	<u>SYSTEMS DEVELOPMENT III</u> (One week/Region)
<u>PURPOSE:</u>	Increased manager effectiveness.	Increased management technical capacity for tax mapping and appraisal/assessment. (Uniform Systems)	Increased management team performance.	Increased management technical capacity for records conversion and management. (Uniform Systems)	Increased organizational performance.	Increased management technical capacity for tax collection/enforcement.
<u>PARTICIPANTS:</u>	Top 25-30 MOF/LGU managers for each region/province/city/municipality.	Same as Cycle I	Same as Cycle I	Same as Cycle I	Same as Cycle I	Same as Cycle I
<u>TIME PERSPECTIVE:</u>	Immediate use and short-time results.	Same as Cycle I	Intermediate future.	Same as Cycle II	1-3 years	Same as Cycle III
<u>LEVEL OF KNOWLEDGE, SKILLS AND ATTITUDE:</u>	General and basic.	Same as Cycle I	Intermediate	Same as Cycle II	Advanced and specialized.	Same as Cycle III
<u>CONTENT:</u>	<ul style="list-style-type: none"> - Dimensions of Management - Management Style - Interpersonal and Group Dynamics - Motivation/Productivity - Management by Objectives 	<ul style="list-style-type: none"> - Tax Mapping Program <ul style="list-style-type: none"> • Elements of Map System Design • Data Collection • Lay-out Sheets and Tax Map Preparation • Numbering and Identification System • Tax Map Maintenance - Approaches to Valuation. - Appraisal/Assessment Process 	<ul style="list-style-type: none"> - Performance Improvement Planning - Problem-solving and Decision-Making - Team Building - Implementation Planning 	<ul style="list-style-type: none"> - Tax Declaration - Data Conversion - Numbering System - Filing System - Assessment Roll - RPT order of Payment 	<ul style="list-style-type: none"> - Strategies Planning - Negotiating - Policy-making - Information System - Organization Designs - Organization Development - Inter-organization and Public Relations 	<ul style="list-style-type: none"> - Preparation and Maintenance of RPTA Account Registers - Billing Process/Notice of Payments - Collecting the RPT - Accounting for Payments - Collection of Delinquent Taxes - Tax Information and Education - Analysis of Collectibles/Collection Trends
<u>OUTPUT:</u>	Increased awareness and skill, plus individual objectives on the job.	Developed uniform system for preparation, installation and maintenance for a system on tax mapping and appraisal/assessment.	Coordinated and cooperative management teams with group skills and implementation plans for improving performance and follow-up action.	Developed uniform system for records conversion and management.	Performance systems linked to MOF goals.	Developed uniform system for tax collection program and enforcement.
<u>RESPONSIBILITY:</u>	<ul style="list-style-type: none"> - U.S. Management Systems Consultant - Local Resource Institution 	<ul style="list-style-type: none"> - MOF Technical Advisors - Local Resource Institution 	<ul style="list-style-type: none"> - U.S. Management Systems Consultant - Local Resource Institution 	<ul style="list-style-type: none"> - MOF Technical Advisors - Local Resource Institution 	<ul style="list-style-type: none"> - U.S. Management Systems Advisor - Local Resource Institution 	<ul style="list-style-type: none"> - MOF Technical Advisors - Local Resource Institution

regions primarily by the local training institution. The Civil Service Academy is a prime candidate to expand the training, considering its prior involvement, interest and potential capacity for management training as shown in the just concluded RPTA pilot program.

2. Training manuals on each aspect of RPTA shall be developed to ensure uniformity of the installed systems in all of the local government units. Manuals shall be developed with technical assistance from a local institution in the areas of appraisal/assessment, records conversion/management, and tax collection. (Annex F provides the terms of reference.)

a. For tax mapping, the manual which was developed in the RPTA pilot project will be utilized since it has already been tested and standardized for adoption by all local government units in the country.

b. Appraisal and assessment manuals in current use were issued 20 years ago. Procedures need to be improved and manuals revised and updated. For example, methods for assessment of certain properties such as specialized equipment, condominiums, shopping centers, memorial parks, etc., now must be incorporated in the manuals. Many laws, rules and regulations have been issued on real property assessments and these must be systematically integrated into the manual to ensure clarity and internal consistency. Training in the new techniques of real property assessment is included in the specialized in-country training program mentioned above.

c. Records management development was studied in the past RPTA project and a manual has been developed for testing in this LRM/RPTA project. This is a priority area recognized by the MOF, IBRD and USAID. The problems of the sheer volume of records, diversity of present procedures, limited physical space and manpower, difficulty in updating records and maintaining

accuracy through manual methods has been studied and new systems will be installed as appropriate. Pilot testing of manuals shall be undertaken by a local institution in selected LGUs that have completed tax mapping, appraisal and assessment.

d. A tax collection procedural manual will be developed based on studies to be undertaken.

3. **Specialized In-country Technical Training** - to equip the field implementors with the necessary knowledge and skills in the installation of the RPTA systems and to ensure uniformity of the systems to be installed. A series of technical training programs will be conducted for central, regional and local government RPTA staff in combination with management training and utilizing manuals prepared. The primary technical training staff will be MOF personnel trained under the RPTA pilot project and local consultants with local resource institution assistance. The focus will be on the technical details of tax mapping, appraisal/assessment, records conversion and collection components including planning, organization and implementation. The formal portion shall be conducted in seminars and workshops before field implementation followed by on-the-job training during the actual installation of the field systems.

4. **Collection Planning and Operations** - The end-of-project assessment concluded that based on a small sample there was only limited increase in collection and collection efficiency in many of the LGUs where tax mapping, appraisal/assessment and records conversion components have been installed. However, there is clear agreement that the RPTA processes properly installed will result in a significant increase in tax collectibles (tax potential). The RPTA now needs to translate this potential into actual collections. At this time there is need for various studies to evaluate the

factors influencing collection and collection efficiency. Preliminary work conducted under the RPTA pilot program has looked at factors which influence willingness and ability of taxpayers to pay real property taxes. This study pointed to several problem areas including (1) attitudinal and economic factors, (2) assessment deficiencies, (3) problems on records systems and management, (4) enforcement procedures, and (5) personnel weaknesses and other resource constraints.

The proposed in-depth studies will be undertaken by a local resource institution on a representative sample of LGUs, both with and without completed RPTA projects. In general, the studies shall survey taxpayers' attitudes and capacity to pay; review past experiences of treasurers and collection experts and identify mechanisms that have succeeded or factors which influence collection performance; and analyze tax records, tax collection documents and billings to establish significant relationships that may exist between collection performance and various record management procedures/systems being installed. Based on this analysis, strategies shall be formulated for an intensive collection campaign and collection manuals/guidelines will be prepared. The studies shall be undertaken at the start of the project in 1984. Initial study results should be available by mid-1985 for implementation by 1986. (The terms of reference are given in Annex G.)

5. Information, Education and Communication (IE&C) - As planned, tax collection will be a primary area for emphasis. An important aspect of this is the related IE&C. Orientation on RPTA was conducted in the pilot areas but a much more extensive IE&C campaign is needed. The IE&C approaches already developed in the concluded RPTA project shall be further tested in those areas where pilot work in tax mapping and records management has been completed.

IE&C implementation strategies, processes and procedures will be developed through studies and technical assistance as required.

The IE&C and collection effort will be supported by the technical assistance being provided under the broader LRM Track II component. An important aspect of the IE&C effort of the broader Track II component (cum RPTA) is to convey potentials of RPTA and also condition LGUs of the requirements to successful participation in the program and basis for participation which includes resolution and commitment to install and maintain a collection and enforcement system. The message to taxpayers is that the tax program is fair and beneficial to them since it will support local development. To be successful, the system must be efficient and offer correct information on billing and payment plus informational material describing where resources are allocated. Key to the collection improvement is improved records management and close coordination between the local government officials and the assessors' and treasurers' offices in the promotion, processing and management of the information and education effort.

B. Expansion/Installation of Systems

A phased system installation program will be implemented in seven LRM regions. A phasing scheme is planned which considers MOF capacity to manage an expanded project, and counterpart budget to finance the expensive field systems installation efforts. The installation is not a one-time effort but subject to continual refining/improvement of the systems by local governments based on new developments and experiences and lessons learned from each preceding system installation. The installation of tax mapping systems must be adjusted to local geographic condition, weather and availability of cadastral/base maps.

Phase A is scheduled for implementation in late 1985 to cover Regions III, V, VI and LRM pilot provinces of Region VIII meeting RPTA criteria. In these regions there are some 272 LGUs (municipalities and city districts) in the 18 provinces and 12 cities.^{10/} Within this universe there will be a careful selection of LGUs which meet the criteria. The second Phase B to start in calendar year 1987 includes Regions I and II which have 227 LGUs in the 14 provinces and 3 cities.^{11/} The third Phase C covering the remaining LGUs of Regions VIII and XII to be implemented beginning calendar year 1988 includes 168 LGUs in 7 provinces and 5 cities.^{12/} The IBRD program will concentrate on the remaining regions. Note: In 1984 an assessment will be conducted to determine levels of readiness, commitment and peace and order conditions. Based on this assessment a realignment of participants in Phase A may be necessary during Phase A. The intent is to work as quickly and productively as possible in those areas of promise and leave the more difficult to the later phases.

A technical working committee shall be organized to develop detailed criteria for the selection of LGUs that shall participate in the project. Primary criteria is the commitment of local government executives along with technical and managerial capacities of local implementors, availability of local budgetary counterpart, peace and order conditions. A resolution providing needed budget support and a plan for implementation of a strong tax collection effort will be a pre-condition to participation (see Annex M, draft criteria).

^{10/} under the Pilot Project 130 municipalities and 27 city districts were covered.

^{11/} 64 municipalities and 3 city districts covered by the Pilot Project.

^{12/} The Pilot Project covered 59 municipalities and 16 city districts.

The systems installation will emphasize uniformity in processes and procedures undertaken by project trained and organized staff supported by regional teams. The central office will monitor installation to ensure that the systems are correctly implemented, in order to have a correct foundation for mounting a strong collection program.

The expansion/installation of systems will be financed through a Fixed Amount Payment Agreement (FAPA), a modified Fixed Amount Reimbursement Agreement, executed by the LGU, MOF and USAID. The FAPA will be financed by the national government, using USAID loan proceeds and the participating LGU using cost data established under the pilot project and which forms the basis for cost-share between local and national government (see Annex I: Cost-Share Assistance Formula). The FAPA will provide for advances equivalent to 90-days cash needs. The disbursement of these advanced funds will be preceded by the establishment of a separate funded account by the LGU in the amount of its contribution to the activity funded by the FAPA. Advances equivalent to 90-days cash needs was deemed to be essential in order to properly integrate the advance mechanism with the quarterly GOP budgetary cash releases. Furthermore, as the work to be performed under the FAPA's is expected to take 3 to 6 months, the second and subsequent 90-day advances will be released on the basis of a statement by MOF, subject to verification by USAID (at its discretion), indicating that work is progressing and funds are being disbursed as originally planned. This is necessitated by the lack of a clear yardstick to measure partial progress and partial liquidation. Liquidation will take place with the preparation of the tax map control roll at the completion of tax mapping, approximately 6 months after initiation of field work. Advances equivalent to 30-day cash needs as required by AID's cash management

guidelines would make the procedure unacceptable to the GOP and unworkable. In the event that USAID advances are not appropriately liquidated and/or misused, the MOF will utilize the authority granted under PD 1914 to withhold monies from the monthly Bureau of Internal Revenue allotment/allocation to the responsible LGU's, and accordingly refund same in U.S.\$ or its peso equivalent (as requested by USAID) to USAID.

Limited commodity support for field operations will be provided to support field operations and for office equipment. The IBRD is expected to finance additional equipment necessary for records management. Annex J provides listing of LRM/RPTA commodities for financing.

C. Administration

Implementation of the RPTA shall be coordinated by the LRM Program Management Executive Office. However, based on the recommendation of the 1984 end-of-project assessment and judgment of the concerned agencies including USAID, it is agreed that the LRM/RPTA shall be managed and administered by the MOF within the broader framework of the LRM Program. It is recognized that RPTA is integral to LRM/Track II in terms of activities and output. Opportunities, therefore, to achieve closer linkage and coordination will be continually reviewed through a Track II Interagency Technical Working Group which includes members of Track II consultants, RPTA consultants, NEDA (the overall lead agency for LRM Program), representatives from LGUs and USAID (as an advisory member). The chairman of the Track II working group will again be the MOF Director of Local Government Finance.

The newly created MOF Local Finance Project Management Division will be responsible for RPTA management. This division has responsibility for all foreign assisted projects under MOF administration. A Special Project Unit within the Division will be staffed and function as the RPTA Central Project Management Office (PMO) and responsible exclusively for the administration of the USAID and IBRD-assisted RPTA Project component. It shall be headed by a full-time Project Manager who shall be given authorities and responsibilities for the day-to-day operations of the project. He/she shall be assisted by two Deputy Project Managers, one for administrative matters and the other for technical operations. The Deputy Project Manager for Administrative Services will be responsible for personnel, budget and finance, accounting, commodities procurement and maintenance, and general services. The Deputy Project Manager for Technical Operations will be responsible for field technical assistance, monitoring and evaluation, training, and coordination and supervision of various technical assistance components. Regional RPTA offices shall have a staff dedicated to RPTA and organized similar to the central PMO. Annex H shows the organization plan which shall serve as the basis for MOF in issuing a Ministry Order (a condition precedent to disbursement of funds).

There will be three committees to be expanded/organized to facilitate project implementation:

a. Executive Committee - Other agencies whose activities complement the RPTA operations shall be added to the existing LRM Executive Committee. These include the Bureau of Lands which produces cadastral maps and Ministry of Agrarian Reform which undertakes parcellary mapping of land reform areas to participate on RPTA matters only. The expanded committee shall be composed of Deputy Minister officials from NEDA, MOF, MLG, OBM, COA,

BL, MAR, other concerned GOP agencies and USAID (as an advisory member).^{13/}

It shall be headed by the NEDA Director-General. This committee will be responsible for establishing policies and dealing with problems and issues that cannot be resolved by the lower technical committee.

b. Technical Advisory Committee - This committee to serve as the technical staff of the LRM Program Management Executive Office shall be headed by the LRM Deputy Executive Director assisted by the RPTA Project Deputy Executive Director. The committee will be responsible for formulation of general operational plans, monitoring of technical assistance and studies, and reporting on project operations. The committee will include mid-level management officials of various agencies and institutions represented in the Executive Committee plus representatives from LGU's. The LRM Track II Interagency Technical Working Group will be made a part of this committee.

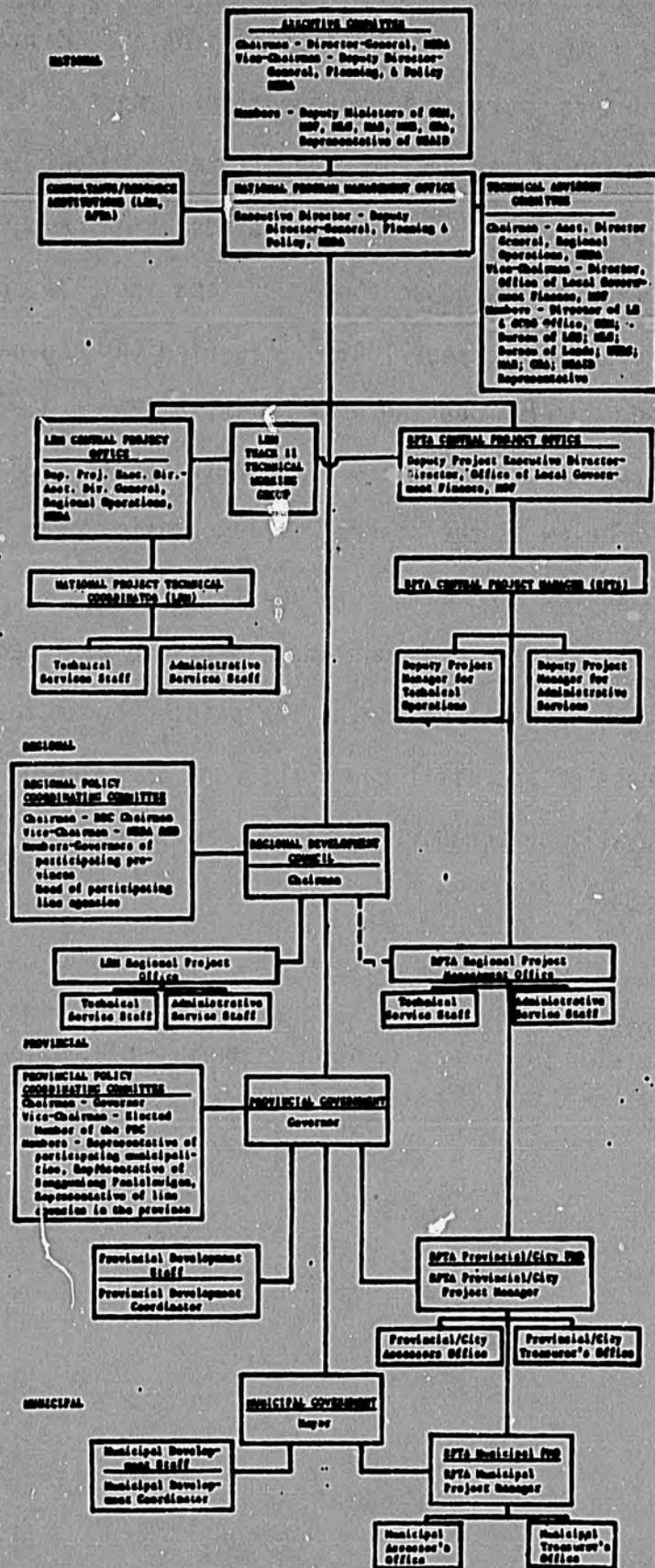
c. Screening Committee - A screening committee shall be organized to evaluate and approve the application of local government units to participate in the RPTA program. Regional and Provincial representatives will participate in the Committee along with MOF, NEDA, MLG and USAID as advisory member. The final approval will be subject to the MOF/RPTA Deputy Executive Director's concurrence.

D. Implementation Schedule

The project will be implemented over a period of about five years (July 1984-June 1989). As noted above, the first 24 months of the project will be primarily devoted to capacity building and consolidation of lessons

^{13/} Ministry of Finance (MOF), National Economic and Development Authority (NEDA), Ministry of Local Government, (MLG), Office of Budget and Management (OBM), Commission on Audit (COA), Bureau of Lands (BL), Ministry of Agrarian Reform (MAR) and United States Agency for International Development.

PROPOSED ORGANIZATIONAL CHART FOR
LEU-OPRA PROJECT INTEGRATION



learned and experience from the concluded RPTA pilot program. Resources as outlined above are provided for further improvement/refinement of RPTA systems and procedures, strengthening of management capabilities, conduct of collection planning and operations, information and education campaign and training of field implementors. As noted above, systems installation will start in the later part of calendar year 1985^{14/} covering LRM Regions III, V, VI and LRM Planning Region VIII meeting RPTA criteria (Phase A). Phases B and C will commence as experience from Phase A indicates and as GOP budget becomes available. Shown below is the general implementation plan. As a condition precedent, a detailed plan will be prepared.

Note: The consolidation of lessons and experience will necessarily require the review of systems installed during the pilot program for uniformity and completeness of appraisal and assessment and records conversion. This review will be conducted parallel to the capacity building period beginning late 1984.

^{14/} Actual systems installation phase is subject to availability of GOP counterpart budget (condition precedent to loan disbursement). There is a contingency plan for slippage to 1986.

V. FEASIBILITY ASSESSMENT:

A. Technical Assessment:

1. **Tax Mapping:** The participating units under the pilot program were required to meet certain technical performance standards set by the MOF in order to secure final reimbursement. The processes of implementation were continually monitored and improvements made which give some assurance that technically this important system is replicable. The major constraint is the high cost of field work which can be compounded by lack of cadastral maps. Tax mapping in those areas is more costly and time consuming, but systems have been developed to address the problem.

2. **Appraisal and Assessment:** At this point, the needed improvements are considered more of a policy nature. As a result of implementation there may be areas where recommendation will be made requiring legislative changes. Some procedures for appraisal assessment, especially in regard to commercial building and equipment valuation need to be improved, but once agreement is reached on rates and tax mapping is completed the appraisal and assessment process becomes more mechanical and on-the-job training programs can be developed based on manuals to be developed.

3. **Records Conversion:** The manual system now in place needs modernization and standardization. Some local government units have already modernized their systems through computerization. Studies were undertaken by the completed project and the full report is still under review by the MOF. The issues are: what systems need to be installed, and where and at what level of sophistication to insure cost effectiveness. The recent end-of-project assessment concluded that it was premature to consider computerization on a national scale. More studies shall be required for

development of an efficient system. The IBRD appraisal team recommended that improved records management be set as a first priority. The costs of modernization will be primarily in training and basic office equipment which will be shared with the IBRD.

4. Collections: There is an urgent need to devote greater attention to the collection aspect which was neglected in the past RPTA project because of lack of time. The analysis indicates that various approaches need to be available depending on local conditions and there should be further study and investigation of major factors that influence collection. The local government officials' political will to install collection and enforcement procedures varies and information/education programs are needed. Studies are planned on the issues of delinquent taxes and collections. Some studies have been conducted by the National Tax Research Center which recommended amnesty on delinquent taxes and penalties of a certain age, and repayment of more current taxes on a formula basis. The assumption was that once a tax base reflecting current conditions was established the project could only then enforce tax collection based on current and accurate data.

Summary Comments on Technical Feasibility: In general, the objective of testing and establishment of demonstration sites in each of the 72 provinces and 64 cities has been accomplished. As a result of field work in local government units there is a good understanding of the processes, appreciation for revenue generation potential and the need for improved RPTA systems. There is renewed interest by the local executives to expand installation of the systems province/city wide also as a result of pilot efforts. Under the USAID-assisted Rural Service Center (RSC) project, the combination of MOF technical assistance in RPTA field operations and RSC fiscal management plus

general information/education has been tested in various cities with good results. The LRM/Track II/RPTA continues the expansion of the RSC model.

With the improvement and refinement of the RPTA systems and additional training the technical aspects of its installation are less an issue for the future. As a result of training programs already conducted both in U.S. and in-country, the MOF has developed a core of about 240 trainers now in the regions, provinces, cities and central offices with extensive technical, monitoring and evaluation skills that can be mobilized for Regional Task Forces. However, they need to be organized and provided additional management training to be able to assist local governments plan and execute the expansion effort.

B. Organization and Management Assessment: The Deputy Minister responsible for RPTA recognizes that there were problems during the pilot program. He suggested that the RPTA program is so important that a separate division with a unit solely responsible for RPTA needed to be formed. This has been done under the Local Finance Projects Management Division. The Division and RPTA Unit are yet to be fully staffed because of a hiring freeze and budget limitations. An exception has been requested of budget officials for the hiring of staff and a condition precedent is that the RPTA unit must be fully staffed. With the permanent staffing and training of this unit, long-term national replication, maintenance and improvement of the systems can be somewhat assured.

The formal appointment of a full time RPTA Project Director plus issuance of an organizational plan spelling out authorities and responsibilities at central and regional levels is critically important. A Ministry order is to be issued to this effect as part of a condition

precedent. An RPTA policy statement, implementation plan and strategy issued by the Minister will be developed in 1984 which will have an immediate positive impact on the bureaucracy's support for RPTA. However, capacity building and management training will still need to be provided. This will be a priority technical assistance and training effort to be undertaken early in the program using a highly experienced U.S. consultant and local resource institutions. It is agreed that USAID assistance for capacity building will be centered at the regional and provincial level of the MOF while IBRD will provide management advisors to central MOF. This capacity building will be coordinated by the MOF Director for Local Government Finance.

The MOF is firmly committed to RPTA and has also shown openness and flexibility to respond to evaluation and assessment recommendations. Administrative mechanisms for local government expansion and maintenance of the systems by a trained local level task force (supported by Regional Task Force) is a major planned output. The primary problem according to local officials and MOF is the lack of staff and transport to monitor the 15-30 municipal/city district programs that each province/city would have under an expanded project. This problem needs to be studied to determine the optimum staffing required and incentives required for getting local officials motivated and into the field, within the present salary and budgetary limitations.

Logistics and transport are problem areas. The MOF fleet of vehicles (145 units) procured under the last RPTA project is part of the mobile task force arrangement whereby these vehicles are made available to local government units undergoing systems installation. There are still not enough vehicles available in the regions, but rotating them significantly mitigates the mobility problem.

C. Economic-Financial Assessment: From the standpoint of pure economics, it is difficult to measure economic benefits arising from taxes since these are considered transfer payments from the private sector to the government to spend on behalf of society as a whole. Since taxation generally involves income transfers from one socio-economic group to another, there is also the question whether the use of increased tax revenue to improve the welfare of low-income groups will yield greater benefits to society than would result if the funds were retained and use for private purposes by the landowners. However, it is a fact that society has assigned to the government the central role in providing "social overhead capital" both as a direct instrument of economic development and as a prerequisite to increased participation of the private sector in the development process. This is because private investors are unwilling to engage in investment projects which are not inherently attractive even if these promise large social gains, e.g. education, health and nutrition outreach programs, roads, water systems, public markets, and related infrastructure. Investments in these activities pay rich social and economic dividends, particularly in rendering expanded services to low-income rural families, and yet do not provide opportunities for private investors to achieve attractive financial returns within a reasonable period of time. Therefore, real property taxes (like most other taxes) provide the Government some of the resources necessary to deliver "goods" which the private sector cannot provide, or can provide only insufficiently to the poor. Given they are used efficiently, taxes would increase the socio-economic returns from these resources since these can be considered savings (forced on the private sector) and mobilized for socially productive investments to serve the purposes of a balanced economic development program.

Another major economic impact of real property taxation is its contribution towards fostering greater equity. The principal focus of the RPTA program is tax mapping which should result, among others, in a more complete and accurate inventory of real properties. To the extent that this now allows equal treatment in the application of real property tax laws, and the identification of incorrectly-assessed land, duplications and properties with non-existing records, then several aspects of the equity concerns are addressed.

Furthermore, the importance of real property taxes to the operations of the local governments cannot be denied. Real property tax is a major single source of locally-raised revenues of LGUs. It presently accounts for nearly one-third of total local revenue sources, excluding grants and allotments from the national government. Taking these grants into consideration, the share of the real property tax still remains significant at about 20%, or a little more than half the amount of central government grants to LGUs (Table 5). The LRM/RPTA project, therefore, plays a key role in assisting the GOP pursue its policy of ensuring LGUs greater capacity for self-finance and, consequently, greater expenditures for local development projects.

Table 5

LOCAL GOVERNMENT REVENUE SOURCES (INCLUDING GRANTS)
(1972-1983)

Year	As a Percent of Revenues				Grants	Total Revenues (Million Pesos)
	Property Tax	Business Tax	Charges*	Other Locally Raised Revenue**		
1972	14	13	13	7	53	1384
1973	17	17	14	7	45	1597
1974	16	20	18	7	39	1846
1975	16	19	19	7	39	2344
1976	16	18	18	7	41	2485
1977	20	17	22	8	33	2634
1978	21	19	21	7	32	3278
1979	20	18	18	6	38	3999
1980	19	17	22	6	36	4932
1981	20	14	22	8	36	5431
1982	18	13	19	8	41	6041
1983***	20	13	20	9	38	6732

* 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.

** 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.

*** Estimated.

SOURCE: Local Treasury Operations Division, Ministry of Finance.

For the government, the incremental increase in real property tax collection is treated as the direct major financial benefit accruing from the project. Such increases in real property tax revenue receipts would be derived from (1) the increase in the assessed value of real properties as a result of the tax mapping program, and (2) an improvement in tax collection efficiency. With this project, it is expected that there would be an average 50% increase in assessed values of unmapped parcels of land after appraisal, and an increase in RPTA collections efficiency on mapped areas by 15% annually until it reaches the GOP target of 75% collection efficiency.

Under these assumptions and using the 1983 assessment and collection efficiency performance (Table 6) as reference points, projections of real property tax collections in six sample pilot regions are compared with and without the Project (Tables 7 and 8). Over a ten-year period (1986-95), total incremental tax revenues arising from the Project is estimated to each ₱498.5 million. Total incremental project cost (i.e. for systems installations) will amount to ₱108.7 million. On a per capita basis, average net incremental tax revenue is ₱18,607 compared to an average cost of ₱4,058. The Project's internal rate of return on investment is a high 54.6%, while the net present value of total revenues at 25% discount factor is ₱68.487 million (Table 9). From a financial viewpoint, therefore, there are strong reasons to believe that the Project will yield significant results that would justify the investments.

Table 6

Assessed Taxable Value (P000) and Collection Efficiency, 6 Pilot Regions, 1983

REGION	TOTAL	MAPPED	UNMAPPED	COLLECTION EFFICIENCY
I	₱5,294,000	₱2,589,000	₱2,705,000	49%
II	2,938,000	1,939,000	999,000	33%
III	10,334,000	6,923,000	3,411,000	44%
V	3,519,000	2,498,000	1,021,000	35%
VI	7,522,000	3,761,000	3,761,000	60%
XII	4,174,000	2,588,000	1,586,000	35%

SOURCE: Treasury Operations Division, MOF.

Table 7

Projected Real Property Tax Collection In Six Pilot Regions
With Project, 1986-1995
(in P000)

YEAR	R E G I O N						TOTAL
	I	II	III	V	VI	XII	
1986	34,036	13,485	64,131	17,119	53,407	18,909	201,087
1987	34,836	15,136	84,156	21,971	70,519	21,137	247,755
1988	45,049	19,629	88,761	25,297	70,519	23,625	272,880
1989	48,544	21,885	88,761	27,771	70,519	31,305	288,785
1990	48,544	22,934	88,761	29,149	70,519	33,208	293,115
1991	48,544	24,132	88,761	30,221	70,519	35,349	297,526
1992	48,544	25,781	88,761	30,221	70,519	35,349	299,175
1993	48,544	25,781	88,761	30,221	70,519	35,349	299,175
1994	48,544	25,781	88,761	30,221	70,519	35,349	299,175
1995	48,544	25,781	88,761	30,221	70,519	35,349	299,175
TOTAL	453,729	220,325	858,375	272,412	688,078	304,929	2,797,848

Table 8

Projected Basic Real Property Tax Collections Without Project,
6 Pilot Regions, 1983-1995
(7000)

YEAR	R E G I O N						TOTAL
	I	II	III	V	VI	XII	
1983	25,940	9,666	45,469	12,317	45,132	13,774	152,298
1984	28,294	10,765	50,998	13,668	49,269	15,226	168,220
1985	30,906	12,028	57,219	15,269	52,086	16,938	184,446
1986	34,036	13,485	64,131	17,119	53,407	18,909	201,087
1987	34,836	15,136	69,659	19,322	54,535	21,137	214,625
1988	35,378	16,981	70,341	21,774	55,663	23,625	223,762
1989	35,918	18,538	71,024	23,227	56,416	25,754	230,877
1990	36,460	18,737	71,706	23,432	56,416	26,071	232,822
1991	37,001	18,938	72,388	23,635	56,416	26,388	234,766
1992	38,082	19,137	73,070	23,840	56,416	26,706	237,251
1993	38,894	19,337	73,411	24,044	56,416	26,936	239,038
1994	39,706	19,537	74,435	24,248	56,416	27,340	241,682
1995	39,706	19,736	75,458	24,453	56,416	27,657	243,426
TOTAL	370,017	179,562	714,623	225,094	558,517	250,523	2,299,336

Table 9

Net Incremental Revenues and Costs and Internal Rate of Return Analysis
(P000)

YEAR	TAX COLLECTION				C O S T S				NET INCREMENTAL BENEFITS (COSTS)	
	WITH PROJECT ^{1/}	WITHOUT PROJECT ^{2/}	INCREMENT		WITH PROJECT ^{3/}	WITHOUT PROJECT ^{4/}	INCREMENT		UNDISCOUNTED	DISCOUN (25%)
			UNDISCOUNTED	DISCOUN (25%)			UNDISCOUNTED	DISCOUN (25%)		
1986	201,087	201,087	0	0	161,052	113,264	47,788	38,230	(47,788)	(38,230)
1987	247,755	214,625	33,130	21,203	167,052	113,264	53,788	34,424	(20,658)	(13,221)
1988	272,880	223,762	49,118	25,148	120,416	113,264	7,152	1,875	41,966	23,273
1989	288,785	230,877	57,908	23,719	113,264	113,264	0	0	57,908	23,719
1990	293,115	232,822	60,293	19,758	113,264	113,264	0	0	60,793	19,758
1991	297,526	234,766	62,760	16,443	113,264	113,264	0	0	62,760	16,443
1992	299,175	237,251	61,924	12,985	113,264	113,264	0	0	61,924	12,985
1993	299,175	239,038	60,137	10,091	113,264	113,264	0	0	60,137	10,091
1994	299,175	241,682	57,493	7,704	113,264	113,264	0	0	57,493	7,704
1995	299,175	243,426	55,749	5,965	113,264	113,264	0	0	55,749	5,965
TOTAL	2,797,848	2,299,336	498,512	143,016	1,241,368	1,132,640	108,728	74,529	389,784	68,487

Internal Rate of Return: 54.6%

Net Present Value at 25% Discount: P68.487 million (\$3.80 million)

^{1/} From Table 7.

^{2/} From Table 8.

^{3/} Includes Expenditures for RPTA Systems Installation.

^{4/} For Maintenance and Operations Costs of RPTA assuming constant prices for both with and without project.

54

Basic Assumptions:

1. Collection Efficiency:

- Mapped Projects: 15% increase over the preceeding year up to 75% (Project Target)
- Unmapped Projects: 4% increase over the preceeding year (based on historical data presented in the UPBRF, "RPTA Assessment and Recommendation Report, May 1984").

2. Assessed Value:

- Increase of 50% after systems installation.

Calculations:

1. Collectibles - 1% of taxable assessed value
2. Collections = collectibles x collection efficiency.

Benefits Accrual:

1. 1983 Mapped Projects: The 15% increase in collection efficiency will start to be realized in 1984.
2. 1983 Unmapped Projects: A year after systems installation based on the following implementation schedules:

	<u>PERIOD OF INSTALLATION</u>	<u>START OF BENEFITS ACCRUAL</u>
- Regions III, V, VI	1986	1987
- Regions I and II	1987	1988
- Region XII	1988	1989

D. Social Soundness Analysis: The RPTA activity essentially continues from the concluded pilot project. The social soundness analysis statement given in the 1978 Project Paper therefore remains valid: "The RPTA system could conflict with the local power base, i.e., the new tax system by attacking caciquism^{15/} also attacks the graded system of special privilege. However, compliance with the tax codes is rising and with continued support from the central government, the real property tax system can provide a means for social reforms. The RPTA system is one which conforms to Philippine existing socio-cultural landscape. The poor and the landless, who pay no taxes, will receive the greatest benefits."

The issues of Women in Development are not a direct focus of the RPTA activity since taxpayers are treated equally and benefits apply to all of the population.

E. Environmental Analysis: In general, the RPTA project and its activities are unlikely to have significant direct environmental impacts. Tax mapping and appraisal/assessment which are the only major field activities of the project will not in any way disrupt the environment.

VI. BUDGET SCHEDULE:

Shown in the following tables are the budget schedule annualized based on GOP implementation:

^{15/} Means the concept of strong leader.

A. LRM/RPTA CONSOLIDATED BUDGET SCHEDULE (\$000)

ITEM	L/G*	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FX	LC	L	G	TOTAL
I. AID Contribution													
A. Planning & Info Systems Development													
1. Technical Assistance	L	-	120.0	265.0	290.0	120.0	-	-	-	795.0	795.0	-	795.0
2. Performance Payments	L	-	390.0	365.0	1,661.0	-	-	-	-	2,416.0	2,416.0	-	2,416.0
B. Local Finance Admin Systems													
1. Technical Assistance/ Capacity Building	L	-	134.5	657.0	411.5	68.5	38.5	-	173.0	1,137.0	380.0	930.0	1,310.0
2. Expansion/Installation of RPTA Systems	L	-	-	-	2,125.3	2,391.3	1,081.1	122.3	-	5,720.0	5,720.0	-	5,720.0
C. Testing of Participatory Approaches													
1. Technical Assistance	G	-	100.0	145.0	160.0	30.0	-	-	-	435.0	-	435.0	435.0
2. Community Self-Help Projects	G	-	67.0	123.0	260.0	-	-	-	-	450.0	-	450.0	450.0
D. Support Services													
1. Research	G	-	25.0	187.0	108.0	-	-	-	-	320.0	-	320.0	320.0
2. Training	G	-	25.0	80.0	65.0	-	-	-	-	170.0	-	170.0	170.0
3. Evaluation	G	-	-	35.0	3.0	20.0	3.0	24.0	-	85.0	-	85.0	85.0
4. Commodities	L	78.0	66.0	56.0	-	-	-	-	157.0	43.0	200.0	-	200.0
5. Other Technical Assistance	G	-	10.0	187.0	6.2	6.2	-	-	194.0	16.0	-	210.0	210.0
E. Contingencies (Escalation and Inflation)**	L	10.0	114.0	197.0	364.0	24.0	-	-	27.0	682.0	709.0	-	709.0
TOTAL AID CONTRIBUTION ***		88.0	1,071.5	2,327.6	5,484.0	2,660.0	1,122.6	146.3	586.0	12,314.0	10,220.0	2,680.0	12,900.0
II. GOP CONTRIBUTION													
A. Central Government Project Operation		246.0	495.0	829.0	500.0	500.0	500.0	200.0		3,270.0			3,270.0
B. Local Government RPTA Cost-Share Contribution		-	-	-	1,411.4	1,487.2	760.0	-		3,658.6			3,658.6
C. Research		46.0	36.0	85.0	93.0	-	-	-		260.0			260.0
D. Training		47.0	37.0	40.0	16.0	-	-	-		140.0			140.0
E. Subproject Financing		143.0	295.0	780.0	943.0	625.0	331.0	133.0		3,250.0			3,250.0
F. Commodities		8.0	12.0	-	-	-	-	-		20.0			20.0
TOTAL GOP CONTRIBUTION		490.0	875.0	1,734.0	2,963.4	2,612.2	1,591.0	333.0		10,598.6			10,598.6
TOTAL PROJECT COST		578.0	1,946.5	4,061.6	8,447.4	5,272.2	2,713.6	479.3	586.0	22,912.6	10,220.0	2,680.0	23,498.6

* L - Loan; G - Grant.

** Does not include RPTA component.

*** Includes the amount obligated in PROAG Amendment No. 3

48

B. RPTA Component Budget Schedule (\$000)

ITEM	L/G*	CALENDAR YEAR						FX	LC	TOTAL
		1984	1985	1986	1987	1988	1989			
I. AID Contribution										
A. Capacity Building										
1. Technical Assistance for Management and Systems Improvement & Training	G	61.5	307.0	156.5	17.0	17.0		173.0	386.0	559.0
2. Preparation of Operational Manuals	G	6.0	54.5	81.5	4.5	4.5			151.0	151.0
3. In-country Technical Training	G	7.0	45.5	33.5	17.0	17.0			120.0	120.0
4. Collection Studies & Related Research	G	19.0	28.0						47.0	47.0
5. Information, Educ. and Communication	G	16.0	37.0						53.0	53.0
B. Commodity Support	G		187.6	6.2	6.2			184.0	16.0	200.0
C. Expansion/Installation of Systems	L			2,125.3	2,391.3	1,081.1	122.3		5,720.0	5,720.0
D. Evaluation	G			3.0	20.0	3.0	24.0		50.0	50.0
TOTAL AID CONTRIBUTION**		109.5	659.6	2,406.0	2,456.0	1,122.6	146.3	357.0	6,543.0	6,900.0****
II. GOP Contribution										
A. Central Government Project Operations		200.0	500.0	500.0	500.0	500.0	200.0		2,400.0	2,400.0
B. Local Government Cost-Share Contribution				1,411.4	1,487.2	760.0			3,658.6	3,658.6
TOTAL GOP CONTRIBUTION***		200.0	500.0	1,911.4	1,987.2	1,260.0	200.0		6,058.6	6,058.6
TOTAL PROJECT COST		309.5	1,159.6	4,317.4	4,443.2	2,382.6	346.3	357.0	12,601.6	12,958.6

* L - Loan; G - Grant.

** AID plans to obligate \$1.180 M grant funds and \$5.720 million loan funds in 1984.

*** GOP's planned annual obligation is the same as above.

**** Budget composition is estimate only. Implementing agency is authorized to make a + 20% adjustment between line items.

C. LRM EXPENDITURE SCHEDULE (\$000)

ITEM	L/G	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987	FX	LC	TOTAL
I. AID Contribution									
A. Planning & Info Systems Dev.(Trk 1)									
1. Technical Assistance	L	-	120.0	265.0	290.0	120.0	-	795.0	795.0
2. Performance Payments	L	-	390.0	365.0	1,661.0	-	-	2,416.0	2,416.0
B. Local Finance Admin Systems (Trk 2)									
1. Technical Assistance	L		25.0	185.0	140.0	30.0	-	380.0	380.0
C. Testing of Participatory Approaches (Track 3)									
1. Technical Assistance	G	-	100.0	145.0	160.0	30.0	-	435.0	435.0
2. Community Self-Help Projects	G	-	67.0	123.0	260.0	-	-	450.0	450.0
D. Support Services									
1. Research	G	-	25.0	187.0	108.0	-	-	320.0	320.0
2. Training	G	-	25.0	80.0	65.0	-	-	170.0	170.0
3. Evaluation	G	-	-	35.0	-	-	-	35.0	35.0
4. Commodities	L	78.0	66.0	56.0	-	-	157.0	43.0	200.0
	G	-	10.0	-	-	-	10.0	-	10.0
5. Other Technical Assistance	G	-	20.0	30.0	30.0	-	35.0	45.0	80.0
SUBTOTAL		78.0	848.0	1,471.0	2,714.0	180.0	202.0	5,089.0	5,291.0
E. Contingencies (Escalation and Inflation)	L	10.0	114.0	197.0	364.0	24.0	27.0	682.0	709.0
TOTAL AID CONTRIBUTION		88.0	962.0	1,668.0	3,078.0	204.0	229.0	5,771.0	6,000.0
II. GOP CONTRIBUTION									
A. Project Operations		246.0	295.0	329.0	-	-		870.0	870.0
B. Research		46.0	36.0	85.0	93.0	-		260.0	260.0
C. Training		47.0	37.0	40.0	16.0	-		140.0	140.0
D. Subproject Financing *		143.0	295.0	780.0	943.0	1,089.0		3,250.0	3,250.0
E. Commodities		8.0	12.0	-	-	-		20.0	20.0
TOTAL GOP CONTRIBUTION		490.0	675.0	1,234.0	1,052.0	1,089.0		4,540.0	4,540.0
TOTAL PROJECT COST		578.0	1,637.0	2,902.0	4,130.0	1,293.0	229.0	10,311.0	10,540.0

* Up to FY 1989.

5

VII. Evaluation Plan

A baseline shall be established of tax collectibles and actual collections for each LGU before starting the installation of the improved RPTA systems at the field level. This is to determine the impact of the refined/improved systems to be installed. The baseline study will examine/comment on the capacity of management and assure satisfaction of criteria and other requirements and documents before field implementation. During implementation quick reconnaissance studies will be undertaken to review progress and determine critical implementation problems and examine major design issues, if any. Upon completion of Phase A, an evaluation will be conducted on collection performance of a random sample of LGUs participating in the completed RPTA pilot project. Continuation of the LRM/RPTA project is dependent on the favorable performance in tax collection. An in-depth evaluation will be conducted to assess the project impact on tax. Assuming favorable performance, this evaluation will be followed by an in-depth review of efficiency and effectiveness of systems installation. The last evaluation in 1989 shall determine achievement of the overall project objectives and purposes.

The MOF through its own funding under the Monitoring and Evaluation Unit shall also conduct continuing monitoring and evaluation of project implementation. Monthly reports of monitoring findings shall be prepared and discussed with the officials of the Project Management Office and members of the RPTA Technical Advisory Committee. These discussions shall serve as the forum to resolve recommendations and develop solutions to major implementation and management problems.

VIII. CONDITIONS PRECEDENT

A. Initial Disbursement

"Prior to the disbursement of any A.I.D. funds made available under Amendment No. 3 of the Project Loan and Grant Agreement, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Cooperating Country will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., the following:

1. An opinion of counsel acceptable to A.I.D. that the Amendment No. 3 has been duly authorized and/or ratified by, and executed on behalf of the Cooperating Country and that it constitutes a valid and legally binding obligations of the Cooperating Country in accordance with all its terms.

2. Evidence that a Project Management Office has been formally established and fully staffed, such evidence to include:

a. Formal issuance of an organizational plan for RPTA management and operation showing the responsibilities, authorities and relationships of central and regional level offices;

b. Formal designation of a full-time Project Manager, together with a statement of his/her responsibilities and authorities;

c. Formal issuance of a staffing pattern describing the major full-time positions and expertise to be provided to the Project;

d. Formal issuance of organizational plan of the LRM Executive Committee and Technical Advisory Committee to include appropriate Cooperating Country organizations which complement RPTA operations; and

e. Formal issuance of an implementation plan and schedule which provided detailed task analysis, inputs and schedules for capacity building program involving technical assistance and training and a phased plan for replication and installation of systems.

3. Approved 1984-85 cooperating country budgetary appropriations for maintenance and operations of Project Management Office.

B. First Disbursement of Loan Funds

Prior to the first disbursement under Amendment No. 3 of loan funds for the RPTA component, or to the issuance of documentation pursuant to which such disbursement will be made, the Cooperating Country will, except as the Parties may otherwise agree in writing, furnish the following in form and substance satisfactory to A.I.D.:

1. Approved Cooperating Country budgetary appropriations to cover A.I.D. financing of installation of RPTA systems in selected provinces;

2. Approved Cooperating Country criteria for selection of local government units to participate in the RPTA Program.

C. Subsequent Disbursement of Loan Funds. Prior to the first disbursement annually of Loan Funds for the RPTA component, or to the issuance of documentation pursuant to which such disbursement will be made, the Cooperating Country will, except as the Parties may otherwise agree in writing, furnish the following in form and substance satisfactory to A.I.D.:

1. Approved Cooperating Country budgetary appropriations for maintenance and operations of the Project Management Office for the ensuing year;

2. Approved Cooperating Country budgetary appropriations to cover A.I.D. financing of RPTA systems in selected provinces for the ensuing year."

ANNEXES TO LRM/RPTA PROJECT PAPER

TABLE OF CONTENTS

	<u>Page</u>
A. Cable Authorizing Mission to Proceed to PP Approval and Authorization	1
B. GOP Application for Assistance	2
C. Detailed Account of RPTA Pilot Activities (Including End-of-Project Assessment: Summary Recommendations)	3
D. Logical Framework	20
E. Terms of Reference: Management System and Development and Training	21
F. Terms of Reference: Preparation of Operational Manuals	31
G. Terms of Reference: Collection Planning and Operations	35
H. Organization Plan	38
I. Cost-Share Assistance Formula and Tentative LGU Listing and Cost Estimates	47
J. Commodity Procurement Plan	53
K. Statutory Checklist	55
L. IBRD/RPTA Project Document	61
M. MOF Draft Criteria for Selection of Project Sites	74

UNCLASSIFIED

STATE 153641

ACT: AID-6 INFO: CPO/7

RECEIVED
JUN 6 8 15 AM '84
U.S.

VZCZCML0885
PP RUEHML
DE RUEHC #3641 1570438
ZNR UUUUU ZZB
P 050408Z JUN 84
FM SECSTATE WASHDC
TO AMEMBASSY MANILA PRIORITY 4714
BT
UNCLAS STATE 163641

LOC: 51 237
05 JUN 84 0842
CN: 09750
CHRG: AID
DIST: AIDA

ACTION COPY

Action Taken: _____
No action necessary: _____
Date: _____ Inits: _____

AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: LOCAL RESOURCE MANAGEMENT/REAL PROPERTY TAX
ADMINISTRATION COMPONENT (492-0358) ASSESSMENT AND
RECOMMENDATION REPORT

REF: MANILA 13190

1. PROJECT COMMITTEE 29 MAY AGREED THAT MISSION SHOULD PROCEED TO PP PREPARATION AND APPROVAL. COMMITTEE AGREES THAT MISSION AWARE OF ISSUES AND POTENTIAL PROBLEMS. THERE ARE, HOWEVER, CONTINUING CONCERNS (BELOW) WHICH DESERVE REITERATION AND COMMITTEE URGES MISSION TO CONSIDER THESE IN PREPARATION OF PP AMENDMENT AND IMPLEMENTATION PLAN.

2. COMMITTEE DOES NOT SHARE MISSION'S OPTIMISM REGARDING COUNTERPART GOP PESO CONTRIBUTIONS IN LIGHT OF INCREASINGLY SEVERE PROBLEMS IN THIS AREA. SUGGEST PP DESIGNERS MIGHT CONSIDER CONTINGENCY PLANS SHOULD THE PESO PROBLEM BECOME ACUTE.

3. THE ASSESSMENT GIVES STRONG INDICATION OF NEED FOR CONSOLIDATION BEFORE PROCEEDING TO NEXT PHASE. PP IMPLEMENTATION PLAN SHOULD REFLECT THIS.

4. COMMITTEE PARTICULARLY NOTES THAT MORE NEEDS TO BE DONE TO INSURE THAT PROJECT LEAD TO INCREASED TAX COLLECTIONS AND URGES MISSION TO DEVELOP AN ACTION PLAN WITH BOTH INTERIM AND END PROJECT COLLECTION RATE TARGETS. COMMITTEE RECOGNIZES EXTRANEIOUS FACTORS MIGHT AFFECT ULTIMATE SUCCESS, BUT ESTABLISHED, TANGIBLE TARGETS CAN BE IMPORTANT EVALUATIVE BENCHMARKS.

5. COMMITTEE CONCERNED BY REFERENCE (REF CABLE, PARA 5) TO GOP RESISTANCE TO USING CONSULTANTS FOR TA. THIS WILL BE DISCUSSED IN SEPTTEL TO FOLLOW. DAM

DIV	ACT	INF
OD		<input checked="" type="checkbox"/>
E		
PE		
R/A		
PO		<input checked="" type="checkbox"/>
TD		
EO		
TEP		
CS		
LOG		
GS		
TR		
CO		
END		
OCD		
ORAL	<input checked="" type="checkbox"/>	
OPHN		
OFF/VC		
RIG/A		
RIG/II		
AR		
DUE DATE		
6-8-84		



- 2 -

REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

ANNEX "B"

NEDA sa Pasig, Amber Avenue
Pasig, Metro Manila

Cable Address: NEDAPHIL
P.O. Box 419, Greenhills
Tels. 673-50-31 to 50

17 September 1984

Mr. Frederick W. Schieck
Director, USAID Mission
M a n i l a

Dear Mr. Schieck,

This has reference to the proposed Real Property Tax Administration (RPTA) component of the Local Resources Management (LRM) Project.

In this connection, I hereby request for an additional USAID assistance in the amount of \$6.9 million consisting of \$5.72 million in loan and \$1.18 million in grant to finance the RPTA activities of the Ministry of Finance designed as a sub-component of the Track II component of said project.

Sincerely yours,


RAMON B. CARDENAS
Officer-in-Charge

56

DETAILED ACCOUNT OF RPTA PILOT ACTIVITIES

I. BACKGROUND:

A. Early History - PDAP: The proposed LRM/RPTA follow-on activity is based on pilot RPTA work initiated under a general local government development and capacity building program initiated in the early 1970s under the USAID assisted Provincial Development Assistance Project (PDAP). The objective of the pilot PDAP fiscal improvement program was to study and experiment with various systems and procedures for increasing local government revenues. RPTA studies were undertaken under PDAP in a few selected municipalities in some of the 28 PDAP provinces. The 1977 PDAP evaluation of pilot RPTA projects showed that improved RPTA systems (tax mapping and related operations) offered the best opportunity for increased local revenue generation and could increase total tax collectibles* at an average of 33 percent. Based on this experience it was decided that emphasis should be given to RPTA.

Under PDAP administration, a discrete RPTA pilot project was proposed and planned in 1978 with a planned obligation of dols 10 million. (Subsequently reduced thru deobligations to \$8.5 million then \$7.2 million at project end.) The 1978 Project Paper design provided for the installation and testing of

The continuing GOP long term objectives are to increase RPTA collectibles by 50 percent through installation of an improved real property tax systems (tax mapping, assessment and records management) and to increase the tax collection efficiency up to 75 percent.

51

systems in 576 municipalities and 240 city districts to serve as demonstration/training sites for a future nationwide expansion program to cover the remaining 875 municipalities and estimated 360 city districts. It was planned that administration would be undertaken jointly by the Ministry of Local government (MLG) and Ministry of Finance (MOF). After some delay in organizing for implementation, the MLG took primary responsibility for implementation.

B. MLG Administration:

The RPTA project suffered from a series of serious delays in its early years of MLG implementation resulting in an extensive evaluation and audit and revision of the project implementation plan. (Accrued expenditures in 9/80 over 2 years after the agreement was signed totalled \$509,000.) An evaluation in 1980 by Syracuse University concluded (in summary) that project objectives were clearly important and that project delays were in part due to organization and administration weaknesses and inappropriate project design and overoptimistic objectives. The evaluation recommended (in summary) targetting fewer demonstration sites, increasing the grants to local government units (LGUs) to install and test systems, reorienting training toward on-site technical assistance and, most importantly, establishing a new implementation arrangement by the Ministry of Local Government (MLG) and the Ministry of Finance (MOF).

Following the Syracuse Evaluation, RIG/A/M conducted an audit which basically supported the need for improved administrative arrangements, work plans, technical assistance, and for establishment of a monitoring and evaluation system.

CB

In response to the evaluation and audit recommendations, a revised project agreement and revised administrative plan was developed and signed in January 7, 1982. The amended project agreement and implementation plan were made operational by Executive Order issued in January 1982 almost three years after the signing of the original agreement. The Executive Order signed by the President transferred full responsibility for the project to the Ministry of Finance (MOF) since it was agreed that RPTA technical systems development and installation was primarily an MOF function.

C. MOF Administration

The MOF plan for implementation was to train and mobilize regional MOF offices giving them responsibility for site selection, technical assistance support of local government units and monitoring and evaluation. A Fixed Amount Reimbursement (FAR) arrangement was agreed upon to provide additional grant support to local government units for installation and testing of systems. The MOF proceeded to organize field staff and develop operational plans. Field activities in 1982 were again delayed because of bureaucratic constraints, and problems in the transfer of budget from MLG to MOF, and the cumbersome procedures for flow of grant resources through the treasury to the LGUs to initiate tax mapping operations.

In accordance with one of the audit recommendations, the RPTA inter-ministerial advisory committee (NEDA, MOF, MLG and USAID) met in February 1982 to review MOF progress. The committee concluded that the MOF had made significant progress in establishing organization and plans for their assuming responsibility for the RPTA project. They recommended that the PACD be extended by one year to May 1983 which would allow about 18 months for the

installation and testing of systems. It was also agreed that a structured external evaluation should be conducted in early 1983.

The second external evaluation conducted in early 1983 by a local management accounting firm Sycip, Gorres, and Velayo (SGV) which concluded (in summary) that indeed significant gains had been achieved during the latest 12 months. The evaluation report was, however, critical of the MOF organization, planning and scheduling for implementation. The report recommended - various organization/management improvements; manualization of the field systems for standardization and for training purposes; modernization of records management; and continued or expanded training of MOF officials. Based on the overall favorable evaluation, the project was extended through December 1983.

The MOF immediately attempted to program resources to respond to the report recommendations. A request for supplemental counterpart budget was made to cover loan expenditures for the remaining 7 months, however, approval was delayed for four months. During the four month period, the MOF managed to shift some funds from other accounts but much of the planned training, technical assistance and commodity procurement plans had to be deferred because of lack of time.

Loan expenditures over the life of the project totalled \$7.2 million:

Equipment	-	\$2.4 million
Technical Assistance	-	0.5 "
Training	-	0.3 "
Grants to LGU's	-	<u>4.0</u> "
Total		\$7.2 million

It should be noted that during the latter part of 1983 a separate local revenue generation assessment was conducted by the IBRD in regard to the proposed Program for Essential Municipal Infrastructure, Utilities Maintenance and Engineering Development (PREMIUMED) Project. The appraisal team concluded that the RPTA program was of critical importance to the IBRD assisted rural and urban development projects. The appraisal team commented on local officials new level of awareness and enthusiasm for the benefits of RPTA in support of local government development programs. The appraisal team also agreed that there is need for additional improvements in records management and capacity building in order to expand and sustain the program. In sum, the project major operational activities occurred mainly during the last two years of MOF administration ending December 1983 (PACD). As a basis for proposing a follow-on RPTA under the LRM project, USAID, contracted with UPBRF to conduct an end-of-project assessment. The intent of the assessment was to capture the history, actions taken, progress and impact of work completed, appropriateness of inputs, constraints and lessons learned to incorporate in the LRM/RPTA project paper supplement.

II. OUTPUT ANALYSIS OF CONCLUDED PROJECT:

The following provides a summary output analysis of the concluded project drawing from various evaluations the most recent undertaken in early 1983 and an end-of-project assessment conducted in early 1984 assisted by the Business Research Foundation (BRF) of the University of the Philippines.

A. OUTPUT 1: DEVELOPED AND IMPLEMENTED UNIFORM RPTA SYSTEMS: (TAX MAPPING, ASSESSMENT, RECORDS CONVERSION AND COLLECTIONS)

1. The tax mapping component represents the critical, costly and time consuming component on which the entire system is dependent on. More attention has been given to this component since it provides the base for all future RPTA operations including collections. Under Fixed Amount Reimbursement Agreement (FARAs) the LGUs were provided grant assistance on a cost share basis according to a formula which considered the LGUs resource capacities and an advance was provided to initiate the field work. The MOF assisted in the installation and testing of tax mapping system in 327 LGUs over the last 20 months of the project and completed work in 244 LGUs carried over from the previous administration. A significant number of participating LGUs have attained considerably higher increases in their tax potential as a result of the tax mapping effort. Most importantly, a solid foundation or accurate base was established to build the RPTA system.

2. Appraisal and Assessment of property (land, equipment, buildings, etc.) modification or improvements is an area that received less attention during the last 24 months of the project. Earlier, a U.S. consultant had assisted in developing alternative methods of appraisal and improved assessment operations. The decision was made by the MOF to defer the scheduled 1982 reassessments until the pilot tax mapping had been improved and tested. Based on the pilot experience, additional technical assistance was to be programmed during the last seven months of the program. However, budget delays did not allow the contracting of specialized services.

The recent evaluation reported (in summary) the following impact of the concluded RPTA project on assessed value: "Analysis of 124 completed projects indicates the significant increase in potential tax revenues that can result from the project. The increase, however, is less than the long term goal of a 50% increase in assessed value and individual project performance is uneven." The frequency distribution of sample projects by percentage change in total assessed value is shown in Table 1.

3. Records conversion and management - this area is key to the eventual efficient collection of taxes. Presently, through manual methods, tax mapping information is converted to tax rolls, assessments are made according to existing procedures and rates, then records conversion is initiated to input new data and check for duplications, errors and omissions. Records management and the billing process plus physical control is an enormous task and modernization is needed. Manuals for records management systems and procedures have been developed under the completed RPTA project. It will be tested in the LRM/RPTA project with consideration of the needed improvements in the other components of the integrated RPTA operations.

4. Tax Collection - an attempt was made early in the project to mount an intensive tax collection campaign based on existing records. The objective was immediate tax revenues to also help finance the expensive local counterpart costs of tax mapping operations. There were mixed results, mostly because of duplicate records and, other errors and omission. The responsibility for tax collection is a local government responsibility and situations vary by locality, therefore, there is need for various collection

TABLE 1
 FREQUENCY DISTRIBUTION OF PROJECTS
 BY PERCENTAGE CHANGE IN TOTAL ASSESSED VALUE

% Change	Phase I			PHASE II			Effective*	% Change: Phase II		
	Number	Percent	Cumulative %	Number	Percent	Cumulative %		Number	Percent	Cumulative %
Less than 0	1	1.3%	1.3%	12	12.4%	12.4%	8	8.1%	8.1%	
0.1 - 10.0%	16	21.1	22.4	15	15.4	27.8	8	8.1	16.2	
10.1 - 20.0	9	11.8	34.2	12	12.4	40.2	13	13.3	29.5	
20.1 - 30.0	10	13.2	47.4	6	6.2	46.4	9	9.2	38.7	
30.1 - 40.0	9	11.8	59.2	11	11.3	57.7	3	3.1	41.8	
40.1 - 50.0	3	3.9	63.1	11	11.3	69.0	9	9.2	51.0	
50.1 - 60.0	4	5.3	68.4	7	7.2	76.2	15	15.3	66.3	
60.1 - 70.0	6	7.9	76.3	2	2.1	78.3	2	2.0	68.3	
70.1 - 80.0	3	4.0	80.3	1	1.0	79.3	4	4.1	72.4	
80.1 - 90.0	2	2.6	82.9	2	2.1	81.4	4	4.1	76.5	
90.1 - 100.0	1	1.3	84.2			81.4	3	3.1	79.6	
Over 100%	12	15.8	100.0	18	18.6	100.0	20	20.4	100.0	
Total	76	100.0%		97	100.0		98	100.0%		
Average Change		31.3%			27.7%			37.5%		

* After adjusting pre-RPTA values for cancelled TD's due to duplications and non-existent properties.

Source: RPTA Project Assessment and Recommendation Report (May 1984).

64

approaches. The MOF strategy was to establish a more correct and defensible base for tax collection through the development of improved tax maps and records systems paralleled with the development of information and education program directed at both local government officials and at the taxpayer. Informational materials have been prepared and tested for all types of media in major dialects. The latest evaluation noted that realized increases in tax revenues based on analysis of sample Phase I projects have been very limited thus far, although selected LGUs show high individual performance.

a. Percentage Change in Collections. Shown in Table 2 is the distribution of sample Phase I projects by percentage change in collections, first year performance post RPTA.

Because of the uneven results of the evaluation, another sample study of RPTA collection, although at a very limited scale, was conducted by the MOF and USAID looking at primary data of six LGUs. The sample consisted of LGUs which had at least a two year history of collections after completion of project tax mapping, assessment and records conversion.

Note: The sample is not random and does not reflect many poor as well as good performing LGUs with the intent to show what is the potential as in the case of Iloilo.

65

Table 2

FREQUENCY DISTRIBUTION OF PHASE I PROJECTS
BY PERCENTAGE CHANGE IN COLLECTIONS,
FIRST YEAR PERFORMANCE POST-RPTA

Change in Annual Collections	Completed in 1980			Completed in 1981			Total Phase I		
	Number of Projects	Percent (%)	Cumulative (%)	Number of Projects	Percent (%)	Cumulative (%)	Number of Projects	Percent (%)	Cumulative (%)
Less than 0%	15	34.9%	34.9%	20	60.6%	60.6%	35	46.1%	46.1%
0.1 - 10.0	12	27.9	62.8	5	15.2	75.8	17	22.4	68.5
10.1 - 20.0	3	7.0	69.8	3	9.1	84.9	6	7.9	76.4
20.1 - 30.0	4	9.3	79.1	1	3.0	87.9	5	6.6	83.0
30.1 - 40.0	2	4.7	83.8	1	3.0	90.9	3	3.9	86.9
40.1 - 50.0	1	2.3	86.1	2	6.1	97.0	3	3.9	90.8
50.1 - 60.0	5	11.6	97.7	1	3.0	100.0	6	7.9	98.7
Over 60%	1	2.3	100.0%	-	-	100.0%	1	1.3	100.0%
Total	43	100.0%		33	100.0%		76	100.0%	

Source: RPTA Project Assessment and Recommendation Report (May 1984).

2/16

Table 3
Annual Rate of Increase (%) in Tax Collection of
Six Selected LGUs.

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
Iloilo Province	6	115	36	1
Negros Occidental Province	7	31	9	32
Albay Province	15	32	57	7
Bacolod City	1	43	4	3
Tacloban City	20	38	22	7
Legaspi City	5	48	4	17
Average	9	51	22	11

The rate of increase is dramatic two years after installation of tax mapping but then levels off.

b. Collection Efficiency. The most recent evaluation findings show that the collection efficiency in the first post-RPTA year was 50%, indicating the untapped potentials of RPTA tax-mapped projects. Further, it was noted that Phase I projects which were completed in 1981 posted a decline in the collection efficiency on the first post-RpTA year, from 52.2% in the pre-RPTA year 1981 to 48.1% in 1982. It is noteworthy, however, that RPTA projects completed in 1981 maintained a higher collection efficiency than the national municipal average both prior to and after tax-mapping.

Collection efficiency of the six limited samples mentioned above was also analyzed as shown in Table 4.

Table 4
Collection Efficiency (percentage) of Six Sample LGU's

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Iloilo Province	29	57	75	75
Negros Occ. Province	58	61	60	69
Albay Province	34	35	44	45
Bacolod City	48	63	62	63
Tacloban City	36	45	51	53
Legaspi City	47	62	61	58
Average	42	54	59	61

Data from the National Tax Research Center indicated that as of 1980 the average collection efficiency of provinces was 45 percent and cities 49 percent (excluding Manila). Our sample showing the potentials would indicate that there has been some good improvement since 1980 but that much more needs to be done in improving collections which could contribute up to 65% of total local government revenue collectibles.

68-

The general consensus of those interviewed in the field was that the local government officials had a clear understanding and appreciation for the project and were interested in additional MOF assistance to complete the program on a province/citywide basis. Some self help efforts are already visible, e.g., in Albay Province the governor has allocated scarce resources to initiate the expensive tax mapping operation in three of his municipalities. He is hopeful that national grant assistance will be available to complete the tax mapping.

At the conclusion of the predecessor RPTA project, a total of 571 local government units (327 in Phase II and 244 carry-over from Phase I) have been tax-mapped and records converted. Assessment reports indicate that there is a need, however, to further refine the RPTA systems considering the still prevailing problems on adequacy and uniformity in appraisal and assessment practices, records management and collection. Hence, before field implementation of various RPTA integrated operations, support systems shall first be refined and installed.

B. OUTPUT 2: SUSTAINED CAPACITY AT CENTRAL AND REGIONAL GOVERNMENT LEVELS TO PLAN, ADMINISTER AND REPLICATE SYSTEMS.

Shortly after the transfer to the MOF of responsibility for RPTA, the MOF Assessment Division was converted into a permanent RPTA office under the Office of Local Government Finance. A staff of about 20 was also transferred from the MLG and two senior MOF provincial officials were detailed to manage the project. In each region mobile technical RPTA task forces were organized composed of trained MOF provincial and regional staff who are to support field operations, monitor implementation, and train local MOF and other officials.

The task force approach has been tested and offers an efficient means of utilizing experienced and trained personnel in localities beyond their immediate assignment.

The 1983 evaluation by Sycip, Gorres and Velayo, Inc. (SGV) was critical of the central and regional MOF management arrangements, planning and implementation strategy. The recommendations were:

1. Clear delineation of the roles of the central and regional project management office and delegation of more responsibilities and authorities to regional units.
2. Designation of a full-time project executive officer or project manager with greater autonomy in making operational decisions.
3. Establishment of a project management training program designed to meet the needs of the officers and managers at all levels: central, regional, city, provincial and municipal.

It should be noted that in 1982, a detailed organization plan and implementation strategy was prepared by USAID and MOF project staff to cover roles, responsibilities and authorities of each organizational level. It was recommended that the plan and strategy be issued by the Minister in the form of a Ministry order. This was never done. The MOF bureaucracy, being both conservative by nature and highly centralized, operates within strict confines of directives from Manila. At the central level many operational decisions had to be made at the Deputy Minister's level when he could be reached. At the working level, the project manager's efforts to decentralize were looked at with skepticism without formal MOF Ministry orders to follow. The result was that the Regional administrative support mechanism (unlike the task force--technical units) was not institutionalized as planned.

In the most recent evaluation (1984), it was still noted that the capacity at the central and regional level to plan, administer and replicate systems still need considerable improvement in terms of project management and implementation. A basic recommendation in this regard is the appointment of a full time project manager and core staff and the introduction of more field oriented personnel in the central project management office. Project documentation and systems and procedures should be simplified together with the observance of rigorous discipline in project implementation.

C. OUTPUT 3: SUSTAINED CAPACITIES AT THE LOCAL GOVERNMENT LEVELS TO IMPLEMENT IMPROVED PROCESSES AND SYSTEMS.

Similar to the Regional task force approach described above, provincial and city level task forces were created. The task force was intended to be more of a planning, management and monitoring group, with the Regional task force as the technical body to direct systems installation. Given the shortage of trained local MOF personnel, cost considerations, and the need to install standardized systems as quickly as possible, the MOF approach of mobile regional teams having primary responsibility for technical installation and replication appears to be an efficient approach for the future. However, in the final analysis, local government elected officials still carry responsibility for mobilization of the resources and providing the necessary logistics and manpower support to the regional task force, and meeting MOF standards for reimbursement.

III. END-OF-PROJECT ASSESSMENT: SUMMARY RECOMMENDATION *

1. We recommend the development of a sufficiently detailed and comprehensive long term plan for the project. This plan should reflect the long term goals of the project, specific activities and their sequencing, resource requirements and the commitments of various agencies participating in the program.

2. The next two years should be a period of consolidation for RPTA systems. We recommend a comprehensive program for improving RPTA systems prior to continuing field implementation of tax mapping and systems installation. This should result in greater standardization in installed systems.

3. There should be greater selectivity in future tax mapping projects and additional guidelines should be defined to achieve this. This recommendation proceeds from the observation that financial benefits of the project are highly uneven.

4. There is an urgent need to devote greater attention to the collection aspects of RPTA. We feel that this aspect has been neglected and is partly the reason why tax collections have not significantly increased. Further investigation into major factors that influence collection is recommended. Such an undertaking should lead to a set of policies and approaches to guide future collection efforts.

* From RPTA Assessment and Recommendation Report, May 1984.

-72-

5. There should be a continuing effort to improve project management and implementation. A basic recommendation in this regard is the appointment of a full time project manager and core staff and the introduction of more field oriented personnel in the central project management office. Furthermore, we see significant opportunities for simplifying project documentation and systems and procedures. Finally, we urge the observance of more rigorous discipline in project implementation.

6. Finally, we recommend that RPTA project continue independently of LRM/Track II. We feel that at this critical stage of the RPTA project the pressing concerns that we have identified for RPTA can be better addressed if the project remained under the full administrative and technical supervision of the Ministry of Finance. Moreover, there are certain features inherent in each project that may make full integration difficult.

However, we do recognize that RPTA and LRM/Track II have complimentary objectives and can be mutually reinforcing. We note opportunities for linkage between the two projects both in terms of activities and output. To achieve this linkage or coordination we have proposed the creation of a Track II Interagency Technical Working Group.

-13'

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

Life of Project:
From FY _____ to FY _____
Total U.S. Funding: \$5,000,000
Date Prepared: _____

Project Title & Number: Local Resource Management/Real Property Tax Administration

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</p> <p>To transform local governments into more financially self-reliant units responding to the needs of the people.</p>	<p>Measures of Goal Achievement: (A-2)</p> <ol style="list-style-type: none"> Increase in the number of local development programs financed from local revenue sources. Increase in the number of small scale community-managed activities self-financed or supported financially by local governments. 	<p>(A-3)</p> <ol style="list-style-type: none"> Review of Provincial/City Development Investment Plan Review of Municipal Development/Town Plan 	<p>Assumptions for achieving goal targets: (A-4)</p> <p>National government policy will continue to promote local autonomy and support local needs to create sources of revenue and long term as proposed in the Local Government Code.</p>
<p>Project Purpose: (B-1)</p> <p>To increase real property tax revenues to finance and support locally initiated development projects and services.</p>	<p>Conditions that will indicate purpose has been achieved: End-of-Project status: (B-2)</p> <ol style="list-style-type: none"> Assessed value of real properties within targeted local government units increased by an average of 70%. Collection efficiency reaching 70%. 	<p>(B-3)</p> <ol style="list-style-type: none"> GF quarterly and yearly statistical abstracts Verification of installation and collection by the RPA Control PND and local task forces Monitoring and evaluation reports Results of periodic evaluation 	<p>Assumptions for achieving purpose: (B-4)</p> <ul style="list-style-type: none"> Real Property Tax Law will not be revised drastically by law or fiat, thus rendering the project inoperative; implications will be stated as needed. Expenditures are reasonable, cost-effective and collection. Peace and order situation will allow systems installation in a majority of regions/provinces/municipalities.
<p>Project Outputs: (C-1)</p> <ol style="list-style-type: none"> Improved management capacity of control, regional and provincial/city levels officials to support local government. Increased capacity of local provincial/city government fiscal administration officials to expand and maintain RPA systems supported by regional project offices. Systems installed in Regions V, VI, VIII (Phase A; I and II (Phase B); and III and XII (Phase C). 	<p>Magnitude of outputs: (C-2)</p> <ol style="list-style-type: none"> Trained Staff: 40 Control and Regional, and 100 local government provincial/city assessors and treasurers. 300 LRA elected officials trained on RPA through seminars and workshops; 200 local assessors and treasurers and 20 regional staff trained in systems installation/management. Projects implemented: A total of 100 <ul style="list-style-type: none"> a. Phase A: 200 b. Phase B: 200 c. Phase C: 100 	<p>(C-3)</p> <ol style="list-style-type: none"> GF tracking and personnel reports GF field inspection reports GF quarterly and annual financial reports 	<p>Assumptions for achieving outputs: (C-4)</p> <ol style="list-style-type: none"> Appropriate number of personnel with potential will be assigned at control, regional and local levels and will be reasonably remunerated by the GF (conditions permitted). Local government officials will uphold their assignments to expand and maintain systems including collection efforts.
<p>Project Inputs: (D-1)</p> <p>GF - Development Loan and Grant</p> <ol style="list-style-type: none"> Technical assistance for capacity building Cost-share assistance in-kind Commodity support Execution funding <p>Local</p> <ol style="list-style-type: none"> Operation and maintenance of Central Project Management Office. Local government contributions/contribution to systems installation. 	<p>Implementation Target (Type and Quantity) (D-2)</p> <p>Local Funding: \$5,000,000 (2000)</p> <ol style="list-style-type: none"> Capacity building <ul style="list-style-type: none"> a. Technical assistance for equipment and system development and training 100.0 b. Preparation of manuals/training 100.0 c. In-country technical training 100.0 d. Collection studies/applied research 50.0 e. Information, education and communication 20.0 Systems installation (cost-share support) 5,700.0 Commodity support 200.0 Execution 10.0 <p>GF Funding \$5,000,000 equivalent (2000)</p> <ol style="list-style-type: none"> Control RPA PND operation and maintenance 2,400.00 	<p>(D-3)</p> <ol style="list-style-type: none"> Loan documents and agreements signed by GF and RPA. Local-country contracts for technical assistance and training. Commodity receipts, shipping documents, etc. on file that conditions have been received. Project documentation/agreements with local government units participating in the project. 	<p>Assumptions for providing inputs: (D-4)</p> <p>GF counterpart budget will be provided to support project field operations (conditions permitted).</p>

**TERMS OF REFERENCE
Management Systems Development and Training**

A. U.S. Consultant

I. BACKGROUND

The experience in working with local governments in various local development programs indicates that institutional capacity building and local fiscal improvement deserve the most attention on a continual basis. The capacity problem has been highlighted in various evaluations and assessments of RPTA project. The evaluation and assessment point to weaknesses at central, regional and local levels involving both MOF officials and related local government officials involved in fiscal management.

A follow-on RPTA activity is to be implemented under the LRM project. The RPTA implementation will be under the administration of the MOF. A preliminary implementation plan has been developed which provides for technical assistance in management and management training. The first 24 months of the LRM/RPTA activity will emphasize capacity building and the consolidation of experience from the previous pilot RPTA project. The capacity building and consolidation are intended to provide a firm institutional base for a longer term effort of installation and maintenance of real property tax systems.

The USAID assistance will be focused on Regions III, V, VI and LRM pilot provinces of Region VIII meeting RPTA criteria (Phase A); Regions I and II (Phase B) and remaining Region VIII LGUs and XII (Phase C). A companion IBRD/RPTA assistance program is focused primarily on Region VII plus major cities in other regions.

75

II. STATEMENT OF SERVICES

A level of effort contract will provide for a U.S. management advisor for a period of 24 months. A separate host country local institution contract will be arranged with a local resource institution to provide additional technical and training services. The resource institution services will be coordinated initially by the U.S. consultant but responsibilities turned over to the counterpart resource institution whose services will extend through the life of the RPTA activity. The following statement of work or services pertains only to the U.S. contract.

The contract will be a USAID direct contract through a U.S. institution. However, the U.S. consultant will be under the direct supervision of the Ministry of Finance Project Manager who is responsible for both USAID and IBRD RPTA activities. For the initial 24 month period the U.S. consultants will be designated as team leader coordinating all management systems technical assistance and training also involving the local resource institution.

A. Objective: Develop a management system and training methodology for installation and maintenance of RPTA.

The management systems technical assistance and training program shall focus attention on organizational improvements, improved planning and coordination of RPTA activities at central, regional and local levels. At the completion of the technical assistance, systems and mechanisms should be established for clear communication, understanding of RPTA strategies, coordinated planning of RPTA systems installation and continual improvement of management of the systems.

B. Work Plan and Strategy

The following outlines essential functions to be undertaken among others by the U.S. consultant and resource institution to develop a work plan and strategy for developing a management system and training program. The work plan and strategy will provide for various benchmark which will be used for periodic evaluation of contractor performance.

1. Conduct management need assessment to determine the total needs of the RPTA organization. The assessment should include the following:
 - a. Analyze existing MOF/RPTA organizational structure and management system.
 - b. Analyze existing policy directives and regulation regarding responsibilities and authorities at central, regional and local levels.
 - c. Analyze the flow of operations and process involved in the performance of RPTA functions of each organizational level.
 - d. Evaluate existing management systems and controls.
 - e. Analyze individual management capacity behavior and effectiveness.
 - f. Determine constraints to improve management performance.
2. As a result of the assessment prepare a draft work plan and strategy for technical assistance and training and total costs schedule:
 - a. Review work plan and strategy with regional and local MOF officials for completeness, consistency and relevance.

b. In coordination with local resource institution present the work plan, strategy, schedule and related costs to technical advisory Committee for approval.

3. Develop management system and training packages in collaboration with local resource institution.

4. Conduct management and technical training seminars/workshops in collaboration with local resource institution.

III. SUGGESTED APPROACH AND STRATEGY FOR IMPLEMENTATION

The U.S. consultant will develop a team approach with local resource institution, MOF Project Management Office and regional and local MOF officials. Technical assistance and training will be conducted through workshops and seminars in the regions and local governments. It is suggested that the consultant study the approach and model tested by the Ministry of Local Government in their development of regional, provincial and city level staff capacity to administer special projects. This approach includes in part, group dynamics and team building, motivation and productivity; theory and practice of management by objectives; and management exercises regarding planning, programming, problem solving and decision making. Follow-on seminars and workshops deal with technical aspects plus local level visits as needed to re-enforce management concepts and resolve problems.

TERMS OF REFERENCE

Management Systems Development and Training

B. Local Resource Institution

I. BACKGROUND

The experience in working with local governments in various local development programs indicates that institutional capacity building and local fiscal improvement deserve the most attention on a continual basis. The capacity problem has been highlighted in various evaluations and assessments of RPTA project. The evaluation and assessment point to weaknesses at central, regional and local levels involving both MOF officials and related local government officials involved in fiscal management.

A follow-on RPTA activity is to be implemented under the LRM project. The RPTA implementation will be under the administration of the MOF. A preliminary implementation plan has been developed which provides for technical assistance in management and management training. The first 24 months of the LRM/RPTA activity will emphasize capacity building and the consolidation of experience from the previous pilot RPTA project. The capacity building and consolidation are intended to provide a firm institutional base for a longer term effort of installation and maintenance of real property tax systems.

The USAID assistance will be focused on Regions III, V, VI and LRM pilot provinces of Region VIII meeting RPTA criteria (Phase A); Regions I and II (Phase B) and remaining Region VIII LGUs and Region XII (Phase C). A companion IBRD/RPTA assistance program is focused primarily on Region VII plus major cities in other regions.

II. STATEMENT OF SERVICES (Local Resource Institution)

A level of effort contract will provide for a host country local institution contract with a local resource institution for a period of 24 months to be extended for a second two year period based on performance and experience of the first 24 month contract. A separate U.S. direct contract will be arranged with a U.S. management advisor to provide additional technical and training services. The resource institution services will be coordinated initially by the U.S. consultant but responsibilities turned over to the counterpart resource institution whose services are planned for an extended period. The following statement of work or services pertains only to the local resource institution.

The contract will be a host country contract with a local resource institution. The resource institution will be under the direct supervision of the Ministry of Finance Project Manager who is responsible for both USAID and IBRD RPTA activities. For the initial 24-month period the U.S. consultant will be designated as team leader coordinating all management systems technical assistance and training involving the local resource institution.

- A. Objective: Develop a management system and training methodology for installation and maintenance of RPTA.

The management systems technical assistance and training program shall focus attention on organizational improvements, improved planning and coordination of RPTA activities at central, regional and local levels. At the completion of the technical assistance, systems and mechanisms should be established for clear communication, understanding of RPTA strategies, coordinated planning of RPTA systems installation and continual improvement of management of the systems.

B. Work Plan and Strategy

The following outlines essential functions to be jointly undertaken by the resource institution and U.S. consultant to develop a work plan and strategy for developing a management system and training program. The work plan and strategy will provide for various benchmarks which will be used for periodic evaluation of contractor performance.

1. Conduct management need assessment to determine the total needs of the RPTA organization. The assessment should include the following:
 - a. Analyze existing MOF/RPTA organizational structure and management system.
 - b. Analyze existing policy directives and regulation regarding responsibilities and authorities at central, regional and local levels.
 - c. Analyze the flow of operations and process involved in the performance of RPTA functions of each organizational level.
 - d. Evaluate existing management systems and controls.
 - e. Analyze individual management capacity behavior and effectiveness.
 - f. Determine constraints to improve management performance.
2. As a result of the assessment prepare a draft work plan and strategy for technical assistance and training and total costs schedule:
 - a. Review work plan and strategy with regional and local MOF officials for completeness, consistency and relevance.

b. In coordination with local resource institution present the work plan, strategy, schedule and related costs to technical advisory Committee for approval.

3. Develop management system and training packages in collaboration with local resource institution.

4. Conduct management and technical training seminars/workshops in collaboration with local resource institution.

III. SUGGESTED APPROACH AND STRATEGY FOR IMPLEMENTATION

The U.S. consultant will develop a team approach with the local resource institution, MOF Project Management Office and regional and local MOF officials. Technical assistance and training will be conducted through workshops and seminars in the regions and local governments. It is suggested that the U.S. and local consultants study the approach and model tested by the Ministry of Local Government in their development of regional, provincial and city level staff capacity to administer special projects. This approach includes in part group dynamics and team building, motivation and productivity, theory and practice of management by objectives, and management exercises regarding planning, programming, problem solving and decision making. Follow-on seminars and workshops deal with technical aspects plus local level visits as needed to re-enforce management concepts and resolve problems.

IV. CONTRACT LEVEL OF EFFORT-INPUTS

Local Resource Institution - Management Consultant and trainers shall be contracted initially for a period of 24 months. The person months will be subject to review of proposals giving various approaches to address the needs by various local resource institutions with experience and capacity to conduct the consultancy and training.

V. SCHEDULE (Preliminary)

A. Needs Assessment, Analysis, Program Planning - - - - - 3 months

B. Testing of Management Systems and Training Packages in two regions by both the U.S. management consultant and local resource institutions. - - - - - 3 months

C. Management Systems Installation and Training inter-spaced with technical training on RPTA systems. - - - - - 18 months

The U.S. management consultant shall establish a phase out schedule leaving full responsibility for continued management systems development and training to the the local resource institution.

TERM OF REFERENCE
PREPARATION OF OPERATIONAL MANUALS

I. BACKGROUND

The concluded RPTA pilot project developed and tested tax administration systems in the functional areas of tax mapping, appraisal and records conversion. The recent evaluation and end-of-project assessment pointed to the lack of uniformity in the application of the systems in the various local government units participating under the pilot project. Accordingly, a primary recommendation is the consolidation of lessons learned and experience including the "manualization" of systems to assure uniformity.

Resources have been provided under the LRM/RPTA activity to contract with a local resource institution to develop operational manuals. The manuals will be utilized in technical training programs undertaken by the MOF and as ready reference materials in the replication/installation of systems nationally.

II. STATEMENT OF SERVICES

A. Contract Objectives:

To develop and test operational manuals for - (1) tax mapping, (2) tax appraisal/assessment, (3) records conversion/management and (4) tax collection to assure uniform replications/installation of RPTA systems nationally.

Each of the manuals are separate volumes of an integrated and interdependent system, therefore in total, the "manualization" represents a single effort. Preparation of manuals will necessarily involve inputs from studies to be undertaken under separate contract and reference to "state of the art" publications or procedural texts utilized in the U.S. and available

85

to the MOF. The preparation will need to be phased, involve full testing and will require close coordination and consultation with national, regional and local government officials from the Ministry of Finance.

A. Contract Elements

1. Tax Mapping - Under the RPTA pilot project a manual was prepared to cover tax mapping operations. The contractor will be responsible for the review and assessment of the adequacy of the manual and to make recommendations for its improvement.

2. Appraisal/Assessment - A system for appraisal developed in the 60's has been utilized under the pilot project and needs to be updated. There is substantial information, experience and written material available and MOF personnel trained to guide the manual preparation. The following steps shall be taken in the manual preparation.

a. Research - the Contractor shall review existing GOP regulations in force regarding appraisal/assessment.

b. Field study will be undertaken to analyze actual appraisal/assessment practices.

c. Workshops will be organized to include experienced assessors to develop an outline for improved procedures to be systematized.

d. Test procedures against the current practices and against state of the art publications from other developed countries such as the U.S.

e. Based on the workshops, testing and review of written theory and practices, prepare an outline of the manual for review by regional and local MOF officials.

f. Based on comments and review by MOF officials prepare a final draft for presentation to the Technical Review Committee.

h. Prepare a companion training module to be utilized by the technical assistance and training consultants under separate contract arrangements.

3. Records Conversion/Management - The steps to be taken in the development of the manual should follow the general procedures outlined above for the development of appraisal and assessment manual.

In preparation of the manual the need for various approaches to automation and recording of data more efficiently should be reviewed and recommendations made. As in the appraisal/assessment manual, a training module shall be developed for utilization by the technical assistance and training consultants under separate contract.

4. Collection - Under separate contract collections studies and research are to be undertaken early in 1985. Based on these studies and recommendations a procedural manual will be developed providing for alternative means of collection and collection enforcement.

The steps and procedures for manual preparation will follow the process undertaken in the appraisal and assessment "manualization". Similarly, a training module will be prepared for utilization by the technical assistance and training consultants under separate contract.

III. APPROACH AND STRATEGY

The above outline of steps to be undertaken in preparing manuals emphasizes the need for continual consultation with regional and local government officials and testing to assure that manuals are complete,

consistent and relevant to the needs. The testing that would be undertaken in the local government units in installing the systems should assure that manuals are in fact practical and usable. As noted, each of the manuals will include a companion training module that will be undertaken by technical assistance and training consultants. Accordingly, the preparation of manuals will have to be synchronized closely with the management training.

IV. LEVEL OF EFFORT - INPUT

The manual development and testing will require the services of a local resource institution to provide for specialized technical writers. In the preparation of the manuals there are aspects of research and analysis which needs to be considered in the staffing of the contract group.

V. SCHEDULE

The contractor will initiate work in early 1985 in order for manuals to be available for utilization in the training program to be initiated in mid-1985. The preparation schedule will need to be phased in such a way that information for studies on tax collection can be inputted into the finalization of manuals.

TERMS OF REFERENCE

TAX COLLECTION PLANNING AND OPERATIONS

I. BACKGROUND

Recent evaluations and end-of-project assessment point to uneven performance of local government units participating under the RPTA pilot project in generating increased revenues. The evaluations and assessment do conclude that substantial revenue generation has been accrued as a result of systems installation (tax mapping, appraisal and records conversion), however, the potentials need to be translated into actual revenues. The lack of performance is a serious issue and criteria for local government participation in the new activity will be the resolution and firm commitment of local government officials to establish and maintain a strong collection effort.

The pilot project was unable to devote enough attention to collection aspects outside of initiating an Information, Education and Communication (IE&C) study and preparation of information materials targeted at taxpayers and local government officials. The IE&C efforts do provide some indication of the many factors affecting tax collection including social, cultural, economic, political, administrative and bureaucratic problems.

The LRM/RPTA activity will focus increased attention on collection enforcement. Resources have been allocated to conduct studies on factors that impact on real property tax collection and collection efficiency and to develop policy recommendations and operational plans to be presented to the LRM Executive Committee concerned with local development generally. The study and analysis is to be conducted by a local resource institution. It is expected that as a result of the studies and analysis other related applied research proposals will be generated concerning tax collection and collection efficiency.

89

II. STATEMENT OF SERVICES

A. Objectives:

The objective of the studies is (1) to evaluate and analyze the factors influencing real property tax collection and (2) the development of recommendations on policy and operational plans to improve tax collection and collection efficiency.

Proposals will be solicited from various local resource institutions with experience in related type research. The research will be closely coordinated with other LRM activities being undertaken in the area of fiscal administration improvement under the LRM Track II component. Results of the study and analysis shall also be utilized in the design of the tax collection system, training modules and in the design of an expanded information education and communication campaign.

B. Elements: The following outlines the preliminary steps that will be undertaken in development of a research agenda and plan of action to conduct the research and analysis.

1. Review of existing studies undertaken by the National Tax Research Center, U.P. Business Research Foundation and others.

2. Conduct field surveys and interviews with an adequate sample of local officials and taxpayers and regional and central MOF officials.

3. Develop a draft research agenda and plan of action to be reviewed with regional and local government officials for completeness, consistency and relevance.

4. Prepare a final research agenda, plan of action and schedule for review by the RPTA technical review committee.

The resource institution will be required to provide quarterly progress reports indicating status, preliminary results and problem areas.

C. Level of Effort - Input

The resource institution will provide appropriate staffing including tax specialist, research assistants and analysts to undertake the required study on a timely basis.

D. Schedule - The initial study, field work and analysis will be initiated and completed in about six months and policy and operational plan recommendations prepared and presented at the eighth month.

91'

LRM/RPTA ORGANIZATIONAL PLAN

I. PROJECT POLICY, MANAGEMENT DIRECTION AND COORDINATION

A. Executive Committee - The existing Executive Committee of the LRM Project (now established as Program) shall be expanded to include other concerned agencies whose functions complement the RPTA operations such as the Ministry of Natural Resources which covers the Bureau of Lands (BL) and the Ministry of Agrarian Reform (MAR). The BL and MAR shall participate on RPTA matters only. Since the RPTA shall be a major LRM Program component, a co-Vice-Chairman shall be the MOF Deputy Minister. Following are the functions of the Committee:

1. Decides on policy matters affecting the pursuance and attainment of LRM goals and objectives including that of RPTA.
2. Takes up/deliberates with the heads of concerned line ministries and agencies on critical policy issues.
3. Resolves and recommends the adoption of relevant policy changes.

B. National Program Management Executive Office - This shall be headed by the NEDA Assistant Director-General, Policy and Planning to be backstopped by the Technical Advisory Committee. This office shall:

1. Provide overall direction in the management of the LRM and RPTA Project components from national to subnational levels.
2. Issue guidelines in the formulation of overall operational plans, monitoring of technical assistance studies and reporting on project operations.

92

3. Recommend/evaluate relevant policy reforms and issues to the Executive Committee.

C. Technical Advisory Committee - Membership of the existing Technical Advisory Committee for the LRM umbrella project (now program) shall also be expanded to include agencies that complement with the RPTA activities such as the BL and MAR. Just like in the Executive Committee, the BL and MAR shall participate on RPTA matters only. The NEDA Assistant Director-General for Regional Operations shall be the Chairman and the Director of the MOF Office of Local Government Finance as Co-Chairman. The committee shall act as the technical advisor of the National Program Management Executive Office as appropriate on policy/technical matters regarding design, guidelines, strategies, budgeting and programming of funds. It shall also coordinate the activities of the various technical assistance consultants.

D. Local Finance Projects Management Division - This is a newly created permanent MOF division which shall handle the management of all foreign assisted projects under the administration of MOF. The RPTA Central Project Management Office will be a unit of this division. Coordination of RPTA projects both with USAID and IBRD assistance shall be undertaken through this division.

II. PROJECT EXECUTION

A. Central Project Management Office

1. Project Manager

The project manager is responsible for the management and surveillance of RPTA Project.

- Nature and Scope of Work

In accordance with policy, the project manager will assume full-time technical and managerial direction of the project. The project manager has responsibility for participating in the planning, management, design, implementation, monitoring and evaluation of project activities and for LGU agreements and subproject progress, effectiveness and compliance.

The project manager reports to the project director responsible for special projects administered by the MOF.

- Duties

a. Coordinates, directs and participates in the administration of projects activities including: management systems development and training; preparation of manuals/testing; in-country technical training; collection studies/applied research; information, education and communication campaign, systems installation; commodity procurement; and evaluation.

b. Responsible for overseeing and evaluating performance; quality, adequacy, competence and performance of MOF personnel assigned to RPTA and personnel under contract.

c. Monitors project cost and progress.

d. Organizes quarterly project reporting.

e. Insures timeliness in meeting commitments and scheduled completion dates; and other related management objectives.

f. Based on the evaluation of subproject status, conformity with criteria, level of acceptability and future need in meeting objectives, recommends continued funding, withholding of funds, or withdrawal from further participation in the project.

g. Works closely with and advises central, regional and local level government counterparts and with representatives of other GOP institutions, and other donors participating in the project to insure coordinated and executed managerial performance.

h. Recommends and secures specialized technical guidance for any of above listed activities which require additional supportive assistance and prepares all necessary justifications and program documentation involved.

i. Monitors and audits financial disbursement procedures for the project and advises responsible offices of need for corrective action or investigation.

j. Sets up and maintains project support files.

k. Participates in the preparation and submission of all required program and project documentation and reports required under AID reporting procedures.

1. Supervises the activities of the two operating units responsible for (a) technical operations, and (b) administrative services.

2. Deputy Project Manager for Technical Operations

- Nature and Scope of Work

Under the general supervision by the Project Manager, the Deputy Project Manager for Technical Operations shall be directly responsible for supervision of technical aspects of systems implementation and other RPTA field operations including monitoring and evaluation, training, and coordination/supervision of various technical assistance consultants.

95

- Duties

- a. Guides, integrates and monitors the planning, implementation and control of RPTA activities on tax mapping, appraisal/assessment, records conversion/management and tax collection in various local government units.
- b. Supervises the extension of technical assistance/advice to various local government units and RPTA subnational offices.
- c. Prepares detailed terms of reference for various technical assistance components on capacity building, training and evaluation including other documents required in contracting.
- d. Coordinates contracting activities for all technical assistance components and supervises/coordinates their implementation.
- e. Prepares written reports to the Project Manager on the accomplishments and progress of all technical operations and services.
- f. Participates in the preparation of RPTA operational plans and documentations required by USAID.

3. Deputy Project Manager for Administrative Services

- Nature and Scope of Work

Under the general supervision of the Project Manager, the Deputy Project Manager for Administrative Services is responsible for the administrative aspects of the RPTA Project including personnel, budget and finance, accounting, commodities procurement and maintenance, and general services.

- Duties

- a. Supervises the preparation of financial plans and budgets, follow-up of release, accounting and liquidation of advances from USAID grant and loan proceeds from USAID.
- b. Directs the acquisition/procurement and accounting of equipment, supplies and materials.
- c. Directs the receipt, classification, filing, transmittal and retrieval of all official records, communications and documents.
- d. Participates in the preparation of RPTA operational plans and documentations required by USAID.

B. REGIONAL PROJECT MANAGEMENT OFFICE (REGIONAL RPTA TASK FORCE)

The existing staff of the MOF Regional Office shall be organized similar to the organization of the central PMO. The Regional Director of MOF shall be designated as the Regional RPTA Project Manager whose duties shall be in line with the duties of the Central Project Manager as appropriate.

- Duties

- a. The Regional Director shall organize an experienced RPTA support team to assist in the installation of RPTA systems and provide follow-up assistance in the maintenance and expansion of the systems.
- b. The Regional Director shall help organize and participate in Management Systems development and training programs and will act as the regional counterpart to RPTA consultants working in various areas.

41

C. LOCAL PROJECT MANAGEMENT OFFICE (Provincial/City RPTA Task Force)

An RPTA unit shall be established to include the provincial/city and municipal level offices. The local RPTA Project Manager will be designated by the Governor/Mayor in consultation with the MOF who shall be responsible in coordinating all the RPTA activities at the local levels.

- Duties

a. The Provincial/City RPTA Task Force shall assist in the installation of RPTA systems at the municipal/city district level supported by Regional Task Forces.

b. The Provincial/City RPTA Task Force shall prepare a plan for system installation with emphasis on collection enforcement.

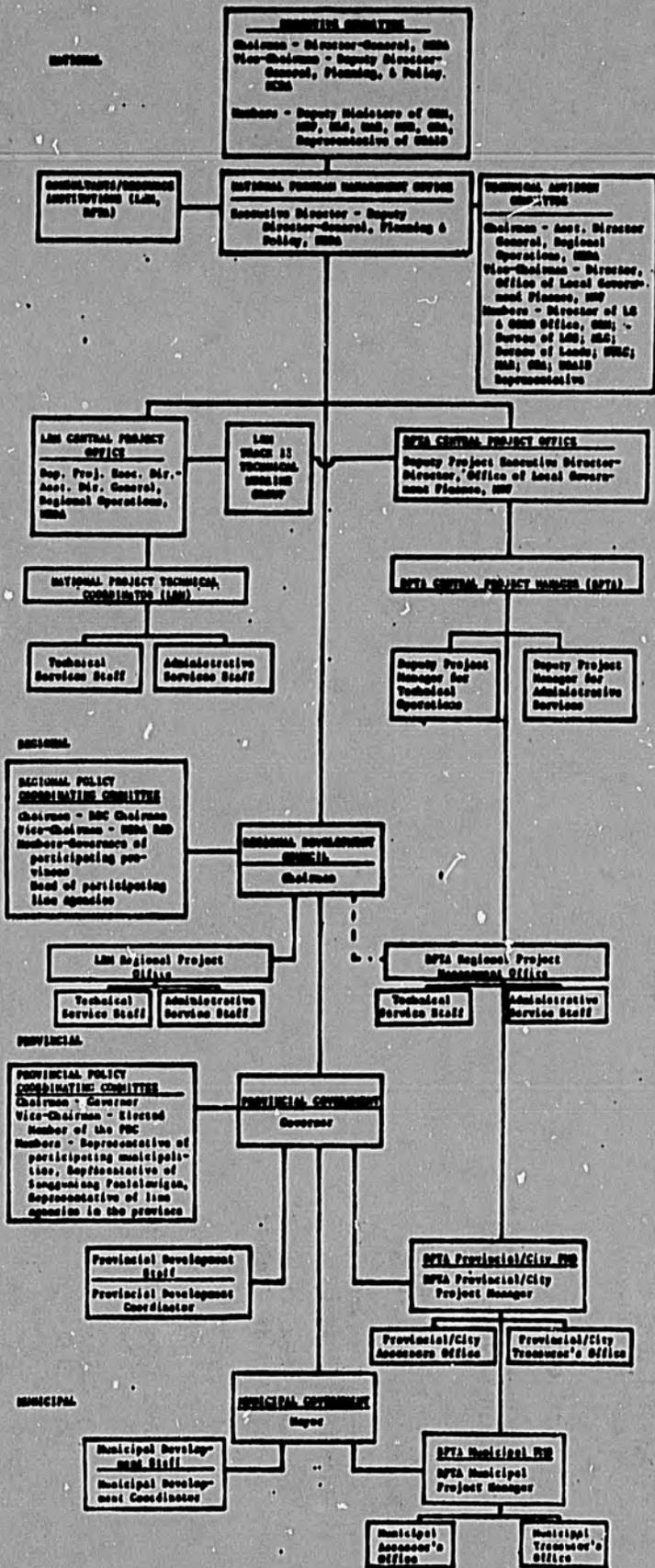
AS

II. IMPLEMENTATION PLANNING/RESPONSIBILITIES

<u>MAJOR ACTIVITIES</u>	<u>NPTA Central Project Office</u>				<u>NPTA Sub-National Project Office</u>		<u>LRM Program</u>	
	<u>Deputy Executive Director</u>	<u>Central Project Manager</u>	<u>Deputy Project Manager for Tech. Operations</u>	<u>Deputy Project Manager for Adm. Services</u>	<u>Regional Project Manager</u>	<u>Local Project Manager</u>	<u>Executive Committee</u>	<u>Executive Office</u>
A. POLICY LEVEL								
1. Formulation of Policy	X						X	
2. Plans and Strategies	X	X					X	
3. Budget, Allocation	X	X						X
B. PROJECT OPERATIONS								
1. General Operations/Orientation/Guidelines Formulation	X	X			X (Consult)	X (Consult)		X
2. Detailed Preparation of Operational guidelines		X	X	X	X			X
3. Monitoring and Evaluation	X	X	X		X	X		X
4. Budget and Finance								
a. Budget Preparation and Follow-up of releases								
(1) Central PMO		X		X				
(2) LGU Counterpart		X		X	X	X		
b. Funds Disbursement and Accounting								
(1) Central PMO		X		X				
(2) LGU Grants		X		X		X		
5. Commodity Procurement		X		X				
6. Supervision of Systems Installation		X	X		X	X		
7. Training		X	X		X	X		
8. Implementation/coordination of technical assistance and studies		X	X					
9. Collections Enforcement & Analysis	X	X	X		X	X		X
10. Coordination Track II	X	X						
11. Coordination Other Donors	X	X						

WV

PROPOSED ORGANIZATIONAL CHART FOR
LNU-NPTA PROJECT IMPLEMENTATION



**COST-SHARE FORMULA AND TENTATIVE LGU LISTING
AND COST ESTIMATES**

The USAID financial assistance in support of tax mapping, assessment and records conversion will be determined on the following formula based on the class of province, municipality and city:

PROVINCES^{1/}

<u>Class of Province</u>	<u>PERCENTAGE OF TOTAL Estimated Project Costs</u>
1st	25% Assistance
2nd	27.5% "
3rd	30% "
4th	32.5% "
5th or below	35% "

MUNICIPALITIES

<u>Class of Municipality</u>	<u>PERCENTAGE OF TOTAL Estimated Project Costs</u>
1st	25% Assistance
2nd	27.5% "
3rd	30% "
4th	32.5% "
5th or below	35% "

^{1/} Cost-share assistance divided between Municipality and Province since both provide needed administrative and support services.

CITIES

<u>Class of City</u>	<u>Percent of Total Estimated Project Cost of City Districts^{2/}</u>
1st	50% assistance
2nd	55% "
3rd	60% "
4th	65% "
5th or below	70% "

Selection of local government units to participate in the LRM/RPTA Project will be made by Selection Committee based on detailed criteria to be developed and concurred in by USAID. Primary criteria is the commitment of local government executives along with technical and managerial capacities of local implementors, availability of local budgetary counterpart, peace and order conditions. A resolution providing needed budget support and a plan for implementation of a strong tax collection effort will be a pre-condition to participation.

The flow of funds to the local government units shall follow the appropriate provisions of the Guidelines Implementing Presidential Decree No. 1914 entitled "Creating a Special Revolving Fund for Purposes of Foreign-Assisted Projects Applicable to Local Government."

^{2/} City district defined as one or more barangays containing no less than 4,000 parcels.

The internal revenue/specific tax allotments for the concerned LGUs shall be withheld by MOF to reimburse advances of AID in case of misuse of funds or non-submission of reimbursement document to AID three months after the agreed-upon subproject completion date. Liquidation of advance will be on the basis of MOF/USAID review/approval of adequacy of tax map control roll.

TENTATIVE LGU LISTING AND COST ESTIMATES

LOCAL GOVERNMENT UNITS	NO. OF MUNI- CIPALITIES & CITY DISTRICTS	NUMBER OF PARCELS	TOTAL PROJECT COST (P)	COST-SHARE ASSISTANCE (P)	LGU COUNTERPART (P)
PHASE A:					
Region III					
1. Bulacan	13	125,877	3,776,310	2,001,154	1,775,156
2. Nueva Ecija	22	173,958	5,218,740	3,021,927	2,196,813
3. Pampanga	7	78,524	2,355,720	1,259,759	1,095,961
4. Tarlac	15	126,527	3,795,810	2,059,680	1,736,130
5. Zambales	9	69,186	2,075,580	1,145,427	930,153
- Angeles City	3	14,674	440,220	220,110	220,110
- Olongapo City	1	4,432	132,960	66,480	66,480
SUBTOTAL	70	593,178	17,795,340	9,774,537	8,020,803
Region V					
1. Albay	6	55,508	1,942,240	1,148,183	794,597
- Legaspi City	2	7,983	279,405	153,673	125,732
2. Camarines Norte	9	35,732	1,250,620	765,379	485,241
3. Camarines Sur	16	100,315	3,511,025	2,096,082	1,414,943
- Iriga City	1	2,563	89,705	53,823	35,882
- Naga City	6	16,092	482,760	241,380	241,380
4. Masbate	17	84,694	2,540,820	1,510,238	1,030,582
5. Sorsogon	5	41,941	1,258,230	738,684	519,546
Subtotal	62	344,828	10,344,840	6,105,619	4,239,221
Region VI:					
1. Aklan	12	76,680	2,300,400	1,437,748	862,652
2. Antique	17	126,559	3,796,770	2,359,407	1,437,363
3. Capiz	15	99,096	2,972,880	1,780,696	1,192,184
4. Iloilo	12	69,991	2,099,730	1,222,682	877,048
- Iloilo City	7	30,336	910,080	455,040	455,040
5. Guimaras	2	12,000	360,000	243,000	117,000
6. Negros Occidental	16	59,382	1,781,460	998,460	783,000
- Bacolod City	12	51,235	1,537,050	768,525	768,525
- Bago City	2	9,777	293,310	161,320	131,990
- Cadiz City	2	10,671	320,130	176,072	144,058
- La Carlota City	2	7,984	239,520	131,736	107,784
- San Carlos City	3	13,162	394,860	217,174	177,686
- Silay City	2	9,395	281,850	155,018	126,832
SUBTOTAL	104	576,268	17,288,040	10,106,878	7,181,162
Region VIII:					
1. Southern Leyte	16	107,162	3,214,860	2,009,290	1,205,570
2. Eastern Samar	20	95,008	2,850,240	1,781,402	1,068,838
SUBTOTAL	36	202,170	6,065,100	3,790,692	2,274,408
TOTAL	272	1,716,444	51,493,320	29,777,726	21,715,594

LOCAL GOVERNMENT UNITS	NO. OF MUNICI- PALITIES & CITY DISTRICTS	NUMBER OF PARCELS	TOTAL PROJECT COST (P)	COST-SHARE ASSISTANCE (P)	LGU COUNTERPA (P)
Phase B					
<u>Region I</u>					
1. Abra	24	145,916	4,377,480	2,694,713	1,682,767
2. Benguet	9	80,617	2,418,510	1,511,569	906,941
3. Ilocos Norte	17	162,740	4,882,200	2,860,703	2,021,497
- Laoag City	6	65,418	1,962,540	1,080,000	882,540
4. Ilocos Sur	32	255,199	7,655,970	4,449,924	3,206,046
5. La Union	15	120,143	3,604,290	2,104,697	1,499,593
6. Mt. Province	9	63,059	1,891,770	1,276,934	614,836
7. Pangasinan	38	335,223	10,056,690	5,916,914	4,139,776
- Dagupan	3	30,053	901,590	495,875	405,715
- San Carlos City	6	50,000	1,500,000	900,000	600,000
SUBTOTAL	158	1,308,368	39,251,040	23,291,329	15,959,711
<u>Region II</u>					
1. Batanes	4	16,238	487,140	340,998	146,142
2. Cagayan	9	62,658	1,879,740	1,111,590	768,150
3. Ifugao	5	46,155	1,384,650	900,000	484,650
4. Isabela	30	150,806	4,524,180	2,556,029	1,968,151
5. Kalinga-Apayao	9	63,951	1,918,530	1,199,081	719,449
6. Nueva Viscaya	11	59,860	1,795,800	1,114,877	680,923
7. Quirino	1	9,231	276,930	180,000	96,930
SUBTOTAL	69	408,899	12,266,970	7,402,575	4,864,395
TOTAL	227	1,717,207	51,518,010	30,693,904	20,824,106

105

LOCAL GOVERNMENT UNITS	NO. OF MUNICI- PALITIES & CITY DISTRICTS	NUMBER OF PARCELS	TOTAL PROJECT COST (P)	COST-SHARE ASSISTANCE (P)	LGU COUNTERPART (P)
Phase C					
<u>Region VIII:</u>					
1. Leyte	44	268,915	8,067,450	4,816,290	3,251,160
- Ormoc City	5	19,207	576,210	316,914	259,296
- Tacloban City	5	18,242	547,260	273,630	273,630
2. Northern Samar	21	85,210	2,556,300	1,596,563	959,737
3. Western Samar	17	65,631	1,968,930	1,163,538	805,392
- Calbayog City	11	43,162	1,294,860	776,916	517,944
SUBTOTAL	103	500,367	15,011,010	8,943,851	6,067,159
<u>Region XII</u>					
1. Lanao Del Norte	13	34,163	1,024,890	640,557	384,333
- Iligan City	1	1,485	44,550	22,275	22,275
2. Lanao Del Sur	26	69,428	2,082,840	1,247,327	835,513
- Marawi City	1	4,928	147,840	81,312	66,528
3. Maguindanao	15	50,848	1,525,440	915,264	610,176
4. North Cotabato	9	55,895	1,676,850	975,126	701,724
SUBTOTAL	65	216,747	6,502,410	3,881,861	2,620,549
TOTAL	168	717,114	21,513,420	12,825,712	8,687,708
GRAND TOTAL	667	4,150,825	124,524,750	73,297,342	51,227,408
DOLLAR EQUIVALENT			\$8,893,320	\$5,234,742	\$3,658,578
PLUS: ASSISTANCE FOR TAX COLLECTION				\$485,258	
TOTAL				\$5,720,000	\$3,658,578

Commodity Procurement Plan

A. Methods of Procurement and Compliance with AID Regulatory Requirement

The Ministry of Finance will be responsible for careful preparation of schedules, plans and specifications for all procurement actions for the project. In order to procure commodities expeditiously with minimum demand upon scarce staff resources, it is envisioned that a U.S. Procurement Services Agent (PSA) will be utilized to purchase offshore commodity inputs for LRM/RPTA under a PIO/C issued by USAID. Payment for offshore commodities will therefore be made under an AID Direct Letter of Commitments for PSA fees and Bank Letter of Commitment for commodities and commodity related services with the PSA as the approved applicant.

The authorized source/origin of commodities for the project is AID Geographic Code 941. However, local small value purchases are authorized as necessary within the local cost financing limits contained in HBIB Chapter 18. (Waiver for procurement of one vehicle for this project will be required.) Commodities procured offshore by the PSA will be marked with AID hand-clasp emblems. Locally procured items will be marked with like emblems which USAID Logistics Division will supply to the Ministry of Finance.

B. Commodity List and Procurement Schedule - Shown in the following table is the list of project commodities and year of Procurement:

PURPOSE/ITEM	NO. OF UNITS	END USER	SOURCE ORIGIN	UNIT COST	TOTAL COSTS	1985	1986	1987
A. Tax Mapping								
1. Range Finders	140	Provincial Assessors Office	U.S.	\$ 150	\$ 21,000	\$ 21,000		
2. Transits	140	Provincial Assessors Office	U.S.	850	119,000	119,000		
B. Tax Collection								
1. Programmable Calculator	140	Provincial Treasurers Office	U.S.	150	21,000	21,000		
C. Training								
1. Tape Recorders	8	Central and Regional MOF	U.S.	200	1,600	800	400	400
2. Slide Projectors	8	Central and Regional MOF	U.S.	450	3,600	1,800	900	900
3. Overhead Projectors	8	Central and Regional MOF	U.S.	450	3,600	1,800	900	900
D. General Administration								
1. Vehicle	1	Central MOF	Local	14,200	14,200	14,200		
2. Plain Paper Copier	8	Central and Regional MOF	Local	2,000	16,000	8,000	4,000	4,000
TOTAL					\$200,000	\$187,600	\$6,200	\$6,200

COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

B. FUNDING CRITERIA FOR PROJECT

I. Development Assistance Project Criteria

a. FAA Sec. 102 (b); 111; 113; 28 (a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small town and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions;

(b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions;

(c) support the self-help efforts of developing countries;

(d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and

(e) utilize and encourage regional cooperation by developing countries?

a. Local revenues generated will help finance and support local development thereby benefiting the poor.

(b) N/A

(c) This project will transform local government units into financially self-reliant units responding to the needs of the people.

(d) Not a direct focus of the project.

(e) N/A

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available:

(1) /103/ for agriculture rural development or nutrition; if so
(a) extent to which activity is specifically designed to increase productivity and income of rural poor; 103A if for agriculture research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made;
(b) extent to which assistance is used in coordination with programs carried out under

Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition among poor and vulnerable poor; and

(c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution?

(1) For Rural Development.

(a) To a limited extent, not a direct objective of the project, however, development activities financed from local revenues would support agriculture related programs in the rural areas.

(b) To a limited extent; not a direct objective of the project and as above, local revenues would support agriculture related programs in the rural areas impacting on poor.

(c) N/A.

c. /107/ is appropriate effort placed on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor).

c. N/A

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the cost of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least developed" country)?

d. Yes

e. FAA Sec. 110(b). Will grant capital assistance be distributed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least develop"?

e. No

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in government processes essential to self government.

f. Project has strong emphasis in capacity building at central, regional and local levels; local resource institutions will provide technical assistance on capacity development, management and technical training to provide local officials skills for more effective planning, management, monitoring and evaluation; recognizes that the national government needs to continue to stimulate local government and help in preparing them for self-reliance since the national government can no longer provide for the growing needs of local development.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacity and self-sustaining economic growth?

g. Yes, the goal of the project is to transform local government units into financially self-reliant units responding to needs of the people.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

a. The government has not defaulted on any foreign loan and they have the capacity in the long run to service and repay their foreign loans.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan.

b. N/A

PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT

1. 82 App Act. Unnumbered; Sec. 653 (b).

a. Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project;

Through congressional notification.

b. Is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

Yes

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that action will be completed in time to permit orderly accomplishment of purpose of the assistance? N/A
4. FAA Sec. 611(b); 81 App. Act. Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to effectively maintain and utilize the project? N/A
6. FAA Sec. 209. Is project susceptible of execution as part regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to:
- (a) increase the flow of international trade; N/A
 - (b) foster private initiative and competition; and N/A
 - (c) encourage development and use of unions, and savings and loan associations; N/A

- | | |
|---|--|
| <p>(d) discourage monopolistic practices;</p> | <p>N/A</p> |
| <p>(e) improve technical efficiency of industry, agriculture and commerce; and</p> | <p>N/A</p> |
| <p>(f) strengthen free labor unions.</p> | <p>N/A</p> |
| <p>8. <u>FAA Sec. 611(b)</u>. Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprises).</p> | <p>Project involves mostly local cost financing. Nature of project would not lend itself to U.S. private trade/investments. A U.S. institution will be requested to provide technical services. Commodity procurement will be limited and will be of U.S. source and origin.</p> |
| <p>9. <u>FAA Sec. 612(b); Sec. 636(h)</u>; Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.</p> | <p>GOP will provide a minimum of 30% of subproject costs in local currencies. Foreign currencies owned by the U.S. are not available to this project.</p> |
| <p>10. <u>FAA Sec. 612(d)</u>. Does the U.S. own excess foreign currency of the country, if so, what arrangements have been made for its release?</p> | <p>No</p> |
| <p>11. <u>FAA Sec. 601(e)</u>. Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?</p> | <p>Yes</p> |
| <p>12. <u>App. Act Sec. 521</u>. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?</p> | <p>N/A</p> |

IBRD/RPTA PROJECT DOCUMENT*

I. Summary and Recommendation

The Government of the Republic of the Philippines, currently through the Ministry of Finance, is providing technical and financial assistance to local government units (LGU's) for the Real Property Tax Administration (RPTA) Program. The program assists the LGU's in the areas of tax mapping, records conversion and standardization, and real property tax collection and enforcement. The RPTA Program was begun with the funding assistance of the United States Agency for International Development (USAID) and has helped the LGU's to improve the accuracy of the identification of land parcels, the accuracy and increase of real property assessments and improve records management for real property taxes.

Phases III of the USAID assisted program, the last phase of the program, will be beginning soon. When completed, the program will have completed less than half of the estimated number of land parcels in the country. Whereas the USAID assisted program favored rural areas or those outside the metropolitan districts, the government wishes also to provide assistance to larger LGU's and metropolitan areas, especially those currently undertaking IBRD assisted development projects, as well as additional LGU's not included in the USAID-assisted program.

The government would like to continue with the program for the remainder of the country and has programmed such in three phases. The first phase will include the project cities/municipalities of the IBRD-assisted development

* MOF proposal submitted to IBRD (annexes not included).

115

projects under the Regional Cities Development Project (RCDP), the Program for Essential Municipal Infrastructure Utilities, Maintenance, and Engineering Development (PREMIUMED), and the Central Visayas Regional Project II (CVRP). In addition, this first phase will include one city from each of the two regions not represented by the projects. Phase I will begin by July 1984 and will be completed during 1986, though major inputs and expenditures will be in the first two years. Total Phase I expenditures are estimated at ₱70.1 million or \$5.0 million for a total of approximately 284,600 tax mapping and 705,600 records conversion land tax parcels. The government requests assistance under the effective IBRD Loan (Loan No. 2257-PH), RCDP, for 1984 program expenditures, amounting in total to ₱21.9 million or \$1.6 million. The balance of Phase I expenditures, it is hoped, can be funded out of the PREMIUMED loan (negotiated April 1984), for estimated total expenditures for 1985 and 1986 of ₱34.6 million and ₱13.6 M, or \$2.5 million and \$1.0 million respectively.

The second and third phases of the RPTA program will include LGU's accepted through a screening process established under the on-going RPTA program. First priority will be given to LGU's that may be included in succeeding development projects. LGU's will be considered for their willingness to join the program, financial ability, and completion of required applications and other documents. Phase II will begin 1986 and end during 1990 and will cost an estimated ₱868.7 million or \$62.1 million and will cover approximately 3,278,200 tax mapping and 4,700,200 records conversion land parcels. Phase III will begin 1990 and end during 1993 and will cost an estimated ₱595.4 million or \$42.5 million and will cover approximately

3,012,500 tax mapping and 2,760,000 records conversion land parcels. Since there are no funds available under current projects or existing loans for the second and third phases of this program, the government requests the IBRD to consider funding for this program under a separate loan agreement.

Of the total project cost of approximately \$110 million, it is estimated that about 48% of the cost will involve government counterpart at all levels for personnel costs, and maintenance and operations costs. The remaining costs represent contractual labor, forms, equipment, and technical assistance for testing and training. It is these costs, outside of normal recurring government expenditures, that the government wishes to include for IBRD funding. IBRD funding would amount to approximately \$57 million for the three phases, although annual percentages of total cost will differ due to bulk of equipment purchasing.

IBRD funding of all costs except personnel and operations, for Phase I would amount to \$3.9 million, as follows: 1984, \$1.1 million: 1985, \$1.9 million and 1986, \$0.9 million.

II. Benefits of the RPTA Program

The RPTA program is providing local government units with improved administration for the real property tax effort. Techniques of tax mapping and appraisal have improved through planning and standardization, and training making general assessment revisions and maintenance easier and more effective. Accurate identification of land parcels and ownership records has resulted in a more accurate assessment base, as well as a much increased real property tax base. In some cases land owners declare the same parcel at several lending institutions to obtain additional loan funds, at times resulting in a 50% reduction of the number of parcels for a specific region. In other cases, especially metropolitan areas, the number of tax parcels increased by over 200% due to undeclared properties and subdivision of parcels. Even with reduced numbers of parcels, which are mainly in rural areas, substantial increases in assessed values have resulted through identification of undeclared parcels or under-declared values of parcels. A typical RPTA project status report from Cebu City recently indicated an average of 112% increase in assessed value for 19 sections within the city.

The standardization and improvement of tax mapping procedures and records will allow for more effective and efficient records management, including coordination among local government departments and offices, and for follow-up and enforcement of collections. Perhaps as important as the increase in tax collection is the social impact the RPTA program will have, in that the improvements allow for a base to provide a more accurate distribution of the tax burden.

III. Background and History of the RPTA Program

The USAID-assisted RPTA Program, which began in 1978 under the Ministry of Local Government (MLG), evolved out of the Provincial Development Assistance Project (PDAP). The initial RPTA program under MLG referred to as Phase I, attempted to improve local government financial mobilization. However, the project suffered various administrative problems, due mainly to a lack of coordination between ministries and agencies at the national level of government.

The Bureau of Lands was given responsibility for the preparation of base maps, though without coordinating with the MOF, or at least the local assessors, the Bureau was unaware of technical documentation needed for proper tax maps. It has been determined that many of the maps under this Phase I must subsequently be retrieved and updated.

The MLG, although responsible for personnel position and classification, does not have authority over the responsibilities of the local government unit treasurers or assessors, which authority lies with the MOF. A lack of coordination between the MLG and the MOF created administrative problems over each of the RPTA areas of tax mapping, records conversion, and tax collection and enforcement.

Beginning 1982, the administration of the RPTA program was transferred to the MOF, under Phase II of the USAID assisted project. During Phase II, which ended December 1983, numerous improvements were made for the program which came under the Office of Local Government Finance, MOF.

The MOF, in conjunction with the USAID, developed a screening process for selection of local government units for the program, and a program monitoring

and evaluation section was established at the central RPTA office to continually update the MOF and USAID with regard to progress, costings, or problem areas needing attention. The unit also prepares quarterly and completion reports to the MOF and USAID. Tax mapping procedures, including field operations as well as preparation of maps and records, were placed under the supervision of the City/Provincial Assessors and Regional Office Assessment Supervisors so that the documents are standardized under the requirements of the MOF. Real Property Tax Records, as well as monitoring and evaluation forms, have been improved and standardized with the assistance of the University of the Philippines Business Research Foundation.

Beginning January 1984, the Local Finance Projects Management Division (LFPMD) was created under the Office of Local Government Finance, MOF. The LFPMD has supervisory responsibility over the RPTA as well as other foreign-assisted projects. Many of the technical staff who had previously been assigned to the RPTA have been reassigned to this new division. In addition, other technical staff will soon be assigned to strengthen support for the on-going development projects in the areas of monitoring and evaluation, and financial improvements. Three (3) consultant advisors are currently being contracted to provide full-time advisory services to the LFPMD in its required functions.

The general approach to tax mapping and records conversion currently involves three (3) major task areas, including 1) tax mapping, 2) records conversion, and 3) real property tax collection and enforcement, in sequence. Because some LGU's were not tax mapped in accordance with MOF standards and others that were mapped during the initial implementation of the

120

USAID-assisted program have never been maintained properly, an additional task area, review and update of tax maps, has been included to correct improper maps and records. Detail activities for each task area, including time allocations and costs, are included at Appendix C.

IV. General Organization and Management of the RPTA

The RPTA program is managed currently by the Office of Local Government Finance (OLGF) through its Local Finance Projects Management Division (LFPMD). The responsibility for management of the program lies with the Director, OLGf and the Officer-in-Charge, LFPMD, both of whom have been involved directly with the program since the MOF began handling the program in 1982.

Beginning April 1984 the LFPMD will include three (3) financial advisors experienced in the on-going IBRD assisted projects. In addition, a project officer, from within the MOF central office, will be assigned to each of the on-going projects. The project officers will have overall responsibilities for day-to-day transactions for their respective projects, to be assisted as necessary by the consultant advisors and the division and office heads. Staff experienced with the RPTA program are already in place, having been transferred to the LFPMD from the USAID assisted RPTA office. Additional staff will be assigned, as necessary, for responsibilities of the other foreign assisted projects, especially in the areas of monitoring and evaluation, and systems and procedures. These staff will assist the local government units, with the help of the MOF regional offices, in meeting target levels of revenues and expenditures, budgeting and cash flows, and monitoring project and general costs, revenues and expenditures.

121

Outside of the LFPMD, for the RPTA program each MOF regional office provides approximately five (5) supervisory staff to assist the local government units within their jurisdiction. The responsibility for tax mapping, however, lies with the city or provincial assessor. The assessor assigns staff, with various expertise, to teams for the several task areas of the RPTA effort.

Monitoring and evaluation is an extremely important effort of both the MOF regional office and the LFPMD of the central office. Monthly and quarterly progress reports, as well as completion reports, are required documents of all operational tasks of the RPTA program.

A Monitoring and Evaluation System Manual, dated April 1983, was jointly produced by the MOF and the U.P. Business Research Foundation, Inc., and approved for use by the USAID for its assisted RPTA program. The "manual presents a monitoring and evaluation system to gather, summarize, analyze and communicate information on real property tax mapping projects. The system will furnish information on project documentation and processing, funding, implementation progress and status, and potential impact and net benefits of RPTA improvement projects". The manual can be broken down into three (3) subsystems, as follows:

- Central Project Processing and Monitoring, which facilitates the processing and funding of projects.
- Project Implementation Monitoring, which monitors the implementation of the project as to progress and status, and
- Impact Evaluation and Special Studies, which monitors and evaluates the impact of the project on potential tax revenues, project benefits and costs.

122

V. Proposed IBRD Assisted RPTA Program

The proposed IBRD assisted RPTA program has been planned in three (3) phases, beginning the middle of 1984 and ending 1993. Each of the three (3) phases will involve government personnel at all levels, plus contractual firms or personnel as needed to perform specialized tasks. Each phase will require the purchases of small equipment for training, mapping and records conversion, in addition to vehicles and training costs. The activities and related costs for each phase have been developed in relation to tasks of the RPTA program as well as for responsibility, whether it be local, provincial, regional or central.

The task areas within the RPTA program follow in sequence but allow for some overlapping. As tax mapping or review and update of tax maps is completed, the major emphasis shifts to records conversion, while minor emphasis remains with tax mapping for maintenance of maps and mapping records. Each phase includes the same task areas, except that review and update of tax maps will be completed during Phase II.

The local government units included in Phase I were decided based on the on-going IBRD assisted regional development projects, including RCDP, PREMIUMED and CVRP II. In addition, the cities of Baguio (representing Region I) and Cotabato (representing Region XII) were included so that each region of the country, except Metro Manila, is represented in the first phase. Also considered in developing the first phase was the ability of the Government to implement the program successfully, while also implementing Phase III of the USAID assisted RPTA program. The Government wishes to have this first phase funded out of the IBRD loan agreements of RCDP (Loan No. 2267-PH), effective

123

February 1984) and PREMIUMED, therefore Phase I costs have been kept to a minimum.

The local government units have not been identified for Phases II and III. Rather the LGU's will be identified following the established RPTA screening process. A reasonable number of tax parcels has been included for each year for tax mapping or review and update of tax maps. Also, the number of LGU's for each year has been considered in determining project timing. Funding for Phase II and Phase III anticipates the signing of a new loan, to include the RPTA program as well as possibly other financial areas.

Total costs for each phase were determined, by cost categories, as follows:

- Tax Mapping, a 1984 average cost of P35 per parcel, including pre-field, field, and post field activities, for contractual personnel and forms expenses.
- Review and Update of Tax Maps, a 1984 average cost of P15 per parcel, including verification of map and assessment accuracy and correction of improprieties as necessary, for contractual personnel and forms expenses.
- Records Conversion, a 1984 average cost of P11.6 per parcel, including preparation of, and on-the-job training for, improved tax map and assessment records, for contractual personnel and forms expenses.
- Commodity Support Equipment, specific needs of the local, provincial, regional and central offices of the MOF, based on selected canvassing of vendors.

124

- Training, for three (3) regional training sessions during Phase I, II and III through the use of specialists contracted in the areas of tax mapping techniques, records management and real property tax assessment and collection methods.
- Technical Assistance for Pilot Testing of Manual for Records Conversion for a contracted firm or group to test the improved assessment and collection records in four (4) LGU's prior to conversion including additional records improvement in 1984-1985 under Phase II and for technical assistance on Tax Collection and Real Property Appraisal and manualization in the succeeding years under Phase II and Phase III.
- Personnel Costs, estimated costs for counterpart staff in the local, provincial, regional or central offices, who share in all tasks of the RPTA program, based upon team efforts, adjusted salary schedules, and expected inputs.
- Maintenance and Operations, estimated costs for rental of additional office space or equipment, and related expenses, for the expected duration of the program for each LGU.

Inflation rates used in all projections of costing are based on recent though unofficial, NEDA estimates, as follows:

<u>1983</u>	<u>1984</u>	<u>1986 and future</u>
25%	15%	9%

-125

REAL PROPERTY TAX ADMINISTRATION
Tax Mapping and Records Conversion Activities
Summary

<u>COST CATEGORIES</u>	<u>(In Million Pesos)</u>											<u>Equivalent Dollars 1/</u>
	<u>TOTAL</u>	<u>: 1984</u>	<u>: 1985</u>	<u>: 1986</u>	<u>: 1987</u>	<u>: 1988</u>	<u>: 1989</u>	<u>: 1990</u>	<u>: 1991</u>	<u>: 1992</u>	<u>: 1993</u>	
Tax Mapping	354.521	5.887	4.447	34.094	37.126	40.486	44.173	78.279	78.545	31.484	-	25.323
Review/Update of Tax Maps	28.017	2.645	-	5.545	6.048	6.591	7.188	-	-	-	-	2.001
Records Conversion	302.156	.741	6.948	35.252	38.304	38.304	41.830	45.592	46.787	60.993	22.674	21.583
Commodity Support Equipment	80.727	5.545	9.773	3.585	1.862	1.862	.799	20.507	3.485	-	-	5.766
Personnel Costs	571.888	4.574	5.679	66.441	71.170	76.676	84.557	136.559	48.390	52.745	25.097	40.849
Maintenance and Operations	164.905	2.067	2.460	18.259	19.707	21.482	23.414	38.722	14.052	15.680	9.062	11.779
Technical Assistance	5.533	.425	.425	1.412	.532	-	-	1.989	.750	-	-	.395
Training	26.417	-	4.830	19.487	2.100	-	-	-	-	-	-	1.887
TOTAL (Million Pesos)	<u>1,534.164</u>	<u>21.884</u>	<u>34.562</u>	<u>183.454</u>	<u>175.520</u>	<u>185.401</u>	<u>201.961</u>	<u>321.648</u>	<u>192.009</u>	<u>160.902</u>	<u>56.833</u>	
TOTAL (Million Dollars) *	<u>109.583</u>	<u>1.563</u>	<u>2.469</u>	<u>13.103</u>	<u>12.537</u>	<u>13.243</u>	<u>14.426</u>	<u>22.975</u>	<u>13.715</u>	<u>11.493</u>	<u>4.059</u>	<u>109.583</u>

* Dollar equivalent - \$1.00 = ₱14.00.

126

ANNEX "M"

**DRAFT MOF CRITERIA IN THE SELECTION OF LGUs
AS PARTICIPANTS IN LRM/RPTA PROJECT**

1. The RPTA Project must be undertaken in a municipality or city district with at least 4,000 parcels. Projects to be undertaken in the entire jurisdiction of the municipality shall be given preference. For purposes of this criterion, the term "parcel" shall refer to any parcel of land, unit of building or unit of machinery; while the term "district", refers to a portion of a municipality or city consisting of contiguous barangays and containing not less than 4,000 parcels;

2. Base Maps (cadastral, public or private land survey maps) covering the entire area of the municipality or city district where the project will be undertaken are available. A municipality or city district without base maps may be considered for participation in the project on a case-to-case basis;

3. The municipality/city has favorable peace and order condition as certified by the Municipal or City Mayor and duly attested by the Provincial Commander concerned;

4. The RPTA Task Force of the municipality or city has been reconstituted/reactivated and functional;

5. Technical/clerical personnel, office space and equipment, as required by the MOF relative to the execution of the project, are available from the start until the completion of the project, as certified by the Municipal/City Assessor and duly attested by the local chief executive;

6. Certification from the provincial, municipal or city treasurer concerned, to the effect that local funds to defray the LGU counterpart in the project cost is available. The Certification shall be duly attested by the Municipal or City Mayor. The ordinance appropriating the local counterpart of the project cost shall embody a provision to the effect that such fund is considered a Trust Fund;

7. In case of a municipality, the incumbent Municipal Assessor holds a permanent appointment;

8. The municipality has an approved Town Plan;

9. Submitted Letter of Application duly signed by the Municipal or City Mayor, attaching therewith a duly passed and approved Resolution of the Sanggunian concerned authorizing the Municipal/City Mayor to enter into a contract or agreement with the MOF relative to the RPTA Project and committing the local government to support a strong RPTA tax collection and enforcement effort..

128