

Improving Land Administration and Management for Sustainable Urban Development*

1. Introduction and Approach

Land administration and management (LAM) systems are a fundamental infrastructure for proper functioning of land markets. Land markets enable land to flow to those who are willing and able to use land well, thereby, facilitate investments and growth, improve land allocation, and develop financial markets. For land markets to work efficiently, they must be underpinned by land administration systems that define property rights; guarantee security of tenure; establish a mechanism for registering these rights within reasonable time and costs, and generate information to support property valuation and taxation. Well-defined property rights underpin security of transactions and investments in well-functioning land markets, as these reduce conflicts, decrease transaction costs, and provide incentives for the private sector to invest. Property valuation facilitates efficient disposal and proper compensation of land, equitable land and property taxation, and proper valuation of land as collateral assets.

LAM systems are also essential in land use planning that shapes urban growth, improves efficiencies in use and allocation of limited space, and in turn, enhances the performance of land markets. In metropolitan areas, coordinated land use planning is essential to achieve efficiency in service provision, enable connectivity and maximize the potential of agglomeration for city competitiveness. Effective land



use planning enables timely provision of investments to influence the shape and pattern of land development.¹ The application of relevant regulations and development controls are crucial to manage urbanization patterns and achieve the desired urban form. Efficiency in land use allocation in urban areas is also instigated by a functioning land market, secure property rights, and transparent and market based valuation process. A good benchmark for efficient land use planning process entails land use plans and regulations that are justified, effectively implemented, do not drive large parts of the population into informality, and are able to cope with population growth.²

* This policy note is part of a broader study, "Philippines Urbanization Review: Fostering Competitive, Sustainable and Inclusive Cities, 2017 The World Bank.

1 World Bank. 2011. Land Governance Assessment Framework Implementation Manual. (September 16, 2011). Washington DC: World Bank.

2 Ibid.

Box 1. Definitions

Land administration is the processes of determining, recording and disseminating information about the tenure, value and use of land when implementing land management policies. These involve regulating land and property development and the use and conservation of land, the gathering of revenues from the land through sales, leasing and taxation, and the resolving of conflicts concerning the ownership and use of land (Dale and McLaughlin, 1999; UN ECE, 1996).

Land management is the process by which the resources of land are put to good effect. It covers all activities concerned with the management of land as a resource both from an environmental and from an economic perspective. It can include farming, mineral extraction, property and estate management, and the physical planning of towns and the countryside (UN-ECE, 1996).

Well-functioning land market and efficient land use are important in creating sustainable and competitive cities. Rural to urban migration – one of the significant drivers of urbanization - is propelled partly by an efficient LAM system that provides secure property rights and well-functioning land markets in the rural areas. These enable the free movement of surplus and highly skilled labor from the rural areas – a phenomenon that triggers economic transformation from agricultural to manufacturing, and in the case of the Philippines, to a service dominated industry³. Unrestricted access to land in the urban fringes likewise facilitates a well-managed urban sprawl, to meet the growing demands for land. Finally, a well-functioning land market is supported by a good land administration and management system that improves ability to plan, attract investment, and capitalize on increasing land values to benefit the public and provide services.⁴

Good practices in property taxation and valuation enhances fiscal independence and capacity of local governments to finance urban development investments. Taxes on land and

real property constitute one of the most stable sources of revenues for local government units (LGUs). They are fixed, easy to detect, and their values increase with economic development. Revenues derived from real property taxes are fully devolved, which should encourage LGUs to make good in the performance of this vital function. Experience in several secondary cities in the Philippines prove that LGUs are better able to provide for serviced land and meet the investment demands of urbanization if they are able to harness the revenue potential from appropriate administration of property taxes. The efficiency by which local authorities are able to dispense with this function rest in a major way on the completeness and reliability of land inventory, good land data sets, and the application of market based valuation for property assessments. In the case of the Philippines, the resolution of LGU political boundaries is a pre-requisite to the certainty of internal revenue allotments, or national government transfers to support local development. Updated and more equitable property valuation likewise contributes to greater equity in the tax burden, thereby contributing to more inclusive urban economic growth.

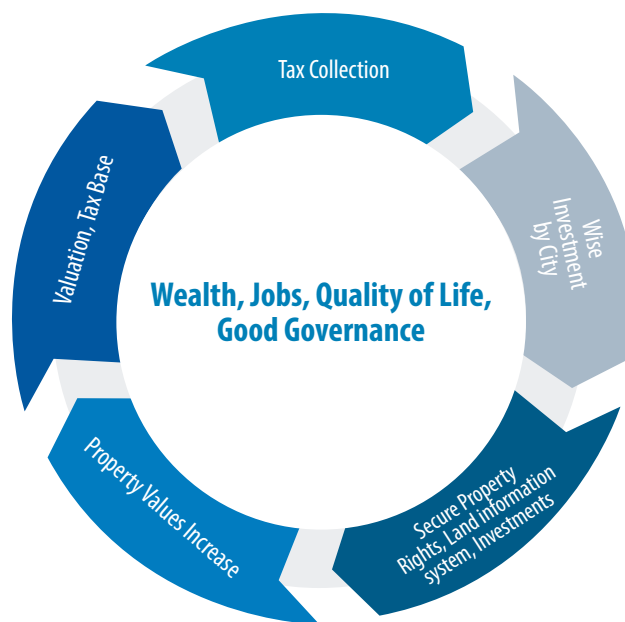
³ Deininger, Klaus, Harris Selod and Anthony Burns. 2012. The Land Governance Assessment Framework: Identifying and Monitoring Good Practice in the Land Sector. Washington DC: World Bank. See also Hilhorst, Thea and Frederic Meunier, eds. 2015. How Innovations in Land Administration Reform Improve on Doing Business: cases from Lithuania, the Republic of Korea, Rwanda and the United Kingdom. Washington DC: World Bank.

⁴ UN HABITAT and Urban Landmark. 2010. Urban Land Markets: Economic Concepts and Tools for Engaging in Africa. Nairobi, Kenya. See also Hilhorst, Thea and Frederic Meunier, eds. 2015. How Innovations in Land Administration Reform Improve on Doing Business: cases from Lithuania, the Republic of Korea, Rwanda and the United Kingdom. Washington DC: World Bank.

In the context of cities, well-functioning land markets, proper land use planning, and efficient and equitable property valuation and taxation, are interdependent. Secure property rights, supported by a good land information and registration system and sufficient conditions for development improves efficiency in land market activity, encourages investments in property development, and increases property values. With the use of proper valuation methods and practices, these values are captured in the city assessment roll to make the tax burden more equitable and reflective of prevailing market rates. With properly recorded property rights, and guided by participatory land use and comprehensive development planning, cities are able to harness the best use of land, allocate land to various uses, and plan investments in advance, in order to ensure that spatial development follows the desired pattern and direction of urban growth which is inclusive of all sectors. On the other hand, well prepared comprehensive land use plans (CLUPs), serving as the basis for investments by cities, increase property values. Ultimately, such increases in values should be captured in the city's valuation and taxation, which could be used to increase revenues to spur socio economic development of cities (Figure 1).

When the cycle is sustained, the overall outcomes are increased investments, more jobs, and improved overall quality of life. These are at the core of good local governance.

Figure 1. Harnessing Economic Growth Through Local Investment: The Role of LAM⁵



This note assesses the performance of existing LAM system in the Philippines in creating an environment for competitive cities. It looks at the influence of LAM (including property rights) in the proper functioning of land markets in urban areas; the effectiveness of land use planning and regulations in shaping urban growth, reducing informality, and improving efficiency in use of space; and the impacts of property valuation and taxation practices in generating revenues to finance local development plans.

⁵ Adapted from Ian Lloyd, Land Equity International.

2. Key Challenges

There are a number of complex challenges affecting land use in urban areas, which are binding constraints to the overall competitiveness of Philippine cities and undermine efficient and sustainable urbanization in the Philippines. These include weak LAM system, outdated and ineffective land use planning and regulations, increasing informality in major urban centers, and weak and highly politicized property taxation and valuation practices which negatively impact the financing for urban development.

2.1 Weak LAM System

Overall, the Philippines rates poorly compared to other middle-income countries in Asia in terms of quality of land administration, as measured by the Quality of Land Administration Index (QLAI).⁶ Among countries in East Asia and the Pacific, the country performs better only compared to Indonesia and Cambodia. Next to Indonesia, the Philippines has the poorest rating in terms of reliability, while it is only better than Cambodia in terms of transparency (Table 1).

Table 1. Quality of Land Administration Index by Region for Selected Asian Countries

REGION/COUNTRIES	RELIABILITY	TRANSPARENCY	COVERAGE	DISPUTES	TOTAL
Maximum Score	8	6	8	8	8
East Asia and Pacific	2.9	2.2	3.2	4.6	2.9
Philippines	1.0	3.0	4.0	4.5	1.0
Republic of Korea	8	4.5	8	7	8
Singapore	7	4.5	8	7	7
Vietnam	5	3	0	5	5
Indonesia	0	3.5	0	5	0
Cambodia	2	0.5	0	5	2
Europe and Central Asia	5.9	3.6	3.8	6.2	5.9
Latin America and Caribbean	3.2	2.5	1.1	4.6	3.2
Middle East and North Africa	3.7	1.9	2.6	4.4	3.7
High Income: OECD	6.8	3.6	6.3	6.0	6.8
South Asia	1.3	1.5	1.5	3.4	1.3
Sub-Saharan Africa	1.6	1.8	0.7	4.3	1.6

⁶ Hillhorst, Thea and Frederic Meunier, eds. 2015. How Innovations in Land Administration Reform Improve on Doing Business: cases from Lithuania, the Republic of Korea, Rwanda and the United Kingdom. Washington DC: World Bank.

A number of interrelated issues affect LAM in the Philippines. First, there are multiple agencies involved in land administration with considerable overlapping of mandates and fragmentation of institutional responsibilities. There is also lack of coordination and information sharing among

these agencies, which result in gaps or overlaps in land records, existence of multiple titles on the same land, and fake and spurious titles. These, in turn, increase the transaction costs in securing, registering and transferring property rights and undermine investor confidence in the titling system.

Table 2. Roles of Agencies and LGUs in Land Administration and Management

AGENCIES/LGUS	ROLES
Department of Environment and Natural Resources (DENR)	Undertakes cadastral surveys, reviews and approves subdivision plans, issues first time titles through administrative process, manages public domain, and processes proclamations on government lands
Land Registration Authority (LRA)/ Registry of Deeds (RoD)	Registers titled properties and transactions on these, reviews and approves subdivision plans, issues judicial titles; reconstitutes lost titles
National Commission on Indigenous Peoples (NCIP)	Issues Certificate of Ancestral Domain Titles (CADTs) and undertakes survey and delineation of ancestral domains
Department of Agrarian Reform (DAR)	Issues Certificate of Land Ownership Awards (CLOAs), undertakes survey; reviews and approves applications for land conversion (agricultural to urban use)
National Housing Authority (NHA)	Issues Special Patents on areas proclaimed for socialized housing
Department of Finance/Bureau of Local Government Finance (DoF/BLGF)	Issues valuation standards, monitors LGU tax collections, supervises Treasurers
LGUs	Conducts property valuation and tax mapping, collects real property taxes, prepared comprehensive land use plans, undertakes investments in land management and development, land parcel inventory, mobilization of land for informal settler families (ISF)

Second, incomplete cadastral surveys have resulted in many unresolved conflicts and boundary disputes among LGUs. Examples include between barangays and cities in Metro Manila as well as in other cities across the country. This has resulted in governance issues in affected areas – such as inconsistent taxation, conflicting land uses, unclear responsibilities in service provision, and erroneous computation of national government transfers.

Third, the huge backlogs in titling in the face of rising land values pose challenges for cities in proper land management

and have constrained investments in property development. Based on a 2004 study, there is an estimated 11 million untitled parcels in the country, representing some 46 percent of the total. This situation has also contributed to incomplete tax base for real property tax collection efforts; underdevelopment of high growth areas; encouraged informal transactions on land, thereby resulting in lost capture by property owners of market values, and by the government of the appropriate levels of taxes and fees. Estimates of titled and untitled parcels in the National Capital Region, Cebu and Misamis Oriental provinces are as follows:

Table 3. Estimates of Titled and Untitled Parcels⁷

PROVINCE/DISTRICT	TOTAL PARCELS	TITLED PARCELS	UNTITLED PARCELS	% UNTITLED
Metro Manila/National Capital Region	1,549,636	1,389,904	159,734	11.33
District 1	233,627	210,264	23,363	10.00
District 2	569,981	536,514	33,467	5.87
District 3	306,948	245,559	61,390	20.00
District 4	439,080	397,567	41,514	9.45
Cebu province, including Cebu City	1,281,533	476,912	804,622	62.79
Misamis Oriental, including Cagayan de Oro city including Cagayan de Oro city	288,115	131,062	157,053	54.51

Source: AusAID and World Bank. Land Tenure Study

Fourth, slow registration of titles and processing times in completion of transfers, mortgages, and securing clearance from the Bureau of Internal Revenue (BIR) has affected city performance in the cost of doing business. These processes are lodged with national government agencies, and have affected city competitiveness as investment hubs. In the cities studied, these steps take up between 66 to 90 percent (24 out of 36 days and 74 out of 81 days) of the time required to complete these processes.

The issues discussed above have undermined the robustness of the land market in major cities. The presence of disputes,

imperfect rights, unclear ownership and overly bureaucratic processes have prevented the development of available lands including patches of prime lands in the city centers, encouraged illegal settlements and contributed to growing informality. Investors in search of land have to spend additional time and cost to validate ownership of properties and/or confirm titles through expensive judicial processes. There is no systematic accounting of the system failures though the economic impact is likely to be huge. Box 5.2 illustrates a few examples of how these issues affect the functioning of land markets and efficient allocation of land in urban areas.

⁷ PA-LAMP, September 2004. Land Tenure Status Report. Book 1-Results. Prepared by Land Equity International, with assistance from AusAID.

Box 2. Examples of Land Administration and Management Deficiencies on Urbanization

In a high profile case involving several upscale subdivisions in Quezon City, investigations are ongoing regarding a dispute with the landowners claiming to have the mother title to these properties.⁸ Similarly, there have been cases of duplicate and fake reconstituted titles issued after a fire at the Register of Deeds. At the National Government Center in Quezon City and nearby barangays occupied by informal settler families (ISFs), land syndicates exist, making misrepresentations about the property owner and exacting payments from poor communities for the right to stay.

In Mandaue City, the fire that gutted the Registry of Deeds has resulted in thousands of lost title records, and owners are now only relying on tax declarations as proof of ownership. The cost of reconstitution is high ranging from Php 50,000 to Php 100,000 per parcel depending on the value, which is way beyond the affordability levels of most landowners. As a rapidly developing city, land transactions are based on tax declarations, with the new owners shouldering the cost of reconstitution, which could take months or years to complete. This deprives the original owners the benefit of exacting current market values for their properties, and also result in delays and additional costs in property development.

In Cagayan de Oro city, a national developer is facing legal challenges after a claimant of Spanish title surfaced after the company started land development for a middle class subdivision. There are areas which are the subject of two surveys approved separately by LRA and DENR. There are also reported cases of multiple titles (certificate of land ownership awards, Free Patent, and transfer certificate of title) issued on the same parcel. Based on estimates of the City Assessor, about 3-5% of prime lands are problematic (interviews with City Officials). Issues like these delay development, and could cause costly legal battles, if not resolved. Based on interviews with Brokers and Property Appraisers, large developers would go to great lengths at validating the reliability of records, by tracing back the origin of titles and ownership to three past previous owners, as well as the origin of the title from the approved subdivision plans.

In Cebu City, the city government has put on hold its plans to develop part of the reclaimed property called the Campana Maritima because of the objection filed by the Cebu Ports Authority (CPA) claiming that they should have the right to the property. The property is located right at the back of the City Hall offices, near the 300-hectare South Road Properties (SRP). Its commercial value has increased following recent developments in the SRP, where mixed-use developments are ongoing. While both the CPA and City Government are interested in the development of the property as a maritime heritage museum, developments cannot proceed due to the ongoing dispute. A good portion of the property is now being used as a parking space – which is not an efficient use of this highly valuable land in the City center.⁹

At some point, the Philippine Exporters Confederation, Inc. of Cebu has suggested the temporary use of a portion of Campana Maritima to ease the port congestion in Cebu International Port (CIP). The situation has delayed shipments, with an estimated loss of USD 15,000 per shipment.¹⁰

⁸ "Senators on land titling mess: Garbage in, garbage out". Ayee Macaraig, Rappler. Published 8:00 AM, November 01, 2011; Updated 1:29 PM, November 02, 2011.

⁹ Michelle Joy L. Padayhag. CPA: No war with Cebu City. Cebu Daily News. July 12, 2015. (<http://cebudailynews.inquirer.net/63202/cpa-no-war-with-cebu-city#ixzz489HQ8nWr>).

¹⁰ Michelle Padayhag. Traders Losing Business Due to Port Congestion. Cebu Daily News. February 5, 2014. (<http://cebudailynews.inquirer.net/16862/exporters-cry-over-abandoned-containers#ixzz489KvvUUC>)

2.2 Outdated and Ineffective Land Use Planning and Regulations and Weak Implementation



Land use plans provide a set of rules concerning land use and directly affect land value, which is related to its development potential. Land use is intertwined with land property rights as the latter reflect the right to extract the value of the land based on how land can be used in economically productive and socially acceptable manner¹¹.

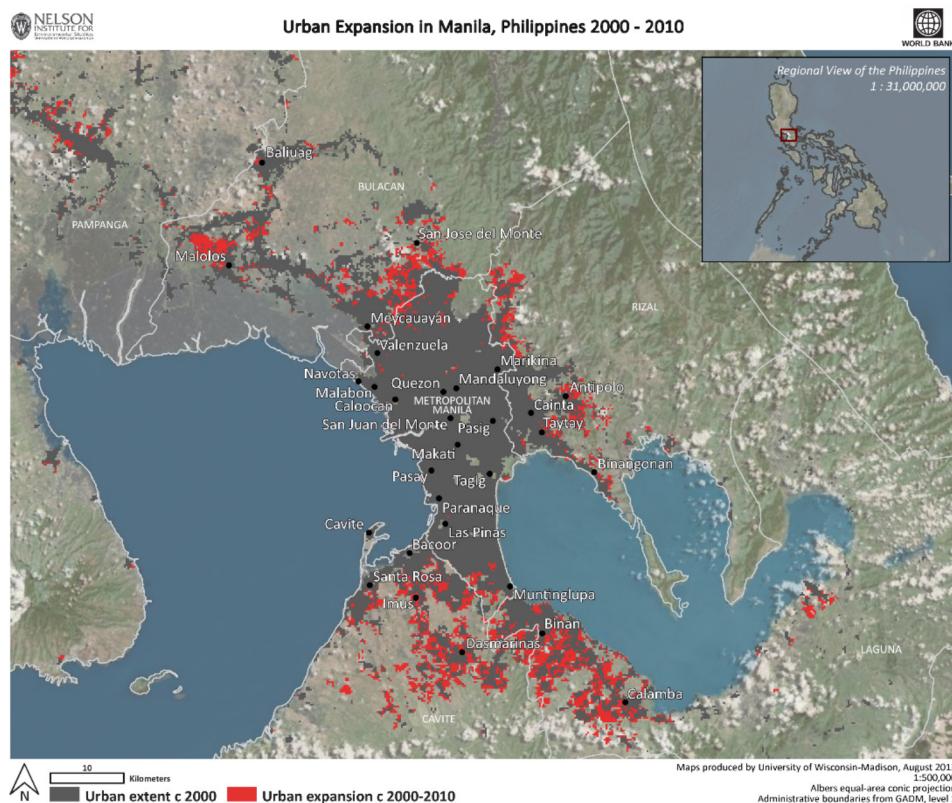
Effective land use plans support efficient urban activities, facilitate livability of the urban environment, and direct overall city development. In the Philippines, LGUs are mandated by the Local Government Code to prepare a CLUP enacted through a zoning ordinance, and to develop a comprehensive development plan. The capacity to carry out this mandate and level of compliance vary across LGUs in the country.

Many LGUs have not been able to update their CLUPs. For example, in Metro Manila, only five out of 17 LGUs have updated CLUPs with varying timeframes for implementation. In the case of Cebu City, the CLUP has not been updated since 1980. Many CLUPs also reflect outdated and inappropriate planning principles, approaches and parameters.

Implementation of CLUPs is likewise weak. Urban growth and spatial development are happening in an ad hoc manner and with limited regard to the CLUPs. The reality on the ground is that national government infrastructure projects and private sector investments are providing the default lead in driving land use changes and spatial development. Thus, instead of guiding spatial development in cities, CLUPs are “updated” to accommodate changing patterns and demographics rather than the other way around. This set up makes the city residents vulnerable to private interests at the expense of general public welfare. In addition, integration of land use planning among LGUs in metropolitan areas has been lacking and this has compromised efficiencies in infrastructure and service provision across cities including transport and traffic management, and flood management, among others. These issues have encouraged urban sprawl, increasing the demand of available land for various urban uses, in the face of increasing cost of land. In Metro Manila, the sprawl has expanded the development towards nearby provinces, thereby compromising efficiencies and optimization of benefits of agglomeration. In 2010, the built up area in Metro Manila already covered 85 municipalities and cities in seven provinces.

¹¹ Corpuz, Arturo. Land Use Policy Impacts on Human Development in the Philippines. HDN Discussion Paper Series 2012/2013, No. 1.

Figure 2. Urban Expansion in Manila



In the absence of updated CLUPs as the basis for zoning, applications for land development have been entertained on a piece meal basis, resulting in the so called “spot zoning”. Review and approval of development permits have been discretionary. This has created opportunities for improper practices, as the review process has become discretionary. In some cases, the private sector has benefited from this flaw at the expense of general public interest. Needless to say, this has also resulted in haphazard development of the city without reference to any planned urban form.

Despite the above, there has been a rapid densification process in Metro Manila, mainly as a result of policies on location of industries (such as business process outsourcing

(BPOs) into high rise buildings) as well as the growth of mixed use residential and commercial enclaves that replaced lands vacated by these industries. This happened, however, at the time when the sprawl had reached an extent that it has become too inefficient for the commuting public to reach their work places. Coupled with increasing demand for high-end dwellings that are near the city centers, the city has seen prohibitive land prices, set against an artificial scarcity of land.

Rationalizing urban development in Metro Manila would require the combined efforts of both city and national governments to maximize the benefits of agglomeration, and catch up with service provision.

2.3 Increasing Informality in Major Urban Centers



The growth of ISFs in Metro Manila and major urban centers has partly been the consequence of inadequate LAM system, weak planning and ad hoc spatial development. For the period 2007-2011, the growth rate of ISFs reached 7.3 percent, consisting of more than half a million households, representing a quarter of the Metro Manila population. In addition to governance issues in the housing sector, affordability and disconnect of ISF formalization programs

with urban development, constraints in land mobilization has been identified as a major obstacle.

There is limited access to reliable land information and no up-to-date inventory of ISFs. More reliable data on ISF, their characterization, typology of land they occupy, the status of their quest for land and housing and degree of service provision hinder the development of an effective program

to serve their needs. In the same way, the absence of publicly accessible information on land that is reliable and up-to-date has been a main constraint to the identification of land for possible resettlement sites, mobilization of private and government lands currently occupied by ISFs, and resolution of issues affecting already proclaimed lands.

Limited land availability, tenure options and housing rights. Rapid property development has jacked up land prices which has limited the affordability of low income ISF. There is over reliance on freehold as the only land tenure option, due in part to absence of laws and good practice examples of alternatives.

Absence/weak implementation of planning guidelines and standards for social housing. The current guidelines, embodied in Batas Pambansa 220 (BP 220) apply to economic housing with the intent of encouraging private sector participation in housing provision. In the absence of more specific policies, this law has been employed for social housing as well, making it highly unaffordable. More specifically, the current framework is limited mainly to development of new sites (off-site) and regulatory process designed for private sector developers and government. Other emergent housing solutions and approaches do not fit within this framework. Its implementing rules do not encompass planning guidelines to encourage development

of flexible and affordable solutions for and by the ISFs. Finally, the guidelines of BP 220 are not very appropriate for community-initiated/self-help housing projects, which is the usual mode of site improvement by ISFs due to affordability issues. These factors have made it increasingly unaffordable for ISFs to comply with formalization requirements.

Difficulty in mobilizing government lands for ISFs. There are a number of associated issues here. First, the current procedures for issuance of Special Patent on government lands is very cumbersome, involving about 16 steps in many agencies and taking as long as 20 years to complete. Second, there have been many instances of Proclamations issued on government lands that cannot proceed because of issues with overlaps and inappropriate lands designated for use, among others. Many of these issues have persisted for a long time with no clear resolution in sight, affecting thousands of families. Third, the absence of clear guidelines on administration and disposition of proclaimed lands has prevented many ISFs from benefitting.

The above issues were exhaustively reviewed in the course of preparations for the Housing and Urban Development Summit in April 2016, involving many stakeholders, and where solutions have been agreed to address the issues and are incorporated in recommendations (Section 4).

2.4 Ineffective Property Taxation and Valuation Practices

Revenues from real property constitute the most secure source of income for local governments since these are stable and immovable, and increases in value over time, as assessments are kept up-to-date with increases in land values. Such incomes are important sources of revenues to improve service delivery, finance vital infrastructure projects, among others.

The average Real Property Tax (RPT) collection by all LGUs in the Philippines stood at only 31 percent of total local revenue collections in 2014. This is lower than the average RPT collection for middle income and high income countries, which stood at 35.5 percent and 37.7 percent, respectively. In terms of share in GDP, RPT collection only represents 0.35 percent in 2013. This has declined from 0.45 percent in 2000. RPT collection of LGUs as proportion of GDP is lower than those in European Union countries, which averages at 0.8 percent, but is around the average for low and middle income countries of 0.4 percent. LGU performance in this area is far below what is achieved by the United Kingdom (3.4 percent), France (2.4 percent) and Denmark (2.1 percent). This suggests the considerable potential that LGUs have in increasing revenues from property taxation, which could finance investments in local infrastructure and service delivery.

The factors behind the low RPT collection include the following:

LGU assessment rolls are not complete, undermining their ability to collect proper taxes from real property. This is due to assessors' over dependence on property owners reporting details of properties; the practice of under-reporting the value of sales transactions by the owners; weak capacities in RPT system maintenance, and lack of diligence in tax map maintenance. A related issue here is the lack of sharing the land related information among agencies and LGUs.

In many cities in Metro Manila, Metro Cebu and Cagayan de Oro, property assessment for tax purposes are not based on market prices and schedule of market values are not updated regularly. The wide gap between the recorded values and the market prices is due to the use of and reliance on the understated values submitted by property owners as the basis of valuation, the LGUs' use of outdated methodology for determining the schedule of market values (SMVs), and LGUs' poor record in regularly revising their SMVs thus rendering the recorded values outdated and obsolete.

On the other hand, regular updating of SMVs in accordance with the law is constrained by lack of LGUs' political will, fearing political backlash that may perversely impact on its tax collection. There are, however, good practices on how such impacts can be cushioned by adjusting the tax rates, particularly in ensuring more equitable tax burden among property owners¹².

On the whole, the lack of sanctions for not following Local Government Code provisions on SMV updating does not compel local governments to perform this mandated task. The Department of Finance has found a way to fill this gap by publishing a LGU Scorecard called "Iskor ng Bayan" (Country Scorecard) which rates local governments according to their performance of financial management and revenue raising responsibilities. This has somehow encouraged some Local Executives to take action, as the campaign touches on the LGU competitiveness spirit. It has also been undertaking capacity development programs which has allowed a limited number of LGUs to update their values using international standards for valuation.

Despite these efforts, the task remains daunting as the number of cities and provinces have to have innate capacities and sufficient motivations for regular updates every three years. Clearly, the impact has been reduced opportunities for local governments, particularly rapidly growing cities, to translate increasing property values into local revenues for improved service delivery.

Box 3. Impacts of Outdated SMVs

Cities miss up to Php 20.3 Billion in RPT when they use outdated SMVs and are not aggressive in tax collection.

Of these, about Php 15.9 Billion are foregone in 51 metropolitan areas and highly urbanized cities.

The Php 20.3 Billion can fund:

- 298 sanitary landfills
- 451 transport terminals
- 1,015 satellite health centers; and
- 2,929 low cost resettlement projects

Source: BLGF. Undated. LGU Taxation and Revenue Practices. (blgf.gov.ph)

¹² For example, among REGALA LGUs, a Tax Impact Study was conducted to determine the potential effects of updated values on RPT payments to property owners of different property classes. The results were used to develop various options for assessment so that owners of low-end properties do not necessarily share the bulk of the tax burden. In the end, the choice is left to the cities and stakeholders to determine the best combination of assessment levels that will help achieve the budgetary goals of the city, and yet is more equitable. Public support is also important, and this was sought by identifying the major programs where the proceeds of increased tax collections will be used. See Box on Tayabas City in the technical paper on Land Administration Management.

3. Recommendations

The weak LAM infrastructure including the land information system has created substantial inefficiencies in the land markets and has contributed to inefficient property valuation and taxation. These in turn limit the capacities of LGUs to finance local infrastructure investments and leads to poor land use planning that yields sub-optimal urban growth and spatial development. But the most glaring manifestation of these issues perhaps in the proliferation of informality in cities across the country. The current state of land policies, systems and processes suggests the need for fundamental reforms if the Philippines aims to optimize the benefits of urbanization for economic growth and poverty reduction. Suggested reforms include the following:

Strengthen the LAM System

- Integrate LAM functions of LRA and DENR-LMB to reduce horizontal overlaps in the delivery of LAM services. Improving institutional clarity of functions and duties would improve efficiency in service delivery, enhance access to complete, reliable and up-to-date land records, develop confidence in land registry, and reduce opportunities for improper practices.
- Establish a unified land information system within cities. This will enable a full inventory of all interests on a given parcel and “cleanse” all claims that are not properly authenticated. This system could be based on data from RoD, LMB, DAR, LGUs, and serve as the backbone of a land tenure improvement program and up to date property tax and information system, which should be pursued by LGUs to provide a source of reliable property with secure rights and data on prevailing market values of land.
- Further to recommendations 1 and 2, develop a national spatial data infrastructure (NSDI) or data interoperability system that will facilitate exchange and sharing of land records among agencies and make these more accessible to the public. This would require digitization and automation of land records, and integration of fiscal, legal, and geographic records on land rights with joint or linked information systems. Interoperable information infrastructure has been widely applied in OECD countries and in Eastern Europe and Central Asia region. Capacity-building and training in legal and technical procedures, information technology, business planning, and customer service, among others would be necessary to sustain the system.
 - » Considering advances in digital technologies, future land administration and management systems may likely be built on 3D city models and incrementally progress towards the adoption of 3D registration, valuation, planning, and permitting, among others. Some countries such as China and Australia are now developing prototype systems and undertaking pilot trials This may be worthwhile to explore in the future.

Box 4. Improving Land Administration Quality in Republic of Korea

In the Republic of Korea, lack of accurate spatial information on land undermined the ability to implement urban plans and to capture for public benefit some of the gains from enormous land value increases associated with rapid urbanization and industrialization. This led to formulation of a national master plan for GIS development, followed by open and interoperable standards to govern production and sharing of information, simplification of land use regulations that were too complex to be implemented transparently, and institutional change to eliminate duplication and include other players such as the Ministry of Justice. In view of high costs (about USD 415 million), implementation was sequenced to start in large and medium cities where demand was strong and the potential benefits highest. While meticulous checking of all the country's 37 million land plots required a huge commitment of human capital, the resulting system now provides the basis for all urban planning, land administration, public land management, valuation and taxation, and zoning in development planning. It substantially reduced corruption and increased transparency of processes. For the 2007–11 period alone, an annual cost savings of about US\$200 million was realized. The Republic of Korea is now expanding service delivery, while adapting to the growing use of mobile devices by clients, and integrating land administration in the overall e-governance program to better serve the business community and promote economic development.

Update and improve land use planning and regulations

- Develop a metropolitan wide land use physical planning framework that takes into account future requirements for space, economic activities and function. This should be accompanied by area master plans that provide more detailed analysis and guide for development of identified enclaves in the metropolis. It should also provide for complementation of roles of different cities and coherence of the overall urban form. The Manila Green Plan 2030 can be used as the starting point. The private sector should be part of this process of developing the long-term vision, as they have important roles to play in its realization. Based on the framework plan, there should be incentives for the updating of citywide CLUPs and Zoning Ordinances. In case a metropolitan governance framework is set up; land use monitoring and compliance to zoning ordinance should be part of its tasks. This work should be independent of city LGUs, and the best institution to handle this should be a strengthened oversight metropolitan authority.
- Prepare a metropolitan- wide plan to support implementation of projects aimed at maximizing the benefits of agglomeration, in the areas of transport, environmental management, sewage, and other urban infrastructure. Such a plan could be led by the National Economic Development Authority (NEDA), through its Regional Development Council (RDC) for the National Capital Region (NCR), working with the metropolitan authority. These programs should be in support of the physical framework plan for the metropolitan areas, clearly distinguishing the projects to be implemented by the LGUs, and those to be carried out by national agencies. A review of comprehensive development plans of city LGUs should be made in order to maximize complementation between these two investment programs. The investment program should have a private sector component, to maximize their participation in urban development, in a way that is fully aligned with the collective vision for the metropolitan.



Address increasing informality in Major Urban Centers

- Establish a program on integrated land and ISF information system for NCR (for ISF- and other related programs) and subsequently for the rest of the country. The intent is to establish an office with dedicated funding, resources and timetable to undertake inventory of existing tenure status of ISFs and prepare citywide land tenure improvement plans. The office shall also be in charge of identifying available land for ISFs for in-city resettlement and on-site development,

establish infosystem link between government agencies and LGUs, make land information more accessible to all users, and take measures to institutionalize land data-sharing between and among LGUs and NGAs including IRR of Sec. 209 of the Local Government Code. Such an office can be established under the new Department of Housing and Urban Development (DHUD) or in relevant agencies such as DENR or HUDCC but with strong collaboration with other stakeholders involved in social housing.

- Undertake a systematic or city-wide approach to tenure improvement of ISFs, following the inventory of ISFs, the type of land they occupy, and their specific circumstance with respect to the property. On the policy side, other tenure options and forms of land mobilization should also be pilot tested – usufruct, long term leases, land sharing – based on international best practices, and corresponding policies developed for wider application. See Box 6.5.
- Formulate new planning and building guidelines and standards that will strengthen a more holistic approach to planning and implementation of shelter and settlements development for ISF communities. It should also encourage involvement of broader range of stakeholders, especially including ISF communities, in settlements and shelter planning and implementation. The guidelines and standards should be more flexible and appropriate, in order to encourage generation of affordable housing solutions and technologies adaptive to current housing situation and existing programs. The new guidelines should also be able to : (a) guide the planning and implementation of on-site development projects; (b) allow for incremental development of sites and housing construction; (c) promote and encourage alternative technologies; (d) allow for conditional non-spatial compensatory measures in site/subdivision planning especially for on-site development; (e) consider disaster resilience and adaptation in planning and design; and (f) provide parameters that would aid ISFs and other implementers in selecting appropriate and affordable housing solutions. In parallel with the above, it is important to establish coverage and timeframe of the guidelines, especially for onsite development, so as not to encourage further illegal occupancy; hence, the need for a database and mapping of all existing ISF occupied areas.
- Implement a shelter program to systematically help ISFs secure property rights and provide serviced land with core houses – through a systematic “citywide community upgrading strategy” rather than ad hoc project-based approach that fails to reach scale. ISFs have also expressed the need for capacity-building / community development similar to the successful Community Organization Development Institute (CODI)’s Baan Mankong social housing program in Thailand, as well technical support for land use and shelter planning and financing for infrastructure development. The latter is seen as incentive for LGUs to take on the responsibility for shelter provision as provided by law.

Improve property taxation and valuation practices

The problems with the property taxation and valuation practices are severely limiting revenues for financing local investments in urban development. Addressing these would require a combination of short and long-term interventions:

- Strengthen LGU capacity on property valuation and taxation. The BLGF has issued the national valuation standards and the Manual for Real Property Appraisal, Assessment and Operations. Cost effective forms of delivery of capacity building include: (i) learning by doing through coaching and mentoring; (ii) accreditation of service providers to ensure greater coverage. Likewise, strengthen BLGF oversight and monitoring of LGU Treasurers to ensure the administrative and judicial remedies are utilized, to improve tax collection and collect delinquent payments. Administrative measures include:
 - (i) computerization of tax records to update and cleanse the system
 - (ii) conducting regular field inspections on properties;
 - (iii) re adjustments on assessments resulting from field inspections;
 - (iv) monitoring of delinquencies;
 - and (v) applying the administrative and judicial recourse in the collection of delinquent payments.
- Review options obliging LGUs to update their SMVs based on market values. These include: provision of incentives to those who will abide by the mandatory general revision; and the establishment of a National Valuation Authority which will be responsible for approving the values. In the long term, work towards the establishment of central mass valuation system that provides fair and timely estimates of property and taxation values.

Box 5. Assessment of International Experience in the Use of Alternative Tenure Options for Mobilizing Land for ISFs

Category 1 - Incremental Servicing as a Key Strategy

Similar to Cordoba and Brasilia, the Philippines can adopt the incremental servicing scheme as a holistic strategy for slum upgrading within the context of urban development. Applied in the Philippine context, these could be used in idle lands, forfeited properties resulting from auction of delinquent properties, or in government owned lands that are occupied by ISF.

Tenure security in this sense is undertaken as part of the package of urban development, similar to the Sites and Services Improvement program, and the Zonal Improvement Program. These are also consistent with the UDHA and the Urban Land Reform Law. This would require strong partnerships between the LGUs, NHA and the HOAs, in order to deliver services in an incremental manner, and to allow also the incremental housing development. Flexibility in the implementation of BP 220 is therefore key, as well as the combined effort of LGUs in service provision, and the SHFC, LGUs and other sectors in financing.

Box 5. Assessment of International Experience in the Use of Alternative Tenure Options for Mobilizing Land for ISFs (cont.)

Category 2 - Instruments which can contribute to improvement of existing tenure arrangements.

These represent those where similar features exist in the Philippines, but which can be improved based on good practices offered by the experiences of other countries:

Communal Tenancy (Colombia) and Setting up of Community Land Trust (Kenya)

The existing CMP can be improved by having an intermediary, such as an NGO or a HOA federation to set up a CLT to buy and develop properties into socialized housing units for low income dwellers. This is currently practiced by such NGOs as Gawad Kalinga and HABITAT for Humanity. This would spare the HOA or community organization from the difficulties associated with going through the complexities of acquisition, subdivision planning and other bureaucratic procedures to avail of funds and individualize the parcel. This process however, could be long and would therefore require commitment to see through its completion.

Right now, the CAs/HOAs are left to themselves to understand the intricacies of land research, negotiations, and putting together all the requirements for loan approval and eventual subdivision. In the absence of an NGO, this role can be done by the SHFC, provided it considers broadening its mandate as facilitator for development of ISF communities.

Private land rental schemes (Anticreto of Bolivia and Private Land Market of Thailand)

Although temporary, securing formal lease agreements with owners of privately held properties could provide relief from the constant danger of eviction. These leases however, should be registered with the LGU in order to protect both parties, and ensure compliance with conditions.

The lease agreements can serve as interim instrument in the meantime that negotiations with the owner and processing of loan applications are being worked out.

Fixed Period State Grant (Botswana)

This is similar to usufruct, except that unlike the certificates of ownership (COR) that is associated with FPSG, usufructs cannot be mortgaged or used to apply for loans. Moreover, the COR is just a temporary tenure instrument that can mature into FPSG. The FPSG is then registered with the local registry, which provides an added form of security to the holders.

This scheme remains an option open to LGUs and NHA provided these are applied on government owned lands, and/or the government does not want to give up the ownership of property.

Urban Housing Permit (Burkina Faso)

This is similar to the Certificate of Land Allocation (CELA), which was issued as a form of interim tenure to occupants of publicly owned A and D lands provided they meet the minimum conditions. This form of instrument or CELA, can provide security of tenure in the meantime that the occupant has not yet fully satisfied the conditions required for the title to be issued – such as the 10 year possession.

To be a stronger instrument however, this needs to be recorded and registered at the DENR, LGU and RoD.

Box 5. Assessment of International Experience in the Use of Alternative Tenure Options for Mobilizing Land for ISFs (cont.)

Category 3 - Instruments that are worth testing given existing policies

This set of instruments pertain to those that have potential to improve schemes where there are existing policies, but implementing procedures are largely undeveloped. These would require pilot testing and then preparation of detailed guidelines based on experience.

Zona Especial de Interesse Social (ZEIS) and Concession of the Real Right to Use (CRRU) in Brazil

Special land development and regulations can be applied by LGUs in areas identified in APDs. Since there are no available tenure instruments that can be given to occupants of APDs similar to the CRRU of Brazil, the LGU can provide temporary administrative recognition thru certificates of occupancy, in the meantime that acquisition of privately owned portions of APDs are being worked out. In case the APD falls on government lands, the NHA can apply for Proclamation or the LGU may apply for Special Patent, and then the properties can be disposed to occupants either through usufructs or individual titles.

Housing cooperatives in South Africa

The strength of the cooperative law can be tested to develop housing cooperatives to secure titles and mobilize land. Existing HOAs can be transformed into coops provided there is joint interest to set up the entity. For the members, this could mean having their own investments in property development, which they can recover once they have the means to move out of the coop once their socio economic conditions improve. The combined support of CDA, NGOs, HOAs, LGUs and shelter agencies would be essential to pilot such a scheme.

Land Readjustment in Benin

This is similar to the reblocking scheme applied in on site development, except that under reblocking, there is minimal dislocation; and that under land readjustment, the resulting lay out and plan is more structured and conforms better to standards and provision for service areas.

This would require however, high level of commitment of the individual households and trust in the resulting land readjustment scheme. Furthermore, support from the government (LGU or NHA) should be forthcoming to facilitate surveys and development of facilities and service areas for the communities. The advantage is that the resulting lay out blends better with the urban fabric, reducing the extent of blight.

In the same vein, the operative law would be PD 1517, except that there have been no example to speak of, nor implementing rules developed for this purpose.

Source: Eleazar, et. al. June 2016. Understanding Land and Related Constraints in the Provision of Housing for ISF in Metro Manila. Final Report submitted to World Bank. (Undertaken through Land Governance, LGI, Inc.)