

# PHILIPPINES

UNITARY COUNTRY

ASIA PACIFIC

## BASIC SOCIO-ECONOMIC INDICATORS

Income group - LOWER MIDDLE INCOME Local currency - Philippine peso (PHP)

### POPULATION AND GEOGRAPHY

AREA: **300 000** km<sup>2</sup>

POPULATION: **101.803** million inhabitants (2014), an increase of 1.6% per year (2010-2014)

DENSITY: **339** inhabitants/km<sup>2</sup>

URBAN POPULATION: **44.4%** of national population

CAPITAL CITY: **Manila** (12.5% of national population)

Sources: World Bank Development Indicators, UNDP-HDR, ILO

### ECONOMIC DATA

GDP: **690.9** billion (current PPP international dollars) i.e. 6 969 dollars per inhabitant (2014)

REAL GDP GROWTH: **6.1%** (2014 vs 2013)

UNEMPLOYMENT RATE: **6.6%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **6 202** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **20.9%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.668** (medium), **rank 115**

## TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
<b>42 028</b>	<b>1 594</b>	<b>81</b>	<b>43 703</b>
VILLAGES (BARANGAYS) AVERAGE MUNICIPAL SIZE: <b>2 359 INHABITANTS</b>	<b>1 489 MUNICIPALITIES</b> <b>105 CITIES</b>	<b>PROVINCES</b>	

**MAIN FEATURES OF TERRITORIAL ORGANISATION.** The Philippines is a unitary country with a highly decentralized system of government. As of 2015, the government system is made of three tiers of decentralization: 81 provinces, 1489 municipalities and 105 cities, and 42 028 barangays. The province is the highest tier of local governance, and is made up of a cluster of municipalities and/or cities. Some cities are considered as highly urbanized cities, which are independent from the province. Municipalities and cities are made of barangay, or villages, which is the lowest tier of decentralization. In addition to these jurisdictions, the Philippines also comprises the Autonomous Region of Muslim Mindanao. All local chief executives and bodies are directly elected by the population, and Decentralization has been enshrined in the 1987 Constitution and guarantees the local governments autonomy, as legal and regulatory provisions for the local governments operating framework has been set by the 1991 Local Government Code. SNGs autonomy is combined with a supervision of higher level of government, especially regarding the budget approval process and SNGs legal accountability.

**MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES.** According to the Constitution and to the local government code, SNGs are mainly responsible for basic public services provision. Provinces are mostly responsible for competences that imply inter-municipal services provision, e.g. tertiary health care services and maintenance of hospital covering several municipalities; social housing; social welfare services; etc. Municipalities and barangay have been assigned with proximity services as primary health care; primary school building and maintenance; waste collection; or cultural centres. Due to their importance cities are responsible for both inter-municipal and municipal competences. Nevertheless, despite the specifications enclosed into the local governments code in terms of devolution of powers, other public agencies can also provide public services, public works or infrastructure that are insufficiently provided for by SNGs. This situation frequently induces overlapping of competences between the different actors of local public service provision.

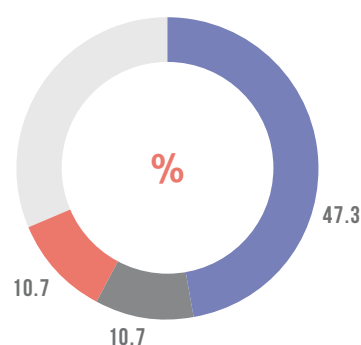
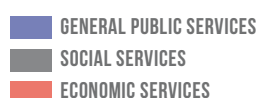
## SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
<b>TOTAL EXPENDITURE (2013)</b>	<b>12.3%</b>	<b>16.2%</b>	<b>100%</b>
<b>CURRENT EXPENDITURE</b>	11.3%	-	92.1%
<b>STAFF EXPENDITURE</b>	-	-	-
<b>INVESTMENT</b>	-	-	-

The share of SNGs expenditures in total GDP rose to 12.3% in 2013. It confirms that many devolved competences continue to be shared with the central government in a significant way.

## EXPENDITURE BY FUNCTION

## % SUBNATIONAL GOVERNMENT EXPENDITURE



Most local expenditures are dedicated to general public services expenditures, which includes general administration costs for the most part, public order and safety spendings, and subsidies to other levels of government. Social services category is covering education and culture, health, social security and housing. Economic affairs refers to agriculture, natural resources and environmental management, tourism, trade, communications, etc., which are for a significant part under the realm of provincial and cities decentralized functions.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	14.8%	22.7%	100%
TAX REVENUE	3.6%	6.3%	24.7%
GRANTS AND SUBSIDIES	9.6%	-	65.3%
OTHER REVENUES	1.5%	-	10.0%

Despite a share of local governments revenues in GDP that has grown over the last years to reach almost 15%, the proportion of total revenues collected by local governments in the Philippines is relatively small. Moreover, the majority of SNGs revenues is structured around intergovernmental transfers and shared revenues from national tax collection. Thus it could be considered that SNGs financial autonomy is limited by this framework, even if differences exist between the different categories of local governments.

**TAX REVENUE.** Principal SNGs tax revenue includes basic real property tax (42.8% of tax revenues in 2013), business tax (51.3%), and a few other local taxes such as the special education tax. Provinces and cities have to share some of their revenues with the municipalities and barangays and are restricted on the set of taxes they can collect.

**GRANTS AND SUBSIDIES.** In addition to this local taxes, local governments also receive a share of national tax collection through a formula-based grant, the Internal Revenue Allotment – IRA, which varies according to the type of local government: 23% to provinces, 23% to cities, 34% to municipalities and 20% to Barangays. The IRA is calculated according population, land area and equal sharing formula. The intergovernmental transfer system also includes shares from government corporations (PAGCOR/PCSO), ECOZONE, EVAT, and tobacco and excise tax. Shared taxation represents the major part of overall SNGs revenues (between 75% and 85%). SNGs may also receive inter-local transfers, extraordinary resources, grants and donations, although this type of revenues remains a very small part of total revenues.

**OTHER REVENUES.** Other revenues include regulatory fees; receipts from economic enterprises, and diverse fees and charges.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

SNGs can access borrowing, through government operated mechanisms, to finance local infrastructures based on the approved local development plan and public investment program, and local debt shall not exceed 20% of the regular income of the local government unit concerned. The Bureau of Local Government Finance BLGF certifies debts service ceiling and net borrowing capacity of SNGs.

A joint- study of:



**Sources:** P.Smoke (2015), Decentralization in Philippines, Quality Support Facilities in the field of decentralization, Local Governance & Local Development, The European Union's ADM multi-programme • Department of Budget and Management, on [http://www.dbm.gov.ph/?page\\_id=10197](http://www.dbm.gov.ph/?page_id=10197) • UN-Habitat (2011), Fiscal decentralization in Philippines, The Global Urban Economic Dialogue Series, Nairobi • Local Taxation and Revenue Practices (2015), Philippine Bureau of Local Government Finance (BLGF), Department of Finance, available on <http://blgf.gov.ph/>.