

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

| Risk Description | Rating | Mitigation Measures | Responsibility |
|--|---------------|--|-----------------------|
| A. Technical | | | |
| Capacity gaps limit LGUs' ability to implement property tax reforms. | M | ADB's technical assistance supports the development and implementation of a competency framework and e-learning tools for local assessors and officials. | BLGF, LGUs |
| IT resources are insufficient to support start-up requirements for a property tax valuation database. | L | Support for sufficient information technology resources built into project design; a low-cost IT system prepared for operationalization by the BLGF. | DILG |
| LGUs lack the political will to adopt improved valuation and taxation policies such as true market-based valuation and SMV revision in accordance with the new valuation standard. | L | Approval of SMV vested with central government; strong incentives applied for LGUs to voluntarily comply with new valuation standard and schedule. | BLGF |
| Delays in the passage of the RPVARA may reduce the impact of local revenue mobilization reforms. | S | The BLGF prepared a strategy to ensure project implementation in the event of delays in the passage of the RPVARA, focusing on other legal channels such as executive orders, and promoting administration and compliance reforms that fall within the existing purview of the BLGF. | BLGF, ADB |
| Complex legal and institutional mandates for land management make coordinating and sustaining reforms challenging. | S | The project specifically incorporates into the design, and allocates resources for, extensive stakeholder consultation, particularly with central agencies such as the Department of Environment and Natural Resources. A stakeholder mapping will be undertaken to understand roles, responsibilities, and incentives of key players. | BLGF, ADB |
| Supreme Court decision to increase LGUs' share of the internal revenue allotment dampens incentive to mobilize own-source tax revenue. | S | The government mounted a strong consultative effort to raise awareness of the importance of local tax mobilization. Design considerations are being taken to ensure local collection efforts for the real property tax are effectively incentivized. The | BLGF, ADB |

| Risk Description | Rating | Mitigation Measures | Responsibility |
|--|-------------------|---|---|
| | | RPVARA clarifies the assignment of revenue responsibilities across various levels of government to ensure fair and equitable incentives are aligned. | |
| B. Economic and Financial | | | |
| <p>Macroeconomic High levels of inflation dampen enthusiasm for tax reform, particularly for visible taxes like the real property tax.</p> <p>Weaknesses in financial management practices and abilities at the BLGF have the potential to impact the quality and timeliness of project spending, recording, and reporting.</p> | <p>M</p> <p>S</p> | <p>The government has mounted a strong public campaign to combat negative perceptions of inflation, and remains committed to tax reform as a national priority.</p> <p>The project design incorporates specific planning to: (i) provide external support on procurement and financial management activities for the project; and (ii) build capacity within the BLGF to better undertake financial management.</p> | <p>DOF</p> <p>BLGF</p> |
| C. Governance | | | |
| <p>Public Financial Management Local government PFM can be strengthened in several areas, especially related to budget execution, and timeliness and accuracy of reporting. The capacity of local PFM officials varies greatly across LGUs. Public service delivery may suffer as a result.</p> | M | Tools and systems delivered through the project aim to improve accuracy and timeliness of fiscal reporting. Efforts to systematically address capacity constraints being undertaken by the BLGF, to be followed by DBM. New, rigorous assessment of PFM skills applied. | BLGF |
| <p>Social and Gender Additional resources generated through reforms to the revenue mobilization framework are not allocated with a gender-sensitive view and perpetuate disparities between men and women and girls.</p> | L | All LGUs are required to allocate resources from local budget for gender-aware development. Gender-specific targets and sex-disaggregated information explicitly built into project design. Gender planning included within eligibility criteria for SGLG. | DILG, BLGF, DBM |
| <p>Corruption Accountability and transparency of LGUs varies significantly across jurisdictions. Increases in</p> | M | The governance of PFM has been improved through a series of ADB programs introducing systems and tools to promote | BLGF, DILG, Good Governance and Anti-Corruption |

| Risk Description | Rating | Mitigation Measures | Responsibility |
|--|---------------|---|------------------------|
| own-source revenue create potential for additional wastage if public resources are poorly managed. Local interests may play a role in inaccurate setting of SMV for real property tax. | | accountability and transparency. Powers for approval of SMV vested with central government. The Good Governance and Anti-Corruption Cluster of the Cabinet implemented a comprehensive and results-based anticorruption action plan, drawing on a review of the National Anti-Corruption Plan of Action. Initiatives are being supported by various development partners. | Cluster of the cabinet |
| Safeguards Minor civil works to upgrade training facilities could potentially have a negative environmental impact if construction is poorly managed. | L | Planned civil works represent a minor component of the project. An environmental management plan has been prepared. | BLGF |
| Overall | M | | |

ADB = Asian Development Bank, BLGF = Bureau of Local Government and Finance, DBM = Department of Budget and Management, DILG = Department of the Interior and Local Government, DOF = Department of Finance, IT = information technology, L = low, LGC = Local Government Code, LGU = local government unit, M = moderate, PFM = public financial management, RPVARA = real property valuation and assessment reform act, S = substantial, SGLG = Seal of Good Local Governance, SMV = schedule of market values.

Source: ADB's Local Governance Reform Project team.