

Securing the Future of Cities in the Philippine Federalization Agenda:

A City-Level Examination of the Philippines' Tentative Roadmaps for Federalism

Introduction

In 2022, the Philippine Government targets a complete transition from unitary to a federal system of government (see DILG Core Group on Federalism, 2017). The popularity of President Rodrigo Roa Duterte has brought the country to this historic turning point. Local Government Assistant Secretary Jonathan Malaya, a proponent of Philippine federalization, considers the continuing political success of the President, whose campaign cornerstone included a planned shift to a federal form of government, as an indication of the positive reception of the people to the 'change' the administration is pushing (Malaya, 2017)

On the ground, political and non-partisan groups respond to the rallying call of the administration by continuously rolling out information on federalism across the country. Regardless of the intent of their effort, its lack of synchronicity has caused confusion at such a critical time of decision-making. Amidst the preponderance of information on federalism coming from all directions, local chief executives have repeatedly called for a systematic discussion on the subject matter that specifically responds to the local governments' concerns, issues, and reservations. For instance, during the *Sulong Pilipinas* Local Governance Discussion in 2016, representatives from local government units (LGUs) called for an in-depth dialogue with the national government to flesh out the details of the federalism roadmap (Union of Local Authorities of the Philippines ULAP, 2016). City mayors have raised the same concern during the 2017 National Executive Board and General Assembly of the League of Cities of the Philippines (LCP, 2017).

The ongoing attempt at changing the system of governance in the Philippines provides a rare opportunity to restructure the relationship between its local and national governments. Cities, in particular, must develop a coherent stand in order to reap the potential gains of federalization for their constituents and the entire country. Consistent with the commitment of the League of Cities of the Philippines (League, for brevity) to remain at the forefront in the pursuit of genuine local autonomy, it manifested its support to Constitutional reform and the proposed shift to a federal form of government. The League continuously seeks to strengthen its advocacy and to proactively initiate in putting forward the interests of the cities in the national discourse on federalism.

Given the above rationales, this discussion paper serves as an aide to local chief executives to effectively participate in the ongoing discussions on federalism, by providing some inputs as they articulate and

substantiate positions that they deem beneficial for cities in general. In this regard, this discussion paper sets the following objectives:

- Map out key policy issues in Philippine local governance and argue how it could be solved most effectively by a constitutional reform.
- Identify major actors in the ongoing constitutional reform and explain their interrelationship in delivering a draft federalist charter for the country.
- Explore Resolution of Both Houses (RBH) No. 8 and the PDP-Laban federalism templates at the scale of cities and local government in general. This will be done from the standpoint of ‘city-focused federalism,’ which is presented in a succeeding section.
- Discuss the findings and present recommendations in terms of advocacy, further amendments, and preparation for the change in the system of governance.

Focus is given to RBH No. 8 and the PDP-Laban federalism roadmaps considering the important role their proponents play in the Philippine constitutional reform. Nevertheless, it is possible that the final Philippine Federalism model will be a combination or nothing of both, considering that major actors in the ongoing constitutional reform are still in the process of deliberating the final provisions. For cities, what can be done is to identify applicable provisions from the two documents, arrive at a unified position for advocacy, and substantiate such stance with contexts and evidence, hence the purpose of this discussion paper.

The Need for Lasting Reform: Present Realities of Local Governance in the Philippines

Despite the enactment of Local Government Code (LGC) three decades ago, ULAP Vice-Chairperson and Isabela Vice Governor Antonio Albano observed that many local governments have not experienced substantial economic growth and, consequently, have remained dependent on the internal revenue allotment (IRA) and support from the national government to fund their daily operation and other devolved functions (ULAP, 2018). The 1991 LGC, the Philippines’ banner decentralization policy failed to distribute political and economic powers that have evidently resulted in an uneven economic development and public service outcomes, as will be discussed in this section. Accordingly, Philippine authorities are underway in rewriting the 1987 Charter with the announced aim of diffusing the concentration of these powers.

Under the current set up, taxes collected nationwide and proceeds from government borrowing are pooled and distributed to different public services across different levels of government in the national budget. The national government deals directly with third-tier local governments (i.e., cities and municipalities) in the provision of national-level services and transfers to local governments. In theory, such a centralized fiscal

system enables government revenues to be distributed so that inequality between localities are minimized (City Growth Commission/CGC, 2014).

In practice, however, economic inequality is very evident at the subnational level. The city and municipal poverty incidence map below (see Figure 1) show a concentration of the poorest LGUs in Mindanao. Meanwhile, LGUs with lower rates of poverty incidence appear to cluster in Luzon. Through time, it can also be observed that the rates of poverty incidence of LGUs in Mindanao are increasing. An opposite trend can be inferred for Luzon and Visayas. There appear to be more green-shaded areas in Luzon and Visayas in 2012 than in the two previous years, indicating that the poverty condition of the LGUs in the two major island groups is improving.

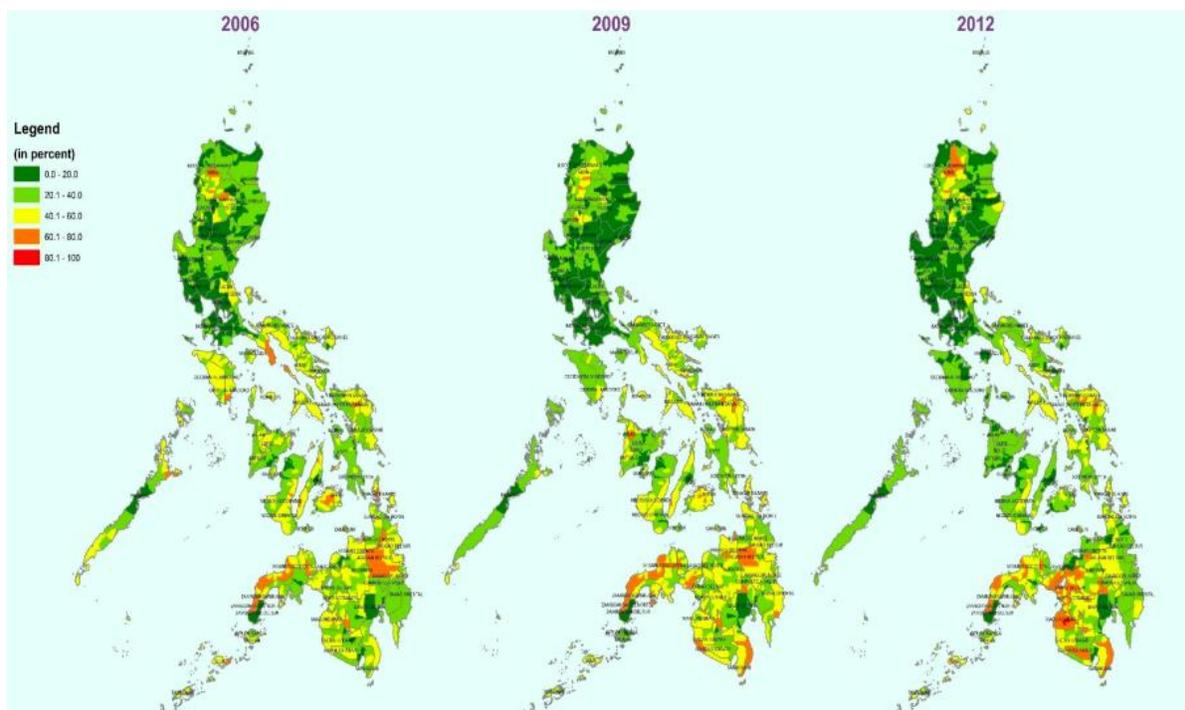


Figure 1. Poverty incidence of cities and municipalities
Source: Philippine Statistical Authority (2012)

The same observations can be said specifically about cities. As shown in Figure 2, Mindanao has the highest average city-level poverty incidence rate, meaning the poorest of the cities in the country are located in the southern Philippines. The Visayas closely follows with just a difference of 3 percent. The richest of the cities, in terms of lower poverty incidence rates, can be found in Luzon.

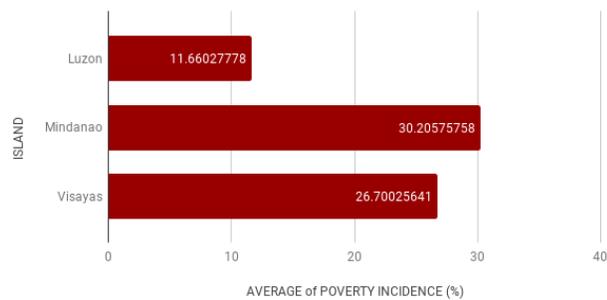


Figure 2. Mean City-Level Poverty Incidence per Major Island Group, 2015
Data Source: Philippine Statistical Authority (2012)

Dr. Romulo Miral, Executive Director of the Congressional Policy and Budget Research Department (CPBRD) attributed such persistent poverty situation to a highly centralized government structure, giving rise to a substandard quality of government services (CPBRD, 2018). As shown Figure 3, the portion of LGUs in the total expenditure has been quite minuscule. Notwithstanding the passage of the LGC in 1991, there has not been a substantial increase in the local government share in the years to follow. The fact that local government access funds from a common pooled resource is also an exacerbating factor because it means that the consumption of the resource by an LGU reduces the amount available to others. Actors are thus inclined to maximize their share in the common resource pool. Worse, the common pool resource creates a condition where corruption could be tolerated, and patronage politics and political dynasties may thrive (CPBRD, 2018).

New provinces, cities, and municipalities are created as a way of securing more funds from the national government budget (Miral, 2018a). Existing cities, in particular, are under threat of decreased IRA because of the so-called Cityhood Bills. These bills seek to amend Section 450 of the LGC by exempting municipalities earning 250 million annual income from the land and population requirements to become a component city (e.g., Senate Bill Nos. 233, 643, and House Bill No. 4149), and those facilitating the immediate cityhood of capital towns of cityless provinces. During a legislative hearing of the cityhood bills, LCP National President Angeles City Mayor Edgardo Pamintuan capture succinctly the fiscal implications of such legislation to exiting cities:

Many old and small cities still struggle with their budgets, forcing them to rely on their IRA allotments which will decrease as new cities increase in number. On the other hand, a new city even with a very small population gets the bonanza of increased revenues largely because of increased

IRA, as compared to when they were still municipalities, while the old small cities are at the losing (LCP, 2018 para 3).

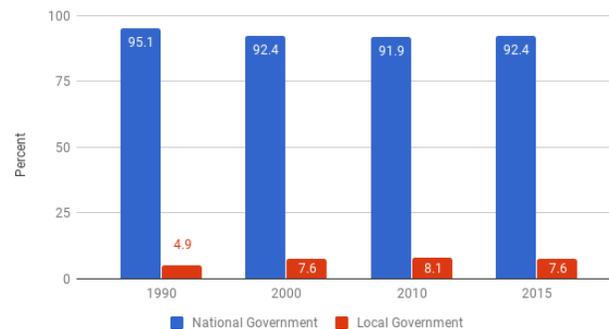


Figure 3. National and Local Governments' Share of Total Expenditures
Data Source: Miral (2018b)

Assuming that a centralized fiscal system does work in terms of economic equalization, it is still unsustainable to rely upon the most productive parts of the economy, through redistribution, in order to meet public service needs of the other parts of the country (CGC, 2014). Allowing cities the capacity to bridge their own fiscal gaps can thus go a long way. In this regard, tax assignment will help ensure that cities have access to revenues that they need to fund functions devolved to them. However, cities and other subnational government's revenues have been typically weak (Manasan, 2017). As Table 1 shows, own-source revenues (OSR) and local taxes are next to nothing when measured as a percentage contribution to the national wealth. There is also no substantial improvement before and after the passage of the 1991 LGC. This suggests the weak revenue autonomy of LGUs in the country (Manasan, 2017).

Table 1. OSR and Local Taxes as Percentage of GDP, Pre- and Post-LGC

Revenues	Pre-LGC (1985-1991)				Post-LGC (1992-2016)			
	<i>Prov</i>	<i>Cities</i>	<i>Munis</i>	<i>LGUs</i>	<i>Prov</i>	<i>Cities</i>	<i>Munis</i>	<i>LGUs</i>
LGU OSR	0.14	0.30	0.26	0.70	0.14	0.77	0.24	1.15
Local tax	0.07	0.22	0.17	0.47	0.07	0.62	0.15	0.84
RPT	0.06	0.12	0.10	0.28	0.05	0.26	0.06	0.37
Local business tax		0.07	0.06	0.13		0.30	0.07	0.36

Source: Manasan (2017)

With regard policymaking powers, the enforcement of local autonomy is still decided Congress despite being guaranteed under the 1987 Charter. Local autonomy is granted to the local government units through the enactment by Congress of the local government code. Essentially, the powers remain with the national government, only allocating certain powers and responsibilities to the local governments subject to the guidelines and limitations as Congress may provide.

The genuine exercise of local autonomy is also hampered by the imposition of unfunded mandates on LGUs. Since the enactment of the LGC up to 2015, at least 134 laws did not receive funding or remained underfunded. More than half of these laws (78 percent) concern local governments (Hernandez-Sempio, 2016). The presence of unfunded mandates stands as an utter irony to the country's decentralization policy and a huge obstacle to the achievement of its goals. Our top-down approach to policymaking reflects an underlying assumption that national legislators could determine better what more needs to be done at the local level that LGUs are not doing and therefore had to be mandated. Notwithstanding the three-decade decentralization policy of the Philippines, such dynamics underpinning unfunded mandate indicates how still highly centralized governance in the country is.

The government has embraced these highly centralized policies, which have been evidently anti-urban. The concentration of powers and resources in the executive and the central government undermines the government's capacity to efficiently and effectively provide public goods, such as infrastructure, education, and health services that are essential for broad-based and inclusive economic growth. The creation of unfunded laws displaces other essential local government priorities, impose contradictory and inconsistent requirements, and compound the fiscal difficulties of local government units to render basic services to the people. Cities are constrained in their ability to realize their full potential for their residents and for the nation.

Proper expenditure and tax assignment, appropriate government transfers, and better government interrelations are key in addressing these local government challenges. While either a shift to federalism or decentralization will contribute in achieving these aspirations, federalism may be a better option for the following reasons: improved vertical and horizontal fiscal balance, well-designed intergovernmental relations, and institutions that facilitate self-rule and shared-rule, among others (CPBRD, 2018). Federalizing also involves constitutional reform which means that these governance powers are devolved to local government in the constitution, not in legislation. They cannot be easily taken away or rendered unfunded.

Shaping the Foundations for the Federal Republic: Major Actors in the Philippine Constitutional Reform

The role of Constitution for any state is to organize its government and shape how its political system works. In view of the Philippine government’s plan to federalize, accordingly, the country is undergoing processes that may lead to the amendment of the 1987 Constitution. There appear to be three (3) major groups in this historic endeavor: The Congress with its two chambers (i.e., Senate and House the of Representatives), the Consultative Committee on Constitutional Reform, and the Partido Demokratikong Pilipino-Lakas ng Bayan (PDP-Laban).

The authority for constitutional amendment rests entirely on Congress when it constitutes itself as a constituent assembly. However, the question of whether or not its two chambers should vote *jointly* or *separately* on proposed amendments has caused an impasse between the senators and congressmen. While this issue has yet to be resolved, the leaders of both chambers have agreed to momentarily set aside their differences and concentrate on drafting proposed changes to be submitted to a plebiscite (Casayuran, 2018). Meanwhile, the Consultative Committee on Constitutional Reform, a presidential creation, is tasked to review and conduct consultations on the provisions of the 1987 Constitution. The Committee is set to submit its report by the 3rd State of the Nation Address this July (Ranada, 2018). Finally, the PDP-Laban Federalism Institute, which serves as the main research and advocacy arm of the party for the country's transition to federalism, has already submitted its proposed constitutional amendments to the House Committee on Constitutional Amendments on 27 September 2017 (Yap, 2017).

Mr. Arthur Aguilar, a member of the Consultative Committee described a process of triangulation among the three parties in coming up with the final Philippine federalism charter, during the Union of Local Authorities of the Philippines (ULAP) Executive Board Meeting on Federalism (see ULAP, 2018). The interrelationship as illustrated in Figure 4 will help achieve a “broad political consensus” for the final Philippine federalism model, according to Mr. Aguilar.

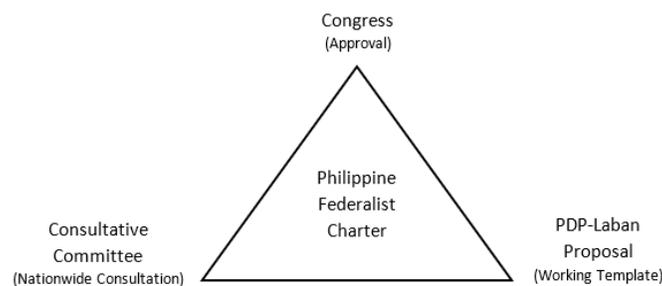


Figure 4. The Philippine Constitutional Reform

The PDP-Laban Federalism Institute's draft Charter is considered as a "working template" in terms of using its provisions as points of reference in deliberating what changes should be reflected in the new Constitution. There appears to be two (2) facilitating circumstances for such regard to the PDP-Laban's template. First, it is the product of the federalism think-tank of the majority party in both houses of Congress, which is also headed by the incumbent president. Second, three (3) members of the Consultative Committee are co-drafters of the PDP-Laban proposed organic law: Sen. Aquilino Pimentel Jr., Prof. Edmund Tayao, and Prof. Julio Teehankee. Nonetheless, these do not guarantee the Congress' adoption of the PDP-Laban version. The Senate and the House of Representatives could propose their own and, in fact, have done so in Joint Resolution No. 8. Meanwhile, the Consultative Committee, being an exercise within the executive branch, does not have the constitutional authority to propose revisions to the 1987 Charter as the Congress has. In relation to the latter, Fr. Ranhilio Aquino dean of the San Beda Graduate School of Law described the Consultative Committee, of which he is a member, as "consultants" who will provide good research to Congress that will sit as a Constituent Assembly (see Cabato, 2018). In a Constituent Assembly, Congress has the sole power to write the new Constitution that will be voted upon by the people. Nonetheless, Mr. Aguilar said that an important mission tasked to the Consultative Committee is to help make the constitutional reform a highly consultative process.

City-Focused Federalism

Political analysts advocate greater constitutional and federal standing for cities (Langan, 2017; Slack & Bird, 2006; Weinstock, 2014). Cities possess properties that qualify them for inclusion in constitutional and federal arrangements. Typically, cities and metropolitan areas constitute the engines of the national economy and centers of trade and investment. In fact, the Economist Intelligence Unit (2013) reports that cities already account for 80 percent of global growth. A study by the World Bank, meanwhile, credits 70 percent of the national gross domestic product of the Philippines to its cities with the seven largest providing more than half (54 percent) of the formal employment in the country (Baker et al., 2017).

More and more of the world's population also live in cities. This is also true for the Philippine population which is 36 percent urban based on 2015 statistics. By 2050, this will likely increase to 65 percent or 102 million people, according to the same World Bank study. With adequate institutional and physical infrastructure, the density and diversity Philippine cities possess can be harnessed as an effective source of collaborations and local innovations (Baker et al., 2017).

Overall, countries that allow cities wider political and economic leeway, in exchange for stronger accountability, are doing better (CGC, 2014). At the heart of the Philippine Federalism project is an

economic imperative that is, to distribute gains of development evenly across the country. Cities, in particular, serve as the economic growth nodes located in different parts of the country and, as such, the importance of including them in the Philippine federalism agenda can therefore never be overstated. As highlighted in the previous section the overt centralization of policymaking and resources in the Philippines stifles cities from realizing its true potentials in terms of labor, capital, and ideas. LCP National President and Angeles City Mayor Edgardo Pamintuan believes that local executives are the most familiar with the local socio-political dynamics and have the first-hand experience in running the government at the grassroots level (see ULAP, 2018). The framers of the Constitution thus need to be receptive to the collective sentiment of the local chief executives in designing the rudiments of Philippine federalism.

But how should city-focused federalism look like? Langan (2017) elucidates by suggesting that cities become central to federalism when such political system provides them with more resources, local decision-making, less pre-emption, and a seat at the table (i.e., representation). Furthermore, it is important for such powers to be enshrined in the Constitution to ensure that they cannot be easily changed, modified, or repealed in the long term.

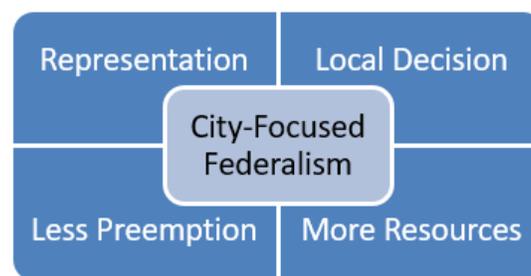


Figure 5. Elements of a City-Focused Federalism

A city-focused federalist system includes a national platform where the voices of cities are heard and respected. Including cities and other local governments in important discussions allows local innovations to be implemented more widely as national policies. National representation from cities would also facilitate a collaborative decision-making process, which is particularly beneficial to transborder projects such as national and regional infrastructure. Considering that the goal of such undertakings is increased connectivity, it is worthwhile to ensure that the policy actions are chosen by a system of cities and other levels of government rather than a top-down exercise.

At the subnational level, cities should not have to wait on acts of Congress to build roads or spur housing; they should be empowered to set priorities and lead their implementation. Local decision-making would allow city governments to tailor location-based policy decisions, expenditure, and investments based on

local data and evidence. On the other hand, “centrally determined policy, lacking local information and coordination, relies on the mere hope that one size fits all” (CGC, 2014, p. 21).

Decision-making powers must be complemented with local control over fiscal mechanisms. In order to fuel the implementation of their priority programs, cities must have multiple revenue streams such as income, property, and sales and attendant authority to determine the tax rates. Such flexibility will allow for tax collection schemes being customized according to cities’ local economies and preferences. While cities are allowed to generate revenues from their own sources, city-focused federalization also recognizes that cities need reliable funding from the federal government and not unfunded mandates. It does not remove the need for redistribution entirely. The central government will still need to allocate resources to places that do not yet have the administrative capacity or economic foundations for fiscal self-sufficiency.

On the part of the national/federal government, a clear line must be drawn between areas where it should lead and where it must empower. It needs to do the things that cities and local governments cannot do (e.g., national defense). At the same time, they must be given the flexibility to adapt to local conditions and set their own priorities but with greater accountability. Expenditures of the national/federal government must also account for variation within the country in terms of needs and should be provided with less conditionality.

Locating Cities in the Philippines’ Tentative Roadmaps for Federalism

Using the concepts described in the preceding section as a framework, this section conducts a city-level examination of two of the most prominent, yet tentative, roadmaps for the country’s shift to a federal form of government: the RBH No. 8 and the PDP-Laban proposed Charter.

A seat at the table: National and Regional Representation

The Federal Assembly/House of Representatives. In both proposals, the legislative branch of the Federal Republic of the Philippines shall remain constituted of two chambers. Under the PDP-Laban version, the lower chamber shall be known as the “Federal Assembly” while in RBH No. 8 it shall remain as the “House of Representatives.” The upper chamber shall remain as the “Senate” in both versions. Cities with a population of at least 250,000 voters shall have one representative in the Federal Assembly (Article VI Section 2) or the House of Representatives (Article VI Section 5) depending on the version.

The Regional Commission. In the PDP-Laban’s version, there shall be Regional Commissions to perform the role of an interim regional government until the promulgation of the regional organic acts and the establishment of the regional assemblies. It shall act as a collegial body vested with executive and legislative

powers (Article X Section 28). The Regional Commission for each region shall be composed of the incumbent governors of provinces and *mayors of highly urbanized cities and independent component cities* within the region.

The Regional Assembly/Legislature. In the PDP-Laban version, the organic act shall provide for the establishment of a “Regional Assembly” as the regional legislative branch, which shall be composed of two representatives directly elected from each province and *one representative directly elected from each highly urbanized or independent cities*. The Regional Assembly shall exercise the legislative power of the regional government as provided by the constitution, the organic law, and the law (Article X Section 31). Meanwhile, the RBH No. 8 version also provides for the creation of a regional-level unicameral legislature, which shall be known as the “Regional Legislature.” It shall be composed of three members from each province and from the *highly-urbanized independent city, independent city* or independent municipality within the territorial boundaries of the Region (Article X Section 18). They shall be nominated by the respective local legislative body from among its members and appointed by the Regional Governor.

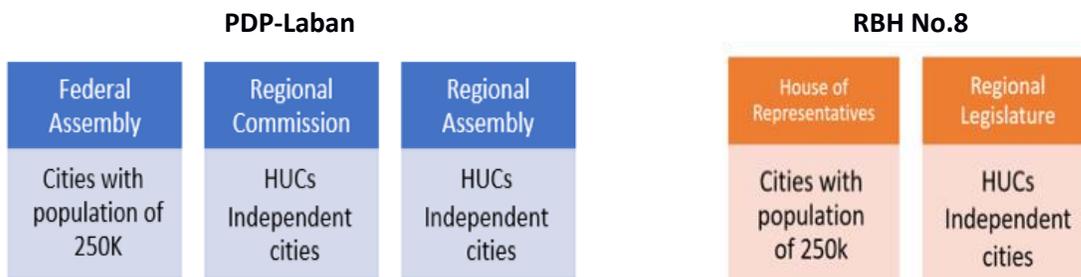


Figure 6. A Seat at the Table: PDP-Laban vs. RBH No. 8

The above discussion is graphically summarized in Figure 6. With regard the 250,000-voting population requirement there shall only be 20 out of the 145 cities that will secure a seat in the Federal Assembly. Furthermore, eligible cities are clustered mostly in Luzon (see Table 2). Meanwhile, only 38 cities will have direct representation in Regional Governments. At the same time, not all Regional Governments will have the benefit of direct city representation, particularly the Autonomous Region of Muslim Mindanao (see Figure 7). City representation is again skewed in favor of Luzon and Metro Manila. Those without direct representation such as component cities shall have to go through their respective provinces.

Table 2. Cities with at least 250,000 Voting Population

	CITIES	ISLAND	2015 VOTING POPULATION
1.	QUEZON	Luzon	1,092,156
2.	MANILA	Luzon	1,020,144
3.	CALOOCAN	Luzon	636,255
4.	ANTIPOLO	Luzon	442,137
5.	MAKATI	Luzon	387,590
6.	PASIG	Luzon	368,652
7.	LAS PINAS	Luzon	340,085
8.	DASMARIÑAS	Luzon	326,070
9.	PASAY	Luzon	285,286
10.	PARAÑAQUE	Luzon	271,942
11.	TAGUIG	Luzon	270,731
12.	CALAMBA	Luzon	268,283
13.	BACOR	Luzon	260,156
14.	VALENZUELA	Luzon	259,929
15.	DAVAO	Mindanao	873,670
16.	ZAMBOANGA	Mindanao	412,795
17.	CAGAYAN DE ORO	Mindanao	305,321
18.	CEBU	Visayas	630,003
19.	BACOLOD	Visayas	274,541
20.	ILOILO	Visayas	261,481

Source: COMELEC (2015)

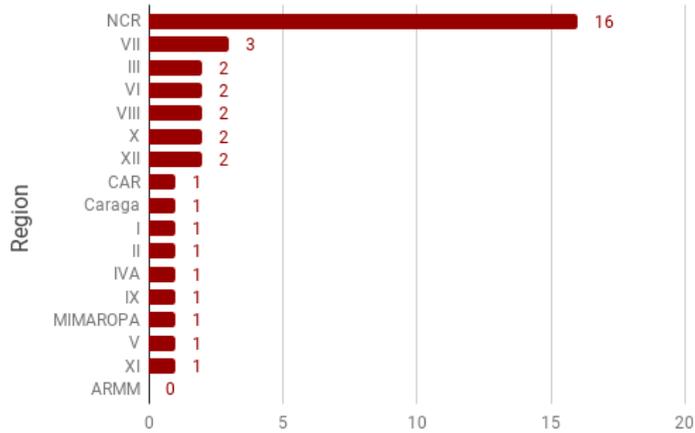


Figure 7. Number of HUC/ICC Per Region

Local decision-making and Less Pre-emption

In the current setup, there are overlapping mandates between the National Government and LGUs (Malaya 2017). The PDP-Laban roadmap mitigates this by delegating to each level of government exclusive and shared jurisdictions (Article X Sections 20 and 23 to 27). The Federal Government shall have over legislative powers over matters concerning the entire state such as national security and defense, foreign affairs, immigration, and currency among others. Regional governments shall have exclusive legislative powers applicable within its territorial jurisdiction over social welfare and development, waste management, irrigation, water, and sewerage among others. LGUs, meanwhile, are guaranteed representation, particularly in Federal and Regional legislative branches. All residual powers shall remain with the Federal Government unless delegated to the Regional Governments.

Under RBH No. 8, cities shall have the power to create its own sources of revenues and to levy taxes, fees, and charges within the confines of the basic autonomy, equality, and limited sovereignty reserved for Regions, and subject to the guidelines and limitations set by the Federal Congress (Article X Section 4). Such taxes, fees, and charges shall accrue exclusively to the city concerned. (Article X Section 25)

More resources

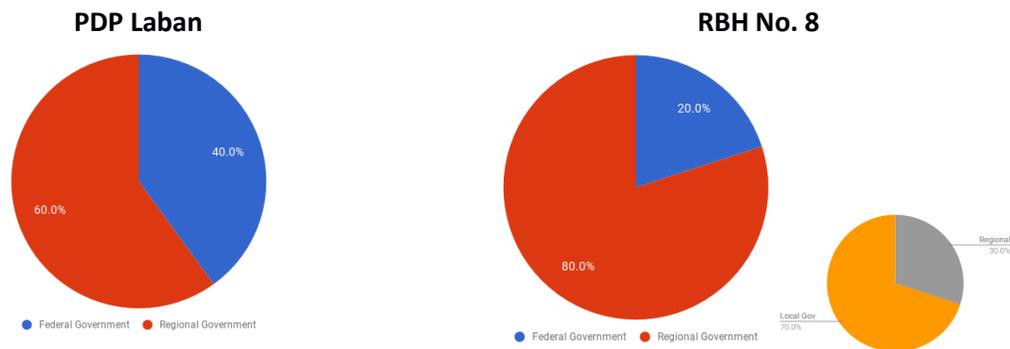


Figure 8. Federal, Regional, and Local Governments' Share of the National Wealth: PDP-Laban vs. RBH No. 8

The PDP-Laban and RBH No.8 proposals provide for the creation of a federal budget that shall be devoted on expenditures of the national government, and a regional and local government budget wherein LGUs have the rights to decide how it will be spent without waiting for the approval of the national government. The two versions diverge on the matter of how big a portion shall go national and local.

At present, 83 percent of national government revenue is controlled by the national government and only 17 percent are allocated to local governments through the IRA. Under the PDP-Laban formula, the distribution will change in favor of regional governments: 60 percent to be controlled by the Regional Governments and only 40 percent by Federal Government (Malaya, 2017). Meanwhile, the RBH No. 8 prescribes that the national government shall get 20 percent of the taxes and revenues collected, while 80 percent shall be given to the regional government. Of the 80 percent regional budget, 30 percent shall remain with the regional government while the 70 percent shall be divided among the LGUs. (Article X Section 22). Under the same section of the RBH No. 8, the taxes mentioned in the 1991 LGC shall include *all revenues and taxes imposed or collected by the Federal Government*.

The Regions are obligated to remit directly the shares of the provinces, cities, municipalities, and barangays within fifteen days from the receipt of the shares from the Federal Government without unnecessary delay (RBH No.8, Article X Section 23). The distribution among the provinces, cities, municipalities, and barangay shall be governed by the formula provided in the 1991 LGC (RBH No. 8 Article X Section 22). Under the PDP-Laban version, it shall be determined by the Regional and Local Government Code, at least eventually (Article X Section 13).

Unequal distribution of public funds, a major cause of underdevelopment in the country, has been a key area of reform in both the Philippine federalism roadmaps. Both pursue a principle of fiscal federalism in which finance should follow the division of powers, which means that the regional and local governments should be given adequate wherewithal to exercise the powers devolved to them. However, it is worthy to note that RBH No. 8 offers a larger portion of national revenue to regional and local governments and even details the scheme of appropriation between the two.

The Local Government Code

Within the context of the PDP-Laban roadmap, the Parliament shall enact a comprehensive Regional and Local Government Code (RLGC) within a period of 18 months from the ratification of the new Constitution. The RLGC shall define the “powers, structure, functions, and responsibilities of the regional government as well as its accountabilities in relation to the federal government as well as its accountabilities in relation to the federal government including devolution mechanisms” (Article X Section 13). Professor Edmund Tayao, a member of the Consultative Committee, expects that the Internal Revenue Allocation, should it be subjected to change, shall manifest not in the Constitution but on the RLGC (LCP, 2017). The RLGC shall be applicable symmetrically to all regions except for autonomous regions established under the 1987 Constitution.

The RLGC shall include a provision for the establishment of a Regional Commission, which shall act as the interim regional government (Article X Section 6). The Regional Organic Act shall be submitted to the federal parliament for approval through the Regional Commission and the Regional Consultative Assembly, voting separately, or a Regional People’s Initiative (Article X Section 29). The Organic Act will stand as the legal framework for the Regional Government to be created. The process of transitioning is illustrated in Figure 9.



Figure 9. Transition Based on the PDP-Laban Federalism Institute’s Roadmap

On the other hand, under the RBH No. 8, the 1991 LGC as amended will still be in effect unless repealed by the Federal Congress. Its provisions shall continue to govern provinces, cities municipalities, and barangays (Article X Section 22).

Discussion

In both federalism roadmaps, cities wield unprecedented decision-making powers and financial flexibilities to become financially self-sustainable. It is highly encouraging to see cities granted a degree of legal standing in both drafts of a new Constitution, in line with the government’s endeavor to federalize. Considering that cities are constitutional nonentities in most countries (Weinstock, 2014), the idea is among firsts. The elements are interconnected and work together to empower cities.

Reflecting on some of the proposed amendments to the 1987 Constitution, federalizing may help empower the cities by granting them constitutional standing to regional and local governments. Under the federal system, the revised Constitution shall grant policymaking and funding powers to LGUs. Such powers, therefore, cannot be changed, modified, altered or repealed through simple legislation. These provisions shall be self-executing in nature, which means they need not depend on enabling laws to be implemented. With such a constitutional guarantee, LGUs are empowered in policymaking process to stand for the peculiar needs and interest of their territorial jurisdictions.

LGUs shall also be given a closer access to more funding than the current set up. It is further proposed that taxes collected within the territorial jurisdiction of each region shall be retained and accrued to the regional government. The regional and local governments shall only give a certain percentage to the federal

government, effectively reversing the direction of cash flow. Furthermore, regional and local governments shall have the power to formulate on the creation of its sources of revenues and levy taxes, fees and charges subject to the limits of the constitution.

Disempowerment, unaccountability, and lack of resources have served as a spawning ground for uneven economic outcomes among subnational governments in the past three decades. The combined policymaking and funding powers given to regional and local governments may curb such a lingering problem in the long run. Through the policymaking power, LGUs' intimate knowledge of their constituents' needs is equipped with the authority to respond to them. The funding power places local governments in a position to set priorities based on knowing with certainty what resources are available to them. Finally, passing more funding through to LGUs with fewer stipulations from the federal republic will help LGUs lead the implementation. The whole experience may also foster accountability and a sense of ownership among local governments.

Recommendations

Cities must be vigilant and united in promoting city-friendly proposals in the new Constitution. The Consultative Committee targets to finish its version of the new Constitution on 30 April 2018 (Philippine Information Agency, 2018). Within the next two months after this deadline, the Committee will be divided into teams for regional and provincial consultations. This provides a critical opportunity for cities' sentiments to be heard. Considering the short time period for the consultation, the plethora of interest groups in attendance, and that the consultations will be done simultaneously in different locations, this could be only possible if they will project a unified voice on local governance issues affecting them. In this discussion paper, a number of provisions that cities should consider collectively supporting have already been identified.

Consider advocating representations for all cities, not only those with certain characteristics. The prerequisites for direct city representation at the federal and regional levels, as they are now, tend to be restrictive because such characteristics conform with certain geographical patterns as far as cities are concerned. It goes against the avowed aim of federalization to diffuse political power evenly across the country. In this regard, cities may want to have a conversation on advocating direct representation for ALL cities at the federal and the regional levels.

Bolster cities' position on federal and regional local governments' shares in the national revenue. One of the most critical provisions currently being finalized is the share among federal, regional, and local governments in the national revenue. There is a substantial difference in what the two roadmaps for

federalism stipulates, with RBH No. 8 offering a larger share for regional governments. Regardless, cities as part of the subnational government should have a say on this. On our part, there is a need to determine through empirical evidence the portion of the national revenue that will meet the demands of efficient local governance in the country. Having an empirically grounded stand will help cities secure an optimal share of the national revenue. Manasan (2017) estimates that at least 50 percent of the national revenue should go local, based on the exclusive and shared powers between the federal and regional governments.

Bolster the position on cities' share in the local government budget, in view of the formulation of PDP-Laban's Regional and Local Government Code (RLGC). As discussed, the RLGC shall be the platform where the budget allocation for cities, municipalities, and barangays shall be decided. In this regard, cities must be part of the decision on how to divide resources among LGUs. Representation of cities at the Federal Assembly shall become invaluable. The creation of the RLGC also serves an opportunity to introduce the amendments cities wanted in the 1991 LGC, such as the institutionalization of Inter-LGU Cooperation (ILC); the thorough delineation of duties and responsibilities in service delivery across various levels of government; delineation of the debt service ratio; and, streamlining of the local business tax structure among others. Same with the preceding recommendation, our position must also be backed by a strong empirical evidence.

However, it must be noted that **the application of RLGC shall not be symmetrical to all cities.** The proposed RLGC will not cover autonomous regions created under the 1987 Constitution such as the Autonomous Region of Muslim Mindanao (ARMM). The alternative legal framework for local governance in these areas shall likely be created at the regional level.

Prepare for the 'shift' in order to reap the full potential of Philippine federalization. As cities shall be able to generate and rely upon their own revenues under federalism, so too must they be able to manage the increased independence from the national government and the unpredictability of revenue from devolved tax assignments. City governments must enhance their capacities for governance, policymaking, long-term strategic planning, risk management, data collection and analysis and stakeholder engagements and inter-LGU cooperation among others (CGC, 2014).

Conclusion

In this discussion paper, major local governance issues affecting cities were identified. Arguing that constitutional reform offers a solution to such challenges, an overview of its ongoing review was provided. Using a 'city-focused federalism' lens, this paper observed several provisions in both federalism roadmaps that could benefit cities if implemented. Nonetheless, there are also areas that may need adjustments to

ensure that cities shall be adequately represented at the federal and regional levels. Overall, these findings serve as inputs to local chief executives as they bolster positions that secure cities' interest in the Philippine federalization agenda.

The lingering impediments to Philippine local governance cannot be addressed without substantial shifts in policy. More rights and protections for cities is hardly achievable through mere legislation alone, as the case of the 1991 LGC suggests. Considering cities play an important role in long-term economic growth, they represent an appropriate scale for implementing governance reform, making more localized decisions, and conveying government presence at the grassroots through public services. It is therefore important for cities to take a proactive stance in the ongoing constitutional reform. By doing so, cities can contribute to shaping the nature of federalism in the country.

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