

Caught between imperial Manila and the provincial dynasties:

Is Federalism the answer?

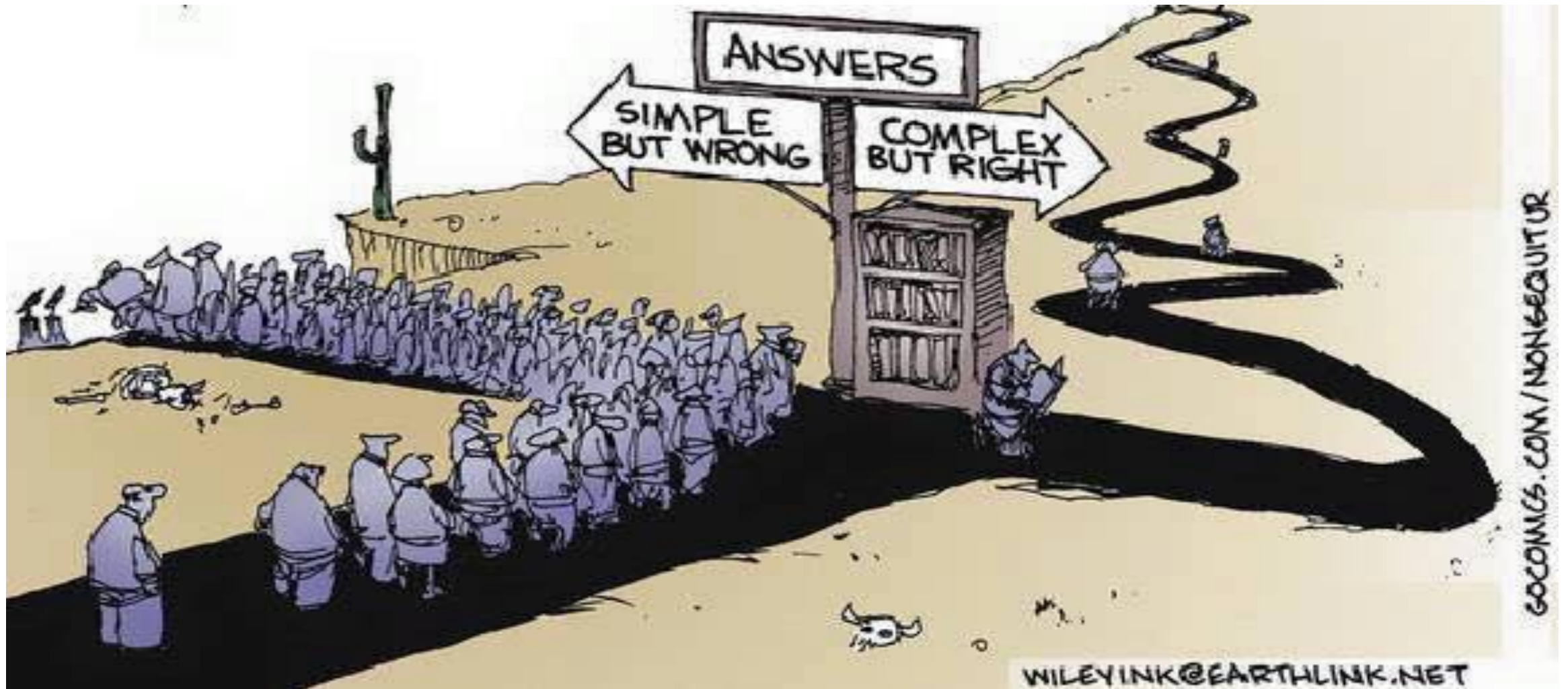
R.U.MENDOZA AND J.OCAMPO
ATENEO SCHOOL OF GOVERNMENT



ATENEO



If federalism is the answer what is the question?



Rationale for Decentralization

- Governance closer to the people to increase efficiency and welfare gains.
- 1991 Local Government Code devolved substantial spending, taxing, and borrowing powers to local government units.
- Challenge to match resources (i.e. own source revenues and transfers) with expenditures at the LGU level.



Policy Experience and Literature

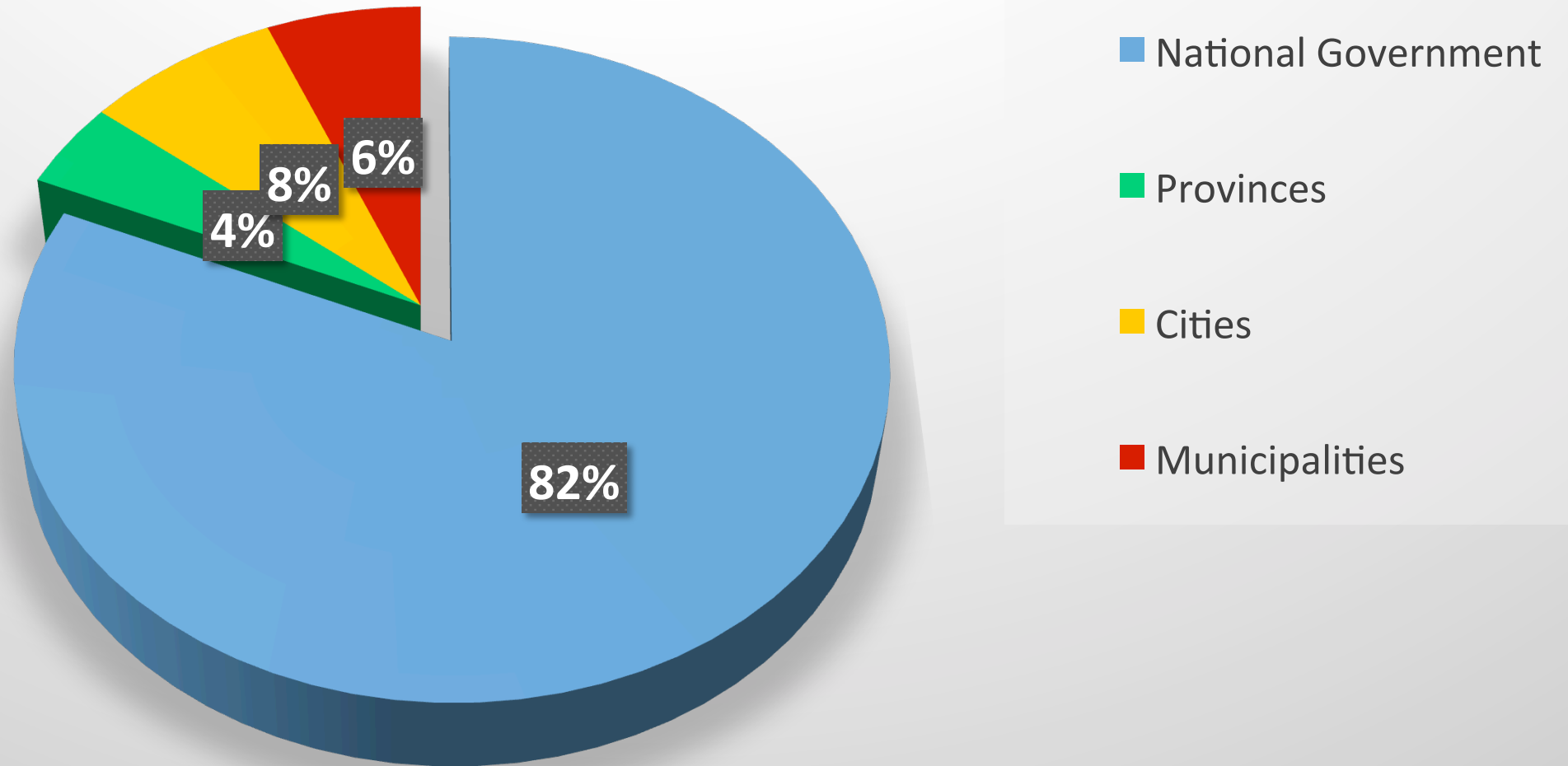
- Mixed results from decentralization.
- Rise of political dynasties with strong links to poverty.
- Perverse center-periphery political/fiscal relationship.



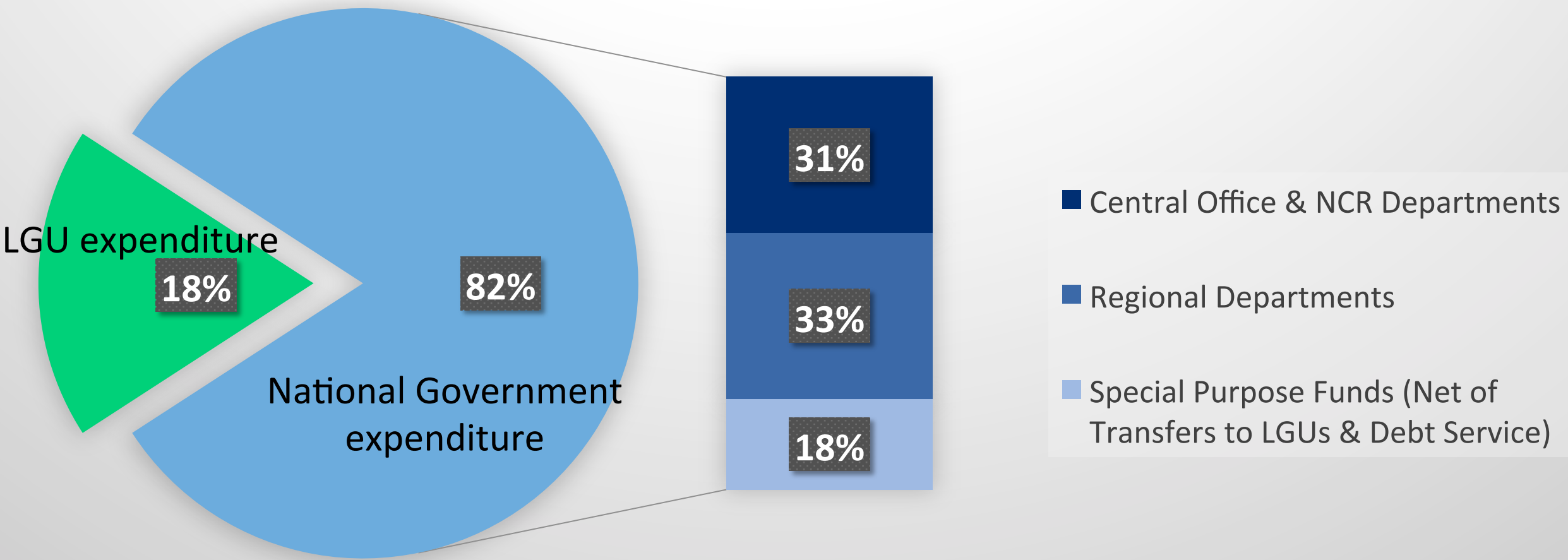
- 
- Beneficiary of a disproportionately larger share of public spending;
 - Controls public spending allocations to the LGUs;
 - Passes on unfunded mandates to the LGUs.

What is “imperial” about Manila?

Revenue composition, by government level (2014)



Government Expenditure breakdown (2014)



Source: Department of Budget and Management, <http://www.dbm.gov.ph/wp-content/uploads/BESF/BESF2016>

The background of the slide is a composite image. On the left side, there is a portion of the Philippine flag, showing the white triangle with the golden sun and three stars, and the blue and red triangles. On the right side, there is a map of the Philippines, with the Luzon island group highlighted in red. The text is centered over the blue and red areas of the background.

60% of GDP
concentrated
in only 3
regions in
Luzon



**OF THE 14 MILLION INDIGENOUS
PEOPLE IN THE PHILIPPINES...**



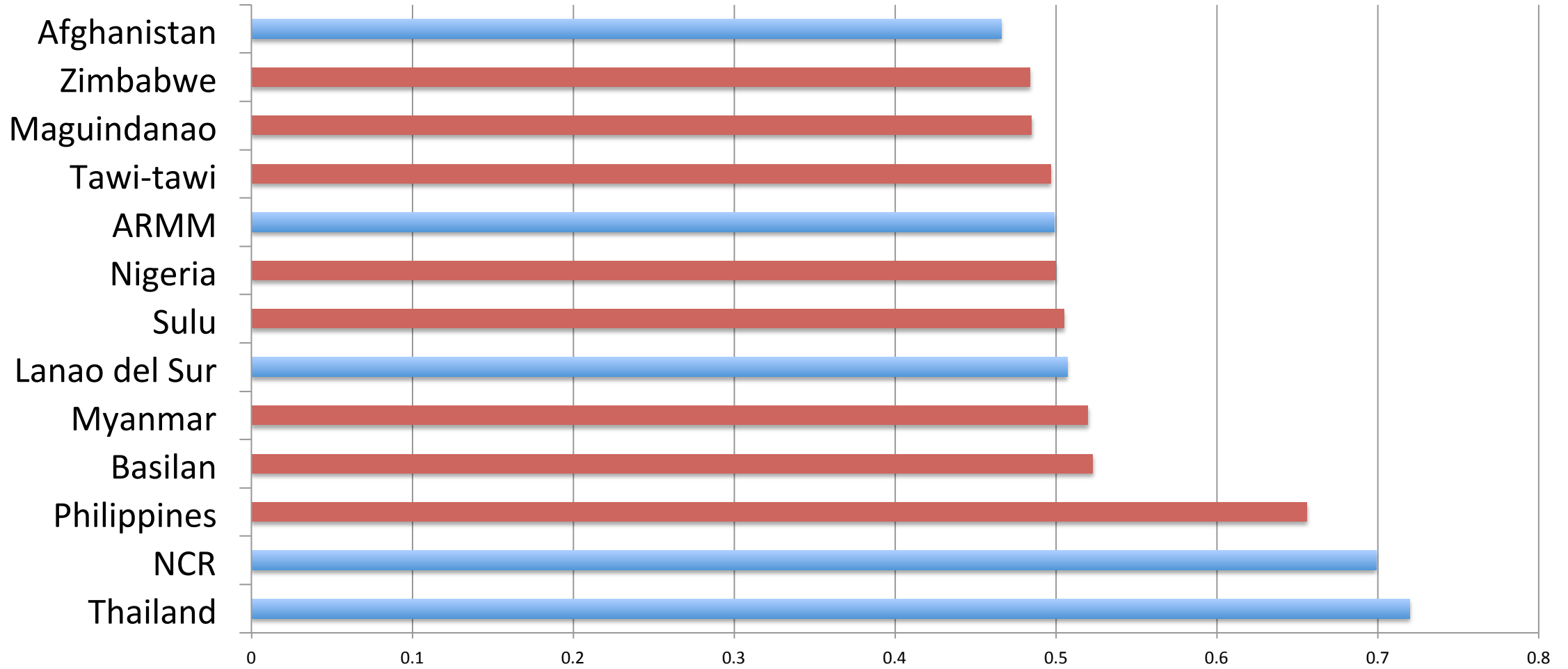
Data from the National Commission on Indigenous Peoples (NCIP)

 **SHARE IF YOU AGREE WITH ANGARA'S PLAN TO BUILD SCHOOLS EXCLUSIVE TO IPs**

**UNEQUAL
OPPORTUNITIES
FURTHER
MARGINALIZING THE
ALREADY MARGINALIZED**

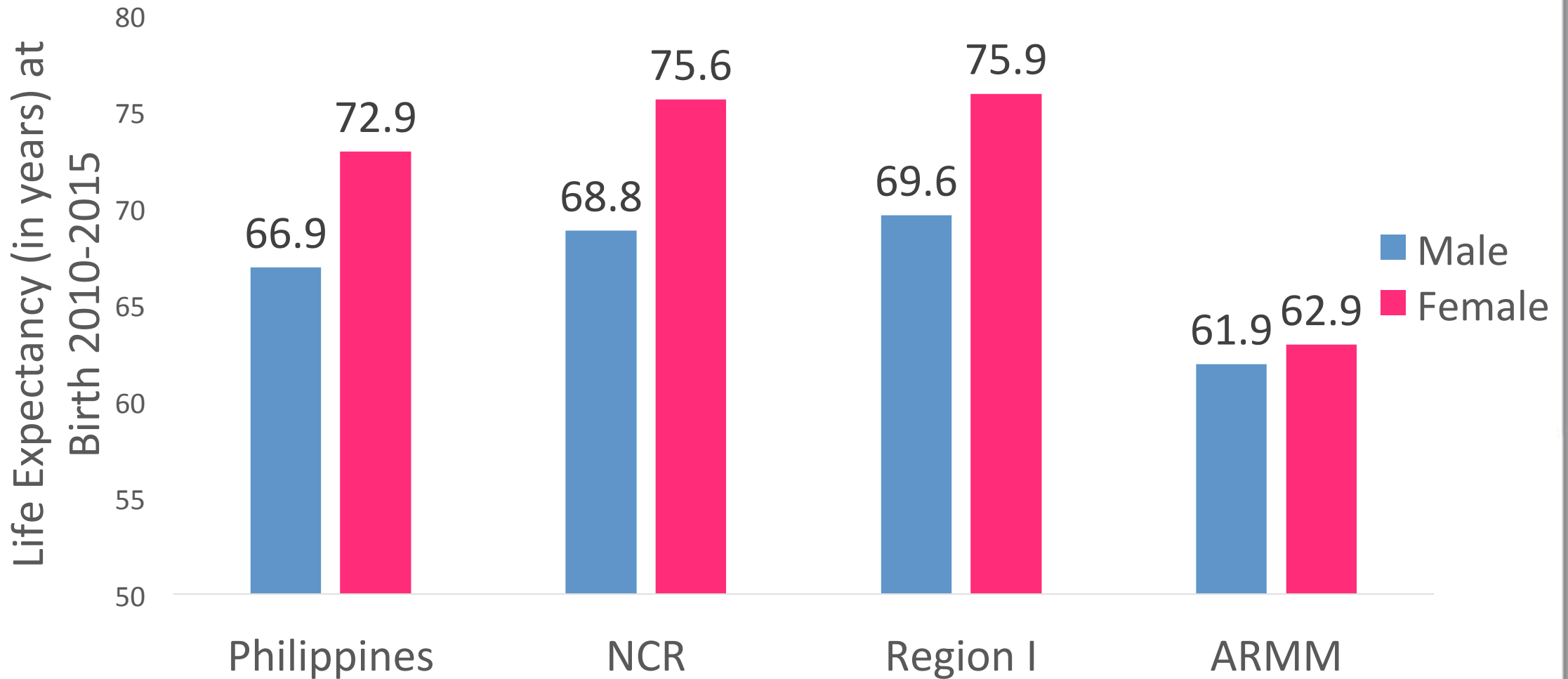


INEQUALITY IN HUMAN DEVELOPMENT





INEQUALITY IN LIFE EXPECTANCY



Seniorita Citizens



Free consultation. Discounts on medication.
Cakes on their birthday. Cash gifts.
And all the movies they want to see for free.
In Makati, life begins at 60.

Ang ganda ng buhay sa Makati



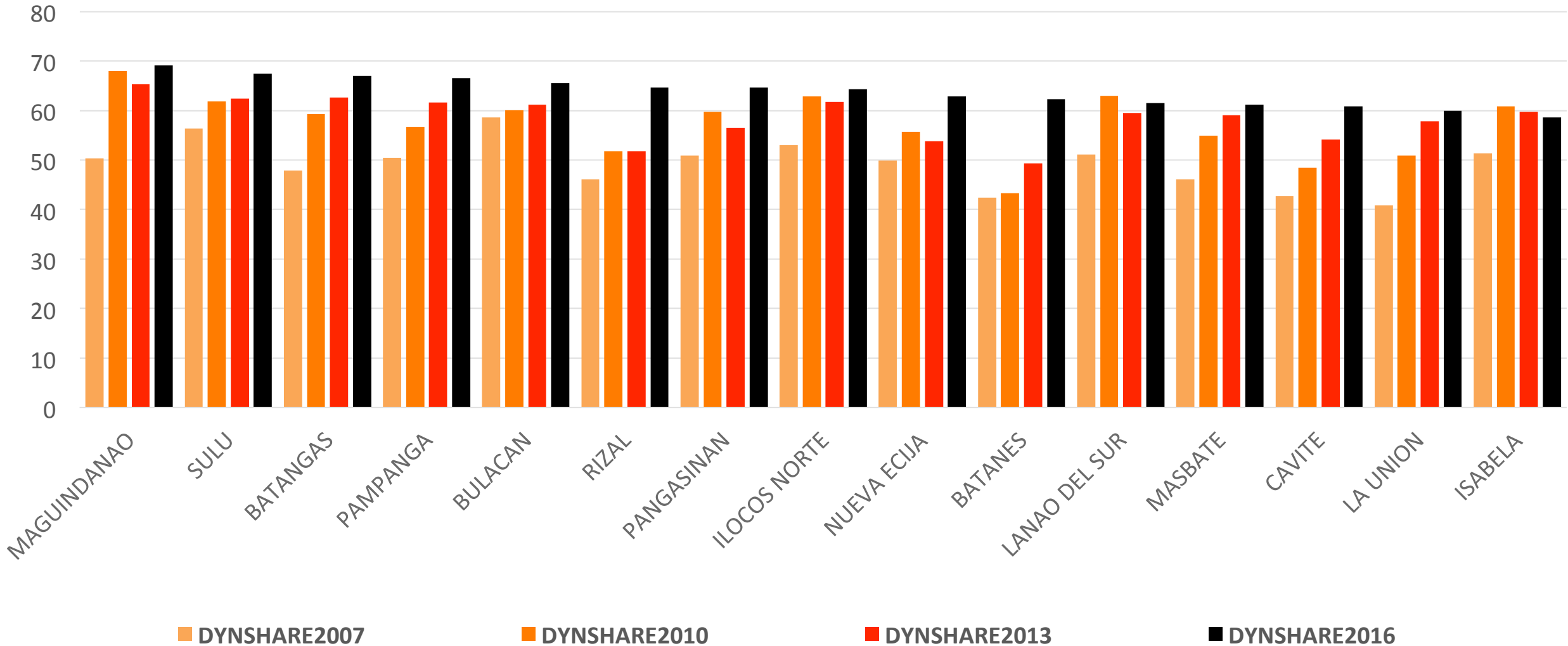
Jejomar Erwin S. Binay Jr.
Mayor

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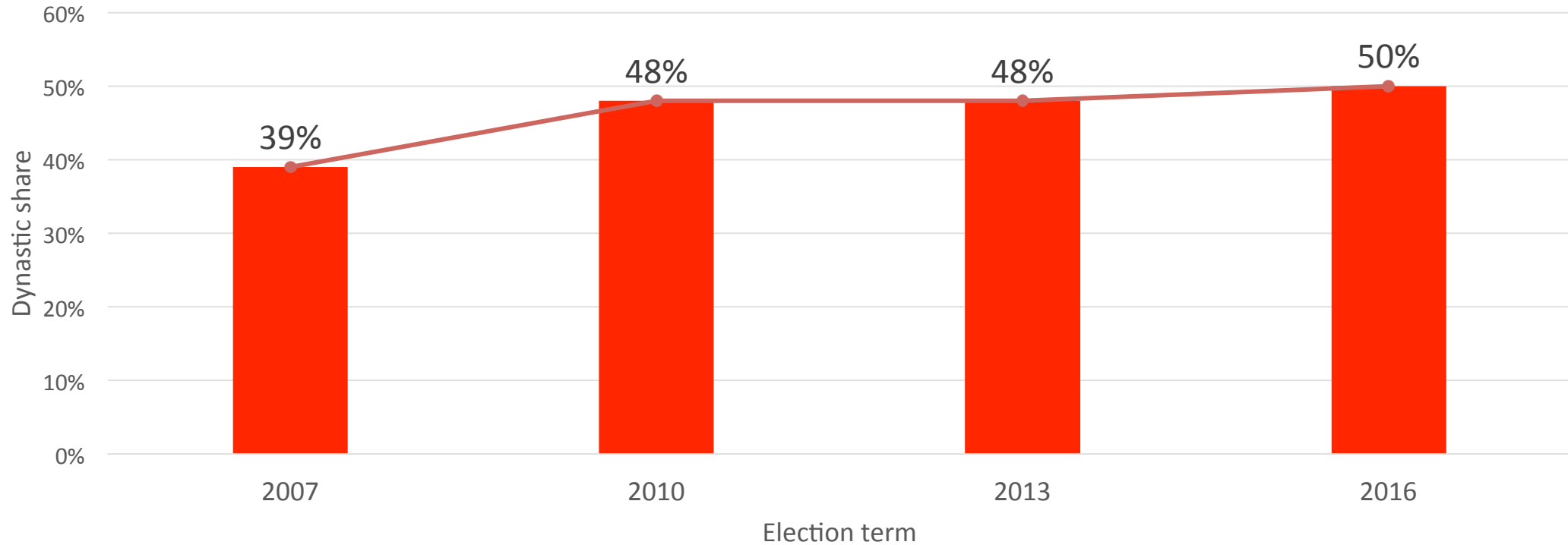
IMBALANCED LOCAL GOVERNMENT FINANCE

Outside imperial Manila: Provinces becoming more dynastic over time?

Dynastic Share across Provinces (2007 – 2016 Elections)



Average Dynastic Share (2007 – 2016 Elections)



The average increase the provincial share of political dynasties in each election year was around 4 to 5 percentage points.

4 Presidents or 8 elections from now, up to 70% of LGU officials will be dynastic.

Average Dynastic Share (2007 – 2016 Elections)

Position	Dynastic share (in %)			
	2007	2010	2013	2016
Governor	69.6	82.3	86.3	81.3
Percentage increase/decrease		12.7	3.97	-5
Vice Governor	62	70.9	75	81
Percentage increase/decrease		8.87	4.11	6.01
Representative	75.3	78.7	75.3	77.5
Percentage increase/decrease		3.44	-3.46	2.25
Mayor	57.6	67.2	67.5	68.8
Percentage increase/decrease		9.6	0.3	1.3
Vice Mayor	40.6	51.2	52.6	56.9
Percentage increase/decrease		10.6	1.4	4.3

81% of Governors. 78% of Congressmen.

69% of Mayors. 57% of Vice Mayors.

CATAINGAN
MAYOR

Antonio Kho



Antonio Kho, an engineer who started as a follower of two politicians allied with Marcos and against the Espinosas, wins a mayoral seat in 1989.

Wilton Kho



Antonio Kho runs for congressman; Espinosa is defeated with Olga as his wife. Olga succeeds him as governor; son Wilton wins as mayor of Cataingan.

DISTRICT
REPRESENTATIVE

Espinosa clan (Third District)



Moises Espinosa, Jr. is eventually assassinated in 2001.

(Second District)



Dr. Elisa Olga Kho

2013
Olga Kho succeeds her husband in Congress

GOVERNOR

Espinosa clan



Antonio Kho wins as governor



The Espinosas have controlled the province since 1930s, with the late Rep. Moises Espinosa Sr. (3rd District) was assassinated in 2001 at Masbate airport.

February 28, 1995

Antonio Kho gets impeached for a bribery case. He is eventually acquitted.

May 2004

Antonio Kho runs for governor but fails. His sister Seachon-Lanete succeeds him in Congress.

2005

Rep. Fausto Seachon, Jr. (3rd District) was assassinated in Calapan City.

2015

Seachon-Lanete survives an ambush attempt in Cebu.

2013

Antonio Kho challenges Seachon-Lanete for governor; he loses.

Masbate

1989

1992

1995

1998

2001

2004

2007

2010

2013

2016

GOVERNOR

2010

Seachon-Lanete defeats Olga Kho for governor

Fausto Seachon, Jr.



Fausto Seachon, Jr. wins a congressional seat

Rizalina Seachon-Lanete



Repeated attempts to ambush Seachon and Seachon-Lanete in 2004 did not succeed

Scott Lanete



2010
Scott succeeds his mother in Congress

Joshur Lanete



Seachon-Lanete's son Joshur wins as mayor of Placer

THIRD DISTRICT
REPRESENTATIVE

PLACER
MAYOR



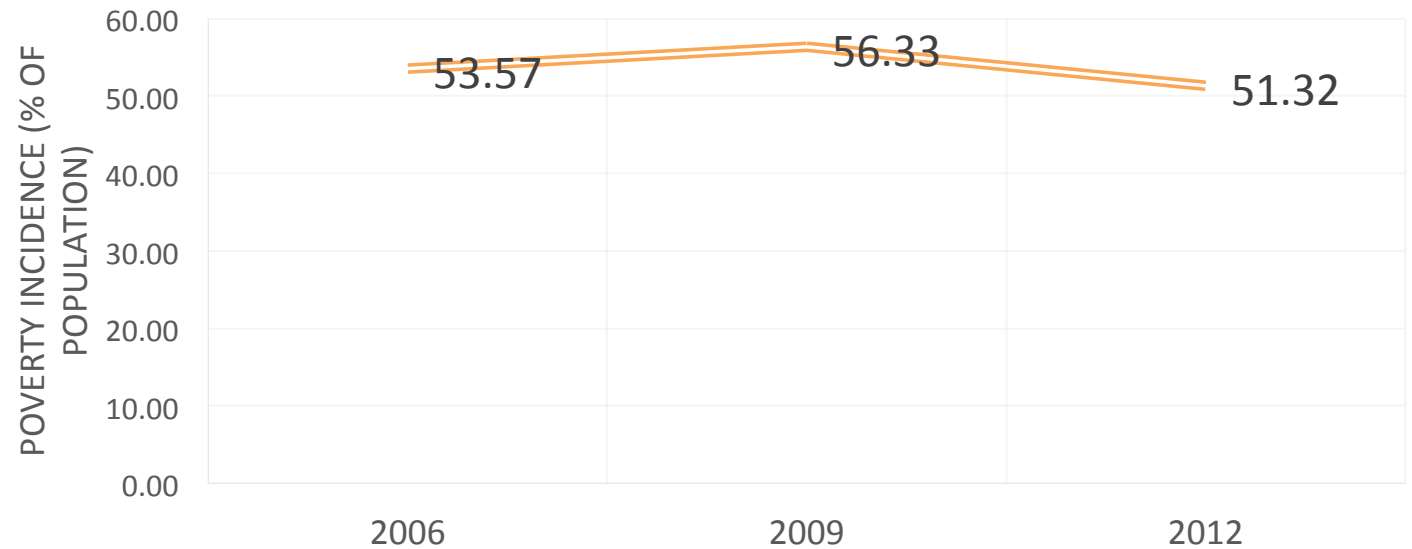
RIZALINA SEACHON-LANETE
governor and dynasty matriarch

Violent political competition in Masbate. Four Congressmen assassinated between 1989 and 2005.

Meanwhile, 1 in 2 Filipinos in Masbate live below the poverty line...



ANTONIO KHO
former congressman and dynasty patriarch



DATA SOURCE: PHILIPPINE STATISTICAL AUTHORITY
PHOTO SOURCE: ABS-CBN NEWS ONLINE

POLITICAL DYNASTIES LEAD TO DEEPER POVERTY

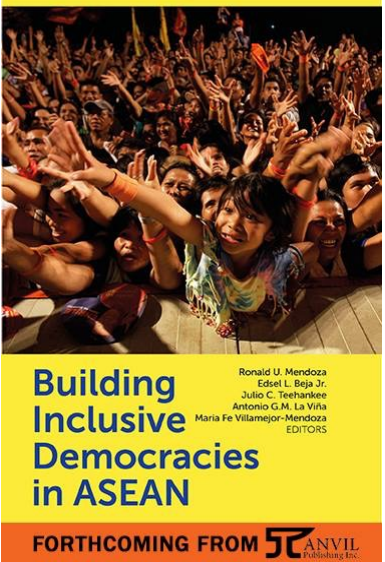
Mendoza, Beja, Venida and Yap (2016) examine the link between poverty and dynasties, using a comprehensive database of political dynasties in Philippine local government covering 2000-2013;

Finds empirical evidence that **more dynasties cause greater poverty, notably outside of Metro Manila.**



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CLAN TIES INFLUENCE DISASTER RECONSTRUCTION SPENDING

Aktinson, Hicken and Ravanilla (2015) study legislators' allocations of reconstruction funds to municipal mayors using data from 2001-2010;

Political connections, **especially clan ties**, increase reconstruction funds allocated to a given municipality;

Results suggest that a more needs-based disaster response may require **placing a limit on political discretion** in the disbursement of post-disaster funds.



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**Fiscal Transfers and Gerrymandering Under
Decentralization in the Philippines**

JOSEPH J. CAPUNO

ABSTRACT While gerrymandering in developing countries is often pushed by local authorities to secure political advantages, fiscal grants systems under decentralization may also result in the same. We investigate this issue to identify the correlates of the growth in the number of cities in the Philippines in 2001-2010. Using a panel of municipal-level data, population pressure is found to be the main factor that drives cityhood. Also, the likelihood of the same ruling political family to remain in office in 2010 is found to be higher in new cities. Reforms in the country's fiscal transfer program are suggested.

KEYWORDS: • fiscal transfers • gerrymandering • decentralization • Philippines

GERRYMANDERING FAVORS POLITICAL CLANS

- Capuno (2013) examined the correlates of the growth in the number of cities in the Philippines in 2001-2010.

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DOI 10.4335/11.3.409-429(2013)
ISSN 1581-5374 Print/1555-563X Online © 2013 Lex localis (Maribor, Graz, Trieste, Split)
Available online at <http://journal.lex-localis.info>.

- Using a panel of municipal-level data, population pressure is found to be the main factor that drives cityhood.
- Also, the likelihood of **the same ruling political family to remain in office** in 2010 is found to be higher in new cities.



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CHASING AFTER PORK

- Pork barrel is not a mere fund in the Budget but **“a series of dynamic processes” of political interaction between the President and local politicians** (Noda 2011).
- Equally distributed resources for the pet projects of legislators, both district representatives and nationally elected solons (i.e., senators and party-list representatives). Noda observed that while the PDAF and its earlier forms “had an ample policy rationale, the **fund turned into a mere cash dispenser for the legislators**”.
- Rested on the power and practice of the President to **release—or withhold the release—of such allocations as a way of securing greater political influence**.



The Legislative Supermajority

THE SUPERMAJORITY

Filipinos at-large have overwhelmingly elected Davao City mayor **Rodrigo "Rody" Duterte** as the country's 16th President.

A **"supermajority"** in the House of Representatives is poised to install Davao del Norte Rep. **Pantaleon "Bebot" Alvarez** as the next **Speaker**.

Koko Pimentel III will be getting the support of the **"supermajority"** as **Senate President** in the upcoming 17th Congress.



Alvarez: 251/297
Congressmen

Pimentel: 20/23
Senators

Analysis of Local Government Finance

- Lack of development towards fiscal autonomy – instead strong evidence of fiscal dependence;
- Even new proposed states will face severe challenges.





IRA Dependence, Provinces

IRA Dependency Rates of Provinces

	1992 (of 73)	1995 (of 77)	2000 (of 77)	2005 (of 80)	2010 (of 81)	2015 (of 81)
< 50%	5	2	1	2	2	1
> 50 %	68	75	76	78	79	80
> 90%	21	22	27	30	20	20



IRA Dependence, Cities

IRA Dependency Rates of Cities

	1992 (of 60)	1995 (of 65)	2000 (of 81)	2005 (of 117)	2010 (of 121)	2015 (of 144)
< 50%	12	16	21	33	32	41
> 50 %	48	49	60	84	89	103
> 90%	2	5 of 65	3	11	11	14



IRA Dependence, Municipalities

IRA Dependency Rates of Municipalities						
	1992 (of 1465)	1995 (of 1546)	2000 (of 1441)	2005 (of 1500)	2010 (of 1491)	2015 (of 1485)
< 50%	147	100	60	80	109	65
> 50 %	1318	1446	1381	1420	1382	1420
> 90%	281	547	615	640	650	620

Reform Challenges

- How to align autonomy with accountability?
- How to boost transfers while also strengthening incentives to pursue fiscal autonomy?



Aligning Resources with Accountability: A Graduation Mechanism

	Poor Governance	Better Governance	Best Governance
Lower Income	Conditional Transfers/Grants		
Middle Income		Unconditional/ Matching Grants	
Higher Income			Debt instruments for LGUs; Municipal Bond Markets

Source: Author's elaboration drawing on Llanto (2012) and Manasan (2004).



Building Inclusive Democracies in ASEAN

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