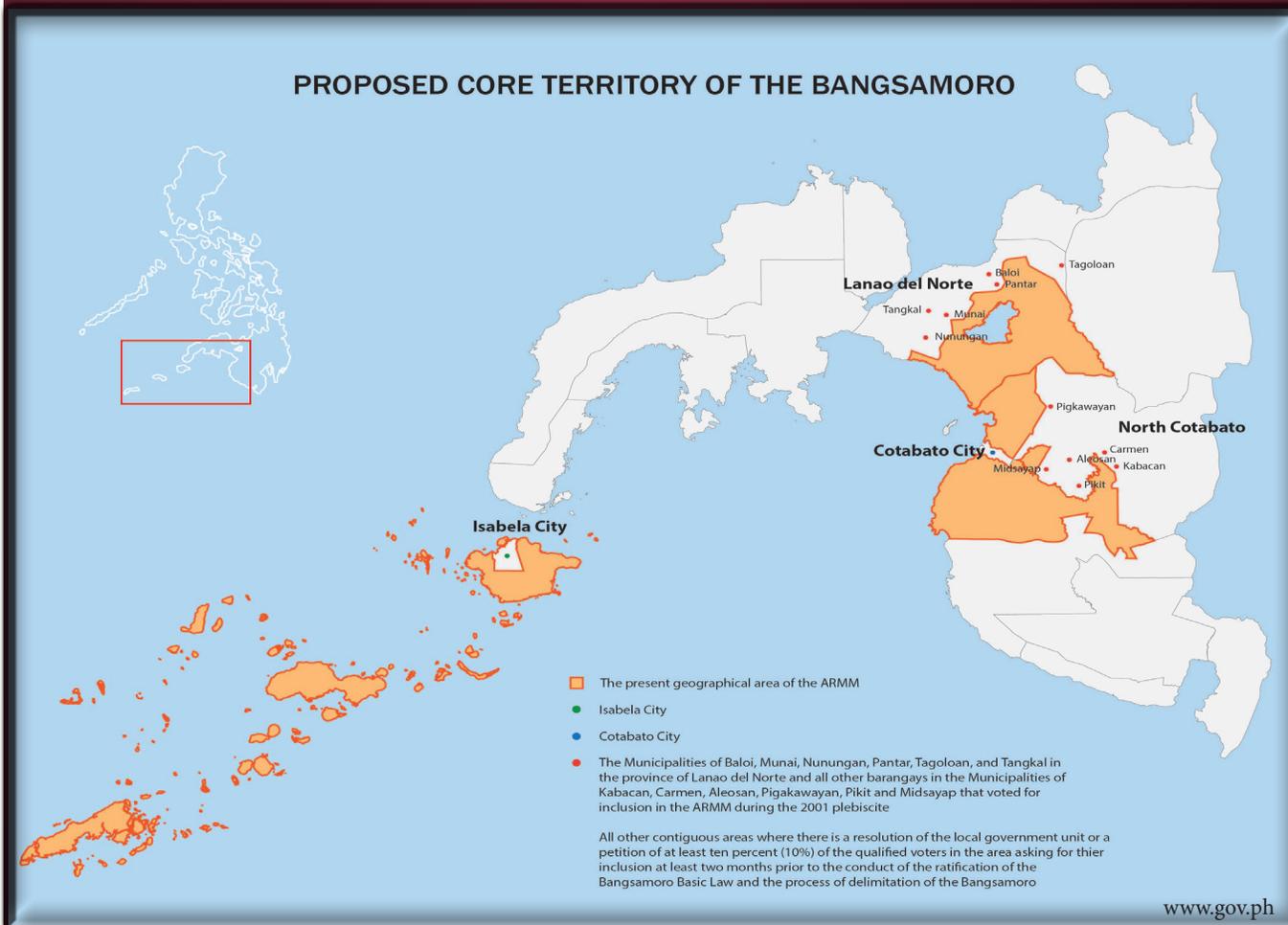


# POLICY BRIEF

## BANGSAMORO, THE DEVOLUTION FAILURE, AND INDIA-STYLE FEDERALISM: A CASE FOR ASYMMETRIC AUTONOMY AND STRATEGIC REAPPORTIONMENT



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The process is moving. Before 2012 ended, Philippine President Benigno Aquino III signed Executive Order No. 120 creating a Transition Commission (TC). The TC will supposedly draft the proposed Bangsamoro Basic Law stipulated in the Framework Agreement between the Government of the Republic of the Philippines and Moro Islamic Liberation Front (MILF).

This is indeed a breath of fresh air to a land scented by the smell of blood and war. GPH Negotiator and now Supreme Court Justice Marvic Leonen, a former Dean of the UP College of Law, was able to garb the whole process with political legitimacy and language of legality. If we are to accept a legal realist position, it is expected that the Supreme Court will decide in favor of ending the conflict and allow the evolution of a legal narrative for self-determination. Insisting on a constitutional change as a requisite to actualizing the agreement may end up compromising the gains for peace.

But no doubt, the implementation of the Framework Agreement will raise questions on constitutionality and the framework's compatibility with our existing unitary system. No doubt, proposals for converting our current form of governance from unitary to federal will once again fill the pages of our dailies. It is inevitable then that we ask: would a shift to a federal system really be better for the Philippines? And if we do decide to shift, what model of federalism should we adopt?

These questions are asked in a context of a widely perceived failure in devolution and trends of increasing recentralization in health, social welfare, and local governance after the landmark Local Government Code of 1991. This essay argues that while federalism can be a plausible model for the country, it should be asymmetrically implemented (giving some territories more liberties than others) - following India's model. A strategic mix of recentralization and devolution, following some principles from the concept of Optimal Currency Areas (OCA) and urban agglomeration, is thus proposed as a way forward in implementing a reapportionment of political boundaries under

asymmetric federalism.

### Framework Agreement and Charter Change

There is a real political context behind asking whether federalism is suited for our country. Important questions on the validity of the whole setup have been raised and there is a real sentiment that the Framework Agreement will only be realized under a new charter:

- Atty. Harry Roque for instance, raises questions<sup>1</sup> on expansion of the Bangsamoro territory, the issue of Bangsamoro having maritime territories that UNCLOS reserves only for states, and the incompatibility of "asymmetrical relations" with the unitary form of government.

- Veteran lawyer Estelito Mendoza points out<sup>2</sup> that like the MOA-AD<sup>3</sup>, Part VII(4)(b) of the agreement leads to the question if the government becomes bound to amend the Constitution to accommodate the parties should the agreement be executed.

- Former UP Law Dean Raul Pangalangan also has issues with the ambiguity of terms<sup>4</sup> used, as well as exempting Bangsamoro from COA's auditing<sup>5</sup> processes.

- Former PMS Chief Rigoberto Tiglao sees the agreement as "dismemberment"<sup>6</sup> because it concedes that Bangsamoro has all the elements of a nation-state; in fact, the term "asymmetrical" assumes the existence of states.

- Sen. Miriam Defensor-Santiago pointed out<sup>7</sup> that the parliamentary form of Bangsamoro governance cannot exist side-by-side with the current presidential form.

It is clear that the underlying current behind all of these is the unitary form of government enshrined in the 1987 constitution. It presupposes that while central government can choose to delegate its powers to Local Government Units (LGU) - as in the case of the breakthrough Local Government Code of 1991 authored

by Sen. Aquilino Pimentel - the central government can choose to revoke it as it wishes. Any autonomy granted to indigenous peoples movements (such as the CPLA) and separatist movements (such as Moro Liberation movements) is subject to the decision of the central government, as represented by its institutions.

The call to transform the unitary state into a federal one runs deep in Philippine history and politics. But it came at its strongest in recent history during the "Hello Garci" political crisis in 2005 that hounded the fledgling presidency of Gloria Macapagal-Arroyo. As a tit-for-tat for his support to defuse the crisis, former President Fidel V. Ramos called for an immediate charter change to transform the current unitary-presidential form of government to federal-parliamentary. Being the cunning politician that she is, Arroyo did convene a consultative commission for charter change headed by former UP President Jose Abueva, but ended up lingering until the end of her term 2010. [See my 2005 blog post: "Changing Gears: Issues on Charter Change" for more details.]

Extra: There is also a more recent clamor from the Senate. Read Senate Joint Resolution 10, filed on April 23, 2008 by 16 of the 24 Senators<sup>9</sup>. Then Sen. Aquino III was part of the sponsors. This was after GMA resurrected calls for Charter Change<sup>10</sup> after surviving the NBN-ZTE deal scandal.

### **Federalism and the Failure of Devolution**

The basis for the call for Federalism is simple: the current unitary system has been ineffective in providing an environment for economic development and political sophistication. A Spanish colonization legacy of the "Imperial Manila", the unitary form of government supposedly stifles local initiatives and developmental tendencies. It is argued that too much centralization of resources through taxes did not result into local agricultural and industrial development. Moreover, it has stifled movements for self-determination in Mindanao and in the Cordillera.

One of its primary champions, former UP President Jose Abueva, said in his briefer on the federal system<sup>11</sup> that federalism "will build a just and enduring framework for peace through unity in our ethnic, religious, and cultural diversity, especially in relation to Bangsa Moro and our lumad/ indigenous peoples everywhere." It will also release local governments "from

the costly, time-consuming, stifling, and demoralizing effects of excessive central government controls and regulation in our traditional unitary system."

Federalism champions have harped on one thing: the unitary system remains to fail in addressing the issue of inefficiency, lack of participation and representation, and weak central government. This underpins the libertarian complaint of the champions of federalism: you can't govern us well, so why should you? Cebu's Lito Osmeña's<sup>12</sup> 1998 Presidential run under the party PROMDI (Progressive Movement for the Devolution of Initiatives) is meant to rouse up the libertarian character of the devolution movement, following Cebu government's successful repackaging of Cebu as economically independent of the Philippines in order to survive the 1997 Asian Financial Crisis.

The assumption behind this is that if we let principalities - in our cases regions or provinces, rule themselves more and make the central administration rule them less, the more developed they become. This echoes the long-running Jeffersonian precept that has ruled agricultural America during from the time of President Thomas Jefferson to President Andrew Jackson<sup>13</sup> - that a government that governs the least is the government that governs the best. But are autonomous principalities really more inclined to develop?

Not everyone is convinced. Another former UP President and political scientist Francisco Nemenzo remains skeptical of federalism, arguing that it will not work "with a government that operates within the context of elite rule. And not when political parties are mere temporary alliances that do not have long-term plans for the country (UP Newsletter, August 2005 p.7<sup>14</sup>)." In a speech<sup>15</sup>, Nemenzo qualifies that he can support federalism "if the aim is to grant autonomy to areas inhabited by integrated and defiant ethnic groups who are used to governing themselves according to their own laws", but he has "little sympathy for granting the same to provinces or regions dominated by political dynasties, whose overlords see in federalism the prospect of carving out independent fiefdoms. That is a formula for weakening an already weak nation-state."

That the Local Government Code of 1991 resulted in the strengthening of political dynasties - the existence of which compromised the central state's monopoly of arms through extensive use of private armies (read: Ampatuan) - speaks a lot about the

applicability (or lack thereof) of federalist governance methods in the Philippines. The experience with the Autonomous Region for Muslim Mindanao (ARMM) is perhaps the most telling: even as it is one of the poorest regions in the Philippines, it remains to have very high inequality, evident with the lavish lifestyle of political clans. [For more details specifically on Maguindanao, READ : "The Structure of Crisis, The Crisis of Structure" at <http://politicsforbreakfast.blogspot.com/2010/05/structure-of-crisis-crisis-of-structure.html> ]

Former DBM Secretary and UP School of Economics Prof. Benjamin Diokno also said that the local government code in fact increased the fiscal burden of the government<sup>16</sup> - with LGUs racing to attain the status of a city in order to get a higher share of Internal Revenue Allotment (IRA). It also fostered dependence as IRA became substitute to local taxation - with IRA's share of total revenues in 2010 pegged 79 percent, 75%, and 50% for municipalities, provinces and cities, respectively.

#### **There are other problems Diokno mentioned:**

- Health, nutrition, and population accounted for less than 10% of total local spending. Spending for social securities, services and welfare is slightly less than 2.5%. More were spent for salaries for officials and employees, and in running the offices. Diokno traces this to the the loose assignment of functions and the propensity of the central government to spend for activities already devolved to LGUs, creating a perverse incentive structure. Diokno asked: "why would the provincial government or city government appropriate money for a local project if senators or congressmen were willing to finance it through their pork barrel allocation?"

- Diokno argued that devolution has not improved service delivery. A World Bank study on decentralization in 1990 reported that Of the 74 provinces analyzed only eight managed to improve their Human Development Index (HDI) enough to move up to the next higher cohort while three provinces actually registered lower HDI scores.

- Diokno also concluded that decentralization did not conclusively improve governance. Another World Bank study of the Philippines and Indonesia "in neither country has decentralization fulfilled the governance goal predicted

by the most optimistic theories" of decentralization. It also reported that "the link between these outcomes and improvements in the accountability of local politicians is weak."

#### **Reversing Devolution, Creeping Recentralization**

With the failure of devolution to address the problems of service delivery and governance, how would we fair under federalism? We don't know yet, but we do know that the government has steadily moved to further strengthen the unitary system. In fact, the response to the failure of decentralized modalities of governance has been to 1) for the national government, expand central control and/or initiate top-down coordination, and 2) for the local government, engage in bottom-up recentralization.

Governance expert and NCPAG Prof. Alex Brillantes notes that local agglomeration has largely followed devolution<sup>17</sup> , which had been a response to avert fragmentation. Island Garden City of Samal, for instance, grouped five municipalities on the island, while city of Sorsogon and municipality of Bakon in Sorsogon province politically merged into Sorsogon-Bakon. Interlocal partnership has emerged in the cases of Metro Naga, Baguio, La Trinidad, Itogon, Sablan and Tuba in the Cordilleras, the Cagayan de Oro-Iligan Corridor, Camanava (Caloocan-Malabon-Navotas-Valenzuela), Cala (Calamba, Laguna), and various provincial and intermunicipal agroindustrial initiative of municipalities in Davao. These emergent partnerships have been proven to be effective, said Brillantes.

The reversal of devolution is also happening at the national level. Ironically the most wide-scale approach to regional central planning was implemented by no less than President Arroyo - supposedly a champion of federalism. Arroyo implemented a "super-regions" development strategy conceptualized by former NEDA Sec. Romulo Neri. It divides the Philippines into four super-regions, which would have agglomerated the 12 regions in the process:

- North Luzon Agribusiness Quadrangle - composed of Ilocos Region (I), Cagayan Valley (II), Northern portion of northern provinces of Central Luzon (III), Aurora (north of Baler), Nueva Ecija (north of Cabanatuan City), Tarlac (north of Tarlac City) and Zambales (north of Subic)

- Metro Luzon Urban Beltway - Southern portion of the northern provinces and the rest of Central Luzon (III), National Capital Region or (NCR), CALABARZON (IV-A) MIMAROPA (IV-B) (excluding the provinces of Palawan and Romblon). This super-region is designed to become a globally competitive industrial and service center.

- Central Philippines Tourism Super Region - MIMAROPA (IV-B) (excluding the provinces of Marinduque, Occidental and Oriental Mindoro), Romblon, Palawan, Bicol Region (V), Western Visayas (VI), Central Visayas (VII), Eastern Visayas (VIII), Camiguin of Northern Mindanao (X), Siargao Island of Caraga (XIII)

- "Agribusiness Mindanao" Super Region - Zamboanga Peninsula (IX), Northern Mindanao (X), except Camiguin, Davao Region (XI), SOCCSKSARGEN (XII), Caraga (XIII), except Island of Siargao, Autonomous Region in Muslim Mindanao or (ARMM).

These attempts to reverse the devolution process is happening simultaneously with what Prof. Diokno calls as "creeping reverse centralization"<sup>18</sup>. Diokno reported that many devolved hospitals were re-nationalized, with regional and lower level hospitals transferred to LGUs during the early phase of decentralization taken back by the Department of Health. The government also invested heavily in strengthening and expanding a centralized social health insurance - the PhilHealth. This resulted to growth of the budget of the DoH despite a standing policy of devolving healthcare. Moreover, there has also been a push for Inter-local Health Zones (ILHZ)<sup>19</sup> to address the dis-coordination resulting from devolution of administrative functions to LGUs.

The same is happening with the Department of Social Welfare and Development (DSWD) which has seen an exponential rise in the budget in order to implement the Controversial Conditional Cash Transfer (CCT). Diokno reported that its 2012 budget of P48.6 billion is thrice of its 2010 budget, and nearly five times of its 2008 budget. A large part of the CCT budget was supposedly earmarked for the administration of the program, whereas going by the spirit of the LGC, it would have been coordinated with social welfare staffs of LGUs.

With the apparent failure of decentralization

and the rational response of reversing devolution, federalism needs some rethinking. On the one hand, the experience of successful local governments like Naga, Cebu, and Davao cannot be discounted, as well as their call for more autonomy. You also have the persistent demand from Bangsamoro and the people of Cordillera - backed by armed struggle - to move closer to self-determination through more autonomy, autonomy that would be provided for by federalism. On the other, you have LGUs like Ampatuan, Maguindanao which for a time has been subjected to Martial Law by the Philippine government to neutralize its battalion of private army thugs. You also have corrupt, patronage-driven LGUs that has grown dependent to the national government.

Would there be a system that incorporates the best features of a developmentalist, unitary government and a dynamic federal system that allows for self-determination?

#### **Middle-way: India-style Federalism and Asymmetric Autonomy**

For models, we can take a look at India. As defined by Part XI of the Indian constitution<sup>20</sup>, India's federalism model very is different to that of the United States. In India, residual powers remain with the central government. This means that all state functions not explicitly devolved to the 28 states and 7 union territories<sup>21</sup> are retained by the "Government of India" which is established as the governing authority of the federal union. So far, this is not off-the-chart - Canada has a similar power-sharing modality in its federal system.

But what distinguishes Indian federalism is its asymmetric nature. Before we see how this works at India, let us let Wikipedia define Asymmetric Federalism first<sup>22</sup>:

Asymmetric federalism or asymmetrical federalism<sup>23</sup> is found in a federation or confederation<sup>24</sup> in which different constituent states possess different powers: one or more of the states has considerably more autonomy than the other substates, although they have the same constitutional status. The division of powers between substates is not symmetric<sup>25</sup>. This is in contrast to a symmetric federation, where no distinction is made between constituent states. As a result, it is frequently proposed as a solution to the dissatisfactions that arise

when one or two constituent units feel significantly different needs from the others, as the result of an ethnic, linguistic or cultural difference.

An asymmetric federation is similar to a federacy<sup>26</sup> where one of the substates enjoys considerably more independence than the others. The difference between an asymmetric federation and federacy is indistinct; a federacy is essentially an extreme case of an asymmetric federation, either due to large differences in the level of autonomy, or the rigidity of the constitutional arrangements. An asymmetric federation however has to have a federal constitution and all states in federation have the same formal status ("state"), while in a federacy independent substate has a different status ("autonomous region").

One can view asymmetric federalism as a limited-type federalism, wherein the center decides to devolve differential powers to states. How does this work in India? Consider Article 370<sup>27</sup> of the Indian Constitution. Article 370 makes special provisions for the state of Jammu and Kashmir - which includes territory disputed among China, Pakistan and India. This provision institutionalizes Jammu and Kashmir's<sup>28</sup> Instrument of Accession<sup>29</sup> - a legal document in 1947 executed by Maharajah Hari Singh, ruler of the princely state of Jammu and Kashmir acceding to the Dominion of India under the Indian Independence Act of 1947.

Notwithstanding the actual policies of the Indian central government, Article 370 limits the power of the Indian parliament to make laws for the state. This is affirmed by Article 5 of the Jammu and Kashmir's State Constitution, enacted on 1956, declaring that that the executive and legislative power of the State does not extend to matters to those under the jurisdiction of the Indian Parliament. Article 5 cannot be amended.

What does this imply? It implies that the Indian central state remains to be the "grantor" of state powers rather than merely a "guarantor". In fact, the Indian constitution is more explicit in this, because under the controversial Article 356 of the constitution, also known as the "President's Rule"<sup>30</sup>, the central government can dismiss a state government and place the state under direct federal rule, or "Bhart's Rule (or central rule)".

This is done if there is a failure of the constitutional machinery in that state, such as when the state legislature is unable to elect a Chief Minister,

breakdown of law and order, rebellion or insurgency, or postponed elections. During President's Rule, the President of India appoints a Governor on the advice of the central government (which is effectively the party in power). The Governor then appoints advisors, usually retired civil servants, to act in lieu of state ministers.

Would this be applicable in the Philippines? We need to take note that when the Philippines was established, we are actually a melting pot of already semi-autonomous peoples. In fact, we have the Cantonal Republic of Negros<sup>31</sup> (República Cantonal de Negros) declaring independence simultaneously with the Philippine republic. It does not need a stretch of imagination to see that this not unlike the case of India in 1956. But without formal "accession" arrangements, we laid the ground for the emergence of separatist insurgencies launched by movements such as the MNLF, MILF and the Cordillera People's Liberation Army (CPLA)<sup>31</sup>. Peace since then has been elusive.

Can the Indian model of asymmetric autonomy be applied retroactively? Bangsamoro would be a good test case, if the constitutional issues will be resolved and political legitimacy will be established. It is effectively, notwithstanding how the Supreme Court, Congress, and the executive will recognize it, an asymmetric federal system, with Bangsamoro being "granted" certain liberties by the Philippine central state, including the liberty to exercise a parliamentary form of government rather than subject itself to the straight-jacket of the 1991 LGC.

But why not total federalism? In an ideal scenario, allowing local governments determine the development policies and political process of their own territories is a sound and just strategy for national development. But unless we fix these LGUs, build strong and participatory institutions and future-oriented local planning apparatuses, and mobilize and empower the grassroots towards a more vigilant stance on political dynasties and patronage politics - in other words, bring them closer to Robredo's "Naga-model" - the symptomatic tendencies towards recentralization will always be there. Any autonomous governing body derives its legitimacy from desirable social and economic outcomes. Autonomy is not for all.

So for LGUs which will not be covered by our "historical struggle for self-determination" criterion (e.g. Bangsamoro, Cordillera) following the accession

models in India, we can add another one - capacity for "sustainable and effective autonomy". Using this criterion, urban conurbation such as Mega Manila, Metro Cebu, Metro Davao, Naga, etc. can be considered as viable candidates as recipients of more autonomy, having performed well in the past.

A good transitional model of asymmetric autonomy for unitary systems that the Philippines can use is the Special Administrative Regions (SAR)<sup>33</sup> of China (which set up Hong Kong and Macau as SAR). While China is not a federal system, it has given special economic and political powers to Hong Kong and Macau. The Philippines can do the same for metropolitan agglomerations (to be discussed later) like Metro Cebu and Metro Davao.

### **Strategic Reapportionment: Re-parceling the Philippines**

This brings us to another problem - how do we parcel the Philippines into candidates for autonomous regions? For now, what we have is the "regions" system<sup>34</sup> established by Presidential Decree No. 1 on September 24, 1972 as part of President Ferdinand Marcos' Integrated Reorganization Plan of 1972. The Philippines was parceled into 11 regions. Since then, various executive orders as well as laws creating the ARMM and the CAR were implemented, and we end up with 17 regions in total.

Because of the country's unitary system, these are merely administrative regions, and do not have their own governments. Instead, what we have are Regional Development Councils (RDC) first established by Letter of Implementation No. 22 issued on December 31, 1972 still pursuant of Marcos' integrated reorganization plan (later reestablished by Article X, Section 14 of the 1987 Philippine Constitution). RDCs coordinate and set the direction of all economic and social development efforts in the region, and harmonizes local development efforts with the national plan by NEDA.

For "special regions", there are other governing bodies. For CAR, what we have is the "Cordillera Executive Board" (established by EO 220 series of 1997) later replaced by "Regional Development Council in the Cordilleras"<sup>35</sup> (EO 30). For ARMM, we have the "Regional Planning and Development Board" (established by RA 6734). For the National Capital region, we have the "Metropolitan Manila Development Authority"<sup>36</sup> (created under RA 7924).

Is the system working? Earlier, we already found out that decentralization resulted had a differential effect - a high-income Cebu on one hand and an economically-devastated ARMM on the other. Given that the way the country had been divided into regions did not seem to give us a satisfying result, it will not serve us good to use the existing regional system as a basis for parceling the Philippines into different autonomous (or semi-autonomous) territories.

Thus, there is a need to find out optimal political-economic subdivision before planning a transition to an asymmetric federal system. One must consider how existing political units connect with each other in terms of demographics, migration traffic, trade, and various socio-economic activities, in consideration of dispersion and location of existing government structures.

How do we determine the optimal reapportionment<sup>37</sup>? We can gain insights from a field of study called Optimal Currency Areas<sup>38</sup> (OCA). With the emergence of regional economic integration projects such as the European Union (EU), African Union, and ASEAN, one of the questions that preoccupy macroeconomists today is how to determine the geographical region in which it would maximize economic efficiency to have the entire region share a single currency. As it turned out, this is a difficult problem, with various proposals, mostly in the context of stability of the aggregate region if subjected to external shocks:

- Labor Mobility. Mundell (1961) asserted that the higher the labor mobility of a region, the less permanent shock-induced unemployment will be, making the region stable for a common currency.
- Trade. McKinnon (1963) suggested that we use as criterion the openness of an economy as measured by the ratio of tradable to non-tradable goods because the more open the prospective members are to each other, the more incentive they had to merge in a common currency.
- Product Diversification. Kenen (1969) asserts that fixed rates are best for well-diversified economies. An aggregate economy with a high degree of diversification is less vulnerable to shock because as diversification increases, affected products will make up a smaller share of total exports.

- **Inflation Rate Similarity.** Ishiyama (1975) argues that similar inflation rates would also be a criterion because divergent inflation rates will cause purchasing powers of two countries to diverge, which will have to be corrected by a change in the exchange rate.

Redefining the country's political boundaries can proceed in a similar manner. In the context of our proposal for asymmetric federalism, replace "common currency" with "common regional development authority" or "common state government" and one will quickly notice that labor mobility (we can take road connectivity or migration as a proxy), intra-trading, product diversification, and similarity in inflation rates are all valid criteria for merging cities and municipalities into new, redefined "economic regions" as basis for political partitioning. After all, economic stability (which is a offshoot of the OCA criteria) is a logical factor in effective local governance.

### **Urban Agglomeration as Political-economic Centroids**

The first step is to know where people are, where people go, and what they do together. This will be a more natural and logical way to group them. As we will elaborate later, these "conurbations" may not necessarily follow political boundaries, and this necessitate reapportionment - a valid one, unlike one that is perceived as gerrymandering<sup>39</sup> as in the case of the proposal for a Nueva Camarines<sup>40</sup> which was heavily opposed<sup>41</sup> (but there are positive views, like the one here: <http://mb.com.ph/node/332095/nueva-camarine#.UOZz26YY4V8>).

This is where the urban agglomerations<sup>42</sup> come in. The theory is simple - people naturally gravitate to cities due to opportunities of higher income, either due to available employment opportunities or higher wages. A famous economic model by Nobel laureate William Arthur Lewis called the dual-sector<sup>43</sup> economy predicts that this is due to availability of large surplus labor in the agricultural sector, driving agricultural wages down relative to that of the manufacturing/service sector in the cities. All you need to have an initial urban area, and it will siphon off population of adjacent rural areas.

Why do cities earn more income than rural areas? Increasing density of available labor force, establishment, and knowledge allows for increasing

returns to scale and network effects. The Wikipedia page on economies of agglomeration<sup>44</sup> succinctly puts it:

"As more firms in related industries cluster together, costs of production may decline significantly (firms have competing multiple suppliers, greater specialization and division of labor result). Even when multiple firms in the same sector (competitors) cluster, there may be advantages because that cluster attracts more suppliers and customers than a single firm could alone. Cities form and grow to exploit economies of agglomeration."

In the Philippines, this is partly true, but there is another factor involved. Due to the perverse "cityhood" incentive of increased internal revenue allotment, LGUs scramble to convert agricultural land to commercial areas - facilitating a physical retreat of the agricultural sector (in other developed countries, you have "greenbelts" to limit urban size). Also, due to lack of cheap housing, urban workers (as well as the unemployed) are forced to reside to peri-urban areas in the boundaries of the cities - "urbanizing" those areas and resulting to city expansion. These two factors lead to creation of Philippine megacities<sup>45</sup> - metropolitan behemoths with either extremely high population density or extremely fast growing population.

The Philippine Institute for Development Studies (PIDS), in a policy note "Metropolitan Arrangements in the Philippines: A New Urban Development Challenge<sup>46</sup>" issued on December 1998 (derived from a paper by Ruben G. Mercado and Rosario G. Manasan), identified several of these emerging "metropolitan arrangements" or conglomeration of a highly urbanized city and and LGUs contiguous to it - a phenomenon seen by some as a threat to decentralization:

- Metro BLIST<sup>47</sup> (formerly Metro Baguio) stands for Baguio, La Trinidad, Itogon, Sablan and Tuba. The area has also been identified as a major component of the North West Luzon Growth Quadrangle.

- Metro Manila<sup>48</sup> came about as a conscious policy decision at the national level. A referendum paved the way for Presidential Decree 824 in 1975 which gave Metro Manila its present jurisdiction and created the Metro Manila Commission (MMC).

- Metro Naga<sup>49</sup> Naga City spearheaded the conceptualization of a Metropolitan Naga Development

Program (MNDP) which provided the framework for the development of the area composing Metro Naga and the required organizational machinery to orchestrate the development activities identified.

- Metro Cebu<sup>50</sup> Many infrastructure projects in Metro Cebu were carried out under the Central Visayas Regional Program. In 1997, the Regional Development Council for Central Visayas passed a resolution creating the Metro Cebu Development Council (MCDC).

- Metro Iloilo-Guimaras<sup>51</sup> (MIG) / Iloilo-Guimaras Metropolitan Area is a metropolitan area encompassing the highly urbanized city of Iloilo City, the Regional Agro-Industrial Center of Pavia, the towns of Oton, Leganes, Santa Barbara, San Miguel and the neighboring island of Guimaras.

- Metro Cagayan de Oro<sup>52</sup> is a product of the integrated area development (IAD) approach. Metro CDO was packaged as an SDP of which the Cagayan de Oro-Iligan Corridor (CIC) Project is a major component.

- Metro Davao<sup>53</sup> refers to Davao City and the three provinces surrounding it: Davao del Norte, Davao del Sur and Davao Oriental. The Regional Development Council of Southern Mindanao proposed a development project encompassing all the Davao provinces calling it the Davao Integrated Development Program (DIDP).

These metropolitan arrangements - largely a product of informal urban conurbation due to agglomeration - can serve as political-economic centroids of future autonomous regions. Imagine, for instance, the entire Central Visayas acting as an autonomous region with Metro Cebu as the political and economic center, or the Metro Luzon Urban Beltway super-region with Metro Manila as its capital. It might be a more logical way to reorganize the Philippines.

There is another reason why urban agglomeration can be a useful guide for reapportionment. Consider for instance the tight supply chain network of Metro Manila and Bulacan and Laguna in the fast-food franchise business. Or Baguio's position as a commercial hub for Benguet<sup>54</sup> - with many of many of the agricultural and mining goods produced in Benguet passing through Baguio for processing, sale or further distribution down

south. Or the Cebu-Bohol trading<sup>55</sup> facilitated by Roll-on/Roll-off ferry services.

These and many more are examples of conurbations<sup>56</sup> scattered across the Philippines, tightly linked by intra-area trading (whether for consumption or as part of a supply chain) and usually characterized by product diversity. They are no different from, say San Diego-Tijuana<sup>57</sup> conurbation (which does not follow national boundaries) as well as Taiheiyō Belt<sup>58</sup> in Japan.

To know these conurbations, we can check on statistics on commodity flows and domestic trade<sup>59</sup> and see adjacent regions with high trading (although as we said trade may not follow political boundaries). Successful OTOP (one town - one product)<sup>60</sup> LGUs can also serve also serve as a possible sign of emerging Philippines conurbations.

These conurbations (which naturally follows urban agglomeration) can be a basis for reapportioning the Philippines into a new set of competitive and dynamic regions. Of course, there is also a danger of being overtly competitive to the point that it compromises national interest. Consider for instance, Cebu's branding itself as a separate economy amid the 1997 Asian Financial Crisis. Taking it to extreme, we may see the worsening of regional turfing in the Philippines, similar to the the emerge of regional protectionism among provinces of China<sup>61</sup> which derailed some economic policies<sup>62</sup> of the Communist Party.

### Summary, and Moving Forward

The Bangsamoro discussion will probably rage on after the 2013 elections, and with it will emerge proposals to begin our transition to federalism. There will be a lot of political noise, but we should not be blind-sided by these. We should focus on the important discourse points - 1) is federalism a better system for us, 2) if yes, what type of federalism should we implement, and 3) how should federalism be implemented i.e. what should be the "federal units".

The point of the article is simple - if we are going to "federalize" our structure and replace our current unitary system, a plausible model is that of asymmetrical federalism similar to India's in which different levels of autonomy are granted to different areas based on the prerogative of the central government. The level of autonomy can then be granted based on two criteria:

1) historical struggle for autonomy (e.g. Bangsamoro, Cordillera) and 2) capacity for sustainable autonomy. The latter is determined by strategic reapportionment, informed by insights from OCAs and urban agglomeration

So how do we proceed? We can think of at least three ways. First is to finalize the Bangsamoro Framework Agreement to create the Bangsamoro Basic Law. Once this is finalized, then this can serve as a pilot for future autonomous regions. On this note, it is crucial to make sure that the Bangsamoro region will indeed be an economic success, and for that to happen, the central government must fulfill the requisites<sup>63</sup>.

Second, we can implement a limited and transitional version of asymmetric autonomy, and this can be done through asymmetric devolution i.e. devolving more powers to LGUs depending on its performance.

We can explore a Regional Budget Allocation Scheme (RBAS) similar to that developed by the Ramos administration which pushed for regional block funds in 1995. Ruben Mercado of PIDS wrote in a paper "Regional Budget Determination and Allocation: A Policy Revisit"<sup>64</sup> of the RBAS experience. During that time, RDCs complain that "actual budget allocations for regional office of government agencies are not consistent with the annual investment program of their regions and the regional budgets they have endorsed". To address this, Ramos launched the RBAS wherein the Development Budget Coordination Committee (DBCC) shall set aside a Regional Allocable Fund (RAF) - allocated to the 15 regions - to fund programs and projects deemed by the RDCs as priority in their respective regions. These programs cover "priority inter-provincial and inter-regional projects which are not usually picked up for funding by the local government and/or national line departments".

RBAS is a step higher from the RDC consultations for budget of national government agencies, which is just limited to reviewing the allocations determined by the agencies' central office. It had a good run, until it was stopped due to a perception by legislators that it is an

electioneering strategy. There are also other problems. RAF was allocated based perceived need (the formula is as follows: 50 % - poverty incidence, 25 % - population, 25 % - equal sharing), and not on performance.

Why not have a "Performance-based Regional Budget Allocation Scheme" (PB-RBAS)? The government can choose to implement the RBAS in areas which had good social and economic indicators. We can start with those which had been able to obtain DILG's seal of good housekeeping<sup>65</sup>.

[Right now, there is a "participatory budgeting"<sup>66</sup> scheme called "Bottom Up Budgeting"<sup>67</sup> implemented by DBM (DSWD has also been implementing earlier a similar scheme under the KALAHI-CIDSS<sup>68</sup> project, which allows citizen groups to determine where a certain sum of government subsidy is to be spent. We can start with this.)

Third, we have to revive the clustered development strategy which has not been reflected in NEDA's Philippine Development Plan (PDP) under Director General Cayetano Paderanga. DG Neri's super-region strategy must be restudied, with elements incorporated in a revised PDP under Balisacan. Unfortunately, the Aquino administration seem to be hesitant (understandably) in continuing the controversial programs of the Arroyo administration, regardless of its merit.

We can start with some of things the Aquino administration is doing, and integrate a "clustered development" approach in them. For instance, the Palace has pushed for a National Land Use law<sup>69</sup> (a beginning of a "zoning" effort) which was recently passed by the House of Representatives<sup>70</sup>. NAPC has also currently been doing some "economic geography"<sup>71</sup> work<sup>72</sup>. We can also maximize the ongoing discussion on Nueva Camarines as a cue to widen the discourse on reapportionment. These initiatives, when combined with a currently a popular wave of urban planning advocacy by the likes of Paul Alcazaren<sup>73</sup> and Felino Palafox<sup>74</sup>, will push for a national sense of developmental geography.



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