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DECENTRALIZATION REFORMS IN THE PHILIPPINES:
IMPACT ON VERTICAL BALANCE AND HORIZONTAL EQUALIZATION, 1991-1998

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In academic writing, well-seasoned writers for sure can easily sit down with everything fully formed in their minds. Unluckily I am not one, and hence, for the completion of this paper, the need to exchange ideas have to be made, sacrifices have to be borne and most importantly, precious time to be shared, if not stolen.

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Above all else, God, who steadfastly made all things possible by using all the people mentioned above, in His Grace, may this work finds its modest way to reach others who may find interest for now and beyond.
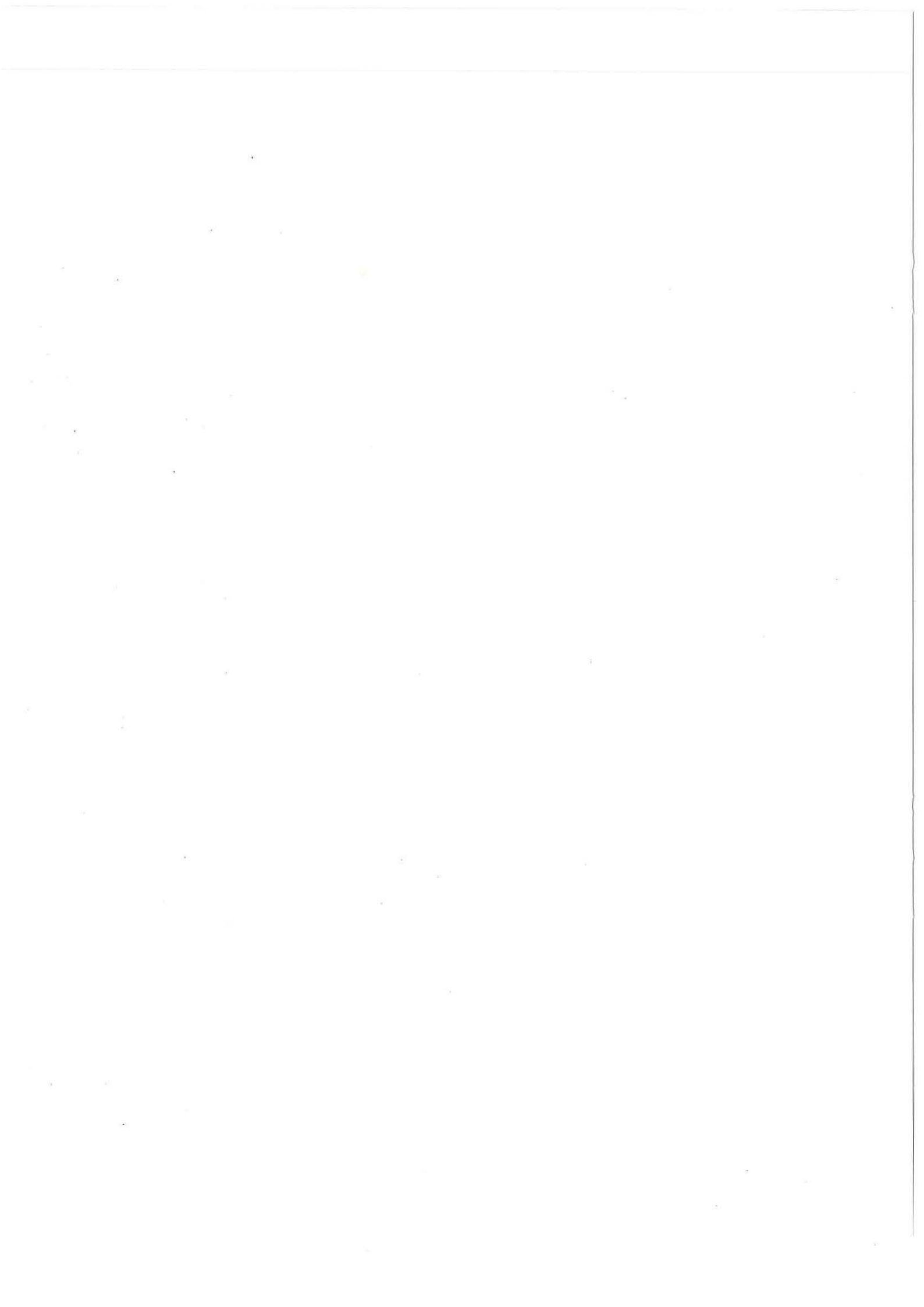
TRACES OF INSPIRATION

To my parents, Pablo Buyog, Sr. and Josephine L. Buyog,
who never saw the fruition of their efforts and their dreams for their children
unfold....

To them, I dedicate this humble work...
.....that despite their early absence, they have always been a great source of
inspiration and strength in the pursuit of my academic and professional
endeavours....

AND

To my sister Imelda, who helped me lived a second time, my lifetime gratitude...

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List of Acronyms

LGUs	Local Government Units
BESFs	Budget of Expenditures and Sources of Financing
RA	Republic Act
PD	Presidential Decree
LGC	Local Government Code
LGs	Local Governments
DBM	Department of Budget and Management
NG	National Government
ANOVA	Analysis of Variance
HUCs	Highly Urbanized Cities
GOCCs	Government Own and Controlled Corporations
RPT	Real Property Taxes
LT	Local Taxes
OMR	Other Miscellaneous Receipts
IRA	Internal Revenue Allotment
DOF	Department of Finance
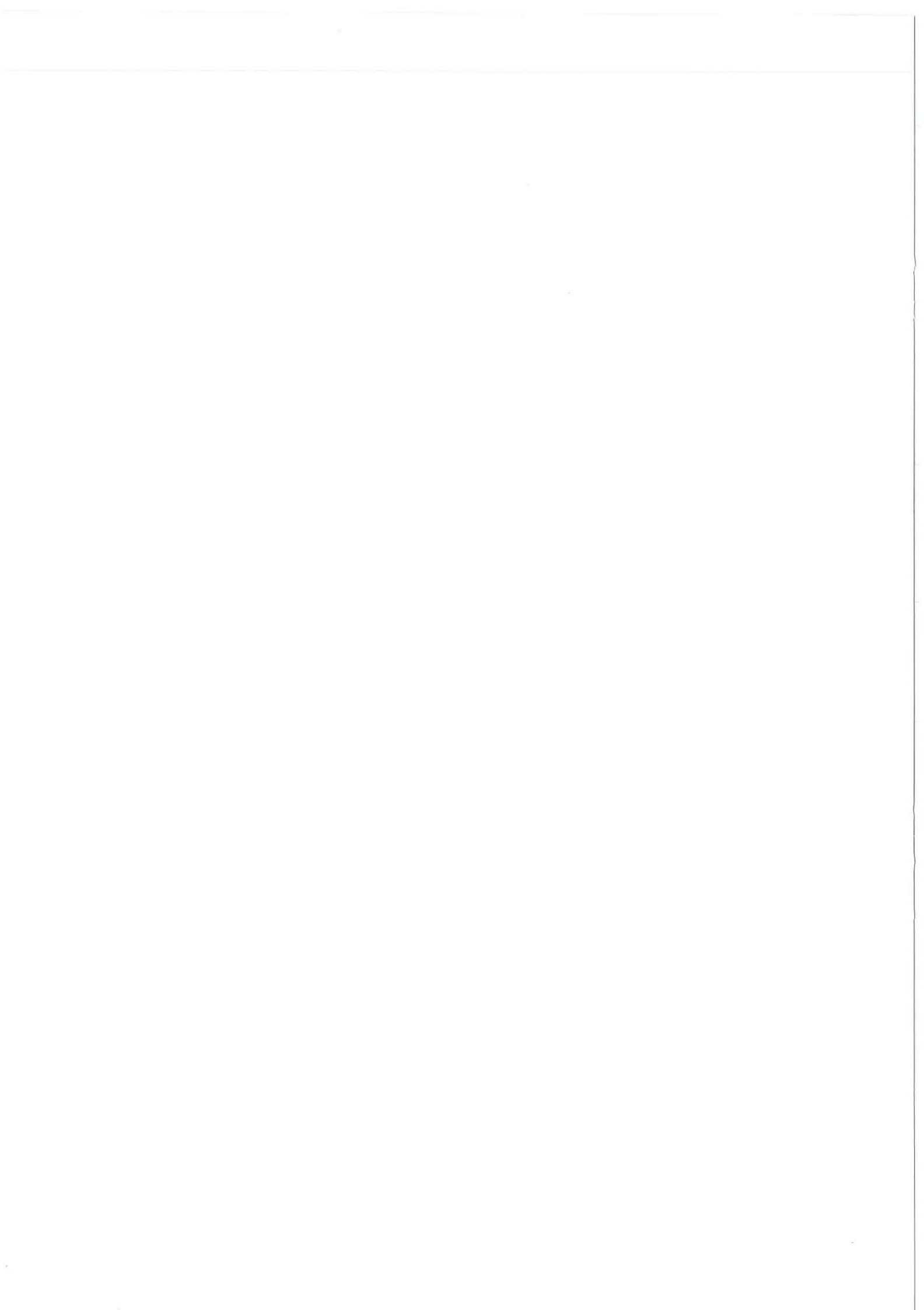
I. Introduction

With the rapid urbanisation and industrialisation processes taking its toll, economies are increasingly getting more complex. To meet the pressing concerns and challenges, new paradigms based on partnership between governments have emerged. For this reason, a fundamental re-evaluation of the form and nature of local governance has gained popular attention, thus, the arguments of Helmsing (2000,p.47) on localised economic governance finds relevance in this respect. First, he emphasised the increasing roles of local governments and most importantly the realization by many countries that for national innovation and support systems to be more responsive, decentralisation is a must.

The trend of decentralization in terms of fiscal, political and administrative responsibilities emerged world-wide and became widespread in developing countries for a myriad of reasons like, plain and simple reality that central governments have failed to provide effective public services, among others. While it may not offer a complete panacea to the various ills of governance, decentralization of government decision-making and implementation involves the delegation of more powers to decentralized divisions of government. The rationale is to improve technical efficiency in governance by facilitating the implementation process and, thus, speeding up government action and effective delivery of more appropriate services.

Decentralization includes the reconfiguration of central government's role with increased emphasis on policy setting, financing and ensuring efficient and equitable provision of services by regional and local governments. Further, decentralization offers the potential of improved public sector efficiency and accountability (Winkler, 1994,p.7). However, the lack of appropriate policies and weak intergovernmental institutions can lead to fiscal mismanagement, resources misallocation and inequity in services provision. To address

these issues, central government should be armed with principal instruments such as fiscal transfer policies and strong financial management of a decentralized system.

1.1 Objectives of the Study

The impetus of finance cannot be underscored in the fiscal landscape of local governance. Inevitable and central in governance is the existence of fiscal policies as fiscal imbalances still persist despite dealing with assignment functions with care. In this context, the comparative analysis of the local public expenditures and revenue sourcing of all levels of local government units (LGUs) in Philippines shall be examined with threefold aims:

1. That the study should examine the changes and patterns of expenditures and revenues by sector and by type of revenue sources before and after decentralization;

2. To determine the relationship between decentralization and economic growth and distribution of resources between the NG and LGs and among the three levels of LGs, i.e., the provinces, municipalities and cities; and

3. Finally, the synchronization of the findings and its policy implications resulting from the study that can serve as input to policy considerations for possible enhancement measures to improve resources allocation. In fine, the conduct of this study can offer insights from which lessons can be drawn to improve public sector efficiency and mitigate equity gaps.

1.2 Problem Statement

Given the scarcity of resources in the Philippines, in relation to development needs, one of the core issues is the allocation of resources among competing ends. The basic consideration of resource allocation is how to maximize the level of growth of output from domestic resources available. The question of which sectors (Appendix F) to invest in and

which projects be accorded priority funding given the developmental goals, pose hard choices to government, especially local governments. It is, therefore, essential to consider the appropriate balance of public provisioning against available local government finances.

1.2.1 Main Problem

Has fiscal decentralisation in the Philippines increased public expenditures of local governments in the following sectors: 1) Economic Services; 2) Social Services; 3) General Public Services; and 3) Other Services.

Is there a significant difference in the growth of these types of expenditures after decentralization?

1.2.2 Sub-problems:

1.2.2.1 On Vertical Balance

1. What are the revenue and expenditure shares of the NG and the different LG levels in the total public resources before and after decentralization?

2. Was there a shift in the sourcing of revenues by the NG and LGs before and after decentralization?

3. What are the trends and sectoral composition of expenditures of the national and local governments before and after decentralisation?

4. Which level of government posted a faster economic growth rate as far as revenues and expenditures are concerned?

1.2.2.2 On Horizontal Equalisation

1. How is the pattern of revenue sourcing in each of the three levels of LGs and in an inter-LGU basis during the two end periods? Was there a significant increase in revenues generated after the Code empowered the LGUs and expanded their tax bases?

2. How far has decentralization affected the LGUs? Are the generated revenues derived from broadened taxing powers adequate to finance LGs expenditures?

3. Which level of local government is more financially autonomous as measured by the self-sufficiency ratio (SSR)?

4. Has fiscal decentralization fostered the equitable distribution/sharing of generated local revenues and intergovernmental transfers among the different LGUs and levels of LGs?

5. Was there a shift in the sectoral local expenditures after decentralization? And is there a significant shift/variation in expenditures?

1.3   Scope and Limitations of the Study

Fiscal decentralization analysis evolved within the actual expenditures incurred and revenues collected by the different levels of LGUs across the fourteen regions in the Philippines. The secondary data is culled out from the Budget of Expenditures and Sources of Financing (BESF) of 1991 and 1998. Some data related problems hampered the conduct of a more encompassing analysis in view of the time and resource constraints of the study. It would have been more ideal to avail of a ten years data representing the operations of LGUs before and after the implementation of the Code, hence, the careful selection of the years 1991 and 1998 representative of the subject periods for comparison purposes had

been decided upon. Moreover, the non-availability of expenditures by object limited this study to determine how much of total LG expenditures were spent on personal services, maintenance and operating expenses, current operating expenses and capital outlays. With these limitations, examination of the vertical and horizontal relations of the levels of government were considered to strengthen the study. Thus, the concluding points and policy considerations reached are confined in this area of study.

1.4   Organisation of the study

The study is organised into five chapters with the first chapter dealing with what the study is all about; the rationale of the study, the problem statement and its objectives, and scope and limitations underlined. Chapter 2 puts into perspective the theoretical bases and arguments of fiscal decentralization from which the study is anchored upon and how it is to be undertaken. Chapter 3 shall usher the background of decentralization in the Philippines, i.e., a discussion of the highlights of the 1991 Local Government Code. Chapter 4 is devoted on the analysis of the degree of fiscal decentralization of LGUs through a detailed examination of the composition of expenditure priorities by sector and the extent to which the revenue powers have been exercised. Chapter 5 recapitulates the study by way of giving the concluding statements and identifying the key problem areas for policy consideration.
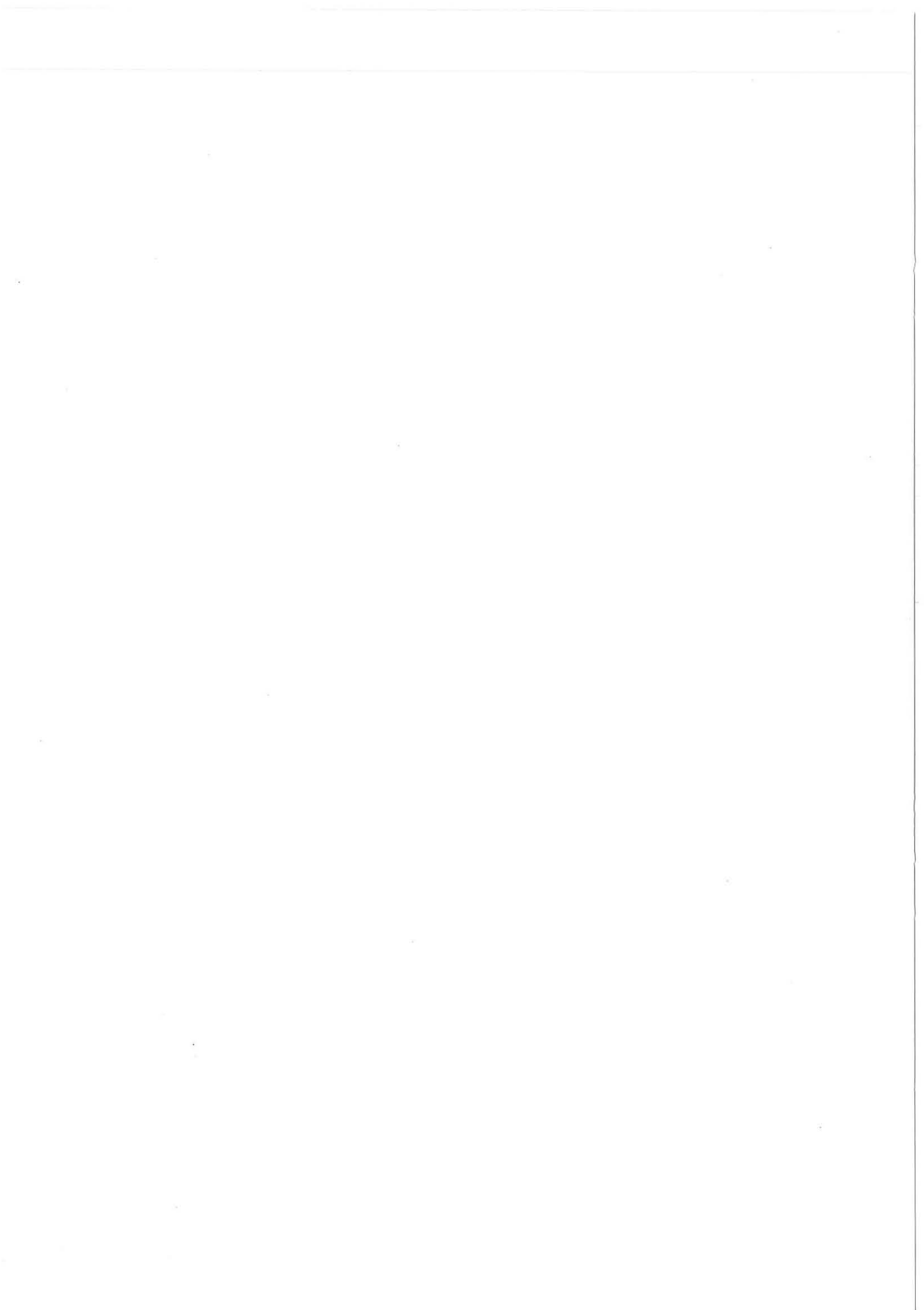
2.1   Financing Local Governments

Emphasis of this chapter would be on the theoretical bases and arguments in support of intergovernmental relations within the contextual framework of fiscal decentralization. The relevance of fiscal decentralization as a policy strategy in unfolding the economic trends having parallel effects on local economic development is taken in perspective.

The increasing interest on local economic development policies under decentralization (Bennett, 1990,p.221) can produce spin-offs. As argued, decentralized government policy can be another form of an appropriate stimulant to local economic activities. This considers the LG as an important actor in stimulating the conditions that will allow the development of economic activities to succeed.

The active involvement of LGs can be seen in decentralizing both spending and revenue authority to improved allocation of resources in the public sector by linking the costs incurred and the benefits derived (WB, 1988,p.154). In financing LG operations, full utilization of user charges are most ideal, however, if not feasible, LG spending must be liquidated from local general revenues, loans and grants from central government. The correlation, at this point, of the role of public finance to fund LGs' economic endeavours is crucial.

2.2   Understanding and Defining Concepts

2.2.1   Decentralization: A Complex Phenomenon?

The motivating benefits of decentralization, notwithstanding, the cross cutting limitations, have convinced many governments to embrace such paradigm as a way of effecting important changes in governmental structures. Decentralization as a concept embraces

varying concepts within itself. Rondinelli, et. al (1989,p.58;1983,p.18),understood it from an administrative perspective, as the transfer of responsibility for planning, management, and allocation of resources from central government and its field units. On one hand, it can be argued as a situation in which public goods and services are provided primarily by market mechanisms.

Ugaz (1997,p.3) put it under two dimensions: fiscal and administrative decentralization. Expounding more clearly, fiscal decentralization exists when sub-national governments have the power to raise their own revenues and carry out their spending activities according to clearly established criteria. In an administrative dimension, it exists when most of the resources are centrally raised, however, a portion is distributed to decentralized entities which carry out their spending levels in close control and compliance with central government.

In essence, decentralization dwells on how the state structure is designed to allow the sharing of powers between the centre and sub-national units of the state and other organizations of society. The many forms and several dimensions that it takes are discussed below.

2.2.2 Faces of Decentralisation

Decentralization constitute four types (Rondinneli&Cheema,1983,p.18):1) deconcentration; 2)delegation to semi-autonomous agencies; 3)devolution to local governments; and 4) the transfer of functions from public to non-governmental institutions. It has been argued that the application of any of these types of decentralization has varied from place to place and depended on particular circumstances. Some if not most governments have either used all or a combination simultaneously at different times during implementation. For clarity, we define each type of decentralization briefly.

Deconcentration refers to the redistribution of administrative responsibilities only within the central government. It could also be the mere shifting of workload from central

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government to its own field staff without actually transferring the authority to make decisions or to exercise discretion, thus, the centre retains authority. Another form pertains to the transfer of decision-making and management authority for specific functions to organizations that are not under the direct control of central government. Thirdly, decentralization happens when central government seeks to consciously decide to create or strengthen independent levels of government through the devolution of functions and authority. In such arrangement, the central government relinquishes certain functions or creates new units of government that are outside its direct control.

The ultimate form of decentralization is privatisation. It takes place with the increased involvement of the private sector in the delivery of services and to some extent the financing of many "public" services. Among the foregoing types, devolution is the more extensive form as it covers a situation in which central government transfers authority for decision-making, finance and management to quasi-autonomous units of local government. It usually transfers responsibilities of services to local units, raise their own revenues and have independent authority to make investment decisions (Rondinelli,1998;Litvack, J., et al.,1997,p.6).

2.2.3 Arguments for and against Decentralization

Decentralization, the theory argues, brings forth benefits in allocative and productive efficiencies. It has always been presumed that local bodies are expected to know and respond better to local demands, thereby, allocating efficiently scarce resources and improving satisfaction and welfare. Moreover, local bodies are deemed to be able to deliver goods at lower costs than national bodies. While decentralization has been responsible for a couple of beneficial impacts, it should be recognized that in some situations, these perceived benefits do not happen. In terms of generating resources, decentralized authorities may not be able to improve capacity or mobilise resources. Further, the over-reliance on local resources may have adverse distributional consequences, even widening the gap between the rich and the poor areas. Worst, regulatory systems may stifle institutions or that higher authorities may not be able to ensure effective

accountability. Above all, a successful decentralization program requires supporting inputs in finance, institution building, legal powers, and accountability. Without all these, decentralization programs may falter.

Critics, like Prud'Homme (1990), says that there are situations that the perceived benefits maybe elusive. Imminent dangers include, among others, macro-economic mismanagement, corruption, bloated bureaucracy and worsened inequity between regions. Despite the resurgence of these issues, the extent and pattern of feasible decentralization programs depend on the institutional contexts of countries.

2.3   Intergovernmental Fiscal Relations

Intergovernmental relations usually pose the issue of what best arrangements of fiscal powers and responsibilities between different levels of governments are to be implemented. The interest of such relationship has heightened, in recent years, in view of decentralization processes that have taken centre stage, the Philippines not in exception.

The option of channelling national resources through local budgets of lower tiers of government and tapping their tax potentials have gained increasing importance. This can be explained by the adoption of development strategies using local or regional initiatives rather than adopting centralized approaches, which have been claimed as non-effective. On one perspective, the theory of federalism argues that it is favourable to decentralize the provision of public services for it is expected that decentralization of government enhances the prospects for higher growth (WB,1988).

2.4   Defining Economic Roles of Governments in the Context of Fiscal Decentralization

LGs play a crucial and important role in providing public services (WB,1988,p.154). When LGs provide a range of public services, it usually contributes substantially to raising living standards and growth. Services may come in terms of basic health and education, street lighting, water and sewage and power maintenance, public markets, major transport, land

development for business and private purposes (WB,1988,p.157). The discretion on how much to spend for these services and how to finance them depends on LGs. Basically, the "provision of public goods is one of the three functions of government"(Helmsing,p.98) which involves the process by which total resource use in an economy is divided between private and public goods.

As postulated by public finance literature, the allocation of functions traces its roots in Musgrave's tripartite division of the public sector (Oates,1990,p.43). Accordingly, the three functions of the public sector are separated into: 1) the stabilization function, 2) distribution; and 3) allocation functions to see that resources are used efficiently. This conceptual division of responsibilities of government allows us to draw the clear lines of authority, roles and boundaries of the different tiers of government. In trying to distinguish the issue of who does what, the provision of the public goods and services shall likewise be established.

With the functions of government presented, public finance theory assumes that the allocative and stabilisation functions are more important than the redistribution function because the emphasis of which is that of redistribution of income through progressive taxation and income transfers rather than on wealth. Further, Helmsing (1991,p.101) argues, that the distribution and stabilisation functions are the areas of jurisdiction of central of government while the provision of public goods and services or the allocative function is catered in by LGs.

When providing public services, LGs should meet the level and proper mix of public services and with the means of financing these services that closely match the preferences of their jurisdictions. In doing so, decentralization can promote efficiency, accountability and equity by clearly linking the benefits of services with their costs. To strike a balance in the implementation, LGs are not faced by practical problems. First, the lack of administrative capacity to collect revenues and prepare budgets and investment plans. Second, the improvement of LG's administrative capacity can unnecessarily duplicate the

number and skills of staff at the central and local levels. Third, inasmuch as public services are provided by one jurisdiction, produced benefits and costs for other jurisdictions calls for involvement of higher levels of governments. In this connection, they can be addressed by grant policies and other mechanisms strengthening local administration (WB,1988,p.157). This brings to mind the assignment of responsibility among levels of governments discussed below.

2.4.1   Assignment and Financing

In the assignment of responsibility for services among levels of government, it should be clear and simple as possible for decentralisation to work. Vagueness (WB,1988), in the division of responsibility can undermine local accountability. More than that, it can diminish the incentives for generating local revenues as LGs look for support from central government instead of pushing for increased local taxes to augment scarce resources.

2.4.1.1 Public Provision of Goods and Services

The provision of public goods and services under a decentralized system anchors its rationale with the fact that there are certain public goods, like national defense and foreign policy that benefit all members of society. These types of services should appropriately be accorded by the central government.   In other instances, public services, which are of local concern, like the collection system and local fire protection should be provided by local authorities. Consequently, these types of services justify the compelling argument of decentralized provision (Oates, 1990,p.45; Helmsing,1997,p.4)

2.4.1.2 Nature of Goods and Services

Assigning responsibility for services provision to LGs promote greater social control, better response to local demands and priorities and facilitates citizen or user participation. Under such arrangment, local governments would have the freedom to shape their own programs based on local conditions.

On one hand, the private provision, being market oriented, can offer a better and more flexible response to demand but it tends not to cater to the low-income population. This, thus, necessitates the public provision of goods and services for the greater welfare of people. However, in the provisioning of goods and services, the involvement of government in the process of satisfying people's needs require the consideration of the different nature of goods and services. This brings us to a certain category of goods. As pointed out by Helmsing (1997,p.4), these types of goods cannot be properly provided through the market. He argued that, "if market provisioning and market pricing are not possible, then the government could take responsibility to provide all these and determine not only the volume but also their form of availability. Such goods can be categorized under the concepts of being non-rival consumption and exclusion. "Non-rival consumption occurs when a certain good or service can be provided to additional consumers or users at no extra cost, otherwise called to be indivisible or jointness of supply.

Savas (1982,p.30), on the other hand, said that goods and services could have the characteristics of exclusion where the potential user can be denied the goods or excluded from use unless he meets the conditions set by the potential supplier. Helmsing (1997,p.5) gave emphasis that exclusion is "the most critical of the two dimensions because if exclusion cannot be enforced then private provisioning would suffer from free riding and eventually be terminated in view of accumulated losses".

Regardless of the category, the central or local governments may either undertake the public provision for these goods and services. We now deal with what Helmsing notes as localised provision and centralised provisioning of goods and services depending on the criteria and whose task is the provisioning (1995,p.14).

2.5   Dimensions and Fiscal Aspects of Decentralisation

'The shift in responsibility between tiers of government is underpinned by fiscal, political and administrative instruments' (Litvack, et al.,1997,p.6). These elements define the extent

to which intergovernmental relations are deconcentrated, delegated or devolved. Since the definition of decentralization encompasses a number of structural arrangements, the division of fiscal responsibility between central and local governments can be seen as the vertical dimension of fiscal decentralisation, while horizontal is the way local governments organize themselves to finance and deliver services within their areas (Bahl & Linn,1992,p.403). In terms of economic decentralization, it determines the location of economic decisions with regards to the allocation of resources between communities (Wolman,1990,p.29). All these affect the processes of decentralization especially the level of governmental actions and decisions concerning the allocation of resources.

2.5.1 Concept of Fiscal Decentralization

Decentralization framework must link local financing and fiscal authority to the service provision responsibilities and functions of the LGs. Successful decentralization is closely related to observing the design principles of finance following clear assignment of functions, informed decision-making, and adherence to local priorities and accountability. It has to be recognised that financial responsibility is considered a core component of decentralization. If local governments are to be successful in carrying out decentralization programs effectively and efficiently, they must have adequate level of revenues either generated locally or transferred from central government via intergovernmental transfers. Complementarily, their authority to make decisions on their own expenditures is very important.

Fiscal decentralization (WB,1988) can take many forms. It includes: a)self-financing or cost recovery through user charges, b)co-financing or co-production arrangements through which users participate in providing services and infrastructure through monetary or labour contributions, c)expansion of local revenues through property or sales taxes, or indirect charges; d)intergovernmental transfers that shift general revenues from taxes collected by the central government to LGs for general or specific uses; and e)authorization of municipal borrowings and the mobilization of either national or LG resources through loan guarantees.

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Since fiscal decentralization involves the shifting of some responsibilities for expenditures and revenues to lower levels of government and that its main goal is to move governance closer to the people, this requires strengthening of local government finances. To do so, LGs should be given the appropriate and adequate taxing powers and expenditures responsibility and finally allow them to decide on the level and structure of their expenditure budgets. The provision (Helmsing,1991,p.98) of public goods and services can be seen through the budget as the key instrument. In this manner, people at the lowest levels of government will be given the opportunity to choose the kind of government they want, and will actively participate in the process of governance. In essence, there shall be better LG services and a more satisfied electorate. It is indeed necessary that LGs be accorded with some autonomy to make independent fiscal decisions, if fiscal decentralisation is to be achieved.

2.5.2   Basic Approaches to Fiscal Decentralization

2.5.2.1 The Assignment Function

An important step in the efficient organization of fiscal systems is the assignment of functions and sources of finances among different levels of government. Under the Musgravian tripartite division of government functions, it assigns stabilization and redistribution to the central government mainly, while the allocation function is shared among the hierarchical layers depending upon their comparative advantages in carrying out different functions (Rao,1998,p.80). This emphasizes the setting of appropriate expenditure and tax assignments for each tier of government and on designing intergovernmental transfers. Said framework is driven by the Musgravian principles of efficiency, equity and stability (Litvack,1997,p.10).

2.5.2.2 The Revenue Assignment: Strengthening Local Finances

Correct revenue assignment in multi-level government structures is by no means clear in principle but usually controversial in actual practice. Bahl (1996,p.53) argues, in this connection, that there is no uniform agreement among policy makers about which taxes

should be assigned to which level of government. He identified two fundamental problems, i.e., the central government can inherently collect most taxes more efficiently than local governments and the potential tax bases that can be tapped by local governments vary from region to region. The first problem gives rise to vertical imbalance while the second produces horizontal imbalance.

In assigning revenues to sub-national governments, two basic principles should be borne in mind: 1) own source revenues should be ideally sufficient to enable at least the richest sub-national government to finance from their own resources all locally provided services benefiting local residents; and 2) sub-national revenues should be collected from local residents from local services (Bird,1998,p.11). When revenue assignments are set in place, LGs finances can be strengthened which can improve efficiency of the public sector and reduce the need for transfers especially in urban areas. Strengthening local revenues like user charges, property taxes and other local taxes is vital for the stabilization of LGs in developing countries.

Under public finance literature, there is a degree of consensus on the desirable criteria to guide the assignment of revenue-raising responsibilities. Among the characteristics that can be considered in an ideal sub-national tax are the following (Bird,1998,p.11; Bahl,1996,p.53): 1)local governments should be assigned taxes whose burdens are local; 2)local governments should not levy taxes that cause business to adopt inefficient methods of doing business that might harm the growth in the local and national economy; 3)local governments should not levy taxes that impose heavy administrative and compliance cost; 4)the tax base should be relatively immobile to allow local authorities some leeway in varying rates without losing most of their tax base; 5)the tax yield should be adequate to meet local needs; 6)the tax yield should be relatively stable and predictable over time; 7)the tax base should be visible to ensure accountability; and, finally, 8)the tax should be perceived to be reasonably fair to taxpayers.

In terms of efficiency in raising local revenues, the World Bank (1988,p.159) outlines the following criteria. The cost of providing local services should be recovered, to the extent possible, from charges on the beneficiaries. The services whose cost cannot be recovered from charges can be financed from general taxes like property taxes, business taxes and sales taxes levied within jurisdictions. However, if the benefits of local services spills over into other jurisdictions or produce nation wide benefits, then grants from central governments should finance such services in proportion to their outside benefits. Finally, borrowing is an appropriate way to finance at lease some local capital investment, provided macro economic fiscal balance is maintained. It is also worth noting that tax assignment in a fiscally decentralized system should also involve the central government maintaining appropriate taxing powers consistent with its macroeconomic responsibilities.

2.5.2.3 Expenditure Assignment

"The primary economic role of sub-national governments relate to the delivery of local and regional goods and services"(Bird et.al.,1995,p.31). To effectuate the delivery, government intervention is extended through the incurrence of expenditures. As emphasized, the fiscal importance of sub-national government can be measured in terms of its share of revenues generated or the share of expenditures made. If the revenue measure would show the extent to which local governments are mobilizing public resources through their system of taxes, the significance of the large share of expenditures indicate an increasing fiscal decentralisation even if revenue-raising remains concentrated at the centre. This can happen when substantial intergovernmental transfers are infuse into local finances (Bhal & Linn,1992,p.390).

In expending, a basic decision considered in decentralization is the allocation of expenditure responsibilities across levels of government. Helmsing (1997,p.18), cites the "benefit principle" as a guiding principle concerning expenditure assignment. Accordingly, the responsibility for a particular function should be accorded to the level of government to whose jurisdiction the benefits of the functions accrue. In order to minimize externalities between LGs and to ensure accountability and political responsiveness, a clear, consistent

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and stable system of expenditure assignment to each level of government should be based on spatial characteristics of the public goods in question is required (IMF,1997).

The role of expenditures is always related to revenues, hence, it cannot be ignored. The demand for services and physical infrastructure can be felt when the processes of development demand for better standards of living or when population steadily grows. When local services and infrastructures are delivered, they contribute to social welfare, enhance labour productivity, allow markets to grow and work efficiently. More so, they create opportunities for employment and entrepreneurship.

In this context, the standard presumption that public expenditure supports growth objective gains support. However, there is the debate that public spending is not among the most influential determinants of the differences in growth over time, but the fact remains that growth is caused by a host of factors. Empirical studies, using the Dension growth accounting framework, helped to resolve the expenditure and growth issue. Accordingly, growth can be explained in terms of changes in physical capital, human capital, technology and efficiency in resource use. The main point arrived at was, to an extent public expenditures contribute to growth and more likely, growth is influenced by the composition of expenditure and not the level. Hence, while expenditures may be growth promoting, the way government chooses its expenses is very important (Hemming,1991,p.16).The manner of prioritizing various competing ends can be influenced by financing. Consequently, no matter how balance in revenue assignments are made, LGs are usually faced by fiscal incapacities. Therefore, because of the fiscal need, association with central government comes handy by intergovernmental finances relevantly.

2.6   Correcting Fiscal Imbalances by Intergovernmental Transfer Mechanisms

To understand fiscal imbalances, Rao (1998,p.89) referred it as the mismatch between the revenue-raising capacity and the expenditure need of different government units. It can

arise vertically between different levels of government, or horizontally, between different jurisdictions.

The existence of vertical fiscal gaps at different levels of governments resulting from own-revenues and expenditures assignments provide a rationale for a system of transfer and borrowing arrangements. Complementarily, it becomes essential when government wishes to ensure that citizens in different regions and localities have access to some established publicly provided services. In some respects, capacities of sub-national levels constitute horizontal imbalances that a system of transfers between and among them can be the remedy (Ahmad,1997,p.2). Is it possible to avoid imbalances to happen? It goes without saying that resources are not scarce to accommodate expenditure needs.

Ahmad and Thomas (1997,p.361) explain that vertical gaps arise when assigned expenditures do not match assigned revenues while horizontal gaps happen when differing sub-national levels have varying fiscal capacities due to differences in tax capacities, needs and costs in providing services. Hence, a fiscal equalisation package can help close the vertical and horizontal imbalances arising from assignment of expenditures and tax bases between centre and lower levels of government.

2.6.1 Role and Design of Intergovernmental Transfers

Intergovernmental fiscal transfers have been employed for a variety of objectives. Helmsing (1996,p.42) offers three main aims: 1) to ensure implementation of national policies; 2) to correct fiscal gaps between expenditures and revenues of sub-national governments, and 3) to compensate for benefits spillover. Bird and Vaillancourt (1998,p.29) put it as a way to equalize revenue effort or expenditure levels or outcomes in terms of services. The equalization is designed for income redistribution or to ensure that for the same revenue effort, citizens obtain the same expenditures regardless of where they live or at least to provide everyone with equal opportunity to access public services. It may also be intended to achieve objectives more directly related to growth and efficiency in resource allocation. In terms of political agenda, it makes it possible for even the poorest

areas to sustain a certain level of public sector activity or increasing the acceptability of other policies that may affect certain regions adversely.

Transfers are considered the heart of sub-national finance and as Bird (1998,p.31) enjoins, they are neither good nor bad. What matters, he argues, are their effects on such policy outcomes as allocative efficiency, distributional equity, and macro-economic stability. In this light, he outlines three basic ways to determine the distribution of such fiscal transfers: a) as a fixed proportion of central government revenues; b) on an ad hoc basis as in any budgetary expenditure; and c) on a "formula driven" basis, i.e., as a proportion of specific local expenditures to be reimbursed by the central government or in relation to some general characteristics of the recipient jurisdictions. The first option is found existent in the Philippines, where 40% of national internal revenue collections are distributed among LGUs on the basis of population, land area and equal sharing.

In the design of transfers, the capacities of sub-national governments in delivering services resulting from horizontal imbalances pose as a fundamental consideration in re-structuring government. The design of a transfer scheme depends on the purpose for which transfers are given. It should be guided by the principle that the purpose of which is not to finance particular governmental entities but rather to contribute to an effective provision of services to the population (Bird and Fiszbein,1998,p.181).

Qureshi (1997,p.312) supports the view that a sound design for general fiscal transfers should allow sub-national governments to have independence and flexibility in setting their priorities. They should not be constrained by rigid grant structure or by uncertainty associated with decision-making at the centre. While the design criteria of the grant should adhere to conditions, the counterpart of LGs is that they should have adequate local sources.

2.7 Local Government Administration

An important component of decentralization, which shall not be dealt with in detail in this paper, is the administrative capacity of LGs in administering the tasks of spending and revenue authority. These assignment functions can assist development provided local administrative capacity is adequate to the tasks. In the course of implementation, LGs are required to prepare both medium term fiscal plan and comprehensive annual budgets. The preparation enables them to evaluate the needs of their jurisdictions and make strong arguments for spending programs, which eventually serve as strong fiscal efforts. In this respect, capacity building and training of local officials are essential for better local administration (WB,1988).

2.8 Linking Economic Growth with Decentralization

Is there a connection between economic growth and intergovernmental fiscal relations or decentralized local governance? The often cited correlation analysis between the level of development as measured by GDP per capita and decentralization measured by local share of total government spending give credence to some of the promises of decentralization which improves public sector performance (Estache,1995,p.6). The trend towards localization of economic governance supported the increasing role of local governments. Thus, the engagement of decentralization processes and strengthening of local government structures with the transfer of more public responsibilities inspired LGs to venture in the development of their local economies (Helmsing,2000,p.47).

Intrinsic in local economic development is the generation of more resources in response to increasing demands for goods and services. When delivering services, consideration of its responsiveness to preferences of local communities and the business environment to set viable conditions is essential. The better advantage of LGs in knowing the felt needs of their local population and matching preferences and needs enables them to forge the link between decentralized actions and the enhancement of growth successfully. More impact could be seen when poorer localities are recipients of revenue sharing arrangements

through equalization grants from central government to augment their resources. The improved mobilization of resources from own sources and external sources is crucial in sustaining and incapacitating LGs to induce economic activities. Having better access to resources could improve and increase expenditure levels. Higher expenditure levels, while delivering the right composition of expenditures, can stimulate growth. Thus, local government intervention, capital formation, technological progress and changes in local and institutional settings can be reflective of local economic development.

In sum, fiscal decentralization as a policy strategy can thus offer a means of adjusting incentives in an economy and can be used as an important instrument of economic development (Bennett,1990,p.234).

2.9 Research Methodology and Collection of Secondary Data

The study shall adopt a comparative analytical approach in analyzing the fiscal performance of national and local governments, all fourteen regions considered, using their actual expenditure and revenue accounts for the periods 1991 and 1998. The documentary review and analysis shall evolve within purview of these national accounts derived from the consolidated Statement of Receipts and Expenditures contained in the BESFs of 1991 and 1998. Guided by the objectives and expected outcomes outlined above, the following tools and methods of analyses shall be followed:

2.9.1 Compilation and Organization of Data

Data profile organization starts off with the tabulation of the total revenues and expenditures by revenue source and sectoral expenditures of both the national and local governments in appropriate matrices using the spreadsheet applications. This shall be used to establish the share of LGs in the national economy in the vertical dimension. Further, tabulation on same variables on a by level basis across regions was made to establish horizontal relationships amongst LGs. Finally, a random sample of 20 LGUs from each level of LG (total of 60) were selected using the computer based functions in random

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sampling in spreadsheet applications. This sample shall help deduce any intra-variation among LGs among levels. To settle inflationary effects, all revenue and expenditure figures were deflated to 1995 prices using the GDP deflator of affected years.

2.9.2   Methods of Analysis

2.9.2.1   Sequence in Deducing the Shifts and Patterns

2.9.2.1.1 Analyzing the Vertical Balance

In determining the degree of fiscal decentralization, analysis was first made on the vertical balance, i..e., the relationship of the NG and LGs as a whole. To unearth the shift in revenue sourcing and sectoral expenditure trends between the two levels before and after decentralization, comparison of revenue and expenditure figures was made and summarized through matrices. Computations indicating expenditure and revenue shares, expenditure and revenue growth rates to measure the ratio of LGs revenues and expenditures shares to total government revenues and expenditures were made. Expenditure and revenue shares to GNP in percent between NG and LGs were likewise taken in consideration.

2.9.2.1.2 Analyzing Horizontal Balance –By levels of Local Governments

Among the three LGs, differences in shift and composition of revenues and expenditures before and after the reform were calculated using simple ratios to come up with the summary distribution of local resources by revenue source and expenditure sector patterns. To establish any significant difference in sectoral expenditures of the three levels of LGs after the reform, the Analysis of Variance (ANOVA) at 95% level of significance was used. Finally, in order to capture the independence of LGs from NG, the self-sufficiency ratio (SSR) of the different levels was computed by taking the share of locally raised revenues over total local expenditures.

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2.9.2.1.3 Horizontal Balance – By Inter-Local Government

To unfold the intra-LGU variation, the analysis was deduced from a selected random sample of 20 LGUs from each level using the coefficient of variance (CV). In arriving at the sample, all LGUs in each level were assigned random numbers then using the computer based functions on random sampling, the twenty LGs were selected. From this sample, computation of the coefficients of variation, per capita ratios and percentage composition on revenues and expenditures were made.With all these, they shall drive us to address the questions posed in Chapter I and finally capture the relevant interaction of these variables into the concluding statements.

3.1 Introduction

To better understand the unit of analysis of the study, an overview of the organizational and political structure of Philippine governance is discussed in this section. Specifically, it dealt on the existing legal framework of decentralization taking into account the salient features affecting fiscal intergovernmental relations in local governance, as contained in Republic Act 7160, the legal basis of the 1991 Local Government Code.

3.2 Present Governmental and Political Structure

The Philippines has a unitary form of government with a presidential system. The national government has three branches: the executive branch headed by the President, the legislative and the judicial branches. The legislative branch is a two-chamber legislature with 24 senators in the Philippine Senate and 220 members in the House of Representatives. For purposes of administration and development planning, the Philippines is divided into 14 administrative regions where in each regional capital, the 26 departments of the national government have their regional offices.

At the top is the central government operating through 26 departments. The second tier of government is composed of LGUs. In turn, the local government structure is composed of three layers: the first layer refers to the province which is further divided into municipalities and component cities and each of which is subdivided into barangays, the smallest political unit.

In sum, the political structure of the nation is comprised of 79 provinces, 83 cities and 1,600 municipalities and 42,000 barangays. These political subdivisions are guaranteed by the Philippine Constitution. Every four years, all LGs undergo classification based on their individual incomes except for barangays (Appendix G). The manner of income

classification ranges from first class, or that which has the highest income to the sixth class, or equivalent to the lowest income LGU.

3.3 Existing Legal Framework of Decentralization

3.3.1 Background

The idea of decentralization and devolution of power from the national to the local government is not something new in Philippine governance. There had been previous several laws prior to the Code but none matched the real scope of devolution mandated by the present Code, hence, such program earned the recognition as an innovation in local governance.

The promulgation of the Code is in keeping with the 1987 Constitutional provision declaring that "the state shall ensure the autonomy of local governments"(Brilliantes, 1998,p.44). Confirming the mandate of the Constitution, the Code was enacted into law in October 10, 1991 and became effective in January 1, 1993.This legislation has been considered by most as a laudable measure to the constitutional policy on local autonomy and decentralization.

3.3.2 Highlights of the Local Government Code of 1991

The Code categorically specifies that the State "shall provide for a system of decentralization whereby LGUs shall be given more powers, authority, responsibility and resources"(Noledo,1991).To achieve such goal, the embracing of the following principles to operate such process include:1) effective allocation among the different LGUs of their respective powers, functions, responsibilities and resources; 2) effective mechanisms for ensuring the accountability of LGUs to their respective constituents shall be strengthened; 3)local autonomy shall be facilitated through improved co-ordination of national government policies and programs and extension of adequate technical and material assistance to less developed LGUs; and 4) the participation of the private sector in local governance shall be encouraged (Tapales,1999,p.103).

The foregoing principles are "operationalized through the following mechanisms: 1) devolution of five basic services from the national government's regional offices to the LGUs;2)strengthening of people's participation through local governmental mechanisms; 3) increase in revenues for local units by the provision of increased shares in nationally imposed taxes; and 4) strengthening the powers of local executive officials and councils"(Brilliantes,1998,p.104). In sum, the Code's passage represents a major shift in local governance in the Philippines, which provide a framework in support of increased local autonomy.

3.3.2.1 Local Government Functions

Local governments have four major functions. It involves efficient service delivery, management of the environment, economic development, and poverty alleviation. The respective functions and powers of the different local authorities are defined and embodied in the Code (Nolledo,1991).

In keeping with the decentralization process, the Code devolved service delivery functions of national line agencies to LGUs, transferred regulatory powers of certain national agencies, enhanced governmental and corporate powers of LGUs, improved national government-LGU relations and institutionalised LGU-NGO private sector relations (See Appendix "C").

3.3.2.2 Local Government Finances

The increased responsibilities of local governments after the Code demands for more resources. While the Code provides more resources by increasing their shares from several taxes, serious efforts have to be made to realize these revenues.

As provided for in Book II, Title I of the Code (Nolledo,1991), LGUs not only generate their resources from the exercise of their revenue raising powers but from external sources, otherwise, called non-tax sources. Augmentation of LGU finances include receipts from

intergovernmental transfers, grants, loans and donations from the central government or in some cases outside government (See Appendix D).

The Code provided LGUs the power to create sources of revenues, create indebtedness, access to foreign loans and grants (ODA funds), private financing of infrastructures, larger share in the proceeds of national taxes and from the development and utilization of the national wealth. From these sources, LGUs should choose the most viable and economically beneficial financing scheme in undertaking their programs and activities.

3.3.2.3 Local Sources of Revenues

Consistent with one of the principles of decentralization that LGs should have corporate status and power to generate resources for their own use (Nolledo,1991,p.59), the Code outlined the taxing and other revenue raising powers of LGUs. Section 129 empowers each LG to exercise its power to create its own sources of revenue and to levy taxes, fees, and charges consistent with the basic policy of local autonomy. Such taxes shall accrue exclusively to them.

Section 133 clearly demarcates the common limitations in the tax handles of LGs. As has been generally held by economists, the progressive taxes, particularly on mobile bases are held by the central government. Taxes like income taxes, except when levied on banks and other financial institutions, taxes on estates, customs duties, and all other taxes assigned to the national government shall be restricted to the taxing powers of all LGUs. Appendix "D" delineates the taxes that the provincial, municipal and city governments may impose as contained under Chapter 2 of the Code.

With the existing fiscal decentralization framework in place, analysis of the extent of implementation and its effect to local development in the Philippines shall be examined using the decentralization theoretical foundations in the evaluation.

CHAPTER 1V   Measuring the Degree of Fiscal Decentralisation –Philippine Context

4.1   Introduction

The absence of adequate financing to mobilize LGUs can undermine their being self-reliant and most importantly, affect their fiscal efficiency to deliver their complementary role to national development. Guided by the objectives of the study and the review of the structures, functions, powers including taxation and intergovernmental relations of LGs at the backdrop of the theories on fiscal decentralisation, the objective of this chapter is to analyse their fiscal performance.

4.2   Unfolding the Trends and Variations

Using the revenue and expenditure accounts of 1991 and 1998, both deflated at 1995 constant prices, it shall be determined whether or not fiscal decentralisation had improved revenue mobilization and services delivery among LGs. In the account analysis, the selection of 1991 figures representing the pre Code period was justified as it was the last year before the actual implementation of the Code in January 1993 while 1998 accounted for the latest year of financial operations of LGUs.

The consideration of the vertical and horizontal relationships of the two levels of governments shall unfold the past and present patterns and shifts in said variables. This was done by looking at the following indicators: 1)the shares of LGUs in total general government revenues (Revenue Decentralisation Ratio) and in aggregate general government expenditures (Expenditure Decentralisation Ratio); 2) the self-sufficiency ratio indicating LGs' independence from central government funding; and finally, 3) by employing the analysis of variance and coefficient of variation to establish any existing disparities among and between LGs in all levels. In calculating the inter-LGU coefficients of variation, a sample of 20 LGs from each level is selected. To come up with the random sample, each LG is assigned a random number starting from the first LG to the last in each

level then with the computer based functions on random sampling in spreadsheet applications, the selection is made.

4.3 The Vertical Fiscal Relations

4.3.1 NG and LG Share in the Economy

Drawing from the increasing importance of local governments in local development today, central and local relations in a system of government are never absent. In the vertical dimension, Klee (1999) postulated that the way central and local governments interact and distribute resources, the central and local relations is being redefined. Helmsing (1991,p.98), complemented that "local government is not independent from central government as the latter not only defines the legal framework in which the former operates, but also constantly monitors its performance and intervenes when called for." Further, LGs represent and undertakes functions jointly with or in behalf of the central government.

In Philippine context, LGs do not operate in a complete vacuum separate from the national government. Section 25, Chapter 3 of the Code operationalizes this view where the central government still exercises supervision over LGs to ensure that their acts are within the scope of their prescribed powers and functions (Nolledo,1991,p.18). The fiscal relations between the two levels are seen when the NG exerts influence and regulatory powers in financial matters as far as review of local budgets and the utilisation of NG subsidies are concerned. This provision is consistent with the basic policy on local autonomy in the Philippines.

4.3.1.1 Looking at Local Finances in a Macro-economic Context

In analysing the relationship of the two levels of governments, it will give us a better understanding of the vertical dimension of the transfer of powers, resources and responsibilities. Table 4.1 clearly brings out the present state of vertical fiscal imbalance in the Philippines. Evidently, the relative importance of local revenues in total government revenues illustrates a highly centralised tax system in public sector finance. This confirms

one of the fundamental problems in revenue assignment where central government has the tendency to assign to itself the more lucrative and productive sources (Helmsing,1991;Bird,1998). In recent years, the change in the LG financial structure to a decentralised system resulted to some noticeable changes:

Table 4.1 Revenue Shares, NG & LG – 1991 & 1998

(In Percent at 1995 Constant Prices)

Period	NG	LG	Totals
Revenue Share (%)			
1991	92.81	7.19	100
1998	84.32	15.68	100
Revenue Share GNP (%)			
1991 - P 1,711,544	18	1	19
1998 - P 2,215,756	21	4	25
Revenue Per Capita(Pesos)			
1991 – 63.9 M	4,699.11	364.30	
1998 – 75.16 M	6,079.75	1,130.79	

Source: Own Calculations based on LGU acounts per DBM BESFs, 1991 & 1998

1. Revenue shares of LGs showed significant growth in 1998 as a result of the major change in the LG intergovernmental transfers authorized in the Code. The increase indicates the important changes in the revenue structure of LGUs attributed to the increased sharing scheme in IRA, from 20% in 1991 to 40% starting in 1994.

2. The corresponding increased contribution of LGs in the production of total goods and services in the national economy indicates the emerging importance of the sub-national sector. The marked growth is supported by the tripling per capita ratio compared with NG growth rate of 29% after the reform.

Table 4.1a Summary of the Comparative Revenue Distribution, NG & LG

(In Percent at 1995 Constant Prices)

Revenue Source	National Government			Local Government		
	1991	1998	Inc/Dec	1991	1998	Inc/Dec
Tax Revenue	84.66	72.30	-12.36	73.92	85.74	11.82
Non –Tax Revenue	8.59	7.97	-0.62	26.08	14.26	-11.82
GOCCs,NFIs,Adjustments	6.75	19.73	12.98			
Total	100	100		100	100	
Source: DBM BESFs of 1991 and 1998 – Own Elaboration						

3. The increase in GNP and LG revenues yielded from tax revenues. Such finding is clearly illustrated by the dominance of tax revenues over non-tax revenues in both periods. In order to give LGUs more freedom in the utilization of their local resources,

the integration of some specific grants into the IRA was made and that explains the negative growth in non-tax revenues.

4.3.1.1.1 Local Financing: Domestic and External Receipts

To determine the revenue sources from which LGs draw their resources, Table 4.1b brings us to the distinction of LGs' local and external sources of financing. From the table, we can gather following:

Table 4.1b Summary Distribution of Own Local & External sources to Total Revenue
(All Levels, 1991 & 1998 – In Percent at 1995 Constant Prices)

INCOME SOURCES	1991	1998
OWN SOURCES		
Real Property Taxes (RPT)	15.41	8.17
Local Taxes (LT)	8.42	20.23
Operating & Misc. Rev. (OMR)	14.08	7.77
Capital Revenue (CR)	0.24	0.43
Extraordinary Income (EI)	8.25	0.08
Inter-Fund Transfers (IFT)	1.03	0.21
Other Receipts (OR)		1.65
Sub-total	47.42	38.54
EXTERNALLY – SOURCED		
IRA	50.09	57.34
Grants	2.39	1.08
Borrowing	0.10	3.03
Sub-total	52.58	61.46
GRAND TOTAL	100	100

Source: Own Calculations Based on DBM BESFs, 1991 & 1998

1. Sub-national governments finance local expenditures through a mixture of revenues they generate themselves and from central government transfers. Given the LG finances, transfers play an overwhelming role in local finance, although grants and borrowings play a very small role, while locally raised revenues are declining in importance.

2. The reform made changes in LGs own sources main revenue raisers. Prior to the Code, LGs drew their internal sources more prominently on the account of RPT and OMR, but with the reform, local taxes outshone RPT and OMR by increasing its share to 20.23%.

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4.3.1.1.2 National Government versus Local Government Expenditures

Table 4.2 illustrates the growth and expenditure shares of the NG and LGs. The fiscal importance of sub-national governments can be measured in terms of its share of revenues generated or the share of expenditures made (Bhal &Linn,1992). To carry out the delivery of goods and services via expenditures, they have to be made through the budget as a key instrument (Helmsing,1991).

Table 4.2 Expenditure Shares, NG & LG – 1991 & 1998
(In Percent at 1995 Constant Prices)

Period	NG	LG	Totals
Expenditure Share (%)			
1991	95	5	100
1998	87	13	100
Expenditure Share to GNP (%)			
1991 - P 1,711,544	22	1	23
1998 - P 2,215,756	24	3	27
Expenditure Per Capita (Pesos)			
1991 – 63.9 M	6,003.66	345.79	
1998 – 75.16 M	7,058.28	1,029.79	

Source: Own Calculations Based on DBM BESFs, 1991 & 1998

Taking together the theoretical reflections and the expenditure behaviours of the NG and LGs, the following facts are deduced:

1. The revenue growth (Table 4.1) consequently increased LGs expenditure involvement after the reform although NG still bears the major bulk of total general expenses in both end periods. The significant increase in the expenditure decentralization ratio of LGs is the effect of transfers. With the infusion of transfers, local finances grew by 3% of GNP. On the other hand, the contraction in the expenditure levels of NG is explained by the devolution of some functions to LGs previously undertaken by the five line departments.

2. Comparing Tables 4.1b and 4.2 indicate that LG spending is largely financed from external sources. It is an indication of LGs heavy dependence on transfers, particularly IRA. While the significant increase can be considered a vital engine in the expansion of the local public sector in its economic role, the gap between expenditures and revenues

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is likely to remain large in the future even with the feasible increases in sub-national revenues (Quereshi,1997);

3. In terms of spending levels (Table 4.1 and 4.2), the NG in both periods spent beyond generated resources. This is a clear violation of the principle of balanced budgeting. Budget deficits imply poor fiscal discipline and could mean expenditure reductions and cutback in inter-governmental transfers. Reduced equalization packages could impinge on poorer LGs because they have less ability to cope with transfer reductions (Clark,1997).

4.3.1.1.2.1 Expenditure Investment by Sector

Table 4.2a draws us to a very important issue in choosing the right level of expenditures and the right mix of services that maximizes social welfare as determined by the needs and preferences of society.

Table 4.2a Comparative Sectoral Distribution of Expenditures, NG & LG
(In Percent at 1995 Constant Prices)

Nature of Expenditure	National Government		Local Government	
	1991	1998	1991	1998
General Services	6.60	15.14	45.86	46.99
Economic Services	20.97	19.34	32.92	23.21
Social Services	21.43	26.18	13.80	23.17
Others	50.99	39.34	7.42	6.63
Total Expenditures	100	100	100	100

Source: DBM BESFs of 1991 & 1998 – Own elaboration/Calculations
Notes: NG expenditures is net of transfers to GOCCs and LGUs;
   NG-Others refer to defense and interest payments; while Others-LGs refer to
   other miscellaneous expenses not classified in the other three categories

Decentralization made remarkable changes in the composition and shift of local expenditures. The shift from a previous distorted pattern to a more balanced allocation and spending level conforms with the argument that decentralizing expenditures attain a better mix of local services provided. Hewitt (1991,p.82) argues that one way of improving the decision-making process is through the decentralization of certain government functions. The efficiency advantage of local governments to be in a better position to determine the preferences of their local population finds relevance in this case.

While the reform brought a more even variation in terms of size, distribution pattern of local expenditures, general services still remained consistent in its major claim of LG resources. This highlights the relative importance of wages and compensation benefits over total LG spending. With the fair allocation of economic and social services, the contribution of capital investments to stimulate economic growth is well supported with the promotion of human development funded by social services (WB,1988). Such equitable allocation of resources can drive communities to balanced growth and development.

4.4 The Horizontal Balance - Inter-local Fiscal Relations

4.4.1 Patterns of Local Governments' Fiscal Balance: By Levels

Questions of how each level of local government finance its expenditures, how much autonomy does it posses in structuring its finance schemes, the pattern that evolve in generating its resources, all these shall be addressed in this section.

4.4.1.1 Comparative Revenue Structure: Local Finances from Own Sources

Table 4.3, captures the summary importance of external sources to total LG income. Details show that provinces tend to be the most dependent on non-local sources while cities consistently remained the least dependent among the three levels since the pre code period.

Table 4.3 Locally and Externally Sourced Revenues of Local Governments
Ratio to Total Income of All Levels
(In Million Pesos/In Percent at 1995 Constant Prices)

Level of Government	Income Source	1991	% to Total	1998	% to Total
All Provinces	Local Sources	2,029.83	35.35	3,464.25	17.65
	External Sources	3,712.03	64.65	16,160.62	82.35
All Municipalities	Local Sources	3,514.91	40.95	7,717.91	38.12
	External Sources	5,068.26	59.05	20,243.84	72.40
All Cities	Local Sources	5,494.51	61.36	21,574.26	57.68
	External Sources	3,459.93	38.64	15,828.65	42.32
Summary - All LGUs	Local Sources	11,039.25	47.42	32,756.42	38.54
	External Sources	12,240.22	52.58	52,233.11	61.46
TOTAL		23,279.47	100	84,989.53	100

Source: Own Calculations based on DBM BESFs, 1991 & 1998

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Obviously, cities are the most capable in exploiting their own sources. The behaviour pattern of cities is attributed to their broad and more encompassing revenue-raising powers. As provided in the Code, they can tax what provinces and municipalities can levy not to mention the prevalence of more economic activities in their jurisdictions than in the latter LGs.

Despite the broadened taxing powers, external revenues still remained the most reliable source of LG finances. The argument of Bahl (1998,p.51) that fiscal decentralization can enhance revenue mobilisation finds application in external sources but not in the case of own sources, except in cities. The significant decrease in own sources, in all levels, restricts the capacity of LGs to rely on their own sources. Table 4.3a shall give us details on the above observations:

1. In all cases, LGs drew their resources from three dominant sources, i.e., RPT, local taxes and OMR. Noted further, is the decreasing importance of RPT as a reliable local source in all levels. This calls for a careful review of the broadened tax exemptions of real properties with market values of 175,000 and below. The exemption significantly eroded the property tax base of poorer LGUs since most real properties of this value are existent in the jurisdictions of lower income LGUs.

2. As indicated, cities and municipalities relied more on their local taxes while provinces laid more claims on its RPT consistently. The varying main revenue sources are brought about by the differences in taxing powers of the three LG levels. The variation is possible because the potential tax bases tapped by LGs vary from each other and is affected by the revenue arrangements of each (Bird,1998).

3. Consideration of the realization rate of own sources, in all levels, shows considerable decline, the provinces incurring the sharpest reduction. This gives two impressions, the decrease in collection efforts and narrow or limited tax bases.

INCOME SOURCES	Cities		Provinces		Municipalities	
	1991	1998	1991	1998	1991	1998
OWN SOURCES						
Real Property Tax(RPT)	19.39	11.02	14.44	6.08	11.92	5.82
Other Local Taxes(OLT)	10.69	37.25	4.47	2.91	8.69	9.61
Oprting. & Misc. Rev.(OMR)	15.60	7.70	10.11	5.55	15.14	9.42
Capital Rev.	0.11	0.08	0.28	1.33	0.34	0.29
Extraordinary Income	14.60	0.08	4.78	0.07	3.95	0.09
Inter-fund Transfers	0.97	0.04	1.28	0.41	0.91	0.28
Other Receipts	0.00	1.51	0.00	1.30		2.09
SUB-TOTAL	61.36	57.68	35.35	17.65	40.95	27.60
EXTERNALLY – SOURCED						
IRA	38.21	37.13	57.39	76.12	57.59	71.19
Grants	0.39	0.29	56.97	3.52	1.41	0.43
Borrowing	0.04	4.89	0.29	2.71	0.04	0.78
SUB-TOTAL	38.64	42.32	64.65	82.35	59.05	72.40
GRAND TOTAL	100	100	100	100	100	100
Summary - All Levels per Capita		1991	1998	Inc/Dec		
Total Revenues		23,279.45	84,989.53	61,710.08		
Population(In Million)		63.90	75.16	11.26		
Revenue Per Capita		364.31	1,130.78	766.47		

Source: Own Calculations Based on DBM BESFs, 1991 & 1998

4.4.1.2 External Financing: Externally - Sourced Revenues

Table 4.3a presents the consistent prominence of the IRA as a stable external source against total receipts in all levels and in both periods. It has become the primary source of strength in intergovernmental finance. In effect, its considerable surge played an important substitute or fall back in terms of local taxation.

However, its reliability of IRA resulted to some negative impacts in local taxation. This gives credence to some issues pertaining to transfers pointed out by the World Bank (1988). Accordingly, its ideal objective is to adjust for disparities in fiscal capacity among local jurisdictions due to variation in resources, tax bases and population, however, excessive reliance can result to the following, among others: 1) poor use of public finances which can have detrimental effects on LG finance and intergovernmental relations, 2)grants can encourage recipients to be less efficient, 3)increasing reliance can decrease

fiscal autonomy of LGs, and 4)reduce accountability of LGs. To avoid/minimize these dangers, the need for an appropriate design of transfers is vital.

Worth noting is the least employment of alternative financing schemes available to LGUs. Loan financing remained quite unpopular as a revenue source in all levels for both end periods, except cities which are considered the more important borrowers while municipalities least exercised such fiscal instruments to augment local finances.

4.4.1.3 Sustaining Capacity of LGUs

Due to constraints in own revenue sources, transfers played a primordial role in local finance. In this light, Table 4.4, gives more insights on the effects of LGs dependency on transfers.

Contrast to expectations, the degree of fiscal decentralization declined from 48.20% to 39.32% after the reform. The significant declining importance of local revenue generation due to heavy reliance on IRA is an indication of poor fiscal position. In case of macro-economic dislocations, poorer LGs may not be able to sustain their local operations.

Table 4.4 Total Revenues-Own Sources, Total Expenditures and SSR, 1991 & 1998
(In Million Pesos/In Percent at 1995 Constant Prices)

Level of Local Government	Total Own Source Revenues		Total Local Expenditures		Self – Sufficiency Ratio	
	1991	1998	1991	1998	1991	1998
Provinces	2,029.83	3,464.25	5,252.16	19,706.77	38.65	17.58
Municipalities	3,514.90	7,717.91	7,918.13	28,110.62	44.39	27.46
Cities	5,494.51	21,574.26	8,926.07	29,581.13	61.56	72.93
Average SSR					48.20	39.32
SSR = Own – Source Revenue as a share of Total Local Expenditures						

Source: DBM BESFs of 1991 & 1998 - Own Calculations

The autonomy variation showed that cities enjoyed the greatest fiscal autonomy in contrast with municipalities and provinces. Noticeably, the decline occurred in municipalities and provinces while cities gained more fiscal autonomy. This suggests that the local tax base of cities are far more sustainable than the other two LGs, especially provinces. On average, it is very clear that locally-raised revenues liquidated less than 50% of public expenditures.

4.4.1.4 Composition and LGU Level of Expenditures

Central to assessing local public expenditure efficiency is its level and composition. Decentralization of expenditures usually reflect local preferences than decisions made by central government (Ahmad,1997,p.1).In the same vein, affecting expenditure adjustments is the opportunity of increasing revenues(Hewitt,1991,p.26).

Table 4.5(A) indicates that LGUs are fairly consistent in devoting a large portion of their budget on general administration expenses since the pre Code years. Composing the major bulk of this sector is the personnel compensation of state employees inclusive of the 70,000 devolved employees. With the mandated transfer of functions and personnel, adjustments in the size and composition of LGU budgets have to be made.

Table 4.5 Distribution of LGU Expenditure by Sector and By Level, 1991 & 1998
(In Million Pesos/In Percent at 1995 Constant Prices)

A. By Sector	PROVINCES		MUNICIPALITIES		CITIES		Over all Distribution		
	1991	1998	1991	1998	1991	1998	1991	1998	Growth
General Services	41	37	55	59	41	42	46	47	1
Social Services	15	29	11	18	16	24	14	23	9
Eco. Services	36	26	28	20	36	24	33	23	-10
Others	8	7	7	3	7	10	7	7	0
TOTAL-In Percent	100	100	100	100	100	100	100	100	

B. By Level of Government					
	1991 (In Million)	% of Total	1998 (In Million)	% of Total	% of Growth
Provinces	5,252.15	24	19,706.77	25	275
Municipalities	7,918.13	36	28,110.62	36	255
Cities	8,926.07	40	29,581.13	38	231
TOTAL	22,096.35	100	77,398.52	100	250

Source: DBM BESFs of 1991 & 1998 - Own Calculations

Table 4.5a Growth in Expenditures By Sector
(In Percent at 1995 Constant Prices)

A. By Sector	Expenditure Growth			Over-all
	Provinces	Municipalities	Cities	Growth
General Services	-4	4	1	1
Social Services	14	7	8	9
Eco. Services	-10	-8	-12	-10
Others	-1	-4	3	0
TOTAL	-1	-1	0	

Source: Own Calculations based on DBM BESFs of 1991 & 1998

Perusing further, the re-allocation, in aggregate LG expenditure priority, of economic services to social services resulted from the reform. From a relatively unimportant sector, social services evolved to be one of the next important sectors. Marked growth in social services is prominently seen in provinces (Table 4.5a). Evidently, there is a re-orientation of expenses of provinces and municipalities from an uneven distribution to a more balanced sectoral allocation after the reform.

To capture LGs expenditures in an overall scenario, the aggregate growth of 250% (Table 4.5B) contributed to the 3% expenditure share to GNP. Taking together the close proximity of revenue (Table 4.1) and expenditure shares (Table 4.2) with the expenditure growth indicate the extent of autonomy LGs enjoy in deciding how to spend their resources. As illustrated by provinces, despite having the scarcest resources, they maximized their spending level at 275%. However, because of unfunded mandates, they incurred deficits at 1.08% (see Table 4.6). Cities on the other hand, kept their expenditures balanced at 231%.

4.4.1.4.1 Fiscal Capacity and Expenditure Needs

Table 4.6 accounts for the financial position of the three levels of LGs. The financial position is another background dimension that provides insights on how LGs function. The consideration of budgetary surplus and deficits are very important because budget deficits could be a serious deterrent to economic vitality.

Table 4.6 Total Revenues, Expenditures and Deficits
By Level of LG, 1991 & 1998
(In Million Pesos/In Percent at 1995 Constant Prices)

Level of LG	1991 Totals in			1998 Totals in		
	Revenues	Exp'tures	Deficit	Revenues	Exp'tures	Deficit
Provinces	5,741.86	5,252.15	489.71	19,624.87	19,706.77	(81.90)
Municipalities	8,583.17	7,918.13	665.04	27,961.75	28,110.62	(148.87)
Cities	8,954.44	8,926.07	28.37	37,402.91	29,581.13	7,821.78
Total, In Million	23,279.47	22,096.35	1,183.12	84,989.53	77,398.52	7,591.01
Provinces	24.66	23.77	41.39	23.09	25.46	-1.08
Municipalities	36.87	35.83	56.21	32.90	36.32	-1.96
Cities	38.46	40.40	2.40	44.01	38.22	103.04
Total, In Percent	100	100	100	100	100	100
Revenues includes own sources and external sources						

Source: DBM BESF, 1991 & 1998- Own Calculations

From the table, the setting of a balanced budget is seen before the reform in contrast to some signs of deficit spending incurred by provinces and municipalities after the reform. Although the deficits are still manageable and are usually "cured" by succeeding years' appropriations, this can mean expenditure cuts during the budget year. Expenditure reductions are usually very sensitive issues to resolve but it has some advantages in terms of giving these LGs the opportunity to give serious attention to their own fiscal planning. A surplus position, such as in cities, is a good index of sustainability and growth. Likewise, it reflects greater efficiency in services provision or better revenue collection performance. This information is a matter of concern when considering revenue assignments and expenditures arrangements.

4.4.1.4.2 Statistical Analysis of Variance: By Sectoral Expenditure of All Levels

Analysis of variance(Appendix "B") showed that there is no significant difference on the variation of sectoral expenses of the three levels of LGs. Calculation of the row means indicate that the F computed value of 1.27 is lower than the F tabular value at 5.14. However, if the column means are computed to establish any significant difference in aggregate sectoral expenses of all LGs as a whole, the F computed value(9.84) is greater than F tabular value of 4.76 and this indicates that there is significant difference on LGs sectoral expenses(GS,ES,SS and OS), if taken as a whole. To determine which services sector significantly differed, the Scheffe's test was further applied and computations showed that it was between general and other services which means that the disparity in allocation is greatest in these sectors.

4.5   Inter - LGs Variations and Imbalances

4.5.1   Variation in Local Resources: Intra-Local Disparities

The by level analysis of revenue and expenditure behaviours confirmed the existence of varying fiscal situations of LGUs arising from economic disparities. To have a better appreciation of inter - LGU differences relative to the financial trends and patterns, the

Table 4.8 Inter-LGU Disparities in Real Per Capita Own and External Revenues,1991 & 1998						
1995 at Constant Prices						
20 Sample Cases						
Revenue Source	1998			1991		
	P	M	C	P	M	C
I. Coefficient of Variation						
Real Property Tax	1.33	1.37	1.34	2.52	1.13	0.82
Other Local Taxes	3.26	1.14	0.83	2.79	0.64	0.72
Oprtg. & Misc. Revenues	1.39	0.58	1.17	1.35	0.62	0.72
Capital Revenues	1.67	1.16	1.18	1.04	2.41	1.54
Extraordinary Income	1.34	1.55	1.23	1.78	1.72	1.38
Inter-fund Transfers		1.66		1.00	1.87	0.31
Other Receipts	1.39	1.27	2.10			
Total Own Sources	1.11	0.81	0.96	2.08	0.76	0.77
IRA	0.90	0.41	0.49	0.27	0.21	0.33
Grants	1.15	1.97	2.45	0.81	1.55	1.49
Borrowings	1.86	1.01	1.61		3.26	
Total External Sources	1.30	0.41	0.52	0.29	0.21	0.32
Total Revenues	1.25	0.39	0.60	0.82	0.25	0.35
II. Average Value in Pesos of 1995						
Total Own Sources	63.65	70.85	718.70	84.33	47.30	574.96
Total External Sources	302.59	228.55	608.24	76.87	90.70	243.73
Total Revenues	366.24	299.39	1,326.94	161.20	138.00	818.68

Source: DBM BESFs of 1991 & 1998 - Own Calculations

coefficient of variation is employed to a selected sample.

4.5.1.1 Variation in Provinces:

A widening inequality in realizing total finances of provinces became more outlined with the reform due to their limited tax base (Table 4.8). Clearly, the modified revenue raising powers, i.e., a reduction in revenue raising powers, and the increased allocation from transfers are manifested in the variation of total revenues. Worth noting, however, is the post reform considerable decline in differences in provinces' domestic resources while the increase in variation in the receipt of transfers moved in more uneven distribution.

The decline in variability of domestic sources achieved stable inequalities among the components except for local taxes. This assertion is empirically supported by Appendix K-1 where only three (first class) out of 20 provinces have better collections on business taxes and licenses while all the others, 2nd to 4rth income classes, were hardly catching up.

Similarly, the significant decline in variation of RPT is an indication of the improved differences in the collection of such revenue.

On transfers, IRA gained 0.63 increase in variability from its pre code level but if pitted against grants and borrowings, it registered lowest in variation. Borrowings, a not so popular fiscal instrument among LGs in general, claimed the highest variation. The constraints in resources have greatly influenced provinces to keep distance from borrowings as demonstrated in Appendix K-1. Only four provinces embarked on such revenue source to augment local finances. In effect, borrowings played a very small part in financing provincial expenditures.

Despite varying economic bases and population differences, provinces remarkably (Table 4.8-II) doubled their total revenues per capita after decentralization. The impact was seen in the threefold increase on external sources, however, a decline by 25% in own revenues per capita occurred. Evidently, the limited economic base affected domestic revenue collection and such decline correlates with the sharp deterioration by more than 34.94% in internal revenues generated (See Table 4.9) from pre code level.

Table 4.9 Inter-Local Government Units Percentage Composition of Revenue,1991 & 1998						
In Percentages – 1995 at Constant Prices						
20 Sample Cases						
Revenue Source	Provinces		Municipalities		Cities	
	1991	1998	1991	1998	1991	1998
Real Property Tax	20.83	1.85	10.20	5.37	23.25	16.74
Other Local Taxes	7.59	6.32	8.77	8.70	8.72	23.76
Oprting & Misc. Revenues	13.50	7.45	12.58	7.57	15.04	9.30
Capital Revenues	0.11	0.16	0.46	0.51		0.08
Extraordinary Income	9.78	0.08	0.83	0.12	22.65	0.03
Inter-fund Transfers	0.50		1.44	0.55	0.57	
Other Receipts		1.52		0.84		4.25
Total Own Sources	52.32	17.38	34.28	23.66	70.23	54.16
IRA	42.01	66.78	64.15	75.77	29.43	45.38
Grants	5.67	12.73	1.54	0.37	0.35	0.05
Borrowings		3.11	0.04	0.20		0.41
Total External Sources	47.69	82.62	65.72	76.34	29.77	45.84
Total Revenues	100	100	100	100	100	100

Source: DBM BESFs of 1991 & 1998 - Own Calculations

Among key local sources, OMR and other local taxes emerged as the most reliable sources although these sources are not very strengthening to the local finances. The insignificant role of RPT can be explained by provinces' scope of taxing powers limited only to tax transfers on sale, donation, barter or any transfer of ownership of real properties.

Fiscal transfers, on the other hand, played a significant role in financing expenditures of provinces since pre code period. Unfortunately, with the predictability of IRA, some negative implications such as the disturbing high reliance to transfers and the low percentage of tax yield confront provinces.

<table>
<tr><td colspan="3">Table 4.9a
Percentage of IRA in TLR
By Level of LG, 1991 and 1998
(In Percent at 1995 Constant Prices)</td><td colspan="3">Table 4.9b
Percentage of IRA to External Sources
By Level of LG, 1991 and 1998
(In Percent at 1995 Constant Prices)</td></tr>
<tr><td>LGU Level</td><td>1991</td><td>1998</td><td>LGU Level</td><td>1991</td><td>1998</td></tr>
<tr><td>Provinces</td><td>57.39</td><td>76.12</td><td>Provinces</td><td>89</td><td>92</td></tr>
<tr><td>Municipalities</td><td>57.59</td><td>71.19</td><td>Municipalities</td><td>98</td><td>98</td></tr>
<tr><td>Cities</td><td>38.21</td><td>37.13</td><td>Cities</td><td>99</td><td>88</td></tr>
<tr><td>Total – Average</td><td>50.09</td><td>57.34</td><td>Total – Average</td><td>95</td><td>93</td></tr>
</table>

TLR – Total Local Revenues
Source: DBM BESFs of 1991 & 1998 - Own Calculations

This, likewise, explains the decline in own sources per capita (Table 4.8II). With the large infusion of IRA (Table 4.9a &b), provinces were able to fund the cost of devolved functions of about 45.6%.

At the rate provinces are realising their own revenues, they can fail to cover current expenditures without transfers. These are the instances that grants are resorted to in local finances and this helps sub-national governments to achieve some fiscal balance (WB:1988). The system of grant as a step towards fiscal decentralisation to finance local government services finds actual application in provinces although the Philippines adopted a two-pronged approach in its decentralisation program. The strengthening of Philippine local government finances came in terms of increasing the local tax base complemented by transfers through shared taxes. The IRA was in the form of a block grant with considerable

autonomy to conform with the Code's objective of enabling LGs to be more fiscally autonomous.

As intended, the IRA is perceived to equalize local fiscal capacity of provinces to deliver their expanded responsibilities, particularly that of social services. Contrary to expectations, it had severe detrimental effects on local finances and intergovernmental relations for it encouraged LGs to be less efficient (WB:1988:165). In fact, the transfers served as a disincentive to local revenue efforts as we consider Table 4.9, 4.9a & b which reflect the increased reliance on grants. An indication of the decrease in fiscal autonomy of provinces. Table 4.4 lends empirical support to this argument with the self-sufficiency ratio of provinces pegged at only 17.58%.

On the expenditure side, Table 4.10 gives us the following important dimensions. The end point coefficients depict the appreciable decline in inequalities in total expenditures of provinces. Such decline impacted on the close proximity of the coefficients amongst sectors except for other services where high inequalities are quite evident.

Table 4.10 Inter-LGUs Disparities in Real Per Capita Expenditures By Type, 1991 & 1998						
Based on 1995 Constant Prices						
20 Random Samples	1998			1991		
I. Coefficient of Variation	P	M	C	P	M	C
General Services	0.67	0.41	0.59	0.70	0.36	0.52
Economic Services	0.80	0.54	0.98	0.57	0.47	0.42
Social Services'	0.85	0.57	0.92	1.91	0.95	0.64
Others	1.29	1.58	0.59	2.62	0.90	0.77
Total Expenditures	0.64	0.38	0.63	0.95	0.26	0.35
II. Average Value in Pesos of 1995						
General Services	129.19	176.85	555.12	54.52	74.83	349.92
Economic Services	81.16	51.90	289.89	44.46	35.76	279.93
Social Services'	134.84	53.97	390.94	33.27	7.48	146.85
Others	20.84	11.86	118.75	19.11	7.38	60.11
Total Expenditures	366.04	294.58	1,354.70	151.35	125.46	836.81
Own Elaboration(Refer details)	P – Appendix "H"		M – Appendix "I"		C – Appendix "J"	

Source: DBM BESFs of 1991 & 1998 - Own Calculations

Looking at per capita expenditures (Table 4.10.II), spending was affected by population density and spending limits as determined by revenues available. The capacity of poorer

LGs to maintain higher per capita spending ratios can be explained by Table 4.9 indicating the higher per capita ratios of lower class provinces (See Appendix K-1: Ifugao & Marinduque;4rth and South Cotabato & Sultan Kudarat;2nd) compared to Bohol and Pampanga, both first class provinces. This demonstrates the great importance of transfers in financing LG expenditures. The transfers resulted to the surge of social services by four times while general services rose its pre-code ratio. Consequently, provinces doubled their total expenditure per capita ratios.

Table 4.11 Inter-Province Expenditures Composition, 1991 & 1998						
In Percentages – Based on 1995 Constant Prices						
20 Random Samples	1991			1998		
Expenditure Sector	P	M	C	P	M	C
General Services	654.27	1,070.06	2,251.20	1,748.94	3,983.39	4,257.18
Economic Services	533.59	511.35	1,800.89	1,098.75	1,168.88	4,223.16
Social Services	399.26	107.03	944.72	1,825.47	1215.63	2,998.07
Others	229.30	105.55	386.73	282.12	267.18	910.72
Total Expenditures(In M)	1,816.42	1,793.99	5,383.54	4,955.28	6,635.08	10,389.13
In Percentages(Summary)						
General Services	36.02	59.65	41.82	35.29	60.04	40.98
Economic Services	29.38	28.50	33.45	22.17	17.62	21.40
Social Services	21.98	5.97	17.55	36.84	18.32	28.86
Others	12.62	5.88	7.18	5.69	4.03	8.77
Total Expenditures	100	100	100	100	100	100
Own Elaboration	P – Appendix "H"		M – Appendix "I"		C – Appendix "J"	

Source: DBM BESFs of 1991 & 1998 - Own Calculations

The per capita increase in general and social services are confirmed by the high expenditure composition of said sectors (Table 4.11). Also noted is the commitment of provinces to implement their expanded roles, hence, a shift away from traditional capital investments towards social services as the most important sector was undertaken.

4.5.1.2 Variation in Municipalities:

Among municipalities, variation in total revenues slightly increased (Table. 4.8.I). Same trend holds true in own and external sources where slight stable variations in most internal revenue sources are seen compared to the uneven differences in external revenues. With the uneven differences among transfers, IRA posted the lowest variation whereas for the three dominant internal sources, high differences are found in RPT since the pre code period.

The high variability in RPT can be explained by the broadened tax exemptions of real properties which in effect eroded significantly the property tax base of poorer municipalities. In most cases, especially in poorer LGs (Appendix L-1) like those in Ifugao(5th to 6th), Zambales and Zamboanga del Sur , residential properties that abound are usually with market values of P175,000 and below. In better income municipalities like Benguet, Rizal, Pangasinan, Camiguin, and Leyte, they get higher chances of realizing income on said source.

In direct proportion, the least variation affected the behaviour of per capita revenues (Table 4.8.II) which gained remarkable increase in both own and external sources. The greatest yield was on external sources by more than two-fold. Table 4.9 confirms said increase with external sources accounting the bulk of municipal incomes at 76.34% whereas domestic sources posted lower at 23.66%, with local taxes sharing the highest contribution.

The variation in providing public services experienced, on the average, least disparities among municipalities (Table 4.10.I). The greater variation was on other services and general services which confirms the result of the Scheffe's test (Appendix "B"). An indication that municipalities are quite consistent in allocating their resources except for general and other services with higher variance. The average value per capita likewise manifests the great disparity between the two sectors (Table 4.10.II).

With regard to the composition of expenditures, Table 4.11 suggests increase in general and social services while economic services declined. The reduction in economic services was reallocated to social services in line with the absorption of devolve personnel and responsibilities by municipalities. The heavy allocation on general overhead displays the limited role of municipalities in services delivery. According to the World Bank (1988), expenditure and financing measures can be combined to indicate the degree of fiscal decentralisation. As it is, the weight allocation by sector of expenses reflect the share of

municipalities in total government spending while it reveals their importance as providers of public services (WB,1988,p.155).

4.5.1.3 Variation in Cities

In generating total resources, cities increased variability by 71%(Table 4.8.I) over their pre code level. Details show that own sources gained higher inequalities than external sources. Despite the increased variation in own sources, least differences were found in the generation of business taxes and licenses as evidenced by the sluggish collection of four out of twenty sample cities (Appendix M-1). The prevalence of economic activities and better tax base explains this. The comparative advantages of cities are the limitations faced by provinces and municipalities. The argument of Bahl (1998,p.53) that income and wealth maybe accentuated by fiscal decentralisation because wealthier urban governments will benefit most from greater local taxing powers is meaningful in cities.

The consistency in local taxes made it emerge as the major source (23.76%) of revenues in cities followed by RPT at 16.74% (Table 4.9). The dominating role of own sources over external sources make them self-sufficient(Table 4.4) and this can mean that cities can sustain local operations by more than 54%.

Pertinent to transfers (Table 4.8.I), grants posted with highest inequality, replacing borrowing in the pre-Code while IRA is moderately uneven amongst cities. This is further supported by the closer proximity in per capita ratio disparities in IRA under Appendix L-1. In terms of total revenues per capita, Table 4.8.II shows that cities achieved 1.5 times more of its pre code level.

Interestingly, the per capita ratio of own sources is much higher than external sources and this pattern had been maintained even after the reform. The remarkable performance of

cities in local taxation is associated with better system of taxation in place. As the World Bank (1988) emphasised, 'the extent to which LGs are self-financing indicate their fiscal autonomy because most often outside financing may come with conditions that limit local discretion in the use of funds.'

On spending levels, cities increased their differences in funding sectoral services priorities. From smaller variations in 1991, disparities shifted to higher inequalities especially in the economic and social services sectors in 1998(Table 4.10.I). Examination of Appendix "J" shows that population and income factors influenced inequalities in the provision of economic and social services sectors. Higher income cities spent higher than lower income cities as evidenced by the per capita ratios which gained by 1.5 more than the pre code figures. Noted further (Table 4.11) is the re-allocation in spending levels of cities. The gaining importance of social services showed the refocusing efforts of cities.

4.5.2   Analysing Patterns

Having analysed the diverse fiscal situations of the three levels of LGs, the following major differences can be identified:

4.5.2.1 Revenues

1. Summarised data (Table 4.8) exhibits an apparent continuing existence and increasing trend of wide intra-LGU variation in the level of total resources available despite the reform. The increased variation posted highest in provinces, succeeded by cities while municipalities registered least.

2. The magnitude of variation is indicative of the substantial differences in revenue capacities and fiscal efforts exerted in local tax administration and most importantly, the effect of uneven local economic bases. The realities of the limited tax base of

provinces and the more encompassing revenue raising powers of cities explains the varying fiscal health of the three levels.

3. While provinces registered highest in disparities in the realisation of total own sources among the three levels due to limited economic base, especially on the three most dominant regular sources (RPT, OLT and OMR), an appreciable decline by .97 in intra - provinces' inequality in raising domestic resources is remarkable. Cities posted next highest in variation while municipalities captured the least variation.

4. Among the three reliable sources, high inequalities in generating business and licenses are most crucial in provinces while cities and municipalities experienced high disparities in real property taxation. One of the more important possible explanations for the high variability and the decrease in local taxation is associated to LGUs' difficulty in generating revenues domestically is the narrow tax base prevailing in the local communities. This precipitates the review of revenue assignments whether they match decentralized responsibilities.

5. On the composition of revenues, domestic based taxes lagged behind external sources in the case of provinces and municipalities. Cities remained the most reliant on internal sources, hence, the least dependent among the three. From the emerging picture, it appears that the institution of the reform hasn't changed LGs' great reliance on external sources, especially IRA. The shift made by municipalities, from being the most dependent on transfers during the pre code period to a better position after the reform is an improvement in their fiscal position.

6. The differing dependency tendencies puts forward the theories of centralisation/decentralisation espoused by Prud'Homme, Bennett (1990,1994) and the World Bank (1988). Accordingly, the degree of decentralization of sub-national

governments vary and can be defined by three criteria: 1) the importance of local taxes relative to central taxes, 2) the importance of local expenditures to central expenditures, and 3) the importance of central subsidies to local governments.

Given the three properties to analyse the system of fiscal decentralisation, we see a hybrid of approach in revenue assignment of LGs in the Philippines. LGs have two main sources: own revenues and transfers. The extent to which provinces and municipalities are liquidating their expenses skewed heavily from transfers thus more geared towards the third criteria, i.e., decentralization by transfers. This is a case where the subsidy policy shapes up the distribution of economic resources through the delivery of public goods and services.

In the case of cities, the degree of fiscal decentralisation is more accentuated because of the benefits from greater local taxing powers, thus, prescribing to the first criteria where local taxes play a major role, therefore, most inclined to decentralisation via local taxes.

7. On transfers, IRA inequality remained constant and in closer proximity among municipalities and cities than in provinces which gained increase in variation. At this point, consideration of the IRA formula and criteria used in the allocation come vital to achieve equity. The IRA system of transfer has two dimensions: the method of determining the size of the divisible pool and the method of determining the distribution among LGUs (Appendix E-Table 4.12). In the allocation of the percentage shares among levels, the amount shared by each LGU on the second level of distribution is determined by population (50%), land area (25%) and equal sharing (25%). Compared with the old system, the formula did not make much difference.

The factors of population and land area favor LGUs with better incomes as people migrate more towards viable communities that offer job opportunities and better services. The 25% equal sharing doesn't cure much the fiscal disparity. This explains most the IRA disparities that abound among provinces since very few provinces are in the first and second class categories. Th majority others fall under third to fourth classes. While population and land area are important variables affecting the distribution, a reallocation of the criteria putting weight on fiscal need (expanded delegation considered) and fiscal capacity can be more equalising. As Prud'Homme had mentioned (1990,p.123), the following allocation criteria should be taken into account: tax raised, amount of local expenditures, population, uniformity, ratios, tax potential or tax base, need, cost and finally, level of development.

As have been envisioned, a system of transfer should serve to correct vertical imbalances, reduce horizontal inequities among rich and poor jurisdictions, influence sub-national fiscal decisions and in best circumstances stimulate local tax effort, all these were ideally far from having been achieved. Instead, there was dependency of LGs, and the deterioriation of local taxation. Apparently, a review of the design is important at this point of implementation. In summary, the noted differences in revenues can consequently pose as essential serious constraints in the discharge of functions by the respective local authorities. It is still an accepted fact that effective delivery of goods and services are still always made in reference to inadequate revenue generation.

4.5.2.2 Expenditure Disparities

Despite the design flaws noted, modest equalizing effects of transfers are recognized. Empirically, Table 4.10 shows that per capita coefficients of total expenditures in provinces have not taken any increase but illustrated marginal decline if the two end points are compared while municipalities and cities made marked increases.

The corresponding lower inequality in expenditures than in per capita income indicates the levelling effects of transfers and this makes the rationale of equalization to essentially ensure that a comparable bundle of public services be provided across local authorities materialized modestly.

While there were levelling effects experienced, horizontal inequalities were not totally eradicated but in fact, in general picture, increased to a wider variation and on the average, decreased financial autonomy of LGs after the reform. In this connection, the argument of no matter which and how taxes are assigned carefully to LGs, there shall always be some substantial differences in the abilities of the various local units to finance public services from their own tax revenues. This is an inevitable result of economic disparities among LGs and the concentration of economic activities in a handful of areas. Therefore, the need for grants appropriately designed to overcome vertical and horizontal imbalances is imperative.

Finally, in expending resources, provinces showed more emphasis on social services while municipalities and cities expended most (in high proportions) in general services. The tendency to put more resources on general administration at the expense of services delivery can be a sign of the weakening role of these levels in services delivery.
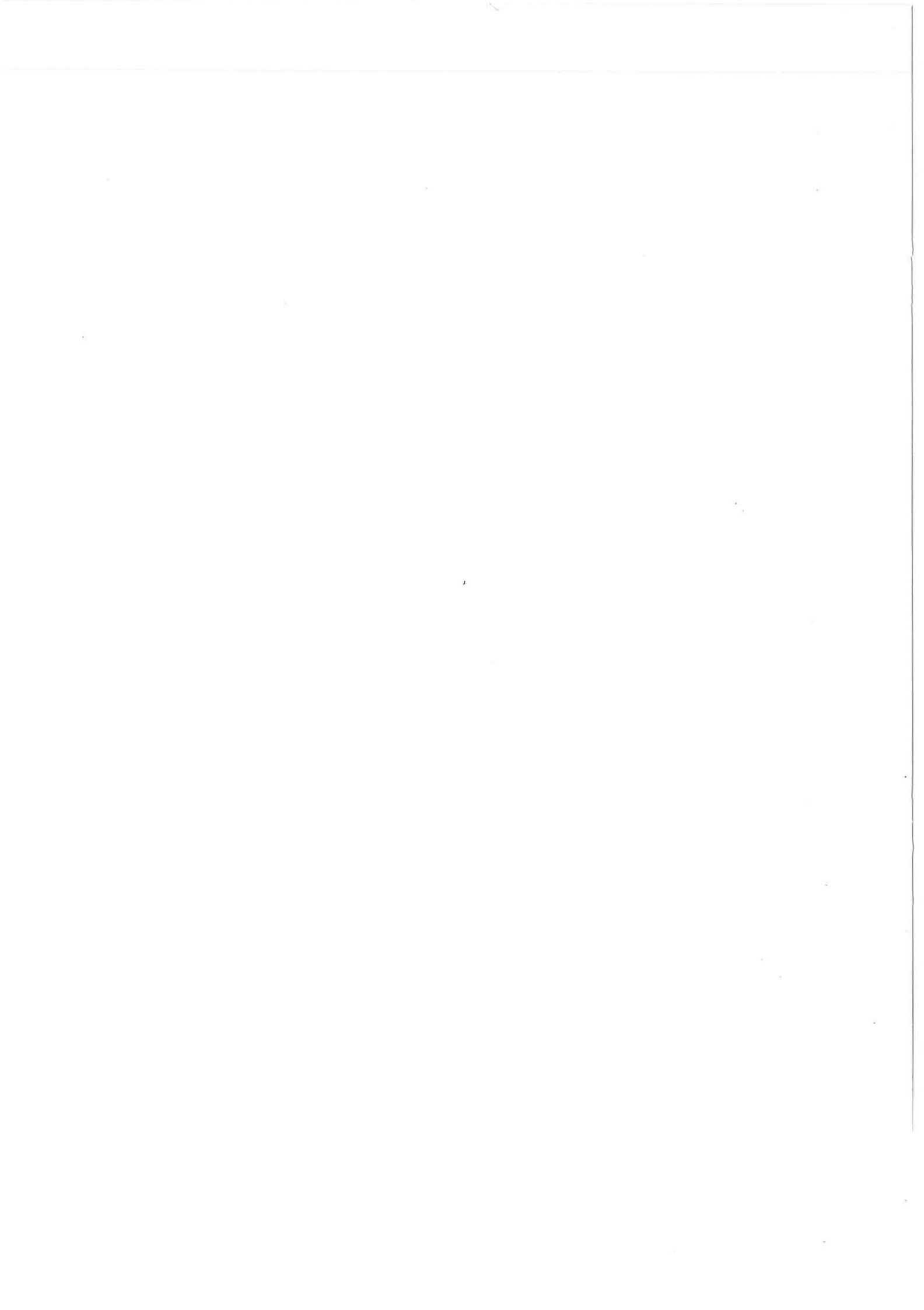
5.1   Introduction

Keeping in mind the objectives of the study, this chapter summarizes what the paper ought to address. The study focused on two variables, i.e., revenue and expenditure structures of LGs in the Philippines, as they evolved within public finance policies. The shift from centrally controlled policies to a more decentralized set up brings us to some concluding points.

Drawing from the findings, fiscal decentralization in the Philippines saw some positive marks by achieving increased autonomy of LGs in their fiscal structures and processes. However, we could not ignore some significant limitations that may serve as guideposts, if decentralization is to move ahead. Indeed, the trends are encouraging but improvements still need to be pursued.

5.2   Share of LGs in Vertical Dimension

The ongoing efforts of the NG to decentralize and allocate government functions and responsibilities to LGUs continue to experience problems in terms of local revenue mobilization, expenditure prioritization and imbalance growth among local communities across levels of governments.

Despite the reconfiguration of the intergovernmental relations of the NG and LG, there is strong indication that the vertical fiscal relations are still characterised by wide fiscal imbalances as taxes are still highly centralized. The tendency of central government to assign to itself the more lucrative and productive resources (Helmsing,1991) is still actively practised. Such trend can be explained by the inherent capacity of central governments to collect most taxes more efficiently than LGs (Bird,1998).

On a positive note, however, the relative importance of LGs' revenue shares in GNP and per capita terms in total public resources have greatly increased following the adoption of the Code. Clearly, tax revenues have played a primordial role in the increase of LG resources. The realization of the transfer of some fiscal powers, functions and flexibility in fiscal decisions are evidences of NGs' commitment to enhance LGs financial structures.

In influencing the national economy, while there was apparent growth in local expenditures, decentralization had been more marked by spending than tax yield as demonstrated by the size, distribution, growth and shift in obligation expenditures. The fact that LG spending was seen to be most inclined to general administration expenses, through heavy reliance on transfers, than services provision, it positions LGs in a lesser degree of financial autonomy. Consequently, instead of narrowing down fiscal gaps, the perpetuation of vertical fiscal imbalances became more accentuated.

5.3   Inter-local Fiscal Relations - Horizontal Dimension

The reforms laid down the revenue-generating arrangements and public service responsibility structures of LGs, however, the successful sharing of powers, resources and functions among LGs is not without problems. Considering the existing limitations, the achievement of the objectives of intergovernmental relations is far from done although not elusive. At this standpoint, we draw some concluding thoughts.

5.3.1 Horizontal Balance - By Level

1. To recapitulate, the national government continues to play a major role in local fiscal administration by way of fiscal policies affecting revenue assignment, tax administration, revenue sharing and responsibility allocation. Any alteration in the design of these elements can mean significant changes in intergovernmental relations of LGs. With the effected changes under the decentralization program, the increasing role of LGs have improved, notwithstanding, persisting problems of resources' insufficiency.

2. The combined scheme of LGs fund sourcing from own sources and intergovernmental transfers greatly helped addressed the declining role of taxation in local governance, as a whole. In particular, this remark applies to municipalities and provinces, being the most dependent on transfers. The reinforcing strength of the variation of sources is of valuable importance, in all levels, in the delivery of mandates despite deficiencies in fully raising own needs.

3. The average financial autonomy of LGs declined considerably from 48.20% to 39.32% after the reform. It is a strong evidence that the ratio at which locally raised revenues manage total local expenditures is performing below par or is overtaken by the inflows of externally generated revenues. Further decline in self-sufficiency complemented by an unforeseen contraction in intergovernmental transfers can seriously hamper implementation of local development programs as they are contingent upon the availability of local funds.

4. The degree of self-sufficiency is dependent on broader tax bases accorded to LGs. More likely, do higher income LGUs like cities, with higher income earning capacity and being endowed with better economic activities in their jurisdictions have higher degree of financial autonomy and narrower fiscal gaps. In contrast, a limited economic base, just as in the case of lower income provinces and municipalities, having lesser scope in raising their own sources, tend to have lower self-sufficiency. Such limitations can affect the degree of fiscal autonomy.

5. LGs' continued to rely on the more popular local taxes, i.e., real property taxes, taxes and fees on business and operating and miscellaneous incomes. The enhanced revenue powers of LGs to create new sources have not been fully exercised as even in better income LGs, such as in cities, innovative efforts to raise revenues other than regular taxes, fees and charges have not been made. In all levels, the collection efficiency of RPT as a very viable revenue source and is believed to be a tax easily administered by LGs, took a declining pattern after the reform.

6. Intergovernmental transfers played more the role of financing local governments rather than augmenting resources. Moreover, LGUs have always treated them as dole outs. The assurance of said transfers cultivated laxity and complaceny of LGs efforts in exercising their revenue-raising powers.

7. Augmenting measures to enhance local finances were not much given attention. Loans and other credit financing played a very small role as supplemental tools in raising LGs finances. The utilization of non-traditional schemes to fund income generating projects remained limited.

8. Aggregate LG expenditures, in all levels, posted substantial growth. Accessibility and realization of higher incomes, as in cities, determines the fiscal capacity of LGs to satisfy their fiscal needs as well as contribute to higher expenditure levels. This is explained by two assumptions: 1) that expenditures are driven by revenues; and 2) that expenditure levels are determined by the availability of revenues. This theory is consistent with the empirical observation that there is a relation between the tax share of GNP and stage of development and that there is a significant positive association between level of taxation and per capita income. They do suggest that as development proceeds, countries tend to tax a greater share of GNP thus permitting greater government spending.

9. The pattern and composition of sectoral expenses remained largely skewed to general services while the allocation of economic and social services are still relegated in lesser importance. The variation in the menu of expenditures have been moderately significant during the post-code period, however, the weight of allocation was variably significant when social services shared a greater percentage from economic services other than general services.

10. Variation in expenditures pertaining to general services and other services are significant at the expense of economic and social services. Variations in expenditure

composition and per capita spending can be partially explained by geographical locations, population, wealth and administrative decisions which influence service responsibilities and needs (Smoke,1994).

5.3.2 Horizontal Dimension – Intra LGU

1. In all levels, decentralization accentuated the continuing existence and increasing trend of wide intra-LGU variation, thus, the perpetuation of more horizontal imbalances between and among LGs. Increased inequalities among provinces became more outlined than in cities and municipalities. Such variation is indicative of the substantial differences in revenue capacities and fiscal efforts invested in local tax administration but most importantly, associated to uneven economic bases between levels of governments, due to ill designed revenue assignments;

2. Similarly, transfers from central government played an overwhelming role in the financing of LG operations whereas own taxes provided a small share in total revenues. Domestic based taxes lagged behind external sources in the case of provinces and municipalities while cities remained most reliant on internal sources. This fact finds explanation on the resistance of central government to abandon its grip on taxation, a powerful instrument of governance (Bird,1995).

In same vein, the differing dependency tendencies in terms of local financing of provinces to that of municipalities and cities bring forward the arguments of Prud'Homme (1990,1994) and the World Bank (1988) that decentralization of sub-national governments vary. Accordingly, the degree of decentralization can be seen in the importance of local taxes to central taxes or the importance of central subsidies to local governments or in some instances, the importance of local expenditures to central expenditures.

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With the three properties, analysis of the system of fiscal decentralization applied to the three levels of LGs present a hybrid of approaches. From these, we can conclude that in cities, the degree of fiscal decentralization is more accentuated because of the benefits from greater local taxing powers. In the case of provinces and municipalities, the extent to which they are liquidating expenditures, which tends to heavily skew on transfers, gives apt meaning to decentralization through transfers. From this perspective, equalization is most relevant for provinces and municipalities because of their apparent distorted fiscal capacities. In effect, the high fiscal dependence of provinces and municipalities decreases their fiscal autonomy.

3. There is poor critical link between the design of transfers, the distribution of expenditure responsibilities and taxing authority between LGs. This assertion finds support with the stand of Helmsing (1996) that "horizontal imbalances are not restricted to differences due to size of jurisdiction but substantial ones are caused by past policies". The absence of the elements of fiscal need and fiscal capacity in the allocation of the percentage share among LGs levels intensified IRA inequality among provinces while impacting slightly among municipalities and cities as they remained constant and gained closer proximity in variation. The distribution of transfers determined by population (50%), land area (25%) and equal sharing (25%) are not very equalising but rather weak in forging closer variability.

A system of transfer should serve to correct vertical imbalances, reduce horizontal inequities among rich and poor jurisdictions, influence sub-national fiscal decisions and in best circumstances, stimulate local tax efforts. All these still remain a great challenge to most LGs in the Philippines. The financial autonomy ratios, the percentage compositions of revenues and expenditures still demonstrated the existence of high dependency and the declining importance of fiscal efforts of LGs.

4. At an advantage point, however, the corresponding lower inequality in expenditures compared with per capita income achieves to an extent the levelling effects of transfers. Its impact made the delivery of comparable services across jurisdictions although not totally eradicating horizontal imbalances. The rationale of equalisation in fiscal federalism literature to essentially ensure that a comparable bundle of public services be provided across local authorities modestly materialized. The consistency in the receipt of IRA to augment the high variation in local sources resulted to stable conditions of expenditures. This argument is empirically supported by the per capita coefficients of total expenditures in provinces that have not taken any increase but illustrated a marginal decline after the reform.

In fine, LGs at this point in time, despite the reform, are still very constrained in both their revenue and expenditure behaviours due to the persisting differences in revenue capacities and varying fiscal efforts.

5.4 Key Constraints to Decentralisation for Policy Consideration

Reflecting the fact that most major taxes are still assigned to the national government while substantial and growing expenditure responsibilities are devolved to LGUs, sizable vertical imbalances still emerge in the local fiscal system. Simultaneously, horizontal imbalances are experienced by LGUs due to varying revenue-raising capacities while facing different costs and demands as they attempt to meet their assigned expenditure responsibilities. Such atmosphere presents an important challenge to fiscal policy co-ordination. Fiscal policy offers a major means of adjusting incentives in an economy and can be used as an important instrument to economic development (Bennett,1990). To successfully attain such objectives, serious efforts are required at addressing some standing issues, if fiscal autonomy of LGs is to improve substantially in the future.

5.4.1 Extra-legal Impediment

Research indicates that successful implementation of decentralization policies depends heavily on political factors. Strong political commitment and support must come from national leaders to transfer planning, decision-making and managerial authority to lower levels of government (Rondinelli,1989). The hesitant attitude of national government officials to give full support to devolution stems from their fear of losing their grounds of power. Paternalism and patron-politics have been expressed in prevailing bureaucratic structures and manifests itself in the adverse attitudes and behaviours of government officials towards power-sharing with LGUs(Buendia,1991). This can be seen, among others, in the control of the national government over local budgets. To subject to review by the central government through the Department of Budget and Management (DBM) for reasons of assuring LGUs' compliance to national guidelines and prescriptions is a clear expression of the lack of confidence and trust on the capability and competence of local authorities to assume their responsibilities to their constituents. The decision–making powers of the LGUs must be reflected through their significant control over local economic resources that will adequately support local development.

5.4.2 Assignment Functions: Revenue and Expenditure Assignments

In designing proper fiscal balance between levels of government, the expenditure responsibilities have to be taken in serious consideration. The devolved functions involve services whose benefit area is regional especially the health services (tertiary hospitals) in provinces. The shifting of additional responsibilities to the three levels of LGs has some shortcomings as the problematic current revenue sharing arrangements. Given the new spending responsibilities of LGs and the significant differences in tax bases, unfunded mandates can be magnified. Action directed to the careful analysis of the principles of expenditure assignment and the need to rationalize the assignment of taxes and other revenues require consideration to solve the mismatch problem. Subnational governments must control local sources of revenues if they are to be responsive to their constituents (Vaszquez, et al.,1995,p.312).

5.4.3 Tax Sharing

As is provided in Section 3, Article X of the Constitution, is the authority of Congress for the enactment of a local government code that would decentralize central government powers to LGs. It did not contain an explicit provision that the shares of LGUs be specified therein or in other laws like the General Appropriations Act that the sharing of governments are considered as guaranteed legal rights. Despite the active representations of the leagues of provinces and other local organizations, the proposed integration of the tax share of LGs automatically in the General Appropriations Act (GAA) to avoid a yearly act of Congress was not given attention. The absence of a safety net does not give assurance to LGs on the predictability of revenues on a regular basis which can significantly affect fiscal planning and worst, budget execution as was experienced in 1998 when a 10% cut in IRA was implemented by the national government. Thus, the provision on the possible reduction of IRA in cases where the national government incurs unmanageable public sector deficit undermines its predictability and until now still remains a bone of contention between LGs and NG.

5.4.4 Equalization Impact of Intergovernmental Transfers

The transfer system as a proportion of national current revenues where 40% of national internal revenue collections are distributed among LGUs on the basis of population (50%), land area (25%) and equal sharing (25%) is not very equalising. The criteria currently used are all focused primarily on capturing the differential needs of LGs. A better capturing of differential fiscal capacities to meet those needs would contribute to making the distribution of the grants more equitable (Shah,1998).

Another issue is the increased dependency of LGs to transfers. The increased IRA allotments and it being a general purpose grant did not encourage LGs to raise more revenues to match such transfers. The IRA did not require a matching grant to be raised nor did it take into account any tax effort of LGUs. Such arrangements made negative impacts on local tax efficiencies.

A sound design of transfer requires explicit incorporation not only the measure of need but also revenue capacity or the fiscal capacity equalization factor. Doing so avoids any decrease in fiscal effort and substitution effect of transfers (Bird,1998). Successful decentralization cannot be achieved in the absence of well-designed fiscal transfer programs (Shah,1998). Thus, the need to reform the system of transfer to accomplish the following objectives: 1)Transfers should attempt to achieve vertical balance in the distribution of funds among different levels of government; 2) the system of transfer should not discourage LGs from raising their own revenues; and 3) some transfers should be used to stimulate local expenditures with significant externalities through matching grants(Vasquez,1995,p.315).

5.4.5 Expansion of Tax bases

Although the Code granted greater revenue generating powers to LGs, the national government pre-empted most productive revenue and tax sources of LGUs. Local tax efforts have been militated with tax exemptions of various taxes of local nature. Most importantly, the national government's authority over local financial management is reflective through policies provide by the Department of Finance (DOF) and the DBM on income and budgeting concerns. The DOF formulates most policies on local revenue-generation and keeps control on local finance like setting ceilings on tax rates. In this light, careful review of revenue assignments of the three levels of LGs is imperative.

5.4.6 Alternative Sources of Financing

With the current state of fiscal position of LGs, there is a pressing need to develop alternative ways to finance capital intensive projects to relax the claim of economic services upon resources. Although LGs are allowed by the Code to venture into other augmentation schemes, LGs tend to be very conservative in utilizing this instrument for reasons such as poor fiscal health are cited. Moreover, a related codal provision limiting LGs to appropriate funds for debt servicing not exceeding 20% of regular income for the

budget year limits the borrowing ability of LGs by restricting expenditures for debt servicing to a set percentage of the budget. This issue has to be addressed to improve the borrowing relations of LGs and potential creditors.

5.5   Some Final Notes

In closing, despite the problems, it can be said that decentralization in the Philippines has taken roots in improving local governance. Being aware of the present fiscal structure, the gains and limitations of the Code's implementation, these should serve as starting points for re-evaluating the appropriate role of local governments. Depending on how the basic issues are handled, the realization of the objectives of fiscal decentralization, as an alternative policy strategy to address fiscal imbalances of local communities to closer proximities, remains a challenge.
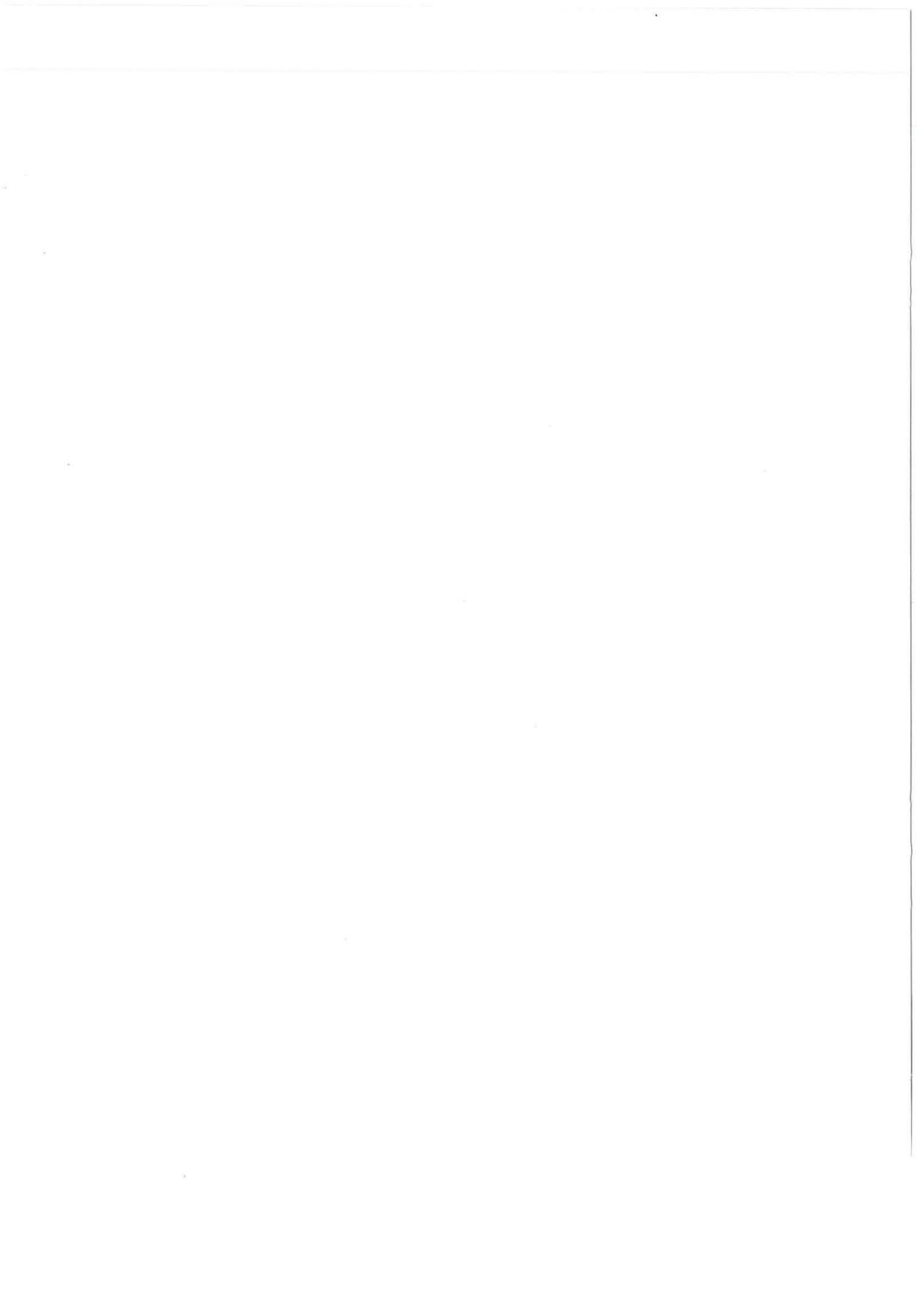
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Definition of Terms:

Knowing the following terminologies is essential in understanding this study. The terms are defined as they are used in the study.

1. **Appropriations** – an authorization made by law or other legislative enactment, directing payment out of government funds under specified conditions or for specific purposes (pertains to the annual appropriation under the General Appropriations Act (GAA).

2. **Budget of Expenditures and Sources of Financing (BESF)** – a document which reflects the annual program of expenditure presented by the executive branch to the legislature for spending authority, accompanied by an estimate expected sources of financing.

3. **Balanced Budget** – Occurs when revenues collected equal cash disbursements (excluding debt repayments and payment on non-budgetary accounts) of the NG during a given year.

4. **Budget Deficit** – The shortfall of revenues from disbursements excluding debt repayments and payment of budgetary accounts.

5. **Capital Expenditures** – Expenditures for the acquisition of fixed assets and other goods and services the productive benefits of which extend beyond the fiscal year.

6. **Capital Revenues** – Proceeds from the sale of fixed or capital assets such as land, buildings.

7. **Current Operating Expenses (COE)** – amount budgeted for the purchase of goods and services for the conduct of normal government operations within a budget year. Includes goods and services that will be used or consumed during the budget year.

8. **Expenditure Program** – the ceiling on the obligations that could be incurred by the government in a given budget year. Estimated financial resources support the said ceiling.

9. **Fiscal Policy** –the part of government policy which is concerned with raising of resources through taxation and borrowing and deciding on the level and pattern of expenditures.

10. **Internal Revenue Allotment** – The account created under PG 144, as amended, representing the portion of total national government revenues which accrue to the local governments. Includes the local government share in the specific tax on oil products authorized by Presidential Decree (PD) 436, as amended. This share has

been revised under the Local Government Code of 1991 and is now termed as internal revenue allotment(IRA)

11. **Miscellaneous Income** – Non-tax revenues not elsewhere classified such as proceeds from the sale of goods or confiscated merchandise, inventory adjustments, and waste materials.

12. **Non-fiscal transactions** – expenditures carried by the national government which includes debt payments on assumed liabilities, interest payments on CB open market support transactions, debt reductions program ad the subsidy for the Oil Price Stabilization Fund (OPSF).

13. **Non-tax revenues** – revenues collected from sources other than compulsory tax levies. Include those collected in exchange for direct services rendered by government agencies to the public, or those arising from the government's regulatory and investment activities.

14. **Operating Revenues** – receipts from the conduct of regular business operations.

15. **Obligations** – Liabilities legally incurred and committed to be paid for by the governments either immediately or in the future.

16. **Resources** – In budgeting, a term frequently used to refer to revenues, gross borrowings, and free or unencumbered cash balances.

17. **Tax revenues** – compulsory charges or levies imposed by government on goods and services, transactions, individuals, entities, and others arising from the sovereign power of state.

Source: DBM BESF 1998 and Government Accounting and Auditing Manual, 1998

E X P E N D I T U R E S , 1 9 9 8
COMPUTATION OF THE F-VALUE FOR THE EXPENSES OF LOCAL GOVERNMENT UNITS

Local Government	General Services	Eco. Services	Social Services	Others	Grand Total	Sum of Squares
Provinces	7,375.27	5,175.28	5,768.94	1,387.29	19,706.77	116,383,288.21
Cities	12,537.15	7,037.87	7,116.11	2,890.00	29,581.13	265,702,935.50
Municipalities	16,460.42	5,747.55	5,051.00	851.65	28,110.62	330,217,662.32
TOTAL	36,372.84	17,960.71	17,936.04	5,128.94	77,398.52	712,303,886.03
Observations	3	3	3	3	12	
Average	12,124.28	5,986.90	5,978.68	1,709.65		
No. of Groups	4					

513,401,799.30   499,210,962.20

14,190,837.11

664,525,981.13

$$SST = 213{,}092{,}923.83 = (7{,}375.27)^2 + (12{,}537)^2 + \ldots + (851.65)^2 - \frac{(77{,}398.52)^2}{12}$$

$$SSR = 14{,}190{,}837.11 = \frac{(19{,}706.77)^2 + (29{,}581)^2 + (28{,}110.62)^2}{4} - \frac{(77{,}398.52)^2}{12}$$

$$SSC = 165{,}315{,}018.93 = \frac{(36{,}372)^2 + (17{,}960.71)^2 + (17{,}936.04)^2 + (5{,}128.94)^2}{3} - \frac{(77{,}398.52)^2}{12}$$

$$SSE = SST-SSR-SSC = 33{,}587{,}067.79$$

Sum of X^2 =   712,303,886.03
(Sum of X)^2 =   5,990,531,546.35
(Sum of X)^2/N =   499,210,962.20
Sum of (Sum of X)^2/n =   664,525,981.13

———Analysis Of Variance———

Source of Variation	Sum of Squares	Deg. of Freedom	Mean Square	F-Ratio Computed	Tabular Value
Row Means	14,190,837.11	2	7,095,418.55	1.267526882	5.14
Column Means	165,315,018.93	3	55,105,006.31	9.843968515	4.76
Error	33,587,067.79	6	5,597,844.63		
Total	213,092,923.83	11			

A. For the rows, since the $F_{computed\ value} = 1.27 < F_{tabular\ value} = 5.14$, the Null Hypothesis is accepted. There is no significant difference on the expenses of the three levels of local government, i.e. the Provinces, Municipalities and Cities.

B. For the Columns, since the $F_{computed} = 9.84 > F_{tabular} = 4.76$, the Null Hypothesis is rejected. There is a significant difference on the expenses for Gen. Services, Economic Services, Social Services and Others as a whole.

Using Scheffe's Test,	
$F = (X_1 - X_2)_2 / S_{w2} (N_1 + N_2)/N_1 N_2$	

Using Scheffe's Test,

$F = (X_1 - X_2)_2 / S_{w2} (N_1 + N_2)/N_1 N_2$

1. For distribution A and B (General Services and Economic Services)
$F = (12{,}124.28 - 5{,}986.90)^2 / 5{,}972{,}238.11(3 + 3)/(3)(3)$
$F = 9.46$

2. For distribution A and C (General Services and Social Services)
$F = (12{,}124.28 - 5978.68)^2 / 5{,}972{,}238.11(3 + 3)/(3)(3)$
$F = 9.486$

3. For distribution A and D (General Services and Others)
$F = 27.24$

4. For distribution B and C (Economic Services and Social Services)
$F = 0.000017$

5. For distribution B and D (Economic Services and Others)
$F = 4.595$

6. For distribution C and D (Social Services and Others)
$F = 4.577$

As pointed out earlier, the 5 percent level of F for 3, 8 degrees of freedom, is 4.07. This value is multiplied by (k-1), where k is the number of groups or treatments. In this case we have (4 - 1)(4.07) which equals 12.21.

Each of the six F's computed above is then compared with this value (12.21). It is clear that only the distribution for General Services and Others (27.24) that is larger, hence, there is a significant difference between the expenditures for General Services and Others by the Provinces, Municipalities and Cities.

Summary of Devolved Service and Functions

Some of the basic services transferred by virtue of the Code can be summarised as follows:

Summary of Devolved Service and Functions

Services and Functions	Devolving Agency/Department
Social Welfare Services	Dept. of Social Welfare Development
Agriculture Extension and on-site Research	Dept. of Agriculture
Field Health and Hospital Services and other Tertiary Services	Department of Health
Public Works and Infrastructure Projects funded out of local funds	Dept. of Public Works and Highways
Tourism facilities and tourism promotion and development	Department of Tourism
School Building Program	Dept. of Education, Culture and Sports
Community – based forestry projects	Dept.of Environment and Natural Resources

Source: Illustration based on provisions of Local Government Code of 1991

Not only was there direct transfer of the above services and facilities but a number of regulatory powers were also devolved as indicated below:

Summary of Devolved Regulatory Powers

Regulatory Powers	Devolving Agency/Department
Reclassification of agricultural lands	Dept. of Agrarian Reform
Enforcement of environmental laws	Dep. of Environment and Natural Resources
Inspection of food products	Department of Health
Enforcement of the National Building Code	Dept. of Public Works and Highways
Operation of tricycles or motorcycles with side carriages	Land Transportation Franchise Regulatory Board of the Dept. of Transportation and Communication
Processing and approval of subdivision plans	Housing and Land Use and Regulatory Board
Establishment and holding of cockfights	Philippine Gamefowl Commission

Source: Illustration based on provisions of Local Government Code of 1991

The transfer of significant financial resources, responsibilities and personnel from the national government to local governments is an important feature of the Code. It also contained a number of features designed to increase the level of citizen input into local government decision making for the government believed that for local government to work well, local communities would need to become more involved in the process of governance. The Code, further, granted local governments more powers to generate their own financial resources. In fact, they have more freedom in the use of property taxes and in the levying of business taxes. They are also able to obtain credit by taking out loans or floating municipal bonds although it is rarely practised. The build-operate transfer schemes enable local governments to access private sources of funds for projects the community needs. With the Code, it is clear that local governments have much more money to spend than before. These increased resources partly finance the new responsibilities devolved from the national government. The corresponding shift of responsibilities entailed the transfer of about 70,000 national employees from the Department of Health, Department of Social Welfare and Development, Department of Agriculture, Department of Environment and Resources and the Department of Budget and Management. These transferred employees have to be integrated into local organisational structures.

Summary Sources of Local Finances

Taxing Powers of Provinces

Before the Code, provinces can impose ten different kinds of taxes exclusive of real property taxes but was reduced to 7 after the reform. Taxes such as: sealing and licensing of weights and measures, taxation for peddlers and the imposition of rental fees for use of municipal waters as log ponds were removed from provinces' revenue raising powers. The maximum rates of provincial taxes have been raised and some of the tax bases redefined. Section 134 of the Code indicates that provinces can impose the following:

1. Tax on Transfers of Real property ownership(Sale of property ownership);
2. Franchise Tax(Business enjoying franchise);
3. Tax on Sand, Gravel and other Quarrying Resources
4. Professional Tax(Professions requiring government examination
5. Business of persons in the printing business;
6. Amusement Tax(Proprietors of amusements houses); and
7. Annual Fixed Tax for everyday delivery trucks of Manufacturers, producers, wholesalers, dealers or retailers.

Taxing Powers of Municipalities:

For municipalities, they can levy taxes, fees and charges not otherwise levied by provinces. They charge taxes on business, fees and charges for licensing and regulation, fees for sealing and licensing weights and measures, fishery rentals, fees and charges. The Code raises the tax on business on graduated scale, generally by 10%. Municipalities are now allowed to impose taxes on banks and other financial institutions located in their jurisdictions. Peddlers may also be taxed and for other businesses, local councils are empowered to prescribe their tax rates within limits, not to exceed 2% for those taxed under the National Internal Revenue Code.

Taxing Powers of Cities:

In the case of cities, they may levy the taxes, fees and charges that provinces or municipalities may impose. As to the rates, they may exceed the maximum rates allowed to the latter by not more than 50%. However, the rates affecting amusement and professional taxes are fixed by law and should not be raised by cities. In view hereof, we can see that cities exercise greater discretion of their taxing powers.

Common Revenue Raising Powers

Article V lays out some common revenue-raising powers of all LGUs. They may impose and collect service fees and charges for services rendered, charges for operations of public utilities owned, operated, and maintained within their jurisdictions and toll fees or charges for use of public roads, piers or wharfs,

waterways, bridges, ferries or telecommunication systems funded and constructed by each LGU.

Intergovernmental Fiscal Relations: Share in the proceeds of national taxes

Share in National Revenues: Internal Revenue Allotment (IRA)

Local governments, which could not raise sufficient revenues, can source out supplemental funds from the national government through their shares in the national internal revenue taxes. The IRA refers to the share of local governments in the collection of national internal revenue taxes imposed and administered by the central government, the proceeds from which accrue substantially to the latter. As defined under Section 362 of the National Internal Revenue Code, they include sales tax, specific tax, contractor's tax, tax on banks and finance companies, fixed taxes on business and occupation, tax on common carriers, charges tax, miller's tax except sugar, percentage tax on cinemageogaphic film owners, lessors and distributors, certain mining taxes, occupation fees and rentals and water rentals (Cuaresma:1996:35).

The IRA is a system of sharing national internal revenue collections of the Bureau of Internal Revenue (BIR) with local governments following a predetermined formula. Section 284 of the Code (Nolledo:1991:121) provides that LGUs are entitled to BIR collections of the third fiscal year preceding the current fiscal year as follows:

a. On the first year (1993) of the effectivity of the Code, thirty percent(30%);
b. On the second year (1994), thirty-five percent(35%);
c. On the third year (1995) and thereafter, forty percent (40%).

Further, the IRA shares will be divided among the LGUs in this manner:

a. Provinces   – 23%;
b. Municipalities – 34%;
c. Cities   – 23%; and
d. Barangays   – 20%

Then to compute the share of each province, city and municipality, it shall be determined on the basis of the following formula:

a. Population – 50%;
b. Land Area – 25%; and
c. Equal Sharing – 25%

Share in National Wealth

Aside from IRA, qualified LGUs can access an equitable share in the proceeds derived from the utilisation and development of natural resources located within their jurisdictions. Each recipient can claim forty-percent (40%) of the gross collection

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derived by the national government from the preceding fiscal year from mining taxes, royalties, forestry and fishery charges, share of NG from any co-production, joint venture or production sharing agreements and other related taxes, fees and charges.

Credit and Financing Schemes

Moreover, LGs are also allowed to create indebtedness. They can enter into credit and other financial transactions to finance local infrastructures and other socio-economic development projects in accordance with the approved local development plan and public investment program of the LGU. The issuance of bonds, debentures, securities, notes and other obligations to finance self-liquidating, income–producing development or livelihood projects can also be availed of. Likewise, access to domestic and foreign loans are allowed especially for the outlay of capital investments or infrastructures or in some cases they can avail of private financing of infrastructure projects through the Build Operate Transfer (BOT) and Build Transfer (BT) schemes.

Grants and co-operative undertaking among LGUs

Finally, LGUs may directly negotiate and secure domestic and foreign grants to finance basic services and facilities or may in general, appropriate funds in aid of one another for the implementation of programs and projects commonly beneficial to them. In effect, the above sources are meant to augment locally generated taxes in order for LGUs to perform mandated functions. However, the challenge of utilizing the foregoing sources, especially the exploitation of their own sources, remains a big issue.

Source of Information: 1991 Local Government Code codal provisions

Table 4.12 Comparison of IRA Formula and Criteria Before and After the Code

Sharing	RA 7160		PD 144	Difference	
Provinces	23%		27.0%	3.0%	Lower
Cities	23%	} 90%	22.5%	0.5%	Higher
Municipalities	34%		40.5%	5.5%	Lower
Barangays	20%	} 10%		10.0%	Higher
Criteria Used:					
Population	50%		70%	20%	Lower
Land Area	25%		20%	5%	Higher
Equal Sharing	25%		10%	15%	Higher

Source: 1991 Local Government Code and
1998 Local Government Budgeting Manual

Local Governments' Sectoral Expenditure Groupings

Code's Sectoral Services	Categories	LGU's/Offices
ECONOMIC SERVICES	Economic Services Other Purposes	Agriculture Agrarian Reform Natural Resources Trade Tourism Electricity Distribution Water Resources & Flood Control Irrigation Transportation and Communication
SOCIAL SERVICES	Education, Culture & Sports/Manpower Devt. Health, Nutrition & Population Control Labor & Employment Housing & Community Development Social Security, Social Services and Welfare	Education Cultural Presentation & Enrichment Sports & Manpower Devt Health Nutrition Population Control Labor & Employment Housing Community Development Environmental Protection Sanitary Services
GENERAL SERVICES	General Public Services	Financial & Fiscal Adm. External Affairs Public Order & Safety General Research & Devt Planning, Policy Formulation& Statistical Services National Police

Source: 1998 Local Government Budgeting Manual

Income Classification of Local Government Units

LGU	INCOME	LAND AREA/ POPULATION
Provinces	P 20,000,000.00	2,000 sq km 250,000 Inhabitants
Independent Component Cities	P20,000,000.00	100 sq km 150,000 Inhabitants
Highly Urbanized Cities (HUCs)	P50,000,000.00	100 sq km 200,000 Inhabitants
Municipalities	P2,500,000.00	50 sq km 25,000 Inhabitants
Barangays	None	2,000 Inhabitants 5,000 for MMA or HUCs

Source: 1998 DBM-Local Budgeting Manual

Inter-Province Disparities in Real Per Capita Expenditures By Type, 1991 & 1998
Based on 1995 Constant Prices
20 Random Samples & Regional Breakdown

Appendix "H"

Name of Province	Population (In Millions)	1998 EXPENDITURES General Services	Per Capita	Eco. Services	Per Capita	Social Services	Per Capita	Others	Per Capita	Total Expend'rs	Total Exp. Per Capita	Population (In Millions)	1991 EXPENDITURES General Services	Per Capita	Economic Services	Per Capita	Social Services	Per Capita	Others	Per Capita	Total Expend'trs	Total Exp. Per Capita
MMDA	1.60	275.35	172.31	161.29	100.93	905.00	566.35	64.28	40.23	1,405.92	879.82	1.59	263.17	165.83	156.37	98.53	295.23	186.03	197.92	124.71	912.69	575.10
Ifugao	0.16	27.43	171.68	23.24	145.47	41.96	262.60	0.02	0.15	92.66	579.89	0.14	8.31	60.17	7.80	56.48	1.99	14.41	0.53	3.84	18.63	134.89
Pampanga	1.75	185.57	106.16	50.75	29.04	112.61	64.42			348.93	199.62	1.47	52.56	35.76	31.91	21.71	11.15	7.59	4.21	2.86	99.83	67.92
Tarlac	1.00	99.10	99.16	73.39	73.43	91.81	91.87	4.47	4.48	268.76	268.94	0.85	61.72	72.55	55.75	65.53	13.46	15.82	13.22	15.54	144.15	169.44
Marinduque	0.21	29.05	141.29	22.12	107.58	28.16	136.97	17.43	84.78	96.76	470.62	0.22	5.2	23.75	7.26	33.16	1.75	7.99	0.76	3.47	14.97	68.38
Oriental Mindoro	0.65	56.39	87.11	62.76	96.95	67.87	104.84	4.46	6.90	191.48	295.79	0.61	13.66	22.34	27.20	44.49	1.24	2.03	5.73	9.37	47.83	78.24
Romblon	0.25	26.12	102.76	43.81	172.37	43.25	170.15			113.19	445.28	0.24	8.6	36.34	7.77	32.84	3.07	12.97	0.31	1.31	19.75	83.46
Masbate	0.68	210.37	311.14	20.09	29.71	2.70	3.99			233.16	344.84	0.71	13.04	18.47	13.61	19.28	5.17	7.32	1.27	1.80	33.09	46.88
Capiz	0.66	50.33	76.48	31.59	48.02	86.00	130.70			167.91	255.20	0.62	15.46	24.98	13.02	21.03	12.54	20.26	1.15	1.86	42.17	68.13
Guimaras	0.13	26.91	201.67	18.72	140.33	20.21	151.45	4.64	34.77	70.48	528.22	0.13	5.86	43.92	2.97	22.26	3.26	24.43	0.12	0.90	12.21	91.51
Bohol	1.05	202.89	193.25	126.41	120.40	85.31	81.26			414.62	394.90	0.89	56.36	63.68	68.65	77.57	5.81	6.56	0		130.82	147.82
Biliran	0.14	29.82	211.07	25.69	181.88	22.36	158.30			77.87	551.25	0.14	6.26	44.79	4.18	29.91	2.29	16.38	1.09	7.80	13.82	98.88
Basilan	0.31	56.62	181.39	28.07	89.93	50.75	162.59	0.24	0.76	135.69	434.68	0.25	10.1	40.29	21.11	84.21	2.23	8.90	0		33.44	133.40
Zamboanga del Sur	1.87	126.17	67.61	224.70	120.40	32.25	17.28	18.62	9.98	401.74	215.27	1.50	38.68	25.74	43.6	29.01	1.48	0.98	0.74	0.49	84.5	56.23
Camiguin	0.07	14.11	199.16	11.48	161.99	18.14	256.03	17.53	247.52	61.25	864.69	0.07	4.96	71.92	4.09	59.30	0.15	2.17	0.15	2.17	9.35	135.57
Compostela Valley	0.04	24.78	564.68	19.30	439.81	12.95	295.08	6.51	148.35	63.54	1,447.92											
South Cotabato	1.05	93.89	89.61	40.58	38.73	48.17	45.97	17.54	16.74	200.18	191.05	1.06	4.07	3.85	2.68	2.53	0.04	0.04	0.71	0.67	7.50	7.09
Davao Oriental	0.44	57.34	131.66	58.40	134.09	59.82	137.35	2.77	6.36	178.33	409.47	0.45	24.61	54.57	16.28	36.10	1.18	2.62	1.38	3.06	43.45	96.35
North Cotabato	0.93	93.26	100.58	56.35	60.78	60.11	64.83	67.43	72.73	277.15	298.92	0.68	39.01	57.24	30.41	44.62	17.91	26.28	0		87.33	128.13
Sultan Kudarat	0.56	63.44	112.66	-	-	36.05	64.02	56.16	99.73	155.65	276.41	0.39	22.63	57.62	18.95	48.25	19.29	49.12	0		60.87	154.99
GRAND TOTALS	13.54	1,748.94	129.19	1,098.75	81.16	1,825.47	134.84	282.12	20.84	4,955.28	366.04	12.00	654.27	54.52	533.59	44.46	399.26	33.27	229.3	19.11	1,816.42	151.35
Percentage		35.29%		22.17%		36.84%		5.69%		100%			36.02%		29.38%		21.98%		12.62%		100%	
Coefficient of Variation			0.67		0.80		0.85		1.29		0.64			0.70		0.57		1.91		2.62		0.95
Per Capita			129.19		81.16		134.84		20.84		366.04			54.52		44.46		33.27		19.11		151.35

Source: Own Calculatiopns based on DBM BESFs, 1991 & 1998(LGs Consolidated Statement of Receipts and Expendiutres)

Inter-Municipality Disparities in Real Per Capita Expenditure, 1991 & 1998
At 1995 Constant Prices
20 Random Samples   Appendix "I"

Particulars	Population (In Millions)	General Services	Per Capita	Eco. Services	Per Capita	Social Services	Per Capita	Others	Per Capita	Total Expd'trs	Per Capita	Population (In Millions)	General Services	Per Capita	Economic Services	Per Capita	Social Services	Per Capita	Others	Per Capita	Total Exp'trs	Per Capita
	1998 E X P E N D I T U R E S											1991 E X P E N D I T U R E S										
Benguet	0.59	124.77	212.41	42.92	73.07	31.21	53.14	0.04	0.07	198.94	338.68	0.46	38.06	82.00	9.05	19.50	1.44	3.10	2.51	5.41	51.06	110.01
Ifugao	0.16	74.10	463.76	20.88	130.68	24.16	151.23	0.25	1.54	119.39	747.20	0.14	15.78	114.26	6.6	47.79	0.05	0.36	2.94	21.29	25.37	183.70
Pangasinan	2.30	502.62	218.07	140.77	61.07	129.59	56.22	3.57	1.55	776.55	336.92	1.88	124.85	66.58	45.29	24.15	13.89	7.41	12.05	6.43	196.08	104.57
Zambales	5.98	154.74	25.89	39.93	6.68	44.99	7.53	3.45	0.58	243.11	40.67	0.56	43.28	76.81	21.41	38.00	2.45	4.35	3.01	5.34	70.15	124.50
Marinduque	0.21	43.16	209.95	21.14	102.83	26.92	130.91	4.36	21.21	95.58	464.91	0.22	9.05	41.34	6.35	29.01	0.92	4.20	3.41	15.58	19.73	90.13
Quezon	1.63	372.07	228.01	107.48	65.86	96.84	59.35	14.91	9.14	591.30	362.36	1.50	94.62	63.15	24.14	16.11	8.19	5.47	15.97	10.66	142.92	95.39
Rizal	1.53	476.76	312.20	177.44	116.19	216.49	141.76	72.97	47.78	943.65	617.94	0.79	110.66	140.05	30.37	38.44	17.22	21.79	13.76	17.41	172.01	217.69
Camarines Sur	1.53	402.92	263.17	88.45	57.77	88.22	57.62	0.41	0.27	580.00	378.84	1.28	80.13	62.40	32.95	25.66	5.75	4.48	3.22	2.51	122.05	95.04
Aklan	0.43	159.38	368.63	57.27	132.46	39.20	90.66	-	-	255.85	591.76	0.40	36.51	92.11	11.36	28.66	5.13	12.94	1.47	3.71	54.47	137.42
Antique	0.46	116.86	256.81	34.89	76.68	39.94	87.78	-	-	191.70	421.27	0.43	37.66	87.90	8.93	20.84	3.95	9.22	1.59	3.71	52.13	121.68
Capiz	0.66	145.80	221.60	31.05	47.19	36.77	55.89	10.46	15.90	224.08	340.57	0.62	32.92	53.18	48.53	78.40	7.06	11.41	0.2	0.32	88.71	143.32
Siquijor	0.08	17.16	220.20	15.15	194.45	16.15	207.17	-	-	48.46	621.82	0.08	9.94	124.18	3.35	41.85	0.53	6.62		0.00	13.82	172.66
Leyte	1.62	334.02	206.28	105.14	64.93	129.14	79.75	23.79	14.69	592.09	365.65	1.56	72.05	46.11	37.23	23.83	9.82	6.29	25.39	16.25	144.49	92.48
Samar	0.63	182.12	290.76	74.31	118.65	49.05	78.31	-	-	305.48	487.72	0.60	62.07	103.65	13.85	23.13	0.26	0.43	3.83	6.40	80.01	133.61
Basilan	0.31	89.83	287.76	14.96	47.94	14.96	47.94	29.95	95.95	149.71	479.60	0.25	20.02	79.86	14.56	58.08	0.08	0.32	0.31	1.24	34.97	139.50
Tawi-Tawi	0.26	39.31	151.41	33.80	130.18	35.47	136.63	-	-	108.58	418.22	0.25	10.17	40.81	16.36	65.65	0.05	0.20	2.08	8.35	28.66	115.01
Zamboanga del Sur	1.87	462.17	247.65	40.87	21.90	76.67	41.08	-	-	579.71	310.63	1.50	104.36	69.45	80.35	53.47	0.29	0.19	7.9	5.26	192.9	128.37
Camiguin	0.07	26.21	369.99	6.64	93.70	6.97	98.40	5.92	83.51	45.73	645.61	0.07	8.26	119.77	2.22	32.19	0.16	2.32	0.19	2.75	10.83	157.03
Davao (del Norte)	1.29	166.12	128.45	59.44	45.96	52.77	40.80	29.67	22.94	308.00	238.15	1.03	115.98	112.73	48.3	46.95	16.36	15.90	5.72	5.56	186.36	181.13
North Cotabato	0.93	93.26	100.58	56.35	60.78	60.11	64.83	67.43	72.73	277.15	298.92	0.68	43.68	64.09	50.12	73.54	13.43	19.70		0.00	107.23	157.33
GRAND TOTALS	22.52	3,983.39	176.85	1,168.88	51.90	1,215.63	53.97	267.18	11.86	6,635.08	294.58	14.30	1,070.06	74.83	511.35	35.76	107.03	7.48	105.55	7.38	1,793.99	125.46
Percentage		60.04%		17.62%		18.32%		4.03%		100%			59.65%		28.50%		5.97%		5.88%		100%	
Coefficient of Variation			0.41		0.54		0.57		1.58		0.38			0.36		0.47		0.95		0.90		0.26
Per Capita			176.85		51.90		53.97		11.86		294.58			74.83		35.76		7.48		7.38		125.46

Source: Own Elaboration based on DBM BESFs, 1991 & 1998(LGs Consolidated Statement of Receipts and Expenditures)

Inter-City Disparities in Real Per Capita Expenditures, 1991 & 1998
At 1995 Constant Prices
20 Random Samples & Regional Breakdown

Particulars		1998 EXPENDITURES											1991 EXPENDITURES									
	Population	General Services	Per Capita	Econonmic Services	Per Capita	Social Services	Per Capita	Others	Per Capita	Total Expd'trs	Per Capita	Population	General Services	Per Capita	Economic Services	Per Capita	Social Services	Per Capita	Others	Per Capita	Total Expd'trs	Per Capita
Manila	1.60	448.06	280.39	294.05	184.02	1,078.35	674.83	633.31	396.32	2,453.77	1,535.56	1.59	553.36	348.69	396.29	249.71	451.73	284.64	175.55	110.61	1,576.93	993.65
Quezon	2.08	1,690.44	812.64	487.87	234.53	874.81	420.54			3,053.12	1,467.71	1.63	1,012.90	620.65	748.26	458.49	142.54	87.34	98.98	60.65	2,002.69	1,227.14
Baguio	0.26	156.07	604.90	90.09	349.17	53.08	205.73			299.24	1,159.80	0.16	43.54	273.36	45.78	287.47	22.45	140.96	13.64	85.66	125.41	787.45
Dagupan	0.13	60.85	461.31	60.46	458.35	26.26	199.08			147.57	1,118.74	0.11	18.25	160.15	12.18	106.93	10.13	88.91	5.21	45.73	45.77	401.73
Cabanatuan	0.21	80.5	375.53	85.82	400.35	62.91	293.48			229.23	1,069.36	0.18	27.28	154.23	23.91	135.15	16.11	91.06	8.46	47.80	75.75	428.24
Batangas	0.22	13.68	61.33	138.61	621.40	70.79	317.36			223.08	1,000.09	0.18	26.77	147.21	19.49	107.14	20.55	113.00	2.96	16.29	69.78	383.64
Tagaytay	0.03	58.96	1904.27	66.03	2132.61	14.1	455.40	6.74	217.69	145.83	4,709.97	0.02	9.42	407.03	5.11	220.66	1.27	54.97			15.81	682.66
Iriga	0.08	63.46	747.24	17.84	210.07	3.64	42.86	33.74	397.29	118.68	1,397.45	0.07	15.28	208.87	13.94	190.63	1.54	21.00	0.88	12.03	31.64	432.53
Bacolod	0.44	213.93	490.81	79.73	182.92	133.74	306.83	4.74	10.87	432.14	991.44	0.33	45.24	137.70	48.30	147.01	51.48	156.69	38.02	115.72	183.04	557.12
La Carlota	0.06	58.44	1003.18	13.94	239.29	27.84	477.90			100.22	1,720.37	0.06	15.04	255.81	5.17	87.83	14.15	240.57	8.61	146.41	42.97	730.61
San Carlos	0.10	94.84	909.94	22.89	219.62	45.78	439.23			163.51	1,568.79	0.10	10.35	105.02	21.50	218.22	11.55	117.22	0.82	8.32	44.23	448.78
Cebu	0.70	404.58	574.04	199.1	282.49	210.36	298.47			814.04	1,155.00	0.65	179.90	276.77	165.74	254.98	96.87	149.03			442.51	680.79
Tagbilaran	0.08	39.08	520.25	38.07	506.80	16.88	224.71	48.02	639.26	142.05	1,891.02	0.05	15.23	314.91	17.82	368.50	3.82	78.89			36.87	762.30
Toledo	0.13	98.44	746.33	57.82	438.37	18.33	138.97			174.59	1,323.67	0.12	25.29	211.65	26.56	222.26	13.83	115.77			65.68	549.68
Ormoc	0.16	152.26	974.35	86.44	553.15	14.59	93.37			253.29	1,620.87	0.14	59.29	438.74	21.25	157.25	5.32	39.38			85.86	635.37
Dapitan	0.07	65.00	974.88	91.03	1365.28	97.74	1,465.92	25.88	388.15	279.65	4,194.23	0.07	10.70	160.36	21.21	317.87	1.18	17.68	1.46	21.88	34.55	517.80
Zamboanga	0.57	157.32	278.41	220.97	391.05	70.47	124.71	129.44	229.07	578.2	1,023.23	0.44	92.42	210.05	114.77	260.84	24.27	55.17	7.76	17.65	239.23	543.70
Cagayan de Oro	0.47	256.62	544.13	89.25	189.24	139.9	296.64			485.77	1,030.01	0.37	61.64	166.25	55.77	150.41	41.47	111.86	24.38	65.76	183.26	494.28
Cotabato	0.16	102.61	654.18	48.75	310.80	33.16	211.41			184.52	1,176.40	0.11	21.83	202.35	23.50	217.87	12.29	113.91			57.62	534.13
Marawi	0.12	42.05	347.79	34.38	284.35	5.34	44.17	28.87	238.78	110.64	915.08	0.06	7.45	120.42	14.34	231.67	2.17	35.03			23.95	387.12
GRAND TOTALS	7.67	4,257.18	555.12	2,223.16	289.89	2,998.07	390.94	910.72	118.75	10,389.13	1,354.70	6.43	2,251.20	349.92	1,800.89	279.93	944.72	146.85	386.73	60.11	5,383.55	836.81
Percentage		40.98%		21.40%		28.86%		8.77%		100%			41.82%		33.45%		17.55%		7.18%		100%	
Coefficient of Variation			0.59		0.98		0.92		0.59		0.63			0.52		0.42		0.64		0.77		0.35
Per Capita			555.12		289.89		390.94		118.75		1,354.70			349.92		279.93		146.85		60.11		836.81

Source: Own Elaboration based on DBM BESFs, 1991 & 1998 Consolidated Statement of Receipts and Expenditures

Inter-Province Disparities in Real Per Capita Own and External Revenues,1991
1995 at Constant Prices
20 Sample Cases

Appendix "K"

Particulars	Population (In Millions)	Real Prop. Tax	Per Capita	Other Local Taxes	Per Capita	Oprtg. & Misc. Rev.	Per Capita	Capital Revenue	Per Capita	Extr. Income	Per Capita	Interfund Transfers	Per Capita	Total Own Resources	Per Capita	IRA	Per Capita	Grants	Per Capita	Bor-rowings	Per Capita	Total External	Per Capita	Total Revenues	Per Capita
						OWN SOURCES REVENUES												EXTERNALLY SOURCED							
MMDA	1.59	330.36	207.78	114.80	72.20	123.97	77.97			156.79	98.61			725.93	456.56	149.55	94.06	40.53	25.49			190.08	119.55	916.01	576.11
Ifugao	0.14	0.54	3.84	0.17	1.25	0.07	0.51	0.78	5.55					1.56	11.15	16.98	121.30	2.10	15.01			19.08	136.31	20.64	147.46
Pampanga	1.47	11.60	7.89	19.89	13.53									31.49	21.42	69.66	47.39		0.00			69.66	47.39	101.15	68.81
Tarlac	0.85	10.19	11.99	0.00	0.00	56.17	66.08			24.53	28.86			90.89	106.93	53.33	62.74	0.37	0.44			53.70	63.18	144.59	170.11
Marinduque	0.22	2.41	10.95	0.32	1.44	0.83	3.79							3.56	16.19	17.13	77.87	3.78	17.19			20.91	95.06	24.47	111.24
Oriental Mindoro	0.61	4.60	7.55	1.25	2.04	3.17	5.20					5.73	9.39	14.75	24.19	41.68	68.32	7.23	11.85			48.91	80.18	63.66	104.36
Romblon	0.24	1.54	6.43	0.24	1.01	0.43	1.79			0.75	3.13	0.30	1.25	3.26	13.60	19.23	80.14	3.37	14.05			22.61	94.20	25.87	107.80
Masbate	0.71	4.93	6.94	1.01	1.42			0.95	1.35					6.89	9.71	49.28	69.41	1.37	1.93			50.65	71.34	57.55	81.05
Capiz	0.62	6.04	9.75	0.79	1.28	7.07	11.40	0.44	0.71	0.89	1.43	3.07	4.95	18.30	29.51	35.30	56.93	3.96	6.38			39.25	63.31	57.55	92.82
Guimaras	0.13	1.12	8.64	0.10	0.76	0.37	2.82							1.59	12.22	11.37	87.43	1.43	11.01			12.80	98.44	14.38	110.65
Bohol	0.89	4.60	5.17	0.61	0.68	37.47	42.11							42.68	47.96	60.26	67.70					60.26	67.70	102.94	115.66
Biliran	0.14	0.79	5.65	0.11	0.78	0.03	0.19			0.89	6.33			1.81	12.96	12.41	88.64					12.41	88.64	14.22	101.60
Basilan	0.25	1.39	5.57	0.43	1.70	3.83	15.31							5.64	22.58	19.63	78.53	6.05	24.22			25.69	102.75	31.33	125.33
Zamboanga del Sur	1.50	3.56	2.37	1.15	0.76	6.79	4.52			0.89	0.59			12.38	8.25	65.02	43.35	7.40	4.93			72.42	48.28	84.80	56.54
Camiguin	0.07	0.68	9.74	0.13	1.81	1.68	24.01			0.03	0.43			2.52	36.00	8.35	119.29	0.00	0.00			8.35	119.29	10.87	155.29
Compostela Valley(New)														0.00	0.00										
South Cotabato	1.06	0.68	0.64	0.44	0.41	0.98	0.92					0.63	0.60	2.72	2.57	58.83	55.50	0.04	0.03			58.87	55.53	61.59	58.10
Davao Oriental	0.45	2.99	6.65	0.95	2.10	2.45	5.44							6.39	14.19	37.16	82.58	10.84	24.09			48.00	106.67	54.39	120.86
North Cotabato	0.68	7.84	11.53	3.16	4.65	9.01	13.25							20.01	29.43	53.82	79.15	13.78	20.26			67.60	99.41	87.61	128.84
Sultan Kudarat	0.39	7.04	18.05	1.27	3.25	6.81	17.46			4.50	11.54			19.62	50.30	33.68	86.37	7.50	19.24			41.19	105.61	60.80	155.91
GRAND TOTALS	12.00	402.91	33.58	146.80	12.23	261.12	21.76	2.17	0.18	189.26	15.77	9.73	0.81	1,012.01	84.33	812.68	67.72	109.76	9.15			922.44	76.87	1,934.44	161.20
Percentage		20.83%		7.59%		13.50%		0.11%		9.78%		0.50%		52.32%		42.01%		5.67%				47.68%		100%	
Coefficient of Variation		2.52		2.79		1.35		1.04		1.78		1.00		0.27		0.27		0.81				0.29		0.82	
Per Capita		33.58		12.23		21.76		0.18		15.77		0.81		84.33		67.72		9.15				76.87		161.2	

Source: Computations based on DBM BESFs, 1991 & 1998 Consolidated Statement of Receipts and Expenditures

Inter-Province Disparities in Real Per Capita Own and External Revenues,1998
1995 at Constant Prices
20 Sample Cases

Appendix "K-1"

Name of Province	Population (In Millions)	Real Prop. Tax	Per Capita	Other Local Taxes	Per Capita	Oprtg. & Misc. Rev.	Per Capita	Capital Revenue	Per Capita	Extr. Income	Per Capita	Interfund Transfers	Per Capita	Other Receipts	Per Capita	Total Own	Per Capita	IRA	Per Capita	Grants	Per Capita	Bor-rowings	Per Capita	Total External	Per Capita	Total Revenues	Per Capita
								OWN SOURCES REVENUES												EXTERNALLY SOURCED							
MMDA	1.60	-	-	266.98	166.86	90.51	56.57							5.94	37.12	357.49	223.43	325.69	203.56	605.82	378.64			931.51	582.19	1,289.00	805.63
Ifugao	0.16	0.53	3.32	0.06	0.40	3.81	23.84									10.35	64.68	100.27	626.69	9.52	5.44			100.27	626.69	110.62	691.37
Pampanga	1.75	19.83	11.33	15.86	9.06	15.07	8.61									50.75	29.00	280.73	160.42					290.25	165.85	341.00	194.86
Tarlac	1.00	6.84	6.84	15.34	15.34	22.58	22.58	7.11	7.11	3.48	3.48					55.35	55.35	209.50	209.50			4.76	4.76	214.26	214.26	269.61	269.61
Marinduque	0.21	1.15	5.48	0.59	2.79	3.78	18.01									5.76	27.42	84.86	404.10					84.86	404.10	90.62	431.52
Oriental Mindoro	0.65	11.94	18.37	2.21	3.40	0.34	0.52	0.17	0.27	0.24	1.13			7.33	11.27	22.00	33.84	173.26	266.55					173.26	266.55	195.26	300.40
Romblon	0.25	1.52	6.09	1.23	4.92	3.81	15.26									6.57	26.26	105.32	421.28					105.32	421.28	111.89	447.55
Masbate	0.68	5.34	7.85	2.31	3.39									50.92	74.88	58.56	86.12	188.22	276.79					188.22	276.79	246.78	362.91
Capiz	0.66	3.11	4.71	0.09	0.13	3.85	5.84			0.02	0.02					7.07	10.71	175.03	265.19					175.03	265.19	182.09	275.90
Guimaras	0.13	1.53	11.77	0.05	0.37	2.80	21.53									4.38	33.67	68.28	525.22					68.28	525.22	72.66	558.90
Bohol	1.05	4.77	4.54	2.06	1.96	147.02	140.02	0.67	0.63							154.51	147.15	226.59	215.80			31.72	30.21	258.31	246.01	412.82	393.16
Biliran	0.14	0.95	6.80	0.10	0.68	5.27	37.67									6.32	45.15	72.69	519.20					72.69	519.20	79.01	564.35
Basilan	0.31	4.20	13.56	0.71	2.30	5.71	18.42									10.63	34.28	117.13	377.84			67.52	36.11	125.06	403.42	135.69	437.70
Zamboanga del Sur	1.87	3.80	2.03	0.96	0.51	18.16	9.71									22.92	12.26	311.31	166.48	7.93	25.58			378.83	202.58	401.74	214.84
Camiguin	0.07	0.76	10.88	0.25	3.51	2.42	34.55									3.43	48.94	64.64	923.42					64.64	923.42	68.07	972.35
Compostela Valley(New	0.04	2.74	68.60	0.18	4.56	7.39	184.77									10.32	257.93	73.67	1,841.79	7.93	198.26	50.44	1,261.10	132.05	3,301.15	142.36	3,559.08
South Cotabato	1.05	8.21	7.82	1.41	1.34	3.09	2.95	0.11	0.11					5.05	4.81	17.87	17.02	169.76	161.68					169.76	161.68	187.64	178.70
Davao Oriental	0.44	3.54	8.05	0.36	0.82	3.56	8.09							2.19	4.98	9.65	21.93	173.73	394.84					173.73	394.84	183.38	416.77
North Cotabato	0.93	5.88	6.33	1.90	2.05	18.27	19.65							3.41	3.67	29.47	31.69	223.55	240.38					223.55	240.38	253.02	272.07
Sultan Kudarat	0.56	5.18	9.25	0.62	1.10	12.18	21.75			0.08	0.14			0.33	0.58	18.38	32.83	167.26	298.67					167.26	298.67	185.64	331.50
GRAND TOTALS	13.54	91.82	6.78	313.27	23.14	369.64	27.30	8.07	0.60	3.81	0.28	-		75.16	5.55	861.77	63.65	3,311.48	244.57	631.20	46.62	154.44	11.41	4,097.12	302.59	4,958.89	366.24
Percentage		1.85%		6.32%		7.45%		0.16%		0.08%		-		1.52%		17.38%		66.78%		12.73%		3.11%		82.62%		100%	
Coefficient of Variation		1.33		3.26		1.39		1.67		1.34				1.39		1.11		0.90		1.15		1.86		1.30		1.25	
Per Capita		6.78		23.14		27.30		0.60		0.28		0.00		5.55		63.65		244.57		46.62		11.41		302.59		366.24	

Source: Calculations based on DBM BESFs for 1991 & 1998 Consolidated Statement of Receipts and Expenditures of LGUs

Inter-Province Percentage Composition of Revenue,1991
1995 at Constant Prices   Annex "K-a"
20 Sample Cases

| Particulars | 1991 | | | | | | | | | | | |
| | OWN SOURCES REVENUES | | | | | | | EXTERNALLY SOURCED | | | | |
	Real Prop. Tax	Other Local Taxes	Oprtg. & Misc. Rev.	Capital Revenue	Extr. Income	Interfund Transfers	Total Own Resources	IRA	Grants	Bor-rowings	Total External	Total Fin'l. Res.
MMDA	81.99%	78.20%	47.48%		82.84%		71.73%	18.40%	36.93%		20.61%	47.35%
Ifugao	0.13%	0.12%	0.03%	35.83%			0.15%	2.09%	1.91%		2.07%	1.07%
Pampanga	2.88%	13.55%					3.11%	8.57%			7.55%	5.23%
Tarlac	2.53%		21.51%		12.96%		8.98%	6.56%	0.34%		5.82%	7.47%
Marinduque	0.60%	0.22%	0.32%		`		0.35%	2.11%	3.45%		2.27%	1.27%
Oriental Mindoro	1.14%	0.85%	1.22%			58.87%	1.46%	5.13%	6.59%		5.30%	3.29%
Romblon	0.38%	0.16%	0.16%		0.40%	3.08%	0.32%	2.37%	3.07%		2.45%	1.34%
Masbate	1.22%	0.69%		44.00%			0.68%	6.06%	1.25%		5.49%	2.97%
Capiz	1.50%	0.54%	2.71%	20.18%	0.47%	31.54%	1.81%	4.34%	3.60%		4.26%	2.97%
Guimaras	0.28%	0.07%	0.14%				0.16%	1.40%	1.30%		1.39%	0.74%
Bohol	1.14%	0.41%	14.35%				4.22%	7.41%			6.53%	5.32%
Biliran	0.20%	0.07%	0.01%		0.47%		0.18%	1.53%			1.35%	0.74%
Basilan	0.35%	0.29%	1.47%				0.56%	2.42%	5.52%		2.78%	1.62%
Zamboanga del Sur	0.88%	0.78%	2.60%		0.47%		1.22%	8.00%	6.74%		7.85%	4.38%
Camiguin	0.17%	0.09%	0.64%		0.02%		0.25%	1.03%			0.91%	0.56%
Compostela Valley(New)							0.00%				0.00%	
South Cotabato	0.17%	0.30%	0.37%			6.50%	0.27%	7.24%	0.03%		6.38%	3.18%
Davao Oriental	0.74%	0.64%	0.94%				0.63%	4.57%	9.88%		5.20%	2.81%
North Cotabato	1.95%	2.15%	3.45%				1.98%	6.62%	12.55%		7.33%	4.53%
Sultan Kudarat	1.75%	0.86%	2.61%		2.38%		1.94%	4.14%	6.84%		4.47%	3.14%
GRAND TOTALS	100%	100%	100%	100%	100%	100%		100%	100%	0%	100%	100.00%

Source: Own elaboration based on DBM BESFs, 1991 & 1998 re: LGs Statement of Receipts and Expenditures

1998 Inter-Province Percentage Composition of Revenues
Based on 1995 Constant Prices   Appendix "K-b"
20 Random Samples

Name of Province	OWN SOURCES REVENUES								EXTERNALLY SOURCED				Total Revenues
	Real Prop. Tax	Other Local Taxes	Oprtg. & Misc. Rev.	Capital Revenue	Extr. Income	Interfund Transfers	Other Receipts	Total Own	IRA	Grants	Bor-rowings	Total External	
MMDA		85.22%	24.49%					41.44%	9.84%	95.98%		22.74%	25.99%
Ifugao	0.58%	0.02%	1.03%				7.90%	1.20%	3.03%			2.45%	2.23%
Pampanga	21.59%	5.06%	4.08%					5.91%	8.48%	1.51%		7.08%	6.88%
Tarlac	7.44%	4.90%	6.11%	88.20%	91.27%			6.42%	6.33%		3.08%	5.23%	5.44%
Marinduque	1.25%	0.19%	1.02%		6.24%			0.67%	2.56%			2.07%	1.83%
Oriental Mindoro	13.01%	0.71%	0.09%	2.16%			9.75%	2.56%	5.23%			4.23%	3.94%
Romblon	1.66%	0.39%	1.03%					0.76%	3.18%			2.57%	2.26%
Masbate	5.81%	0.74%					67.75%	6.79%	5.68%			4.59%	4.98%
Capiz	3.39%	0.03%	1.04%		0.42%			0.82%	5.29%			4.27%	3.67%
Guimaras	1.67%	0.02%	0.76%					0.51%	2.06%			1.67%	1.47%
Bohol	5.19%	0.66%	39.77%	8.26%				17.91%	6.84%		20.54%	6.30%	8.32%
Biliran	1.04%	0.03%	1.43%					0.73%	2.20%			1.77%	1.59%
Basilan	4.58%	0.23%	1.54%					1.24%	3.54%	1.26%		3.05%	2.74%
Zamboanga del Sur	4.14%	0.31%	4.91%					2.66%	9.40%		43.72%	9.25%	8.10%
Camiguin	0.83%	0.08%	0.65%					0.40%	1.95%			1.58%	1.37%
Compostela Valley	2.99%	0.06%	2.00%					1.20%	2.22%	1.26%	32.66%	3.22%	2.87%
South Cotabato	8.94%	0.45%	0.84%	1.38%			6.72%	2.08%	5.13%			4.14%	3.78%
Davao Oriental	3.86%	0.11%	0.96%				2.91%	1.12%	5.25%			4.24%	3.70%
North Cotabato	6.41%	0.61%	4.94%				4.54%	3.42%	6.75%			5.46%	5.10%
Sultan Kudarat	5.64%	0.20%	3.30%		2.08%		0.43%	2.14%	5.05%			4.08%	3.74%
GRAND TOTALS	100%	100%	100%	100%	100%		100%	100%	100%	100%	100%	100%	100%

Source: Calculations based on DBM BESFs for 1991 & 1998 - Statement of Receipts and Expenditures of LGUs

1991 Inter-municipality Disparitites in Real Per Capita Own and External Revenues
At 1995 Constant Prices Appendix "L"
20 Random Samples

Particulars	Population (In Millions)	Real Prop. Tax		Other Local Taxes		Oprtg. & Misc.		Capital Revenue		Extraord. Income		Interfund Transfers		Total Own	Per Capita	IRA		Grants		Borrowings		Total External	Per Capita	Total Revenues	Per Capita
		OWN SOURCES														EXTERNAL SOURCES									
Benguet	0.46	11.05	24.02	4.88	0.44	5.82	0.53	-		-			-	21.74	47.27	34.77	75.58	1.36	2.96		-	36.13	78.54	57.87	125.81
Ifugao	0.14	0.88	6.29	0.69	0.78	1.50	1.70	0.06	0.39		-		-	3.13	22.32	22.12	158.00	0.14	1.00		-	22.26	159.00	25.39	181.32
Pangasianan	1.88	15.56	8.28	18.48	1.19	59.09	3.80	0.03	0.02	0.71	0.38	4.20	2.23	98.07	52.16	163.39	86.91	1.07	0.57	0.42	0.23	164.88	87.70	262.95	139.87
Zambales	0.56	7.70	13.75	6.08	0.79	11.42	1.48		-	2.36	4.22		-	27.56	49.21	42.94	76.67	1.90	3.39		-	44.84	80.06	72.40	129.28
Marinduque	0.22	1.56	7.11	1.59	1.02	0.58	0.37	2.30	10.46	0.24	1.07	0.04	0.17	6.31	28.69	21.09	95.86	2.10	9.55		-	23.19	105.41	29.50	134.10
Quezon	1.50	13.81	9.21	16.49	1.19	18.95	1.37	4.00	2.67	0.59	0.39	10.09	6.72	63.92	42.61	135.82	90.55	3.91	2.60		-	139.73	93.15	203.65	135.77
Rizal	0.79	58.59	74.16	34.95	0.60	32.28	0.55	0.42	0.53	0.08	0.10	6.87	8.69	133.19	168.59	59.60	75.44	1.02	1.29		-	60.62	76.73	193.80	245.32
Camarines Sur	1.28	11.33	8.85	8.37	0.74	13.58	1.20		-	1.64	1.28		-	34.92	27.28	114.64	89.57	1.82	1.42	0.27	0.21	116.73	91.20	151.65	118.48
Aklan	0.40	7.03	17.57	2.14	0.30	10.94	1.56		-		-	0.53	1.33	20.63	51.58	41.25	103.11	0.19	0.48		-	41.44	103.60	62.07	155.18
Antique	0.43	4.32	10.06	4.38	1.01	13.47	3.11	0.82	1.90	0.13	0.30	0.26	0.61	23.38	54.37	46.03	107.06	0.55	1.28		-	46.58	108.33	69.96	162.71
Capiz	0.62	5.23	8.43	9.75	1.87	5.77	1.10	0.04	0.07	0.12	0.20	0.37	0.60	21.29	34.34	51.44	82.96	0.53	0.86		-	51.97	83.82	73.26	118.16
Siquijor	0.08	0.50	6.21	0.67	1.34	0.81	1.63		-	0.05	0.58		-	2.02	25.26	9.52	118.95		-		-	9.52	118.95	11.54	144.20
Leyte	1.56	9.45	6.06	8.79	0.93	7.86	0.83		-	9.47	6.07		-	35.56	22.80	120.61	77.32		-		-	120.61	77.32	156.17	100.11
Samar(Western)	0.60	3.13	5.22	3.27	1.04	1.53	0.49		-	0.89	1.48		-	8.83	14.71	60.26	100.44		-		-	60.26	100.44	69.09	115.15
Basilan	0.25	0.96	3.84	1.58	1.65	2.28	2.38		-		-	0.30	1.20	5.12	20.48	25.13	100.52	0.55	2.20		-	25.68	102.72	30.80	123.20
Tawi-Tawi	0.25	0.48	1.93	1.88	3.90	0.47	0.97	1.32	5.27		-		-	4.15	16.60	24.75	99.00		-		-	24.75	99.00	28.90	115.60
Zamboanga del Sur	1.50	8.83	5.88	10.62	1.20	20.44	2.32		-		-	0.23	0.15	40.11	26.74	103.60	69.07	1.09	0.72		-	104.69	69.79	144.80	96.54
Camiguin	0.07	1.42	20.23	1.42	1.00	1.47	1.04		-	0.21	2.94		-	4.51	64.37	7.62	108.79	0.16	2.30	0.08	1.11	7.85	112.20	12.36	176.57
Davao del Norte	1.03	30.53	29.65	26.27	0.86	26.26	0.86		-		-	5.58	5.42	88.64	86.06	101.85	98.88	13.96	13.56		-	115.81	112.44	204.46	198.50
North Cotabato	0.68	8.85	13.02	10.80	1.22	13.70	1.55		-		-		-	33.36	49.06	79.44	116.83		-		-	79.44	116.83	112.80	165.89
GRAND TOTALS	14.30	201.22	14.07	173.08	12.10	248.21	17.36	8.99	0.63	16.47	1.15	28.47	1.99	676.43	47.30	1,265.87	88.52	30.35	2.12	0.77	0.05	1,296.99	90.70	1,973.42	138.00
Percentage		10.20%		8.77%		12.58%		0.46%		0.83%		1.44%		34.28%		64.15%		1.54%		0.04%		65.72%		100%	
Coefficient of Variation			1.13		0.64		0.62		2.41		1.72		1.87		0.76		0.21		1.55		3.26		0.21		0.25
Per Capita			14.07		12.10		17.36		0.63		1.15		1.99		47.30		88.52		2.12		0.05		90.70		138.00

Source: Own Elaboration based on LGUs Statement of Receipts and Expenditures taken from DBM BESFs, 1991 & 1998

1998 Inter-Municipality Disparities in Real per Capita Own and External Revenues
At 1995 Constant Prices
20 Random Samples

Particulars	Population (In Millions)	Real Prop. Tax	Per Capita	Other Local Taxes	Per Capita	Oprtg. & Misc.	Per Capita	Capital Revenue	Per Capita	Extr. Income	Per Capita	Interfund Transfers	Per Capita	Other Receipts	Per Capita	Total Own	Per Capita	IRA	Per Capita	Grants	Per Capita	Bor-rowings	Per Capita	Total External	Per Capita	Total Revenues	Per Capita
								1998 OWN SOURCES												**1998 EXTERNAL SOURCES**							
Benguet	0.59	7.46	12.65	12.89	21.84	14.39	24.38							23.74	40.23	58.47	99.10	151.55	256.67					151.55	256.67	210.02	355.97
Ifugao	0.16	0.66	4.11	1.39	8.67	3.42	21.36							7.86	49.12	13.32	83.27	108.30	676.84					108.30	676.84	121.62	760.11
Pangasianan	2.30	23.48	10.21	61.86	26.89	107.20	46.61									192.54	83.71	627.13	272.66			1.19	0.52	628.32	273.18	820.86	356.89
Zambales	5.98	5.56	0.93	32.68	5.46	18.58	3.11							7.15	1.19	63.97	10.70	184.83	30.91	1.10	0.18			185.93	31.09	249.90	41.79
Marinduque	0.21	1.71	8.16	5.61	26.70	16.81	80.06									24.13	114.91	77.38	368.49					77.38	368.49	101.51	483.40
Quezon	1.63	39.44	24.19	49.87	30.59	49.56	30.40					0.11	0.07			138.97	85.26	533.03	327.01	1.93	1.19	5.45	3.34	540.41	331.54	679.38	416.80
Rizal	1.53	166.30	108.69	244.52	159.82	63.66	41.61	17.80	11.64	0.25	0.17	36.61	23.93	7.87	5.14	537.00	350.98	317.90	207.78	20.70	13.53	1.49	0.97	340.09	222.28	877.09	573.26
Camarines Sur	1.53	19.47	12.72	19.10	12.48	21.05	13.76	14.27	9.33	7.42	4.85					81.31	53.14	471.33	308.06	0.08	0.05			471.41	308.11	552.72	361.25
Aklan	0.43	9.42	21.91	23.65	55.00	26.38	61.36			0.06	0.13					59.51	138.39	191.05	444.31	0.01	0.02	3.09	7.19	194.16	451.52	253.66	589.92
Antique	0.46	5.81	12.64	10.86	23.62	16.99	36.93			0.33	0.72					34.00	73.91	212.79	462.59					212.79	462.59	246.79	536.50
Capiz	0.66	6.14	9.30	7.48	11.33	9.58	14.51							2.81	4.25	26.00	39.40	212.20	321.52	0.86	1.30			213.06	322.82	239.06	362.22
Siquijor	0.08	0.72	9.02	8.18	102.30	4.40	55.02									13.31	166.34	43.05	538.16					43.05	538.16	56.36	704.50
Leyte	1.62	35.29	21.78	25.77	15.91	25.80	15.93	1.59	0.98							88.45	54.60	494.54	305.27			2.38	1.47	496.92	306.74	585.37	361.34
Samar	0.63	11.74	18.63	14.44	22.92	12.21	19.38	0.79	1.26							39.18	62.20	268.27	425.83					268.27	425.83	307.45	488.02
Basilan	0.31	3.22	10.39	10.23	33.00	8.35	26.94									21.80	70.32	127.91	412.60					127.91	412.60	149.71	482.92
Tawi-Tawi	0.26	1.59	6.10	2.38	9.15	8.72	33.55									12.69	48.80	95.88	368.79					95.88	368.79	108.57	417.59
Zamboanga del Sur	1.87	6.42	3.44	15.28	8.17	44.27	23.67									65.97	35.28	513.52	274.61					513.52	274.61	579.49	309.89
Camiguin	0.07	1.71	24.47	5.26	75.11	2.61	37.27					0.25	3.63	0.88	12.58	10.71	153.05	35.70	510.03					35.70	510.03	46.42	663.08
Davao (del Norte)	1.29	9.94	7.70	33.42	25.91	37.97	29.43	0.04	0.03			0.10	0.07	3.17	2.46	84.63	65.61	218.67	169.51					218.67	169.51	303.30	235.12
North Cotabato	0.93	5.88	6.33	1.90	2.05	18.27	19.65							3.41	3.67	29.47	31.69	223.55	240.38					223.55	240.38	253.02	272.07
GRAND TOTALS	22.52	361.96	16.07	586.76	26.05	510.21	22.66	34.50	1.53	8.07	0.36	37.07	1.65	56.88	2.53	1,595.43	70.85	5,108.60	226.85	24.68	1.10	13.60	0.60	5,146.88	228.55	6,742.31	299.39
Percentage		5.37%		8.70%		7.57%		0.51%		0.12%		0.55%		0.84%		23.66%		75.77%		0.37%		0.20%		76.34%		100%	
Coefficient of Variation			1.37		1.14		0.58		1.16		1.55		1.66		1.27		0.81		0.41		1.97		1.01		0.41		0.39
Per Capita			16.07		26.05		22.66		1.53		0.36		1.65		2.53		70.85		226.85		1.10		0.60		228.55		299.39

Source: Own Elaboration based on LGs Revenues and Expenditures accounts contained in BESFs, 1991 & 1998

1991 Inter-municipality Percentage Compostion of Revenues
At 1995 Constant Prices Appendix "L-a"
20 Random Samples

| Particulars | OWN SOURCES | | | | | | | EXTERNAL SOURCES | | | | Total |
	Real Prop. Tax	Other Local Taxes	Oprtg. & Misc.	Capital Revenue	Extraord. Income	Interfund Transfers	Total Own	IRA	Grants	Bor-rowings	Total External	Revenues
Benguet	5.49%	2.82%	2.34%				3.21%	2.75%	4.49%		2.79%	2.93%
Ifugao		0.60%		0.61%				1.75%			1.72%	1.29%
Pangasianan	7.74%	10.67%	23.81%		4.31%	14.75%	14.50%	12.91%	3.52%	54.75%	12.71%	13.32%
Zambales	3.83%	3.51%	4.60%		14.34%		4.07%	3.39%	6.26%		3.46%	3.67%
Marinduque	0.78%	0.92%		25.59%	1.43%		0.93%	1.67%	6.92%		1.79%	1.49%
Quezon	6.86%	9.53%	7.64%	44.51%	3.56%	35.43%	9.45%	10.73%	12.87%		10.77%	10.32%
Rizal	29.12%	20.19%	13.00%	4.68%		24.13%	19.69%	4.71%	3.35%		4.67%	9.82%
Camarines Sur	5.63%	4.84%	5.47%		9.96%		5.16%	9.06%	5.99%	35.21%	9.00%	7.68%
Aklan	3.49%	1.23%	4.41%			1.87%	3.05%	3.26%	0.64%		3.20%	3.15%
Antique	2.15%	2.53%	5.43%	9.08%	0.77%	0.92%	3.46%	3.64%	1.81%		3.59%	3.55%
Capiz	2.60%	5.64%	2.32%		0.75%	1.31%	3.15%	4.06%	1.76%		4.01%	3.71%
Siquijor								0.75%			0.73%	0.58%
Leyte	4.70%	5.08%	3.17%		57.47%		5.26%	9.53%			9.30%	7.91%
Samar(Western)	1.56%	1.89%	0.62%		5.40%		1.30%	4.76%			4.65%	3.50%
Basilan		0.91%	0.92%			1.05%	0.76%	1.99%	1.81%		1.98%	1.56%
Tawi-Tawi		1.09%		14.66%			0.61%	1.96%			1.91%	1.46%
Zamboanga del Sur	4.39%	6.14%	8.24%			0.79%	5.93%	8.18%	3.58%		8.07%	7.34%
Camiguin	0.70%	0.82%	0.59%		1.25%		0.67%	0.60%	0.53%	10.04%	0.61%	0.63%
Davao del Norte	15.17%	15.18%	10.58%			19.61%	13.10%	8.05%	46.02%		8.93%	10.36%
North Cotabato	4.40%	6.24%	5.52%				4.93%	6.28%			6.13%	5.72%
GRAND TOTALS	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Own Calculations based on DBM BESFs, 1991 & 1998 - Consolidated Statement of Receipts and Expenditures

1998 Inter-Municipality Percentage Composition of Revenues
At 1995 Constant Prices
20 Random Samples

Appendix "L-b"

Particulars	1998 OWN SOURCES								1998 EXTERNAL SOURCES				Total Fin'l. Res.
	Real Prop. Tax	Other Local Taxes	Oprtg. & Misc.	Capital Revenue	Extr. Income	Interfund Transfers	Other Receipts	Total Own	IRA	Grants	Bor-rowings	Total External	
Benguet	2.06%	2.20%	2.82%				41.73%	3.66%	2.97%			2.94%	3.12%
Ifugao	0.18%	0.24%	0.67%				13.82%	0.84%	2.12%			2.10%	1.80%
Pangasianan	6.49%	10.54%	21.01%					12.07%	12.28%		8.75%	12.21%	12.17%
Zambales	1.54%	5.57%	3.64%				12.56%	4.01%	3.62%	4.47%		3.61%	3.71%
Marinduque	0.47%	0.96%	3.30%					1.51%	1.51%			1.50%	1.51%
Quezon	10.90%	8.50%	9.71%			0.30%		8.71%	10.43%	7.84%	40.06%	10.50%	10.08%
Rizal	45.94%	41.67%	12.48%	51.61%	3.15%	98.76%	13.83%	33.66%	6.22%	83.87%	10.96%	6.61%	13.01%
Camarines Sur	5.38%	3.25%	4.13%	41.38%	92.04%			5.10%	9.23%	0.32%		9.16%	8.20%
Aklan	2.60%	4.03%	5.17%		0.69%			3.73%	3.74%	0.03%	22.74%	3.77%	3.76%
Antique	1.61%	1.85%	3.33%		4.13%			2.13%	4.17%			4.13%	3.66%
Capiz	1.70%	1.27%	1.88%				4.94%	1.63%	4.15%	3.47%		4.14%	3.55%
Siquijor	0.20%	1.39%	0.86%					0.83%	0.84%			0.84%	0.84%
Leyte	9.75%	4.39%	5.06%	4.60%				5.54%	9.68%		17.49%	9.65%	8.68%
Samar	3.24%	2.46%	2.39%	2.30%				2.46%	5.25%			5.21%	4.56%
Basilan	0.89%	1.74%	1.64%					1.37%	2.50%			2.49%	2.22%
Tawi-Tawi (#2 - ARMM)	0.44%	0.41%	1.71%					0.80%	1.88%			1.86%	1.61%
Zamboanga del Sur	1.77%	2.60%	8.68%					4.14%	10.05%			9.98%	8.59%
Camiguin	0.47%	0.90%	0.51%			0.68%	1.55%	0.67%	0.70%			0.69%	0.69%
Davao (del Norte)	2.75%	5.70%	7.44%	0.11%		0.26%	5.58%	5.30%	4.28%			4.25%	4.50%
North Cotabato	1.63%	0.32%	3.58%				6.00%	1.85%	4.38%			4.34%	3.75%
GRAND TOTALS	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Own Elaboration was based on the LGUs Statement of Receipts and Expenditures sourceds out from DBM BESFs 1991 & 1998

1991 Inter-City Disparities in Real Per Capita Own and External Revenues
At 1995 Constant Prices
20 Random Samples

Appendix "M"

Particulars	Population (In Millions)	OWN SOURCES													EXTERNAL SOURCES									Total Revenues	Per Capita
		Real Prop. Tax	Per Capita	Other Local Taxes	Per Capita	Oprtg. & Misc. Revenue	Per Capita	Capital Revenue	Per Capita	Extraord. Income	Per Capita	Interfund Transfers	Per Capita	Total Own	Per Capita	IRA	Per Capita	Grants	Per Capita	Borrowing	Per Capita	Total External	Per Capita		
Manila	1.59	470.77	296.08	65.97	41.49	333.26	209.60			317.82	199.88			1,187.81	747.05	390.67	245.71					390.67	245.71	1,578.49	992.76
Quezon	1.63	453.81	278.41	107.56	65.99	257.84	158.19			860.87	528.14			1,680.08	1,030.73	286.38	175.70					286.38	175.70	1,966.47	1,206.42
Baguio	0.16	25.00	156.28	20.91	130.70	27.71	173.16							73.62	460.14	35.68	223.00	12.28	76.74			47.96	299.74	121.58	759.87
Dagupan	0.11	11.49	104.45	10.35	94.10	9.07	82.41							30.91	280.96	30.41	276.41					30.41	276.41	61.31	557.37
Cabanatuan	0.18	9.55	53.05	10.91	60.63	8.19	45.48							28.65	159.16	45.89	254.96	4.09	22.74			49.98	277.69	78.63	436.86
Batangas	0.18	22.24	123.54	8.31	46.16	12.35	68.62					2.71	15.06	45.61	253.39	50.53	280.75					50.53	280.75	96.14	534.14
Tagaytay	0.02	6.19	309.41	0.77	38.74	0.96	47.82							7.92	395.98	12.28	614.12	0.13	6.62			12.41	620.74	20.33	1,016.71
Iriga	0.07	4.53	64.74	2.71	38.69	3.85	55.06							11.09	158.49	26.00	371.37	1.05	15.01			27.05	386.38	38.14	544.86
Bacolod	0.33	42.97	130.22	52.70	159.70	21.73	65.85					9.97	30.22	127.38	386.00	75.29	228.16					75.29	228.16	202.67	614.16
La Carlota	0.06	11.78	196.34	0.60	10.00	3.58	59.69	0.23	3.75	2.74	45.75	1.77	29.56	20.71	345.09	26.97	449.57					26.97	449.57	47.68	794.66
San Carlos	0.10	3.42	34.24	2.31	23.14	5.43	54.30	0.01	0.07					11.17	111.75	42.88	428.76	0.08	0.80			42.96	429.56	54.13	541.31
Cebu	0.65	85.24	131.14	83.37	128.26	36.72	56.49			9.47	14.58			214.80	330.46	132.20	203.39					132.20	203.39	347.00	533.84
Tagbilaran	0.05	2.19	43.79	8.63	172.52	5.40	107.97							16.21	324.28	16.90	338.09					16.90	338.09	33.12	662.37
Toledo	0.12	6.00	50.02	2.40	20.01	16.81	140.06							25.21	210.10	34.18	284.85					34.18	284.85	59.39	494.94
Ormoc	0.14	9.52	68.03	3.17	22.66	6.92	49.44			1.36	9.74			20.98	149.87	47.89	342.05					47.89	342.05	68.87	491.92
Dapitan	0.07	0.66	9.43	0.64	9.14	0.54	7.71					1.34	19.14	3.18	45.43	26.98	385.43					26.98	385.43	30.16	430.86
Zamboanga	0.44	9.28	21.08	20.49	46.58	13.89	31.56					7.23	16.43	50.89	115.65	140.98	320.42					140.98	320.42	191.87	436.07
Cagayan de Oro	0.37	40.04	108.23	42.53	114.96	23.29	62.95					6.82	18.44	112.69	304.57	75.57	204.25	0.31	0.83			75.88	205.08	188.57	509.65
Cotabato	0.11	9.06	82.35	10.99	99.94	3.41	30.96							23.46	213.25	31.60	287.31					31.60	287.31	55.06	500.56
Marawi	0.06	0.39	6.53	3.59	59.82	0.59	9.89	0.01	0.23					4.59	76.47	19.66	327.67	0.24	4.07			19.90	331.74	24.49	408.21
GRAND TOTALS	6.43	1,224.14	190.38	458.93	71.37	791.53	123.10	0.25	0.04	1,192.27	185.42	29.85	4.64	3,696.97	574.96	1,548.97	240.90	18.19	2.83	-		1,567.15	243.73	5,264.12	818.68
Percentage		23.25%		8.72%		15.04%		0.00%		22.65%		0.57%		70.23%		29.42%		0.35%				29.77%		100%	
Coefficient of Variation		0.82		0.72		0.72		1.54		1.38		0.31		0.77		0.33		1.49				0.32		0.35	
Per Capita			190.38		71.37		123.10		0.04		185.42		4.64		574.96		240.90		2.83				243.73		818.68

Source: Computations based on DBM BESFs, 1991 & 1998 - Statement of Receipts and Expenditures of LGUs

1998 Inter-City Disparities in Real Per Capita Own and External Revenues
At 1995 Constant Prices
20 Random Samples

Particulars	Population (In Millions)	OWN SOURCES																	EXTERNAL SOURCES								Total Revenues	Per Capita
		Real Prop. Tax	Per Capita	Other Local Taxes	Per Capita	Oprtg. & Misc. Revenue	Per Capita	Capital Revenue	Per Capita	Extraord. Income	Per Capita	Interfund Transfers	Per Capita	Other Receipts	Per Capita	Total Own	Per Capita	IRA	Per Capita	Grants	Per Capita	Borrowing	Per Capita	Total External	Per Capita		
Manila	1.60	390.96	244.35	856.07	535.04	226.65	141.65	-	-	-	-		-	-	-	1,473.67	921.04	713.40	445.88	-	-	-	-	713.40	445.88	2,187.07	1,366.92
Quezon	2.08	593.02	285.11	1,000.14	480.84	260.45	125.22							303.32	145.83	2,156.94	1,036.99	896.19	430.86					896.19	430.86	3,053.13	1,467.85
Baguio	0.26	67.17	258.34	28.29	108.80	38.03	146.28	2.91	11.19					14.69	56.49	151.09	581.10	133.63	513.97					133.63	513.97	284.72	1,095.07
Dagupan	0.13	7.57	58.20	38.75	298.12	19.38	149.09									65.70	505.40	101.86	783.57					101.86	783.57	167.57	1,288.96
Cabanatuan	0.21	9.41	44.79	30.01	142.89	20.40	97.13									59.81	284.81	182.86	870.78					182.86	870.78	242.67	1,155.58
Batangas	0.22	26.30	119.53	16.61	75.48	19.39	88.13									62.29	283.14	160.79	730.88					160.79	730.88	223.08	1,014.02
Tagaytay	0.03	31.55	1,051.55	11.40	380.12	21.32	710.55									64.27	2,142.22	61.50	2,049.96	5.47	182.39	3.20	106.79	70.17	2,339.15	134.44	4,481.36
Iriga	0.08	3.08	38.56	3.37	42.13	2.34	29.24	4.67	58.39					1.45	18.14	14.92	186.46	107.06	1,338.22					107.06	1,338.22	121.97	1,524.68
Bacolod	0.44	68.77	156.30	73.33	166.66	43.35	98.51							14.95	33.97	200.40	455.45	220.52	501.19					220.52	501.19	420.92	956.64
La Carlota	0.06	9.60	159.93	3.58	59.74	1.35	22.47			2.81	46.79					17.34	288.92	88.75	1,479.12					88.75	1,479.12	106.08	1,768.04
San Carlos	0.10	4.17	41.71	5.29	52.89	11.77	117.68			0.32	3.17			0.92	9.20	22.47	224.66	146.95	1,469.55					146.95	1,469.55	169.42	1,694.21
Cebu	0.70	370.59	529.41	43.25	61.79	69.85	99.78									483.69	690.98	335.62	479.46			23.79	33.99	359.41	513.45	843.10	1,204.43
Tagbilaran	0.08	4.75	59.38	25.20	315.03	6.92	86.54							11.10	138.78	47.98	599.72	76.80	959.95					76.80	959.95	124.77	1,559.67
Toledo	0.13	12.61	96.99	14.27	109.80	25.17	193.62									52.05	400.41	122.54	942.60					122.54	942.60	174.59	1,343.01
Ormoc	0.16	6.74	42.13	11.90	74.35	24.98	156.13	0.79	4.96					11.90	74.35	56.30	351.90	197.04	1,231.51					197.04	1,231.51	253.35	1,583.42
Dapitan	0.07	12.09	172.77	22.68	324.01	44.57	636.68							74.11	1,058.68	153.45	2,192.14	126.19	1,802.76					126.19	1,802.76	279.64	3,994.90
Zamboanga	0.57	22.30	39.12	46.75	82.02	94.93	166.55									163.98	287.69	439.75	771.50					439.75	771.50	603.74	1,059.18
Cagayan de Oro	0.47	54.69	116.35	166.58	354.43	2.81	5.97									224.08	476.76	277.11	589.59	0.03	0.20	14.26	30.34	291.36	619.92	515.44	1,096.68
Cotabato	0.16	7.22	45.10	18.45	115.34	9.89	61.81									35.56	222.24	125.52	784.50					125.55	784.69	161.11	1,006.94
Marawi	0.12	1.37	11.43	2.58	21.48	2.47	20.62									6.42	53.53	104.36	869.68					104.36	869.68	110.79	923.21
GRAND TOTALS	7.67	1,703.94	222.16	2,418.51	315.32	946.01	123.34	8.37	1.09	3.12	0.41	-	-	432.43	56.38	5,512.39	718.70	4,618.46	602.15	5.50	0.72	41.25	5.38	4,665.22	608.24	10,177.61	1,326.94
Percentage		16.74%		23.76%		9.30%		0.08%		0.03%				4.25%		54.16%		45.38%		0.05%		0.41%		45.84%		100%	
Coefficient of Variation			1.34		0.83		1.17		1.18		1.23				2.10		0.96		0.49		2.45		1.61		0.52		0.60
Per Capita			222.16		315.32		123.34		1.09		0.41				56.38		718.70		602.15		0.72		5.38		608.24		1,326.94

Source: Own Calculations based on LGUs accounts contained per DBM BESFS for 1991 & 1998

1991 Inter-City Percentage Composition of Revenues
At 1995 Constant Prices
20 Random Samples

Appendix "M-a"

Particulars	OWN SOURCES							EXTERNAL SOURCES				Total Fin'l. Res.
	Real Prop. Tax	Other Local Taxes	Oprtg. & Misc. Revenue	Capital Revenue	Extraord. Income	Interfund Transfers	Total Own	IRA	Grants	Borrowing	Total External	
Manila	38.46%	14.37%	42.10%		26.66%		32.13%	25.22%			24.93%	29.99%
Quezon	37.07%	23.44%	32.58%		72.20%		45.44%	18.49%			18.27%	37.36%
Baguio	2.04%	4.56%	3.50%				1.99%	2.30%	67.52%		3.06%	2.31%
Dagupan	0.94%	2.26%	1.15%				0.84%	1.96%			1.94%	1.16%
Cabanatuan	0.78%	2.38%	1.03%				0.77%	2.96%	22.51%		3.19%	1.49%
Batangas	1.82%	1.81%	1.56%			9.08%	1.23%	3.26%			3.22%	1.83%
Tagaytay	0.51%							0.79%	0.73%		0.79%	0.39%
Iriga		0.59%						1.68%	5.78%		1.73%	0.72%
Bacolod	3.51%	11.48%	2.75%			33.41%	3.45%	4.86%			4.80%	3.85%
La Carlota	0.96%			91.67%		5.94%	0.56%	1.74%			1.72%	0.91%
San Carlos		0.50%	0.69%	2.78%				2.77%			2.74%	1.03%
Cebu	6.96%	18.17%	4.64%		0.79%		5.81%	8.53%			8.44%	6.59%
Tagbilaran		1.88%	0.68%					1.09%			1.08%	0.63%
Toledo		0.52%	2.12%				0.68%	2.21%			2.18%	1.13%
Ormoc	0.78%	0.69%	0.87%				0.57%	3.09%			3.06%	1.31%
Dapitan						4.49%		1.74%			1.72%	0.57%
Zamboanga	0.76%	4.47%	1.75%			24.22%	1.38%	9.10%			9.00%	3.64%
Cagayan de Oro	3.27%	9.27%	2.94%			22.85%	3.05%	4.88%	1.69%		4.84%	3.58%
Cotabato	0.74%	2.40%					0.63%	2.04%			2.02%	1.05%
Marawi		0.78%		5.56%				1.27%	1.34%		1.27%	0.47%
GRAND TOTALS	100%	100%	100%	100%	100%	100%	100%	100%	100%		100%	100%

Source: Own Elaboration based on DBM BESFS for 1991 & 1998- Statement of Receipts and Expenditures

| 1998 Inter-City Percentage Composition of Revenues |
| In Percentage - At 1995 Constant Prices |
| 20 Random Samples |

Appendix "M-b"

Particulars	OWN SOURCES								EXTERNAL SOURCES				Total Revenues
	Real Prop. Tax	Other Local Taxes	Oprtg. & Misc. Revenue	Capital Revenue	Extraord. Income	Interfund Transfers	Other Rceipts	Total Own	IRA	Grants	Borrowing	Total External	
Manila	22.94%	35.40%	23.96%					26.74%	15.45%			15.29%	21.49%
Quezon	34.80%	41.35%	27.53%				70.14%	39.14%	19.40%			19.21%	30.00%
Baguio	3.94%	1.17%	4.02%	34.75%			3.40%	2.74%	2.89%			2.86%	2.80%
Dagupan	0.44%	1.60%	2.05%					1.19%	2.21%			2.18%	1.65%
Cabanatuan	0.55%	1.24%	2.16%					1.09%	3.96%			3.92%	2.38%
Batangas	1.54%	0.69%	2.05%					1.13%	3.48%			3.45%	2.19%
Tagaytay	1.85%	0.47%	2.25%					1.17%	1.33%	99.42%	7.77%	1.50%	1.32%
Iriga	0.18%	0.14%	0.25%	55.78%			0.34%	0.27%	2.32%			2.29%	1.20%
Bacolod	4.04%	3.03%	4.58%				3.46%	3.64%	4.77%			4.73%	4.14%
La Carlota	0.56%	0.15%	0.14%		89.85%			0.31%	1.92%			1.90%	1.04%
San Carlos	0.24%	0.22%	1.24%		10.15%		0.21%	0.41%	3.18%			3.15%	1.66%
Cebu	21.75%	1.79%	7.38%					8.78%	7.27%		57.67%	7.70%	8.29%
Tagbilaran	0.28%	1.04%	0.73%				2.57%	0.87%	1.66%			1.65%	1.23%
Toledo	0.74%	0.59%	2.66%					0.94%	2.65%			2.63%	1.72%
Ormoc	0.40%	0.49%	2.64%	9.47%			2.75%	1.02%	4.27%			4.22%	2.49%
Dapitan	0.71%	0.94%	4.71%				17.14%	2.78%	2.73%			2.70%	2.75%
Zamboanga	1.31%	1.93%	10.04%					2.98%	9.52%			9.43%	5.93%
Cagayan de Oro	3.21%	6.89%	0.30%					4.07%	6.00%		34.56%	6.25%	5.06%
Cotabato	0.42%	0.76%	1.05%					0.65%	2.72%	0.58%		2.69%	1.58%
Marawi	0.08%	0.11%	0.26%					0.12%	2.26%			2.24%	1.09%
GRAND TOTALS	100%	100%	100%	100%	100%		100%	100%	100%	100%	100%	100%	100%

Source: Own Elaboration based on DBM BESFS, 1991 & 1998 - Statement of Receipts and Expenditures