

BARMM BLOCK GRANT: A POLICY BRIEF

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Access Bangsamoro is an online and social media portal that promotes the free flow of information, analysis, and discussions for the effective implementation of the Bangsamoro Organic Law (BOL) and the successful transition to the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM).

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SUMMARY

This policy brief is a product of a continuing research and a result of a Roundtable Discussion (RTD) on how to operationalize the block grant provision of the Bangsamoro Organic Law (BOL). The RTD was participated by the representatives from the National Government Agencies (NGAs) that are involved in the implementation of the Block Grant, particularly the Department of Budget and Management (DBM), Department of Finance (DOF), and Department of the Interior and Local Government (DILG). Former senior government officials and public finance experts also joined the discussion to share their perspectives on the subject. The RTD sought to provide venue among the NGAs to thresh out their plans on the block grant and to help generate ideas and provide recommendations to policymakers in defining the operationalization of the block grant.

It is good to note as a starter that the creation of autonomous regions in the Philippines is a result of cultural struggles and aggressive demand for the right to self-determination. In the case of Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), the cultural and armed struggles spanned for a period of 50 years,¹ and the ratification of the Bangsamoro Organic Law has paved the way to ending the long-fought struggles.

Along with the peace agenda, the national government has manifested its commitment to provide meaningful autonomy to the BARMM Government. Concretely, the Block Grant provision is one of the key features in the BOL that gives the BARMM Government its desired fiscal autonomy. The Block Grant is also a financing mechanism that would spark and galvanize the BARMM's priority development goals, which is to address the root causes of conflict: such as lack of access to formal education, weak health system, and poor social services delivery.

Operationally, the Block Grant is a form of intergovernmental fund transfer. While fund transfer is not a new financing mechanism, the provision of block grant by the Philippine Government to an autonomous region is, however, a new system. Thus, both the national and regional governments have to prepare the guidelines and working relationships to ensure that the funds will be implemented according to its original intent. The challenge now is that there remains a fissure between the right of the BARMM to self-determination and fiscal autonomy on the one hand, and the express provision in the BOL that block grant is to be governed by the rules and regulations of the DBM and DILG, on the other.

To harmonize the two seemingly confusing provisions, this brief recommends the National Government Agencies to consider the following actions:

1. Evaluate existing rules and regulations that may be applicable in the implementation of the block grant;
2. Create an inter-agency coordinating body pending the formal constitution of Intergovernmental Fiscal Policy Board;
3. Immediate constitution of the Intergovernmental Fiscal Policy Board and Secretariat;
4. Setting up of certain performance standards and targets for each sector covered by the block grant;
5. Alignment of the performance targets with the Regional Development Plan of the BARMM and the overall National Development Goals;
6. Adherence to the priority measures on education, health, and social services in allocating the Block Grant.

¹ <https://www.mindanews.com/peace-process/2019/02/bangsamoro-transition-authority-to-take-oath-feb-20-armm-to-barmm-turnover-on-feb-25a/>

INTRODUCTION

The Block Grant is an automatic appropriation equivalent to 5% of the national revenue tax collections.² It shall be released without any need of further action, directly and comprehensively to the Bangsamoro Government.³

Pursuant to the BOL, a total of 70.6 billion budget has been earmarked for the BARMM in the year 2020. Of the amount, 63.6 billion is the annual block grant, 5 billion is the special development fund, and 2 billion is the BARMM's share in the national taxes.⁴ Apart from the national subsidies, BARMM will also have its internally generated funds estimated at P1.4 billion, allocations from national government agencies of P15 billion, and P25 billion share in the Internal Revenue Allotment.⁵

The institution of the block grant in the BOL would cause a fundamental shift in the fiscal position of the BARMM. It will not only serve as an additional source of fund, but it will also ensure BARMM's fiscal autonomy.

While the Block Grant is automatically appropriated, the BARMM Government is still required to pass an annual appropriations law to access the grant. In so doing, allocation priorities must be given to health, education, and social services programs of the BARMM.⁶ Given this provision, the power to allocate is now with the BARMM Government. But it is noteworthy to emphasize that the BOL also mentions that the national laws and budgeting rules and regulations implemented by the DBM and the DILG shall also apply.⁷

This implies that national laws on budget planning, programming, disbursement, and accounting likewise remain applicable to the BARMM Government. Yet, there is no provision in the BOL that states how these provisions could be harmonized in the context of the BARMM Government's right to self-determination. As such, it is imperative that the various national government agencies work together to determine the proper mechanism to operationalize the block grant. Part of this process is the two governments delineating their roles and as well as accountability systems.

DISCUSSIONS

There are three points central in the discussions:

1. The immediate concerns in the implementation of the block grant;
2. The on-going complimentary efforts of the national government agencies and how these efforts can be formalized, and
3. The goal to deliver basic services that will be funded by block grant.

² Sec. 16, Sec. 17, Article XII, Bangsamoro Organic Law

³ Sec. 18, *ibid.*

⁴ <https://www.dbm.gov.ph/wp-content/uploads/NEP2020/ALGU/H.pdf>

⁵ <https://news.mb.com.ph/2019/08/25/p70-6-billion-barmm-budget-earmarked-next-year/>

⁶ Sec. 19, *ibid.*

⁷ *ibid.*

There are also identified issues and challenges that both the Bangsamoro Government and the National Government have been facing in the planning and implementation of the block grant:

A. Lack of Strategic Fiscal Policy Planning

At present, the DBM has not issued a memorandum or any circular relative to the release of the block grant. It was evident during the RTD that the three agencies – DBM, DOF, and DILG – have yet to formalize the inter-agency mechanism that will govern the implementation of the block grant.

In the BOL, the block grant is automatically appropriated and must be regularly released. This means that there is no need for a separate legislative enactment by the national government for the funds to be released to the BARMM Government. While the block grant is automatically appropriated, the allotment of this fund is still subject to appropriations law to be enacted by the BARMM Government. The question remains on the manner by which the National Government will release the block grant to the BARMM Government and how regular the release should be.

Considering the huge amount of fund involved and the absorptive capacity of the present BARM Government, the DBM envisions releasing the block grant in monthly tranches.

In the meantime, the BARMM Government has yet to enact its own Local Government Code that will govern the manner by which fund could be allocated, disbursed, and spent. In the absence of such law, the DBM and even the BARMM Government could rely on the provisions of the existing Local Government Code of 1991 (LGC) on the manner of budgeting, expenditures, disbursements, accounting, and accountability mechanisms for the LGUs.⁸ The LGC of 1991 remains to be effective and enforceable.

Despite the seemingly lack of concrete medium to long-term fiscal plan for the BARMM, this gap could be seen as an opportune area to assist, facilitate, and enable the development of a fiscal plan.

B. Delayed Constitution of Intergovernmental Fiscal Policy Board

The passage of the BOL effectively creates the Intergovernmental Fiscal Policy Board.⁹ The Office of the President, through the Executive Secretary, has designated the members representing the national government to the *“National Government – Bangsamoro Government Intergovernmental Relations Body.”*¹⁰ This is the mother Intergovernmental Relations body of the national and regional governments. On a specific fiscal governance mechanism, the constitution of the Intergovernmental Fiscal Policy Board is yet to be formalized.

⁸ Chapter IV, Title V, Book II “Local Taxation and Fiscal Matters, Local Government Code of 1991

⁹ Section 4, Article VI “Intergovernmental Relations,” Bangsamoro Organic Law

¹⁰ Memorandum From The Executive Secretary, Subject: Designation As Members, Representing The National Government, To The National Government – Bangsamoro Government Intergovernmental Relations Body, 14 October 2019

In the BOL, the Secretary of the DOF serves as co-chairperson of the Intergovernmental Fiscal Policy Board, together with the Head of Ministry of Finance of the Bangsamoro Government. The DTI, DBM, and NEDA are designated as members. On the part of the Bangsamoro Government, there has been, as of yet, no formal designation of which ministry should sit in the Board.

It is important to note that the Fiscal Policy Board plays a critical role in the implementation of Block Grant. The following functions of the Board are as follows:

- (i) review after 5 years the fiscal needs of the Bangsamoro Government,
- (ii) determine the actual revenue it shall be able to generate,
- (iii) ensure that block grant expenditures are transparent and performance-based,¹¹
- (iv) recommend the necessary fiscal policy adjustments by undertaking periodic reviews of the sources of revenues of the Bangsamoro Government vis-à-vis its development needs;¹²

C. Coherence in the Local, Regional, and National Development Plans vis-à-vis Performance Targets of the Block Grant

The priority areas to which the block grant must be allocated are clear. It must be spent for education, health, and social services. There are also restrictions on the use of fund, such that it cannot be used to procure firearms, ammunition, armament, and explosives. Given this directive, the use of block grant must be based and should be consistent with the development plans of the Bangsamoro Government, and the same must be in line with the overall national development goals.

In Section 19, Article XII of the BOL, the Bangsamoro Government is mandated to furnish the DILG copies of the development plans. Last October 2019, the Bangsamoro Government has created an initial draft of the 1st Bangsamoro Regional Development Plan. As part of the inclusive governance, the draft plan is to be presented to the constituent LGUs for consultation and alignment with over-all BARMM development goals.¹³

There is a need, therefore, of defining strategic deliverables to be able to achieve the local, regional, and national development goals. The seemingly weak coordination between the local, regional, and national government encourages the DILG to facilitate consensus building with the regional government and LGUs through the Intergovernmental Relations mechanism. In a statement of Local Government Secretary Año, DILG commits to serve as a link of the BARMM to the National Government and to play the role of an “enabler” where the department exercises supervision.¹⁴

¹¹ Section 22, Article XII, *ibid*.

¹² Section 37 (a), Article XII, *ibid*.

¹³ <https://pia.gov.ph/news/articles/1028101>

¹⁴ <https://dilg.gov.ph/news/DILG-to-LGUs-Support-BARMM-we-cannot-afford-to-fail/NC-2019-1175>

RECOMMENDATIONS

Given these issues and challenges requiring immediate action both from the National Government and the BARMM Government, this brief provides for some policy recommendations in the operationalization of the Block Grant:

1. **Evaluate existing rules and regulations that may be applicable in the implementation of the Block Grant.** Pending the enactment of the BARMM Local Government Code as basis for the fiscal rules and regulations in the BARMM, the national government agency must conduct an inventory of applicable budgeting, planning, disbursement, and accounting rules to guide the BARMM Government in the implementation of the Block Grant. Part of fiscal prudence is to review the whole gamut of rules pertaining to terms and conditions on the fund transfer, disbursement mechanism, and accountability measures. Doing these preliminary steps would make public spending more efficient and would prevent public officers from committing irregularities out of ignorance on the procedures.
2. **Create an inter-agency coordinating body pending the formal constitution of Intergovernmental Fiscal Policy Board.** While the Bangsamoro Government has been given fiscal autonomy, the national government directly involved in block grant must, however, ensure that the applicable rules and regulations by the DBM and DILG must be applied. The inter-agency coordinating body must assess the applicability of stringent fiscal rules and also consider the realities and present challenges of the transitional government. In particular, the inter-agency coordinating body must immediately issue a joint memorandum on the applicable rules and regulations that will govern the block grant. In so doing, a meaningful consultation with key stakeholders must be done to ensure that the policies would be inclusive, effective, and efficient. This will assist both the national government agency, as monitor, and the Bangsamoro Government, as recipient, in the implementation of the Block Grant.

In the exercise of the inter-agency coordinating body, respect to the right of the BARMM Government to self-determination and fiscal autonomy must always be observed. The inter-agency body must also facilitate and enable the effective and efficient use of the block grant.

3. **Immediate constitution of the Intergovernmental Fiscal Policy Board and Secretariat.** As stated in the preceding paragraph, the national government may create its inter-agency body for purposes of coordination at the national level. This body is different from the formal Intergovernmental Fiscal Policy Board that must also be immediately constituted as well.

The members of the Board, in so far as national agencies are concerned, has been defined in the BOL. The Bangsamoro Government must, on their part, identify and designate local ministries that will take part in the Board. Along with the constitution of the Board is the creation of a strong secretariat that will assist the Board in exercising its functions fully and effectively.

4. **Setting up of certain performance standards and targets for each sector covered by the block grant.**¹⁵ The national government could provide technical guidance to the Bangsamoro Government on the inclusion of these standards in their local appropriations law. The standards must also determine the staffing requirements, and the technical and physical resources needed to meet the targets.
5. **Alignment of the performance targets with the Regional Development Plan of the BARMM and the over-all national development goals.** The national government must provide guidance to ensure that the standards set will lead to achieving the regional and national development goals. The performance standard must include the overall resource application strategy to match the government's macroeconomic policy and must indicate the expenditure plan which includes programming, prioritization, and financing of capital investments and operating expenditure requirements of the medium and long-term development plans. Such alignment will ensure coherence in the local, regional, and national development goals. At the same time, it will make public spending more efficient and thereby contribute to achieving national targets.
6. **Adherence to priority measures on education, health, and social services in allocating the Block Grant and fiscal efficiency.** Politically, the BARMM Government has a hand in spending the block grant, with the priority on the three sectors mentioned. For faster and efficient delivery of service, the local appropriations law of the BARMM could also apportion the block grant and download the same to the constituent Local Government Units. It could be in a manner similar to Allocation to Local Government Units (ALGU).

In another way, the Bangsamoro Government can use the Block Grant to incentivize LGUs that are performing well in reaching the development targets. It can be in a form of award or through a Locally Funded Projects (LFP) aiming to further strengthen the programs on health, education, and social services.

¹⁵ Sec. 19, Article XII, BOL