

# Support to Local Government Revenue Generation and Land Administration Reforms Project (REGALA)

in partnership with the OECD Development Assistance Committee (DAC) Network on Governance (GovNet)

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**Organisation:** Land and Governance Innovations (LGI) Consultants

**Country:** Philippines

**Level of government:** Local government

**Sector:** Environmental protection, General public services

**Type:** Public Service

**Launched in:** 2011

**Overall development time:** 5 year(s) 6 month(s)

**Link to the innovation's website**

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# Description

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Implemented under the leadership of the Department of Finance, the REGALA Project aims at expanding delivery of social and economic services in participating local government units (LGUs) through the use of improved land management and administration systems, including property valuation and taxation innovations, to generate increased local government revenues.

REGALA aims to computerize all land information and real property tax assessment, and fast track interagency collaboration between the national Land Administration Management (LAM) agencies (particularly the Department of Environment and Natural Resources (DENR) and the Registry of Deeds).

The project began initially with the Innovation Support Fund (ISF). The next phase of the project was REGALA (from 2011), which built on the gains, lessons, experiences of the ISF at the sub-national level. ISF worked on the legal and policy framework, while REGALA operationalised the new guidelines.

REGALA introduced and piloted a low cost land management system that assisted in resolving land boundary disputes, property valuation and land titling. It aims to improve land management systems and revenue generation.

The innovation was focused on the integration of land administration services at the LGU, it supported:

- Small grants and capacity building to selected provinces and municipalities and the facilitation of inter-agency dialogue. This in turn, leveraged local government revenues to support a portfolio of complementary land governance activities.
  - Revenue collection through tax mapping, tax compliance studies, tax collection system, tax impact evaluation.
  - Comprehensive land use planning based on improved spatial parcel-based land information systems to facilitate social and economic development and disaster risk management.
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## Why the innovation was developed

- REGALA followed on from the Innovation Support Fund Facility carried out under the World Bank – Australian Agency for International Development (AusAID)-assisted Land Administration and Management Project Phase 2, which successfully tested the feasibility of an LGU led initiative to improve service delivery.
  - Innovation was in response to problems within the land sector. Despite the presence of a strong legal framework and good practices in transparency, addressing land issues remained most difficult.
  - Key challenges to good land governance and weaknesses in implementation were fragmented institutions and strong horizontal overlaps in mandates of key land agencies.
  - Significant numbers of untitled urban/residential and rural properties (roughly 11 million parcels).
  - Use of inappropriate valuation methodologies, lack of regular updating of schedule of market values (SMVs) and poor collection efficiency.
  - Outdated comprehensive land use plans (CLUPs) and a weak framework for large scale land investments (e.g. incomplete mapping of public lands).
  - Highly fragmented management of land information.
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## Objectives

Improve effectiveness, Improve efficiency, Improve social equity, Support economic growth

- The project aimed to improve property related transaction, including systematic titling process and synchronization of data on land proprietorship through computerization, and faster collection of real property taxes, all of which will help to speed up inter-agency collaboration.
  - It was expected to contribute to an increase in revenue collection by up to 50%.
  - REGALA Phase 1 Objectives were to develop good practice models to serve the envisioned LAM training network among LGUs and a provincial LGU model using the REGALA good practices.
  - REGALA Phase 2 Objectives were to deepen, upscale, and institutionalize REGALA's gains in the original ten participating LGUs to complete the full cycle of good governance and management of core LGU processes.
  - Replicate REGALA's good practice models in additional municipal LGUs in the province of Ilocos Norte.
  - Support the Bureau of Local Government Finance (BLGF) plan to roll out SMV revision nationwide using REGALA's approach.
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## Main beneficiaries

Civil Society, General population, Government bodies, Government staff, Low-income groups, Young people

- The nine participating local government authorities the project was operating within.
  - National government agencies and their regional and field offices, specifically the offices of the Assessor, Treasurer, Business Permits, Planning, Council with the participating LGUs.
  - League of Provinces, League of Cities, League of Municipalities.
  - Taxpayers, landowners, land claimants, LGU populace including women/children, disadvantaged.
  - Assuming the innovation can impact 50% of the population and each LGU a population of only 100,000 per LGU, at least 450 000 people.
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## Existing similar practices

### ITAX

In the private sector, civil society or elsewhere

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

ITAX is a computerized revenue system for Local Government for business permits/fees and real property taxes. Leyte, Lanao del Norte and Dumaguete are some of the LGUs using ITAX.

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## Results

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### Efficiency

- The project resulted in an average of 6.76% increases in revenues from real property taxes and 12.58% increases in business fees for the mature LGUs.
  - The range in RPT increases is between 1.5% to a high of 9.8% while in the case of business taxes, the range is between 7.6% to 19.5%.
  - In the Legazpi LGU for example, recorded increases in tax collection efficiency for RPT from 50% in 2011 to 76% in June 2013%.
  - Business Permits Transaction time before REGALA was 10-15 days; with REGALA: 10 minutes (new) and 5-7 minutes (renewal).
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### Effectiveness

- Resulting from the continued updating and cleaning of property records, there has been a continuous increase in property and business tax coverage through discoveries of taxable properties.
  - From 2011 to June 2013 the total number of buildings discovered was 2,059, with an estimated tax due of Php 9.26 Million; with another 21 assets discovered with an estimated tax due of Php 0.78 Million.
  - Combined, these represent a total of Php 10 Million potential additional revenues for the Legazpi.
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### Service quality

#### Accessibility:

- The LGU or LAM “One Stop Shop” Facility improved access to a range of LGU services. This reduced transaction time and costs for end-users.

#### Responsiveness:

- As effectiveness - Business Permits Transaction time before REGALA was 10-15 days; with REGALA: 10 minutes (new) and 5-7 minutes (renewal).

#### Reliability:

- Updated and accurate land information in the LGU is being shared with other government agencies. The database build-up in the project included data cleansing.

# Development

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## Design

The system was developed from a joint GoP, World Bank, and AusAID partnership project on land administration and management.

There has been an integrated approach using inter-agency coordination, unified land information system, revenue system, valuation, disaster risk reduction management, climate change adaptation (DRRM/CCA) sensitive land use planning and management, investment planning, tenure security to a LGU “one-stop-shop”.

Innovations were developed through:

- needs assessment, validation and project scoping with LGUs;
  - planning and consultations with local and national governments and other users;
  - project experiences and challenges;
  - feedback from end-users and publics;
  - Land governance indicator (LGI) internal brainstorming and planning;
  - Menu of land administration and management (LAM) options and innovations framework accepted and confirmed in various fora with end-users.
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## Testing

- The project piloted under the ISF and implemented and rolled out during REGALA Project Phases 1 and 2.
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## Implementation

**Tools used:**

- REGALA has a strong focus on capacity development for staff through a range of different approaches, including training of trainers and use of e-learning platforms.
- Other tools include the use of Geographic Information System (GIS) for database build-up and for titling, valuation and land use planning.
- Management approaches (bottom-up and top-down approaches, participatory).
- Quick response mechanisms to immediately address and support LGU concerns.
- Progressive, iterative and focused capability building through training, technical assistance, learning by doing, mentoring, coaching, immersion, cross-visits. Mature LGUs served as examples to growing LGUs and provided the required guidance and practical support needed.
- Internet was used for linking, networking and providing TA among LGUs. Training sessions were interspersed with workshops, case studies, field trips and sharing of practical experiences.
- Building and strengthening inter-agency partnerships between national and local agencies through partnership agreements which delineated functions and responsibilities, and establishment of inter-agency project committees and project implementation units.
- Briefing sessions for the local chief executive and the Councils to make them better appreciate the process and impact of revised plans.

**Resources used:**

- REGALA was approved in May 2011 with a USD 1.5 million budget (including pilot testing). Additional TA financing amounted to USD 700 000.
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## Diffusion

- REGALA has diffused its model through presentation of LAM good practices, experiences and lessons learned in various fora and knowledge events.
  - Through word of mouth among LGUs.
  - Using mature LGUs as demonstration centres of good practices.
  - Providing assistance to oversight agencies in project development and in accessing external assistance.
  - Advocacy through communication (brochures, leaflets and website).
  - It is proposed that in the future the model will be diffused by development of e-learning modules and establishment of pilot e-learning hubs.
  - Repository of knowledge products in LGUs, in oversight agencies (DENR, DILG, BLGF).
  - Use of the Leagues' Mayors' Center as repository of knowledge products.
  - Inclusion of taxation and valuation reforms in basic education curricula.
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## Challenges and solutions

- A key challenge has been the proposed staffing rationalisation plan (to be implemented in 2015) and retraining and orientation of staff. To counter this, a capacity development plan has been prepared to deal with both these issues.
- Capacity building requires additional financing, a resource mobilization strategy, strategic performance management system and a transition phase. The BLGF being supported on planning and mapping of strategy mapping.
- Roll-out of reforms requires substantial resources which are not readily available. BLGF securing additional resources from national government and external sources.
- A further challenge is the LGU leadership changes after the national and local elections and the corresponding changes in priorities. This required advocacy and buy-in of the new administration.
- Reforms require Council approval which is outside of the project's control. Briefings for legislators were made to support this process.

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## Partnerships

### Government Finance (DOF-BLGF)

Other Public Sector

The BLGF serves as the national government implementing agency of REGALA. It provides policy and program support (specifically related to valuation reforms). The LGI undertakes implementation management.

The BLGF serves as the policy regulator on local revenue generation and valuation reforms. It formulates policies and guidelines, sets standards and oversights and monitors policy/program compliance for over 1,700 local governments nationwide.

BLGF provided the leadership and guidance in the revision of real property values and reviewed LGU compliance and consistency. Its guidance enabled five mature REGALA LGUs to be the first LGUs nationwide to be certified as compliant and to serve as benchmarks. The Department of Finance (DOF) through BLGF was instrumental in endorsing the REGALA best practices and their roll-out to more LGUs.

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## Lessons Learned

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### Lessons Learned

- The REGALA approach involved both a top-down and bottom-up approach in design and implementation. The NGA-LGU partnership involved “subsidiarity on LAM reforms in a learning environment” and partnership and collaboration demonstrating shared responsibility from the national to the local levels.
  - The LGU-NGA partnerships appears to be a feasible and less complex model for rolling out reforms, given the constraints of existing legislative and institutional systems. There is a strong appreciation of the LAM reforms at the sub-national level.
  - Good governance through comprehensive spatial and development planning under REGALA has shown that integrated local development planning linking valuation, taxation and land management serves is a good foundation to increase investment opportunities, job opportunities and spur economic growth.
  - Legislative activities are protracted and consequently it is better to have alternative strategies like partnerships on sharing of information rather than amalgamation of agencies.
  - It is essential for the managing contractor or implementer to have the know-how, technical and practical experiences and detailed understanding of LGU culture.
  - For projects on governance and transparency, there is a need to be more selective in the participation of progressive, pro-active and principled LGUs to ensure success.
  - Major government reforms like valuation/taxation require government support for operationalisation and roll-out.
  - Complex projects like REGALA require at least five years to complete – change takes time.
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### Conditions for success

- Transparency and efficiency in government systems and procedures.
- Access to adequate human and financial resources to pursue the national roll-out of reforms and good practices.
- Pro-active and principled local leadership.
- Highly skilled and competent staff in streamlined government agencies.
- Partnership agreements were needed to share data/information.