



Regional: Strengthening Property Tax Management for Enhancing Local Revenue

Project Name	Strengthening Property Tax Management for Enhancing Local Revenue				
Project Number	54076-001				
Country	Regional/Cambodia/Nepal				
Project Status	Proposed				
Project Type / Modality of Assistance	Technical Assistance				
Source of Funding / Amount	<table border="1"> <tr> <td>TA: Strengthening Property Tax Management through Land Value Capture</td> <td></td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 500,000.00</td> </tr> </table>	TA: Strengthening Property Tax Management through Land Value Capture		Technical Assistance Special Fund	US\$ 500,000.00
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Strategic Agendas	Inclusive economic growth				
Drivers of Change	Governance and capacity development				
Sector / Subsector	Public sector management - Public administration - Public expenditure and fiscal management				
Gender Equity and Mainstreaming	No gender elements				
Description	<p>This knowledge and support technical assistance (TA) will help the Asian Development Bank's (ADB) developing member countries (DMCs) to strengthen institutional capacity for property tax management, including property registration institutions, property valuation methodology and local tax administration, to improve service delivery at the subnational level. This will contribute to the localization and achievement of the Sustainable Development Goals (SDGs). The TA will support DMCs in enhancing property registration and valuation through (i) diagnostic studies and policy and administrative recommendations, (ii) knowledge tools on property tax management, and (iii) capacity building for local tax policy and administration. The TA is aligned with ADB Strategy 2030's Operational Priority 4 (OP4) on making cities more livable, and Operational Priority 6 (OP6) on strengthening governance and institutional capacity. These operational priorities highlight the importance of domestic resource mobilization (DRM) in strengthening governance and institutional capacity in DMCs, especially the use of property tax in supporting financial sustainability of municipalities directly and indirectly by leveraging other finances. The TA builds on the lessons from an ongoing subproject on enhanced revenue performance of recurrent property taxes in Southeast Asia funded by the Domestic Resource Mobilization Trust Fund (DRMTF) and other relevant projects. It will be coordinated with the Digital Technology for Development Unit of the Sustainable Development and Climate Change Department (SDCC) and operations departments to enhance digital solutions under the transformative agenda of OP6. The TA is included in the 2020 management-approved results-based work plan of SDCC.</p>				
Project Rationale and Linkage to Country/Regional Strategy	<p>Property taxation, if well designed, is regarded as one of the best forms of taxation in contributing to social equity due to its progressive nature. It is also potentially more neutral than other types of taxes because it has a smaller negative impact on economic decisions of taxpayers. From an administrative perspective, property tax, as it affects primarily land and buildings, is also advantageous since it is difficult to evade due to high visibility and immobility. Property tax can support DMCs to raise a more stable and predictable revenue stream. For example, in economies covered by the Organisation for Economic Co-operation and Development, the ratio of the revenue from recurrent taxes on immovable property to gross domestic product (GDP) in 2017 reached up to 2.8% in France and 3.1% in the United Kingdom, while in DMCs such as Cambodia, Indonesia, the Philippines and Thailand, the revenue from recurrent taxes on immovable property yields only 0.10% to 0.38% of GDP. These statistics suggest that there is room left for future expansion of revenue from recurrent taxes on immovable property in DMCs. In view of this, an effective property tax management can help enhance DRM, thereby contributing to OP6.</p> <p>Moreover, property tax is often considered as an appropriate tax to provide subnational governments with meaningful revenue autonomy in fiscally decentralized systems, and an important revenue source to improve local service delivery and finance smaller scale infrastructure projects reflecting community requirements. Hence, property tax can be a catalyst of local autonomy. OP4 underlines the importance of property tax in mobilizing local funding for urban infrastructure and services, containing local debt build-up and ensuring a more stable and eventually sustainable revenue base. It asserts that an improved property tax management will help cities maximize their internal financial resources which support improvement in outreach and quality of service delivery.</p> <p>The revenue performance of property taxes not only remains low in DMCs but further aggravated by Asia's rapid urbanization, distorting sound revenue collection accentuated by political capture, low-level fiscal decentralization, institutional constraints, weak enforcement and taxpayers' attitude to tax compliance. The combination of these factors constrains stability and predictability of revenues for national and subnational governments.</p> <p>Improving property tax management will also significantly impact the aspirations of many DMCs in Asia and the Pacific with the global commitments contained in the 2030 targets of the SDGs, particularly SDG 16.3 on legal framework to ensure property rights, SDG 16.10 on public access to information, and SDG 17.1 on DRM. SDG localization, which is described as the process of defining, implementing and monitoring strategies at the local level for achieving global, national, and subnational SDGs, is required to accelerate the implementation of the SDGs and sustain it beyond 2030. It can be a key driver in addressing the critical challenges faced by countries and communities in Asia and the Pacific, which include rapid urbanization, growing inequalities, and the impact of climate change and disasters. About 65% of the 169 targets underlying the 17 SDGs will not be reached without proper engagement of and coordination with subnational governments. Increasing responsibilities of subnational governments to monitor and take on the necessary functions to ensure effective SDG localization require adequate financial capacities. In this context, property tax is expected to play a key role in enhancing DRM and building institutional capacity of subnational government, thus supporting achievement of other objectives.</p> <p>ADB's value addition. Recognizing DMCs' strong demand for improving property tax policy and administration, ADB has implemented several TAs and subprojects to help improve institutional capacity for property tax management (footnote 3 and 4). Key lessons from these show that building effective property tax systems requires addressing challenges such as (i) weak capacity of property registration institutions, (ii) inefficient property valuation methodology and (iii) capacity constraints in local tax administration. These challenges can be addressed through: (i) strengthening the legal and regulatory framework for property registration with institutional and administrative capacity, and database and analysis, (ii) identifying and designing a feasible property valuation mechanism consistent with regular updating of property valuation to optimize market value, (iii) designing holistic approaches to improve the coordination and data/information sharing system to ensure a smooth data flow for effective property registration and valuation, and (iv) strengthening technical skills and enforcement powers of relevant government officials. This TA will endeavor to address most, if not all of these challenges by strengthening property tax policies and administration, facilitating peer-to-peer learning, and sharing innovative practices in DMCs and globally.</p>				
Impact	Sustainable service delivery at subnational level strengthened				

Outcome	Institutional capacity on property tax management in selected DMCs improved
Outputs	Knowledge on property tax management improved Capacity building on property tax management delivered
Geographical Location	Cambodia - Nation-wide; Nepal - Nation-wide

Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples
Stakeholder Communication, Participation, and Consultation
During Project Design
During Project Implementation

Business Opportunities

Consulting Services ADB will engage consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.

Responsible ADB Officer	Nagata, Go
Responsible ADB Department	Sustainable Development and Climate Change Department
Responsible ADB Division	SDTC-GOV
Executing Agencies	Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines

Timetable

Concept Clearance	29 Apr 2020
Fact Finding	-
MRM	-
Approval	-
Last Review Mission	-
Last PDS Update	04 May 2020

Project Page	https://www.adb.org/projects/54076-001/main
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