Fiscal Management and the Bicol Autonomous Region in the Philippines

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Abstract
Bicol Region is one of the seventeen regions in the Philippines. A section of its population who calls themselves the Bicol Autonomy Movement claims that for a very long time its people have entrusted the region’s destiny to the national government which had been perennially accused of poor governance and relegated the region to social and economic oblivion. The movement was formed to advance regional autonomy and rise up from the bondage of poverty and neglect. This study is an attempt to examine the fiscal management of the Bicol Region under the current unitary form of government in the Philippines. At the later part, this study brings forward recommendations on the fiscal management of the proposed Bicol Autonomous Region.

Keywords
Fiscal Management; Government Spending; Autonomy

Introduction
Bicol Region, also known as Region V, is geographically situated as a bridge between the northern and southern parts of the Luzon group of islands in the Philippines (Jimenez, 2012). It has abundant natural resources, particularly geothermal energy. It hosts two of the country’s major geothermal fields in the Tiwi and Bacon-Manito geothermal areas (National Power Corporation, 2006), which benefit the entire country particularly the metropolis, the National Capital Region (NCR). With its 215-megawatt proven reserve, the Tiwi geothermal can continue to generate power for about 25 years. Bacon-Manito has a proven reserve estimated at 165 megawatts likewise generating power for about 25 years (National Power Corporation, 2006). But out of the total 3,471 barangays in the region, there are 61 which are not energized yet.

Region V still remains among the poorest regions of the country, ranking sixth (National Statistical Coordination Board, 2013) and with regions of Mindanao, making it the poorest region in Luzon. The Bicol Autonomy Movement believes that despite its abundant natural and human resources, Bicol remains very poor because of the current government set up where everything is controlled by the national government. It therefore hopes to seek a meaningful change toward maximum benefits from the region’s natural resources, greater productivity, more effective services to the people, and better governance (Jimenez, 2012). This study hopes to examine the workings of tax collection and allocation to and from the national government and Bicol’s local government units (LGUs). As a result of the study, the author submits specific recommendations that may be of use to the proponents of the Bicol Autonomous Region.

Statement of the Problem
The study aimed to examine the fiscal management of the Bicol Region vis-a-vis other regions in the Philippines under the current unitary form of government in which tax collection and allocation are largely controlled by the national government. Specifically, it hoped to determine and analyse the following: (1) total receipts and total expenditures of the local government units (LGUs) in Region V vis-a-vis other regions; (2) breakdown of revenues and expenditures of the LGUs in Bicol; and (3) the Internal Revenue Allotment (IRA) provided by the national government to the LGUs.

Theoretical Considerations
John Maynard Keynes introduced the theory of fiscal policy which states that the government can influence the behaviour of the economy by setting the level of
government spending and taxation by policymakers (Mankiw, 2012). Part of Keynesian economics is that addition of government spending raises the aggregate expenditure of the economy and increases the equilibrium level of Gross Domestic Product (GDP) (McConnell and Brue, 2005). Moreover, transfer payments are quickly translated by recipients into new consumer spending (Byrns and Stone, 1995), thereby increasing aggregate demand and stimulating production. Government spending is a major element in national income accounting which is a framework that summarizes and categorizes production activity in an economy (Melvin and Boyes, 2013). It is a component of Gross Regional Domestic Product (GRDP) and Gross Domestic Product (GDP) which are vital indicators of economic growth. It is the government’s direct participation in the economy which stimulates economic activity, induces private investments and eventually increases employment, accelerates production, augments people’s income and raises standard of living.

Anchored on the aforementioned theories, the study assumed that if Region V is able to boost its tax revenues, it would have greater ability to manage its public expenditures and stimulate economic growth. As claimed by the Bicol Autonomy Movement, the region has abundant natural and human resources. If there were enough public funds to finance economic activity in the region, economic growth will directly benefit the people of Bicol. But under the current unitary form of government, these assumptions are subjected to the condition that the national government will decide in favour of regional development priorities.

Methodology

The study utilized secondary data analysis. The data presented in all the figures were taken from the offices and websites of pertinent government agencies, namely the Department of Budget and Management, National Statistical Coordination Board, and the Bureau of Internal Revenue. The data were processed by classifying them according to specific indicators which were presented under Results and Discussion. Graphs and charts were likewise used to facilitate comparison of figures across regions and across categories.

Results and Discussion

This first section presents the fiscal situation of Bicol vis-à-vis other regions of the Philippines. It evaluates how Region V fares in comparison with the fiscal performance of other regions, particularly in terms of tax receipts and public expenditures.

![FIG. 1. TOTAL RECEIPTS, BY REGIONAL LEVEL OF LGU, 2011 (In Million Pesos)](http://www.seipub.org/rae)

Figure 1 shows the total tax collections of the LGUs in the seventeen regions of the Philippines. Total receipts pertain to the sum of government revenues from local and external sources, and from borrowings. They are revenues of the government from compulsory contributions to finance its operations. Although the NCR had no loans in 2011, it still topped the list, followed far behind by Region IVA. On the other end, Cordillera Autonomous Region and Region XIII had the lowest amount of public revenues. Bicol was among those with smallest figures, only 15% higher than that of Region XIII.

![FIG. 2. TOTAL EXPENDITURES, BY REGIONAL LEVEL OF LGU, 2011 (In Million Pesos)](http://www.seipub.org/rae)

Based on Figure 2, NCR was at the summit of government spending, relative to the other regions of the Philippines, followed by IVA whose expenses was only 66% of that of NCR. NCR’s spending was almost equal to the public expenditures of six regions – CAR, I, IVB, XII, ARMM, CARAGA – combined. Bicol once again placed in the exact middle of the eight largest spenders and the other eight lowest spending regions.

The next figures focus on the fiscal situation in the Bicol Region in 2011, specifically the tax revenues and
and how the region allocated its expenditures.

![Figure 3: Tax Revenues, Bicol Region, 2011 (In Million Pesos)](image)

Based on Figure 3, Region V collected a total of P782.57 million tax revenues in 2011. Most of it came from other local taxes followed by real property taxes. Other local taxes include business tax, professional tax, amusement tax, and tax on quarrying resources, among others.

![Figure 4: Non-Tax Revenues, Bicol Region, 2011 (In Million Pesos)](image)

As shown in Figure 4, LGUs in the Bicol Region had a total of P523.09 million non-tax revenues, slightly lower than the tax receipts in Figure 3 above. Region V had a combined business and service income of P191.12 million in 2011. This comprised one of the largest components of non-tax revenues, the other one being other income. Other income refers to revenue from government-owned corporations, investment funds, and sale of government assets, rents, concessions and royalties, among others.

![Figure 5: Receipts from External Sources, Bicol Region, 2011 (In Million Pesos)](image)

Figure 5 shows the tax receipts of Bicol from external sources, which included Internal Revenue Allotment (IRA). IRA refers to the share of the region from national tax collection. The LGUs of Region V were highly dependent on IRA which comprises 99% of their total receipts from external sources.

![Figure 6: Receipts from Non-IRA Items, Bicol Region, 2011 (In Million Pesos)](image)

Non-IRA items include share from Government Owned and Controlled Corporations (GOCC), other share from national tax collection, extraordinary receipts, inter-local transfers, and capital/investment receipts. The 1% non-IRA items received by Bicol are broken down in the pie chart of Figure 6. The largest non-IRA item likewise came from the national government particularly from the GOCCs.

![Figure 7: Expenditures, Bicol Region, 2011 (In Million Pesos)](image)

Based on Figure 7, the LGUs of the Bicol Region allocated a large portion of public funds to General Services and relatively lesser on Economic and Social Services. In this particular context, the small percentage apportioned to debt services as compared to the other components of public expenditures, may initially show that the LGUs are utilizing funds for more productive endeavors than merely paying for interest or probably penalty expenses on loans.

However, it is important to note that the receipt from loans of the region in 2011 was only P1 million. Given the figure on debt service expenditures of P469.95 million which was more than 400% higher than the actual receipts from borrowings in the current year,
indicated that the LGUs were still paying for either the principal, interest or penalties of old loans obviously incurred before 2011.

Conclusions

The Bicol Autonomy Movement may have valid claims that the Bicol Region had been lagging behind other regions in the Philippines in the path toward development. As discussed under Theoretical Considerations, the fiscal situation reflects the level of dynamism of an economy. Higher tax collection springs from the existence of profitable investments and citizens’ high standard of living. It reflects the people’s capacity to finance the services and programs of the government. The data presented herewith consistently showed that Region V was among those with lowest government receipts and expenditures.

The data on IRA validated the observation that LGUs in the Bicol Region are extremely dependent on the national government. There was no authentic devolution of resources as envisioned by the Local Government Code. Whoever controlled economic resources maintained political power and government control.

This study concludes that the Bicol Autonomous Region cannot be established, just yet, solely from the resources of the region itself. Region V definitely needs major assistance from the national government or else, the regional government should have to resort to loans and borrowings as another source of temporary revenue. But such source is definitely not the most feasible and sustainable one.

Advocates of the Bicol Autonomous Region should recognize the initial pains of devolution which is a normal process. Such situation can be seen in a typical Filipino household, when an adult child decides to marry, raises one’s own family and establishes one’s own household separate from the previous one. The newly married child has to go through the pains of separation, albeit psychologically and economically. It is imperative that the child sets up one’s own assets and properties, strengthens one’s financial stability, and finds a source of income so as to break the economic dependence on one’s parents.

At the initial stage of autonomization, or the process towards achieving autonomy, Bicol Region will have to undergo some stages which may be called pre-autonomy, autonomy, and take off. The pre-autonomy will take about three to five years of transition when a large part of its financial resources will come from the national government. It will involve the construction of physical structures, organization of human resources, and setting up of equipment and facilities. The autonomy stage is the significant reduction in national government financial remittances and increased public revenues from local sources. There is a need to set up new tax measures which can be justified through greater benefits for constituents politically, economically and socially. As alternative to new taxes, the Bicol Regional Government can establish GOCCs and attract more investments, both foreign and domestic, and therefore reduce the need to impose taxes for revenue generation. This stage is also characterized by assertion of power and authority of the regional government on the concerns and affairs of Bicol.

Under the take off stage, Region V has achieved a substantial control of its natural, human and capital resources. There is greater degree of supervision over the region’s agricultural, mineral and energy resources. There is significant degree of fiscal autonomy. Bicolanos will receive more efficient and quick delivery of services such as direct access to government agencies for licensing, clearances, documents, travel, among others. There are quick response services as to disaster management, legislation and legal/judiciary issues.

Be that as it may, the Bicol Autonomy Movement should further clarify the relationship between the Bicol Regional Government and the national government. Will the regional government solely depend on its internal resources for its sustenance and effective functioning like a separate state? Will it eventually give up receiving IRA and general appropriations from the national government? Alternatively, will it demand for sustained support from the national government as being part and parcel of the Republic of the Philippines? Does it take the character of a federal state with the important prerequisite of a constitutional amendment transforming the Philippines into a federal form of government? Or will it remain one of the seventeen regions within the current unitary government structure? Such questions should be further discussed, carefully studied and clarified.

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Bernadette M. Gavino-Gumba was born in Naga City, Philippines on June 26, 1964. This author holds a PhD in development management from the Bicol University in 2008; MS in economics from the Asian Social Institute in 1999; and bachelor’s degrees in economics (magna cum laude and class valedictorian) and accounting (magna cum laude and class valedictorian) from the Ateneo de Naga University in 1985. All schools are located inside the Philippines. She likewise passed the licensure examinations for certified public accountant in 1993.

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