Financing Metropolitan Governments *in* Developing Countries

Edited by

Roy W. Bahl, Johannes F. Linn, and Deborah L. Wetzel

Financing Metropolitan Governments *in* Developing Countries

Edited by

Roy W. Bahl
Johannes F. Linn
Deborah L. Wetzel

Lincoln Institute of Land Policy
Cambridge, Massachusetts

Library of Congress Cataloging-in-Publication Data

Financing metropolitan governments in developing countries / edited by Roy W. Bahl, Johannes F. Linn, Deborah L. Wetzel.
pages cm
Includes index.
ISBN 978-1-55844-254-2 (alk. paper)
1. Municipal finance—Developing countries. 2. Finance, Public—Developing countries. 3. Local taxation—Developing countries. 4. Municipal government—Developing countries. 5. Municipal finance—Developing countries—Case studies. 6. Finance, Public—Developing countries—Case studies. 7. Local taxation—Developing countries—Case studies. 8. Municipal government—Developing countries—Case studies. I. Bahl, Roy W. II. Linn, Johannes F. III. Wetzel, Deborah L.
HJ9695.F663 2013
352.4'216091724—dc23 2013001063

Designed by Westchester Publishing Services

Composed in 10.5/13 Minion, by Westchester Publishing Services in Danbury, Connecticut.
Printed and bound by Puritan Press Inc., in Hollis, New Hampshire.

The paper is Rolland Enviro100, an acid-free, 100 percent PCW recycled sheet.

MANUFACTURED IN THE UNITED STATES OF AMERICA

Contents

Property Taxes in Metropolitan Cities

7

WILLIAM J. MCCLUSKEY AND RIËL C. D. FRANZSEN

This chapter reviews the practice of property taxation with the focus on metropolitan cities in developing and transition countries.[1] Since there are no comparative data to rely on, this chapter presents a database constructed from a sample of metros. Using this sample as illustrative, some important questions about the practice are examined:

- What is the revenue performance of the property tax?
- Is there a pattern to the practice of property taxation among large urban local governments, that is, in the choice of a tax base, the structure of rates, or preferential treatments?
- What choices have metros made about administration of the metro property tax, for example, identification of properties, valuation, billing, collection, and enforcement? To what extent do metros utilize economies of scale to drive efficiencies in the administration of the property tax?
- Do metros have different powers in property taxation compared with other local governments in the country?
- What are the main obstacles to overcome if the effective rate of property tax is to be increased in metros?

Revenue Mobilization

The importance of property taxation in mobilizing revenues in metros is not surprising (table 7.1), because the concentration of property wealth in metropolitan areas gives a substantial base for taxation. In most cities in this sample, it accounts for 20 percent or more of total revenues (including transfers) and is the dominant

[1]The term *metro* is used to refer to large cities.

TABLE 7.1
Importance of the property tax in select metropolitan cities

Metro/city	Percentage of total city revenue		Percentage of local tax revenue	
	2005	2010	2005	2010
Belo Horizonte	No data	No data	36.1	31.2
Cape Town	22.6	20.5	33.1	41.1
Durban (eThekwini)	27.9	21.6	40.5	55.3
Hong Kong	6.9	3.78	8.77	5.10
Johannesburg	19.9	16.3	30.0	43.8
Kampala	3.2	10.7 (2008)	20.2	40.6 (2008)
Kuala Lumpur	68.4	44.9	92.0	93.0
Makati City (metro Manila)	39.0	34.0 (2009)	47.0	41.0 (2009)
Manila (metro Manila)	27.0	28.0 (2009)	43.0	54.0 (2009)
Muntinlupa City (metro Manila)	27.0	28.0 (2009)	52.0	49.0 (2009)
Quezon City (metro Manila)	31.0	21.0 (2009)	44.0	33.0 (2009)
Pretoria (Tshwane)	20.4	19.4	28.4	42.8
Rio de Janeiro	21.8	17.5	34.5	25.0
São Paulo	27.2	24.8	35.0	31.0
Singapore	6.12	5.80	6.90	6.30

SOURCES: Data obtained from various city or country reporters.

local tax. However, revenues from the property tax have declined in their relative importance in recent years in this sample. One explanation for this is the rapid growth of intergovernmental transfers during the economic expansion in the 2000s and the failure of assessed property values to keep up with rising property values (see table 7.1).[2]

Another feature of the property tax to note is its revenue concentration in large cities. For example, Accra, Ghana, contributed more than 50 percent of the country total in 2007 (see table 7.2). In Kenya (Nairobi, Mombassa), the Philippines (Manila), South Africa (Cape Town, Durban), and Tanzania (Dar es Salaam), the property tax is much more important in the metros than in secondary cities and smaller local municipalities. In 2004–2005, property tax collections in the six South African metros (namely, Cape Town, Ekurhuleni, eThekwini, Johannesburg, Nelson Mandela Bay and Tshwane) accounted for 70.3 percent of the country total, but the total metro population accounted for only approximately 42 percent of the national population. Although the property tax generally performs better at the metro than at the country level, a review of revenue growth in real terms over a three-year period (2006–2009) in a number of metros reveals that it has made significant progress in only a few cities (see table 7.3). Interestingly, the greater success with property tax collections in Belgrade, Belo Horizonte, Bengaluru, Cape Town, and

[2]Dar es Salaam (Mukhandi 2012) and Kampala (Olima 2010) are outliers in showing a significant increase in reliance on the property tax in overall city revenue, but this could at least partly be explained by the abolition of poll taxes in Tanzania and Uganda.

TABLE 7.2

Importance of metropolitan property tax in select developing counties

Metro	Population			Property tax		
	Country (million)	Metro (million)	Metro percentage total	Country total	Metro	Metro percentage of total
Accra	25.2	3.9	15.48	3.73 (2007)	1.93	51.74
Belgrade	7.3	1.7	23.29	16.832 (2009)	4.793	28.48
Cape Town	48.9	3.0	6.13	26.492 (2009)	3.241	12.23
Dar es Salaam	43.6	2.7	6.19	7.580 (2010)	4.212	55.57
Durban (eThekwini)	48.9	3.5	7.16	26.492 (2009)	3.912	14.77
Johannesburg	48.9	7.5	15.34	26.492 (2009)	3.331	12.57
Kampala	35.9	1.7	4.74	43.30 (2008)	4.98	11.5
Kingston, Jamaica	2.9	0.7	24.14	1,395 (2009)	384	27.53
Manila	103.8	21.3	20.52	30.185 (2009)	13.779	45.65
Pretoria (Tshwane)	48.9	2.5	5.11	26.492 (2009)	2.257	8.52

SOURCES: Data obtained from various city or country reporters.

TABLE 7.3

Real growth in per capita property tax revenues in select metros (US$)

City	2006			2009		
	Property tax (millions)	Population (millions)	Property tax per capita	Property tax (millions)	Population (millions)	Property tax per capita
Belgrade	42.34	1.6	26.46	66.85	2.0	33.43
Belo Horizonte	115.91	4.0	28.98	127.14	4.2	30.27
Bengaluru	56.95	6.8	8.38	137.31	8.0	17.16
Cape Town	285.76	3.2	89.30	319.94	3.4	94.10
Dar es Salaam	2.62	3.2	0.82	3.06	3.6	0.85
Durban (eThekwini)	359.00	3.3	108.79	383.69	3.5	109.63
Johannesburg	364.13	3.7	98.41	321.52	4.0	80.38
Kampala	1.33	1.4	0.95	3.51	1.5	2.34
Kingston, Jamaica	7.28	0.66	11.03	4.12	0.68	6.06
Kuala Lumpur	174.74	6.9	25.32	178.38	7.1	25.12
Manila metro	317.60	14.8	21.46	288.71	16.3	17.71
Porto Alegre	61.82	2.8	22.08	71.83	3.7	19.41
Pretoria (Tshwane)	202.62	2.2	92.10	222.62	2.4	92.76
Rio de Janeiro	430.66	10.8	39.88	395.42	12.0	32.95
São Paulo	1,087.81	17.7	61.46	997.64	18.8	53.07

The year 2006 was used as the base year, and all local currencies were converted to U.S. dollars using the average exchange rate for 2006. The World Development Report consumer price indices (World Bank 2011) were used to determine the real growth in terms of 2006 U.S. dollars for each city. Population figures for 2006 and 2009 are rough estimates.

SOURCES: Data obtained from various city or country reporters.

Kampala can be ascribed to structural reforms in the property tax and/or improved administration.

Types of Property Tax

The definition of the tax base is a decision usually taken at the national level in unitary countries, or at the state/provincial level in federal countries. The choice of the tax base defines the revenue potential of the property tax. In some countries (Australia, Kenya, Malaysia, New Zealand), legislation explicitly allows cities to select an appropriate tax base from two or more options. In a number of countries, different tax bases are prescribed for different property-use categories (Côte d'Ivoire, Niger, United Kingdom). In most cases, however, a single tax base is prescribed by law (Brazil, Estonia, Indonesia, Philippines, South Africa).

A variety of tax bases are presently utilized in different jurisdictions (Franzsen and McCluskey 2013), ranging from simple or calibrated area-based taxes (Freetown, Dar es Salaam, Kinshasa) to value-based taxes. Regarding the latter, there are examples of land-value or site-value taxes (Kingston, Nairobi, Tallinn), annual or rental-value taxes (Accra, Cairo, Bangkok, Hong Kong, Kampala, Kuala Lumpur, Singapore), and capital-improved (market-value) taxes (Bogotá, Cape Town, Lagos, Rio de Janeiro, Yaoundé).

Area-Based Systems

Area-based systems are used in many cities to get around some of the difficulties of valuation, but there are questions over its fairness and revenue buoyancy of the tax base.[3] For example, in Kinshasa, properties are categorized by neighborhood and taxed accordingly. In Sierra Leone, the law prescribes an annual value-based system, but Freetown, in the absence of a formal market and sufficient valuation skills, presently still utilizes an area-based system (Jibao 2009).

Cities in Tanzania utilize both an area-based and a value-based system. In Dar es Salaam, some adjustments to the area base are made for use, size, and location. This might add fairness to the system, but the administration seems overly complex for a tax with such a low revenue yield. Ahmedabad introduced a "calibrated" area-based system (Rao 2008) that indexes each property according to location, building size, usage, age, and occupancy. There are no clear provisions on how these factors could be calibrated or amended in the future, so there is little buoyancy in the system, apart from the increase in property numbers (Cornia 2008), and revenues have been decreasing.

Bengaluru (Bangalore) has a rather unique system, which can best be described as a hybrid between an area-based system and a value-based system. In 2000, property tax reforms were initiated with the introduction of the self-assessment scheme where property owners declared the physical characteristics of their property. The process was transparent, public meetings were held, and most important, it was backed by politicians and the media. More than 60 percent of taxpayers filed their

[3] An area-based system is one where tax liability is related directly to the physical characteristics of the property, especially the size of the land and/or buildings.

declarations within the prescribed 45-day period. In 2008, a unit-area-value taxation system was introduced. This tax is determined with reference to the average rate of expected returns from a property per square foot per month, depending on the location and use of the property. The municipal corporation was classified into value zones based on published guidance values produced by the Department of Stamps and Registration, which are adjusted regularly. Over a three-year cycle, the value increase must be at least 15 percent, resulting in steadily increasing property tax revenues.

Annual Value Systems

A number of countries, especially former British (Ghana, Hong Kong, Malaysia, Singapore, Uganda) and French (Côte d'Ivoire, Niger) colonies, utilize an annual value property tax system (Franzsen and McCluskey 2013). Singapore and Hong Kong operate vibrant, state-of-the-art rental value systems with properties being revalued annually. Although a number of large cities in India have abandoned their outdated annual value systems (Rao 2008), Mumbai still uses the annual value system under somewhat adverse circumstances. Rental values have been fixed indefinitely, due to strict rent control legislation. Given static values over an extended period, the tax rate exceeds 200 percent. As approximately 65 percent of properties in Mumbai are rented, there is severe resistance to implementing a more appropriate property tax system or significantly reforming the current system.

In Abidjan, an annual value system is used for developed parcels, whereas a capital value system is used for undeveloped parcels. In Uganda, an annual value system was retained when the new property tax law was enacted in 2005, despite the shortage of qualified valuers in the country. From 2003 to 2005, a new valuation roll consisting of approximately 110,500 properties was prepared for Kampala. Why an annual value system was retained, given the paucity of valuation skills in the country, is a question that must be asked.

Capital Value Systems

UNIMPROVED LAND VALUE OR SITE VALUE SYSTEMS

Systems based on unimproved land values or site values are presently used in some cities in Australia and New Zealand, such as Sydney, Brisbane, and Christchurch. In developing and transition countries, it is encountered in Kingston, Harare, Nairobi, Suva, and Tallinn. Until 2008, site value taxation was also used in Pretoria (now the City of Tshwane) and Johannesburg. However, new property tax legislation in South Africa mandated that all cities migrate to a capital improved value system. Various studies have been undertaken in Jamaica to research the feasibility of a system based on improved values. In the context of the country, the recommendations have consistently been to retain the system of unimproved land value (Franzsen and McCluskey 2008). In Nairobi, the system is under pressure because the most recent valuation roll could not be implemented. Rates are still determined annually with reference to the 1982 valuation roll. Estonia introduced a land value tax in 1993, and coverage is excellent.

CAPITAL IMPROVED VALUE

The majority of metros studied use some form of capital improved value system. However, systems vary rather significantly in terms of what is taxed and how it must be assessed. South African cities tax the "market value" of the property, but in Dar es Salaam buildings are valued on a depreciated replacement cost basis, with land excluded from the base.

The Manila metro cities value land and buildings separately. Land assessments are based on market transactions, whereas the assessment of buildings and other improvements is based on depreciated replacement cost. This approach is also used in most Latin American cities and is to some extent a solution to the problem of scarcity of valuers/assessors. However, in some cities, such as Bogotá, the assessment process has become more driven by market prices.

Jakarta uses a rather simplified system of assessment for both land and buildings. Land is categorized into approximately 100 value zones according to use and location, whereas buildings are categorized into 40 classes, with each class having a prescribed unit price per square meter. Therefore, individual properties are not separately valued but, rather, assessed according to the prescribed land zone rate per square meter and building class rate per square meter.

Selection of Tax Base

Why a city uses a particular basis for its property tax can often be traced to the historical British or French rental value approach. However, with the passing of time, property markets in cities evolve, often creating a disjoint with the current practice and the status of the property market. For example, the "old" rental value approach failed in India because rent control had reduced market evidence to the point that a value-based approach was untenable. In South Africa, the lack of reliable transaction evidence significantly weakened the case for a site value base. This can lead to a nationally or locally driven policy to change the system, as in South Africa and several Indian metros. The absence of reliable data on market value of transactions is a major issue in the debate about the most appropriate base for the property tax. Where this is the case and valuation expertise is limited, there has been a tendency to look to area-based approaches. This has raised the question of whether a value-based system is necessarily the best option. An outdated and/or incomplete system relying on discrete values may indeed be more inequitable than a pragmatic, simplistic alternative based on simple or adjusted areas or on value bands.

Infrequent revaluation is a major issue in many cities, such as Rio de Janeiro and Accra. There are exceptions, but dynamic and progressive cities are in some instances held back by national government. Examples of this can be seen in Nairobi (1982 roll), Kuala Lumpur (1992 roll), metro Manila (1993), Rio de Janeiro (1999), and São Paulo (2000), where revaluations are dated not because of the lack of capacity, but because of political interference. With the exception of Bengaluru and Bogotá (Bird 2004), where city-specific property taxation applies, all the other metros reviewed are subject to national (or state) laws pertaining to the property tax.

Size of Tax Base

An important question is whether the property tax rolls have been expanded to keep up with population growth and rapid urbanization. In Accra, Dar es Salaam, and Kampala, valuers have been unable to keep valuation rolls current on existing properties, much less cover the new properties created as a result of the rapid growth in these cities. However, in Bengaluru and Bogotá, where the property tax is linked to and underpinned by a comprehensive Geographic Information System (GIS) database, comprehensive coverage is more attainable.

General revaluations and basic maintenance of the valuation roll are major undertakings, as illustrated by the property counts shown in table 7.4. The city of Cape Town, for example, has nearly 800,000 parcels, of which about 80 percent are residential.

TABLE 7.4

The importance of residential properties in the tax base

		Residential properties			
City	Number of properties in the tax base (current valuation roll)	Percentage of total number	Percentage of total value	Percentage of revenue	Average residential 2010 tax bill (US$)
Belo Horizonte	698,603 (2009)	74	66	58	437
Bengaluru	1,158,000 (2011)	71	40	No data	No data
Bogotá	1,788,229 (2004)	81	61	No data	208
Buenos Aires	1,610,901 (2003)	69	64	No data	105
Cape Town	792,356 (2011)	80	68	41	429
Dar es Salaam	476,667 (2011)	85	76	No data	12
Durban (eThekwini)	509,641 (2011)	87	64	39	459
Hong Kong	2,350,445 (2010)	75	41	No data	676
Johannesburg	812,275 (2008)	82	68	44	624
Kingston	109,011 (2010)	72	60	No data	73
Kuala Lumpur	463,033 (2010)	75	39	No data	189
Makati (metro Manila)	134,983 (2010)	78	27	No data	263
Muntinlupa (metro Manila)	107,086 (2010)	77	28	No data	100
Navotas (metro Manila)	29,384 (2010)	78	28	No data	20
Pretoria (Tshwane)	522,388 (2011)	87	72	39	750
Porto Alegre	538,296 (2011)	76	50	No data	233
Rio de Janeiro	1,630,225 (1999) 2,000,000 (2010 estimate)	78 (1999)	63	40 (1999)	153 (1999)
São Paulo	2,762,843 (2005) 3,000,000 (2010 estimate)	No data	No data	No data	273

SOURCES: Data obtained from various city or country reports and/or reporters.

Taxpayer

The taxpayer is usually the owner or the occupier of the taxable property and in some instances can be both. Regarding area-based and capital value systems, generally the owner is principally liable for the tax; however, if the owner cannot be found, the occupier may be liable (Bengaluru). In the case of annual rental value systems, the occupier is usually the principal taxpayer, although there are exceptions. In Abidjan, Bangkok, and Niamey, the owner of residential property is taxed, although the tax is only levied on properties that are not occupied by the owner. In Bangkok, this presents tax administration with challenges in identifying taxpayers (Varanyuwatana 1999).

Tax Rates

Because of differences in valuation methods and legal tax bases, comparisons of nominal tax rates are not meaningful. And, because data on real market value or gross domestic product are rarely available by metro, comparisons of effective tax rates are not possible. However, city governments have different levels of discretion to determine their tax rates and use this discretion in different ways.

In a number of cities (Cairo, Jakarta, Kigali, Yaoundé) tax rates are fixed by the central government. Other cities (in metro Manila, Kuala Lumpur, Dar es Salaam, Kampala, Lagos) have some discretion in making adjustments to their tax rates, but this power is rarely used. For example, in Lagos, rates have not changed since 2003, even though the valuation rolls are badly outdated. The result is a decline in revenue receipts. By contrast, the Hong Kong tax rate has not changed for many years either, but revenues have been buoyed by annual revaluations.

Where metros have the power to set the rate, the variations are very large, usually depending on revenue targets for the property tax. Nairobi sets very high nominal rates, because of the site value tax base and the outdated 1982 valuation roll. South African metros have set rates that range from 0.5 to 0.9 percent of market value for residential properties and from 1.0 to 2.5 percent for commercial properties. In contrast, the tax rate on capital value in Yaoundé and Douala in Cameroon is 0.11 percent (of which only 0.01 percent is assigned to the cities).

Property Tax Administration

The property tax is difficult to administer (Martinez-Vazquez 2011). However, the administrative costs may be less in the metros, where they can often take advantage of economies of scale and develop synergies and advantageous linkages between various in-city departments. Such benefits may not be available to smaller cities. However, not all metros approach property tax administration in the same way, and some are more efficient than others. Administrative arrangements and outcomes are often effected by metropolitan government structure, for example, in the unified metros such as Cape Town, Johannesburg, Jakarta, and Bogotá, as opposed to fragmented metros such as Manila, Mexico City, Rio de Janeiro, Dar es Salaam, and, as far as collection is concerned, Kampala.

Can it therefore be postulated that metros have a distinct advantage in administering the property tax? This question is addressed in the following sections, which examine the four key administrative features of the property tax:

1. Identification of property, occupancy, and ownership.
2. Inventory management.
3. Assessment.
4. Billing, collection, and enforcement.

Identification of Property, Occupancy, and Ownership

The fairness and revenue mobilization goals of the property tax require full coverage of the base; that is, all property parcels have been identified and given a unique reference number; inventory on land and improvements has been gathered; and the taxpayers have been identified. This is one of the most resource-intensive administrative aspects of property tax administration and, consequently, one of the most expensive. Metros with integrated management functions can achieve efficiencies and reduce costs, particularly where, for example, building control, physical planning, and land use departments are electronically linked to the valuation department, as is the case in Kuala Lumpur and South African metros. Where these functions are not within the control of the metros, issues of information flow, accessibility, and data timeliness create severe problems (Accra, Dar es Salaam, Manila).

Crucial in this respect is the cadastral map, which should identify parcels and their boundaries. In this regard, donor agencies have been extremely active over the last 20–30 years in funding projects aimed at land titling and registration. Land administration and management projects in Jamaica, the Philippines, and Thailand have been making significant progress in creating titles for unregistered land and providing "owners" with formal ownership documents. In Kingston, approximately 85 percent of all parcels have a registered title. Prior to the creation of the National Land Agency in Jamaica in 2000, it took 70 days to produce a new certificate of title. Ten years later, in 2010, the average is 30 days.

GIS is the internationally recognized environment upon which digital mapping and land titling is being based. Latin American and South African cities have their cadastres within a GIS framework. Such technologies as satellite imagery, aerial photography, and Google Maps have made significant contributions to improving property tax coverage. Clearly, some metros have the financial capacity to do this, as is evident from the practice in South Africa. Conversely, the use of such technology in, for example, Manila is restricted to the larger cities in the metropolitan region (Makati and Quezon). In several cities, it is estimated that coverage is now almost 100 percent (Kuala Lumpur, Hong Kong, South African metros, Bogotá, Bengaluru). In some Latin American cities, in contrast, informal and illegal constructions are generally not recorded, and the coverage is therefore around 75 percent (De Cesare 2004). The experience is less satisfactory in poorer cities; for example, in 2002 coverage in Dar es Salaam was approximately 30 percent (McCluskey and Franzsen 2005). Difficulties have arisen for other metros when they have no control over the cadastre (Dar es Salaam, Kingston) or when they have no

resources to create their own GIS (e.g., Accra, Kampala, and smaller cities in metro Manila).

Metros tend to have a real advantage in this area because they need to create effective land use planning, and in this respect GIS is a principal tool. Bogotá is a good example of a metro that has been given the devolved power to manage and maintain its part of the national cadastre, which resulted in a significant increase in the coverage and, ultimately, in assessed value (Bustamante and Gaviria 2004).

Another example of progress in this area is Bengaluru. This city commenced a GIS project in 2008. An important feature was the allocation of unique property identity numbers, which links property location with property tax data (i.e., location, size, use, ownership, tax liability, and tax payment).

The three Baltic countries of Estonia, Latvia, and Lithuania are interesting in terms of how their property taxes have developed since their independence in the early 1990s. Fundamental to the process was the development of a real property cadastre linked to a land registration system (Malme and Youngman 2008). Each country adopted a centralized approach and created national bodies to develop and maintain these systems. The development of the cadastre utilizing GIS technology has resulted in almost 100 percent property base coverage. GIS and mass valuation approaches have been extensively used in all three counties, permitting the annual updating of values. In Lithuania, for example, some 3 million parcels of land and buildings are revalued each year (Aleksiene and Bagdonavicius 2008).

Self-declaration by way of returns that provide information on the owner's property is widely used as a means of updating the property inventory. This is the case in Bengaluru, Hong Kong, and Kuala Lumpur, as well as many cities in francophone Africa (Abidjan, Kigali, Kinshasa, Niamey). Indian cities, such as Ahmedabad, Chennai, and Delhi, also use self-declaration (even though it is referred to as self-assessment; Rao 2008). Self-declaration of transactions is used in Manila. Pure self-assessment is uncommon; however, Bogotá has successfully used this approach since 1993.

Inventory Management

The assessment department should be the central hub for the property tax system because of its electronic data-sharing systems and protocols with cadastral offices, land registry, and planning and building control departments, as well as the finance and revenue departments. In Jamaica, the creation of the National Land Agency has brought previously separate government departments dealing with property together under one agency (valuation, mapping, titles, and estate management).

With the developments in information technology, the storage and manipulation of data have become more accessible and affordable. A property tax inventory can be massive; for example, if a city has 1 million properties and for each property there are 15 pieces of information, then the database will contain 15 million bits of information, all of which must be maintained in some coherent, logical manner. How the city manages this information is crucial. Property taxes that incorporate improvements into the tax base tend to be more resource intensive compared with land value and area-based approaches. Therefore, the former involves greater administrative costs in maintaining the inventory for existing properties and new

properties. The level of computerization and integrated data-sharing systems should create economies and reduce costs. While comparative evidence is difficult to find, it is possible to draw some inferences from the total number of taxable properties and the number of assessors/valuers. In cities that have highly computerized functions, the average number of properties per valuer ranges from 17,000 to 21,000 (Pretoria, Hong Kong, Kuala Lumpur), whereas for those cities using more manual/paper-based approaches, the average ranges from 5,000 to 7,000 (Manila).

In most of the cities, the inventory management is fully computerized. In some cases (Kuala Lumpur, Hong Kong, the larger metro Manila cities, and the South African metros), the assessment department receives weekly/monthly electronic downloads from other departments indicating changes to properties and transaction information.

Transaction evidence can be particularly problematic with respect to two issues: (1) how sales are recorded and notified to the various local and central government departments, such as stamp duty, title registration, and assessor offices; and (2) the reliability of the recorded transaction price. In this case, metros tend to suffer from the same limitations as other smaller jurisdictions: they are at the mercy of archaic paper-based systems that are inefficient and time intensive. Developments in electronic and online delivery of documentation are improving the flow of information.

Assessment

VALUATION CYCLES AND REVALUATIONS

With the passage of time, property values change across geographic space and by property type. General revaluation of the entire jurisdiction is the mechanism to "correct" assessed values and bring them back in line. However, revaluation is one of the most difficult aspects of the property tax in terms of resources, administration, and, ultimately, political approval. In many cases, actual revaluation frequency does not correlate with the legislative prescribed frequency. The practice varies widely: Hong Kong, Jakarta, and Vilnius revalue on an annual basis; South African metros are on a three- to four-year cycle, which appears to be sustainable; several cities with legislated three- to five-year revaluation cycles rarely meet this requirement (Accra, Buenos Aires, Kampala, Rio de Janeiro, Tallinn); in other cites, such as Dar es Salaam, Kuala Lumpur, Manila, Nairobi, Porto Alegre, and Kingston, have serious issues with the age of the current valuation roll.

Revaluations are beset by two problems: enormity of the task and the contentious results that will follow the revaluation. With respect to the first, metros that revalue regularly can build up experience in terms of processes, procedures, and ultimately delivery (Cape Town, Jakarta, Bogotá, Hong Kong). The large numbers of properties to be valued within metros do not necessarily imply greater problems. On the contrary, use of automated valuation methods has greatly reduced the overall cost of revaluations (Cape Town, Hong Kong). However, even metros with adequate in-house resources have problems when revaluations are delayed and postponed over long periods (Kuala Lumpur, Manila, Kingston, Accra).

The second aspect, and potentially the more important and politically sensitive, results from the fact that some (perhaps most) taxpayers will see an increase in their

assessed values, and the perception that "higher assessed values mean higher taxes." In practical terms, the tax rate is often rolled back to compensate for the general increases in assessments, a revenue-neutral position in relation to the year prior to the revaluation, but is contrary to the revenue-raising goals of the revaluation. A mechanism to cushion the impact is to have a scheme of transitional relief. Although not widely used, it can be effective in providing some protection against abnormal tax increases. South Africa's new property tax legislation provides, among other things, a phasing in of tax for newly taxable property.

Many metro valuation/assessment departments have sufficient qualified and experienced valuers/assessors to maintain the valuation roll (Bogotá, Hong Kong, some South African metros). However, in some cities the paucity of skills still remains critical (Accra, Dar es Salaam, Freetown, Kampala). Possibly as a response, when revaluations do occur, the private sector plays an increasingly important role (Accra, Kampala, Kingston, Cape Town).

Given the large numbers of properties within metros, it is surprising that segmental reassessment has not been considered to any great extent. This is a procedure by which a specified fraction of real property parcels is reassessed each year, moving through the jurisdiction in sequence. Thus, if a three-year cycle is used, one-third of the properties in the area would be reassessed each year, with all properties being reassessed every three years. This approach can be less resource intensive and make the revaluation task achievable. It could be a more balanced approach and may be the most realistic cycle for large metro jurisdictions. The problems with this approach are that it can produce temporary inequities at a time of significant changes in market values and where uniform rates are applied across the whole metropolitan area.

If general revaluation is not an option, then an alternative presently used in São Paulo and Bogotá is the application of indices to uplift assessed values to reflect property value increases. Indices for each property category can be determined, and all properties within that category receive the same adjustment. This approach is unpopular, particularly if the base valuation is dated, because it results in inequities being further exacerbated. Indices are blunt instruments, and much of the argument in favor of their use has to do with revenue mobilization. However, as an interim measure to reflect increasing property values, it can be a viable option.

In some cases, the political pressure to deal with inequitable assessments is to undertake piecemeal adjustments. In Buenos Aires, the replacement costs for buildings have remained unchanged for more than 20 years, but the city, in trying to achieve greater fairness, made arbitrary adjustments to land value zones (Lafuente 2009). In Manila, increasing land values resulted in many of the cities updating those assessments at various intervals while holding constant the assessed value of the improvements.

Preparation for a general revaluation requires quite extensive data collection and analysis. Irrespective of the basis of the property tax, the assessment department needs to have robust procedures in place to collect information on all forms of transactions, such as sales and lettings, as well as information on building costs. This involves having a legislative system to ensure that transaction evidence is recorded in an appropriate manner. This should be less of a problem in a formal market with appropriate land titling and registration than in a market where many

transactions occur informally. In Hong Kong, Kuala Lumpur, and Bogotá, the legislation allows for the assessment department to ask owners to complete questionnaires to gather information on their property, rents, and leases. In Manila, when a property is sold, the owner must complete a tax declaration, a copy of which must be lodged with the assessor's office.

A comparison of revaluation costs across metros and, indeed, countries is quite difficult. However, cities that revalue regularly will have developed cost-effective systems and be able to drive down the cost per parcel. For example, Hong Kong revalues annually, and the cost for the 2010 revaluation (annual values) of the 2.36 million parcels was approximately US$1.5 per parcel. In Dar es Salaam, the 2001 valuation of approximately 18,000 properties cost on average US$17.00 per property (McCluskey and Franzsen 2005). In Bogotá, in 2009 updating property information on 1.2 million properties cost on average US$6.46 (Ruiz and Vallejo 2010), whereas in Jamaica, the estimated cost for the 2012 revaluation (site values) of 790,000 parcels is US$3.43 per parcel.

ANNUAL MAINTENANCE OF VALUATION ROLLS

The maintenance of the valuation roll between revaluations requires that procedures be put in place to capture the alterations made to existing property and changes in ownership and to value new properties. Most cities allow for such changes to the main roll through annual supplementary rolls; for example, in some South African cities, more than one supplementary valuation is done per year. However, in some cities, the lack of resources often precludes this mode of updating the tax base (Dar es Salaam, Accra, Manila).

VALUATION METHODS

The principle valuation methods used for determining property tax assessments on all property types include comparative sales, income (or expenditure and receipts), and cost (often depreciated replacement cost) methods. The majority of property tax systems are based around the concept of market value and attempt to derive objective estimates of value based on market transaction evidence. While there are active property markets in the metros of developing countries, there are not good comparative sales data (Baraquero 1999). However, where this evidence is scarce or unreliable, jurisdictions have had recourse to cost-based approaches such as those used in metro Manila cities, Accra, Dar es Salaam, and several Latin American cities. In these cities, land values are normally estimated with reference to comparable land sales. The use of construction costs without any direct comparison to market values can lead to major problems with assessment levels; for example, the average assessment level was 30 percent in Porto Alegre (De Cesare 2004) and 35 percent in Buenos Aires (Lafuente 2009). This correlates with a study done in India that highlights the lack of market value evidence but suggests assessment ratios of approximately 30 percent for a number of cities, including Nagpur and Kolkata (Mathur et al. 2009).

The need to develop simplified automated valuation processes has been one of the major developments within property assessment during the 1980s, 1990s, and 2000s. Computer-assisted mass appraisal (CAMA) has become the primary tool to assist valuers/assessors, particularly during general revaluations (Eckert 2008).

In developed Western cities, CAMA is used extensively, and the evidence would suggest that significant cost savings can be achieved through the application of automated valuation approaches. The development of mass appraisal solutions for residential property is important for cities in developing countries, given the relatively large number of those properties (see table 7.4). But the development of such automated valuation processes has been held back by the lack of reliable data on market transactions. Jakarta, Hong Kong, and South Africa's metros have been developing automated valuation systems for their bulk class properties: residential, homogeneous office, retail, and industrial. Metros with lengthy revaluation intervals (Accra, Dar es Salaam, Kuala Lumpur, Manila's cities) have not invested in these techniques to the same degree. Whereas CAMA can bring assessment efficiencies (Eckert 2008), its use within many metros is limited due to data constraints.

The application of GIS in identifying the value influence of location is becoming embedded within a number of cities, including Cape Town, several Latin American metros, and Bengaluru. However, a more widespread application of GIS is for identifying parcels and supporting land titling projects. Those metros using GIS have developed innovative tools to maximize the potential of this technique to support valuation and to assist in quality assurance and ratio studies.

QUALITY OF PROFESSIONAL STAFF

It has often been stated that one of the key problems with the ad valorem property tax is the lack of qualified experienced valuers/assessors to provide effective and efficient assessments. Although this is certainly the case in many places, it is notable that in several of the metros reviewed, sufficient qualified staff is becoming much less of a problem. Evidence would indicate that the city valuation departments in Kuala Lumpur, Manila, and South African metros are staffed adequately with professionally qualified personnel. Metros tend to have the capacity to recruit, train, and maintain a professional appraisal workforce. In some cases, valuation responsibility has been assumed by centralized government departments, for example, in Lagos (Ipaye 2007), Kingston, and Jakarta. These departments have greater capability in utilizing CAMA and other automated valuation techniques.

A factor that possibly has contributed to the improvement in staffing levels is the introduction of university-level courses in real estate and valuation (Dar es Salaam, Kingston, Kuala Lumpur, Manila). It is clear that most of the city valuation departments are actively engaged in providing in-house training and workshops to develop the necessary skills. Although the private sector will always be attractive to experienced valuers, they are becoming more heavily involved in property tax assessments in collaboration with city and government valuation departments (Jamaica, Malaysia, South Africa, Brazil, Colombia), as suggested by improved assessment coverage and GIS integration in Bogotá, Bengaluru, Cape Town, Dar es Salaam, and Kingston.

ASSESSMENT QUALITY, OBJECTION, AND APPEAL

Although revaluation quality control may be sparse, many of the metros have built up sufficient valuation/assessment experience to develop valuation manuals and standardized procedures (Kingston, the larger metros in South Africa, Kuala Lumpur, Hong Kong).

The quality of the assessments on the new valuation roll can be subjected to both internal and external validation. The International Association of Assessing Officers provides benchmarks against which an internal audit can be based.[4] A number of cities that undertake fairly regular revaluations publish the results of their internal benchmarking audit (Cape Town, Hong Kong). Some metros opt for external validation (Kingston and Cape Town), but many other metros do not (Cairo, Johannesburg, metro Manila). There is almost no assessment quality validation in the Latin American cities. Assessment ratio studies are rarely undertaken in any of the sample metros due to insufficient market-related data (Mathur et al. 2009).

An approach used in metro Manila prior to implementing the revaluation is to publish a schedule of market values for land, buildings, and machinery and depreciation rates for public consultation (Guevara 2004). After this exercise, the schedule is incorporated into an ordinance. The objective is to instill acceptance of the new values while trying to minimize objections.

In 2007, at the time of its migration from a site-value system to capital improved values, Johannesburg published a draft valuation roll and likely tax rates and followed it up in 2008 with the formal valuation roll and actual tax rates. The objective was to ensure that the new valuation system was better understood by taxpayers.

In jurisdictions with a value-based system, property owners are generally allowed to object and appeal the property value as determined by the assessor. In South African metros, payment of tax is not deferred until the objection or appeal has been finalized. In Lagos, 50 percent of the tax must be paid before an appeal can be filed. This is controversial and could be construed as a violation of a taxpayer's constitutional right to access to the courts and/or a fair trial.

Billing, Collection, and Payment

In some metros, much of the billing is still done manually (Accra, Dar es Salaam, Lagos, Lilongwe) because of data problems (e.g., properties cannot be identified, poor postal services, and/or the lack of street names). In 2002 in Dar es Salaam, municipal valuers were used for billing because of their intimate knowledge of neighborhoods (McCluskey and Franzsen 2005). Some metros bill annually (Accra), some biannually (Istanbul), and others more regularly (e.g., monthly in South African metros).

A few cities have outsourced collection to the private sector (Accra, Kampala). In 2008, the Tanzanian government outsourced collection of the property tax in Dar es Salaam to the Tanzania Revenue Authority. The authority's commission amounts to 20–25 percent of the amount collected, whereas the private collectors in Kampala receive 10 percent (Olima 2010). It is not clear how successful these steps were for these metros. Oversight is problematic when private tax collectors are used.

In Dar es Salaam, collection levels are estimated at less than 50 percent, and in Accra in 2009, it was estimated at 35 percent (Yeboah and Johansson 2010). In contrast, collection levels in South Africa's metros generally exceed 90 percent, whereas

[4] The principal international benchmarks include the coefficient of dispersion and price-related differential.

TABLE 7.5
Property tax performance in select cities

Metro	Estimated collection rate (of amount billed) for 2009 (percent)
Accra	35
Bengaluru	80–85
Cape Town	90–95
Dar es Salaam	45–55
Johannesburg	85–90
Kingston	55–60
Manila	55–90

SOURCE: Mathur et al. (2009), Yeboah and Johansson (2010), and various country reporters.

for cities within metro Manila, in 2009 it ranged from 18.6 percent to 125.4 percent (see table 7.5).

Lower compliance costs may partly explain higher collection levels. South African metropolitan taxpayers can pay bills at municipal offices, post offices, and large retail stores; online; or by direct debit. In Accra and Freetown, taxpayers are expected to make payments at the tax offices. Some metros (Belo Horizonte, Bengaluru, Lagos, Nairobi) provide discounts for early payment. In Bengaluru, 80 percent of taxpayers paid within the prescribed period, largely due to conveniently located "help centers" spread across city wards. In 2011, about 60,000 taxpayers paid tax online.

Enforcement

Although the legislation in most countries reviewed contains adequate enforcement measures, in practice some of these measures are seldom (if ever) used. A reason provided in many countries is the lack of political will and support from local councilors and/or national politicians. In some cities in Tanzania, officials reported poor property and taxpayer data as reasons that tax collectors were reluctant to enforce against delinquent taxpayers. In some instances, the cost of enforcement (e.g., civil action in a municipal or tax court) exceeds the annual property tax, making it a nonviable option.

A measure commonly found in legislation, but only used in practice in a few cities (Jakarta, South African metros), is seizure of the property and its sale in execution. In some metros, this can happen only after three years (South African metros, Dar es Salaam); in others, after only a few months (Freetown, Bangkok). However, the political and public support for this enforcement measure is generally absent.

South African metros withhold services (e.g., electricity) in response to nonpayment of the property tax. Furthermore, Nairobi and South African metros also use "clearance certificates" with property transfers to claim unpaid taxes: before

the transfer can be registered in the deeds office, the municipality must issue a clearance certificate that all outstanding taxes and charges have been paid.

Tax Relief

Tax relief is granted directly and indirectly through tax base exclusions, preferential assessments, exemptions, and other forms of relief. Property tax bases are in some instances eroded through narrow definitions of property. Exemptions are encountered in all metros and almost always include properties used wholly or mainly for charitable, education, and public worship purposes.

Achieving some progressivity by excluding the first tranche of value from the tax base or by exempting low-value properties from the property tax is encountered in Kingston and Bengaluru, where a flat amount or minimum levy is payable, respectively. In Cairo and South African metros, a national, statutory value threshold applies.

Preferential assessment and rebates are utilized extensively. In many metros, owner-occupied residential properties receive preferential treatment. In Accra, the assessed value for owner-occupied buildings may not exceed 50 percent of replacement cost. In Bengaluru, owner-occupied residential and nonresidential properties receive a 50 percent tax rebate. This is also the case in Ahmedabad, Chennai, Delhi, and Mumbai. In other metros, for example, Abidjan, Bangkok, and Kampala, owner-occupied residential property is completely exempt. In some metros (Cape Town, Johannesburg), rebates are granted to categories of owners rather than use (e.g., on the basis of age and income).

Government Property and Utilities

In many metros, property owned by higher-tier governments is excluded from the tax base (Brazilian metros) or exempt from local property taxes, and the revenue loss can be considerable (Bahl 2009). One of the issues is whether lower-tier governments have the legal authority to tax this property, but legislation sometimes allows for payments in lieu of taxes. If these payments are based on the assessed value (which is seldom the case in practice), the tax sacrifice can be recovered by the local government (Bird and Slack 2002). The tax treatment of exempt government property is especially important in metros, where government operations are usually headquartered. Often, branches of government occupy some of the most valuable, modern, and well-located buildings within city centers.

The actual practice varies. Government property is exempt in some developing countries. However, in some of these countries (e.g., Côte d'Ivoire, Hong Kong, Ghana, Niger, Sierra Leone, Tanzania), government does not pay any amounts in lieu of taxes. In a number of metros, however, government property is indeed taxed (Bengaluru, Kampala, Lilongwe, Mbabane, South African metros). In Nairobi, Lilongwe, Cape Town, and Kampala, government is often one of the major defaulters, and some cities find it politically difficult to collect arrears. Interestingly, Mbabane and Pretoria tax government property at rates higher than for other properties.

Some metros are able to account for the tax expenditures due to exemption of government properties. In the Kingston metro area, all government property is valued even though it is exempt. The estimated loss due to the exemption is equivalent to about 5 percent of total property tax collections.

In Kuala Lumpur, government properties are subject to a contribution in lieu of taxes that is negotiated based on local government expenditures on such services as fire protection, street lighting, water supply, and refuse disposal (Choong 1998). In 2010, government properties in Kuala Lumpur were about 5.6 percent of the total number, and the revenue contribution from these properties was approximately 3.3 percent of the total.

In Bengaluru, government properties pay only 25 percent of the rate for nonresidential properties, unless the property is used for commercial purposes, in which case the standard tax rate applies. Cape Town and Durban also differentiate on the basis of use for government-owned properties.

Vacant Land and Unoccupied Buildings

Often the taxation of vacant land is related to achieving other nonfiscal benefits, such as reducing land speculation (Porto Alegre), ensuring optimal urban development and densification, and ensuring that the owners of such land and buildings contribute to the cost of services (Johannesburg and Pretoria). It is an especially important issue in large metropolitan areas. However, the empirical evidence on whether a vacant land tax brings forward the timing of development is inconclusive (Skaburskis and Tomalty 1997).

The practice varies quite widely across metros (table 7.6). An exemption for vacant property is generally associated with systems where the occupier rather than the owner is taxed, as under some rental value systems. In other metros, vacant parcels are taxed at significantly higher rates than developed parcels. In metros using land value systems, all land, whether vacant or not, is valued and, in principle, taxed. In Kingston and Nairobi, a uniform tax rate is applied with no differentiation as to use or occupancy.

In metro Manila, the cities have discretion to levy the idle land tax up to a maximum surcharge of 5 percent.[5] Only recently has this tax become "popular," and it is now levied by most cities. For example, in Quezon City the tax rate applied to idle land located adjacent to national roads is 3 percent over and above the existing property tax. The existing tax rates for 2009–2010 are 1.5 percent on the assessed value of residential property and 2 percent for commercial, industrial, and special properties; for other locations, the surcharge is 1 percent.

Property Transfer Taxes

Property transfer taxes, levied either as a stamp duty or as a transfer tax, are encountered in most countries. It has been suggested (Bahl 2004; Powers 2008; Ruiz

[5]The idle land tax is levied on unused agricultural land of more than one hectare, nonagricultural vacant land greater than 1,000 m^2, and approved residential subdivisions.

TABLE 7.6
Treatment of vacant/unoccupied properties

Treatment	Metro
Exclude or exempt	Bangkok, Cairo, Dar es Salaam (vacant land), Karachi
Exempt on application for unoccupied buildings	Accra (although a minimum tax applies), Dar es Salaam
Tax vacant and unoccupied properties at the same rate as developed properties	Jakarta, Kingston, Nairobi, São Paulo
Tax vacant land at slightly higher rates than developed properties	Bengaluru (limited), Kuala Lumpur (residential property)
Tax vacant land at significantly higher rate than developed properties	Belo Horizonte, Bogotá, Buenos Aires, Cape Town, Durban, Gaborone, Johannesburg, Manila, Mexico City, Porto Alegre, Pretoria, Rio de Janeiro,* Windhoek

*However, impact is negated because it is coupled with a high value reduction and favorable assessment.
SOURCES: Data obtained from legislation, by-laws, and various city or country reporters.

and Vallejo 2010) that high real estate transfer taxes can be a contributing factor to the poor performance of the property tax in some countries because it discourages owners from transacting in an open transparent market and from truthfully recording market values of property.

In some countries, such as Jamaica (Bahl 2004), as well as elsewhere in the Caribbean, both taxes are levied on real estate transfers. These taxes are quite easy to collect, as the title or deed registration system can effectively be used as an audit for payment. In Indonesia, the land and building transfer tax became a local tax in 2011, with Jakarta being able to determine its own tax rate up to a maximum of 5 percent. It is noteworthy that tax rates are high in a number of jurisdictions, especially in India, Jamaica, and South Africa. In India and Jamaica, however, rates have been decreasing in recent years.

Reform Issues and Trends

Property tax reform never seems to get off the policy agenda in the metros of developing countries. In some cases, this is because reform just does not happen, but in others it is because of the increased property tax capacity that comes with urbanization and economic development. In some metros, there has been reform, but the directions taken do not seem to follow a general pattern.

To the extent that some sort of polarization occurs, it involves the choice of property tax basis. Movement toward the use of capital improved value is clearly evident in the recent reforms in South Africa, Northern Ireland, New Zealand, Hungary, Slovenia, and several states in Australia. Lagos has migrated from an annual value base to improved capital value, whereas the rest of Nigeria retained the rental value approach. But in South Africa, a national uniform basis for the property tax was implemented (capital improved value).[6] To be sure, in some metros

[6]Part of this section builds on Martinez-Vazquez (2008).

capital value systems (Bogotá, Cape Town, Durban) or annual value systems (Hong Kong, Kuala Lumpur), a pragmatic approach to the political and market realities, seem to be working well, and the lack or shortage of skilled assessment staff suggests that unique alternatives may indeed be appropriate in some jurisdictions. Bengaluru is a case in point: this city has seemingly overcome the buoyancy problem generally associated with calibrated area or simplified value systems, by regularly updating the use area values. In fact, several Indian metros have replaced a rental value system by one based on property size. It is interesting, however, that the land or site value tax that has been under pressure in several countries is retaining its status in Queensland, Australia, where the 2011 reform brought a shift from "unimproved" value to "site" value, and in Jamaica, Kenya, and Estonia. In fact, in 2011, Harare replaced its split-rate property tax system with a site value tax (Chakasikwa 2011).

In some cases, the need for reform has been ignored. The retention of annual values in Kampala and of capital values in Dar es Salaam, given poor base coverage and the serious paucity of assessment skills, could be questioned. More simplistic and pragmatic approaches, such as calibrated area system or even a U.K.-styled value-banding approach (McCluskey, Plimmer, and Connellan 2002), may in the medium term provide more revenue and a property tax that performs the primary function of generating revenue.

Property categorization according to use, size, and/or location is commonplace and seems to be on the increase (Bird and Slack 2002; Franzsen and McCluskey 2008). All metros in South Africa utilize classified rates. However, these differentiations complicate the administrative tasks and may harm the fairness of the system.

Conclusions

Notwithstanding the difficulties in administering the property tax, it is clearly evident that it remains one of the key revenue tools for metros across the developing world. Though supporting data are weak, this chapter argues that many metros are able to handle the administrative demands of the property tax and to do a better job of realizing its revenue potential than are other local governments. On the one hand, there tends to be a stronger tax base and more human resource skills within metropolitan areas; on the other hand, there are many more properties, more construction, and greater changes in property values to be dealt with. Moreover, many metros have shown an ability to absorb much of the new technology in property tax administration. But the ability to improve property tax administration does not hold everywhere, as can be seen from the practice in such metros as Accra, Nairobi, metro Manila, and Rio de Janeiro.

The revenue mobilization of the property tax in metros continues to be held back by several factors, even in the strongest of these jurisdictions. First, revaluations tend to be problematic in part because of data limitations but mostly because of political interventions. Second, there is need to verify the fairness of the valuation process. The use of the private sector in undertaking the valuation function, in whole or in part, is becoming much more widespread (Bogotá, Cape Town, Dar es Salaam, Jakarta, Kingston). However, in some cases, monitoring the quality of such

externally provided valuations by the city is lacking. What is required is more formal oversight to ensure that legislative and technical procedures have been followed.

Third, despite an abundance of literature (Franzsen and McCluskey 2005; Kelly 1995) suggesting that a "collection-led" rather than a "valuation-pushed" reform of the property tax constitutes a more prudent approach, reforms in many low-income developing countries still seem to focus primarily on assessment, for example, Sierra Leone (Freetown), Tanzania (Dar es Salaam), and Uganda (Kampala).

It is probably fair to say that within low-income countries in particular, the metros and cities tend to be holding their own regarding property tax administration. However, outside of the cities, assessment and property tax administration present significant problems. A system that works relatively well in metros or large cities may only have limited applicability in smaller urban and rural jurisdictions, particularly where there is no central administrative support as a backup. Even where such backup is potentially available, the actual reality can be quite different (Malaysia, Philippines, South Africa).

REFERENCES

Aleksiene, Albina, and Arvydas Bagdonavicius. 2008. Value-based property taxes in Lithuania. In *Making the property tax work: Experiences in developing and transitional countries*, ed. Roy Bahl, Jorge Martinez-Vazquez, and Joan Youngman, 411–435. Cambridge, MA: Lincoln Institute of Land Policy.

Bahl, Roy W. 2004. Property transfer tax and stamp duty. ISP Working Paper No. 04–27. Atlanta: Andrew Young School of Policy Studies, Georgia State University.

———. 2009. *Property tax reform in developing countries*. Washington, DC: U.S. Agency for International Development.

Baraquero, Oscar. 1999. Decentralizing property taxation: The Philippine perspective. In *Comparative property tax systems: An international comparative review*, ed. William J. McCluskey, 248–265. Aldershot, U.K.: Avebury.

Bird, Richard M. 2004. Land taxes in Colombia. In *International handbook of land and property taxation*, ed. Richard M. Bird and Enid Slack. Cheltenham, U.K.: Edward Elgar.

Bird, Richard M., and Enid Slack. 2002. Land and property taxation around the world: A review. *Journal of Property Tax Assessment and Administration* 7(3):31–80.

Bustamante, Liliana, and Nestor Gaviria. 2004. The Bogota cadastre—an example of a multipurpose cadastre. *Land Lines* 16(April):3–4.

Chakasikwa, John. 2011. *Property taxation in Zimbabwe: Challenges and opportunities*. M.Ph. diss., University of Pretoria.

Choong, Fong K. 1998. Contribution in aid of rates and its related problems. In *Monograph on rating*, 91–110. Kuala Lumpur, Malaysia: National Institute of Valuation.

Cornia, Gary C. 2008. Commentary. In *Making the property tax work: Experiences in developing and transitional countries*, ed. Roy Bahl, Jorge Martinez-Vazquez, and Joan Youngman, 307–312. Cambridge, MA: Lincoln Institute of Land Policy.

De Cesare, Claudia M. 2004. General characteristics of property tax systems in Latin America. Paper presented at the 7th annual conference of the International Property Tax Institute, Guadalajara, Mexico (September).

Eckert, Joseph. 2008. Computer assisted mass appraisal options for transition and developing countries. In *Making the property tax work: Experiences in developing and transitional countries*, ed. Roy Bahl, Jorge Martinez-Vazquez, and Joan Youngman. Cambridge, MA: Lincoln Institute of Land Policy.

Franzsen, Riël C. D., and Willaim J. McCluskey. 2005. An exploratory overview of property taxation in the Commonwealth of Nations. Working Paper No. WP05RF1a. Cambridge, MA: Lincoln Institute of Land Policy.

———. 2008. The feasibility of site value taxation. In *Making the property tax work: Experiences in developing and transitional countries*, ed. Roy Bahl, Jorge Martinez-Vazquez, and Joan Youngman, 268–306. Cambridge, MA: Lincoln Institute of Land Policy.

———. 2013. Value-based approaches to property taxation. In *A primer on property tax: Administration and policy* eds. William J. McCluskey, Gary C. Cornia, and Lawrance C. Walters, 41–68. West Sussex, U.K.: Wiley-Blackwell.

Guevara, Milwida. 2004. Real property taxation in the Philippines. In *International handbook of land and property taxation*, ed. Richard M. Bird and Enid Slack, 152–158. Cheltenham, U.K.: Edward Elgar.

Ipaye, Ade. 2007. Property taxation and revenue generation in Nigeria. CITN Practice Series No. 27. Lagos, Nigeria: Chartered Institute of Taxation of Nigeria.

Jibao, Samuel. 2009. Property taxation in anglophone West Africa: Regional overview Sierra Leone. Working Paper No. WP09AWA1. Cambridge, MA: Lincoln Institute of Land Policy.

Kelly, Roy. 1995. Property tax reform in Southeast Asia: A comparative analysis of Indonesia, the Philippines and Thailand. *Journal of Property Tax Assessment and Administration* 2(1):60–81.

Lafuente, Mariano. 2009. Public management reforms and property tax revenue improvements: Lessons from Buenos Aires. Working Paper No. 0209. Washington, DC: World Bank.

Malme, Jane H., and Joan M. Youngman. 2008. Developments in value based property. *Land Lines* (October):8–13.

Martinez-Vazquez, Jorge. 2008. Revenue assignments in the practice of fiscal federalism, fiscal federalism and political decentralization. In *Fiscal federalism and political decentralization*, ed. Nuria Bosh and Jose M. Duran. Cheltenham, U.K.: Edward Elgar.

———. 2011. Municipal finances in Latin America: Features, issues, and prospects. International Studies Program Working Paper No. 11-07. Atlanta: Andrew Young School of Policy Studies, Georgia State University.

Mathur, Om P., Roy Bahl, Debdulal Thakur, and Nilesh Rajadhyasksha. 2009. *Urban property tax potential in India*. New Delhi: National Institute of Public Finance and Policy.

McCluskey, William J., Michael E. Bell, and Lay C. Lim. 2010. Rental value versus capital value: Alternative bases for the property tax. In *Challenging the conventional wisdom on the property tax*, ed. Roy Bahl, Jorge Martinez-Vazquez, and Joan Youngman, 119–157. Cambridge, MA: Lincoln Institute of Land Policy.

McCluskey, William J., and Riël C. D. Franzsen. 2005. An evaluation of the property tax in Tanzania: An untapped fiscal resource or administrative headache. *Property Management* 23(1):43–69.

McCluskey, William J., Frances Plimmer, and Owen Connellan. 2002. Property tax banding: A solution for developing countries. *Assessment Journal* (March/April):37–47.

Mukhandi, Shomari. 2012. Local government authorities' own source revenues. Presentation at Gesellschaft für Internationale Zusammenarbeit workshop, Dar es Salaam (February 15).

Olima, Washington H. A. 2010. Property taxation in anglophone East Africa: Case study of Uganda. Working Paper No. WP10NEA8. Cambridge, MA: Lincoln Institute of Land Policy.

Powers, Sally. 2008. Collection and enforcement of the property tax. In *Making the property tax work: Experiences in developing and transitional countries*, ed. Roy Bahl, Jorge Martinez-Vazquez, and Joan Youngman, 372–386. Cambridge, MA: Lincoln Institute of Land Policy.

Rao, Vasanth. 2008. Is area-based assessment an alternative, an intermediate step or an impediment to value based taxation in India? In *Making the property tax work: Experiences in developing and transitional countries*, ed. Roy Bahl, Jorge Martinez-Vazquez, and Joan Youngman, 241–267. Cambridge, MA: Lincoln Institute of Land Policy.

Ruiz, Francisco, and Gabriel Vallejo. 2010. Using land registration as a tool to generate municipal revenue: Lessons from Bogotá. Annual Bank Conference on Land Policy and Administration, Washington, DC: World Bank. http://siteresources.worldbank.org/EXTARD/Resources/336681-1236436879081/5893311-1271205116054/RuizVallejoPaper.pdf

Skaburskis, Andrejs, and Ray Tomalty. 1997. Land value taxation and development activity: The reaction of Toronto and Ottawa developers, planners, and municipal finance officials. *Canadian Journal of Regional Science* 10(3):401–417.

Varanyuwatana, Sakon. 1999. Property tax in Thailand. In *Comparative property tax systems: An international comparative review*, ed. William J. McCluskey, 148–162. Aldershot, U.K.: Avebury.

World Bank. 2011. World development report 2011: Conflict, security, and development. http://wdronline.worldbank.org/worldbank/a/c.html/world_development_report_2011/abstract/WB.978-0-8213-8439-8.abstract

Yeboah, Kofi, and Linda Johansson. 2010. Urban Management Land Information System UMLIS: Facing urban challenges through efficient revenue collection. Paper presented at the Fédération Internationale des Géomètres (FIG) Conference, Sydney (April 11–16).