



How Fiscal Decentralization in the Philippines Affected Insurgent Violence

(1991-2019)

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Ch. 1

Introduction and General Theories

Introduction

Few nations have seen as many decades of insurgency as the Philippines. Across its 81 provinces, the country has faced conflict for much of its recent history. In the most recent wave, multiple communist and Islamist insurgencies began anew under the dictatorship of Ferdinand Marcos (1972-1986). During this time, Marcos centralized authority in Manila. He was overthrown in 1986 and replaced by Aquino's democratic government. A key priority of the new democratic regime was the improvement of local governance. Aquino sought to do this through the devolution of powers to the local level in 1991. It gave every subnational unit (within this work, provinces will be the subnational unit of focus) in the Philippines new policymaking powers. To support local governments with fewer local revenue sources, Manila created new local taxes and a system of unconditional financial support, chiefly through the internal revenue allotment (IRA). Consequently, provinces exercise different levels of financial independence because only some provinces were able to develop significant sources of local revenues through taxation and fees. Ultimately, determining the proportion of the budget that relies on local revenues is critical in assessing the progress of fiscal decentralization.

This study will determine whether the introduction of fiscal decentralization affected the rate of insurgent violence and whether or not the level of local-sourced revenue dependency was associated with provinces with lower or higher death rates. For this reason, the independent variable is the rate of local revenue generation. Local revenues are significant because they make local governments dependent on their local constituents for income, and it places local leaders

under pressure to develop effective policies since these funds come from direct taxation. As a result, high local revenues incentivize local governments to create policies that are more likely to mitigate potential insurgencies. The dependent variable is the number of violent incidents per province per year. In the logic of decentralization that inspired the 1991 law, if local funds make institutions more responsive to the needs of the people, then the violence rate should fall. However, the law intensified the insurgency in provinces where local governments lost incentives to provide local populations what they most wanted due to their dependence on guaranteed revenues from the central government. Local officials received unconditional support regardless of how well they performed. In these provinces, the people could not hold local officials accountable since their taxes were not significant in supporting social services. In short, the case of the 1991 devolution of powers law provides an opportunity for an instructive observational study.

The significance of this project comes from the fact that intrastate violence has been the most common form of violence for decades, and the Philippines has more available data than most civil conflicts. These wars have deprived entire nations of economic growth. Also, they have fostered instability that has affected countries in the developed world as well. The Philippines exemplifies these phenomena, and it provided plentiful provincial data on violence and governance. The Philippines insurgency enables a wide variety of observational studies. The era of focus also coincides with one of the most significant administrative reforms in the nation's history. In addition, it enables innovation in the analysis of civil war violence. Specifically, it will allow a test that applies the rentier effect to subnational governance and conflict. In short, the outcome of this study is significant because it will answer a question regarding the efficacy of a policy decision.

The Effect of Fiscal Decentralization on Political Violence

The published literature debates whether the decentralization of governance produces more accountability and better service delivery or increases corrupt misappropriation of funds and worsens service delivery, which increases violence. To understand this dichotomy, one must analyze the pre-existing literature on decentralization. It begins with the debate over whether fiscal decentralization affects the quality of governance. After this, the discussion turns to whether fiscal transfers or local-level taxation are superior for funding social services. This debate between central dependence versus local dependence also weighs the importance of funding accountability. The decentralization debate links to political violence by discussing how the quality of governance affects the state's ability to mitigate the insurgency. In short, the assessment revolves around the question of whether fiscal decentralization will harm or improve the quality of governance and social services and whether this affects political violence.

The General Literature on Decentralization

Vito Tanzi's work highlights that decentralization could produce positive and negative effects depending upon its political environment. Decentralization must include clear policy commitments, and plentiful resources, at the local level to succeed (Tanzi, 1995). He also emphasizes that fiscal federalism can be problematic; if the local governments lack these features, then decentralization will be unsuccessful (Tanzi, 1995). In the following years, other theorists would analyze fiscal decentralization and come away with differing conclusions. For this reason, it is highly significant to understand the arguments for and against fiscal decentralization.

Figures like Anwar Shah give an unqualified endorsement of fiscal decentralization. He states that fiscal decentralization improves efficiency, equality, and accountability. For efficiency,

Shah roots his argument in macroeconomic performance to argue that decentralized governments provide superior management compared to their centralized counterparts (Shah, 2006). He argues that fiscal federalism enhances bureaucratic efficiency because subnational units can collect more information in their local environments. This knowledge is significant because regional development is often uneven when exposed to international competition. Decentralization's information boost makes regional stabilization easier because a greater understanding of the local environment enables policies that better address specific subnational issues. In addition, he argues that fiscal irresponsibility is more frequent in centralized states. Irresponsibility is more common because fiscally decentralized nations are aware of the potential challenges that decentralization brings with prospects of rent-seeking. Centralized countries face far less pressure to apply fiscal discipline (Shah 2006). On inequality, Shah argues that regional development has only been successful in federal states (Shah & Shankar, 2003). He argues that fiscally decentralized nations are more likely to take the problem seriously because persistent inequities threaten the integrity of the country since it makes secession more feasible. A state with fiscal federalism forces political parties to emphasize more localized concerns to guarantee political survival. Shah emphasizes that decentralization can reduce corruption in countries (Ivanyina & Shah, 2011). Shah's rationale for this point is that decentralization generally moves decision-making closer to the people. Additionally, he emphasized the centralized management systems had more corruption than decentralized systems. He cites the poor delivery of irrigation services in India as a prime example. All in all, Shah argues that fiscal federalism is an excellent tool of governance, but others are much more critical of decentralization.

Other figures like Arends are much more reserved about the likelihood that fiscal decentralization will deliver better governance. Unlike Shah, Arends warns that poorly-designed

fiscal decentralization leads to inefficiencies, inequalities, and unaccountable service delivery (Arends, 2020). Arends argues that service delivery could become inefficient, partially resulting from spillovers in which funds are intended for one locality and spent in another one (Arends, 2020). Additionally, Arends emphasizes the *flypaper effect*. This occurs when fiscal transfers lead to an explosion of public spending (Arends, 2020). On another note, one must address the argument that fiscal decentralization increases inequality. To start with, Arends emphasizes that devolution often takes place under unequal material conditions. Unless there is a direct monetary transfer from developed regions to undeveloped ones, decentralization will cement inequalities (Arends, 2020). In addition, the more powerful jurisdictions in the country will have the upper hand in competing against the poorer ones for assistance from the government. Lastly, one must address the issue of unaccountability. Arends also argues that the multiple levels of government that are necessary for fiscal federalism make it difficult to assign blame for mismanagement (Arends, 2020). This is especially the case in the *fiscal illusion hypothesis*, in which citizens are unable to distinguish between the benefits they receive and how taxation funds them. In addition, fiscal decentralization could worsen issues of corruption and local capture. Arends argues that decentralization enables local officials to take advantage of enhanced access to information to strengthen ties with well-organized interest groups. Ultimately, fiscal federalism's problems could cause poor outcomes.

Fiscal Transfers

The mechanism of fiscal transfers from central to local governments can undermine the promotion of more effective governance through fiscal decentralization. Even Shah emphasizes that unconditional grants fail to promote efficiency in the public sector, and they breed corruption and mismanagement (Shah, 2006). Unconditional block grants also empower fiscal

irresponsibility. Notably, unconditional block grants have been directly connected with the flypaper effect since local governments become dependent on the central government rather than their constituents to sustain local expenditures (Rodden, 2002). The flypaper effect alters perceptions of fiscal sustainability at the local level by giving local leaders an excuse to deny any responsibility for financing local services. Fiscal transfers can also sustain corrupt practices at the local level (Arends, 2020). This is because the transfer dependencies encourage a lack of accountability. After all, these localities do not need the approval of the citizens to maintain unsustainable expenditures. Overall, unconditional fiscal transfers often produce counterproductive behaviors.

Taxation

Localities must have large local revenues to maintain independence and maximize the benefits of decentralization. In contrast to fiscal transfers, local-level taxation improves service delivery and accountability. Reliance on local revenue sources guarantees that social services will be much more resilient against demand shocks than grant-based systems (Bardhan, et al., 2006). The resiliency comes from the superior knowledge that local officials have of their environment. Additionally, local revenues provide a higher degree of efficiency and equity regardless of the prospect of local capture. Additionally, taxation has been associated with greater accountability because when local governments are more reliant upon taxation, they are much more likely to be held accountable by their citizens (Martin, 2013). Citizens lose the ability to hold their local governments accountable due to the “spending effect.” (Gervasoni, 2010). This occurs when subnational units take advantage of their massive rents to spend far beyond that which would be available through taxation. This enables an expansion of the state, making it the most prominent actor at the local level. As a result, local actors become dependent upon work

in the local bureaucracy for survival. Gervasoni places this theory in the context of the rentier effect, initially developed concerning oil's impact on democracy, in which a lack of taxation eliminates the ability of citizens to hold the government accountable. This theory states that governments that are more reliant upon natural resources rents are more likely to be corrupt. The more significant corruption is, the less likely citizens are to hold the government accountable for its abuses (Gervasoni, 2013). All in all, tax decentralization is a critical facet of ensuring successful fiscal federalism.

The Impact of Government Quality on Political Violence

One must consider how an accountable government should lessen or exacerbate the causes of violence related to grievances. First, an accountable government should mitigate the grievances that give rise to violence. Gurr posits that local grievances cause civil war violence, and he brackets them under the label "relative deprivation" (Gurr, 1968). By this, Gurr refers to the discrepancy that groups believe they are entitled to against what they actually have. He argues that critical areas to analyze for relative deprivation include education and economic opportunities. Accountable local governments should mitigate this problem if, as Shah argues, services such as healthcare and education improve. This is because these services should expand economic opportunity, and if there is an improvement in economic opportunity, then the rate of violence will fall (Gurr, 1968). Consequently, an inability to stymie grievances through effective governance will produce more violence.

Furthermore, accountable governance requires creating a powerful state to address the conditions that produce civil war violence. (Collier et al., 2004, 2009) theory of feasibility asserts that the likelihood of revolt increases when the financial and military conditions are present. Fearon and Laitin (2003) emphasize that chief among these conditions is state weakness. Small

wars have become the most common form of conflict on the planet because decolonization created multiple bureaucratically, economically, and militarily weak nations. This has prevented governments from addressing the underlying poverty and instability that have driven global conflict.

But an accountable government may itself be a response to one of the most explosive grievances of the local population—that government does not listen to them. Even without more comprehensive social services, local governments that must cultivate local taxation sources will need to pay greater attention to the taxpayers. This attention has the potential to prove critical in the suppression of insurgencies. Berman identifies the role of civilians in this regard. Essentially, a local government that acts more quickly in accordance with the needs of its civilians is also more likely to act on anonymous information related to insurgent activities (Berman & Manatock, 2015). Alternatively, if local governments are not able or willing to act on information, then civilians will not provide it. Also, if local governments are poorly-run, then this could exacerbate civilian grievances. This would result in a situation where civilians do not provide information, and they could cooperate with insurgents by refusing to disclose activities, providing protection and resources to insurgents, or serving as a pool of recruits (Berman & Manatock, 2015). As a result, local taxation will enable governments to use more efficient information-gathering to suppress violence.

Other Factors Leading to Political Violence

The analysis of violence in the Philippines must also control for variables identified in alternative theories related to political violence.

To start with, a significant factor in causing political violence is demography. Ted Gurr identified this in his work, *Why Minorities Rebel* (1993). Within this piece, he states that ethnic

grievances have driven conflict for several reasons. He argues that the most significant determinant in minority-driven conflict is a past history of mobilization (Gurr, 1993). Gurr contends that the factors most likely to motivate mobilization are political, economic, and social discrimination. Gurr also emphasizes that the larger the difference between the minority and majority, the more likely a conflict becomes. However, these grievances become less significant over time as the situation degenerates into an action-reaction cycle between the government and the rebels. On another note, Collier and Hoeffler have also identified demography as a factor in causing conflict. Specifically, they found that a higher rate of social fractionalization significantly increases the risk of war. Also, they have identified population as another relevant variable in which population growth brings a slight marginal increase of 1/5th (Collier, et al., 2009). All in all, demographics are significant in boosting grievances and opportunities in civil conflict.

Other significant factors in motivating violence are produced by the country's environment, such as oil or topographical hazards. The most notable of these is the presence of oil. Collier and Hoeffler identified this as a significant factor in motivating violence because it "severs" a government from being accountable to its citizens (Collier, et al., 2009). Alongside this, rebellions could be motivated by rebel desires to capture rents, or they could serve as a means to enable pre-existing grievances to develop into a rebellion (Collier, et al., 2009). In this sense, oil exacerbates grievances and opportunities that underlie the prospect of successful rebellions. Other geographic variables related to the environment revolve around increasing the difficulty of the government's power projection. Specifically, they studied the impact of forest cover and mountainous terrains. These environmental conditions would make it more difficult

for the government to project power throughout the country. In summary, these conditions increase the feasibility of insurgent violence.

Chapter 2

Context on the Philippines

Governance in the Philippines

Governance Before Marcos

Since the first imposition of colonial rule, the central government dominated public administration in the country. In the 1500s, the Spanish empire incorporated the Philippines. Spain brought Christianity and the problems of colonialism to the country. From this point onwards, Manila controlled the archipelago. The local barangays were administrative divisions by the central government (Brillantes, 1998). Alongside a centralized state, the Spanish also brought the *encomienda* system to the country (Litonjua, 2001). This resulted in the empowerment of a small landed elite controlling most of the colony's land and corrupting the state through patronage. When the Philippines broke away from Spain in 1898, the fledgling republic sought to increase the autonomy of local administrative divisions. Also, the revolutionary government created the municipal and provincial administrative divisions. Under American rule, there were symbolic gestures towards boosting local autonomy, but Washington maintained a highly centralized bureaucracy. Also, American control strengthened the large landholders at the expense of smaller ones, and the wealth brought to them through non-reciprocal trade enabled them to parlay their wealth into political power (Litonjua 2001). Following the American withdrawal, the Philippine republic attempted to deconcentrate political authority, and it became a democracy where the social elites held disproportionate power (Brillantes, 1998). In 1959, the smallest administrative division known as the *barrio* was created

with elected councils and taxing powers, and a broader expansion of local authority in 1967 gave all local governments more resources and greater autonomy. While the history of the Philippines before 1972 saw a gradual movement towards decentralization, the Marcos era would witness a return to centralized authority.

Governance under Marcos (1969-1986)

The Marcos era witnessed a return of centralized authority whose corruption and repression would intensify the insurgency. President Marcos ruled from 1969-1986. In 1972 he declared martial law, which led to the suppression of democracy. A key part of this was in the suppression of local elections (Brillantes, 1998). This was representative of a broader trend towards re-centralization. Yet, his 1972 constitution and 1983 law made repeated promises to respect the autonomy of local governments (Brillantes, 1998). Notably, the Marcos era was a notorious failure in authoritarian modernization. He sought to build “ ‘a new society’ ” which would replicate the previous successes of Japan, South Korea, and Taiwan (Litonjua, 2001). At the start of his administration, he attempted to enact a land reform reminiscent of the South Korean case. He hoped that this would derail popular support for the communists. Alongside this, Marcos hoped that his regime would empower apolitical technocrats who would be wholeheartedly committed to the goal of development rather than individuals who would exercise power irresponsibly. The land reform failed since only 3% of the land was redistributed. Instead of technocrats taking control, his wife and her inner circle attained power which led to the squandering of resources (Litonjua, 2001). These failures were emblematic of the personalistic governance style under his regime. Marcos aligned himself with local oligarchs, business interests, and the military to maintain his political survival. Oftentimes state resources were stolen by the oligarchs that Marcos depended on for survival. In summary, the Marcos era

was associated with a trend of political centralization and explosive growth in corruption until mass protests forced Marcos to flee on February 1st, 1986, and restored democracy.

1983 vs. 1991

The 1983 and 1991 local government codes may have emerged under different political circumstances, but they both sought to improve governance at the local level. While the Marcos code promised substantial powers to the LGUs, it still deprived them of local elections. In the same year, government forces assassinated mainstream opposition leader Benigno Aquino, following his return to the country. The NPA's total numbers had swelled to over 10,000 fighters, and economic growth averaged at just 2.6%. In this context, the 1983 law was a beleaguered concession for a regime that was under pressure (Silliman, 1984). Still, it enabled the people to elect local level officials (Shair-Rosenfield, 2016). Yet, the central government held a monopoly over the most lucrative forms of taxation as evidenced by the P86 million for Manila's revenues compared with P21 million for all provinces (Pagsanghan, 1993). Nonetheless, the 1983 law laid the groundwork for the 1991 law.

The 1991 law was drafted in the years following the dictatorship, and it gave much more power to local officials. During this time, insurgent violence was falling due to splits within the NPA over whether to continue fighting or accept the new democratic government, and the Moros were negotiating with the government for autonomy (Uppsala, 2020). The law gave local officials an unprecedented amount of power in the management of government programs as all LGUs received new taxing and spending law (Pagsanghan, 1993). The 1991 law also clarified new roles for the governments in education, healthcare, taxation, and agriculture. The immense powers invested in local officials was a marked contrast to the growth of the central government that occurred under Marcos (Brillantes, 1998). In short, the local government code enhanced the

position of local leaders in accordance with the democratic spirit that characterized the mood of the era.

Governance in the Philippines 1986-2016

When Corazon Aquino was elected in 1986, she restored democracy to Filipino society, and a key part of this agenda was the expansion of local government powers with the 1991 law. Under this law, services were devolved to local governments following decades of control by the central government (Brillantes, 1998). Over the course of the 1990s, local governments slowly developed their abilities. In 1992, the newly elected officials took a “wait-and-see approach” to the progress of decentralization. In the following year, the central government established the IRA (Asia Foundation, 2010). By the end of the decade, decentralization deepened as LGU budgets grew larger to provide a larger share of social services. However, decentralization did not bring across the board locally-generated taxes or an expansion of service delivery. The provincial average of locally-sourced revenue since the law's passage is 11%, and revenue management is inefficient (Asia Foundation, 2010). In terms of services, health investments have declined under the provincial governments, and education has been one of their lowest expenditures (Asia Foundation, 2010). Also, housing has only accounted for an average of 2% for each LGUs budget. All in all, the development of decentralization has boosted representation at the local level, but it has failed to result in the necessary service investments.

A critical factor in the mixed record of decentralization has been the persistence of local dynasties. When Aquino came to power in 1986, she believed that she did not have a mandate to restructure Filipino society (Litonjua, 2001). The country's traditional elites used her lack of confidence to re-establish their authority. Specifically, Aquino delayed a vital land reform bill, and the deal allowed the old elites to “gut the bill” (Litonjua, 2001). The persistence of the

Filipino elite is a critical factor in the failure of the local governments to promote service delivery effectively. Local elites have frequently used the central government's resources for patronage, which has resulted in political appointments based on clan membership rather than competence (Shair-Rosenfield, 2016). Local officials have halted attempts at re-centralization by using political resources such as vote-buying mechanisms that have made national legislators dependent on local-level corruption (Shair-Rosenfield, 2016). Also, local elites have been notable for taking credit for all programs, even those managed by the central government, that have improved their people's lives. Ultimately, the environment permeated with local-level corruption has maintained the power of the Filipino elite.

Duterte (2016-Present)

Rodrigo Duterte's tenure has been characterized by a combination of a brutal crackdown on insurgent violence and repeated attempts at reaching settlements with the rebels. Before taking the presidency in 2016, Duterte was the vice-mayor and mayor of Davao City from 1986 until his electoral victory in 2016 (International Crisis Group, 2016). When he came to power in 2016, he began his tenure by ordering the extrajudicial killings of drug smugglers and addicts (Kurlantzick, 2016). Filipino society approved Duterte's crackdown despite its immense brutality. Also, Duterte's regime has maintained high approval ratings into 2020 (Reuters, 2020). Alongside the crackdown, Duterte has attempted negotiations with both the NPA and the Muslim fighters in Mindanao. Duterte began his tenure amid peace discussions with the NPA in Europe. But these broke down when he attempted to assert control over Mindanao through martial law in 2017 (Uppsala, 2020). The NPA responded with more attacks. Following this, Duterte called off negotiations and declared the group a terrorist organization, but by the end of 2019, Duterte called a ceasefire, and negotiations are back on. In Mindanao, the leading group fighting against

the government was the Abu Sayyaf Group and the Philippines' Islamic State. A key part of combating these groups involved the passage of the Bangsamoro Organic Law (BOL). This law abolished the Autonomous Region of Muslim Mindanao due to its high levels of corruption (Gutierrez, 2019). The BOL will provide more autonomy to the inhabitants of the region. In short, Duterte's combination of militancy and diplomacy has resulted in some headway with the insurgents, but it is too early to tell if his efforts have been successful.

Duterte's stance on decentralization must be covered. On the campaign trail he denounced his political rivals for failing to emphatically support greater devolution (Shair-Rosenfield, 2016). In office he has attempted to pass additional reforms that would give more autonomy to the poorest regions of the country (Heydarian, 2018). He claims to support this to weaken the grip of Manila on the rest of the country. Yet, many of his adversaries claim that he is only supporting this law so that he can use the process to re-shape the Philippines Republic to consolidate his power. Regardless, he has overseen the diffusion of greater power to the local level. In brief, Duterte's tenure has been characterized by more devolution, but the impacts of these changes are too early to assess.

The Insurgencies

Insurgencies Before Marcos

The history of the Philippines has been fraught with conflict in the decades before Ferdinand Marcos. Insurgent violence began when Filipino revolutionaries fought against the Spanish in 1898. Their efforts contributed to the collapse of the Spanish Empire with the hope of gaining independence. But this was not to be as America asserted its own imperial control over the Philippines. This led to a second insurgency against the Americans, which would last until 1913 (Litonjua, 2001). The Philippines would later be occupied by the Japanese following the

attack on Pearl Harbor. In response to the occupation, a group of farmers in the country's north organized the Hukbalahap (Huk). This was a Marxist-Leninist movement dedicated to resisting the Japanese occupation (Uppsala, 2020). After the war ended, the new Philippine Republic suppressed the Huk. The fighting began when MacArthur empowered a Japanese collaborator, Roxas, as the first President, and he restored the pre-war system of land ownership (Litonjua, 2001). But fears of communist revolution would persist for decades, which would prove fundamental in the rise of Ferdinand Marcos.

The Renewed Insurgencies From Marcos Onwards (1972-present)

Under Marcos, the communist and Islamist insurgencies took on their present forms. Communists took advantage of the regime's corruption to swell their organizations against his government. While Moros on the island of Mindanao organized around their ethnic and religious identities to fight against the Christians.

In the years following the Marcos government, the violence rate declined, but the insurgencies persisted, and the repeated failures of successive governments would empower the strongman Rodrigo Duterte. The NPA initially struggled in the years following the Marcos regime. It had opposed cooperation with Aquino's democratic government in favor of the continuance of armed struggle (International Crisis Group, 2016). As for Mindanao, the insurgents on the island began a lengthy negotiation process with the central government. In 1996, the region gained a higher level of autonomy, but the fighting would re-intensify in 2000 (Uppsala, 2020). Simultaneously, the Communist fighters stabilized their death spiral in numbers of around 10,000 soldiers at the end of the 1990s (Uppsala, 2020). The next decade would witness repeated attempts at failed negotiation with each faction until the rise of Rodrigo Duterte.

Under his leadership, the central government cracked down on the communist and Islamist insurgencies.

The Communist NPA

The National People's Army (NPA) insurgency began following Marcos's imposition of martial law in 1972. During the Marcos regime, the NPA grew its numbers by exploiting peasants' grievances who despised the corruption and repression of his rule. In 1969, the organization consisted of 60 men, and by the 1980s, the group swelled to 25,000 people (Uppsala 2020). However, the group's fortunes deteriorated when democracy returned in 1986. In the following years, the NPA lost much of its foreign support (Uppsala 2020). Also, the Philippine government attempted to make peace with them. The attempts to make peace with the NPA began under Aquino and were restarted and terminated by successive administrations. Most recently, Duterte attempted to craft peace agreements in 2016 and 2017. He later permanently canceled agreements with the NPA but then negotiated a new ceasefire in late 2019.

The pamphlet "Philippine Society and Revolution" by the movement's founder, Jose Sison, summarizes the NPA's views. The pamphlet characterizes the Philippines as a "semi-feudal, semi-colonial country." Specifically, Sison highlights the immense power of the nation's landed elite who consolidated power. He notes how they came to power through collaborating with the Spanish and the Americans. Following America's victory in 1898, the United States co-opted these elites to extract natural resources at the expense of the populace. Even after independence, he viewed all leaders, from Roxas to Marcos, as servants of the United States and the country's domestic landed elites. He attributes this corruption to the impoverishment of the populace, noting that in 1971, 70% of the public were peasants. To solve these social problems, Sison advocates for the embrace of Marxism-Leninism. This necessitated

the overthrow of Marcos and the landed elite in favor of the dictatorship of the proletariat. Sison also seeks the removal of all American influence. To support this long-term vision, he advocates the nationalization of all businesses and the confiscation of land from the country's wealthy elites. In the short-term, he advocates establishing local committees in barrios, schools, and other small-scale institutions before taking over the society. Overall, the NPA's ideology applied standard Marxist-Leninist theory to the material conditions of the Philippines.

The NPA's tactics have been consistent throughout the country, and they have been particularly active in the Davao, Caraga, and Negros regions. In Davao, the NPA had free-range to conduct its activities (International Crisis Group, 2016). In this environment, the NPA raised nearly half of its funds from revolutionary taxes in Davao (International Crisis Group, 2016). NPA operations revolve around extrajudicial killings as well as the harassment of state security forces. Killings are motivated by the desire to disincentivize informants and punish individuals deemed “enemies of the people” (International Crisis Group, 2016). Attacks on security officials are notable for re-supplying the organization with its weaponry. The NPA succeeds in raising revenues in-part due to the persisting grievances of miners and farmers due to abuses from local corporations. This has resulted in attacks on companies perceived to be exploiters of the people.

The Nationalist & Islamist Insurgencies in Mindanao

The general history of Mindanao highlights its position as an outlier within the Philippines and why it has proven susceptible to insurgent violence. It is one of the “least developed” (Uppsala, 2020) regions of the country, and it contains a significant pocket of Muslims in a nation that is 90% Catholic. Islam was brought to the island by Arab traders in the 10th century, and it remained the dominant faith on the island since the Spanish never conquered the territory. America also experienced immense difficulties in subduing the island following the

war with Spain. Tensions would increase when the country experienced the HUK rebellion because it led to the internal migration of Christians to Mindanao (Uppsala, 2020). This led to frequent clashes between the natives and the immigrants as Muslims lost lands they had owned for centuries. The Filipino government responded to the violence with aggressive campaigns in the late 1960s. By the time of Marcos's dictatorship, Moro nationalists had already organized to demand independence from the central government (Uppsala, 2020). While there were negotiations from 1976 to the present, fighting has continued. While the island's autonomy has expanded, local groups have continued to resist until independence is granted.

The ideologies that permeate Mindanao are a mix of Moro nationalism and Sunni Islamism. As previously mentioned, Mindanao contains a significant Muslim minority in a predominantly Catholic nation. However, when the insurgency began during the Marcos years, it was primarily a Moro nationalist movement seeking independence from Manila, led by university lecturer Nur Misuari (Malan, 2012). However, in 1977 there was a split in the movement led by religious scholar Salamat Hashim (Quimpo, 2016). He despised the "secular" nature of Misuari's education, and he argued that Islamic principles must govern Mindanao. Hashim was also outraged at the MNLF's 1976 treaty with the Marcos regime. As the MILF linked itself to the global struggle to spread Islamism, a disciple of this cause, Abdurajak Janjalani (Uppsala, 2020). He was inspired by strict Salafi Wahhabism of certain factions in the Mujahideen from the Soviet-Afghan War to create the Abu Sayyaf Group, named after a prominent fighter from the war. Janjalani imported this ideology and a total unwillingness to compromise. In summary, the long-standing conflict in Mindanao has been defined by its ideological splits.

While all Moro groups desire autonomy, each one has very different ways of pursuing this goal. As previously mentioned, the MILF was able to grow explosively at the expense of the MNLF. In the 1990s, multiple members of the MNLF entered the government, including its leader Misauri (Quimpo, 2016). However, its officials were utterly incompetent, and the ARMM remained the poorest province in the country. This played a critical role in the rise of Islamist factions. The Islamist factions were further aided by associations between the MILF, ASG, and multiple global terrorist groups, giving them training, weapons, and other forms of international support (Malan, 2012). Another critical difference between the nationalist and Islamist groups is their approach to dealing with the central government. The nationalists have sought compromise with the government since 1976. The Islamist groups are more likely to engage in protracted violence with the hope of weakening the government's resolve to carry on the conflict (Malan, 2012). The MNLF and MILF took advantage of diplomacy to gain an edge over the others. The MNLF has frequently denounced both the MILF and ASG as it cooperates with the Filipino government. While the MILF has used its large numbers to build a conventional force and combat the ASG so that it avoids the label of a terrorist group. The MILF has recently been more willing to work with the government, but ASG and splinter groups have continued their fighting (Uppsala, 2020). Overall, the common goal of autonomy that Moro fighters share should not obscure nuances in how each group has pursued this aim.

The 1991 Law's Impact on Revenues and Service Delivery

The 1991 devolution law defines devolution as the conferring of powers to the local government units (LGUs). Specifically, the LGUs received the power of taxation, new spending authority, and internal revenue allotments (IRAs) (Llanto, 2012). All LGUSs received the IRA in the Philippines (Barangays, cities, municipalities, and provinces) (Panao 2020). This

unconditional fiscal transfer would become the primary source of revenue for many local governments. Evidence can be seen in analyzing the rate of IRA dependency over several years. According to the Bureau of Local Government and Finance, Multiple LGUs have dependency rates above 90% for multiple years (Llanto, 2012). However, the law gave the LGUs new taxing powers. This meant that differences in the rate of IRA dependency arose among multiple local governments. Overall, the law gave local governments powers and resources, which would be consequential for the governance of the Philippines.

The Impact of the IRA

According to Alicor Panao, the present state of the IRA has led the local governments to become overly dependent on the central government (Panao, 2020). Panao has found that the locally-sourced revenue for localities has been low for most LGUs (Panao, 2020). This has magnified the problems associated with the management of IRAs. To start with, numerous LGUs have very under-developed taxation abilities. This is significant because it makes politicians far less accountable to the general public. The reason for this is that the IRA protects the ability of local officials to maintain a consistent flow of revenue regardless of the people's desires. In addition, the IRA has failed to control inequalities since the IRA's implementation has enabled officials to distribute it in a way that benefits them politically (Llanto, 2012). Specifically, the IRA has been used as a tool of political patronage among local officials in the Philippines (Hutchcroft 2010). Resources have been allocated for the purposes of political expediency rather than support for technically sound policies. The discretionary usage of the IRA has proven a vital tool in sustaining patronage networks within the Philippines (Hutchcroft 2010). One notable example of this occurred when President Arroyo used the IRA to fund local officials in exchange for political loyalty in the 2004 election. She later oversaw an expansion of LGUs at every level

to allow more entrants to the program. The IRA also embodies the overspending problem that Gervasoni warned about, as evidenced by the frequent hiring of non-professional staff, likely the reward for political loyalty. In short, IRA dependence has magnified the problems of decentralization.

Taxation in the Philippines

Filipino taxation has generally failed to rise, and this bodes poorly for many of the local governments throughout the country. The period from 1992-2019 indicates that many provinces have been particularly inactive in raising local revenues. The provincial average was 11% of total revenues over time. Metropolitan Manila had the highest average rate of local-revenue generation, at 71%. While Manila likely has this high rate of taxation due to its privileges as the seat of government, this is consistent with other trends identified surrounding cities. According to the Asia Foundation, cities have an average local revenue generation of 65%. Cities are generally more capable of generating local revenues because they have larger tax bases and more options in levying taxes than Provinces or Municipalities (Llanto, 2012). Llanto also notes that the central government has continued to maintain a monopoly on multiple forms of taxation through the Local Government Code. For example, the General Appropriations Act is frequently used by the central government to fund infrastructure projects that fall under authority of LGUs. This trend of persistent overly centralized governance has been especially harmful for the Autonomous Region of Muslim Mindanao (ARMM). These provinces have had local revenues consistently at 0-1% of their budgets, and weak provincial and municipal governments compared to a powerful regional authority (Asia Foundation, 2010). In the rest of the country, a region is simply categorical, but in Mindanao it has practical decision-making powers. This has proven significant since there have been large fiscal imbalances between revenue raised and revenue

spent which has produced inefficient service delivery (Llanto, 2012). In support of this Panao notes that governments which were more active in raising revenue were much more likely to fund social services. Consequently, local-level taxation has remained low, and the Provinces that have been most active in raising them have seen improvements in governance.

Social Services in the Philippines

The 1991 law devolved multiple public services to the local level in the same law that created the IRA. As Llanto notes, the most significant sum of money has been devoted to general administration, which essentially ensures the functioning of local governments (Llanto, 2012). Following this, the second-largest program refers to economic services which deal with multiple economic development issues at the local level (Llanto, 2012). Following these services, smaller amounts in the local budget have been allocated to deal with housing, medical care, and social security. In terms of performance, the results of devolution have been mixed. A few local governments have proven themselves as distinguished providers of public services, while many others have been mired by inefficiency (Llanto, 2012). In short, localities have become a vital source for providing social services in the Philippines, but their success is mixed.

Amid this general description of social services, one must address how social programs have been deployed to counter the insurgency directly. Felter's analysis brought several points relevant to the impact of social services and counter-insurgency in the Philippines. His paper highlighted that the program of conditional tax transfers was successful in reducing the violence rate in the Philippines (Crost, et al., 2016). The program successfully reduced the rate of violence because it “won the hearts and minds” of the populace, enabled people to pay off extortion, and it provided a boost to the local economy, weakening the appeal of the insurgency. However, the Philippines has also seen projects that have backfired and boosted support for the insurgency. As

noted, certain programs such as the community-driven development programs have increased the overall violence rate because insurgents resorted to violence so that the program would fail (Croft, et al., 2014). All in all, the ability of service delivery to mitigate the violence rate is highly consequential, and it can improve or worsen the situation.

Chapter 3

Empirical Tests

Hypotheses

Hypothesis 1. Where and when the government of a province is more autonomous—that is, less reliant on central government allocations for its local-budget revenues, the number of violent incidents in that province will be lower.

Of course, this general hypothesis does not distinguish whether this effect on civil war is entirely due to greater provision of services, or the development of this local taxation leads to a greater sense of accountability and information-gathering. The service-provision logic of the first causal connection depends on whether locally generated revenues and autonomy lead to greater accountability to local preferences and greater efficiency in government service delivery. And it further depends on whether this Quality of Government service delivery leads to lower political violence. Also, the quality of service delivery must be assessed as an independent variable in relation to violence.

Hence, the two supplementary hypotheses:

Hypothesis 2. Where and when the government of a local jurisdiction is more autonomous, government expenditures and delivery of social services will be higher.

Hypothesis 3. Where and when delivery of social services is higher, political violence will be lower.

Research Design

This project involves an observational study focused on a quantitative method. The data analysis uses original panel data, looking at insurgent violence in the 81 provinces of the Philippines, and the time will be from 1991-2019. The dependent variable is the violence rate. The independent variable is the progress of devolution through the growth of local government revenues in relation to internal revenue allotments from the central government. The intervening variable is service delivery as measured by provincial-level social spending. The dependent variable is the rate of provincial-level violence. These variables enable the project to track how the progress of decentralization relates to the theoretical causes of civil war violence. Also, the present method of running the panel data is an OLS regression with fixed effects. This will ensure that the effects of local-sourced revenue and the controls are contained in each province. Most importantly, it will reveal outlier years and provinces that will enable a more nuanced analysis of how taxation affects the rate of violence.

Variables

The dependent variable (*ViolentIncidents*) is the annual number of violent incidents in each province. The violence data comes from xSub, a study of subnational violence run by Yuri Zhukov and Christian Davenport from the University of Michigan, Ann Arbor. This data covers the relevant time frame (1989-2019).

The key independent variable (*LocalRevenues*) is the percentage of LGU revenues collected from local sources. This is calculated from data published by the Bureau of Local Government and Finance (BLGF), which refers to the collected fiscal data on all available LGUs. Locally-sourced revenue relates to funds that the local governments gain through local-level taxation and fees. The BLGF's terminology shifted over the years. From 1992 to

2000, the locally-sourced revenue is calculated by dividing total taxation, service fees, and economic fees by the total income. No metadata was provided for this era. It is calculated from 2001 to 2019 by dividing all total taxation, including service, regulatory, and economic fees, by the annualized regular income (ARI). The ARI calculation formula is provided in the BLGF's metadata.

The control variables identified by other theories include measures of demography, geography, and income. The former provides the population and population density for each province from 1990-2015 for every five years from the Philippines Statistical Yearbook. The total number of languages and ethnicities present in each province come from the xSub database. The presence of oil at the provincial level is also taken from xSub. LGU income comes from the BLFG database. Measures of geography and climate, including elevation, forestlands measured in kilometers, wetlands, temperature, and rainfall, are taken from xSub.

The intervening variable (*Services*) is the percentage of the budget allocated to social services by LGUs in each province from the BLFG. These data also reflect the terminology shifts in Philippine budgetary data. It was calculated from 1992-2000 by adding the categories “internal security and public welfare” and “economic development, and then dividing it by total expenditures. From 2001-2008, it was calculated by adding the health,” “education,” “social welfare,” and “economic development” divided by total expenditures. From 2009-2019, these categories were separated by “total operating income” plus total “non-operating income.”

Results

The coefficients and significance scores must be defined. The coefficients multiply the cause of violence. B this, it is meant that if the coefficient is -25, then this means that a violent

incident is 25 times less likely. Statistical significance refers to how consistent this effect is throughout the dataset. Collinearity has also limited the number of control variables

Ranked Equation System

Table 1 Regression Results: Interaction between Services & Local Revenues

	Services
Local Revenues	0.355340 ($<2e-16$) ***
Constant	0.358654 ($<2e-16$) ***
Observations	2,474
R ²	0.05641
Adj. R ²	0.05603

Estimation procedure: OLS regression (R Studio)

Significance: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, . $p < 0.1$

Table 2 Regression Results: Interaction between Violent Incidents & Local Revenues

	Violent Incidents
Local Revenues	37.9470 ($<2e-16$) ***
Constant	0.3106 (0.641)
Observations	2,474
R ²	0.00001257
Adj. R ²	-0.0003918

Estimation procedure: OLS regression (R Studio)

Significance: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, . $p < 0.1$

Table 3 Regression Results: Interaction between Violent Incidents & Services

	Violent Incidents
Services	0.4871 (0.860074)
Constant	0.358654 (0.00308) ***
Observations	2,475
R ²	0.00001257
Adj. R ²	-0.0003918

Estimation procedure: OLS regression (R Studio)

Significance: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, . $p < 0.1$

Table 4 Regression Results: Basic Model

	Violent Incidents
Local Revenues	40.039 ($<2e-16$)***
Services	-5.886 (0.0355)*
Constant	2.422 ($3.01e-11$)***
Observations	2,474
R ²	0.03573
Adj. R ²	0.03495

Estimation procedure: OLS regression (R Studio)

Significance: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, . $p < 0.1$

Regressions 1-4 demonstrate a ranked equation system. The system begins with a regression of *Services* on *LocalRevenues*. Then these variables are separately regressed on the dependent variable, *ViolentIncidents*. This enables a pathway analysis to see if the independent variable affects the dependent variable through the intervening variable. The small coefficients in table 1 and 4 reveal that the independent and intervening variables lack a strong relationship. Also, since *LocalRevenues* has larger coefficients and is more statistically significant, it explains the number of violent incidents more clearly than *Services*.

Basic Results

Table 5 Regression Results: Model With Controls

	Violent Incidents
Local Revenues(IV)	-12.98 (0.01228)*
Services	1.302 (0.63529)*
Presence of Petroleum	-4.122 (0.1146)

Income	2.219e-03 (<2e-16)***
Population Total	-6.430e-07 (0.26388)
Average Elevation	6.97e-04 (0.66763)
Number of Languages	1.011e-01 (0.53159)
Distance to Provincial Capital	3.847-03 (0.01826)
IV*Presence of Petroleum	50.23 (0.0091)**
Constant	0.5997 (0.74552)
Observations	2,392
R ²	0.2642
Adj. R ²	0.2614

Estimation procedure: OLS regression (R Studio)

Significance: *** p < 0.001, ** p < 0.01, * p < 0.05, . p < 0.1

Table 6 Regression Results: Fixed Effects Parts 1 & 2

	(Part 1)	(Part 2)
Local Revenues	-25.04 (0.00113)***	-25.04 (0.0001132)***
Services	6.564 (0.121867)	6.564 (0.121867)
Income	2.652e-03 (<2e-16)***	2.652e-03 (<2.2e-16)***
Population Total	4.813e-06 (0.50544).	4.8132e-06 (0.0505436).
Constant	-1.385 (0.737325)	-0.0073 (0.00978)

Observations	2392	2392
R ²	0.4333	0.37283
Adjusted R ²	0.4052B	0.3412

Estimation procedure: Fixed Effects OLS regression (R)

Significance: *** p<.001, ** p<.01, * p<.05

Tables 5 and 6 will be used for the basic results. Table 5 will be used for most of the control variables, and the results from table 6 part 2 will be where *LocalRevenues*, *Services*, *Income*, and *Population Total* are drawn from. It was necessary to reduce the number of controls in the fixed effects regression because when more than the minimum was used, the collinearity issues produced multiple provinces that had NA values rather than useful coefficients. Also, the two parts of table six refer to sets of coefficients produced in the fixed effects regressions in R. Part 1 identified the most statistically significant provinces, and part 2 applied the panel linear model data method to find the most significant years.

LocalRevenues: At each stage of the testing, the independent variable of local-revenues had a negative coefficient, and it has maintained its significance after the construction of each regression. The coefficient that the application of fixed effects produced is -25.043. This means that for every percentage 1% increase in the percentage of local revenue sources, the violence rate drops by 25 incidents. The results of this variable have confirmed the first hypothesis, that greater fiscal autonomy is likely to mean a lower rate of violence. This result is consistent with the idea that the pursuit of decentralization makes local governments more accountable to the needs of the public. The greater the reliance upon local revenues, the less reliant the government is on the IRA. A low IRA dependency is significant because the IRA is often used for patronage politics (Llanto 2012). As a result, fiscally autonomous governments are less likely to succumb to elite capture, which guarantees their accountability.

Services: Unlike *LocalRevenues*, spending has failed to maintain a similar level of statistical significance or the anticipated negative relationship to the rate of violence. Notably, the relationship between *LocalRevenues* and *Services* was statistically insignificant, as evidenced by the small coefficient produced in the interaction regression, $3.6e+01$. In the fixed effects regression, the coefficient was 6.5640, emphasizing a positive relationship between the relevant spending measure and violence. Within the acquired theoretical literature, two explanations exist for this relationship. One possible explanation is that projects in the relevant spending categories contributed to insurgent violence. Crost (2014) identified poorly designed-aid projects as a contributor to insurgent violence. Another explanation for this result comes from the flypaper effect. The flypaper effect emphasizes that an overreliance on the center is likely to produce local governments, resulting in a larger proportionate increase than from revenues raised at the local level (Arends 2020).

Income: This variable measures total government income, and it has maintained a small coefficient of $2.0e$ and a consistently high rate of statistical significance. The coefficient is attributable to the fact that LGU revenues have grown continuously over the observed time, and it was near its highest during the most violent years. While it appears to be counter-intuitive that an increase in LGU income is correlated with more violence, it should be remembered that much of the growth comes from the IRA (Asia Foundation, 2010). This is especially the case for the provinces in Mindanao (Basilan, Maguindanao, and Sulu) that were rated as statistically significant with positive coefficients.

Population: This variable has a positive coefficient of $4.1832e-06$ with a moderate level of statistical significance. This result has proven consistent with Collier and Hoeffler's theory that population size has a small marginal effect on increasing the likelihood of war. Also,

population serves as a control on the number of violent incidents per capita within a population. This scaling is a necessary inclusion since individual provinces vary from 100,000 to over 10 million in total population.

Average Elevation: Elevation has produced a small positive coefficient of $6.97e-04$ that is not statistically significant. This is consistent with the output from Collier & Hoeffler. They identified elevation as a possible factor in motivating violence, but they found that it was statistically insignificant compared to other variables.

Number of Languages: The number of languages per province yields a statistically insignificant coefficient of $1.011e-01$. This coefficient suggests that more languages and races per province have a slightly positive relationship with the rate of violence. However, more research is necessary on social fractionalization in the Philippines. Social fractionalization is inherent to Mindanao, a part of the country distinguished by its cultural differences from the rest of the country and its high level of violence (Uppsala, 2020).

Distance to the Provincial Capital: The inclusion of this control variable relates to a point discussed by Llanto. He mentions that cities tend to have much larger tax bases to draw on than provinces and municipalities so this indicates that provinces with a larger distance to the provincial capital would have a higher rate of violence since they are far from tax bases which produces the small positive variable of $3.847e-03$ (Llanto, 2012).

LocalRevenues*Petroleum: The interaction between local-revenue sources and petroleum produced a positive and statistically significant coefficient. Whenever a province has an oil reserve with a high level of local revenues, the violence rate is multiplied by 50.23. The significance of this variable combination is rooted in the theoretical literature. Oil makes a government less reliant upon taxation for its revenues and less accountable to its citizens

(Collier, et al., 2009). In addition, oil provides an easy source of rebel finance. In the Philippines, oil usage is plausible in fueling the insurgency as a common NPA strategy involves skimming resources from impoverished and resource-rich areas (International Crisis Group, 2016). As previously emphasized, the NPA maintains positive relations with miners in Davao, enabling them to use the commodities to finance their insurgency.

Provinces in ARMM (Basilan, Maguindanao, and Sulu): Except for Metropolitan Manila, every statistically significant province was in the Autonomous Region of Muslim Mindanao. The coefficients for each province are 10.4, 14.24, and 11.06. From 1992-2019, Basilan received 2% of its budget from locally-sourced revenues, Maguindanao received 1%, and Sulu received 1% of its funding from local revenues, according to the BLFG data. So in this sense, these individual provinces confirm hypothesis 1. However, these trends must acknowledge the general state of the ARMM since the passage of the 1991 law. While for most of the country, the regional categorization is simply a categorization tool, ARMM has a powerful regional government that exercises power to the detriment of the provinces and municipalities (Asia Foundation, 2010). In part, this is due to the lack of clarification in the Muslim Mindanao Autonomy Act (MMAA), which applies the condition of the local government code to Mindanao. Specifically, the Local Government Code sets clear policy areas for each subnational level, and the MMAA does not. Also, due to the high level of conflict in these individual provinces, it is unlikely that they hold legislative sessions very often. These provinces are conflict hotspots within the region (Asia Foundation, 2010). In summary, the provinces in Mindanao conform to the general relationship, but more scrutiny is needed to see if other factors prove more statistically significant.

Metropolitan Manila: Unlike the rest of the provinces, Metropolitan Manila is a collection of cities, including its capital, Manila. For this reason, Metropolitan Manila has the highest average local-revenue dependency of all provinces during the 1992-2019 period, at 71%. It also has the largest local government income at 129,000 (measured in millions of pesos). It is also one of the country's most populous areas, with a present population of 13 million people. It has a coefficient of -97.59, meaning that it has been one of the least violent provinces. Also, Metropolitan Manila likely has some of the best service delivery in the country. Its HDI has consistently had a score near 0.80 (Philippine Statistics Authority, 2020). The Philippines has an average score of .71, and certain areas rank as low as .2 on the scale. While this province also confirms hypothesis 1, future analysis should account for its uniqueness in funding from the other provinces.

2011-2014: The regression found that these three years had minor statistically significant in terms of an across the board drop in violence. The coefficients produced by these years are -6.118, -6.3490, -6.7478, and -6.8552. These years coincided with Aquino's attempts at forging peace settlements with the NPA as well as the fighters in Mindanao (Uppsala, 2020). So, that likely explains the moderate drop in violence during this time.

2016-2018: These three years were the most statistically significant. The coefficients produced by the latest regression are: 25.328, 24.56, and 10.207. These years also coincide with the first few years of Duterte's tenure in office. As previously noted, his time was marked with the popular campaign to organize the extrajudicial murder of drug dealers and users (Kurlantzick 2016). In terms of interacting with the other insurgencies, Duterte called off peace with the NPA in 2017 and declared them a terrorist group which led to two years of intense fighting (Uppsala, 2020). In Mindanao, his top priority was combating the ASG, and he led several offensives into

the territory for the entirety of the period (Uppsala, 2020). But in 2019, he agreed to a ceasefire and resumption of negotiations with the NPA. He then abolished the ARMM and replaced it with the Bangsamoro Autonomous Region in Muslim Mindanao in 2019.

Robustness Checks on Significant Provinces and Years

In the regression table 7, robustness checks were performed to ensure that the basic results were not proxying for deeper conditions. To test this, the basic model was interacted with each of the significant provinces and years.

Table 7 Regression Results: Robustness Checks, Significant Provinces and Years

	Before Interaction	Manila	Mindanao	2011-2014	2016-2018
Local Revenues	-10.93 (0.0304)*	-2.862 (0.55742)	-7.925 (0.117)	-1.21 (0.8155)	-33.68 (1.18e-13)***
Services	1.261 (0.006463)	-0.9748 (0.70966)	2.089 (0.445)	0.001064 (0.9969)	4.424 (0.666).
Provinces		-21.04 (0.15344)	15.41 (4.19e-07)***		
Years				4.151 (0.0291)*	-4.797 (0.0257)*
Income	0.02219 (<2e-16)***	0.02219 (<2e-16)***	0.002219 (<2e-16)***	0.002275 (<2e-16)***	0.001618 (<2e-16)***
Population Total	-6.203e-07 (0.1717)	0.003385 (5.5e-08)	-7.984e-07 (0.462)	-8.553e-07 (0.1309)	9.139e-07 (0.0703).
Average Elevation	0.0006774 (0.6768)	0.001031 (0.5049)	0.001192 (0.462)	0.0007961 (0.6200)	0.0002637 (0.8531)
Number of Languages	0.1186 (0.4383)	0.07529 (0.60508)	0.1430 (0.348)	0.1134 (0.4531)	0.04141 (0.7574)
Distance to Provincial Capital	0.003657 (0.0174)*	0.005087 (0.00052)***	0.001911 (0.222)	0.003705 (0.0148)	0.003423 (0.0112)*

Local Revenues:Provinces		-148.9 (5.7e-11)**	-29.42 (0.110)		
Local Revenues:Years				-73.96 (4.13e-11)***	211.9 (<2e-16)***
Constant	0.5377 (0.7692)	-4.090 (0.002064)*	0.1604 (0.930)	0.7576 (0.6760)	-0.938 (0.5364)
Observations	2,392	2,392	2,392	2,392	2,392
R ²	0.2619	0.334	0.2708	0.2802	0.4341
Adjusted R ²	0.2597	0.3315	0.268	0.2775	0.432

Estimation procedure: OLS regression (R Studio)

Significance: *** p<.001, ** p<.01, * p<.05

ARMM Provinces (Basilan, Maguindanao, and Sulu): In this robustness check, the independent variable, *LocalRevenues*, lost its high level of statistical significance. The coefficient produced by *LocalRevenues* is -7.925, and the interaction variable was -29.42. While these coefficients suggest that the general relationship that higher revenues lead to less violence, neither one is considered statistically significant. Also, the coefficient for the location in Mindanao is 15.41, and it is very statistically significant. This implies that fully comprehending the causes of violence in the ARMM requires additional research. To start with, Mindanao is very different from the rest of the country. It has a vocal Muslim minority, and as previously mentioned, it is one of the most impoverished areas of the country (Uppsala, 2020). Also, all provinces within the ARMM were under a regional government (Asia Foundation, 2010). In the rest of the country, the regional level is simply categorical.

Metropolitan Manila: With this robustness check, the independent variable, *LocalRevenues*, lost its significance, and it produced the nonsignificant coefficient -2.862. However, the interaction between Manila and *LocalRevenues* had a highly significant coefficient of -14.89. Metropolitan Manila contains the nation's capital, and it is one of the most populated

areas of the country, and it contains 36% of the Philippines GDP, which gives it one of the highest rates of *LocalRevenues* (Heydarian, 2018). Manila's collection rate is also consistent with the idea that cities have much higher rates of *LocalRevenue* collection than provinces or municipalities (Llanto, 2012).

2011-2014: The robustness check in this interaction produced a coefficient of -49.68 with a high level of statistical significance for this interaction. The interaction between local revenues with 2011-2014 indicates a precipitous decline in violence for provinces with high *LocalRevenue* collections. Regarding the context of these years, Benigno Aquino was active in pursuing peace with both the CPP and the Moro fighters. With the former, Aquino organized talks in the Nordic states. During this time, the CPP likely halted its revolutionary taxation programs that devastated investments (International Crisis Group, 2016). But the negotiations fell apart when the CPP demanded the release of prisoners (Uppsala 2020). In Mindanao, the government negotiated with the MILF fighters and signed a comprehensive treaty, but separatist groups and ASG continued fighting against the government.

2016-2018: The interaction of 2016-2018 with *LocalRevenues* produced a highly statistically significant coefficient of 211.9. Services produced the moderately significant 4.24 for revenues. This time coincides with a spike in violence directly driven by policies adopted by President Rodrigo Duterte. Under his watch, the government oversaw a crackdown on drug users through extrajudicial killings of users and dealers throughout the country. Extrajudicial killings were especially pronounced in impoverished parts of the major cities (Human Rights Watch, 2017). Also, he oversaw an intensification of the conflicts with the NPA when he declared them terrorists and vowed to end further peace talks (Uppsala, 2020). Duterte also led attacks on insurgents in Mindanao, mostly ASG and several splinter groups. As a result, the positive

coefficient comes from the simple fact that violence escalated throughout the country, as indicated by the number of violent incidents per year.

Conclusion and Suggestions for Further Research

The key finding is provinces that received greater shares of their income from taxation, and local fees were less violent than provinces that were more dependent on allocations from the central government, which confirms hypothesis 1. However, in hypotheses 2 & 3, the relationships did not develop as expected. Spending on relevant activities had a weak relationship with locally-sourced revenues, and it had no statistical significance in reducing the violence rate. The endogeneity of *Services* alone will necessitate further study. Ultimately, theory, history, and data must all be considered.

A greater exploration of theory and history is necessary for future research. Future projects should expand on the general theories surrounding service delivery, taxation, and insurgent violence. This would entail a more in-depth analysis of administration and its causal links to certain forms of violence. By studying these relationships in greater detail, the issues surrounding endogeneity and the causal mechanisms could become clearer. Also, alternative decentralization metrics could be considered, such as one that measures local accountability in a politically-oriented discussion. Another consideration for a future analysis would be to search for additional alternative explanations for conflict in developing conflict. For example, Collier and Hoeffler identified the sex-ratio and status as a former French colony as relevant factors for violence (Collier, et al., 2009). A future study should concern itself with which forms of violence decentralization exacerbates and how it affects insurgent groups more broadly. Concerning the Philippines, a prospective study should pay more attention to the roles of dynasties in the political process and how this affects the archipelago's politics. A deeper analysis of the history

could also account for why the provinces have developed differently. A future project should also provide more details regarding what separates Mindanao from the rest of the country.

Other considerations for future research projects involve an acknowledgment of organizing the code in greater detail. For future suggestions, the independent variable, taxation, should include the average locally-sourced revenue from the cities and municipalities within each province. The intervening variable, services, could receive a greater explanatory power if the categories (Health, education, development, social welfare, and others) were coded separately. Future projects should include an impact variable to see if service delivery was efficient. This could be accomplished by interpolating pre-existing HDI data. A future project should also weigh the impact of local-level dynasties and policymaking. This necessitates data from the Commission on elections, which reveals voter turnout and candidate victories at every level of government. Additionally, a more detailed assessment of demographics requires the 2000 and 2010 religious identity surveys in the Philippine Statistics Authority. For the dependent variable, a future study should account for the type of violent action that an insurgent group commits rather than a general record of violent incidents. All of these changes are possible with pre-existing datasets. In the end, this work has been just a minor part of studying the relationship between security and development, and hopefully, future researchers will answer the remaining ambiguities on this subject.

Appendix

Regressions 8 & 9 Test the effects of terminology shifts on the independent and intervening variables.

Table 8 Regression Results: Robustness Checks on Terminology Shifts, Independent Variable

	Before Interaction	1989-2000	2001-2008	2009-2019
Local Revenues	-10.93 (0.0304)*	-15.21 (0.015272)*	-1.703 (0.7491)	-1.703 (0.7491)
Services	1.261 (0.006463)	1.302 (0.63529)*	1.843 (0.63529)*	-1.703 (0.7491)
Years		-4.500 (0.000415)***	1.223 (0.3729)***	0.9927 (0.00141)***
Income	0.02219 (<2e-16)***	0.002196 (<2e-16)***	0.002109 (<2e-16)***	0.001963 (<2e-16)***
Population Total	-6.203e-07 (0.1717)	-6.430-07 (0.269812)	-2.246e-08 (0.9688)	4.968-08 (0.931174)
Average Elevation	0.0006774 (0.6768)	0.0008002 (0.621626)	0.0007639 (0.5388)	0.0007639 (0.632916)
Number of Languages	0.1186 (0.4383)	0.1011 (0.511838)	0.1015 (0.53159)	0.07463 (0.620277)

Distance to Provincial Capital	0.003657 (0.0174)*	0.003847 (0.43292)*	0.003414 (0.0251)*	0.003300 (0.029834)*
Local Revenues: Years		5.265 (0.517553)	-46.668 (4.25e-08)**	32.45 (0.000116)***
Constant	0.5377 (0.7692)	3.327 (0.101274)	-1.200 (0.9657)	-1.200 (0.508521)
Observations	2,392	2,392	2,392	2,392
R ²	0.2619	0.2676	0.2762	0.2861
Adjusted R ²	0.2597	0.2848	0.2734	0.2834

Estimation procedure: OLS regression (R Studio)
Significance: *** p<.001, ** p<.01, * p<.05

Table 9 Regression Results: Robustness Checks on Terminology Shifts, Intervening Variable

	Before Interaction	1989-2000	2001-2008	2009-2019
Local Revenues	-10.93 (0.0304)*	-12.91 (0.0114)*	-11.69 (0.0204)*	-15.97 (0.0168)**
Services	1.261 (0.006463)	-0.269 (0.9609)*	2.056 (0.4854)	1.133 (0.70904)
Years		-4.275 (0.940).	-4.064 (0.2252)	7.780 (0.00897)
Income	0.02219 (<2e-16)***	0.002177 (<2e-16)***	0.002182 (<2e-16)***	0.002127 (<2e-16)***
Population Total	-6.203e-07 (0.1717)	-6.062e-07 (0.269812)	-5.131e-07 (0.3684)	-4.020e-07 (0.47729)
Average Elevation	0.0006774 (0.6768)	7.758e-04 (0.6340)	0.0007233 (0.6557)	0.0009171 (0.56893)
Number of Languages	0.1186 (0.4383)	9.781e-02 (0.5244)	0.1172 (0.4433)	0.07871 (0.53159)
Distance to Provincial Capital	0.003657 (0.0174)*	0.003175 (0.0404)*	0.003713 (0.0251)*	0.002900 (0.05661).

Services: Years		5.713 (0.8863)	0.08732 (0.9907)	-0.9317 (0.89007)
Constant	0.5377 (0.7692)	3.135 (0.2311)	1.256 (0.4989)	-1.191 (0.74552)
Observations	2,392	2,392	2,392	2,392
Between R ²	0.2619	0.2675	0.267	0.2816
Within R ²	0.2597	0.2647	0.2642	0.2789

Estimation procedure: OLS regression (R Studio)

Significance: *** p<.001, ** p<.01, * p<.05

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