

UN-HABITAT AND THE GLOBAL LAND TOOL NETWORK LAND-BASED FINANCE LEARNING SERIES 3

Theme: Leveraging Land for Delivery of Services, Building the Social Contract and Promoting Peace and Security

REPORT ON SESSION 3

Subject: “Links between land titling and property tax reform”

11 September 2023



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Introduction and Welcoming Remarks (Jonathan Yakutiel)

On 11th September 2023, the Land, Housing and Shelter Section of the United Nations Human Settlements Programme (UN-Habitat) and the Global Land Tool Network (GLTN) Secretariat, in partnership with the Local Government Revenue Initiative (LoGRI) of the International Centre for Tax and Development (ICTD), presented session three of its Land-based Finance Learning Series three, on the theme “Leveraging Land for Delivery of Services, Building the Social Contract and Promoting Peace and Security”. The session, titled “Links between land titling and property tax reform”, consisted of one presentation and a facilitated discussion integrated by sidebar questions and comments, and concluded with closing observations. The session registered 48 participants representing both public and private organizations (see list of participants in Annex 1).

Jonathan Jordan Yakutiel, expert from the Land, Housing, and Shelter Section of UN-Habitat, welcomed the participants to the third learning session organized by UN-Habitat and GLTN in partnership with the Local Government Revenue Initiative (LoGRI) of the International Centre for Tax and Development (ICTD). He said that this session will help clarify the links between land titling and property tax reform and delve into the crucial nexus between land administration and fiscal policy, a topic that lies at the heart of sustainable development. He encouraged the participants to participate actively. He then introduced the program of today starting with a presentation from Wilson Prichard, followed by comments and case sharing from the discussants – Antody Lamba (UN-Habitat) and Richards Mugangaizi (Kampala City Council Authority (KCCA), and then a Q&A sessions facilitated by Colette Nyirakamana (ICTD).

Theme: Leveraging Land for Delivery of Services, Building the Social Contract, and Promoting Peace and Security.

Purpose: Bringing together partners, experts, and implementers to learn about advances, good practices, innovations, and challenges, and to create opportunities for collaboration.

Learning objectives:

1. Increased knowledge of available land-based finance and land value capture tools, methods, and approaches.
2. Enhanced understanding of the social, economic, and political challenges facing implementers.
3. Case-specific information on ways of overcoming challenges and building good practice.
4. Proposals for priority actions for improved impact formulated.
5. Areas of potential collaboration identified.

Subject	Presenters	Date and time (EAT)
1. “Rapid Own Source Revenue Analysis (ROSRA). A new tool for own-source revenue self-optimization”	Lennart Fleck (UN-Habitat, Mujahid Qadir (UN-Habitat consultant), with Macloud Kadam’manja (Malawi), Olinda Chirwa Sikazwe (Zambia), and Ben Omollo (Kenya) Discussant: Enid Slack (Univ. of Toronto)	3 April 2023 16h00-18h00 EAT COMPLETED
2. “Too much analysis too little action? The role of diagnosis in supporting local revenue reform in fragile states”	Paterson Gaunter (Independent Consultant) Discussant: Victoria Delbridge (The International Growth Centre)	19 June 2023 17h00-18h00 EAT COMPLETED
3. “Links between land titling and property tax reform”	Wilson Prichard (Associate Professor, Munk School of Global Affairs and Public Policy, University of Toronto)	11 September 2023 16h00-18h00 EAT THIS SESSION

	Discussants: Anthony Lamba (Head, UN-Habitat Country Programme, Afghanistan) and Robert Raikes Mugangaizi, (Coordinator, Revenue Enhancement Programme, Kampala City Council Authority (KCCA), Uganda)	
4. Linking Property Tax Revenue with Service Provision	LoGRI (details to follow)	6 November 2023 16h00-18h00

Program:

Jonathan presented the programme as follows:

SERIES 3 SESSION 3: PROGRAMME “Links between land titling and property tax reform” 11 September 2023, 17h00-18h00 (Nairobi time / EAT)		
Moderator: Jonathan Yakutiel (UN-Habitat)		
Time	Topic / Activity	Process, Roles
17h00	Welcome and opening remarks Purpose, agenda, and process	- Jonathan Yakutiel (UN-Habitat)
17h05	<u>Presentation</u> : Leveraging Property Tax Reform to Strengthen Land Registration and Urban Planning	- Dr Wilson Prichard, Associate Professor, Munk School of Global Affairs and Public Policy, University of Toronto - <i>All: questions and comments in meeting chat during presentation</i>
17h35	Key questions and reflections	Discussants Anthony Lamba, Head, UN Habitat Country Programme, Afghanistan Robert Raikes Mugangaizi, Kampala City Council Authority (KCCA), Uganda (15 min)
17h50	Facilitated discussion with participants	- Colette Nyirakamana
18h15	Concluding observations	- Wilson Prichard

Presentation 1: “Links between land titling and property tax reform” (Wilson Prichard)

Wilson Prichard thanked everyone who joined the session. He introduced the topic of the presentation, “Cadaster-First versus Property Tax-First Approaches to Reforming Property Tax Systems”. He emphasized that the focus of the presentation is on the process of registering properties for property tax purposes and the interface between this process and the more comprehensive registration of land, for titling purposes, the cadaster-first approach. Historically, property tax reform across countries has been dominated by cadaster-first approaches to reform. A cadaster-first approach entails a system where the government first seeks to legally register property and potentially offer legal title after which they become eligible for taxation. However, what is observed across countries is that the cadaster-first approach is difficult to administer, particularly in the context of lower-income countries where land registration is often relatively limited and where report of land transactions to the government is incomplete. Because of the challenges associated with legally registering and titling properties, cadastre-first approaches often lead to highly incomplete registers for property tax purposes, that in turn creating large inequities and erosion of public trust in the equity of these systems. The cadaster-first approach also intensifies the pressure on capacity resources, and much longer timelines. Moreover, when implemented inappropriately, it can disempower local governments and tax agencies, as they lack direct control over property tax register creation, while creating perverse incentives for property tax payers to register their properties due to the associated tax payments.

Reflecting those challenges the LoGRI programme has for a long time investigated the possibility of a property tax-first approach, in which government set-out to create maps of all properties, which are comprehensive and complete in order to ensure that all properties in a given jurisdiction have been mapped and measured for inclusion in the property tax register. This process is pursued separately from the process of formally registering ownership of property and formal land titling. The idea is that it is possible to register properties for property tax purposes absent of the existence of formal registration. Moving to a property tax-first approach allows for the creation of a more comprehensive property tax register that ensures revenue buoyance, equity and public trust. Of course, it does create questions about how to reconcile that approach with the need for strong national land registries. Hence, this presentation will also look at the challenges of data sharing between agencies and about other tradeoffs and questions that arise within the property tax-first approach.

The presenter further elaborated on the challenges to the cadastre-first approach. The traditional approach relies on the principle that property taxation should be levied on the owners of property and the corresponding presumption that owners should be identified in law prior to the levying of that tax. It also reflects the centrality of improved land management for development and the corresponding goal of governments and donors to strengthen land management often as a greater priority than property taxation. Additionally, it reflects the efficiency benefit of not only taxing property but also land and the corresponding need to identify land boundaries through formal titling.

However, across lower-income countries, the cadaster-first approach entails challenges for the effective administration of property taxes. The result is incomplete and outdated property tax registers, , and a range of other administrative challenges, all of which result in lower revenues but also inequities and a lack of public trust. The first challenge lies in the fact that legally registering and titling properties is administratively complex, costly and slow. The timelines for achieving complete coverage of national land cadasters are often extraordinarily long. This is reflected by the fact that no countries in Africa have reached national coverage in land registration and titling. Secondly, the process can be politically contentious, particularly in areas of customary authority where the indigenous people might have serious contestation about the nature of land ownership and who owns the land. A third challenge is that this approach disempowers local governments and national tax agencies, because the creation of the register of taxpayers is controlled by an agency other than the tax authorities which can create incentive problems and a lack of initiative for improving outcomes. The cadaster-first approach also relies on highly effective collaboration between land agencies and tax agencies, which we see in practice often does not exist. Fourthly, it creates disincentives to registering property ownership if property owners understand that registration entails taxation, hence becoming counterproductive to the goal of expanding registration. Finally, even a national cadaster process involving land titling and registration requires a clear plan for updating information over time, something difficult because of imperfections and challenges in public reporting of land transactions and land subdivisions, meaning that national land cadasters are often also inaccurate.

The bottom line is that cadaster-first approaches, while conceptually attractive, can severely constrain revenue potential, create significant inequities, and undermine trust while weakening broader decentralization, raising the question of whether there might be alternative methodologies available to government which may not be the best in the language of economics, but maybe good enough to fit the administrative realities and institutional realities of lower-income countries, and thus improving outcomes.

This brings us to the idea of a property tax-first approach to property registration for tax purposes that rest on two basic ideas. The first is to empower administrations, whether those are local or national tax agencies, to register properties specifically for tax purposes, irrespective of their formal legal registration status or the existence of land titles. The idea being to focus on building comprehensive GIS space maps of all properties within a given jurisdiction, and then in turn leverage data from the property tax map that is created to strengthen land registration at the national level, strengthen urban planning at the local level and potentially strengthen broader tax collection effort at national level. In practice, there are three steps to consider. The first is to use GIS tools and satellite imagery to rapidly map, assign GIS addresses and measure all built properties within a given urban jurisdiction. Having built that map, the information provides geolocations for all built properties in a jurisdiction. Second, researchers send enumerator teams - not professional valuers but high school graduates or university students for ground truthing. The data arising from that mapping exercise is to collect key but easily observable information about the buildings in question and confirm that the GIS location and property are what they appear to be from satellite imagery, confirming the type of building and that it is tax accessible. Information about the external characteristics of the property, including photos which can be used for valuation purposes can also be

collected. Enumerators can also ask questions about who the owners are or whether the properties are rented without a requirement to legally verify land registration status or title. The information about the properties can then be used for valuation purposes and then the bills are addressed to the “owner”, with penalties levied on the property. Where the owner is not known, the bills are addressed generically to “the owner” while communicating to the public on the legal requirement of owners of properties to pay tax on properties they own.

That simple shift in regulations dramatically simplifies the process of registering and taxing properties. The end goal here is to dramatically improve property tax outcomes. It allows for rapid and complete development of property registers with large cities being mapped and fully registered in a matter of six months, rather than years or decades, when relying on legal registration. In parallel such approaches also strengthens local revenue raising while expanding the decision making autonomy and initiative of local governments or tax agencies. Moreover, it strengthens incentives for land registration among those being taxed as they may be motivated to register by being brought into the system because they are anyways being taxed. Furthermore, it opens the possibility of using those property tax maps to strengthen other government functions, whether identifying gaps in national land cadasters for titling purposes, improving urban planning, strengthening revenue collection, rental income tax collection, business registration, construction, oversight, and so on. In short, a basic mapping process at the local level, using GIS tools can be foundational to other government functions as well but may be motivated by and strengthened by their connection to revenue raising. Ultimately, this requires data sharing with other government agencies.

Having described the theory behind this approach, the presenter then looked at three cases. The first experience comes from Freetown, Sierra Leone. It had great success in implementing a property tax first approach partnering with the mayor of Freetown and the city administration in 2019 to implement a comprehensive reform of the property tax system. When the project began, there was a property tax register of about 50,000 properties held by the tax authorities in Freetown. Through a relatively simple exercise using satellite imagery that was readily available through Google, the potential was estimated to be upwards of 100,000 taxable properties in the city. So coverage of the property tax system appeared to be at best about 50% of accessible properties, with huge implications for revenue and equity.

The project started to assess the existing status of land registration efforts and two things were true in Freetown. The first is that there was no major plan for registration and titling of properties at the national level. That laid the foundation for coming up with a local initiative to build a more complete property register. The second was that the law was relatively flexible about whether properties needed to be titled and legally registered before they would be eligible for property taxation. Given this context, the mayor and her administration opted to try to build a fiscal cadaster. They used satellite imagery to map and measure all built properties in the city, sent teams of enumerators, guided by mobile devices and GIS coordinates, in order to confirm key information, identify building types, and collect key property characteristics that would be used subsequently for valuing those properties. During those visits, they asked questions about whether a property was rented and who the owner was and recorded that information. The information collected was viewed as indicative information rather than legally verified

information because treating it in that way allowed for the process to be very rapid and straightforward, which was critical to the goals of building a comprehensive property tax register. Once the process completed, tax bills were printed, which included both a picture of every property and the GIS location of every property, along with a GPS based address that can be registered in Google. Where the owner was not known, those bills were simply addressed to “the owner”. The key here was the combination of a GPS location and the picture, meant that the bill could be linked to the property even if the owner themselves was not known.

The results of this exercise were hugely encouraging. Within a few months, they were able to map and register more than 100,000 properties, doubling the number of registered properties in Freetown, which contributed to a quintupling of revenue potential, a tripling of actual revenue collection, and improvements in progressivity and equity. The project saw relatively few objections to the approach as well. The project worried that addressing bills to “the owner” might encounter objections, but they didn't encounter many. The law was clear, and people, to the extent that they paid complied. At most what the project saw was people coming forward asking for owner information on their bills to be updated to reflect their actual name. This also reflected the ways in which this kind of process can actually catalyze improvements in public data about property ownership and ID.

This experience leads us to think that in many lower-income countries, a property tax-first approach is potentially very attractive in aligning the administrative strategy with available administrative capacity and the realities of data availability. But it still begs the question of whether governments who have perhaps invested more in national cadasters previously, or who have somewhat greater national capacity, might nonetheless pursue cadaster-first approaches given their conceptual attractiveness and the richer data that can be captured in such cadaster-first approaches.

Ultimately this is a question of capacity and resources. Are governments in lower income contexts able in practice to build complete legally registered national cadasters quickly and comprehensively enough to underpin comprehensive and equitable property taxation? Alternatively, a hybrid strategy somewhere between Cadaster-first and property tax-first approach might be possible. ICTD is now trying to replicate the work in Sierra Leone in several other low-capacity environments, while looking at a couple of higher capacity environments where governments have tried to pursue more robust national cadasters to look at the progress they've made and the feasibility of those approaches in pursuing property tax modernization.

The second case comes from the Yaatal project conducted in Senegal that started in 2019. The presenter stressed that the project is still a work in progress and reflects preliminary impressions of the program. The tax authority in partnership with the Ministry of Finance and other government agencies launched the project to build the national cadaster through a comprehensive push for legal property registration and titling. The effort had multiple goals: to better assess the distribution of land; to improve broad national planning, and also to strengthen property taxation. This project enjoyed significant support at all levels of government, and new structures were put in place linking national and local authorities. There was a high level of political support and communication with the public. It was clearly part of the broad

development vision of the country and it enjoyed financial and technical support from the World Bank, the French Development Agency, and others.

This was a best-case scenario for project success to develop a cadaster-first approach to strengthening properties. But that success still points towards the limitations of cadaster-first approaches for property tax. Three years into the implementation of this project, the best estimate is that about 20% of all properties have been successfully registered. That share was slightly higher in cities, but nowhere is it close to universal. That pace was slower than hoped, reflecting the worries expected, due to the challenges in legally registering properties. This case highlights the potential value of a property tax-first approach to move more quickly to strengthen property tax systems, while national cadasters are put in place.

The third case comes from Togo, which adopted a hybrid approach. In 2002, the government of Togo launched an ambitious new cadaster amidst a move towards decentralization with a corresponding interest in strengthening property tax revenue collection. They pursued a dual-track or hybrid approach where on one hand, they would pursue the formal registration and titling of all properties in the country, understanding that it would take time and on the other hand, they put in place plans for the construction of a simpler and quicker fiscal cadaster specifically for property tax purposes.

Compared to the Sierra Leone project, the Togo authorities sought to get detailed information about both land and built property. The difference between Sierra Leone and Togo lies in the extent of the detail that they're seeking to collect as part of that fiscal cadaster process. In Togo, the project initially aimed to identify property owners, including those with unregistered properties, using a meticulous verification and documentation process. They also sought to collect extensive data about properties, both internal and external features, involving on-site visits that sometimes required entering the properties themselves. The question here lies in whether that additional investment is worth it and feasible in practice. In terms of progress so far the government successfully carried out one pilot of this approach in one of the 13 municipalities in Lome in 2022. Their goal is to complete the work in at least 4 municipalities in 2023 and move beyond Lome.

In one respect, this is very impressive progress in building quite detailed property information. But on the other hand, there are questions about speed and sustainability. In two years, they've managed to complete only about 35% of the city of Lome, let alone the rest of the country. Doing so required significant support for paying for much of the cadastral work. The fear is that those high costs and that pace prove not sufficient to be sustainable and rapid to achieve the comprehensiveness that they seek. Given that not only do they need to complete the process, but they also need to be able to consistently update the data over time. LoGRI is now entering into an agreement with the government in Togo to study systematically the costs and trade-offs entailed by the more intensive process versus a more simplified approach model like Freetown. The question will be understanding quite how more administratively demanding the approach they are adopting has been and therefore to be able to think in very structured ways about the tradeoffs between these two different administrative approaches to inform understanding of administrative options moving forward.

Based on three distinct cases, there are challenges and trade-offs of adopting a simplified property tax system. The first barrier is legislation, is taxing properties before they are legally registered permissible? In most jurisdictions, the law either does allow for that or is somewhat vague on the question, but any reform would first want to look at the legal situation to ensure what's permitted and explore whether legislative change may be required. Secondly, there is fear about linking ineffectively to the national cadaster process - duplicating the process of building locally sophisticated GIS-based maps to register properties for property tax purposes and then doing the exact same thing for the national cadaster. Ideally, any successful reform is to encourage collaboration between those working on property tax and the national cadaster to ensure data sharing and mutual learning. The existing vision is that local maps can then become a resource to support national cadaster building and land registration. A third question is about taxing land. In Freetown, we focused this methodology on mapping built properties specifically rather than the land parcels themselves. In many cases in urban areas, those two things are almost equivalent, so the methodologies are relatively interchangeable. Because these are dense urban environments. The failure to directly measure land parcels obviously has important consequences for the property tax system. One question is what is the cost of not directly capturing land and are there ways in which enumerators or taxpayers can bring objections if those maps appear to be inaccurate. Lastly, the question of how best to tackle enforcement in situations where property owners are not known remains an issue. This is because lack of an owner name may discourage tax compliance and the burden of penalties on the property may be shifted to tenants. Our experience in Freetown was that this didn't seem to be a problem at first glance. Penalties can be levied directly on properties rather than on owners. This does raise legal questions as well as questions about burden shifting onto tenants, all of which are important considerations in designing the details of the approach.

At the end of the presentation, the speaker also asked a few conceptual questions to inspire some new ideas. For example, is paying property tax a claim to legal ownership? Can the bill be used as evidence of ownership? How to resolve conflict if more than one person claims ownership of a given property, especially if paying tax may confer ownership? Should rates be lower where property title is less secure? The challenge of doing that is that it might disincentivise people to legally register their property. Finally, how to deal with customary land? One question on the property tax-first approach is whether actually building fiscal cadasters that are detached from the question of legal registration of property ownership could actually facilitate agreements around raising property taxes on customary land to then provide for expanded service delivery.

Key questions and reflections with discussants

Jonathan thanked the presenter. He then invited Antony Lamba from UN-Habitat to share his thoughts.

Antony expressed his gratitude to the presenter. Antony started by saying that governments have to look at their capacities and resources before deciding which policy options to adopt. What comes out of the presentation is that many developing countries prioritize property tax first approach due to the limited cadastral coverage, often below 30%. The urban cadastral coverage in Afghanistan before the CFA, City For All programme, was 15%. What was done through the CFA programme was to adopt a cadaster and property tax together approach, similar to the hybrid approach used in Togo. The idea of the project was

that citizens residing in major cities should have access to an adequate level of services and in exchange they should be registered in a fiscal cadaster to pay for those services. Hence, surveying and registering as many properties as possible. The target was to register 1,000,000 properties in 12 cities and build a fiscal register to be able to levy Safayi tax, which in Afghanistan roughly translates to a property tax. Rates were to be kept low such as in the previous years, but capture as many properties as possible onto the fiscal register. The cadastre and property taxtogether approach used satellite imagery and ground truthing, including community engagement to capture data and map properties to enable municipalities to levy property tax.

As a result, the project brought 930,000 properties out of the targeted 1,000,000 properties onto the fiscal register in 12 municipalities, costing \$12 per property compared to \$5 per property in Sierra Leone. This cost was well justified as the revenue collected averages \$11.00 per property per year against an investment of \$12 per property. The register was also used to update the existing cadastral registers at the Ministry of Lands which is responsible for legal registration. In three cities, full street addressing coverage was achieved and proved highly beneficial for multiple purposes, including marketing, improving security services, providing essential services, and aiding municipalities in participatory budgeting.

Antony Lamba then asked the question of whether the authorities should tax only registered properties or also unregistered properties while considering policy options for property taxation? His preferred approach was to consider the continuum of land rights to recognize all legitimate rights and to include them in the fiscal register. Hence, to be able to capture more properties into the fiscal register for purposes of raising revenues, but also to ensure that all taxpayers can get the services that they deserve. The second question asked by Anthony was whether property taxation disincentivises registration and whether registration incentivises property tax compliance? In Afghanistan after registration, 61% of beneficiaries reported that they believed that the value of their property went up and compliance went up by 29% on average across 12 municipalities. The other approach to consider is the Fit-For-Purpose Land Administration (FFP-LA) approach, which advocates for context specific methodologies that can be used to augment both the fiscal register and the cadaster at the same time. Antony finalised by saying that besides raising municipal revenue the program in Afghanistan brought 850,000 new properties onto the cadaster which were eligible to be issued with occupancy certificates. Occupancy certificates confer occupancy or “non-eviction” rights pending further processes for the registration of ownership rights.

Jonathan Yakutieli thanked Antony Lamba for the inputs and welcomed the next discussant Robert Mugangaizi from Kampala City Council Authority. Robert thanked the presenter and the first discussant and then continued to talk about the importance of a cadastre and valuation-roll working together. However, he said that what we are seeing is that the cadaster information is a mandate of a different ministry, than the tax collection agency. The two agencies rarely coordinate. This leads us to debate whether we should move towards a cadaster first approach or a property tax-first method? Robert recognized the usefulness of the cadaster system in identifying the official owner of the land. However, the cadastre system will neither give details of the developments of the land nor the actual owners of those developments especially in Kampala’s case. It's one thing to have a legal owner, but it's another thing to find somebody else having an interest on that land.

Uganda has four forms of land tenure - the milo tenure, the freehold tenure, the leasehold tenure, and the customary tenure. The first one is most troubling. Due to colonisation, big pieces of land were given to people that were supporting the colonial administration. Many of these people owned the land as far as the cadaster is concerned but on the ground many people have lawful interests on these properties. Hence, the cadaster first approach is very complicated due to encroachment issues as well as the fact that the cadaster is within a different ministry and harmonizing and sharing data makes it very difficult. Currently, Uganda is focusing on the property tax-first approach, gathering massive property attributes that leads to the mass valuation of properties.

Facilitated discussion with participants

Jonathan Yakutiel invited Colette Nyirakamana to take over and facilitate further discussions.

Colette appreciated the cases mentioned by the discussants as they illustrated how those approaches are implemented. Based on the cases shared by Antony and Robert, Colette invited the audience to share their comments and questions before inviting Wilson to react to what the discussants shared.

Wilson appreciated the discussants and mentioned that those cases were quite enriching. Reacting to Antony, he applauded the speed and scale of new registration displaying what can be done with the right motivation and added that the Afghanistan's context reminds us that the feasibility of different options depends not just on the approach, but also on the legal requirements associated. Where the barriers to legal registration and titling are high, cadaster-first approaches are almost impossible because it takes much time. He also thought that the occupancy right provided in Afghanistan is a slightly easier administrative threshold to reach than a formal land title as it makes the legal registration process easier since it provides an intermediate stage that's more accessible and is maybe a stepping stone towards a deeper registration somewhere down the line. Therefore, administrative feasibility is a very important factor in considering the kind of approach to take.

Responding to Robert, Wilson noted that the Uganda context captured the complexity of a cadaster-first approach which forces one to think about more feasible and immediate approaches. In the case where access to properties is denied, Wilson advised following the case of Freetown where it is unnecessary to know the tenant or the owner, knowing the property is enough. If you rely exclusively on external characteristics of the property for evaluation purposes, then there is no need for access to the property as one can use satellite images, photos, etc. Regarding the second question where the property bill has the wrong name, it will be solved as the owners will eventually identify themselves as people wrongly identified will demand for correction of information. Hence, overtime the process of collecting taxes can be a way to know who the owners are and as time goes by the information will improve in order to build the legal cadaster.

Wilson then addressed a question from the chatbox from Tony about the problem of the property-tax first method in cases where it is not clear where the land boundaries are. Wilson's view is that choosing to only survey the built property in such a situation or trying to get estimates of where the land boundaries

are is better than not registering at all. This information can then be shared with the taxpayers and objections can be dealt with as soon as they arise.

Enid Slack joined the conversation and began by applauding Wilson for his presentation and then inquired for his opinion on the inter-governmental challenges and its related power dynamics.

Jonathan Yakutiel was also interested in the cross-department cooperation. From his experience, within the Norad project of UN-Habitat, a diagnostic assessment in the DRC was developed and found out that the revenue collection agency are dependent on the information of the cadaster to find out who the property owners are, and whom the bills are sent to. In DRC, the law stipulates that it's the property owners who should declare their property taxes. In this context collaboration between revenue collectors and the cadaster agency is needed. However, there is an incentive challenge on the side of the land offices to share data as they do not profit from the revenue collection.

Wilson thanked Enid and Jonthan for their questions. Local authorities are dependent not only on the comprehensiveness of data collected by the national land agencies but also on the fact that they will consistently and in minimal time share the data collected. However, often national cadastres are incomplete and data sharing is highly imperfect to their local counterparts or to national tax agencies, which further ties the hands of tax agencies if they're operating in a system that only taxes properties that are legally registered with the national cadaster. To answer to the difficulty of intergovernmental collaboration, the property-tax first approach empowers tax agencies to have autonomy so they can go identify properties for taxation. There are variations in the level of collaboration and data sharing in different countries. In Sierre Leone, for instance, when the project was launched, the relationship between the local and central was not great as the reform was launched at the local level. There were strong political disputes with the national party eroding cooperation and data sharing. There could even be a case where central government wants to undermine the opposition from the local government, so they do not share some data and undermine local revenue raising. Local governments are often in a vulnerable situation if data are concentrated at the national level. In Zambia, there are efforts to strengthen property mapping as a foundation for strengthening both property taxation and national land registration and luckily the discussion involves both agencies. However, the problem remains whether to choose a bottom-up way to map properties and share data with the central government or to work with the national land agency to take the lead on mapping exercises and share the information downwards. The question is how to tailor collaboration and data-sharing work to maximize positive incentives and outcomes.

Concluding observations

Antony, reflected on the limitation of spatial and legal requirements embedded in laws, especially in developing countries, which are superfluous and heavy. He also mentioned that almost the same investment amount used for the fiscal cadaster could be used to collect additional data for the legal cadaster making a hybrid approach more beneficial.

Robert concluded by stressing the importance of data sharing. It is difficult to get ourselves in a perfect data sharing environment. In Kampala, discussions are ongoing to clear barriers to data sharing.

Wilson agreed on the importance of data sharing but also highlighted that if one is building a fiscal cadaster one can also start collecting the data for building the cadastre for legal registration and titling. But if you push too far to collect all the data it can become heavier to achieve success in building the fiscal cadaster. In any approach used the institutions and capacities needs to be considered.

Jonathan concluded by mentioning that UN-Habitat and GLTN look at how, through the fit-for-purpose approach, one can gradually improve land administration and tenure security for the most vulnerable. Even though a fiscal register is beneficial, improving the national cadaster is necessary in the long run as it strengthens land tenure security in line with the continuum of land rights approach. He also gave his sincere gratitude to the participants including the presenter and discussants.

ANNEXES

Annex 1 Attendance list

Name	Organization	Email Address
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Annex 2: Presenters

SERIES 3 SESSION 1: PRESENTERS AND FACILITATORS		
Name and Institution	Role and Topic	Brief Biography
<p>Wilson Prichard ICTD&LoGri</p> 	<p>Presenter: 'Cadafter-First' versus 'Property Tax-First' Approaches to Reforming Property Tax Systems</p>	<p>Dr Wilson Prichard is an Associate Professor at the University of Toronto's Munk School of Global Affairs and Public Policy and Department of Political Science, a Research Fellow at the Institute of Development Studies, Executive Director of the ICTD and Chair of the LoGRI program. His research focuses on the political economy of tax reform in lower-income countries and the relationship between taxation and citizen demands for improved governance in Sub-Saharan Africa, with a particular focus on sub-Saharan Africa.</p>
<p>Anthony Lamba</p> 	<p>Discussant</p>	<p>Mr. Anthony Lamba is currently the head of UN-Habitat's country programme in Afghanistan. He joined UN-Habitat in 2006 after working in the ministry of lands in Kenya for nine years. He has twenty-six years working experience in land management and urban development gained in the Kenyan civil service and international assignments in Somalia, South Sudan, Liberia, and Afghanistan. Mr. Lamba has led national level land programmes and projects focusing on land policy and institutional reform, land disputes resolution, land use planning, reintegration of displaced populations and land tenure security as well as municipal governance projects including property registration and taxation, participatory budgeting, and delivery of urban services.</p>
<p>Robert Raikes Mugangaizi</p> 	<p>Discussant</p>	<p>Mr. Robert Raikes Mugangaizi is a multi-disciplined tax administrator with experience in national and sub national taxation. He started his tax administration career in the national revenue authority of Uganda-URA. At URA, he was the process owner in charge of testing and rolling out domestic taxes digital reforms to taxpayers and staff. This role exposed him to the Kampala Capital City Authority managers who negotiated his transfer to aid with reforming performance of sub national revenues in the City. Since then, Robert has played a pivotal role in framing strategies for taxation of the informal sector, property valuation, risk & compliance management, collection and debt management. Currently, he is the Coordinator for a revenue enhancement program aimed at enhancing City revenues in the medium term.</p>

<p>Jonathan Yakutiel</p> 	<p>Moderator</p>	<p>Jonathan Yakutiel is a Land, Housing, and Shelter Specialist at UN-Habitat's Land, Housing, and Shelter Section. With a primary focus on Francophone Africa, Jonathan actively engages in bolstering land programmes. His expertise encompasses projects and programmes related to land policy development, institutional and legal reforms, effective land dispute resolution, and the establishment of Land Information Systems. Additionally, Jonathan plays a role in municipal governance projects, such as working on projects related to land and property taxation for the provision of urban services.</p>
<p>Colette Nyirakamana</p> 	<p>Commentator/Facilitator</p>	<p>Dr Colette Nyirakamana is Research Lead for the LoGRI program and Senior Research Associate at the Munk School of Global Affairs and Public Policy at the University of Toronto. She holds a doctoral degree in Comparative Public Policy from McMaster University. Her research focuses on local finances, particularly local government revenue mobilization. She explores why, despite the significant potential of financial resources, African cities fail to raise enough revenue, and her research highlights how weak fiscal autonomy limits the capacity of cities to finance public services.</p>

Annex 3:

Presentation - 'Cadastral-First' versus 'Property Tax-First' Approaches to Reforming Property Tax Systems

'Cadastral-First' versus 'Property Tax-First' Approaches to Reforming Property Tax Systems

Wilson Prichard
Associate Professor, University of Toronto
Executive Director, ICTD
Chair, Local Government Revenue Initiative
11th September, 2023

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Summary

- Property tax reform dominated by "cadastral first" approaches
- However, in many cases "cadastral first" (a) increases capacity challenges and timelines, (b) disempowers local governments and (c) creates perverse incentives. This severely undermines effective property taxation.
- An alternative is "property-tax first" approaches that register properties for taxation directly, rather than focusing on formal ownership registration, to expedite complete tax registers and equitable revenue raising
- However, "property-tax first" approaches raise important tradeoffs and questions, including how to ensure long-term support for national land registration efforts

'Cadastral-First' Approaches to Land and Property Tax

Traditional reliance on 'cadastral-first' approaches to property tax reform, in which ownership of properties is registered first, after which they are subject to property taxation. Reflects:

- Principle that property tax should be levied on owners, and thus requires registering property ownership in order to levy the tax
- Centrality of improved **land management** to development, with a corresponding to desire to prioritize land and ownership registration
- **Efficiency benefits of taxing land**, not only built property – and the corresponding need to identify land boundaries through formal titling

The Limits of Cadastral First Approaches

"Cadastral-first" approaches have posed a **major barrier to property taxation in practice**, and limit the role and initiative available to local and national tax authorities, as they have resulted in highly incomplete property tax coverage

- **Administratively complex, costly and slow**
- Politically contentious, esp. in areas of customary authority
- **Disempowers local governments** - relies on central-local collaboration
- Creates **disincentives to registration** among owners if registration -> taxation
- Requires a plan for **updating**, given lack of reporting of transactions and sub-divisions to government

➔ **Constrained revenue potential, major inequities, undermines trust, weakens decentralization**

➔ **To what extent should government aim for this "first best" approach, to what extent might "second best" or "good enough" approaches be more effective and appropriate in practice?**

Property Tax First Approaches

Empower administrations to register properties for tax purposes, irrespective of formal registration status

Leverage property tax data to strengthen land registration and urban planning

"Property Tax First" Approaches

A Pragmatic Approach To Property Tax Registration

- Map, address and measure built properties using GIS and satellite imagery
- Ground truthing to identify key building types and characteristics
- Address bills to "the owner", with penalties levied on the property

Potential to Dramatically Improve Property Tax Outcomes

- Rapid and complete property registers
- Expands revenue raising, and decision making, autonomy of LGs
- Strengthens incentives for land registration
- Potential to leverage property tax registers to improve cadastral/land management

Leveraging Data for Cadasters and Urban Planning

Property tax registers can provide rich information for strengthening cadasters and urban planning. For example:

- Use maps developed for property taxation as a foundation for richer GIS urban planning maps
- Develop protocols for sharing data with land and other authorities
 - As foundational data for expanding cadaster coverage e.g. by identifying unregistered properties, updating existing data, collecting complementary property information
 - With national tax authorities for rental income taxation esp. if local property census includes identifying whether properties are owner-occupied or rented
 - With agencies responsible for business registration, construction oversight etc...
- Effective coordination with cadaster processes is critical to ensure long-term benefits and administrative coherence

Property-Tax First in Freetown, Sierra Leone

- The existing property tax register contained about 50,000 properties, and was largely manual, but satellite imagery indicated 100,000+ taxable properties in the city
- There was no strong plan in place for rapidly expanding official registration of properties and ownership in the cadaster, while the law was flexible about registration requirements prior to property taxation.
- The Mayor and administration opted for a fresh start in building a fiscal cadaster:
 - Used satellite imagery to map and measure all **built properties** in the city
 - Enumerators then visited each property, confirming key information and collecting property characteristics relevant to valuation
 - Visits included asking "is this property rented" and "who is the owner", and asking for evidence, but neither reply nor evidence was required in order to register the property for taxation
- Tax bills were then printed, including a picture and GPS location, and addressed to the reported owner where known, or to "the owner", generically, where not known
- Public communication explained that all owners, whether named or not, were required to pay or else penalties would be levied on the property
- **Key results:** Doubled registered properties, quintupled revenue potential, tripled revenue collection, dramatic improvements in progressivity, few objections to the approach. Fully inclusive cost of ID and valuation: less than \$5 per property

Challenges and Potential of Cadastral-First

In higher capacity contexts should governments prioritize "cadastral-first" approaches, which ultimately offer richer and more complete data, as well as administrative clarity?

Ultimately a question of capacity and resources: can comprehensive, rapid and sustainable cadastral-first approaches be completed, or are hybrid strategies possible? Or are more simplified, property-tax first, approaches more administratively realistic and appropriate?

LoGRI is studying recent initiatives to build cadasters as precursors to taxation, to investigate feasibility, costs and alternative models

Cadaster First in Senegal

- In 2019 the Senegalese tax authority (DGID) launched the Plan Yaatal project to build the national cadaster through comprehensive property registration. Had multiple goals: better assessment of land wealth, improved national planning, property taxation
- Put in place new structures for collaboration between national and local authorities, enjoyed high level political support and priority as part of a broader development vision, and was supported by WB and AFD.
- However, implementation so far has highlighted challenges: Three years into the project the pace of progress has been much slower than hoped – estimated at about 20% of properties. Reflected strict registration requirements, difficulty accessing owners, lack of public cooperation etc...

Hybrid Approaches in Togo

- In 2022 launched a new cadaster building processes amidst decentralization and interest in strengthening property tax revenues.
- Hybrid approach: Formal and registration on one track, construction of a simpler and quicker “fiscal cadaster” on the other.
- Fiscal cadaster does not require formal ownership registration, but is more complex than the simpler model in Freetown: calls for identifying owners and collection of very detailed info about (a) both land and built property, and (b) both internal and external property characteristics.
- Successfully conducted data collection in one municipality in Lome for a pilot in 2022, hope to complete at le Hybrid Approaches in Togo d then to accelerate further – and beyond Lome.
- However, exercise is more costly than simpler models, has depended on donor funding, and is proceeding at a pace that may not be consistent with sustainability and national reach. Discussion of a comparative pilot program with LoGRI.

Key Tradeoffs and Challenges

- **Legal considerations:** Permitted in legislation in some areas, but in others legislative changes may be required
- **Linking to national cadaster:** Risk of creating parallel processes of property registration if there is not effective communication, data share and coordination. How to achieve both effective data sharing and create incentives for legal registration of ownership?
- **Taxing Land:** “Property Tax First” is highly effective for built property, but land itself can require formal cadasters – new strategies and balancing tradeoffs
- **Enforcement:** How best to pursue enforcement where owners are not known? Does the lack of an owner name discourage tax compliance? Do penalties on properties risk burden shifting to tenants?

Key Questions

- **Land claims?** What claims to ownership, if any, are conferred by property tax payment?
- **Resolving disputes:** Who should pay taxes where ownership is contested? How to ensure ability to pay does not ‘establish’ ownership?
- **Differential rates based on registration status?** Should rates be lower where property title is less secure? How to deal with incentive effects?
- **Customary land?** Can the use of fiscal cadasters enable taxation on customary land because it does not rely of (more sensitive) formalization of ownership and title?

Thank you. Merci.

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