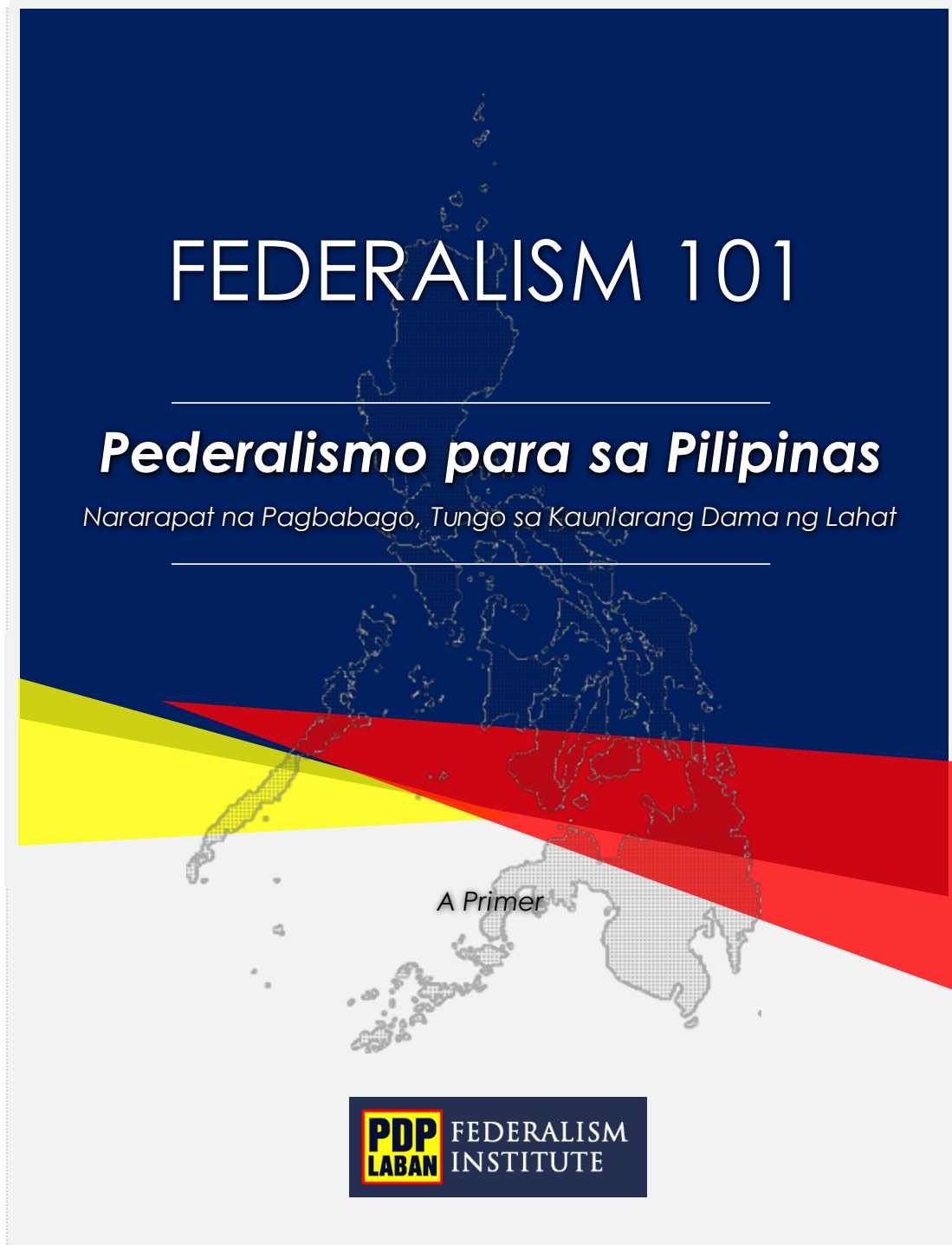




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The PDP Laban Federalism Institute is a political think tank dedicated to the research, study, and advocacy of federalism in the country. The institute works with academic institutions, NGOs, associations, and other organizations here and abroad to fulfill its awareness about Federalism and Decentralization across the country. Together with its partners, it conducts research work in the fields of constitutional reform, division of powers, revenue sharing, political and electoral reform, strengthening of political parties, among others.

The Institute was founded by Senate President Aquilino “Koko” Pimentel III, the president of PDP Laban. It is based in Makati City and maintains a Federalism Training Center in Cubao, Quezon City.



Partido Demokratiko Pilipino **Lakas ng Bayan**

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FEDERALISM 101



Pederalismo para sa Pilipinas.
Nararapat na Pagbabago, Tungo sa Kaunlarang Dama ng Lahat.

A Primer



FEDERALISM 101

Pederalismo para sa Pilipinas.

Nararapat na Pagbabago, Tungo sa Kaunlarang Dama ng Lahat.



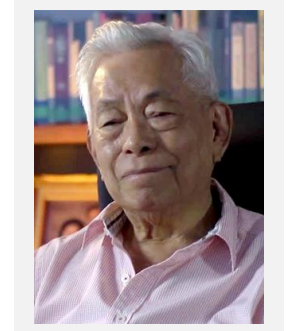
“It's hard to achieve economic progress under a unitary government. How can we move forward if all the money is forwarded to the National Treasurer?”

With federalism, we will bring development to all regions of the country!”

Rodrigo Roa Duterte
16th President, Republic of the Philippines

“Under the unitary system that has characterized the government for centuries, we only had one center of power, finance and development: Metro Manila. The move to federalize the country is not simply a “political” undertaking, it is also an economic effort to spread progress across the country.”

Aquilino “Nene” Pimentel, Jr.
23rd Senate President



“We in the PDP Laban believe that the only way to bring about equitable development in our country is for the central government to share power – political and economic – with local governments across the nation.”

Aquilino “Koko” Pimentel III
28th Senate President



Foreword

Aquilino “Koko” Pimentel III
President, PDP Laban

The PDP Laban is honored to publish this primer on the basic concepts and principles of Federalism as our humble contribution to the national discourse on the proposal to federalize our country.

Since its inception in 1982, the party has been advocating for a federal form of government for our country. The party's original 1982 Constitution states that the party seeks the “establishment of a federal government with democratic institutions and a multi-party system.” Since then we have never wavered in our conviction that the only way to bring progress and development to all regions in the country is by dismantling our current unitary system of government.

We live in exciting times. We have a president who is not afraid to consider “out of the box” and even radical solutions to bring the change that our country sorely needs. Under President Rodrigo R. Duterte, we have this once in a lifetime opportunity to institute systemic change in our country.

As soon as he took office, the President tasked PDP Laban to take the lead in advocating for a federal system of government in our country. Thus, we have organized seminars, conferences and lectures to deepen public understanding about the proposed changes to our constitution. And this primer is just one of many that we hope to publish as we go about the task of pushing for the change that our people demand and expect from the Duterte administration.

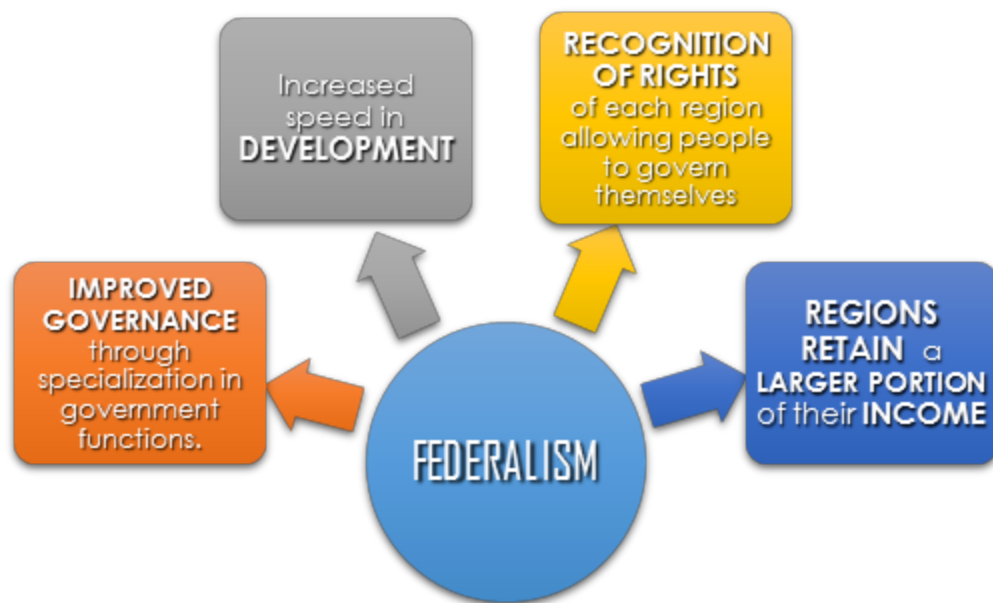
In the ultimate analysis, federalism is a covenant that is made by citizens and the decision to federalize should reflect the will of the people. We therefore urge our countrymen to join us in this grand crusade.

Mabuhay ang Pilipinas!

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Figure 34. Advantages of Federalism



Can federalism work in the Philippines?

Yes it can.

For it work there must be a broad respect for the rule of law, a culture of tolerance and accommodation among the people, and significant elements of shared identity across the country.

For a country facing Muslim secessionism and a Communist insurgency, stability can be enhanced if the political culture goes beyond mere tolerance of diversity to an active embrace of diversity as part of what defines our country and gives it value.

FEDERALISM

Concepts • Principles • Possibilities

A Primer

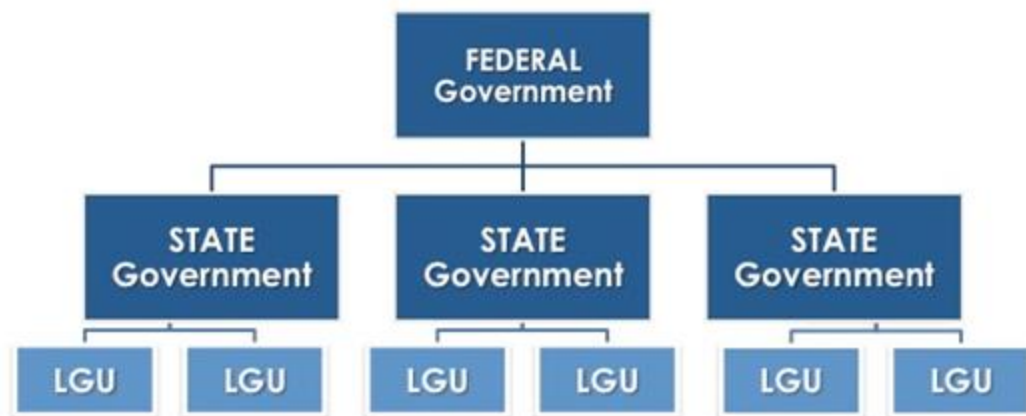
What is Federalism?

Federalism is a system of government where governmental powers and responsibilities are assigned or shared between the federal (national) government and the state (regional and local) governments.¹ Each level has some genuine autonomy from each other and each level is primarily accountable to their respective electorates or constituencies.

As a system of government, federalism organizes the territory of a country into constituent units or regions and allows these units to run their governments with some powers that do not require the national government to be part of the decision making or approval process.²

Three key concepts emerge when talking about federalism, namely *autonomy, subsidiarity and solidarity* – as these are key pillars of federalism.

Figure 1. Federal Form of Government



¹ Local Government Development Foundation (2002). *Primer on Federalism*.

² Jenna Bednar (2011). *The Political Science of Federalism*. University of Michigan

Article XVII of the 1987 Constitution identified two modes upon which amendments may be made:

- a. **Constituent Assembly** – Congress may convene itself into a Constituent Assembly upon a vote of $\frac{3}{4}$ of its members;
- b. **Constitutional Convention** – Congress may call for a Constitutional Convention with a vote of $\frac{2}{3}$ of its members;

Congress has the sole discretion in identifying which mode to employ in amending the Constitution. Congress may also, by majority vote, let the electorate decide on the mode through a referendum.

Does shifting to a Federal system solve all the problems of the country?

Federalism will not solve all the problems of the country but it can help ease the problems and allow more possibilities for solutions.²³

Federalism will allow the people to take greater control over their own lives and satisfy their preferences.²⁴

With Federalism, government will be felt even more by the people in the grassroots since the local officials will be empowered to address their needs and aspirations.

“Federalism will not solve all the problems of the country, but it can help ease the problems and allow more possibilities for solutions.”

The experience of federal countries in the world has shown that federalism has been effective in a number of long-established and prosperous democracies. Federalism, however, cannot guarantee good governance any more than a unitary government can.

²³ Local Government Development Foundation (2002). *Primer on Federalism*.

A Federal system will also improve economic performance significantly as it would greatly assist the private sector. There will also be inter-regional competition in attracting domestic and foreign investment. The regions will also have more funds for infrastructure and other projects.

Figure 33. Faster Progress with Federalism



How do we adopt the federal system?

Federalism may only be adopted by changing the constitution. It cannot be done by simply passing a law in Congress. The actual process involves not mere amendments but a revision of some articles of the Constitution.²²

²² Centrist Democracy Political Institute (2005). *Real Change is Here: A Primer on Federal Parliamentary System*

Three key concepts about federalism: Autonomy, Subsidiarity and Solidarity

- **Autonomy** is allowing the regional and local governments to act separately from the federal government. This power to act depends on the resources and responsibilities granted to them by the Constitution.
- **Subsidiarity** is decision-making at the level of the regional or local government. The essence of subsidiarity is that by placing the process of decision-making at the grassroots level, the needs of the constituents are easily addressed and solved.³
- **Solidarity** means that every constituent unit, whether they are regions, provinces, cities or towns, are all equal parts of the federation. They are not independent islands but partners in the development of the country as a whole. Each unit has a responsibility for the success of the entire nation and must contribute towards national development.

Subsidiarity is synonymous to community empowerment in terms of objective. Communities are able to help themselves with minimum interference from higher authorities. This principle suggests that community initiatives are better left to the community itself and it need not be unduly influenced by outside forces.

Federalism can also be described as combination of *self-rule* and *shared rule* in the sense that there is a federal government with the general authority to act in the interest of the entire country and constituent units (regions and local governments) deriving their legitimacy not from the national government but from the people.⁴ Viewed differently, Federalism is the equitable distribution of powers, responsibilities, and resources between the central/federal government and the regions. More importantly, federalism is a democratic form of government, rooted in constitutionalism and the rule of law.

³ William Riker (1964). *Federalism: Origin, Operation, Significance*. Boston

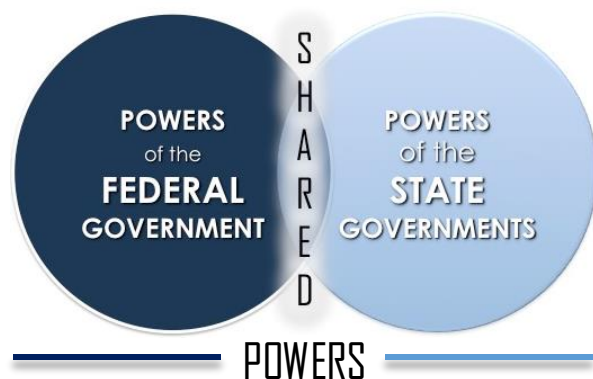
⁴ Senator Aquilino 'Koko' Pimentel III (2016). *Senate Centennial Lecture Series Keynote Speech*. Senate of the Philippines

What distinguishes a federal system from a unitary system of government?

In a unitary system, the central government is all powerful. All policies and decisions emanate from the center.

In a federal system, the federal or central government is prevented from becoming all powerful and is given by the Constitution only the powers it needs. Regional and local governments are empowered under the Constitution to handle and address regional and local matters according to the desires of their constituents.

Figure 2. Division of Powers



What makes a federal system? The Five Common Characteristics

Despite the variety in federal countries around the world, a few common characteristics distinguish a federal system from other kinds of government:

1. At least **two orders of government**, one for the federal or central government and one for the regions or constituent units.
 - a. The most common name for the constituent units are *states* (Australia, Brazil, Ethiopia, India, Malaysia, Mexico, Nigeria and the US) and *provinces* (Argentina, Canada, Pakistan, South Africa)

8. Recognize and protect the diversity of Philippine Society.

Federalism provides a mechanism to recognize and protect regional identities while maintaining national unity and the integrity of the country.

9. Facilitate the specialization of government functions.

Since there will be broad devolution of power, authority, revenues and resources from the federal government to the regions, the regional and local governments will now be able to develop local specialization in the powers and functions assigned to them by the Constitution while the federal government will confine itself to national affairs and to areas where the regions need assistance.

“By implementing a Federal system which allows the people to govern themselves according to their preferences, the people are empowered and become more integrated in the political process and will reap benefits in the form of projects and laws catered specifically to their needs”

By implementing a Federal system which allows the people to govern themselves according to their preferences, the people are empowered and become more integrated in the political process and will reap benefits in the form of projects and laws catered specifically to their needs.²¹

²¹ Jenna Bednar (2011). *The Political Science of Federalism*. University of Michigan

5. **Facilitate convergence of government programs on the regional level.**

The creation of regional governments will facilitate the convergence of government programs, projects, and activities in the provision of many government services especially in infrastructure.

6. **Help Decongest Metro Manila.**

Since federalism will help promote and redistribute growth, create jobs in the regions and stem the tide of migration to the center, it will help decongest major cities in the country, especially Metro Manila.

7. **Address the fundamental demands of our Moro brothers and sisters.**

The adoption of the federal system will sufficiently address the fundamental demands and aspirations of our Moro brothers and sisters, lumads, and other minorities for genuine autonomy in their respective areas.

The adoption of the federal system will sufficiently address the fundamental demands and aspirations of our Moro brothers and sisters, lumads, and other minorities for genuine autonomy in their respective areas.

- b. Others are the following:
- i. *Lander* – Austria and Germany
 - ii. *Cantons* – Switzerland
 - iii. *Regions and communities* – Belgium
 - iv. *Regions, republics, oblasts, territories* – Russia

2

A **written constitution** with **clear division of powers** between the federal government and the regional government that can only be amended by mutual consent of the federal government and the constituent units.

3

Regional representation at the Federal Government to provide for regional input in decision making through a Senate or a similar institution.

4

A **final arbiter** or umpire to resolve constitutional disputes between the Federal Government and the regions like a Constitutional Court.

5

A mechanism or **body to facilitate cooperation** between and among the federal and regional governments.

Are there many types of federalism or is there just one type?

There is not one model of federalism in the world. Some federations are highly centralized – concentrating power in the central government – while others are highly decentralized, with extensive autonomy and discretion given to their constituent units.

Federal countries differ greatly in their social and economic composition and their institutions. There are very large federal countries and very small federal countries. They include very rich, very poor, very homogenous and very diverse populations.

Some have presidential governments like the US and Mexico while some have parliamentary governments like Germany and Canada. The capacity for variety is one of the strengths of federalism.

Figure 3. Unitary vs. Federal Form of Government

Unitary Government	Federal Government
The central government is the highest governing power.	The country is divided into several autonomous regions.
The central government receives a large part of every region's income and redistributes it.	The regions are composed of provinces, cities and towns and retains some of its income.
The regions, provinces, municipalities and barangays can only exercise powers and enact policies that the central government allows.	Local government units have the main responsibility over developing their local industries, public health and safety, education, transportation, and culture.
The Philippines' current form of government.	The regions are given powers over their finances, policies and development plans.

How did federalism develop as a system of government?

Federalism developed as a response to the need to bring together distinct political communities in order to pursue effectively objectives that they could not accomplish on their own, but without affecting their unique identities.⁵

The oldest federal countries in the world are the United States (1789) and Switzerland (1848). Compared to other forms of government, federalism is best equipped to deal with diversities stemming from differences in culture, religion, language and geography because of its tolerance to minorities and similar communities.⁶

⁵ Local Government Development Foundation (2002). *Primer on Federalism*.

⁶ Wilhelm Hofmeister & Edmund Tayao (2015). *Federalism and Decentralization Perceptions for Political and Institutional Reforms*. Makati City

Figure 34. How does Federalism Benefit the Philippines

GREATER ACCOUNTABILITY of government officials

more **EQUITABLE SHARING** of revenues and resources

Facilitate the **SPECIALIZATION** of government functions



a **MORE RESPONSIVE** government

Create **HELP DECONGEST** Metro Manila

MORE ENGINES of **GROWTH** across the Philippines

Facilitate convergence of government programs on the regional level

Address the fundamental demands of our Moro brothers & sisters

RECOGNIZE and PROTECT the **DIVERSITY** of Philippine Society

2. **More responsive government.**

With greater powers devolved to regional and local governments, government is made closer to the people because the decision making process will now be done in their respective localities not in far-away Manila. ¹⁹ Moreover, public services will be felt more because "government at one level need not behave the same as the government at another level" thus catering to the people's unique needs and situations.²⁰

3. **Greater accountability of government officials.**

Since the responsibilities of the orders of government (federal, regional, provincial, and local) will be clearly defined in a federal system, the constituents will now be able to clearly pinpoint who is responsible for what and can now exact greater accountability through complaints and elections.

4. **Create more engines of growth across the country .**

Under our present system, Metro Manila is the engine of growth for the entire country. In creating 12 or so regions under a federal government, we will create 12 centers of power, finance, and development across the country; thereby distributing wealth and opportunities across the land.

¹⁹ Jenna Bednar (2011). *The Political Science of Federalism*. University of Michigan

²⁰ William Riker (1964). *Federalism: Origin, Operation, Significance*. Boston

Figure 4. Signing of the United States (U.S.) Constitution in 1789.
The U.S. is the oldest federation in the world.

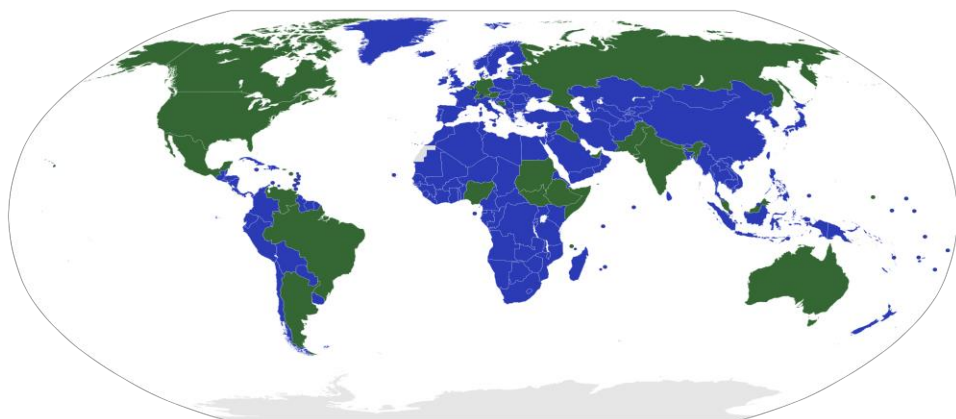


Why is Federalism important in the world today?⁷

- 28 countries, home to over 40% of the world's population, either call themselves federal or are generally considered as federal.
- Almost all democracies with very large areas or population like Brazil, India, Canada, Russia, and the United States are federal.
- With democratization, Argentina, Brazil and Mexico are becoming federal.
- Belgium, South Africa, and Spain are former unitary countries that have become federal.
- Federalism has been adopted in post-conflict environments in Bosnia, Congo, Iraq, Sudan, South Africa, Nepal and is being considered in Sri Lanka.
- The European Union has a number of federal characteristics.















⁷ George Anderson, *Federalism: An Introduction* (2008). Oxford University Press

Figure 5. Countries in the World that are Federal



■ Federations (Federal Governments)
■ Other Forms of Government

Below are countries that are federal.

Austria		Mexico	
Belgium		Russian Federation	
Brazil		Switzerland	
Canada		United Arab Emirates	
Germany		United Kingdom	
India		United States	
Malaysia		Venezuela	

Thus, local governments must review their institutional capacities and evaluate what organizational reforms are necessary for them to operate optimally under a more autonomous environment with additional powers and functions.

The foreseen effects of the federalization of the Philippines would bring about an increase in the speed of development across the country.

How does Federalism benefit the country?

The foreseen effects of the federalization of the Philippines would bring about an increase in the speed of development across the country.

Such development would be inclusive and the entire nation will benefit greatly from it along with the marginalized sectors of society. Everybody gets a share of the growth of the nation.

Essentially, some of the benefits of federalism are the following:

- More equitable sharing of revenues and resources.**

Under our current unitary system a lion share of government revenue and resources are allocated to the NCR and Luzon, whereas under a federal system all regions and provinces will get their commensurate share of taxes and fees collected in their respective jurisdictions in addition to fiscal transfers and grants from the federal government. Thus, there will be more public funds available for the development of the provinces and rural areas.

Since powers are going to be devolved to regional and local governments, these organs must be functional and workable institutions. In federalism, the primary accountability in delivering basic social services to the people rests with the regional and local governments.

Local governments must have functional and performance-oriented bureaucracy to be able to deliver the devolved powers to the people. For federalism to succeed, local government capacity must be improved and they must be service-oriented.

Figure 33. Federalism: Performance & Accountability



Credits: Outreach program of Manito, Albay LGU

What are the types of federalism?

Federal systems do not follow one singular type or model; it varies depending on the distribution of powers and functions between the federal government and the state government.

Federalism comes in varying degrees; it can be likened to a vertical line starting from minimal (loosely allied) to maximal (highly centralized) federalism.⁸

- *For the minimal form of federalism, the national government has power on at least one area in which it can act on its own without the need for approval of the regions or constituent units.*
- *For the maximal form of federalism, the national government has the power to make decisions in all but one area without approval of the federal units.*

There is **cooperative federalism** wherein both the federal and the state governments share responsibilities in certain areas/services to ensure the operation of national programs throughout the country.

- *Examples of countries with this type of federalism are Ethiopia, Germany, South Africa, United Arabs Emirates, United States, Venezuela and Yugoslavia.*

Another type is **competitive federalism** where the federal government has a reduced role in regional/local government. On the other hand, regional/local governments have an increased role in managing their own affairs.

- *Examples of countries with this type of federalism are the Pakistan, Belgium, Austria, Brazil, Micronesia, Switzerland and the United Kingdom*

“...federalism is best equipped to deal with diversities stemming from differences in culture, religion, language and geography...”

⁸ William Riker (1964). *Federalism: Origin, Operation, Significance*. Boston

Lastly, there is **permissive federalism** where the system is almost like a unitary system. The regional governments have only those powers and authorities permitted to them by the federal government. The regional governments derive their existence and authorities from the federal government.

- Examples of countries with this type of federalism are Austria, India, Malaysia, Mexico and the Russian Federation.⁹

How did federal countries emerge?

Federations all over the world have emerged in very different circumstances, each being the unique result of conscious choices of their leaders and by larger historical forces. Every federation is unique but they have generally been born this way:

1. Previously separate regions (e.g. independent states or colonies) came together to form a new country under a federal arrangement. This was the case in the US (1789), Switzerland (1848), Germany (1871), Australia (1901) and Malaysia (1946).
2. A former unitary or highly centralized country decided to federalize due to demands for devolution and decentralization from various parts of the country. Examples of this type of country are Argentina, Brazil, Mexico, Belgium, Spain and South Africa.
3. A combination of the two processes. Canada emerged in 1867 from the creation of Ontario and Quebec out of a previous unitary regime and from the addition of new provinces. The birth of India also combined these two processes.

⁹ Gaudioso C. Sosmena, Jr., (2005). *Primer on Local Governments in a Federal System*. Makati City.

Figure 32. Inclusion in Government



The People of Bangsamoro will have seats in the Senate equal to the seats of each of the other regions. This will ensure that they have representation and equal stake in the organs of the Federal Government.

How will local government units operate under a Federal system?

Federalism will empower regional and local leaders across the country. With policies, programs and decisions devolved to the regional and local governments, local leaders will assume greater responsibility for leadership and service delivery. People in turn will be more involved and will demand better performance and accountability. With good governance, the people will be more willing to pay taxes to finance government programs for their own benefit.

Will federalism encourage secessionism in Mindanao?

No, it will not. In fact, federalism addresses the long-standing aspirations of our Muslim Brothers to be given sufficient powers to address local concerns. They will be able to raise their own revenue and the Federal Government will transfer additional revenue to their region in order to spur progress and development.

“Federalism values and upholds the respect for socio-cultural diversity of the people, especially for minorities like those living in Bangsamoro.”

Federalism values and upholds the respect for socio-cultural diversity of the people especially for minorities like those living in Bangsamoro. Under federalism, the Federal and Bangsamoro regional government will cooperate in governance, nation-building, modernization, and development.¹⁸

Moreover, the proposed Bangsamoro region will have seats in the Senate equal to the seats of each of the other regions. At present, there is no Muslim in the Senate. This will ensure that they have representation and equal stake in the organs of the

Federal Government. This is in addition to the representation of the people of Bangsamoro in the lower house which based on population.

The Federal Constitution will also prohibit any of the regions from seceding; thus, it is impossible for them to leave the Federal Republic.

¹⁸ Senator Aquilino 'Nene' Pimentel Jr. (2008). *Federalizing the Philippines: A Primer*.

How does federalism reflect diversity in society?

Federalism can be helpful in accommodating diversities in society.

Switzerland, with three major languages, two religions and a mountainous countryside, is divided into twenty full cantons (regions) and six half-cantons, most of which have one language and have a predominant Protestant or Catholic majority.

India defined its states between 1956 -1966 on the basis of ethnicity and language with one state Punjab, a Sikh-majority state.

Canada's French speaking population is heavily concentrated in Quebec. The other nine provinces have English speaking majorities.

Spain's move to federalism has permitted the emergence of historic nationalities as political units.

Federations facing the challenges of national unity can embrace diversity as national value. This in turn can enhance the unity of the country.

How does federalism promote the concerns of minority groups?

By accommodating diversity, federalism promotes respect for minority groups. Very often, some majorities have defined their country in terms that reflect only themselves, to the exclusion of minority communities.

Thus, federalism promotes a political culture of tolerance among both majority and minority groups. It promotes a collective embrace of diversity as part of the national character with symbols and policies that resonate with different streams in society.

Federal countries (federations) facing the challenges of national unity can embrace diversity as a national value... and can enhance unity of the country.

India, Nigeria, Ethiopia, Canada, Switzerland, and South Africa are examples of federations whose approach to promoting unity involves the embrace of diversity.

How are governments organized in Federal systems?

Is it compatible only with a parliamentary form of government?

Federations can have parliamentary, presidential or mixed governments. The US, Argentina, Brazil, Mexico, Venezuela, and Nigeria all have presidential systems. Australia, Austria, Belgium, Canada, Germany, India, Malaysia and Spain have parliamentary systems. South Africa, Russia and Switzerland have mixed or hybrid systems.

What is the structure of a federal system in general?

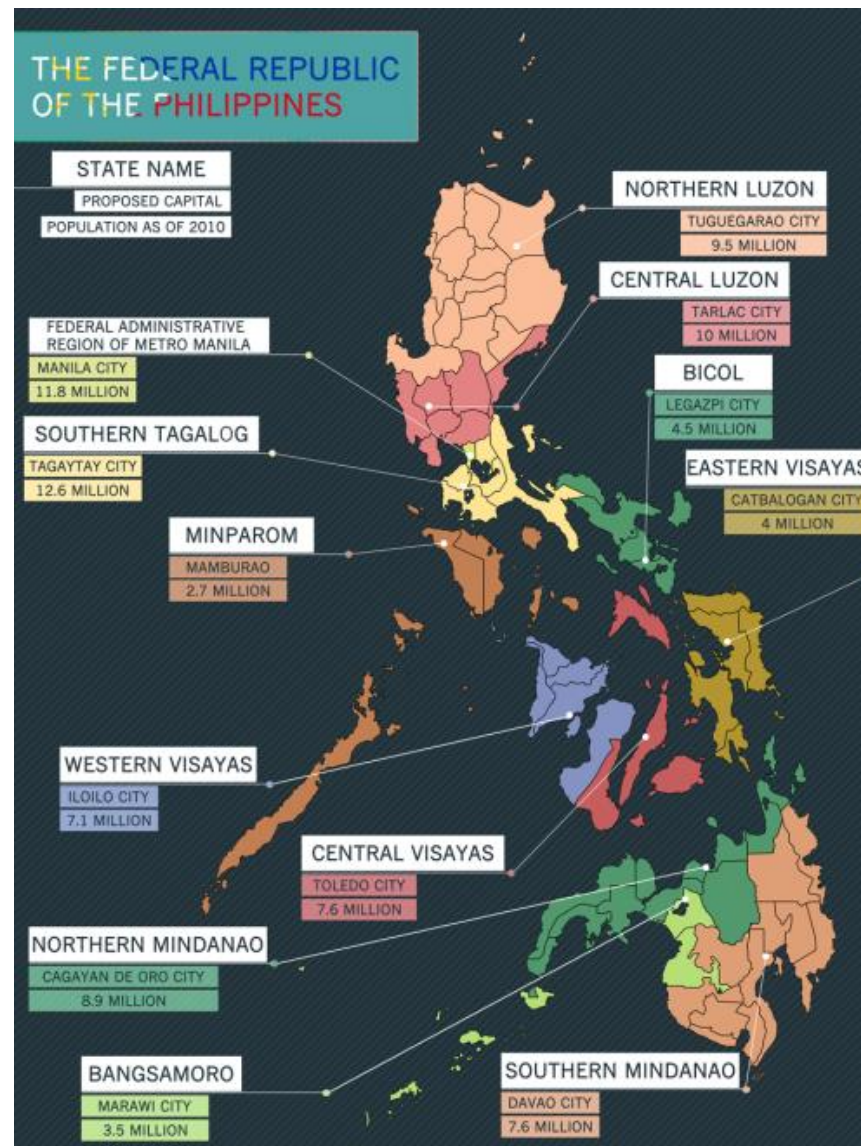
A federal system consists of the federal or national government and the constituent units (regions and local governments).

How are government powers divided between the Federal Government and the Regional Governments?

The jurisdiction of each order of government is governed by the Constitution. Each order of government – either the federal or regional government – delivers programs in its area of responsibility using its own departments and agencies. These are called the **exclusive powers**.

There are some **shared or concurrent powers** in which both orders of government can make laws. Where powers are concurrent, federal law is generally paramount, meaning it prevails in cases of conflict.

Figure 31. The Proposed States of the Philippines by Sen. Aquilino "Nene" Pimentel, Jr.



Proposed States of the Philippines from the "Nene" Model

<http://mapsontheweb.zoom-maps.com/post/68656113280/federal-republic-of-the-philippines-source>

- State of Southern Luzon (Region V with Mindoro Island and Marinduque.
 - State of the Visayas (Regions VI, VII, VIII including Palawan and the Negros Island Region)
 - State of Bangsamoro (ARMM, Region IX, and parts of Region XII)
 - State of Northern Mindanao (Region X and Region XIII)
 - State of Southern Mindanao (Region XI and parts of Region XII)
- **The proposed eleven (11) states and the Federal Administrative Region by Senator Aquilino “Nene” Pimentel, Jr. which takes into consideration the geographical, cultural, and economic characteristics of the provinces grouped together:**
 - State of Northern Luzon
 - State of Central Luzon
 - State of Southern Tagalog
 - State of Bicol
 - State of Minparom
 - State of Eastern Visayas
 - State of Central Visayas
 - State of Western Visayas
 - State of Northern Mindanao
 - State of Southern Mindanao
 - State of Bangsamoro
 - Metro-Manila will be constituted as the Federal Administrative Region.¹⁷

¹⁷ Senator Aquilino ‘Nene’ Pimentel Jr. (2008). *Federalizing the Philippines: A Primer*.

Powers usually assigned to the Federal Government:

1. Currency
2. National Defense and Security
3. Treaties and Agreements with other states
4. External trade
5. Citizenship
6. Major infrastructure projects
7. Customs/Excise taxes
8. Immigration
9. Economic Policy

Figure 6. Powers Usually assigned to the Federal Government



These powers usually involve currency, national defense and security, treaties and agreements with other states, external trade, major infrastructure projects, citizenship, customs/excise taxes, economic policy and immigration

Powers usually assigned to Regional Governments:

1. Primary/Secondary Education
2. Health Care
3. Local Governments
4. Licensing of public utilities
5. Regional finance – taxation, budget, and audit
6. Housing and Social Security

Figure 7. Powers Usually assigned to the Regional Governments



These powers usually include primary/secondary education, health care, local governments, licensing of public utilities, regional finance, housing and social security

Figure 30. The Proposed Seven (7) States by Dr. Gaudioso Sosmena

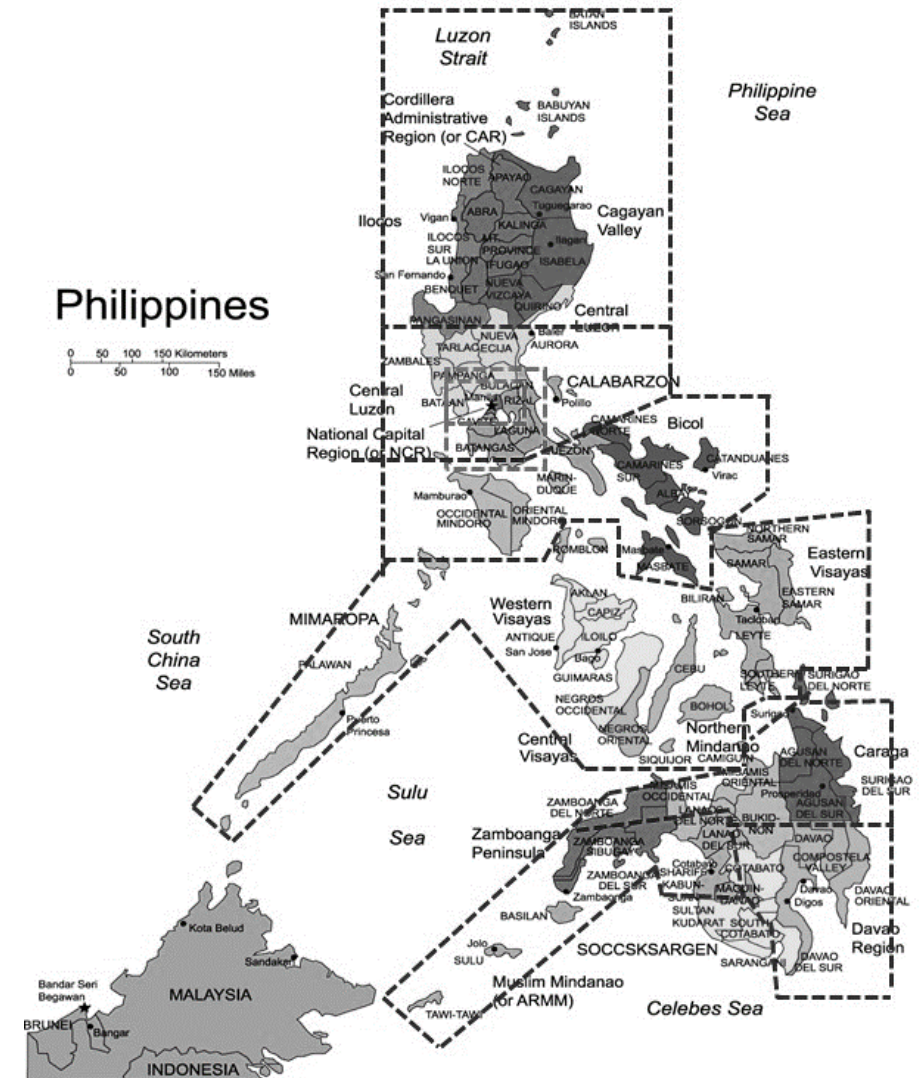
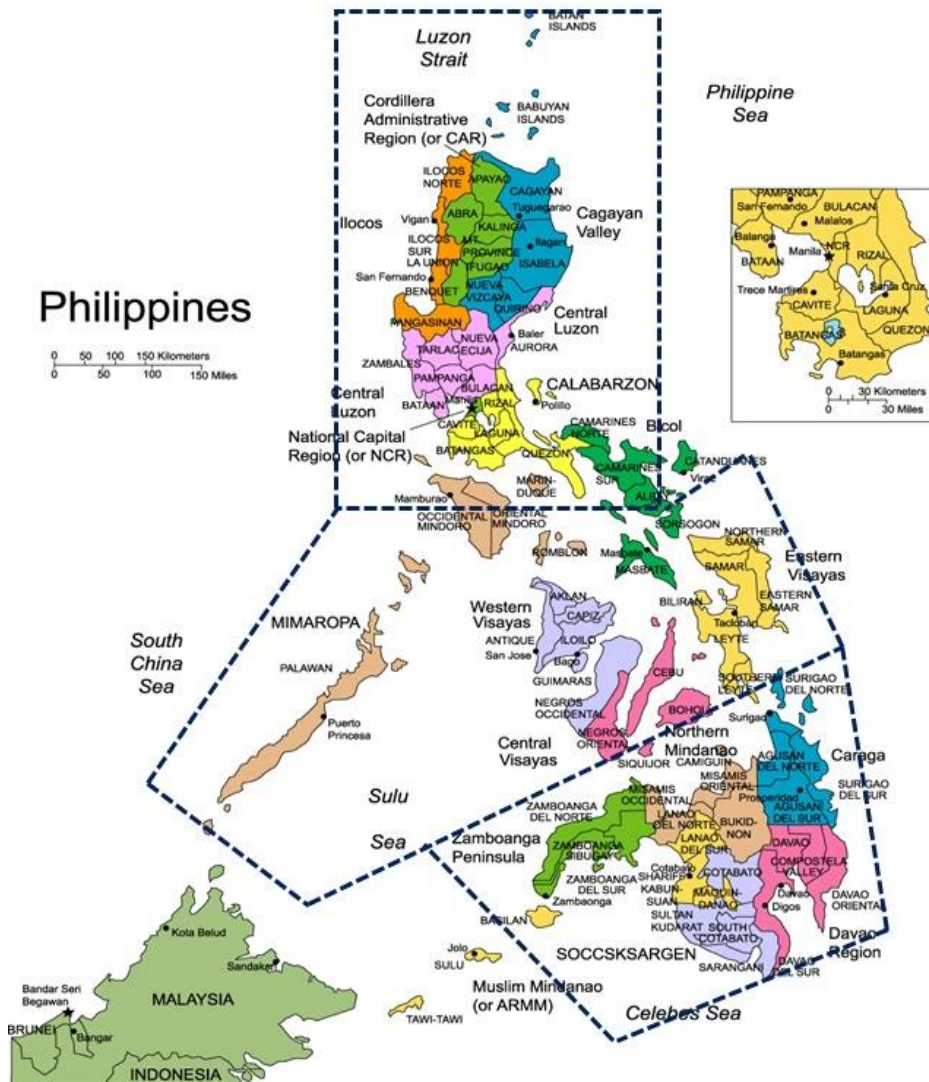


Figure 29. The Proposed Three (3) States of the Philippines



Concurrent Powers usually shared by the Federal and Regional Governments:

1. Environment
2. Court system
3. Police
4. Corporate and personal income taxes
5. Social Welfare
6. Cultural Development
7. Natural Resources
8. Tourism
9. Roads and Highways

Figure 8. Concurrent Powers



Environment, court system, police, corporate and personal income taxes, social welfare, cultural development, natural resources, tourism, roads and highways

Many federations have special provisions in their constitutions that permit the federal government, during emergencies or failure of governance, to intervene in areas under the jurisdiction of the regional governments.

How are fiscal powers exercised in federal countries?

Arrangements around the raising, sharing, and spending of revenue vary across federal countries. There is great variation largely because of constitutional arrangements, history of revenue raising, and political structures.

Figure 9. Fiscal Powers in Federal Countries



Which level of government collects revenues in federal countries?

Each level of government is empowered to exercise specific taxing powers which can either be stated in the Constitution or provided in federal or regional legislation.

The guiding principle which will determine the taxing powers of each level of government is that the allocation of resources must be commensurate to the assigned powers and responsibilities of each level of government. How this is determined is crucial to the capacity of each level to perform their respective mandates.

- c. Federalism brings about greater autonomy for the people in far-flung regions thus letting them address their needs and problems in their own way and making the resources readily available to them without waiting for the approval of the national government.

How do we reconfigure the country under a federal system?

Unitary countries who want to federalize must decide the number and boundaries of regions or constituent units if they become federal. The new boundaries may follow traditional boundaries of administrative units or former political units as in Spain. In some cases, the divisions can be based on census data regarding the characteristics of the local population or on a referendum.

The possible criteria in forming the states may include the following:

1. **The economic and financial capacity** of the proposed region;
2. **Ethnic, language or cultural groupings;**
3. **Proximity of the provinces** forming the proposed region;
4. **History of being part of an administrative unit;**
5. **Cooperation between and among local government leaders.**

There are various proposals on how to federate the country.

- **The proposed three (3) regions/states: Luzon, Visayas and Mindanao;**
- **The proposed seven (7) regions/states by Dr Gaudioso Sosmena:**
 - *State of Northern Luzon (Region I and II with CAR as an autonomous entity within the region)*
 - *State of Central Luzon (Region III with Rizal, Quezon, Laguna and Batangas including all cities of NCR except Manila, Quezon City and Makati which will comprise the Federal Capital Territory)*

- A federal system would sufficiently address the fundamental demands of our Moro brothers, lumads, and other minorities without sacrificing the rights of the majority who reside in the Bangsamoro and other parts of the country.

“...federalism will promote national unity while at the same time recognizing the identities and peculiarities of the various groups in the country. This ensures that the diversity and uniqueness of the Philippine society is nurtured and protected.”

- In a country like ours which is made up of more than 7,000 islands, each with unique characteristics and spread out over an archipelago, federalism will promote national unity while at the same time recognizing the identities and peculiarities of the various groups in the country. This ensures that the diversity and uniqueness of the Philippine society is nurtured and protected.¹⁶
- The experience of other countries has shown that a federal system was instrumental in maintaining national unity and the integrity of the country while at the same time accommodating the aspirations of minority groups and secessionist forces.

- d. Federalism will allow local government to set local community priorities, increase citizen participation in local affairs, and increase efficiency gains by giving communities the capacity to deal with local issues.

¹⁶ Senator Aquilino 'Koko' Pimentel III (2016). *Senate Centennial Lecture Series Keynote Speech. Senate of the Philippines*

Figure 10. Which Level of Government Collects Revenues in Federal Countries



Revenue collection of each level of government in federal countries varies, the highest at 80% by the central governments of the Russian Federation, Argentina, Malaysia, Mexico, Nigeria, South Africa and Venezuela.

In Canada, the federal government collects 45% of total government revenue while in the US, the federal government collects 54%.

In Austria, Australia, Belgium, India, Germany and Spain, the central government collects between 60-70% of total government revenue while in Argentina, Malaysia, Mexico, Nigeria, Russia, South Africa, and Venezuela, the central government levies and collects over 80% of revenue.

Which level of government spends more in federal countries?

Central Government spending in most federations falls between 45-60%. This is the case in Argentina, Australia, Austria, Brazil, India, Mexico, Nigeria, Russia, Spain, South Africa and the US. At the extreme are Malaysia with 84% and Venezuela with 78%.

The guiding principle on taxing power of each level of government is that the allocation of resources must be commensurate to the assigned powers and responsibilities of each level of government.

How do federal governments financially support poorer regions?

In most federations, the Central Government raises more revenues through taxes and loans than it needs for its own operation; thus, Central Governments make regular fiscal transfers to the regions to enable them to better meet their responsibilities. But in most cases, **fiscal transfers** only account for less than 50% of the needs of regional governments. As a consequence, most regional governments raise their own funds and are thus directly accountable to the people for the revenue they raise.

All federal countries have regional differences in wealth... dealt with the principle of equalization or revenue-sharing that provide for fiscal transfers from the central government to the regions.

All federal countries have regional differences in wealth. While some parts of the country are rich and developed, the other parts are underdeveloped and have limited revenue. If not supported, these poorer regions would not be able to provide programs and projects that their constituents needs.

Most federations deal with this problem using the principle of **equalization or revenue sharing** that provide for fiscal transfers from the central government to the regions. In Germany and Switzerland, these also include transfers from richer regions to their poorer counterparts.

- In creating the 11 or so regions, we establish 11 centers of power, finance, and economic development across the country – thereby distributing wealth and resources across the land.
- The creation of regional governments will facilitate geographic convergence of government programs, projects and activities, and address the problem of the “missing middle” in the provisions of many government services especially infrastructure.

- b. The federal system provides a system wherein national unity is maintained while at the same time recognizing and protecting the diversity of Philippine society.

Figure 28. Progress and Prosperity for all through Federalism



Moreover, further decentralization under a unitary system will only lead to incremental reforms which has been the preferred choice of the national government for more than 25 years now.

Our experience has shown that incremental reforms have led to conflicting and therefore inutile reform measures. If we truly want to empower the regions, we must federalize with the wisdom of careful incremental considerations. Thus, careful consideration must be given to ensuring a sensible transition to federalism.

Why should we shift to a federal form of government?

- a. The federal system will bring about equitable development across the country by sharing political and economic power with regional and local governments across the country.
 - Federalism will help promote and redistribute growth, create jobs in the regions, stem the tide of migration to Metro Manila, help decongest major cities as well as spread the risk should a major disaster hit Manila.

Figure 27. Promoting and Redistributing Growth via Federalism



How are the transfers made? Are there conditions in their utilization?

Most of these revenue-sharing arrangements are **unconditional transfers** which the receiving regional governments can use for whatever purpose like the Internal Revenue Allotment (IRA).

But there are also **conditional transfers** wherein the central government attaches conditions on the use and purpose of the funds. These transfers are program specific and cannot be used for other purposes. These are also used to promote the achievement of national purposes and standards like health care or education.

Is there a need for an upper house in a federal system? If yes, what is its role?

Most federal countries are bicameral – or have two houses in their legislatures. In federations, the upper house typically represents the regions while the lower house allocates its membership based on population.

This reflects the principle of federalism that both the regions and the populations makes a federation and therefore, both need to be reflected in the central legislature.

Representation in the upper house is usually based on equal representation for each region or constituent unit. In most federations, members of the upper house represent all the regions while lower house members come from smaller districts.

Most federal countries are bicameral – or have two houses in their legislatures.

In federations, the upper house typically represents the regions. The lower house allocates its membership based on population.

Figure 11. The House of Representatives of the bicameral Philippine Congress



Most federal countries are bicameral.

In Germany, members of the upper house called the *Bundesrat* are not directly elected but come from the *Länder* (regions).

The delegations to the *Bundesrat* are named by the regional governments and are officially led by their minister-presidents. Legislation that affect the *Länder* (which is about 40% of all legislation) must be approved by the *Bundesrat*.

Regional culture and diversity are also in danger of being suppressed since the national government focuses on the general needs of the nation and fails to prioritize the unique needs of the different sectors and groups like the indigenous people and minorities.

Moreover, the unitary system lacks the flexibility in adapting to local problems because of its rigid and highly centralized structure.¹⁵

Considering that the country has already devolved some powers to the LGUs, why not further decentralize instead?

Under our current unitary system, power may be decentralized or devolved, but this is granted by the national government through legislation or executive action and therefore can be taken back by that authority *unilaterally* at any time.

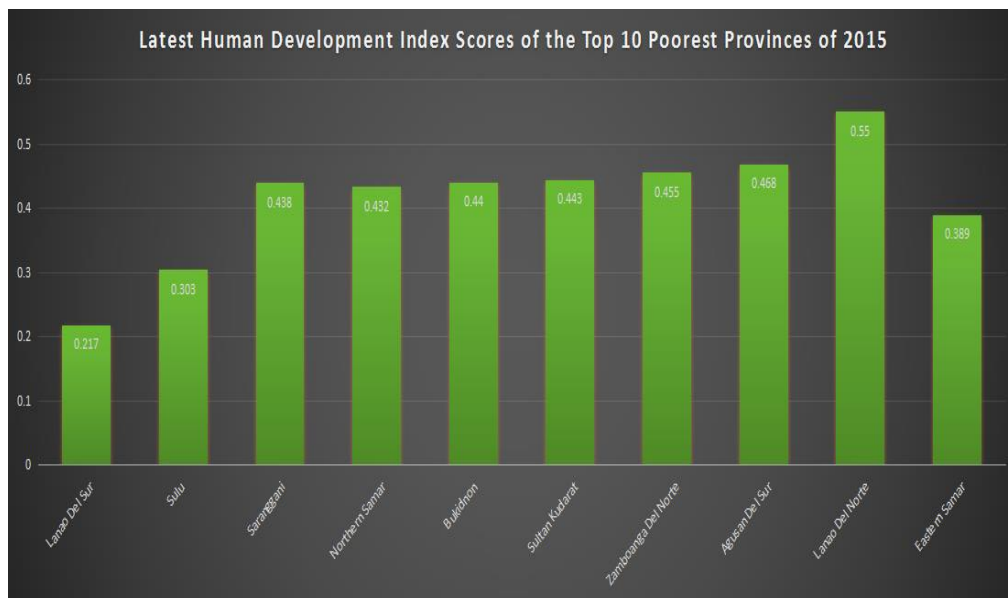
Under federalism, however, the powers that are granted to the regions and local governments are more secure as they are guaranteed by the Constitution, the supreme law of the land, and can only be withdrawn by constitutional amendment.

“...the unitary system lacks the flexibility in adapting to local problems because of its rigid and highly centralized structure.”

¹⁵ Gaudioso C. Sosmena, Jr., (2005). *Primer on Local Governments in a Federal System*. Makati City.

The lack of development in the countryside can be traced mainly from disproportionate distribution of government resources and benefits to various regions of the country. Once this is addressed, the two-fold problem of political and economic development may be easier to achieve.¹⁴

Figure 26. Human Development Index Scores of the Poorest Provinces



Note: The closer the score is to 1, the better the quality of life

Source: <http://www.hdn.org.ph/wp-content/uploads/2012-Human-Development-Index-Tables.pdf>

¹⁴ Edmund S. Tayao (2004). *Rethinking the Option of Federalism in the Philippines*. Philippine Institute for Development Studies

Figure 12. The German *Bundesrat* Federal Council



What are the powers of the upper house in federal countries?

The powers of upper houses tend to differ across federations. While some have extensive powers, others are weak and primarily ceremonial.

In the US, the Senate has all the powers of the House of Representatives with the additional power of approving key appointments, declarations of war, and treaties with other nations.

In Argentina, Australia, Brazil, and Switzerland, the upper house have absolute veto power over all legislation (though in Australia, a deadlock can be broken by a joint sitting of both houses).

The German Bundesrat has a veto over matters affecting the Lander (now about 40% of legislation).

In Australia, Malaysia, and Spain, the upper houses have suspensive vetoes only while in Belgium, the Senate has a veto on any matter that affects the federal system.

How does federalism resolve conflict between the federal and regional governments?

Two orders or tiers of government create a need for a constitutional arbiter to resolve conflict over their respective constitutional competencies. This role is usually assigned in federations to the courts.

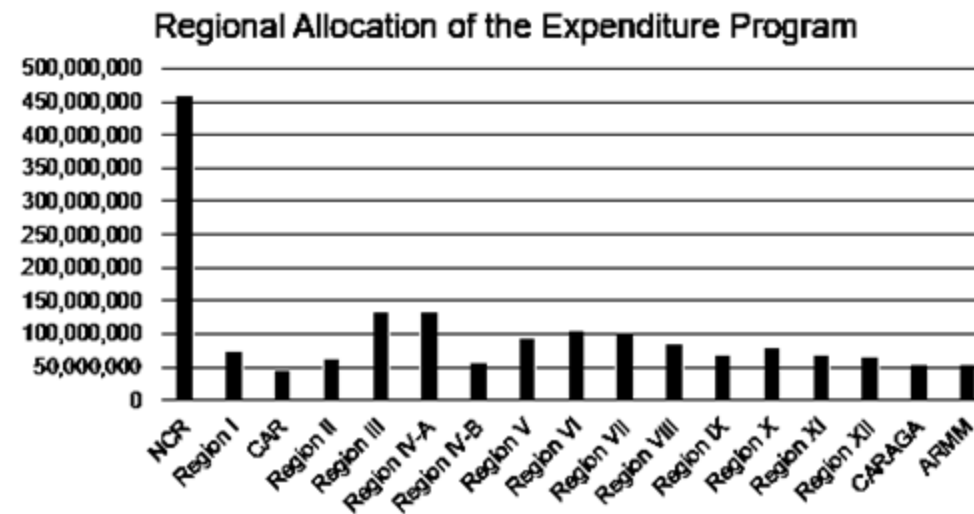
Federal constitutions usually provide for the creation of a Constitutional Court to resolve legal conflicts over the legal powers of the two tiers of government.

Figure 13. The German Constitutional Court



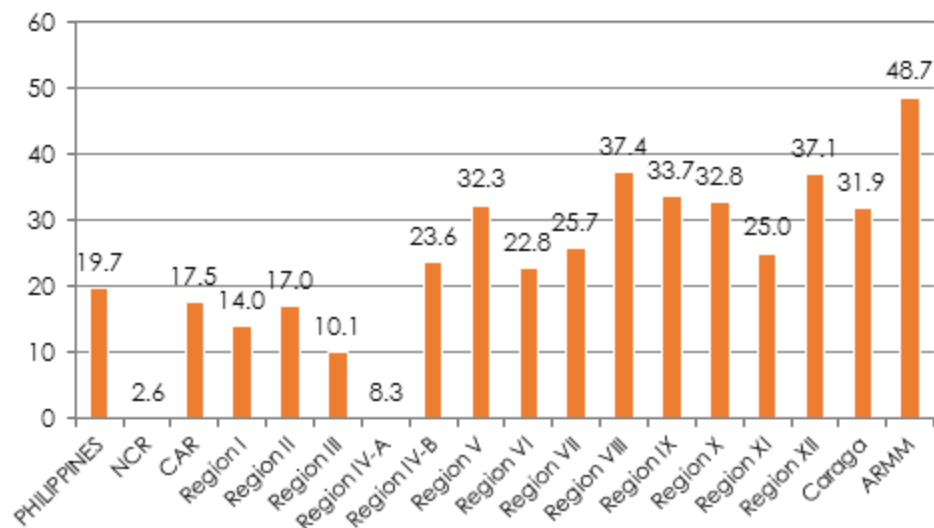
- b. The unitary system has created a malignant cancer of political corruption from the center all the way to the provinces that has plagued our political system since the beginning.
- c. The pooling of government revenues at the center and allocating it back to the localities has resulted in:
 - weakening of fiscal discipline,
 - deterioration of government accountability and operational efficiency,
 - greater tolerance of corruption, and
 - perpetuation of patronage politics and political dynasty.

Figure 25. Regional Allocation of Government Expenditures, 2015



Source: 2016 Budget of Expenditures and Sources of Financing, Dept. of Budget and Management

Figure 24. Poverty Incidence by Region, 2012



Source: 2014 Statement of Receipts and Expenditures, Bureau of Local Government Finance; 2014 Bureau of Expenditures and Sources of Financing (BESF), Department of Budget and Management

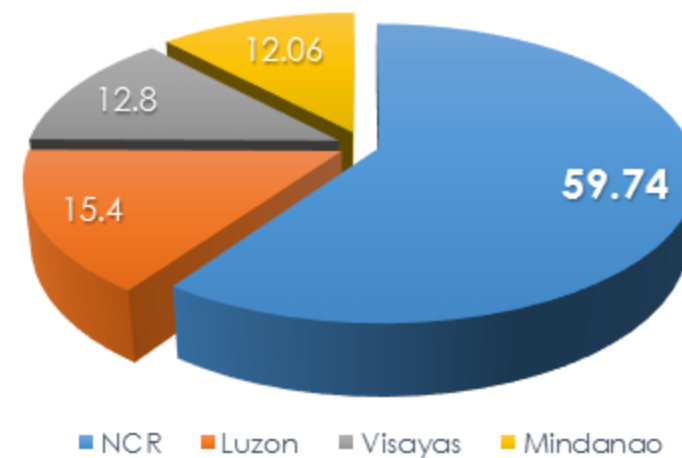
b. The unitary system has led to over-concentration of government powers in "Imperial Manila" and in the hands of oligarchs and the Manila elite.

- Enormous political and economic power has been given to the central government located in Manila while other provinces outside of Manila are merely reliant on the good will of the central government.¹²
- The delivery of services to the people take too long since the national government has a say in every aspect of the people's lives.¹³

¹²Ibid.

¹³Ibid.

Figure 17. Per Capita GDP by Major Island Group



For 2016, the budget for Metro Manila and Luzon accounted for 56% of the entire General Appropriations Act compared to only 16% for LGUs according to the 2016 Select Budget of Expenditures and Source of Financing

Source: Philippine Statistics Authority

- For 2016, the budget for Metro Manila and Luzon accounted for 56% of the entire General Appropriations Act compared to only 16% for LGUs.
- Of total government tax revenues, the national government accounts for around 94 percent while the local governments account for only around 6 percent according to the 2014 Statement of Receipts and Expenditures from the Bureau of Local Government Finance and the 2014 Budget of Expenditures and Sources of Financing from the Department of Budget and Management. The local governments are not self-sufficient and are highly dependent on national government transfers

What kind of government do we have today in our country?

Our country has a unitary presidential system with the president serving as both the head of the state and head of the government. Power and authority is vested in the National Government and is therefore dominant (see figure 3).¹⁰

With the unitary system, the concentration of power in the capital is part of its characteristics. Thus, in the Philippines the center of such enormous powers has been Manila which has been referred to by critics of the unitary system as “Imperial Manila.”¹¹

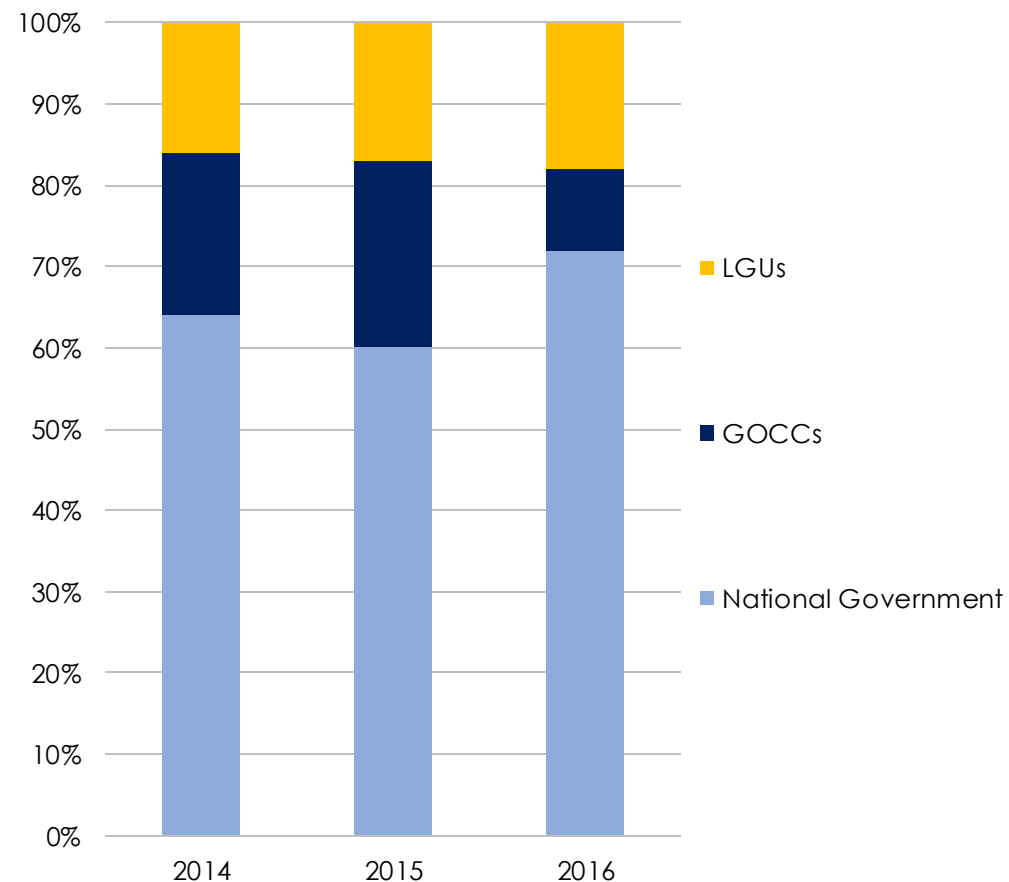
Figure 14. The Unitary Form of Government



¹⁰ Centrist Democracy Political Institute (n.d.). *Real Change is Here: A Primer on Federal Parliamentary System*

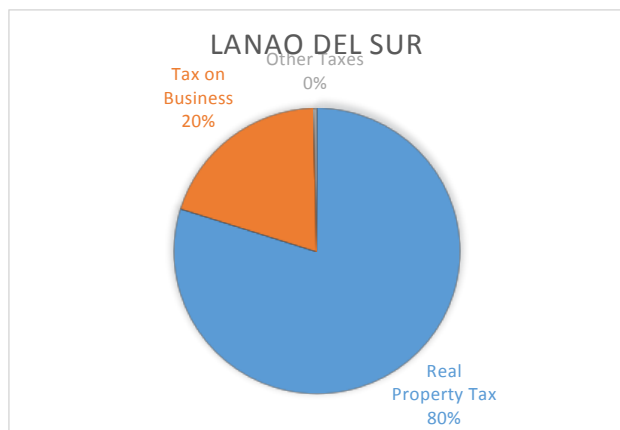
¹¹ Senator Aquilino 'Nene' Pimentel Jr. (2008). *Federalizing the Philippines: A Primer*.

Figure 23. Distribution of Government Expenditures 2014-2016

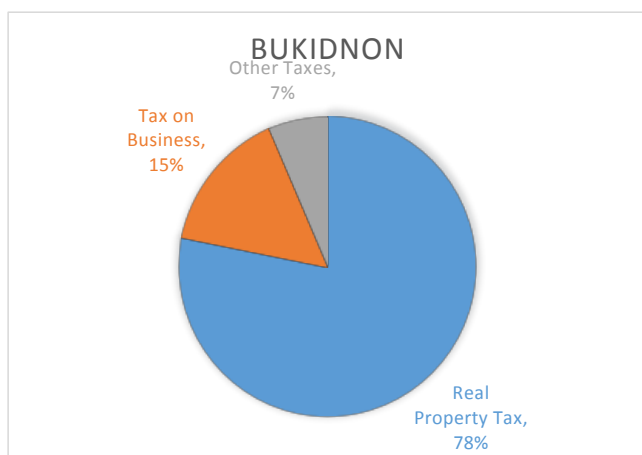


Source: 2016 Budget of Expenditures and Sources of Financing, Department of Budget and Management

Figure 22. Tax Revenue Breakdowns of Lanao del Sur and Bukidnon



Note: For Lanao Del Sur, values are 2.8 for Real Property Tax, 0.7 for Tax on Business, and 0.01 for Other Taxes (in millions of pesos)



Note: For Bukidnon, values are 81.21 for Real Property Tax, 15.99 for Tax on Business, and 6.79 for Other Taxes (in millions of pesos)

Source: 2014 Statement of Receipts and Expenditures, Bureau of Local Government Finance

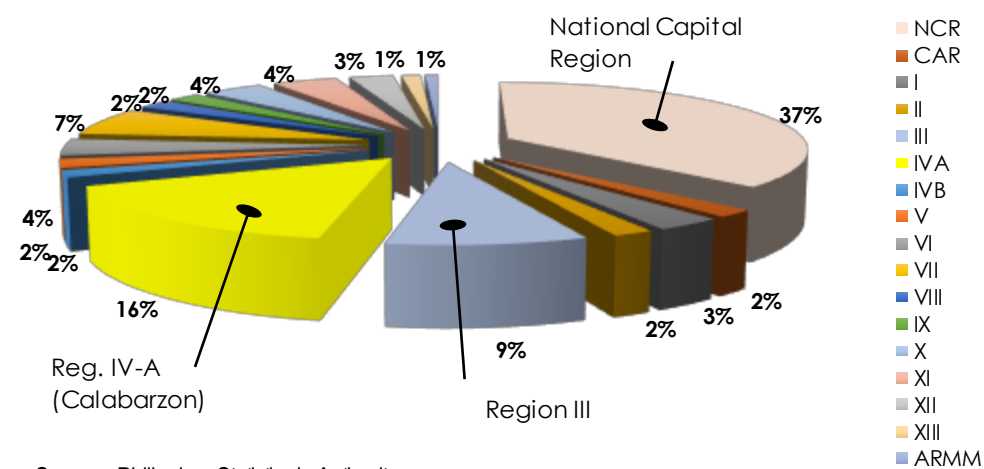
While we have regional administrative structures, they have no elected government and are merely extensions or arms of the national government. It is only the local government units (provinces, cities, and towns) that have elected governments. The existing regional administrative structures and local government all derive their power from the National Government which can take these powers away by legislation or executive action.

What's wrong with our present unitary system?

The following are the flaws endemic to the highly centralized system of government we have today:

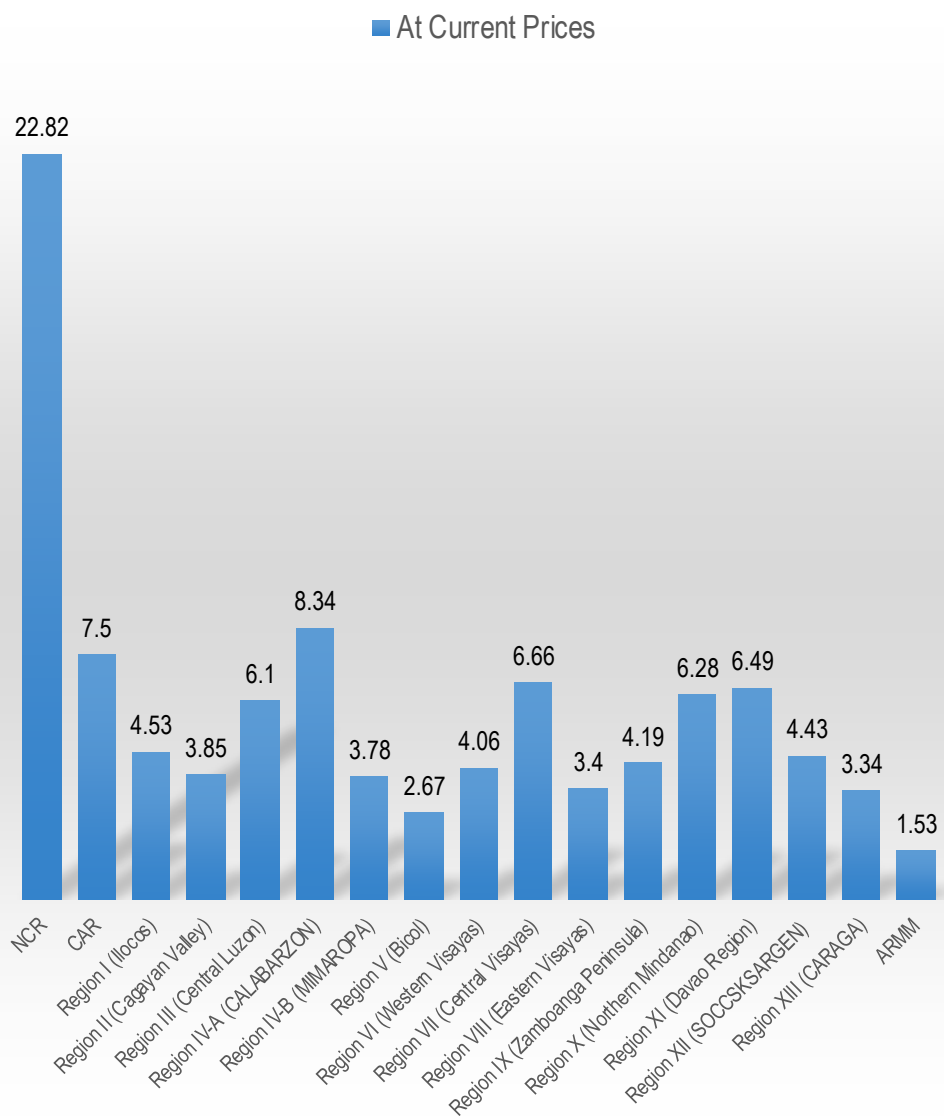
- a. The unitary system has created a **huge imbalance in economic development** and resource and budget allocation among the various regions of the country.
 - Metro Manila, Region IVA (Calabarzon) and Central Luzon account for **62% of GDP** while 14 out of 17 regions account for only 38% (see related figures).

Figure 15. Share to Gross Domestic Product, 2014



Source: Philippine Statistical Authority

Figure 16. Regional Per Capita Gross Domestic Product (2015)



Source: Philippine Statistics Authority

Figure 21. Tax Revenue vs. Expenditures of the Poorest Provinces

Province	Total Tax Revenues	Operating Expenditures
Lanao Del Sur	3.51	1,193.68
Sulu	1.71	583.80
Saranggani	20.85	493.79
Northern Samar	15.14	700.02
Bukidnon	103.98	1,492.17
Sultan Kudarat	29.48	801.07
Zamboanga Del Norte	25.45	876.94
Agusan Del Sur	47.96	1,014.92
Lanao Del Norte	22.22	634.87
Eastern Samar	5.2	578.64

Notes:

- Values are in millions of pesos
- Highlighted rows indicate the provinces with the biggest gap between expenditure and income

Source: 2014 Statement of Receipts and Expenditures, Bureau of Local Government Finance

Figure 20. The Top 10 Poorest Provinces in the Philippines for 2015

Province	2006	2009	2012	2015
Lanao Del Sur	44.2	59.4	74.4	74.3
Sulu	48.2	44.6	35.8	65.7
Saranggani	46.7	54.6	53.2	61.7
Northern Samar	54.4	52.4	53.1	61.6
Bukidnon	50.0	47.8	50.8	58.7
Sultan Kudarat	60.0	54.5	49.7	56.2
Zamboanga Del Norte	67.0	71.2	56.0	56.1
Agusan Del Sur	51.4	57.8	48.6	54.8
Lanao Del Norte	44.2	46.1	50.3	50.0
Eastern Samar	51.8	54.4	67.1	50.0

Notes:

- Based on the percentage of Poverty Incidence among the Population
- All of the top 10 poorest provinces are located in Visayas and Mindanao

Source: Philippine Statistics Authority

FEDERALISM for the PHILIPPINES

(Pederalismo para sa Pilipinas)

Figure 18. Per Capita Regional Gross Domestic Product (2015) at Current Prices

Top 5 Regions.

Rank	Region	GDP
1	National Capital Region	398,985
2	Region IV-A (CALABARZON)	145,859
3	Cordillera Administrative Region	131,110
4	Region VII (Central Visayas)	113,597
5	Region XI (Davao Region)	113,597

Bottom 5 Regions.

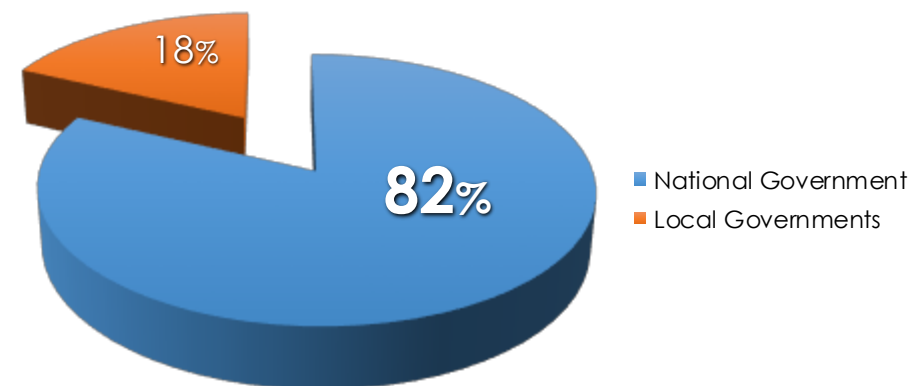
Rank	Region	GDP
1	Autonomous Region in Muslim Mindanao	26,757
2	Region V (Bicol Region)	46,631
3	Region XIII (CARAGA)	58,299
4	Region VIII (Eastern Visayas)	59,455
5	Region IV-B (MIMAROPA)	66,132

*Philippine Per Capita GDP: 131,026

Source: Philippine Statistics Authority

- Government expenditures and revenues have remained highly centralized even after the passage of the Local Government Code and the devolution to LGUs. Of total government expenditures net of debt service, the National Government accounts for around 82 percent while the local governments account for only around 18 percent.

Figure 19. Percentage of Government Expenditures (Net of Debt Service)



- The Philippine economic geography has remained almost the same in the past 4 decades, with very little changes in regional socioeconomic ranking. Thus, growth has been stagnant in most regions.
- The traditionally poor regions of Western Mindanao slipped further behind because of prolonged state of conflict.