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PROJECT REVIEW PAPER  
(PRP)

REAL PROPERTY TAX ADMINISTRATION

USAID/PHILIPPINES

September 24, 1976

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AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT REVIEW PAPER FACESHEET</b>		1. TRANSACTION CODE <input type="checkbox"/> A - ADD <input type="checkbox"/> C - CHANGE <input type="checkbox"/> D - DELETE		PRP 2. DOCUMENT CODE <b>2</b>
3. COUNTRY/ENTITY Philippines		4. DOCUMENT REVISION NUMBER <input type="checkbox"/>		
5. PROJECT NUMBER (7 digits) <input type="checkbox"/> 492-0298 <input type="checkbox"/>	6. BUREAU/OFFICE A. SYMBOL ASIA B. CODE <input type="checkbox"/> 04 <input type="checkbox"/>	7. PROJECT TITLE (Maximum 40 characters) <input type="checkbox"/> Real Property Tax Administration <input type="checkbox"/>		
8. PROPOSED NEXT DOCUMENT A. <input type="checkbox"/> 3 PP		9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION A. INITIAL FY <input type="checkbox"/> 7   8 <input type="checkbox"/> B. FINAL FY <input type="checkbox"/> 8   0 <input type="checkbox"/>		

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$1 - 7,50) FY 79 & 80 \$1 = 8,00

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	6,106		6,106	9,838	-	9,838
(GRANT)	( )	( )	( )	( )	( )	( )
(LOAN)	6,106		6,106	9,838		9,838
OTHER 1.						
U.S. 2.						
HOST COUNTRY		2,524	2,524		6,098	6,098
OTHER DONOR(S)						
TOTALS	6,106	2,524	8,630	9,838	6,098	15,936

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) FN	B-280	-	9,838	-	6,106	-	9,838
(2)							
(3)							
(4)							
TOTAL							

12. PROJECT PURPOSE (Maximum 480 characters)  "X" IF DIFFERENT FROM PID

To generate additional revenue in 576 Provincial Municipalities (approx 1/3 of total) and in all city districts in RP, excluding the City of Cebu and the 4 cities and 13 municipalities comprising Metro Manila.

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15? IF YES, ATTACH CHANGED PID FACE SHEET.

2 1 = NO  
2 = YES

14. PLANNING RESOURCE REQUIREMENTS (Staff/Funds)

15. ORIGINATING OFFICE CLEARANCE SIGNATURE: <i>William R. ... for TSL</i> TITLE: Assistant Director for Provincial Development DATE SIGNED: MM   DD   YY   0   9   2   4   7   6		16. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM   DD   YY
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AGENCY FOR INTERNATIONAL DEVELOPMENT  
**PROJECT IDENTIFICATION DOCUMENT FACESHEET**  
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE  
 A = ADD  
 C = CHANGE  
 D = DELETE

PID  
 2. DOCUMENT CODE 1

3. COUNTRY/ENTITY  
 Philippines.

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)  
 492-0298

6. BUREAU/OFFICE  
 a. SYMBOL ASIA b. CODE  04

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)  
 Real Property Tax Administration (RPTA)

8. PROPOSED NEXT DOCUMENT  
 A.  2 = PRP  3 = PP  
 B. DATE MM YY  10  76

10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = P7.50)

FUNDING SOURCE		AMOUNT
A. AID APPROPRIATED		10,000
B. OTHER	1.	
	U.S., 2.	
C. HOST COUNTRY		5,000
D. OTHER DONOR(S)		
TOTAL		15,000

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION  
 a. INITIAL FY  78  b. FINAL FY  79

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 78		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) FN	B280		290		4,000		10,000
(2)							
(3)							
(4)							
TOTAL					4,000		10,000

12. SECONDARY TECHNICAL CODES (MAXIMUM SIX CODES OF THREE POSITIONS EACH)  
 253

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)  
 BR BL

14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)  
 To provide a strong local government capability to deliver government services to the low income and rural poor families throughout the Philippines, thus improving their perceived quality of life.

16. PROJECT PURPOSE (MAXIMUM 400 CHARACTERS)  
 1. To institutionalize the capability in the local governments to install and maintain an effective and equitable real property tax administration system.  
 2. To generate additional revenue for use by the local governments in implementing development projects and programs.

17. FINANCIAL RESOURCE REQUIREMENTS (OPTIONAL)

18. ORIGINATING OFFICE SIGNATURE  
 Assistant Director for Provincial Development  
 Date Signed MM DD YY  05  28  76

19. DATE DOCUMENT RECEIVED BY AID/W, OR FOR AID/W DOCUMENTS DATE OF DISTRIBUTION  
 MM DD YY

## REAL PROPERTY TAX ADMINISTRATION (RPTA)

### 1. Priority and Relevance

The priority and relevance of the Real Property Tax Administration (RPTA) Project is both stated and implied in the Development Assistance Program (DAP) for the Philippines, January 1975.

Relevant excerpts from the DAP Development Strategy are as follows:

"The United States has an interest in the economic well-being of the Philippines. This interest is in part sentimental... Over and above sentiment, however, it is in our interest for pragmatic reasons that the Philippines should be financially viable, that its economy should be robust, and that its people should be prosperous. Moreover, it is in our interest as well as the interest of the Philippines itself, that the prosperity should be shared equitably and with social justice by all Filipinos... The final line of action attempts to increase participation in the development process. The focus is on the more effective marshalling and use of... financial resources for development projects\* largely through decentralization of planning and implementation functions down to the regional, provincial and, ultimately barrio levels."

In addition to being clearly relevant to the priorities of the DAP, the project has been in the plans of the Government of the Philippines since the enactment of the new Real Property Tax Code by Presidential Decree No. 464. During the signing ceremonies, President Marcos announced these priorities as indicated by the following excerpts from his address at that time:

"We have since instituted a new concept of funding the cost of development by both national and local governments. Secondly, we have committed ourselves to a policy of transforming the local governments into self-reliant communities. Thirdly, we have begun the long need program of making local treasurers and assessors effective managers of local financial resources... so it becomes necessary to study the revenue producing capability of local government.... Now, what is the principal source of income of local

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\* Underscore added for emphasis.

governments? The real estate tax. I have promulgated under the decrees to overhauling the system of administering the real property tax code to make this primary source of local government income really an effective force without in any manner causing dislocation of investment as well as of other salutary activities of the national government and local governments.... Accordingly, it is my intention to sign in your presence today what I called the New Real Property Tax Code.... The Secretary of Finance shall issue guidelines for the proper implementation."

In June 1976, the Department of Finance in Assessment Regulations No. 8-75 "Manual on Real Property Tax Administration in the Philippines" (Annex 1) adopted the system for administering the Real Property Tax Code designed and piloted by the Local Development Project. In that Manual, Undarsecretary Pedro M. Almanzor, acting as Secretary in the absence of Secretary Cesar Virata, directed provincial and city assessors and treasurers, and municipal officials, to strictly implement the provisions of the Manual in their respective jurisdictions. Several times since the promulgation of these Assessment Regulations, Secretary Cesar Virata has publicly declared the real property tax administration reform program as having the highest national priority for local governments. Consequently, we are unaware of any other local government project having a higher, or even equal, priority.

At the national level, the Philippine Government has had a high degree of success during the past several years in attaining developmental objectives which has, in turn, generated confidence and improved the credibility of the Philippines among international lending institutions--IBRD, IMF, ADB, and World Bank, to mention a few. This confidence has grown to the point where unprecedented amounts of external capital assistance are being offered to the Philippines challenging the limits of its resources capability to meet the resultant repayment obligations. With national resources utilization being stretched to the maximum to take advantage of foreign exchange capital, it is becoming evident that the national government will soon be forced to review and possibly revise downward its internal arrangements of subsidies and allotments to the local governments. The present national tax structure provides for a partnership with local governments in the joint pursuit of socio-economic development programs, thereby responding to the 1972 mandate of the National Tax Research Center that "unless some reforms are introduced, our local units will remain inactive participants in the government program of accelerated social and economic development." The framework for this reform is the Real Property Tax Code, referred to earlier. Under the modernized Real Property Tax Code all revenues are collected, retained and used exclusively for financing public service-oriented programs at the local level.

Consistent with the Mission PDAP Sector goals, this project is directed to the local government level to help develop a stronger capability to deliver government services to the low income and rural poor families throughout the Philippines, thus improving their perceived quality of life. It is the purpose of this project to generate additional revenue for use by the local governments to increase/expand development project/program activities. This project follows exactly the national priorities by institutionalizing the fiscal management capability of local government officials, and expanding the fiscal self-sufficiency of local governments by improving the yield from legislation already "on the books".

The project considers both of these factors in its strategy to increase the fiscal self-sufficiency of the local government units through the optimization of revenue yield from legislation presently available to the local governments; specifically, the real property tax code. The DL project takes advantage of the progressive nature of the real property tax in establishing greater social equality, i.e., the real property tax is termed "progressive" in one sense since it is one of the few direct taxes on wealth, and as such, can not readily be passed on to the consumer, as in the case with indirect taxes, e.g., taxes on tobacco and alcohol products. A 1974 study of income distribution in the Philippines, supported jointly by USAID and Princeton/Brookings, concluded that "... with regard to the redistribution effects of taxes, the study shows that taxes on income and property are progressive with an effective rate ranging from 2.5% for the low income class to 21.8% for the highest income class. Consequently, the income distribution before and after the imposition of the taxes on income and property showed redistribution from the higher income group to the lower..." The present national tax structure is characterized as "beneficial" in respect of the relation of the real property tax to the poor. The proposed project does not envision an alteration of this structure in any way. Therefore, in addition to its advantage as a major revenue source for local governments, the real property tax provides a social equalizer effect by taxing those who have more in life to provide public services and development programs to benefit those who have less.

A specific problem addressed by this development loan is that the national government is assigning highest priority to national projects having the greatest immediate visibility; consequently, local government mid-range projects are given lower priority in the competition for additional national resources. Since this project has little immediate visibility, appreciable benefits not becoming evident for four years, postponement for funding reasons would only serve to further delay project benefits.

Although other tax sources are available to the local governments in a local tax code, it is the real property tax which has been identified as having the greatest immediate potential toward achieving a higher degree

of local fiscal self-sufficiency. The reason for this, to re-emphasize an earlier point is that all income generated by the real property tax remains at the local level--these funds never reach the National Treasury.

In the municipalities and districts covered by this project in 1974, the year for which the complete information is most currently available, some ₱140 million in real property tax were listed as collectibles. Of this amount, only a meager ₱66 million (47%) were actually collected. Local Development Project experience indicates that with the total implementation of the RPTA throughout all local governments in the project, collectibles can probably be increased to an additional ₱70 million per year as a direct result of the project by improving property identification techniques, by improving property ownership identification practices and by modernizing assessment methods. Further, it is reasonable to anticipate that through improved collection methods, real property tax collection efficiency can rise rapidly to a level of at least 75% thereby increasing to a total of ₱97.3 million, annual revenues for local governments, or an increase of over double present collection levels, at project end.

Currently, the Department of Local Government and Community Development (DLGCD) and the Department of Finance (DOF) are organizing to carry out the necessary training and other pilot activities precedent to this program.

In cooperation with LDP, they are expected to be prepared for full implementation before June 30, 1977.

## 2. Project Description

This project encompasses all twelve local government regions, totaling 72 provinces and 56 cities. It excludes the 4 cities and 13 municipalities in Metro Manila and the City of Cebu, which units, because of the sheer magnitude of their combined size, if included, would require many times over the limited resources of this project. The intent of the project is to standardize country-wide the real property tax administration (RPTA) system which has been designed and field tested under the present Local Development Project (LDP - No. 492-11-995-256. See subsequent Section 3 AID and Other Related Experience). Fully implemented, this system makes it possible for local officials to identify and account for all real property in the country, to assess real property fairly and equitably, and to levy and collect taxes on real property promptly and impartially. This project does not propose to alter nor change in a legal sense the existing Real Property Tax Code of the GOP. Instead, this Project does provide local officials an efficient administrative system for installing and maintaining an effective real property tax program under existing legislation.

The system itself is an integrated technical/administrative process using as its base the current market value of real property (ad valorem), and is designed to raise revenue for the support of local government operations. It is a sequential process which proceeds logically from a tax mapping phase, through property valuation and tax determination phases, to a final tax collection phase. (See Annex II - Tax Mapping Manual.)

The RPTA system contains four major "core" elements, which, for the purpose of standardizing terminology have been termed operations. The four operations are:

#### Tax Mapping Operation

Objective: To prepare, install, and maintain system of tax maps based on frequent physical surveys. These maps will show graphically all land subject to assessment, with a corresponding real property identification and accounting system.

Tax mapping is the method by which real property is inventoried. This operation discovers real property parcels and identifies their owners. By utilizing a property index numbering system, each separate land ownership is provided with a unique account number--much like the serial number used in accounting for any other valuable piece of property in a property management system. This number is permanently assigned to a specific parcel of land and establishes the connection between the physical property and the office records system (which did not exist in the former system). Additionally, this operation provides land area information, which when recorded provides an additional control over property records.

#### Tax Assessment Operation

Objective: To establish a systematic method of appraising all items of real property at full current market value, and to implement the uniform application of applicable assessment levels. These data are supported by related pertinent records and sub-systems.

Once it has been properly mapped and inventoried, real property is appraised at its full market value through one of several accepted methods. Assessment levels are then applied which results in the assignment of an assessed value for each particular property ownership. The assessment operation maintains subsidiary records for the purpose of periodically adjusting schedules of value and for general reassessment. The RPTA system has been designed to include the element of "mass appraisal of rural improvements". (See Annex III)

### Tax Records Management Operation

**Objective:** To establish and maintain official ownership records including tax declarations, assessment rolls, index systems, etc., that reflect the current status of all real property ownership and assessed value.

This operation consists of the establishment and maintain of the permanent official records and files of the Office of the Provincial/City Assessor necessary for the purpose of maintaining continued accountability for all separate property ownerships. This operation distributes by assessment roll the information necessary to establish tax collection records in the Office of the City/Province Treasurer. Copies of appropriate records are also furnished to the public and various other local government offices as required. The Tax Records Management Operation establishes the all-important control link between tax assessment operations and tax collection operations.

### Tax Collection Operation

**Objective:** To collect all of the real property taxes and penalties due and payable to the government through the positive and total enforcement of the tax laws and their penal provisions.

This operation consists of the collection, recording, accounting, and disposition of real property taxes, both currently collectible and delinquent. In carrying out the tax collection function, the responsible local government officials will utilize the modern collection procedures described in the RPTA. In addition, emphasis is given to the dissemination of public information pertaining to real property taxes, to public education of the purposes and methods of real property taxation, and the methodical application of tax collection enforcement measures as prescribed by law.

Before any local government can initiate an RPTA system there are a series of seminars and training programs which local officials must attend. The pre-initiation of an RPTA system follows a logical chronological pattern based on the four operations outlined above.

- (1) Governors are thoroughly briefed on the legality, application and benefits of the RPTA system.
- (2) Provincial Assessors, Treasurers, Auditors, Provincial Development Coordinators and selected staff members will attend a series of seminars linked directly to the four operations of the RPTA system.

- (3) Technical provincial staff members will be trained in Photo Interpretation (PI's) at the Center for Applied Geodesy and Photogrammetry at the University of the Philippines, on the Diliman Campus, Quezon City. This training is funded jointly by the University and the individual local governments.
- (4) Appropriate provincial officials will be given instructions in the preparation of a RPTA Multi-Year Plan (MYP). A copy of the MYP instructions and format is appended as Annex IV. This Plan charts a precise course of action and budgeting commitments needed by the respective province or city to completely implement the RPTA system. The MYP also graphically indicates the potential cumulative yearly increase in revenue by the local governments with the RPTA system implementation.
- (5) Regional training programs will be conducted by DLGCD regional real property tax supervisors in the technical operations of: tax mapping, records management; assessment and collection procedures.

These seminars will be a cooperative effort conducted jointly by the Department of Local Government and Community Development (DLGCD) and the Department of Finance (DOF). Unless otherwise noted above, the seminar costs will be funded by DLGCD with per diem and transportation expenses for provincial officials being provided from local funds.

During the time of actual implementation of the RPTA system in the various local governments, DLGCD/DOF technical staff field inspections visits to the provinces and cities to insure that the correct technical procedures are being followed, and to evaluate project progress, will be conducted on a regular basis.

Actual implementation of the RPTA system begins at the local level with the legal, advisory and moral support of the central government, i.e. DLGCD and DOF. The first three stages of the system are the responsibility of the provincial or city assessor's office in conjunction with individual municipalities or tax districts. It is wise, however, that the provincial or city treasurer be brought into a phases of the system. Thus, when phase 4 is initiated, which is the sole responsibility of the treasurer, he is knowledgeable of the magnitude of the entire RPTA system, and the reasons behind collecting under new system methodology is both desirable and legal.

The installation of the RPTA system at the rate anticipated by the Project will require an additional number of six employees, on the national average, to be provincial assessor's staff. This additional

staff will be utilized on the tax mapping and records management operations. No additional personnel for assessment and collection operations are projected.

For participation in the project, provinces and cities will be required to procure aerial photography, or to demonstrate to the satisfaction of DLGCD that other base source data (geodetic maps or similar) are available, and that their quality is sufficient to the purpose. Further, the sole responsibility for preliminary funding, for materials, supplies and personnel support, will rest with the respective participating provinces and cities. As an incentive to local government to participate in the project DLGCD will make available the required aerial photography on a reimbursement loan basis. Additionally, provinces and cities will be eligible for a ₦30,000 loan for each municipality and/or district which has been satisfactorily tax mapped; again, to the satisfaction of DLGCD technical field representatives. An additional ₦10,000 will be made available as a direct loan to municipalities and to cities in the case of districts at such time the system is fully operational. This will be determined when respective treasurers begin collection activities. All intra/GOP loans will be repayable within 10 years at 4% per annum interest rate with an initial two-year grace period for the principal. The aerial photography will constitute approximately \$3 million of the total project funding (50% from the loan and 50% from host country funding); and the loan scheme an additional \$4.5 million.

To this point, the incentives have merely addressed the matter of system installation; however, an additional project element is added to stimulate improved real property tax collection efficiency rates commensurate with specific project targets. For this purpose, aerial photography and the ₦30,000 tax mapping annual loan repayments will be forgiven for provinces and cities in the year following the year in which actual collections in all municipalities, or districts where the system is fully operational exceed 75% of collectibles. In the case of the ₦10,000 loan annual repayment requirements for complete system installation, those municipalities reaching real property tax collection efficiency rate in excess of 75% will be excused from payment in the subsequent year. The same applies to cities in the case of operational districts. (See Annex V for Loan Admin Procedures.)

This scheme is intended to trigger the release of a Special Line of Credit (SLC) quarterly in the United States as loan funds are released internally. It is to be noted here that the municipalities and districts are used for this purpose, they being the smallest discrete unit in which the entire system can be made functional.

An additional \$3,500,000 of this project will be utilized to purchase and distribute basic technical equipment necessary to implement and maintain the RPTA system (see Annex VI). Each province and city will receive basic engineering equipment necessary in the construction of tax maps. Each province, city and municipality will receive basic office equipment necessary to maintain efficient tax records. Rehabilitated vehicles will be available to provinces, cities and municipalities under the excess property system.

The inputs of this project form a direct link to the project purpose which is to generate revenue to its full potential for use by local governments in implementing development projects and programs. The commodities supplied under the project provide the local governments with the basic material support required to install and maintain an efficient RPTA system. The GOP training programs conducted complementary to the project convey to local government officials and technicians the managerial and technical skills necessary to the successful pursuit of the project and its objectives. The seemingly heavy outlay requirement for aerial photography is justified on the basis that the availability of cadastral maps is unreliable, and aerial photography represents the major base data source for the construction of tax maps that can be reasonably made available within project time constraints. Aerial photography has the satellite benefit over cadastral surveys in its use for development planning purposes.

The GOP has institutionalized the real property tax codes by a series of wide-reaching laws. Unfortunately, the mechanism by which these laws are to be implemented has never been institutionalized prior to the RPTA system installed in the 28 Provincial Development Assistance Project (PDAP) provinces (see Section 3 below). As a consequence, the existing real property tax administration has been left to the individual local governments to interpret and implement. The proposed RPTA system provides a standard path which would be uniform throughout the country wherein property is identified, property is assessed, records are filed and revenues are collected.

It would be completely unrealistic to project that all 1450 municipalities, comprising 72 provinces, and 56 cities could complete installation of the entire RPTA system in three years. This project is targeted so that all cities and approximately one-third (576) of the provincial municipalities will have completely operational RPTA systems by the end of the project. At this point in time, after the formal project has been successfully completed, it is anticipated that the benefits will induce the GOP to continue installation of the RPTA system through the remaining balance of the municipalities. Additional local financial output for this purpose should be minimal with equipment, aerial photography, training and experience gained under this project.

The loans will provide a "revolving fund" type financing element to the Project permitting local governments to undertake the RPTA program without the necessity of diverting large appropriations required for other purposes. Simultaneously, the Project will provide increased revenue benefits in a magnitude sufficient for: financing the installation of the system throughout the balance of the municipalities not covered by this Project; repaying any loan obligations contracted under this Project; and budgeting increased development activities outside the scope of this Project.

This RPTA system, when installed, furnishes the provincial and city treasurers with a precise measure for assessing property and collecting taxes with supporting records that are accurate and current (which is not the case under the present situation). The improved records credibility will instill confidence in assessors and treasurers to face inquiries from taxpayer and court alike. Assessing and collections under the system is designed to stand any legal challenge to the administration of the provisions of the Real Property Tax Code. Furthermore, this system provides a method for tax collection by treasurers which is simple, certain and economical.

Some local governments have not physically assessed real property since before World War II. The tax mapping operation, or inventory of the land, discovers such anomalies which are then reassessed at current market values estimated to increase assessed values, and resulting collectibles by 50% (see Annex VII for LDP pilot experience). A new property accounting system establishes a positive link between the real property and the official records of that same property. The end of this Project, and the beginning of resulting developmental activities, is an improvement of tax collection efficiency, targeted by this Project at a minimum of 75% of increased collectibles.

The conditions which will indicate Project purpose has been achieved will be totally evident one year after Project termination (increased collections beginning January 1 of the year following system installation). The following charts depict graphically the conditions as a result of: (1) system installation; and (2) increased revenue.

<u>ACTIVITY</u>	<u>Systems Installed</u>			
	(Number of Units Combined Municipalities & Districts)			
	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>
Systems Installed (cumulative)	198	495	816	816
Systems fully operational (collections can begin) (cumulative)	--	198	495	816



### 3. AID and Other Related Experience

Except for a slight difference in the project design relating to the loan procedures the proposed RPTA system is identical to an element in the present LDP No. 492-11-995-256. Both the RPTA system and the loan procedures are explained in Section 2 above.

The present RPTA program is part of the LDP which is counterparted to PDAP, now transferred to DLGCD from the Office of the President, PDAP, which was conceived in 1968, now consists of 28 provinces. However, the first two provinces selected to pilot the RPTA system in 1971 were Leyte and Palawan. An additional two years were spent designing and field testing various aspects of the system. Later Iloilo, Misamis Oriental and Zambales joined the program. Currently all 28 PDAP provinces have begun the installation of the RPTA system.

As Annex VII indicates, the increases in assessed value of real property varied widely from 8.9% to 241.5% with one municipality even reporting a decrease of 16.3%. Adjustment to statistical data by rejecting the highest and lowest results, indicated an average increase of 81% per municipality. From this experience, an anticipated 50% increase in assessed value, as outlined in the proposed project, appears to be valid and reasonable projection.

Although a collection element is part of the system design, specific experience in collections is limited to a sample presently too small to have external applications to the project universe to a significant degree of validity and reliability. However, it is also reasonable to assume that a real property tax collection efficiency rate\* of 75% is well within the capability of any modern system--this one being no exception.

Reasonable attempts to locate other similar experience either within AID, the Asian Area, or the Mission have met with negative results. Efforts included a thorough search of the most recent AID Memory Documents Catalogue (Vol. 2 No. 3, April 1974) available in the library of this Mission which revealed that descriptions of document contents on the subject of taxation were generally non-specific regarding the kind of tax (income, property, or other) addressed by the individual studies. Those projects having greater specificity of description in the catalogue and which appeared to be related remotely, e.g. "Land Inventory Project in Afghanistan" and "Basic Studies for Tax Reform in Korea" were less comprehensive than the one covered in this document. For example, the Afghanistan Project treats land inventory by cadastral survey methods exclusively and ignores the elements of assessment, records management, and collection entirely; while the Korean paper centers on the improvement of tax administration overall with very little emphasis, it is

$$\text{*Tax collection efficiency rate (\%)} = \frac{\text{collections}}{\text{collectibles}}$$

suspected on the real property tax. Consequently, those studies which seem to be even slightly related to a single element or several elements of the system prescribed have been discarded as having little, if any, experience value to lend to this project uniquely designed to administer Philippine real property tax legislation.

Other sources, Libraries at the University of the Philippines, the College of Manila and the Asian Library, failed to reveal efforts of any consequence that have been conducted in this geographical region.

#### 4. Beneficiary

The immediate beneficiaries of this project are the local government units--the provinces, municipalities, cities and barangays. The ultimate beneficiaries are their constituents who will receive the benefits and services which can be initiated due to increased revenue. Presidential Decree No. 464, Sections 86-87 provide for the disposition of real property tax revenue collected and R.A. No. 5447 levies the tax for the Special Education Fund (SEF). Both of these laws have been outlined above. The same Presidential Decree No. 464 also provides that 25% of the province's share must accrue to its infrastructure fund and 75% to its general fund. Of the barangay share, 70% must be utilized for development projects subject to approval by the DLCCD.

Thus, an improvement in the real property tax system of assessment and collection has a direct bearing on the amount of money that local governments have available to provide services to their constituents-- i.e. funds are available for roads, bridges, health and education services, to name a few. Real property taxes help to distribute the wealth of the country in that it is a progressive tax-- i.e. those who have more pay more which in turn generates revenue to help provide services to those rural and urban poor (the indirect beneficiaries) who have less. The poorest of the rural and urban poor will in no way be adversely affected through the strengthening of the real property tax code states that an individual whose total landholdings in any given municipality or city total less than ₱500 assessed value has no taxes levied. (Land is assessed at the following rates of market value; 30% for agriculture, 40% for residential and 50% for industrial). The poorest of the poor--squatters, tenants or possibly share-croppers--have no real property tax obligation, but do share in the social services and benefits that real property tax revenues support.

This project has general population impact in its objective of providing additional revenue for local governments to finance development programs and projects, and consequently provides an integrated role for women. In this regard, current population statistics indicate that the

male/female ratio in the Philippines is nearly equal or 1:1. This population ratio holds for both rural and urban elements of the society as well as along the entire spectrum of the economic scale. Therefore, it is logical to assume that local development programs and projects targeting both urban and rural poor will benefit females at a ratio approximately equal to that of males.

The RPTA system in this proposed project was developed in the present Local Development Project (LDP) in which women played a significant role in the design of the overall system; training technicians in the system; and installing the system throughout several pilot municipalities. Training records indicate that a substantial number of women participated in related training programs and hold key assignments at the technical level. Approximately 15% of the top local government officials during the LDP experience were women including four Governors of 28 provinces. There are several female assessors, deputy assessors and even more substantial number in the key positions of the treasurers office. Records management supervisors and clerical personnel are mostly female, and approximately 25% of drafting and engineering personnel are women. At the national level, the present head of the Local Government Finance Section in the Department of Finance who will head this project and several key assistants are female. It is anticipated that the manager of this project at the BLCGD will also be a female (currently studying in the United States). Counterparts to LDP in fiscal management are staffed by 50% women including a geodetic engineer and a university professor.

In summary, ultimate beneficiaries of this project will be females sharing equally with males; and direct female beneficiaries/implementors are at levels slightly higher than the national average for projects of this nature. It is a general observation that in the Philippines, women play a very active and competitive role in both the private and public sectors.

## Beneficiary Social Analysis

The intended ultimate beneficiaries of this project are the poorest of the poor in rural and urban slum areas who are recipients of but not contributors, to goods and services provided them by their respective local governments. The local governments will be able to improve public programs and services to their constituents by the effective utilization of increased revenue generated by the complete installation of the proposed RPTA system under this project. No one group, to the exclusion of any other, will be the ultimate beneficiaries except as local governments plan and implement specific projects or services within their autonomous jurisdictions.

Specifically, the initial beneficiaries (local governments) will receive the intended benefits through the availability of increased revenue generated by the installation of the RPTA system as outlined in previous sections. The installation of the RPTA system should as outlined in previous sections. The installation of the RPTA system should bring in an increase of P23.3 million in FY 79, P58.2 million in FY 80 and P97.3 million in FY 81 from the approximately one-third of the total municipalities and all city districts of the Philippines participating in this project. The three-year project should realize a cumulative increase of P178.8 million from the three-year project using the year prior to the installation of the RPTA system, FY 78 as a zero balance base. This is the equivalent of \$22,350,000. In absolute terms of actual money generated expressed as a percentage of the overall national financial posture, this project is relatively limited, but when expressed in terms of creating an atmosphere of local government opportunity to be more capable of responding directly to social service demands, this project has critical socio-political significance as the money will be directly available to local governments to provide goods and services to their constituents.

All local government officials have not been consulted on the formulation of this project. However, under the existing Local Development Project, this project design and implementation has been reviewed at the local government level for consultation, testing and evaluation, and has generated unanimous support - a perfect 1.0 correlation factor between the proposed project and enthusiasm of local government leaders. Any government activity oriented either to the general population or to specific groups such as rural and urban poor in particular, requires money for financing. The proposed project is completely responsive to these local funding needs.

The RPTA project is not only in accordance and consistent with the law of the Republic of the Philippines, it is designed to provide the GOP a means of fully implementing that law and to provide a method whereby the GOP can realize the full benefit potential of their existing real property tax legislation. The GOP is currently collecting about 45% of the actual real property tax collectibles due and payable. A

combination of political, legal and social attitudes has prevailed in the past which overtly condoned apathy on the part of taxpayers; tolerated inefficiency on the part of the individual local officials, sanctioned interminal interpretation of the law.

The propitious key to the success of the RPTA system is the high-level policy support of the national government as evidenced in the existing Local Development Project, truly directing cultural change thereby creating a new taxpayer attitude and a "New Society". One manifestation of this has been to remove the positions of provincial assessors and treasurers from the political appointment power of the local governor to national positions responsive to the Department of Finance (DOF). This means that since these officials are subject to control of the DOF, they must now be more responsive to national directives and policies as they relate to local finances.

This project does not require any real change of attitude on the ultimate beneficiaries - the rural and urban poor. The ultimate beneficiaries are generally landless or who, at very best, own small plots of land at near exempt or of marginal taxable value. The change in the attitude of the taxpayers must come more from that strata of citizenry who have succeeded in evading taxes through personal influence. Under this project there is a "simple" but extremely effective method whereby delinquent taxes can be raised by putting the property in question up for public auction following a precise set of procedures as outlined in the real property tax codes of the GOP. This full application of the law was utilized for the first time in June 1976 in the city of Puerto Princesa when 40 of the largest parcels of land were seized for auction. It is significant that the owners of all 40 parcels made immediate legal settlement of their delinquent tax obligations prior to the sale. It is anticipated that after one or two such "sales", there will be a spread effect throughout the nation on other taxpayers to pay delinquent taxes to prevent their land being put on the "auction block".

It would seem logical to assume that vested interest groups who have evaded paying real property taxes will feel some possible adverse financial effects as the GOP begins to fully implement the existing tax codes. But the implementation of existing laws is in complete concert with the goals of the New Society which aims, among other goals, to eliminate vestiges of the old, privilege-laded society of the past. However, it will be critical that implementation of the tax codes be uniform and that all delinquent taxpayers come to terms with the GOP. Then no group or individual can cry discriminated in the collection of legal taxes, which equality of treatment under the law is also an indicator of political development maturation.

As the RPTA system is installed in the municipalities and districts, local officials will conduct information programs aimed at the population regarding real property taxes - how land is assessed, how revenue is

collected, where taxes can be paid and how the revenue will be used to provide goods and services to the public. Instructions and information regarding real property taxes are being taught in many schools as a direct result of the PDAP RPTA pilot field work which is one of several means the project uses to instill a sense of duty to pay taxes. This is particularly directed toward an education campaign to relate the payment of taxes with "good citizenship". The Province of Leyte, as an outstanding example, has a social studies teaching program on taxation in the public schools.

Under existing laws the end use of all real property tax revenues must be for public programs. Diversion of revenue to other less acceptable ends could occur only by unanticipated changes in local tax codes. Widespread corruption by local officials, while possible, is not likely to occur in such magnitude as to endanger the positive effects of the RPTA system benefits.

##### 5. Feasibility Issues

Some of the information in this section has appeared in preceding sections; however, to maintain the PRP context, it is repeated here in part.

The project will have a positive and beneficial impact on the economy by increasing the assessed value of real property through a complete tax mapping operation where all parcels are physically surveyed and inventoried. The real property is then appraised and reassessed based on the physical inventory. Past pilot experience in the Local Development Project has shown that the total assessed value of real property in a municipality will increase approximately 50% (see Annex VII for LDP Pilot Experience). By installing a records management system and by following the project's recommendations on tax collections, the tax collection efficiency rate is projected to rise to at least 75%.

The chart on the following page indicates the "Annual and Cumulative Benefits of RPTA Reform" both as a direct result of this Project and as the result of follow-on independent efforts of the GOP. Overhead costs are estimated to be 20% of the increased revenue - 14% of total revenue.

ANNUAL AND CUMULATIVE BENEFITS OF RPTA REFORM SHOWN GRAPHICALLY

No. Local Government Units Installing RPTA System Annually	198	297	321	216	216	216	216	All Units Completed in 1984
	78	79	80	81	82	83	84	
(All revenue amounts in P Millions)								
Revenue Result FY 78 RPTA Improvement	0	23.3*	23.3*	23.3*	23.3	23.3	23.3	23.3
Revenue Result FY 79 RPTA Improvement			34.9*	34.9*	34.9	34.9	34.9	34.9
Revenue Result FY 80 RPTA Improvement				39.1*	39.1	39.1	39.1	39.1
Revenue Result FY 81 RPTA Improvement					21.2	21.2	21.2	21.2
Revenue Result FY 82 RPTA Improvement						21.2	21.2	21.2
Revenue Result FY 83 RPTA Improvement							21.2	21.2
Revenue Result FY 84 RPTA Improvement								21.2
Net Total Revenue Yield Increase Per Year with RPTA System	0	23.3*	58.2*	97.3*	118.5	139.7	160.9	182.1
Cumulative Total Revenue Per Year with RPTA System	0	23.3*	81.5*	178.8*	297.3	437.0	597.9	780.0

\*Increases as a direct result of this project.

When the RPTA system is installed and maintained as planned it will be a completely self-sustaining operation with overhead costs currently estimated to be 20% of the increased revenue. If the RPTA system were merely self-sustaining there would be no logical reason for imposing the tax. Instead, approximately 80% of its yield sustains other provincial, municipal, city and barangay programs as stated in preceding sections of this paper. In this respect, it can be said that the RPTA Project is "benefunctional"\*, meaning that it is not solely a self-sustaining function in and for its own sake (as it is today) but that it can be a function which produces benefits above and beyond.

The Special Education Fund is also based on the assessed value of real property and will realize a benefit of almost equal value to this project which indirectly will provide increased support to local primary school systems..

Can the beneficiaries afford this project? It is valid to assume that the present real property tax codes of the Republic of the Philippines are fair and equitable, and in consonance with the ability of land-owners to pay. It should be noted that potentially most of the tax revenue generated will assist rural and urban poor who, for the most part, are either tenant farmers or city squatters. Intended beneficiaries are not now burdened nor will this project generate a burden on anyone too poor to own real property. Profile of income groups effected by this project, are analyzed in "A Study of the Tax Burden by Income Class in the Philippines", updated in 1974 by the National Tax Research Center, families below the 500 peso per year income level (5.2% of all families) representing 329,000 of the "poorest of the poor" families, did not own any real property. In the 500 to 1,000 peso per year income bracket an additional 12.1% or 767,000 families represent property ownership in amounts of property value so insignificantly low individually as to fall under the exempt provisions of the real property tax code. Therefore, the 17.3% of families in the lowest income groups will not be adversely effected by the targeted income level of this RPTA improvement program.

Is the project technically feasible? This system has been field-tested in several PDAP participating provinces for the past five years. The system design and techniques initiated in that project have been adopted countrywide by the Department of Finance. Assessment of institutional capability to carry out the project is rated as excellent with pilot nature of predecessor Local Development Project (LDP) having anticipated and met this need as a primary objective. Twenty-eight provinces participating in the LDP now form the nucleus of institutional capability to train, advise, assist and serve as regional models in the implementation of the administrative system. Former LDP tax personnel are now serving in key positions at the national level in both the DOF and DLGCD. This strong capability, in the area of qualified personnel,

is reinforced by the fact that the administrative system to be installed has already been designed/adopted and is ready to be made operational under this project. Long term project funding commitment by GOP is evident by current FY 77 budget requests of the Department of Finance and Department of Local Government and Community Development seeking the appropriation of funds sufficient to support this project.

The potential socio-political constraint, prevalent in all LDC, of non-payment of taxes is present in the Philippines; however, the RPTA system addresses the problem by clearing presently cloudy administrative practices behind which tax evaders and avoiders have been successfully able to hide. As local government administration is improved, the ability to plan, implement and maintain local development projects increases. When taxpayers are convinced that his/her taxes are producing visible benefits, they have proven to be more cooperative in the payment of taxes as required by law.

IEE - A Negative Determination is recommended. See Appendix I.

The Real Property Tax Administration Project (RPTA) constitutes an effort to develop a viable system for generating revenue from real property taxes. It is designed to integrate the major steps of tax administration viz; tax records management, tax assessment, and tax collection into an effective, manageable system of generating the maximum amount of revenue from the real property tax in order that the Provincial Governments will have the fiscal resources required to mount the programs essential to the social and economic development of the Province.

A careful review of the several elements of the Real Property Tax Administration Project suggests that no adverse environmental effects will result from the implementation of the project. The provincial government programs of infrastructure development, health services, educational facilities, etc., that could and should result from increased revenues will result in a healthier and more prosperous life for the rural poor and ultimately provide for general environmental improvements.

Consequently, it has been determined that a Negative Determination is in order.

#### 6. Other Donor Coordination

The extent of other donors (World Bank and UNDP) in the area of real property taxation has been generally confined to the Metro Manila area which has been categorically excluded from this project. The area of their concentration has been primarily in improving high value assessment practices and then, only in nominal magnitude. However, this RPTA project has been discussed with and will continue to be coordinated with other donor agencies to the extent possible, particularly when goals are mutual or complementing.

7. Financial Plan

SUMMARY COST ESTIMATE AND FINANCIAL PLAN  
(US\$000)

SOURCE	AID		HOST COUNTRY		OTHER(S)		TOTAL
	FX	LC	FX	LC	FX	LC	
<b>USE:</b>							
<b>Personnel Requirements</b>							
Host Country Contract	318						318
DLGCD				121			121
Local Governments				1,313			1,313
<b>Training &amp; Related Expenses (DLGCD)</b>							
Local Governments				235			235
<b>Materials &amp; Supplies</b>							
Local Governments				2,754			2,754
<b>Commodities</b>							
Basic Equipment	1,637 <sup>(1)</sup>			122 <sup>(2)</sup>			1,759
Vehicle Support				1,750 <sup>(2)</sup>			1,750
Aerial Photo				1,675 <sup>(2)</sup>			1,675
Aerial Photo				1,675			1,675
<b>PD-144 (Reimbursements to Local Governments)</b>							
Local Governments				4,336 <sup>(2)</sup>			4,336
<b>SLC - (Special Letter of Credit in U.S.)</b>	7,883						
<b>TOTAL</b>	<b>9,838</b>			<b>6,098</b>			<b>15,936</b>

(1) Includes .06% inflation factor.

(2) Non add-offset by SLC.

**COSTING OF PROJECT OUTPUTS/INPUTS**  
(In \$000 or equivalent)  
--PRP--

\_\_\_\_\_ New

\_\_\_\_\_ Rev # \_\_\_\_\_

Project # 492-0298

Title Real Property Tax Administration

(\$000)

Project Inputs	Project Outputs				Total
	Train #1	System #2	Assess #3	Collect #4	
<b>Personnel</b>					
Host Country Contract	79.5	79.5	79.5	79.5	318
DLGCD	80	41	-	-	121
Local Governments	-	789	262	262	1,313
<b>Training &amp; Related Expenses (DLGCD)</b>	235	-	-	-	235
<b>Materials &amp; Supplies</b>					
Local Governments	-	2,204	275	275	2,754
<b>Commodities</b>					
Basic Equipment	-	1,055	352	352	1,759
Vehicle Support	-	700	700	350	1,750
Aerial Photo	175	3,000	175	-	3,350
PD-144 Reimbursements	-	3,252	1,084	-	4,336
<b>TOTALS</b>	569.5	11,120.5	2,927.5	1,318.5	15,936
<b>Percentage of input to output</b>	40%	70%	18%	08%	100%

**INCREMENTALLY FUNDED PROJECT**

**PROJECT SUMMARY---AID APPROPRIATED FUNDS**

(in \$000 or equivalent)

Country Philippines

PRP New  Rev. #     

Project# 492-0298

Title Real Property Tax Administration

<u>Cost Components</u>	BUDGET YEAR		1978
	Direct Aid	Contract Other Agency	Total
Personnel Host Country Contract		106	106
Development Loan	6,000		6,000
Total	6,000	106	6,106

NOTE: This table is required for the Congressional Presentation. Enter projected obligations for all cost components proposed for funding from AID appropriated funds for the budget year.

The project envisions a \$9.938 million Development Loan under the usual terms and conditions which this project clearly meets. To review, the U.S. input (\$.318) will be used for a host-country contract with an institution to provide project management technical assistance. Personnel requirements are estimated to be 18 man-months per year for the three-year period covered by this DL. Commodity support of the project will include vehicle support for field personnel which because of crew size and equipment transportation requirements will be of the 4-wheel type (jeeps, pick-ups, scouts, etc.). The vehicles will all be provided under excess property program and rehabilitated locally - total cost \$1,752,000. Basic map making commodities (drafting equipment, typewriters, etc.) will require an input of \$1,666,000. Aerial photographic prints will be used as the base data source for the construction of tax maps with the U.S. input being \$350,000 for chemicals and printing contracts in the amount of \$3 million being shared equally between the U.S. and GOP (\$1.5 million each). The balance (\$4,336,000) will be used in a GOP National to Local government loan scheme for incentive purposes. GOP inputs near the \$6 million level clearly meeting the 25% matching requirements. Major GOP inputs are in personnel, materials and supplies and training costs.

While there remains some question as to the final mix of foreign exchange and the use of local currency offset by the Special Letter of Credit, the exact distribution will be identified in the Project Paper (PP).

Project outputs as the result of increased assessed value and, consequently, collectibles are planned to net a total of \$2,912,500 newly generated revenue in FY 79; \$7,275,000 in 1980; and \$12,162,500 in 1981 as a direct benefit from project input. The cumulative total benefits derived from the project over the three-year period is \$22,350,000 which when compared with the \$16,852,000 total input, project benefits over costs are anticipated to be \$5.5 million, a portion of which could quite logically be "earmarked" for continuing project prosecution. After completely covering all project costs a return of over 50% of the original DL amount will be realized.

Since this is an incrementally funded project, a cost component analysis has been included; however, to meet project implementation plan schedules, the first loan allotments should be made available in the first quarter of FY 78 to coincide funding with the GOP fiscal year beginning January 1, 1978, thereby avoiding a one-year delay in anticipated project benefits.

No additional funding for consultation, design, or similar project development activities is anticipated.

#### 8. Implementation Plan (See Gantt Chart, Annex VIII)

The implementation of the project will begin in October 1977 with the arrival of the first allotment in the amount of \$6,106,000. Upon receipt of the allotment the procurement process for acquiring basic commodity and vehicle support (foreign exchange capital) will begin. Simultaneously, contract negotiations for supplying aerial photography and/or cadastral map prints to the project as required will also begin.

A portion of the contract will include supplies and materials furnished under foreign exchange provisions for processing aerial photography which supplies may not be available in-country in either sufficient quantity or quality. Commodity support pipeline activity termination is designed to coincide with training programs termination so that the completion of training, and arrival and distribution of commodities necessary to pursue the project will be coordinated.

Representing the Government of the Philippines (GOP), a combined team from the Department of Finance and Local Governments and Community Development at the Undersecretary and Executive Director level will represent the grantee at the implementation level. Department Secretaries will be identified as being responsible for overall project implementation on behalf of the borrower. The predecessor RPTA program within the Local Development Project has institutionalized the capability in the Provincial Development Assistance Project (PDAP) to administer such a program, which staff will be made available in the implementation of the project to the GOP team. Implementation of the project will be fully managed and administered by the host country through the agencies indicated above. At the local government (province and city) level comprehensive training programs for the principals responsible for the programs have already been conducted by the Philippine Government and the real property tax code (the basic piece of legislation upon which this project is constructed) has been fully annotated with Department of Finance (DOF) implementing instructions. Supplemented by PDAP technical manuals in the operational areas of tax mapping, records management, collection, etc., twenty-eight Provincial Development Staffs (over 1/3 of the country) have been extensively trained in all facets of this project by virtue of their membership in that project, which provinces are planned to be used as regional models and training centers for the rest of the country's provinces and cities covered by the provisions of this project. AID and DLGCD technicians will continue to be available to detect deficiencies, improve production, and evaluate performance as required by the host country.

To summarize, it is anticipated that the GOP through a joint Department of Finance, Department of Local Government and Community Development (DLGCD) team will be organized especially to manage this project with only minimal advisory assistance and contract monitoring for AID performed by a host country contract. The mechanism to administer a DL is already institutionalized within the DLGCD as a result of other AID DL projects. There are no apparent deficiencies or problems which need to be overcome during the Project Paper stage in planning and implementing this project.

#### 9. Project Development Schedule

The schedule for project development has already begun (see Annex VIII, the Gantt Chart) with the GOP budget committees currently considering Project priorities. As previously related, the GOP is placing

rather heavy reliance on the implementation of an RPTA improvement program, similar to the one proposed in this project, beginning in FY/CY 77. The implementation plan calls for such pre-authorization of Development Loan work to be accomplished, as recruiting two principal project implementors in each province and city (total 190 personnel), and two regional representatives from the DLGCD to coordinate programs on a regional basis (12 regions) with a three-man staff at the national level (total 27 personnel).

Following their recruitment examination and appointment during February and March of 1977, these personnel will undergo advanced aerial photography rectification and interpretation training at the University of the Philippines, whereafter, they will be qualified to receive technical systems training beginning in May 1977. This training will be conducted in 5 - 2 month programs. Training materials will be designed and reproduced on a massive scale in preparation for the training of trainers program to be conducted during a three-month period beginning October 1977.

In the local government budget preparation program in October 1977, appropriations for materials and supplies for project prosecution will be required. Final training of province and city technical personnel on a regional basis is the tie-in link between the project development schedule and the implementation plan proper.

The present combined AID and PDAP staff will expand present efforts to include special handling of certain aspects of the transition between the Local Development Project and this Development Loan project. There does not appear now, nor it is anticipated, that a requirement for additional assistance or services will be necessary.

#### 10. Attachments

Annex I	Assessment Regulations 8-75
Annex II	Tax Mapping Manual
Annex III	Mass Appraisal Manual
Annex IV	Multi-Year Plan
Annex V	Loan Administrative Procedures
Annex VI	Commodity Support Requirements
Annex VII	LDP Pilot Experience
Annex VIII	Gantt Chart

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Republic of the Philippines  
Project Title: Real Property Tax Administration (RPTA)  
Funding (Fiscal Year and Amount): FY-78 \$9.8 million

Life of the Project: Three years following the signing of the  
Development Loan Agreement

IEE Prepared by: Robert K. Rogers, Project Manager

Date: September 15, 1976

Environmental Action Recommended: Negative Determination  
See page 3 of the Appendix

Concurrence:

Date:

*Garnett A. Zimmerly*  
for Garnett A. Zimmerly, Director

9/24/76

Assistant Administrator's Decision:

Date:

Approval of Environmental Action Recommended

Disapproval of Environmental Action Recommended

Contents of Initial Environmental ExaminationI. Examination of Nature, Scope and Magnitude of Environmental ImpactsA. Description of Project

The project is an institutional development loan project which is designed to improve the capability of local governments to administer the Real Property Tax Code. The purpose of the project is to generate revenues to provide additional funds for socio-economic development projects and programs of the local governments. Specific activities include: identification of real property and ownership through tax mapping; appraisal and assessment of real property; records management; and improved collection methods.

B. Identification and Evaluation of Environmental Impacts

## 1. General

This project will have no direct effect upon the human environment, since the funds from this proposed loan will be used to strengthen and institutionalize the administrative capability of local governments, manifested in improved real property tax income. Although there is no assurance that projects and programs resulting from real property tax income generated by this project will not be detrimental to the human environment, this is outside the specific authority of this project.

This development loan falls within the general class of activities not normally requiring the filing of an Environmental Impact Statement or the preparation of an Environmental Assessment as defined in Paragraph 216.2 (a) of AID Handbook 3, App 5C.

II. Recommendation for Environmental Action

A. Recommendation for Threshold Decision

This project will have no significant effect on the environment, and therefore a Negative Determination is appropriate.

IMPACT IDENTIFICATION AND EVALUATION FORM

<u>Impact Areas and Sub-areas 1/</u>	<u>Impact Identification and Evaluation 2/</u>
<b>A. LAND USE</b>	
1. Changing the character of the land through:	
a. Increasing the population -----	N
b. Extracting natural resources -----	N
c. Land clearing -----	N
d. Changing soil character -----	N
2. Altering natural defenses -----	N
3. Foreclosing important uses -----	N
4. Jeopardizing man or his works -----	N
5. Other factors	
None	N
_____	_____
_____	_____
<b>B. WATER QUALITY</b>	
1. Physical state of water -----	N
2. Chemical and biological states -----	N
3. Ecological balance -----	N
4. Other factors	
None	N
_____	_____
_____	_____

1/ See Explanatory Notes for this form.

2/ Use the following symbols: N - No environmental impact  
 L - Little environmental impact  
 M - Moderate environmental impact  
 H - High environmental impact  
 U - Unknown environmental impact

C. ATMOSPHERIC

1. Air additives -----	N
2. Air pollution -----	N
3. Noise pollution -----	N
4. Other factors	
None	N
_____	_____
_____	_____

D. NATURAL RESOURCES

1. Diversion, altered use of water -----	N
2. Irreversible, inefficient commitments -----	N
3. Other factors	
None	N
_____	_____
_____	_____

E. CULTURAL

1. Altering physical symbols -----	N
2. Dilution of cultural traditions -----	N
3. Other factors	
None	N
_____	_____
_____	_____

F. SOCIO-ECONOMIC

1. Changes in economic/employment patterns -----	N
2. Changes in population -----	N
3. Changes in cultural patterns -----	N
4. Other factors	
None	N
_____	_____
_____	_____

IMPACT IDENTIFICATION AND EVALUATION FORM 3

G. HEALTH

- 1. Changing a natural environment ----- N
- 2. Eliminating an ecosystem element ----- N
- 3. Other factors
- None ----- N
- 

H. GENERAL

- 1. International impacts ----- N
- 2. Controversial impacts ----- N
- 3. Larger program impacts ----- N
- 4. Other factors
- None ----- N
- 

I. OTHER POSSIBLE IMPACTS (not listed above)

- None ----- N
- 
- 

See attached Discussion of Impacts.

LOAN ACTIVITY DATA



ANNEX V

RPTA-PRP

REAL PROPERTY TAX ADMINISTRATION

LOAN PROCEDURES

ISSUED: \_\_\_\_\_

REAL PROPERTY TAX ADMINISTRATION

LOAN PROCEDURES

These instructions cover the specific procedures PROVINCES, CITIES and MUNICIPALITIES must follow in order to avail of the loans and grants authorized under Development Loan No. \_\_\_\_\_.

There are two categories of loans - (RPTA - LPC)

1. A reimbursement loan of ₱30,000 to each Province or City following the verified complete tax mapping of a municipality or district.

(RPTA - LM)

2. A reimbursement loan of ₱10,000 to each municipality following the verified complete installation of the RPTA in a municipality that has been tax mapped.

Loans offered under these provisions will expire on September 30, 1980.

(i.e., tax mapping of the entire municipality must have been completed and verified before this date in the case of loans (RPTA-LPC); or the complete system installed and verified before this date in the case of loans (RPTA-LM).

The procedures for each are as outlined in the following pages and include a series of forms for accounting and auditing purposes.

R P T A

LOANS

TO

PROVINCES/CITIES

RPTA LOANS (RPTA-LPC)

**ELIGIBILITY:** All Provinces/Cities having a multi-year RPTA plan  
(in such form as may be described by DLGCD prepared and  
on file with DLGCD.

**SCOPE:** The loan will be on a reimbursement basis to the province/  
city following the verified completion of the tax mapping of  
an entire municipality. Loan limitation for each municipality/  
district irrespective of size, is ₱30,000.

**INTEREST RATE:** 4% per annum

**PERIOD OF LOAN:** Not to exceed 10 years

**IMPLEMENTATION:** The PROVINCE/CITY will complete the project using its  
own funds. When the project is completed in accordance with  
the provisions herein, DLGCD will reimburse the PROVINCE/  
CITY the face value of the loan (₱30,000).

**REPAYMENT:** Due date is based on the date of the reimbursement check  
that is transmitted to the PROVINCE/CITY. Interest will be  
paid annually beginning at the end of the second year. Principal  
payments are deferred for 2 years. The principal will be paid  
in equal annual installments over the remaining life of the loan.  
The first principal payment is due three years after the date of  
the reimbursement check.

## PROCEDURES

### REIMBURSEMENT LOANS FOR TAX MAPPING (RPTA-LPC) \*

1. The PROVINCE/CITY will prepare a multi-year plan in such form and content as described by DLGCD.
2. The PROVINCE/CITY will prepare NOTICE OF INTENTION (RPTA-LPC-1), a resolution of the appropriate Sanggunian indicating intention to avail of the loan provisions. The PROVINCE/CITY will transmit (RPTA-LPC-1) in duplicate to DLGCD and at the same time establish a file folder identified as "RPTA-LPC PROVINCE/CITY of \_\_\_\_\_". A copy of (RPTA-LPC-1) will be the first document placed in this file. (Loans are retroactive and can be made against municipalities that have already been tax mapped since 1 January 77, thereby imposing no penalty for progressive provinces/cities.
3. The PROVINCE/CITY will prepare and forward to DLGCD a NOTICE OF COMPLETION (RPTA-LPC-2) declaring that tax maps have been prepared and property index numbers assigned to all real property within a particular municipality/district. Quality of work will be judged against the standards set in the "Tax Mapping Manual" - DLGCD, June 1976.
4. Upon receipt of NOTICE OF COMPLETION (RPTA-LPC-2), DLGCD will, as soon as practicable, schedule a member of the staff to conduct the necessary inspection of the tax mapping documents.
5. In the event the tax mapping documents so inspected do not meet the standards set forth in the "Tax Mapping Manual", DLGCD, June 1976, the inspector (DLGCD staff member) will prepare NOTICE OF DEFICIENCY (RPTA-LPC-3) on which will be noted specifically the actions and corrections the PROVINCE/CITY must take to complete the documents according to the standard referenced above. A copy of RPTA-LPC-3) will be furnished the PROVINCE/CITY at the time of the inspection. Following the correction of deficiencies so noted, it will be necessary to prepare a new NOTICE OF COMPLETION (RPTA-LPC-2) repeating Step #3 above.

\* ALL FORMS REFERRED TO IN THIS SECTION WILL BE FOUND IN ANNEX I FOLLOWING.

6. In the event the tax mapping documents so inspected does meet the standards reference above, the inspector will prepare CERTIFICATION (RPTA-LPC-4) which approves the project and certifies to its completion.
7. Upon receipt of the CERTIFICATION (RPTA-LPC-4), the PROVINCE/CITY will prepare a LOAN AGREEMENT (RPTA-LPC-5) and forward same to DLGCD, and accompanied by the Appropriate Resolution and CERTIFICATION (RPTA-LPC-4) DLGCD will issue a check in the amount of ₦30,000 drawn to the order of the Provincial/City Treasurer. There is no DLGCD restriction on the appropriation of these funds.

A N N E X 1

CITY/PROVINCE OF \_\_\_\_\_

(RPTA-LPC-1) - NOTICE OF INTENTION

Municipality of \_\_\_\_\_ (DATE)  
or District of \_\_\_\_\_

Executive Director  
D L G C D

Dear Sir:

Enclosed is Resolution No. \_\_\_\_\_ dated \_\_\_\_\_

signifying our intention to apply for a tax mapping reimbursement loan  
in the amount of ₱30,000. A copy of the attached resolution has also  
been furnished to the Department of Finance.

We have begun tax mapping operations in the Municipality/District  
of \_\_\_\_\_ and we expect to complete this project  
by \_\_\_\_\_  
(date)

Yours truly,

\_\_\_\_\_  
GOVERNOR/MAYOR

Enclosure: Resolution No. \_\_\_\_\_

(RPTA-LPC-1)

CITY/PROVINCE OF \_\_\_\_\_

(RPTA - LPC-2) - NOTICE OF COMPLETION

Municipality of \_\_\_\_\_ (DATE)  
or District of \_\_\_\_\_

Executive Director  
DLGCD

Dear Sir:

Reference: NOTICE OF INTENTION, Municipality/District of \_\_\_\_\_

Please be advised that the above-mentioned municipality/district has been completely tax mapped and numbered in accordance with the provisions of, and to the standards set, in the Tax Mapping Manual, DLGCD, June 1976.

We therefore request the necessary final inspection of the project documents and the reimbursement loan in the amount of ₱30,000.

Yours truly,

\_\_\_\_\_  
GOVERNOR/MAYOR

(RPTA-LPC-2)

DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITY DEVELOPMENT

(RPTA-LPC-3) - NOTICE OF DEFICIENCY

\_\_\_\_\_  
(DATE)

Mayor/Governor

CITY/PROVINCE OF \_\_\_\_\_:

Reference: RPTA-L, Municipality/District of \_\_\_\_\_

On this date the tax mapping documents for the above referenced municipality/district were examined by the undersigned according to the standards set forth in the "Tax Mapping Manual", DLGCD, June 1976, and the following deficiency(ies) noted:

Deficiency

Recommended Corrective Action  
(Reference Manual Provision)

Etc., as necessary

\_\_\_\_\_  
(DLGCD REPRESENTATIVE)

\_\_\_\_\_  
(DATE)

DEFICIENCY  
UNDERSTOOD  
& CONCUR:

\_\_\_\_\_  
(PROVINCIAL/CITY ASSESSOR)

\_\_\_\_\_  
(DATE)

(RPTA-LPC-3)

**DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITY DEVELOPMENT**

**(RPTA-LPC-4) - CERTIFICATION**

\_\_\_\_\_  
(DATE)

**MAYOR/GOVERNOR**

**CITY/PROVINCE OF** \_\_\_\_\_

**Reference:** Municipality/District of \_\_\_\_\_

On this date the tax mapping documents for the above referenced municipality were examined by the undersigned according to the standards set forth in the "Tax Mapping Manual," DLGCD, June, 1976, and were found to be in complete compliance therewith.

**I SO CERTIFY:**

\_\_\_\_\_  
(DLGCD REPRESENTATIVE)

\_\_\_\_\_  
(DATE)

**WITNESS:** \_\_\_\_\_  
(PROVINCIAL/CITY ASSESSOR)

\_\_\_\_\_  
(DATE)

**(RPTA- LPC-4)**

CITY/PROVINCE OF \_\_\_\_\_

(RPTA - LPC-5) - LOAN AGREEMENT

FOR MUNICIPALITY/DISTRICT OF \_\_\_\_\_ (DATE)

Executive Director  
DLGCD

S i r :

In accordance with the provisions of the RPTA loan procedures and by Resolution No. \_\_\_\_\_ dated \_\_\_\_\_, the Sanggunian of this province/city does hereby enter into agreement with the DLGCD for a loan in the amount of ₱30,000. A copy of this Resolution has been forwarded to the Department of Finance (DOF). It is understood that the effective date of the loan is the date of the reimbursement check made payable to the Provincial/City Treasurer, and that the reimbursement check will be accompanied by a repayment schedule, which payments are to be made directly to NEDA.

\_\_\_\_\_  
GOVERNOR/MAYOR

ATTACHMENTS: (RPTA-LPC-4) - CERTIFICATION

Resolution of Sanggunian authorizing execution of loan

(RPTA-LPC-5)

R P T A  
LOANS  
TO  
M U N I C I P A L I T I E S

RPTA (RPTA - LM)

**ELIGIBILITY:** All municipalities having been completely tax mapped.

**SCOPE:** A loan of ₱10,000 will be made following the verification that the complete RPTA system has been installed in the municipality. The RPTA system is described as: tax mapping records conversion (tax declarations and collection records). The procedure for securing this loan is outlined in the following pages.

PROCEDURES

LOANS TO MUNICIPALITIES FOR RPTA SYSTEM INSTALLATION (RPTA-LM) \*

1. The MUNICIPALITY will prepare a Notice of Completion (RPTA-LM-1) declaring that tax maps have been prepared; property index numbers assigned; tax records converted to the new system; and collection records installed within a particular municipality. Installation will be judged against standards set forth in Assessment Regulations No. 8-75 of the Department of Finance.
2. Upon receipt of Notice of Completion (RPTA-LM-1), DLGCD will, as soon as practicable, schedule a member of the staff to conduct the necessary inspection of the system as installed.
3. In the event the tax mapping documents so inspected do not meet the standards set forth in Assessment Regulations No. 8-75 the inspector (DLGCD staff member) will prepare Notice of Deficiency (RPTA-LM-2) on which will be noted specifically the actions and corrections the municipality or province must take to complete system installation according to the standard referred above. A copy of RPTA-LM-2 will be furnished the municipality and province at the time of the inspection. Following the corrections of deficiency so noted, it will be necessary for the MUNICIPALITY to prepare a new Notice of Completion (RPTA-LM-1) repeating Step. #1 above.
4. In the event the RPTA system so inspected does meet the standards referred above, the inspector will prepare CERTIFICATION (RPTA-LM-3) which approves the project and certifies to its completion.
5. Upon receipt of the CERTIFICATION (RPTA-LM-3), the MUNICIPALITY will prepare a request for loan (RPTA-LM-4).
6. Upon receipt of the REQUEST FOR LOAN (RPTA-LM-4) accompanied by CERTIFICATION (RPTA-LM-3), DLGCD will issue a check in the amount of \$10,000 drawn to the order of the Municipal Treasurer. There is no DLGCD restriction on the appropriation of these funds.

\* ALL FORMS REFERRED TO IN THIS SECTION WILL BE FOUND IN ANNEX II FOLLOWING.

A N N E X I I

PROVINCE OF \_\_\_\_\_

RFTA - LM-1 NOTICE OF COMPLETION

Municipality of \_\_\_\_\_

\_\_\_\_\_  
(DATE)

Executive Director  
DLGCD

S i r :

Please be advised that the above-mentioned municipality has been completely tax mapped; numbered in accordance with the provisions of, and to the standards set, in the Tax Mapping Manual, DLGCD, June 1976.

Further, that the records of the Provincial Assessor and Treasurer have been converted and installed according to the provisions of Assessment Regulations No. 8-75.

Yours truly,

\_\_\_\_\_  
MUNICIPAL MAYOR

(RFTA - LM-1)

DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITY DEVELOPMENT

RPTA - LM-2 - NOTICE OF DEFICIENCY

MAYOR OF \_\_\_\_\_  
(Municipality)

PROVINCE OF \_\_\_\_\_

Reference: Municipality of \_\_\_\_\_

On this date the RPTA system and related documents for the above referenced municipality were examined by the undersigned according to the standards, set forth in the "Tax Mapping Manual", DLGCD, June 1976; and Assessment Regulations No. 8-75; and the following deficiency(ies) noted:

Deficiency	Recommended Corrective Action (Reference Manual or Regulations Provision)
1.	Etc., as necessary

\_\_\_\_\_  
(DLGCD REPRESENTATIVE)

DEFICIENCY UNDERSTOOD AND CONCUR:

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
(PROVINCIAL ASSESSOR/TREASURER)

\_\_\_\_\_  
(DATE)

DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITY DEVELOPMENT

RPTA - LM-3 CERTIFICATION

\_\_\_\_\_  
(DATE)

MAYOR OF \_\_\_\_\_  
(MUNICIPALITY)

PROVINCE OF \_\_\_\_\_

Reference: Municipality of \_\_\_\_\_

On this date the RPTA system and related documents for the above referenced municipality were examined by the undersigned according to the standards set forth in the "Tax Mapping Manual", DLGCD, June 1976 and Assessment Regulations No. 8-75 and were found to be in complete compliance therewith.

I SO CERTIFY:

\_\_\_\_\_  
(DLGCD REPRESENTATIVE)

\_\_\_\_\_  
(DATE)

WITNESS: \_\_\_\_\_  
(PROVINCIAL ASSESSOR/TREASURER)

\_\_\_\_\_  
(DATE)

(RPTA - LM-3)

PROVINCE OF \_\_\_\_\_

RPTA - LM-4 - REQUEST FOR LOAN

Municipality of \_\_\_\_\_ (DATE) \_\_\_\_\_

Executive Director  
DLGCD

S i r:

In accordance with the provisions of the RPTA GRANTS-IN-AID PROCEDURES, this MUNICIPALITY does hereby request a loan in the amount of ₱10,000.

In support of this CERTIFICATION (RPTA-LM-3) is attached and made a part hereof.

\_\_\_\_\_  
MUNICIPAL MAYOR

ATTACHMENT: CERTIFICATION (RPTA-LM-3)

(RPTA - LM-4)

**LDP PILOT MUNICIPALITY EXPERIENCE**  
**RE: EFFECT OF TAX MAPPING ON TAXABLE ASSESSED VALUE**

PROVINCE MUNICIPALITY	Taxable Assessed Value (P1,000)		Increase or Decrease		REMARKS
	Before Tax Mapping	After Tax Mapping	Net Pesos (P1,000)	%	
Iloilo					
Pavia *	11,663.9	9,707.9	( 1,956.0 )	( 16.8% )	Original records contained numerous duplicate and obsolete declarations
Passi	56,492.5	61,537.7	5,045.3	8.9%	
San Enrique *	20,947.6	71,529.1	50,581.5	241.5%	Assessment discovered one piece of machinery with AV P45,000,000.00
Misamis Oriental					
Binuangan	2,635.6	3,409.6	773.8	29.4%	
Palawan					
Aborlan	2,620.0	7,960.0	5,340.0	203.8%	
Narra	12,330.3	17,256.0	4,925.7	39.9%	
Brooke's Point	17,300.5	21,625.0	4,324.5	25.0%	
Zambales					
Botolan	36,370.6	121,757.1	85,386.5	234.7%	
<b>TOTAL ALL MUNICIPALITIES</b>	<b>160,361.1</b>	<b>314,782.4</b>	<b>154,421.3</b>	<b>96.3%</b>	
<b>TOTAL ADJUSTED SAMPLE (DELETED*)</b>	<b>127,749.6</b>	<b>233,545.4</b>	<b>105,795.5</b>	<b>82.8%</b>	
<b>AVE. MUN. ADJUSTED SAMPLE (DELETED*)</b>	<b>21,291.6</b>	<b>38,924.2</b>	<b>17,632.6</b>	<b>82.8%</b>	Anticipated 50% claimed by project appears reasonable

ANNEX VI

RPTA PRP

REAL PROPERTY TAX ADMINISTRATION PROGRAM  
COMMODITY SUPPORT COST (\$)  
SUMMARY

1. Total vehicle cost for 100 Provinces/Cities	\$ 600,000.00
Total Vehicle cost for 576 Municipalities	<u>\$1,152,000.00</u>
Total Cost for Vehicles	\$1,752,000.00

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2. Total Basic Engineering and Office Equipment Support	\$1,637,000.00
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3. (\$3,350,000) Total Aerial Photo Cost (50% under this Loan; 50% Host Country funded) - Cost Under Loan	\$1,675,000.00
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TOTAL COMMODITY SUPPORT \$5,064,000.00

**BASIC VEHICLE SUPPORT FOR  
REAL PROPERTY TAX ADMINISTRATION PROGRAM  
FOR EACH PROVINCE, CITY AND MUNICIPALITY**

**UNITS REQUIRED PER PROVINCE/CITY**

<b><u>ITEM DESCRIPTION</u></b>	<b><u>Prov/City Assessor</u></b>	<b><u>Prov/City Assessor</u></b>	<b><u>Total Unit Req'd</u></b>	<b><u>Unit Cost \$</u></b>	<b><u>Total Cost \$</u></b>
Jeep	2	1	3	2000	6000
<b><u>UNITS REQUIRED PER MUNICIPALITY</u></b>					
Jeep		1	1	2000	2000

TOTAL VEHICLE COST FOR 576 MUNICIPALITIES

\$1,152,000

TOTAL VEHICLE COST FOR 100 CITIES AND PROVINCES

600,000

\$1,752,000



**COST ESTIMATE OF**  
**AERIAL PHOTO REQUIREMENTS**

Land Area - Total Country	30,000,000 Ha.
Land Area Having Photo Coverage	25,000,000 Ha.
Less (1) Metro Manila and Cebu	670,000 Ha.
(2) Photography Known to have been acquired	3,100,000 Ha.
	21,330,000 Ha.
<b>BALANCE</b>	<b>21,330,000 Ha.</b>

**THIS PROJECT REQUIREMENTS:**

Printing Unit Cost ₱1.20/Ha.	x <u>₱1.20</u>
	₱25,596,000.00
One-half Converted to \$ at 7.5 - 1 (1977) -	\$1,706,400
One-half Converted to \$ at 8.0 - 1 (1978) -	<u>\$1,599,750</u>
	\$3,306,150
	+ 1% Contingency
	for estimate
	<u>error</u>
Say	\$3.350 Million

This cost is to be shared equally between  
loan funding and host country funding.

Loan Requirement -	<u>\$1,675,000</u>
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