

LOCAL GOVERNMENTS AND POVERTY ALLEVIATION: DEPRIVATION AND DISPARITIES

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I. INTRODUCTION

Local governments should be under immense pressure to remove the stigma of both elite control and the anti-poor reputation they developed in the last few decades. Historians posit that even before the first municipal elections under the American colonial government were held, Filipino politicians demonstrated their proclivity towards “undemocratic” activities.¹ Among others, municipal treasurers mishandled public funds, preventing them from carrying out many important functions. As early as 1903, the American government found itself instituting more supervision over local governments, and by 1907, local governments were stripped of most of their authority over their own communities.²

By that time, however, the elite controlled the local government structure. Aided by high suffrage qualifications, they monopolized the elective offices. Filipino politicians built local power bases and by 1907 to support their aspirations to national office and by the time the Philippine Assembly was inaugurated, Filipinos had consolidated a system of alliances resulting in the political entrenchment of the Filipino socio-economic elite.³

To this day, observers deride Philippine democracy as a contest among rival factions of the elite for public office. Public office is used as a means for personal enrichment,⁴ not for public service. Philippine democracy is now unflatteringly called an “elite democracy” where political and economic power were shared between shifting coalitions of these elite families, leaving little if any room for policy determination or legislation by majority of the Filipinos.⁵

The pressure on local governments to perform is enhanced by the fact that the Local Government Code of 1991 devolves the delivery of basic services to local governments.⁶ As summarized by one author, the Code

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¹ Michael Culliane, *Implementing the “New Order”: The Structure and Supervision of Local Government During the Taft Era*, SOLIDARITY, August 1972, p. 9, 14.

² *Id.*, at 14-16.

³ *Id.*, at 17.

⁴ RENATO CONSTANTINO, *The Filipino Politician, in* NEOCOLONIAL IDENTITY AND COUNTER CONSCIOUSNESS: ESSAYS ON CULTURAL DECOLONISATION 148, 148-164 (1978).

⁵ DAVID G. TIMBERMAN, *A CHANGELESS LAND: CONTINUITY AND CHANGE IN PHILIPPINE POLITICS* 35 (1991).

⁶ Rep. Act No. 7160 (1991).

devolves to local government units responsibility for the delivery of various aspects of basic services that earlier were the responsibility of the national government. These basic services include the following: health (field health and hospital services and other tertiary services); social services (social welfare services); environment (community based forestry projects), agriculture (agricultural extension and on-site research); public works (funded by local funds); education (school building program); tourism (facilities, promotion and development); telecommunications services and housing projects (for provinces and cities); and other services such as investment support.⁷

This paper attempts to examine the role of local governments in poverty alleviation. This is by no means an easy task. On the whole, there has been no systematic evaluation of local government performance in service delivery or poverty alleviation. Evidence of improved performance in the delivery of basic services is largely anecdotal and questions are being raised about the local governments' capacity to deliver agricultural extension, primary health and road maintenance services.⁸ With respect to responsiveness to the poor and pro-poor social and economic development, the Philippines' decentralization record is "highly contested".⁹

One study noted that our experience is unable to show a connection between decentralization and better services at the local level.¹⁰ Across provinces in the Philippines, the resources of local governments have a mild impact on family incomes, expenditures per capita, and poverty incidence. The figures are "statistically insignificant."¹¹

Nevertheless, there are data that can give an impression of the current state of poverty alleviation efforts by local governments.

II. MEASURING POVERTY ALLEVIATION

Traditionally, governance is associated with the manner in which power is exercised in the management of a country's economic and social resources towards development.¹² Lately, however, governance has expanded to include civil society

⁷ Alex B. Brillantes, Jr., "Decentralization, Devolution and Development in the Philippines", paper presented during the workshop on "Decentralization and Development" paper presented during the *Asia Development Forum—East Asia: The Unfinished Agenda* held in Manila from March 9 to 13, 1999.

⁸ THE WORLD BANK, PHILIPPINES GROWTH WITH EQUITY: THE REMAINING AGENDA 83 (2000).

⁹ Richard C Crook And Alan Sturla Sverrisson, To What Extent Can Decentralised Forms of Government Enhance the Development of Pro-Poor Policies and Improve Poverty-Alleviation Outcomes? (August 1999), p. 46.

¹⁰ *Id.*, at 77.

¹¹ Ruperto P. Alonzo, *Local Governance and Poverty Alleviation*, in CAUSES OF POVERTY: MYTHS, FACTS & POLICIES 197, 215 (Arsenio M. Balisacan & Shigeaki Fujisaki eds., 1999).

¹² Rosario Manasan, *et al.*, *Developing an Index of Local Government Quality*, in MEASURING GOOD GOVERNANCE IN THE PHILIPPINES 37 (Magdalena L. Mendoza ed., 2001).

organizations and the private sector so that effective governance becomes a collective effort by the state and civil society. Others point to transparency, accountability, predictability, and participation as elements of good governance.¹³

Despite the malleable definition of governance, there is one aspect of social development that constituents expect their government to address—poverty alleviation. To judge whether government achieved this goal, the level of poverty must be adequately estimated. Traditionally, poverty is measured in terms of income. Thus, a reduction of the number of families below a threshold becomes a gauge of success in poverty alleviation efforts.¹⁴

When Republic Act No. 8425 (Social Reform and Poverty Alleviation act) was signed into law on December 11, 1997, the Philippines adopted an official definition of poverty. The poor are those individuals and families whose incomes fall below the poverty threshold, and or those who cannot afford to provide their minimum basic needs off survival, security and enabling in a sustained manner.¹⁵

But the means of measuring poverty also vary. The United Nations Development Programme (UNDP) uses an approach that includes the deprivation of a long healthy life, acquisition of knowledge, and access to resources as indices of poverty. This definition gave rise to the creation of the Human Development Index—bringing life expectancy, educational attainment, and real GDP per capita as indicators of human deprivation. While there are a variety of ways to measure poverty, the HDI is used in the Philippines to estimate levels of deprivation.¹⁶

There are overall themes that run through most analyses of growth, income distribution and poverty in the Philippines. Some of these are that:

- The distribution of wealth and income is highly unequal;
- Recent episodes of economic growth have not benefited the poor and that the quality of growth in the Philippines is inferior to that in most other Asian countries;
- Poverty in the Philippines is becoming an urban phenomenon;

¹³ Josefina N. Natividad, *Measuring Pro-Poor Governance: Will the Human Poverty Index Help?*, in MEASURING GOOD GOVERNANCE IN THE PHILIPPINES 17 (Magdalena L. Mendoza ed., 2001).

¹⁴ *Id.*, at 18.

¹⁵ National Statistical Coordinating Board, Poverty Assessment in the Philippines, NSCB Technical Paper No. 2000-02, September 2000, p. 5. Under Executive Order No. 352 (1996), the NSCB releases official poverty statistics in the Philippines. The official Philippine methodology measures poverty in the absolute sense with focus on the headcount index as an indicator. In recognition of the shortcoming of the headcount index, poverty and income gaps are now regular features of official poverty statistics using household income from the triennial Family Income and Expenditures Survey. Poverty incidence, poverty, and income gaps are computed at the national and regional levels with urban –rural disaggregation and released to the public every three years.

¹⁶ *Id.*, at 18-19.

- High income inequality mirrors the large disparity in living standards between regions or areas of the country and that the elimination of this disparity needs to be the central focus of poverty-reduction efforts;
- The poor lose from trade liberalization and globalization; and
- Conventional prescriptions to poverty alleviation would not work in the Philippines.¹⁷

These conclusions are derived from measurements of poverty. Included among the income/expenditure-based measures are the official government estimates. These measure poverty incidence as the percentage of families whose annual per capita incomes are below a critical amount of income necessary to satisfy a minimum amount of nutritional requirements and other basic needs. The FLOL is also based on a 2,000 calorie minimum, but is fixed in real terms over time across areas of the country. The World Bank's approach uses the amount of pesos required to buy a similar basket of goods and services that a US dollar would buy in the United States. Measuring the level of poverty in the Philippines with these formulas would present the following picture:

Table 1. Dimensions of Philippine Poverty, 1994		
Income / Expenditure Based Measures		
Official Poverty Lines		
	Incidence (% of population)	40.6
	Depth (%)	13.2
	Severity (%)	6.0
Fixed-Level of Living (FLOL) Lines		
	Incidence (% of population)	23.4
	Depth (%)	5.9
	Severity (%)	2.1
\$ 1 a day (PP\$) Poverty Line		28.0
Outcome-Based Measures		
Human Development Index (HDI)		0.672
Human Poverty Index (HPI)		17.7
Capability Poverty Measures (CPM)		28.9
Source: Human Development report (1996 & 1997); NSO; Balisacan (1997)		

It is immediately apparent that the government's official estimates are greater than those made by using the FLOL or the World Bank measurements. Depending on which estimate is used, the Philippine poor ranged from 16.3 million to 27.3 million.¹⁸

The outcome-based measures include the HDI, which measures health (life expectancy), knowledge (functional literacy) and standard of living (real per capita

¹⁷ Arsenio M. Balisacan, *What Do We Really Know—or Don't Know—about Economic Inequality and Poverty in the Philippines?*, in *CAUSES OF POVERTY: MYTHS, FACTS & POLICIES* 1, 2 (Arsenio M. Balisacan & Shigeaki Fujisaki eds., 1999).

¹⁸ Solita Collas-Monsod & Toby C. Mosod, *International and Intranational Comparisons of Philippine Poverty*, in *CAUSES OF POVERTY: MYTHS, FACTS & POLICIES* 51, 53-54 (Arsenio M. Balisacan & Shigeaki Fujisaki eds., 1999).

income). The closer the HDI is to 0, the lower the level of human development. The HPI measures poverty not by income but by indicators of the most basic dimensions of deprivation: a short life (people expected to die before reaching the age of 40), lack of basic education (illiteracy), and lack of access to public and private resources (health services, safe water, and the percentage of underweight children under five). CPM measures living a healthy, well-nourished life, safe reproductive capabilities, and literacy.¹⁹

The trend towards poverty alleviation is no longer accurate. More recent data from the National Statistical Coordinating Board show that official poverty measures decreased in 1997 (31.8%) but rose in 2000 (34.2%) as the following tables illustrate:

Table 2. Poverty Estimates				
Year	Annual Per Capita Poverty Thresholds	Poverty Incidence	Annual Per Capita Food Threshold	Subsistence Incidence
1997	A person should have at least P 11,319 to meet his annual food and non-food basic needs.	Poverty incidence for the country was estimated at 31.8%.	Food (subsistence) threshold for the country was P 7,710.	Subsistence incidence at the national level was placed at 16.2%.
2000	The country's annual per capita poverty threshold reached P 13,916 in 2000.	Poverty incidence for the country was estimated at 34.2%.	Food (subsistence) threshold for the country was P 9,183.	Subsistence incidence at the national level was placed at 16.8%.
Source: National Statistical Coordinating Board				

As these new figures show, between 1997 and 2000, official government data and estimates show that poverty is worsening in the Philippines. The task of addressing poverty becomes an imperative for government.

III. LOCAL GOVERNMENTS

The international trend towards decentralization can easily be justified as a means through which governments can better address the needs of local communities. As one study put it:

State institutions are often accused of being too remote from the daily realities of poor people's lives, and decentralization is often recommended as a solution. Decentralization can be powerful for achieving development goals in ways that respond to the needs of local communities, by assigning control rights to people who have the information and incentives to make decisions best suited to those needs, and who have the responsibility for

¹⁹ *Id.*, at 55-56.

the political and economic consequences of their decisions. It is not in itself a goal of development, but a means of improving public sector efficiency.²⁰

As the Philippine experience shows, however, proximity to the people does not necessarily mean effective local government. The World Bank claims that there is scarcely any evidence to support this contention.²¹ Efficiency in service delivery, according to the study, requires not only the fiscal capability to deliver services, but also “the willingness of subnational governments to improve income distribution within their borders.”²² Worldwide trends in decentralization found difficulty in establishing a causal link between greater decentralization and the improvement in the delivery of basic services. Rather, as another study suggests, the impact of decentralization on service delivery depends on its design and the prevailing institutional arrangements.²³

Even the top provinces in terms of family income show a wide disparity. The following Table illustrates that in 1994, between Cavite and Bataan, there was a P 29,976 difference in terms of annual average family income. In 1997, between Rizal and Zambales, there was a P 60,057 difference. Clearly, the family incomes vary significantly even among the families who are better off in the country.

Table 3. Top Ten Provinces Average Annual Family Income				
	1994		1997	
Rank	Province	Data	Province	Data
1	Cavite	115,915	Rizal	188,639
2	Bulacan	114,407	Cavite	163,660
3	Rizal	112,224	Bataan	160,726
4	Pampanga	109,976	Batanes	160,355
5	Laguna	102,013	Laguna	157,765
6	Benguet	92,305	Pampanga	153,522
7	Batangas	90,476	Benguet	145,879
8	Batanes	89,762	Batangas	143,422
9	Davao del Sur	89,762	Bulacan	142,082
10	Bataan	86,039	Zambales	128,582

²⁰ WORLD BANK, WORLD DEVELOPMENT REPORT 2000/2001: ATTACKING POVERTY 106 (2000).

²¹ THE WORLD BANK, *Decentralization: Rethinking Government*, in WORLD DEVELOPMENT REPORT 1999/2000: ENTERING THE 21ST CENTURY 107, 109-111 (1999).

²² *Id.* at 110.

²³ See Omar Azfar, *et al.*, Decentralization, Governance and Public Service: The Impact of Institutional Arrangements, IRIS Center, University of Maryland, College Park, September 1999, p. 28. This is not to suggest that local officials ignore the preferences of their constituents. Local governments “appear to be fairly aware of local preferences but in most cases cannot break out of the procedural, resource, and governance constraints that prevent them from responding.” See Omar Azfar, *et al.*, Conditions for Effective Decentralized Governance: A Synthesis of Research Findings, IRIS Center, University of Maryland, March 13, 2001, p. 75.

When Congress enacted the Local Government Code of 1991, observers hailed it as the “most radical piece of legislation passed in the nation’s history”.²⁴ It was nothing less than a “revolutionary” solution to the highly centralized character of Philippine government.²⁵

The Local Government Code’s most prominent feature is the devolution of substantial powers to local government units “to bring development to the countryside.”²⁶ It attempts to remedy the highly centralized nature of Philippine government, and weans local governments from dependence on the national leadership.²⁷ It seeks to abolish this system of patronage between the national and local governments by allowing the latter to develop “at their own pace, with their own resources and at their own discretion.”²⁸

The heart of the Code is section 17, which lists the functions that are devolved to local governments. The Code provides that:

SEC. 17. *Basic Services and Facilities.* — (a) Local government units shall endeavor to be self-reliant and shall continue exercising the powers and discharging the duties and functions currently vested upon them. They shall also discharge the functions and responsibilities of national agencies and offices devolved to them pursuant to this Code. Local government units shall likewise exercise such other powers and discharge such other functions and responsibilities as are necessary, appropriate, or incidental to efficient and effective provision of the basic services and facilities enumerated herein....

The Code goes on to detail the basic services and facilities devolved to each local government unit:

Barangays are now tasked with agricultural support services, health and social welfare services, services and facilities related to general hygiene and sanitation, beautification, and solid waste collection, maintenance of *katarungang pambarangay*, maintenance of barangay roads and bridges and water supply systems, infrastructure facilities such as multi- purpose hall, multipurpose pavement, plaza, sports center, and other similar facilities, information and reading center; and satellite or public market, where viable.

Municipalities are now responsible for:

²⁴ Alex B. Brilantes, Jr., *Issues and Trends in Local Governance in the Philippines*, in THE LOCAL GOVERNMENT CODE: AN ASSESSMENT 3 (1999).

²⁵ AQUILINO Q. PIMENTEL, Jr., THE LOCAL GOVERNMENT CODE OF 1991: THE KEY TO NATIONAL DEVELOPMENT 2 (1993).

²⁶ *Id.*

²⁷ *Id.* at 4.

²⁸ *Id.*

- Extension and on-site research services and facilities related to agriculture and fishery activities;
- Implementation of community-based forestry projects;
- Health services including programs and projects on primary health care, maternal and childcare;
- *Social welfare services which include programs and projects on child and youth welfare, family and community welfare, women's welfare, welfare of the elderly and disabled persons; community-based rehabilitation programs for vagrants, beggars, street children, scavengers, juvenile delinquents, and victims of drug abuse; livelihood and other pro-poor projects; nutrition services; and family planning services;*
- Information services, which include investments and job placement information systems, tax and marketing information systems, and maintenance of a public library;
- Solid waste disposal system or environmental management system and services or facilities related to general hygiene and sanitation;
- Municipal buildings, cultural centers, public parks including freedom parks, playgrounds, and sports facilities and equipment, and other similar facilities;
- Infrastructure facilities intended primarily to service the needs of the residents of the municipality and which are funded out of municipal funds including, but not limited to, municipal roads and bridges; school buildings and other facilities for public elementary and secondary schools; clinics, health centers and other health facilities necessary to carry out health services; communal irrigation, small water impounding projects and other similar projects; fish ports; artesian wells, spring development, rainwater collectors and water supply systems; seawalls, dikes, drainage and sewerage, and flood control; traffic signals and road signs; and similar facilities;
- Public markets, slaughterhouses and other municipal enterprises;
- Public cemetery;
- Tourism facilities and other tourist attractions, including the acquisition of equipment, regulation and supervision of business concessions, and security services for such facilities; and
- Sites for police and fire stations and substations and the municipal jail.

On the other hand, provinces are responsible for:

- Agricultural extension and on-site research services and facilities, which include the prevention and control of plant and animal pests and diseases;
- Industrial research and development services, as well as the transfer of appropriate technology;
- Enforcement of forestry laws limited to community-based forestry projects, pollution control law, small-scale mining law, and other laws on the protection of the environment; and mini-hydro electric projects for local purposes;
- Health services, which include hospitals and other tertiary health services;
- Social welfare services which include programs and projects on rebel returnees and evacuees; relief operations; and, population development services;
- Provincial buildings, provincial jails, freedom parks and other public assembly areas, and other similar facilities;
- Infrastructure facilities intended to service the needs of the residents of the province and which are funded out of provincial funds including, but not limited to, provincial roads and bridges; inter-municipal waterworks, drainage and sewerage, flood control, and irrigation systems; reclamation projects; and similar facilities;
- Programs and projects for low-cost housing and other mass dwellings, except those funded by the Social Security System (SSS), Government Service Insurance System (GSIS), and the Home Development Mutual Fund (HDMF);
- Investment support services, including access to credit financing;
- Upgrading and modernization of tax information and collection services through the use of computer hardware and software and other means;
- Inter-municipal telecommunications services, subject to national policy guidelines; and
- Tourism development and promotion programs.

Cities are responsible for all the services and facilities of the municipality and province, and in addition adequate communication and transportation facilities, and support for education, police and fire services and facilities.

The Code also clarifies that not everything will be managed or funded by local governments. The same section continues:

(c) Notwithstanding the provisions of subsection (b) hereof, public works and infrastructure projects and other facilities funded by the national government under the annual General Appropriations Act, other special laws, pertinent executive orders, and those wholly or partially funded from foreign sources, are not covered under this Section, except in those cases where the local government unit concerned is duly designated as the implementing agency for such projects, facilities, programs, and services.

(d) The designs, plans, specifications, testing of materials, and the procurement of equipment and materials from both foreign and local sources necessary for the provision of the foregoing services and facilities shall be undertaken by the local government unit concerned, based on national policies, standards and guidelines.

(e) National agencies or offices concerned shall devolve to local government units the responsibility for the provision of basic services and facilities enumerated in this Section within six (6) months after the effectivity of this Code.

As used in this Code, the term “devolution” refers to the act by which the national government confers power and authority upon the various local government units to perform specific functions and responsibilities.

(f) The national government or the next higher level of local government unit may provide or augment the basic services and facilities assigned to a lower level of local government unit when such services or facilities are not made available or, if made available, are inadequate to meet the requirements of its inhabitants.

(g) The basic services and facilities hereinabove enumerated shall be funded from the share of local government units in the proceeds of national taxes and other local revenues *and funding support from the national government, its instrumentalities and government owned or - controlled corporations which are tasked by law to establish and maintain such services or facilities*. Any fund or resource available for the use of local government units shall be first allocated for the provision of basic services or facilities enumerated in subsection (b) hereof before applying the same for other purposes, unless otherwise provided in this Code.

(h) The Regional offices of national agencies or offices whose functions are devolved to local government units as provided herein shall be phased out within one (1) year from the approval of this Code. Said national agencies and offices may establish such field units as may be necessary for monitoring purposes and providing technical assistance to local government units. The properties, equipment, and other assets of these regional offices shall be distributed to the local government units in the

region in accordance with the rules and regulations issued by the oversight committee created under this Code.

(i) The devolution contemplated in this Code shall include the transfer to local government units of the records, equipment, and other assets and personnel of national agencies and offices corresponding to the devolved powers, functions, and responsibilities.

Personnel of said national agencies or offices shall be absorbed by the local government units to which they belong or in whose areas they are assigned to the extent that it is administratively viable as determined by the said oversight committee: Provided, That the rights accorded to such personnel pursuant to civil service law, rules and regulations shall not be impaired: Provided, Further, That regional directors who are career executive service officers and other officers of similar rank in the said regional offices who cannot be absorbed by the local government unit shall be retained by the national government, without any diminution of rank, salary or tenure.

(j) To ensure the active participation of the private sector in local governance, local government units may, by ordinance, sell, lease, encumber, or otherwise dispose of public economic enterprises owned by them in their proprietary capacity.

Costs may also be charged for the delivery of basic services or facilities enumerated in this Section.

To test the theory that devolution of services will lead to better delivery of basic necessities, Congress devolved national government functions to local governments in detail. It should be noted, however, that poverty alleviation is not expressly mandated under the code except in the case of municipalities.

It should also be stressed that devolution does not preclude the national government from participating in the implementation of some devolved functions. Some of the functions are only partially devolved (as in the case of the environment), while some functions may be jointly addressed by affected local government units and the national government.

IV. FISCAL RESOURCES OF LOCAL GOVERNMENTS

Congress attempted to assist local governments in attaining their objectives by increasing the financial resources. The Code broadens the taxing powers of local governments, provides them with a specific share from the national wealth exploited in

their areas, and increases their share from the national taxes—otherwise known as the Internal Revenue Allotment (IRA).²⁹

Local governments have the right to receive the IRA as a means to help defray the costs of their new responsibilities under the Code. Section 3 of the Code provides, in part:

SECTION 3. *Operative Principles of Decentralization.* — The formulation and implementation of policies and measures on local autonomy shall be guided by the following operative principles...

(d) The vesting of duty, responsibility, and accountability in local government units shall be accompanied with provision for reasonably adequate resources to discharge their powers and effectively carry out their functions: hence, they shall have the power to create and broaden their own sources of revenue *and the right to a just share in national taxes* and an equitable share in the proceeds of the utilization and development of the national wealth within their respective areas...³⁰

Congress determined the “just share” through the provisions of the Local Government Code of 1991. Under the Code, local governments are now supposed to receive a yearly share of 40% of the national internal revenue taxes collected three years earlier. The Local Government Code in part provides:

SECTION 284. *Allotment of Internal Revenue Taxes.* — Local government units shall have a share in the national internal revenue taxes based on the collection of the third fiscal year preceding the current fiscal year as follows:

²⁹ Alex B. Brillantes, *Local Governments in a Democratizing Polity*, in DEMOCRATIZATION: PHILIPPINE PERSPECTIVES 83, 85 (Felipe B. Miranda ed., 1997).

³⁰ Rep. Act No. 7160, § 3(d) (emphasis added). The Code also provides:

SECTION 18. *Power to Generate and Apply Resources.* — Local government units shall have the power and authority to establish an organization that shall be responsible for the efficient and effective implementation of their development plans, program objectives and priorities; to create their own sources of revenues and to levy taxes, fees, and charges which shall accrue exclusively for their use and disposition and which shall be retained by them; *to have a just share in national taxes which shall be automatically and directly released to them without need of any further action*; to have an equitable share in the proceeds from the utilization and development of the national wealth and resources within their respective territorial jurisdictions including sharing the same with the inhabitants by way of direct benefits; to acquire, develop, lease, encumber, alienate, or otherwise dispose of real or personal property held by them in their proprietary capacity and to apply their resources and assets for productive, developmental, or welfare purposes, in the exercise or furtherance of their governmental or proprietary powers and functions and thereby ensure their development into self-reliant communities and active participants in the attainment of national goals.

See Rep. Act No. 7160, § 18 (emphasis added).

- (a) On the first year of the effectivity of this Code, thirty percent (30%);
- (b) On the second year, thirty-five percent (35%); and
- (c) On the third year and thereafter, forty percent (40%).

Provided, That in the event that the national government incurs an unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of Secretary of Finance, Secretary of Interior and Local Government and Secretary of Budget and Management, and subject to consultation with the presiding officers of both Houses of Congress and the presidents of the “liga”, to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than thirty percent (30%) of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year: *Provided, further*, That in the first year of the effectivity of this Code, the local government units shall, in addition to the thirty percent (30%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services.³¹

³¹ The Code further provides:

SECTION 285. *Allocation to Local Government Units.* — The share of local government units in the internal revenue allotment shall be collected in the following manner:

- (a) Provinces — Twenty-three percent (23%);
- (b) Cities — Twenty-three percent (23%);
- (c) Municipalities — Thirty-four percent (34%); and
- (d) Barangays — Twenty percent (20%)

Provided, however, That the share of each province, city, and municipality shall be determined on the basis of the following formula:

- (a) Population — Fifty percent (50%);
- (b) Land Area — Twenty-five percent (25%); and
- (c) Equal sharing — Twenty-five percent (25%)

Provided, further, That the share of each barangay with a population of not less than one hundred (100) inhabitants shall not be less than Eighty thousand (P80,000.00) per annum chargeable against the twenty percent (20%) share of the barangay from the internal revenue allotment, and the balance to be allocated on the basis of the following formula:

- (a) On the first year of the effectivity of this Code:
 - (1) Population — Forty percent (40%); and
 - (2) Equal sharing — Sixty percent (60%)
- (b) On the second year:
 - (1) Population — Fifty percent (50%); and
 - (2) Equal sharing — Fifty percent (50%)
- (c) On the third year and thereafter:
 - (1) Population — Sixty percent (60%); and
 - (2) Equal sharing — Forty percent (40%).

In addition, the Code reiterates the constitutional mandate for the automatic release of the IRA “without need of any further action, directly to the provincial, city, municipal or barangay treasurer, as the case may be, on a quarterly basis within five (5) days after the end of each quarter, and which shall not be subject to any lien or holdback that may be imposed by the national government for whatever purpose.”³²

Moreover, the Constitution provides a basis for the local governments’ power to tax³³ and mandates their share in the proceeds of the utilization and development of the national wealth within their territories.³⁴

The Code also empowers local governments to negotiate and secure grants or donations from foreign and local assistance agencies,³⁵ and provides broader taxing and fee-generating powers for all local government units,³⁶ extensive provisions on real property taxation,³⁷ a share in the exploitation of natural resources within their territories,³⁸ and credit financing.³⁹ All these taxes and fees accrue exclusively to the local governments generating them.⁴⁰

The Tax Reform Act of 1997 also provides for additional allotments in favor of local governments.⁴¹

Provided, finally, That the financial requirements of barangays created by local government units after the effectivity of this Code shall be the responsibility of the local government unit concerned.

³² Rep. Act No. 7160, § 286.

³³ Const, Art. X, § 5.

³⁴ Const, Art. X, § 7.

³⁵ Rep. Act No. 7160 (1991), § 23.

³⁶ See Rep. Act No. 7160 (1991), §§ 134-196.

³⁷ Rep. Act No. 7160 (1991), §§ 197-293.

³⁸ Rep. Act No. 7160 (1991), §§ 289-294.

³⁹ Rep. Act No. 7160 (1991), §§ 295-313.

⁴⁰ Rep. Act No. 7160 (1991), § 129.

⁴¹ Pertinent provisions of the Tax Reform Act of 1997 provides:

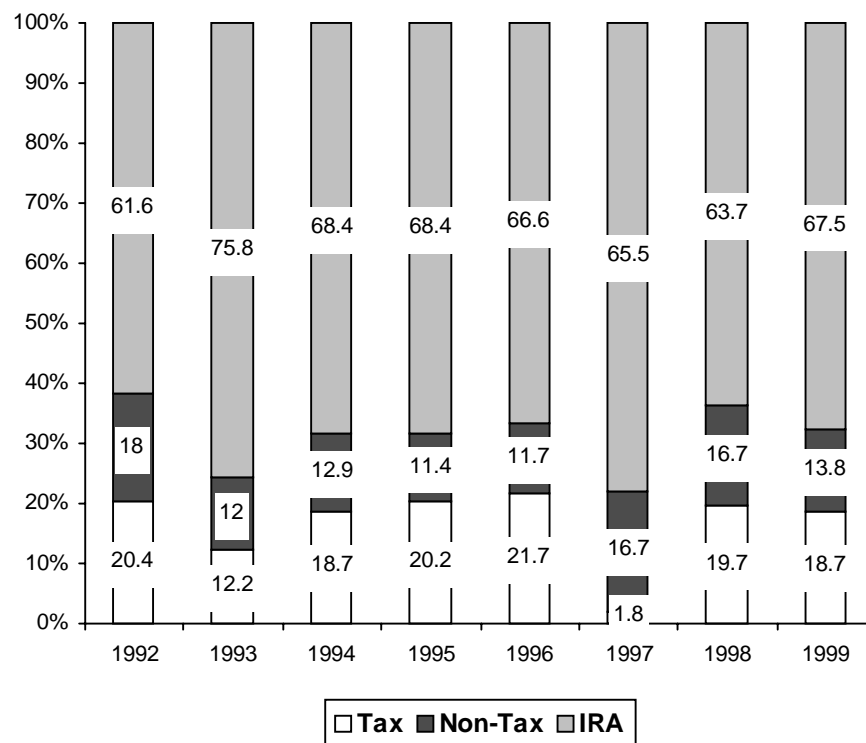
SEC. 283. *Disposition of National Internal Revenue.* — National Internal Revenue collected and not applied as herein above provided or otherwise specially disposed of by law shall accrue to the National Treasury and shall be available for the general purposes of the Government, with the exception of the amounts set apart by way of allotment as provided for under Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

In addition to the internal revenue allotment as provided for in the preceding paragraph, fifty percent (50%) of the national taxes collected under Sections 106, 108 and 116 of this Code in excess of the increase in collections for the immediately preceding year shall be distributed as follows:

- (a) Twenty percent (20%) shall accrue to the city or municipality where such taxes are collected and shall be allocated in accordance with Section 150 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991; and

In theory, therefore, local governments have a variety of sources of revenues and ideally, they should exploit these sources to better fund their activities. The trend in the last few years, however, is towards dependence on the IRA. As Figure 1 illustrates, local governments are exerting little effort to generate local income and rely heavily on the

Figure 1. Percentage of Tax, Non-Tax, and IRA to Total Government Collections (1992-1999)



IRA instead to the extent that some two-thirds of fiscal resources of local governments are actually composed of internal revenue transfers.

The formula for the IRA and the capacity of local governments to generate revenue will lead to disparities in the amount of fiscal resources available to them. The top local governments in terms of fiscal resources available are the following:

Table 4. Top Ten Provinces Total Financial Resources (In Million Pesos)				
Rank	1998		1999	
1	Iloilo	1,255	Cebu	1,621
2	Negros Occidental	988	Bohol	1,083

(b) Eighty percent (80%) shall accrue to the National Government.

See Republic Act No. 8424 (1997), §§ 283-284.

3	Cebu	845	Kalinga	993
4	Laguna	836	Batangas	939
5	Nueva Ecija	663	Cavite	745
6	Pangasinan	630	Laguna	742
7	Bulacan	629	Negros Occidental	735
8	Davao del Norte	587	Nueva Ecija	721
9	Cavite	567	Pangasinan	693
10	Bohol	550	Bulacan	686
Source: National Statistical Coordinating Board				

This, however, is aggregated from the IRA, tax, and non-tax sources. Thus, we note that many of the provinces with available fiscal resources are the ones receiving a large amount of the IRA. This shows clearly that the IRA contributes significantly to the resources of our provinces.

Table 5. Top Ten Provinces Internal Revenue Allotment (In Million Pesos)				
	1998		1999	
Rank	Province	Data	Province	Data
1	Negros Occidental	521	Pangasinan	617
2	Pangasinan	518	Cebu	601
3	Cebu	465	Negros Occidental	592
4	Bulacan	446	Quezon	544
5	Quezon	417	Isabela	530
6	Leyte	415	Bulacan	525
7	Nueva Ecija	404	Leyte	510
8	Zamboanga del Sur	393	Palawan	498
9	Iloilo	381	Zamboanga del Sur	484
10	Palawan	376	Batangas	464
Source: National Statistical Coordinating Board				

Expectedly, not all the provinces receiving the largest share of the IRA exert the same effort when it comes to local taxation. In 1998, Bulacan, Quezon, Leyte and Cavite receive a lot by way of intergovernmental fiscal transfers, but they do not rank when it comes to locally generated taxes. Leyte, Palawan, Zamboanga del Sur and Batangas also ranked in fiscal resources in 1999, although their tax efforts were not as impressive.

Table 6. Top Ten Provinces Total Tax Revenue (In Million Pesos)				
	1998		1999	
Rank	Province	Data	Province	Data
1	Iloilo	833	Isabela	2,830
2	Laguna	617	Cagayan	1,217
3	Bulacan	556	Iloilo	833
4	Pangasinan	547	Laguna	761
5	Negros Occidental	545	Nueva Vizcaya	698
6	Cebu	494	Bulacan	675
7	Batangas	454	Pangasinan	652

8	Leyte	446	Cebu	634
9	Cavite	443	Negros Occidental	617
10	Nueva Ecija	437	Quezon	567
Source: National Statistical Coordinating Board				

For that matter, there are also slight differences in the provinces that rank in terms of non-tax revenue generation as the following table illustrates:

Table 7. Top Ten Provinces Total Non-Tax Revenue (In Million Pesos)				
	1998		1999	
Rank	Province	Data	Province	Data
1	Cebu	324	Nueva Ecija	226
2	Negros Occidental	319	Bohol	225
3	Nueva Ecija	226	Davao del Sur	146
4	Bohol	226	Laguna	127
5	Zamboanga del Sur	108	Misamis Oriental	100
6	Misamis Oriental	100	Zamboanga del Sur	98
7	Laguna	99	Albay	84
8	Albay	88	Lanao del Norte	81
9	Compostela Valley	83	Quezon	79
10	Bulacan	73	Cebu	77
Source: National Statistical Coordinating Board				

V. LOCAL GOVERNMENT EXPENDITURES

The availability of resources, however, does not mean that local governments are necessarily spending to alleviate poverty in their respective territories. We note that local governments allocate less than half of their expenditures on social services, compared to their total expenditures. Tables 8 and 9 show that from 1997-1999m there are incongruities between total expenditures of local governments and social services expenditures:

Table 8. Top Ten Provinces Total Expenditures (In Million Pesos)						
	1997		1998		1999	
Rank	Province	Data	Province	Data	Province	Data
1	Kalinga	802	Negros Occidental	869	Bulacan	723
2	Nueva Ecija	761	Laguna	720	Cebu	722
3	Cebu	684	Nueva Ecija	663	Laguna	711
4	Pangasinan	596	Bulacan	629	Nueva Ecija	663
5	Laguna	570	Pangasinan	587	Negros Occidental	654
6	Bulacan	542	Batangas	529	Pangasinan	649

7	Negros Occidental	502	Cavite	527	Batangas	591
8	Davao del Norte	493	Quezon	512	Zamboanga del Sur	590
9	Batangas	480	Zamboanga del Sur	507	Quezon	585
10	Iloilo	439	Davao del Norte	495	Leyte	565
Source: National Statistical Coordinating Board						

Table 9. Top Ten Provinces Expenditures on Social Services (In Million Pesos)						
	1997		1998		1999	
Rank	Province	Data	Province	Data	Province	Data
1	Bulacan	341	Laguna	327	Laguna	359
2	Pangasinan	246	Pangasinan	242	Isabela	322
3	Isabela	219	Negros Occidental	224	Pangasinan	279
4	Kalinga	215	Iloilo	196	Quezon	239
5	Nueva Ecija	206	Bataan	191	Batangas	227
6	Negros Occidental	182	Cavite	191	Bataan	220
7	Bataan	171	Batangas	189	Cavite	213
8	Laguna	171	Cebu	178	Iloilo	196
9	Camarines Sur	166	Negros Oriental	163	Negros Oriental	187
10	Cebu	159	Isabela	160	Sorsogon	183
Source: National Statistical Coordinating Board						

Evidently, there is no absolute correlation between total expenditures and expenditures on social services. Davao del Norte is among the top spenders, and yet it does not appear in Table 9. Nueva Ecija and Kalinga are perennially a top spenders but they spent significantly on social services only in 1997.

To be clear, there differences among the provinces with financial resources, and those that spend on social services. It is also significant that even those who spent the most on social services in 1997 did not necessarily sustain this spending pattern. Bulacan, Kalinga, Nueva Ecija, Camarines Sur and Cebu appear only in the 1997 column. Cebu appears only in 1998. Thus, even for those who dedicate funds for social services, there is no rule that this spending pattern remains constant.

VI. THE ALLEVIATION OF POVERTY

A. The Human Development Index

The next issue that arises is the effect on local government spending on poverty alleviation. Unfortunately, data on social service spending is available from 1997-1999 while the HDI figures (Table 10) are available only in 1997. The factors that led to the HDI figures should be determined by spending during the years prior thereto.

Table 10. Human Development Index			
1994		1997	
Cavite	0.84	Bataan	0.72
Rizal	0.81	Cavite	0.72
Batanes	0.80	Batanes	0.71
Laguna	0.77	Bulacan	0.70
Bulacan	0.76	Rizal	0.69
Pampanga	0.73	Batangas	0.68
Bataan	0.73	Laguna	0.67
Batangas	0.72	Pampanga	0.65
Benguet	0.67	Ilocos Norte	0.64
Marinduque	0.66	Benguet	0.62
Nueva Ecija	0.66	La Union	0.62
Cagayan	0.66	Ilocos Sur	0.62
Ilocos Sur	0.66	Pangasinan	0.61
Isabela	0.65	Tarlac	0.60
Oriental Mindoro	0.65	Isabela	0.60
Occidental Mindoro	0.65	Nueva Ecija	0.60
La Union	0.65	Quezon	0.60
Ilocos Norte	0.65	Zambales	0.60
Zambales	0.65	Oriental Mindoro	0.59
Nueva Vizcaya	0.64	Sorsogon	0.59
Pangasinan	0.63	Aurora	0.58
Quezon	0.63	Iloilo	0.58
Camarines Sur	0.62	Marinduque	0.58
Tarlac	0.61	Abra	0.58
Davao del Norte	0.61	Nueva Vizcaya	0.58
Albay	0.61	Camarines Sur	0.57
Iloilo	0.61	Cebu	0.56
Surigao del Sur	0.61	Albay	0.56
Aklan	0.61	Guimaras	0.56
Aurora	0.60	Aklan	0.55
Misamis Oriental	0.60	Occidental Mindoro	0.55
Misamis Occidental	0.59	Cagayan	0.55
Southern Leyte	0.59	Quirino	0.55
Catanduanes	0.59	Antique	0.55
Camarines Norte	0.59	Catanduanes	0.55
South Cotabato	0.59	Southern Leyte	0.55
Cebu	0.58	Camarines Norte	0.55

Eastern Samar	0.58	Sultan Kudarat	0.55
Negros Occidental	0.58	Capiz	0.54
Leyte	0.57	Bohol	0.54
Surigao del Norte	0.57	Mt. Province	0.54
Lanao del Norte	0.56	Misamis Oriental	0.54
Abra	0.56	Negros Occidental	0.54
Bukidnon	0.56	Palawan	0.54
Agusan del Norte	0.56	Romblon	0.53
Quirino	0.56	Misamis Occidental	0.53
Kalinga	0.56	Bukidnon	0.53
Apayao	0.56	South Cotabato	0.53
Palawan	0.55	Camiguin	0.53
Sorsogon	0.54	Apayao	0.53
Negros Oriental	0.54	Surigao del Norte	0.53
Zamboanga del Sur	0.54	Davao del Norte	0.53
Bohol	0.54	Biliran	0.52
Mt. Province	0.54	Kalinga	0.52
Siquijor	0.54	Zamboanga del Sur	0.52
Camiguin	0.53	Leyte	0.52
Davao Oriental	0.53	Davao del Sur	0.52
Capiz	0.53	Surigao del Sur	0.52
Antique	0.52	North Cotabato	0.51
Davao del Sur	0.52	Agusan del Sur	0.51
Romblon	0.51	Eastern Samar	0.51
Zamboanga del Norte	0.50	Siquijor	0.51
North Cotabato	0.50	Zamboanga del Norte	0.51
Sultan Kudarat	0.50	Negros Oriental	0.49
Masbate	0.49	Davao Oriental	0.49
Western Samar	0.49	Western Samar	0.49
Agusan del Sur	0.49	Saranggani	0.49
Northern Samar	0.47	Masbate	0.49
Maguindanao	0.45	Northern Samar	0.48
Lanao del Sur	0.45	Agusan del Sur	0.48
Basilan	0.43	Lanao del Norte	0.47
Ifugao	0.41	Ifugao	0.45
Tawi-Tawi	0.38	Basilan	0.43
Sulu	0.37	Tawi-Tawi	0.43
Saranggani	0.00	Lanao del Sur	0.41
Guimaras	0.00	Maguindanao	0.40
Biliran	0.00	Sulu	0.33
Compostela Valley	0.00	Compostela Valley	0.00

In any case, economists have interpreted the 1994 HDI figures. Monsod and Monsod conclude that absolute income poverty decreased between 1985 and 1994, while HDI increased. Unfortunately, the picture at the local level showed spatial disparities. Regional data showed that the Ilocos, Central Mindanao, the Autonomous Region of Muslim Mindanao (ARMM) and the Cordillera Administrative Region experienced

increase in poverty incidence. Metro Manila, Southern Tagalog, and the three Visayan Regions showed decreasing poverty head-count.⁴²

Indeed, except for Metro Manila, regional HDIs showed consistent improvement over time.

Data from the provinces showed that poverty incidence remained the same in Pangasinan and Tarlac, but increased in 27 provinces. The worst was experienced in Tawi-Tawi, La Union, Davao Sur, Northern Samar, and Benguet. The greatest improvements were reflected in Cavite, Rizal, Catanduanes, Occidental Mindoro, Siquijor, and Nueva Vizcaya.⁴³ HDI in 1994 improved for all but ten provinces.⁴⁴

This reinforces the premise that a decrease in income is not necessarily accompanied by a decrease in human development and vice versa. Low incomes do not always lead to low outcomes. Provinces with high HDI tend to spend more on social services and human priority expenditures, and health and education. Provinces with the least HDI are those that spend least to change it.⁴⁵

Despite the optimism expressed by Monsod and Monsod, recent data presented in Table 10 suggests that HDI dropped in 1997.

B. The Human Poverty Index

There are those who are currently proposing that the Human Poverty Index be used as another tool for measuring poverty. The HPI brings into one composite index different facets of deprivation to form a single estimate of the magnitude of poverty in a given population. As in the HDI, three areas are considered—longevity, meaningful social participation through knowledge, and a decent standard of living or “overall economic provisioning.” Since the HPI measures the extent of human poverty the indicators are obverse of the HDI indicators. The longevity variable is defined as the proportion of the population who are not expected to live beyond the age of 40. Knowledge is measured by checking the proportion of the adult population that is literate.

HPI departs from HDI for the third component because the operational indicators of a decent standard of living are not income-based. The UNDP replaced the income variable with three variables that taken together indicate lack of access to decent life. These are the proportion of malnourished children under five, the proportion without access to health care, and the proportion without access to safe water. UNDP argues that these indicate fundamental material deprivations that are best measured directly because they may be missed when income alone is used as their proxy. HPI shows the percent of the population affected by any one, a combination of or all of the deprivations.⁴⁶

⁴² Monsod, *supra* note 16 at 85.

⁴³ *Id.*

⁴⁴ *Id.*, at 86.

⁴⁵ *Id.*, at 69.

⁴⁶ Natividad, *supra* note 12 at 20-21.

The fundamental difference between HDI and HPI is in the concept of what constitutes a decent standard of living. The former uses average per capita income, while the latter uses a constructed variable composed of the simple average of three aggregate measures. These three can now be conceived of as direct outcome indicators of pro-poor performance by government as they refer to areas of need that more governments have vowed to address.

It is argued that the value of the HPI lies more in its ability to reflect pro-poor performance more directly than the HDI. The HPI can be computed at the level of specific local government unit (LGU) to obtain an estimate of the percentage of the population suffering from one or a combination of the three basic deprivations and then tracked over time to monitor whether or not this percentage rises or falls in response to specific interventions that the LGU undertakes. Moreover as the first two indicators in the index are slower to respond to change, the third indicator can be monitored separately to see whether or not is responding to government programs. It is this measure that is the most amenable to direct intervention and the most likely to show immediate effects over the short term. Sustained improvements in this component are also likely to translate in the long run to concrete improvement in the longevity measure thus contributing further to improvement in the HPI.⁴⁷

Using 1994 figures, Natividad discovered that the overall mean of the HPI is 20.46% while the median is 19.52%. Measured by this index, about 1/5th of the Philippines population lives in poverty. Half of the provinces in the country have close to a fifth of their population living under conditions of deprivation. It is further observed that there is a wide variability in HPI across provinces with the National Capital Region having only 8.38% of its population living in poverty while in Tawi Tawi, the comparative percentage is as high as 41.36%.⁴⁸

Table 11. Human Poverty Index, 1994	
Province	HPI
NCR	8.38
Abra	24.21
Benguet	14.94
Ifugao	35.88
Kalinga-Apayao	23.59
Mountain Province	18.83
Ilocos Norte	14.54
Ilocos Sur	15.48
La Union	14.19
Pangasinan	12.16
Batanes	13.10
Cagayan	17.49

⁴⁷ Natividad 21-22.

⁴⁸ *Id.*, at 23.

Isabela	14.82
Nueva Vizcaya	18.02
Quirino	17.09
Bataan	11.31
Bulacan	9.42
Nueva Ecija	10.32
Pampanga	15.04
Tarlac	13.11
Zambales	18.69
Aurora	19.26
Batangas	9.68
Cavite	9.00
Laguna	13.01
Marinduque	13.41
Occidental Mindoro	16.36
Oriental Mindoro	14.36
Palawan	28.35
Quezon	16.65
Rizal	13.60
Romblon	18.17
Albay	21.84
Camarines Norte	26.40
Camarines Sur	20.50
Catanduanes	20.85
Masbate	31.25
Sorsogon	24.54
Aklan	21.50
Antique	20.35
Capiz	27.23
Iloilo	24.39
Negros Occidental	17.39
Bohol	17.93
Cebu	17.66
Negros Oriental	21.76
Siquijor	16.82
Leyte	20.98
Southern Leyte	19.77
Eastern Samar	20.65
Northern Samar	27.55
Western Samar	30.04
Zamboanga Del Norte	24.87
Zamboanga Del Sur	24.69
Agusan Del Norte	14.28
Agusan Del Sur	25.53
Bukidnon	21.41
Misamis Oriental	25.15
Surigao del Norte	36.84
Davao Del Norte	19.42
Davao Del Sur	23.25

Davao Oriental	25.38
South Cotabato	20.88
Surigao Del Sur	20.37
Lanao Del Norte	23.23
North Cotabato	23.92
Sultan Kudarat	19.16
Lanao Del Sur	35.02
Maguindanao	32.32
Sulu	37.02
Tawi Tawi	41.36

The high congruence between HPI and HDI indicates that the HPI can be used as an alternate index of levels of human deprivation or development. Of the ten highest-ranking provinces in HPI, eight are also in the top ten in HDI. The same hold true in the bottom ranks where eight of the lowest ten in the HPI ranks are also in the bottom ten of HDI.⁴⁹

Despite the correlation, there are considerable differences in ranks among a number of provinces that suggest uneven performance in the different aspects of human development measured by the HPI and HDI. In Tarlac and Pangasinan, which are among the ten highest in the HPI, show considerably better performance in HPI than the HDI indicating that these provinces have done better in non-income poverty alleviation than in overall human development. Palawan and Surigao del Norte manifest differences in the HPI and HDI ranks showing that in these two provinces the poverty situation is worse than overall human development.⁵⁰

Since the HPI and HDI share similar measures for longevity and knowledge, the main source of difference in the ranks is in the income-related component (for the HDI) and the non-income based living standard measures (for the HPI). Thus a province with a high rank in the HPI relative to its HDI (such as Agusan del Norte), is relatively income poor but its level of human poverty is relatively low and fewer people are affected by the three key deprivations. A local government with an HPI rank of 55 and HDI rank of 25 (Iloilo) has done poorly in alleviation of human poverty given its level of income.⁵¹

VII. PATTERNS OF INCONSISTENCY

In many ways, recent data corroborates the sparse literature on local governments' poverty alleviation efforts. Based on Sample provinces from Commission on Audit records, Alonto observes that

...the bulk of provincial expenditures in 1991 went to general public services and economic services, with each sector having an average share

⁴⁹ *Id.*, at 28.

⁵⁰ *Id.*, at 28-29.

⁵¹ *Id.*, at 29.

of nearly, half of total local expenditures (Quitazol, 1996). Spending on economic services led in the second and fourth classes of provinces. On the other hand, the predominant spending of the first, third, and fifth classes of provinces is on general public services. In short, one observes an ambiguous spending pattern on general public services relative to total local expenditures across income classes of provinces.

In post-devolution 1993, health services joined the first two categories in importance, getting a 36 percent share in aggregate provincial expenditure. But again, no monotonic pattern across income class of LGU could be discerned. For the first and second class provinces, the order of local spending was as follows: general public services, economic services, and health services. For third and fifth class provinces, the sequence of local spending was health services, general public services, and economic services. A different ranking was, however, established by the fourth class provinces—general public services first, followed by health services, and then by economic services.

Also noticeable is the prioritization of basic health and education spending of local governments with devolution. In fact local spending highest average growth rates for all classes of provinces reported the highest average growth rates between 1991 and 1993. It can be safely concluded that one of the motives of devolution for mobilizing additional LGU resources—to improve the provision and delivery of basic social services—has indeed materialized.⁵²

Thus, local governments demonstrated variable spending patterns, distinguished from the income class of the local governments. This is consistent with the conclusions of a World Bank study, which pointed out that at local government levels, social sector expenditures increased from 29 percent of GNP in 1991 to 71 percent in 1993. But economic services remain stagnant. Health expenditures increased dramatically with higher local government resources. While the rise in health spending for provinces and municipalities may be viewed as imposed because so much of additional health responsibilities have been devolved to them, at least during the early years of the devolution, cities are voluntarily setting aside more resources for health services.

At all levels of local governments, education expenditures (which have not been devolved) not only increased as a percent of GNP but also as a share of the higher LGU spending. Local governments are spending a substantial amount of additional resources on education whenever they can.⁵³ Economic services (including rural roads, water, irrigation and agricultural extension) are taking the brunt of adjustment. Provincial spending declined; when real resource availability goes up by 1 percent, provinces reduce

⁵² Alonto *supra* note 10 at 215-216.

⁵³ WORLD BANK, 1 PHILIPPINES: PUBLIC EXPENDITURES MANAGEMENT FOR SUSTAINED AND EQUITABLE GROWTH 42-47 (1995).

real spending on economic services by 1 percent because so much additional spending is needed for health.

The study also noted that spending on general services seems to be the most stable or inflexible. The shrinking share of spending on economic services in local governments can be attributed in part to the willingness of the central government to provide resources to devolved functions. These interventions in devolved activities make it difficult to hold the local authorities accountable for their actions with respect to devolved activities. It may also distort the investment decisions of local officials as they tend to wait for Congress to act on these matters. Interviews with local officials show that they would not provide services that central officials are willing to provide—especially services that substitute local provision—be it irrigation, forestry, or other infrastructure facilities.⁵⁴

VIII. SOME OBSERVATIONS

The NSCB noted that because of the implementation of the Local Government Code there is a need for more disaggregated poverty data. These estimates are necessary inputs not only in the allocation and delivery of social services but as inputs to the development and monitoring of local poverty alleviation plans.⁵⁵ In the absence of any in depth study, existing literature does present a rough picture of how low local governments are addressing poverty in their respective provinces.

Local government finances depend heavily on transfers from the national government, at the expense of locally generated revenue. This will clearly affect the manner in which local governments can address poverty. Without locally generated income, local government operations become dependent on political winds at the national government level. The IRA, therefore, lacks the predictability that local governments need for adequate planning and could prevent local governments from effectively funding social services.

It is also evident that there is no clear pattern in social service spending. Only a few provinces consistently appear as the highest spenders on social spending, and in varying degrees. These local governments do not always fund social services consistently. Their efforts likewise fluctuate.

Recent HDI figures show that despite a notable increase in human development among provinces, there are wide disparities among these local governments. HDI figures show that several provinces in Mindanao are far worse in terms of poverty compared to their counterparts in and around Metro Manila. There is, in other words, no discernible pattern when analyses of HDI is concerned.

⁵⁴ *Id.*

⁵⁵ National Statistical Coordinating Board, Poverty Assessment in the Philippines, NSCB Technical Paper No. 2000-02, September 2000, p. 19.

HDI figures also dropped significantly in 1997; it is an across the board drop showing that development suffered between 1994 and 1997.

It was also shown that income rich provinces do not necessarily lead to lesser poverty in these places. Poverty-alleviation is not dependent on the amount of fiscal resources available to local governments, but on how these governments spend the resources that are within their disposable. But what was shown was that those that spend on social services, regardless of their total fiscal resources, have higher HDI ratings. This link is often lost on local government officials.

HPI figures also reveal other facets of poverty that escape notice under HDI scrutiny. Using the proportion of the population who are malnourished children under five years of age, the proportion without access to health care, and the proportion without access to safe water can indicate material deprivations that should be measured directly because they may be reflected when income alone is measured. Since these are easily measured and should show immediate response to local government poverty alleviation efforts, then governments here should consider using the HPI as another measure of deprivation.

In any case, poverty is still pervasive in the country. Regardless of how it is measured, all provinces have a portion of their constituents living in poverty. Clearly, something more needs to be done.

By way of recommendation, Congress should consider amending the Local Government Code because it does not expressly mandate that local governments should address poverty (except in the case of municipalities). This could account for the piecemeal and erratic approach to poverty alleviation in the country. Instead of a programmed, concerted effort, most local governments simply provide for basic services without the larger goal of addressing the roots of poverty. By associating social service spending with poverty alleviation, local governments could be encouraged to spend accordingly, and then ultimately eradicate poverty in their territories.

The role of local governments in poverty alleviation is not clear. The data gathered in this paper measures poverty, but not as a consequence of local governments' efforts. Generally, they are incidental outcomes of local government activities, not gauged pursuant to a consciously drawn plan of attack to eradicate poverty.

The role of local governments should be clarified, so as not to leave the impression that poverty alleviation is a function of the national government alone.

The Ramos Administration's Social Reform Agenda involved local governments by requiring them to provide certain services and mandating them to monitor the implementation of the programs.⁵⁶ Ramos' goals could be construed to mean that he recognized the roles local governments have to play in poverty alleviation. In contrast, the Arroyo Administration's effort at laying down a program to address poverty

⁵⁶ Republic Act No. 8435 (1997), §§ 90, 99, 101.

alleviation leaves local governments out of the loop. In the “National Unity to Face the Challenge of the Global Economic Crisis” signed last December 10, 2001, the leaders of the Arroyo Administration vowed to achieve, among others, the following objectives:

1. Improve peace and order, strengthen security and peaceful conflict resolution processes and mechanisms;
2. Improve the delivery of basic social services, including housing, and protect the vulnerable sectors, especially the poor and displaced workers;
3. Enhance competitiveness, productivity and social equity in agriculture, industry and services including tourism;
4. Protect and promote employment, workers' rights, social dialogue, and industrial peace;
5. Ensure economic stability through sound macroeconomic management particularly through better revenue generation;
6. Provide more efficient and effective governance and combat all forms of corruption; and
7. Sustain and enhance continuing dialogue on development strategies, programs and paradigms.

Official documents show local governments barely figure in the campaign. There is a single incidence when the role of local governments was identified—in the case of good governance, the government pledged to “Empower and task urban barangays to help manage traffic, cleanliness and waste disposal.”

This probably indicates the prevailing view that poverty alleviation is still a goal of the national government, despite the devolution of basic services to local governments. This illustrates once again the need to reorient the delivery of basic services and channel it towards poverty alleviation.