



Economic Brief | Issue No. 2  
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# HOW BARM ECONOMY WORKS

*Understanding the Economic Ecosystem of the Bangsamoro Autonomous  
Region in Muslim Mindanao*

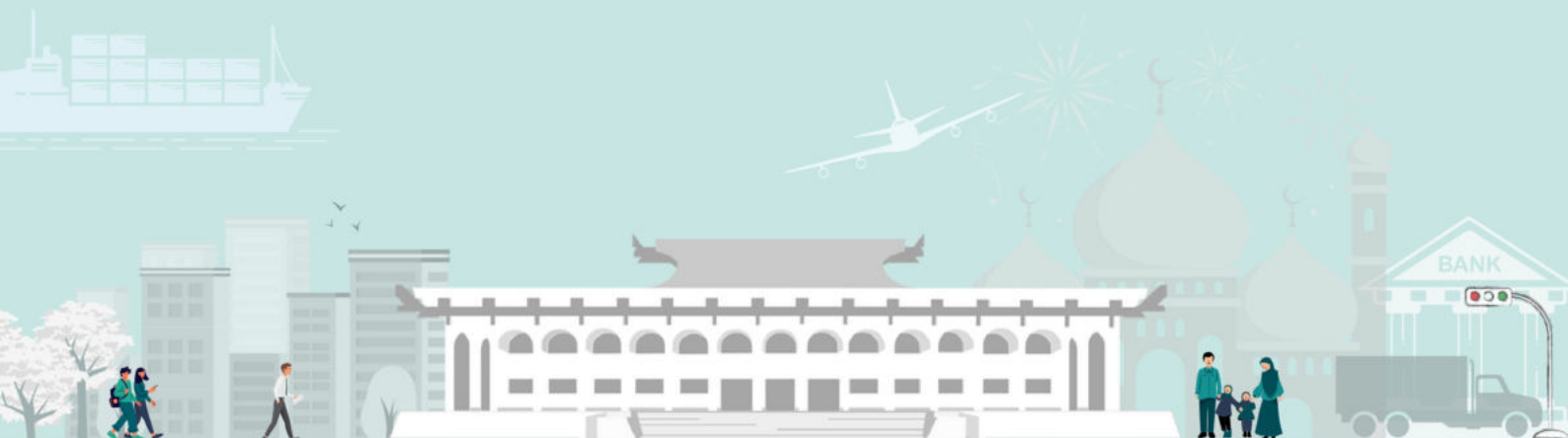


# ACKNOWLEDGEMENT

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We must also express our gratitude towards all those who have contributed directly or indirectly to the completion of this briefer. This includes the countless individuals and institutions who have provided data, shared insights, and offered their perspectives.



# ABOUT THIS BRIEFER

This brief is meticulously crafted to meet the growing interest among readers for understanding the economic landscape of BARMM and appreciating its pivotal role in fiscal and policy developments. It elucidates the intricate economic interactions within the region, highlighting the cyclical activities among key players such as firms, households, government, and financial institutions.

The brief also provides a comparative analysis between the economies of the world, the Philippines, and BARMM, illuminating their interconnectedness and unique contributions to the broader economic canvas. Insights into the performance and contributions of specific sectors within the BARMM economy are also offered, along with a detailed overview of the economic activities and potential of each province within the region, showcasing their distinctive economic profiles.

Beyond introducing fundamental economic concepts, the brief outlines the region's economic milestones and significant events, offering readers a contextual understanding of how the BARMM economy has evolved over time. This tool is not only designed to enhance public understanding but also to support robust analysis for effective fiscal planning and policy formulation in BARMM, steering the region towards transformative socioeconomic development.

**DISCLAIMER:** The analyses and recommendations in this brief are those of the author/s and should not be attributed to the Ministry and/or the Bangsamoro Government.





# EXECUTIVE SUMMARY

The brief provides a comprehensive explanation of various economic aspects of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). It begins by outlining the Economic History of BARMM which reveals a complex journey, with its economy initially thriving on trade, agriculture, and bartering with Asian kingdoms pre-Spanish colonization in 1521. The Spanish era introduced a tribute system, facing resistance from the Moro people, and altered trade dynamics, while the American period brought new taxation and infrastructure but met challenges. Post-independence, the region grappled with fiscal issues due to land conflicts. The establishment of BARMM in 2019 offered greater fiscal autonomy, with the region's economic future hinging on the effective implementation of new policies and response to local economic conditions.

Furthermore, the brief outlines the interconnectedness of the World, Philippine, and BARMM economies. With a global GDP of \$100.22 trillion, major economies like the U.S., China, and India significantly influence key sectors. The Philippines, contributing 0.0003865% to global GDP, saw a robust 7.6% growth in 2022 due to a vibrant job market and increased investments. Meanwhile, the BARMM economy, contributing 1.48% to the Philippine GDP, has unique growth potential despite a 2020 slowdown, with signs of gradual recovery and strategic investments fostering development.

The brief also delves into the Sectoral Performance of the BARMM Economy. The Agriculture, Forestry, and Fishing sector is foundational to the economy, consistently contributing a significant portion to the region's economic output. The industry sector has demonstrated remarkable growth, indicative of the region's ongoing industrialization and diversification efforts. Concurrently, the services sector has witnessed consistent and robust growth, signaling a transition towards a more diversified and service-oriented economy.

Insights into the Economic Landscape of BARMM Provinces are also provided, with summarized economic profiles for each province within BARMM. Each province has unique economic activities and potential, contributing distinctively to the overall economic landscape and development within the region. Together, these provinces form a tapestry of vibrant economic sectors, presenting various opportunities for growth and investment.

Lastly, the brief introduces the BARMM Economic Circular Flow Model. This model illustrates the symbiotic relationships among the government, households, financial institutions, and firms, all of which drive the regional economy. The government deposits funds into financial institutions to finance public services and projects, while these institutions lend money back to the government for significant initiatives. Households and firms interact with financial institutions for loans, savings, and capital, creating a cycle of economic activity that stimulates growth and development in the BARMM region.

# ECONOMIC HISTORY OF BARMM

Before 1521

## Pre-Spanish Period

The economy was based on trade, agriculture, and bartering without a centralized fiscal system

The economic history of the BARMM presents a rich and complex journey. Prior to Spanish arrival in 1521, the region thrived on trade, agriculture, and bartering, with robust interactions with nearby Asian kingdoms including China, India, and the Middle East. There was no centralized fiscal system in place, but each community had its own system of revenue collection or tribute. [1]



1521 - 1898

## Spanish Colonial Period

The Spanish enforced a tribute system, but struggled to implement fiscal policies due to resistance from the Moro people

The Spanish period from 1521 to 1898 brought numerous economic changes, with the colonizers imposing a tribute system. However, the system was met with fierce resistance from the Moro people, and economic activities like trade suffered significant transformations, as reflected in the growth of Philippine commercial activity in the Sulu Archipelago during the late 18th century. [1]



1898 - 1946

## American Colonial Period

The U.S. introduced a new taxation system and infrastructure development but faced resistance and geographical challenges

From 1898 to 1946, under American rule, the U.S. struggled with what they referred to as the "Moro problem". They introduced new taxation systems and invested in infrastructure development, but enforcement was difficult due to resistance and geographical challenges. Land migration policies like the Quirino-Recto Colonization Act further complicated the socio-economic landscape. [2]



1946 - 1960s

## Post-Independence

Philippine fiscal policies for national integration struggled with taxation and expenditure challenges due to land conflicts

In the post-independence period from 1946 to the late 1960s, efforts were made to integrate the region into the national economy. However, fiscal policies faced challenges in taxation and public expenditure due to persistent land conflicts. [3]



1970s - 1996

## Mindanao Armed Conflict

The GPH-MNLF conflict led to economic decline and disruption in taxation and public expenditure

The period of armed conflict from the 1970s to 1996, marked by the establishment of the Moro National Liberation Front (MNLF), Moro Islamic Liberation Front (MILF), and subsequent conflicts, led to economic decline, with both taxation and public expenditure severely affected. The crisis deepened during Martial Law in 1989, contributing to increasing economic instability. [4]



1989 - 2018

## Establishment of ARMM

The establishment of ARMM provided a new political framework for economic policies and development programs

The establishment of ARMM provided a new political framework for economic policies and development programs. Despite fiscal autonomy and budget provision from the national government, the ARMM faced challenges in optimizing their systems and processes. [5]



2019 - Present

## BARMM Government

The BOL increased fiscal autonomy and tax share for the region, with impacts dependent on local factors and policy implementation

The establishment of BARMM in 2019, through the ratification of the Bangsamoro Organic Law, ushered in hope for greater regional autonomy. The law provides an increased share of local taxes, fees, and charges, and a larger share of national taxes [6]. The true impact of these fiscal policies, however, will be determined by the implementation and the evolving local economic conditions.





# THE WORLD, PHILIPPINE, AND BARMM ECONOMIES

## WORLD

**\$100.22**  
trillion

at current prices

Source: International Monetary Fund

- With a global GDP of \$100.22 trillion, the U.S., China, Japan, Germany, and India lead with distinct strengths in key sectors. These nations significantly contribute with unique strengths in sectors like technology, manufacturing, services, and finance. [7]
- India and China are pivotal, showcasing rapid growth with large workforces, technological advancements, and expanding consumer bases. [7]
- The global economy faces challenges like disparities among nations, market fluctuations, and the need for sustainable, inclusive growth strategies. [7]

## PHILIPPINES

**\$404.28**  
billion

(Php 22.02 trillion)

at current prices  
\*as of April 2023

Source: Philippine Statistics Authority

- The Philippine economy, while showing signs of robust growth, plays a relatively small role in the global economic landscape with a contribution of just 0.0003865% to the World GDP.
- The country witnessed a robust 7.6% GDP growth in 2022, the highest in 46 years. This growth, driven by a vibrant job market, significant domestic demand, and increased investments, exceeded various international forecasts. [8]
- Q1 2023 saw a 6.4% economic boost in the Philippines driven by strong domestic demand, despite global challenges. With inflation at 6.4% in September, a 7.3% fiscal deficit in 2022, and a projected 6.0% growth for 2023, strategies are in place to manage inflation, increase revenue, and promote clean energy investments for sustained development and poverty reduction. [9]

## BARMM

**\$5.56**  
million

(Php 326.77 billion)

at current prices  
\*as of April 2023

Source: Philippine Statistics Authority

- BARMM Contribution to Philippine GDP is 1.48%. Despite being one of the smallest contributors to the national economy, the BARMM region possesses a unique economic structure and potential for growth. Its contribution reflects the economic activities within its jurisdiction, providing valuable resources and services to the overall Philippine economy.
- Like economies worldwide, the BARMM economy experienced a slowdown in 2020 due to the COVID-19 pandemic. However, there are positive indications of a gradual yet steady upward trend in economic activity in the region. Although the pace of recovery might be slow, with strategic policies and investments in place, the economy is showing promising signs of moving towards growth and development. [10]

# SECTORAL PERFORMANCE OF BARMM ECONOMY

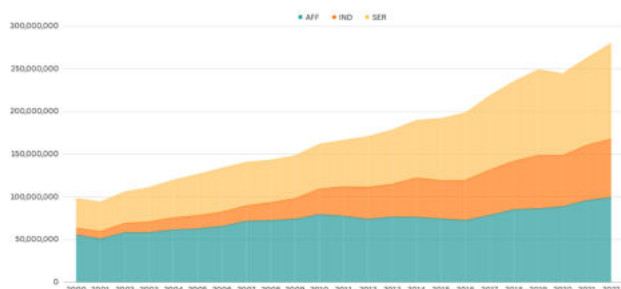


Figure 1. Breakdown of GRDP by Supply Side Sectors in BARMM from 2000 to 2022 (in Philippine Peso)



Figure 2. Annual GRDP Growth Rate of BARMM from 2001 to 2022 (% change)

The economy of the BARMM has experienced a dynamic and varied trajectory from 2001 to 2022, showcasing periods of both growth and contraction. With a Gross Regional Domestic Product growth rate ranging from -4.0% to 12.3%, the region's economy reflects resilience and adaptability amidst various challenges and opportunities. Over the years, BARMM has seen substantial economic expansion, particularly in years where growth exceeded 7%, demonstrating the region's potential for economic development and progress.



## Agriculture, Forestry, and Fishing (AFF)

The AFF sector is foundational to the BARMM economy, consistently contributing a substantial portion to the region's economic output. From 2000 to 2022, the AFF sector experienced growth from Php 55,373,996 to Php 99,106,452. This growth trajectory underscores the region's deep agricultural roots and its reliance on these traditional sectors for employment and livelihood. The increase in output may be attributed to improvements in agricultural practices, diversification of crops, and expansion in fisheries and forestry activities.



## Industry (IND)

The industry sector has demonstrated remarkable growth over the years, expanding from Php 7,970,250 in 2000 to Php 68,750,384 in 2022. This significant increase is indicative of the region's ongoing industrialization and diversification efforts. The growth in the IND sector suggests a strengthening and diversification of manufacturing, construction, and utility services within BARMM. The establishment and expansion of small to medium-sized enterprises, coupled with investments in infrastructure projects, have likely played a crucial role in driving this growth. However, to sustain this momentum, there is a need for continuous investment in technology, skills development, and the creation of a business-friendly environment to attract further investments.



## Services (SER)

The services sector has witnessed consistent and robust growth, indicating a transition towards a more diversified and service-oriented economy. Starting from Php 34,673,605 in 2000, the sector has grown impressively to Php 112,410,468 in 2022. The growth in the services sector is indicative of economic diversification and the development of tertiary industries. The trend suggests a maturing economy where the services sector plays an increasingly pivotal role in providing employment and meeting the diverse needs of the population.



# THE ECONOMIC LANDSCAPE OF BARMM PROVINCES

Below are the summarized economic profiles for the BARMM provinces, sourced from the 2nd Bangsamoro Development Plan (2023-2028) which outlines the comparative advantages and growth centers of each BARMM areas. Each province has unique economic activities and potential, contributing to the overall economic landscape and development within the BARMM. Together, they weave a tapestry of vibrant economic sectors and opportunities for growth and investment in the region.

## BASILAN

- **Agri-Industrial Strength:** With major rubber and "bangus" production, Basilan boosts corporate, export, and income taxes, supporting local economic growth.
- **Trade & Industry:** Lamitan's secure port enhances international trade and attracts manufacturers, raising various tax revenues and job opportunities.
- **Tourism Development:** Focusing on Sumisip and Maluso municipalities, Basilan leverages eco-tourism for revenue, job creation, and tax base expansion.

## LANAO DEL SUR

- **Agri-Industrial Growth:** With productive lands in Wao and Malabang and a proposed ecozone, Lanao del Sur anticipates increased agricultural output and tax revenues.
- **Conservation & Education:** Conservation around major lakes offers tourism and utility opportunities, while the educational hub in Marawi City enhances intellectual capital and economic activity.
- **Cultural Heritage:** Crafts in Tugaya symbolize the province's rich culture, providing livelihoods and boosting cultural tourism, leading to higher tax revenues.

## MAGUINDANAO DEL NORTE

- **Strategic Infrastructure:** Positioned for transshipment with significant projects enhancing trade and connectivity.
- **Agricultural Exports:** Notable banana and corn production with potential for export growth and revenue.
- **Development Opportunities:** Eco-tourism potential and promising sites for residential & commercial development near Cotabato City.

## MAGUINDANAO DEL SUR

- **Agri-Business Sector:** Boasting key agricultural products, the region sees economic growth and tax revenue through expanding agri-businesses.
- **Resource & Eco-Tourism:** Untapped oil, gas reserves, and ecological assets offer investment and eco-tourism opportunities with potential revenue and conservation balance.
- **Growth Centers:** Identified municipalities drive economic activity, job creation, and increased tax revenues, promoting inclusive growth.

## SULU

- **Agri & Aquaculture:** Sulu specializes in aquaculture and agriculture, with investment increasing exports, taxes, and jobs.
- **Growth Centers:** Development in Jolo, Patikul, and Talipao, including an airport upgrade, is expected to attract business and boost tourism.
- **Trade & Eco-Tourism:** With strategic municipalities and oil exploration in Lugus, Sulu sees trade and eco-tourism opportunities, enhancing revenue and local economies.

## TAWI-TAWI

- **Tourism Potential:** Tawi-Tawi's beaches and conservation areas offer tourism potential, boosting the economy and tax revenues with targeted investments.
- **Cultural Heritage:** The province's oldest mosque attracts cultural tourism, providing revenue and jobs through preservation efforts.
- **Strategic Economic Position:** Positioned as a BIMP-EAGA gateway with trading and agricultural potential, Tawi-Tawi's growth centers are set for economic expansion and job creation.



# BARMM ECONOMIC CIRCULAR FLOW MODEL

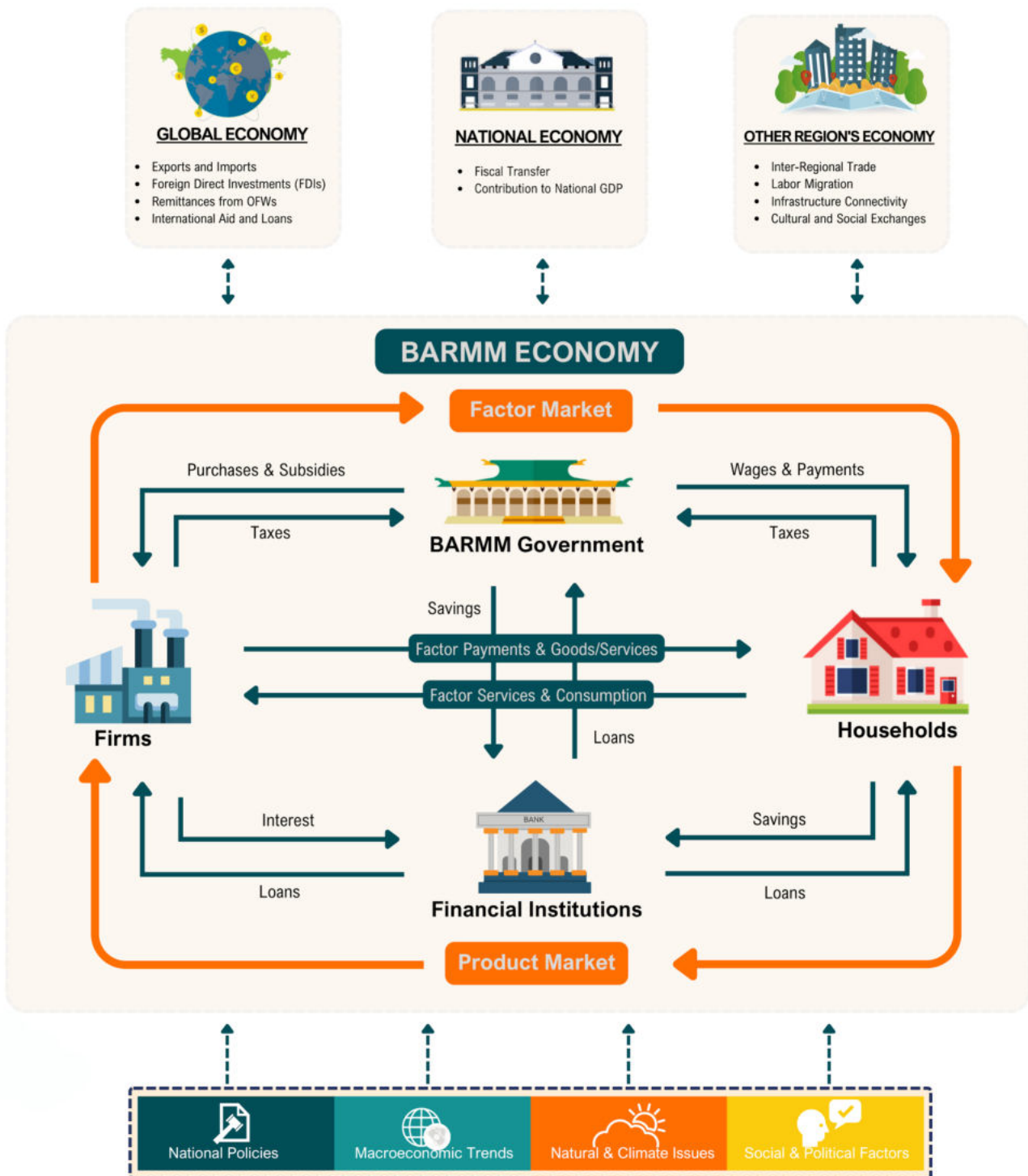
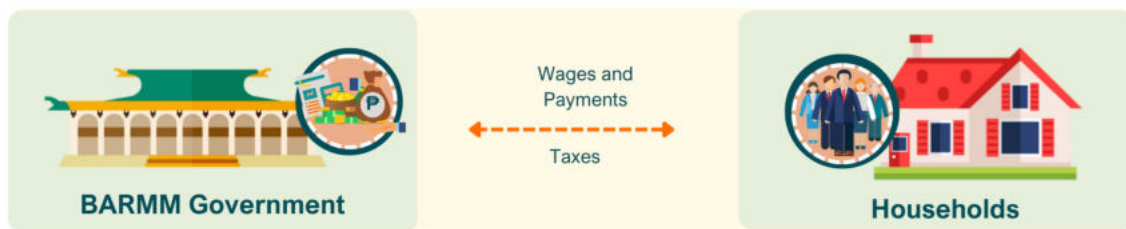


Figure 3. The BARMM Economic Circular Flow Model

The economy of BARMM operates as a system with four key players. The BARMM government regulates and provides services funded by taxes, creating an environment for economic activities. Households, as consumers, use their income to buy goods and services and provide labor for production. The financial institutions bridges the gap between savings and investment, facilitating capital outflow. Firms, as producers, utilize labor and financing to create goods and services for households, aiming for profit. Moreover, the BARMM economy is also influenced by the global, national, and other regions' economies, as well as other external factors. BARMM's economic landscape is a dynamic reflection of these interwoven interactions.

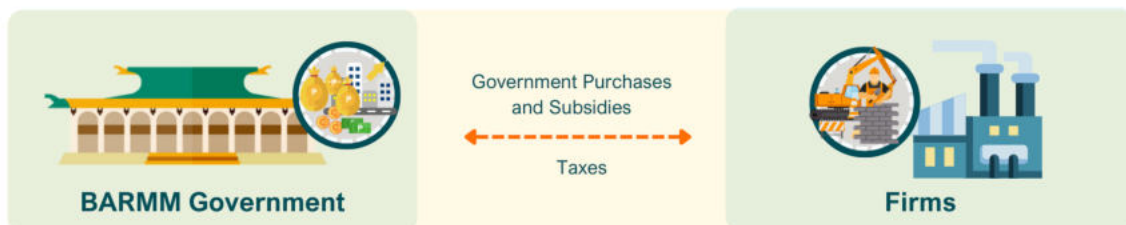
## BARMM GOVERNMENT AND HOUSEHOLDS



The BARMM economy thrives through a vibrant exchange between the government and households. The government supports households by providing welfare assistance or "*Ayuda*" to low-income families and offering stable employment opportunities. On the other side, households contribute to the government's finances through sales, property, and other taxes. The government channels this revenue back into society by offering essential services like education and healthcare, and developing infrastructure. This continuous cycle of support and contribution between households and the government drives the BARMM economy.

In 2023, the BARMM government allocates Php 28 billion for personnel services [11] and Php 85 billion for public services [12]. These budgets reflect the government's commitment to providing stable employment opportunities and essential services to households. Households, in their part, contribute to the financial resources of the BARMM government by fulfilling their tax obligations [13]. In 2020, real property tax collections in BARMM amounted to around Php 96 million, while relatively small, the collection still plays a significant role in the region's fiscal framework for economic stability and development [14].

## BARMM GOVERNMENT AND FIRMS



The BARMM government and firms have a vital economic relationship, with the government purchasing goods and services from firms. This purchasing activity provides income to firms, such as construction companies that supply materials for government projects like building schools and public infrastructures. Moreover, government supports firms through subsidies, providing financial assistance for various purposes. For instance, struggling farming MSMEs may receive subsidies to cover capital costs, reducing their financial burden and potentially increase their profits. Firms, in return, contribute to the government's funds primarily through taxes. This cycle of support and contribution between the government and firms keeps the BARMM economy functioning and growing.

In 2020, LGUs in the BARMM region collected Php 187 million in taxes on businesses [15], representing a decrease of 18% from 2019 (Php 230 million) due to the impact of the COVID-19 pandemic. Despite these challenges, BARMM continues to empower local entrepreneurs through initiatives such as digital commerce [16], entrepreneurship skills training [17], and investment support for the industries [18]. These efforts demonstrate BARMM's commitment to business resilience, development, and sustainability, driving economic growth in the region.



## HOUSEHOLDS AND FIRMS



Households and firms engage in a continuous exchange that fuels the economy. This happens when households spend money on goods and services - this is known as consumption expenditure. These purchases provide firms with the revenue they need to operate and grow. On the other hand, firms compensate households with factor payments - essentially, the income households earn in exchange for providing resources firms need to produce goods and services. Through this cycle of exchange, households and firms mutually support each other, promoting the overall health and growth of the economy.

In 2021, households in BARMM had an average expenditure of Php 146,909.00 on goods and services [19]. This consumer spending not only fuels the local economy but also provides local firms with the necessary revenue to operate and expand. As a part of this symbiotic economic cycle, firms reciprocate by compensating households for their labor and resources, with wages and salaries accounting for 39% of total household income [20]. This continuous interchange of resources and compensation between households and firms creates a vibrant ecosystem that stimulates economic health and propels growth within the BARMM region.

## FINANCIAL INSTITUTIONS TO BARMM GOVERNMENT, HOUSEHOLDS, AND FIRMS



The BARMM government and financial institutions have a symbiotic relationship that drives the regional economy. The government deposits funds into financial institutions to finance public services and projects, while financial institutions lend money to the government for significant initiatives. Similarly, households rely on financial institutions for loans, like mortgages, while also depositing their savings into these institutions for security and potential growth through interest. Financial institutions support firms by providing capital through loans, enabling business growth and stimulating the economy. In return, firms deposit their profits in these institutions for safekeeping and the opportunity to earn interest. This interconnectedness between the government, households, financial institutions, and firms sustains the overall economic ecosystem in BARMM.

As of March 2023, the BARMM region has 42 financial institutions, predominantly universal and commercial banks with 36 branches. [21] The region also supported 2 thrift banks and 4 rural and cooperative banks, all operating as regular branches. An opportunity for the expansion of diverse financial services, particularly on digital banking and micro-finance, is recommended to foster a more inclusive and accessible financial environment in BARMM.

# BARMM ECONOMY TO GLOBAL, NATIONAL, AND OTHER REGION'S ECONOMY





## INFLUENCING FACTORS ON THE BARMM ECONOMY

BARMM's economy is shaped by a multitude of factors, both internal and external, including national policies, macroeconomic trends, natural disasters/climate change, and social/political factors.

### National Policies

Economic performance in BARMM is influenced by Philippine government policies, including tax rates, investment incentives, and initiatives in education, healthcare, and infrastructure.



### Social and Political Factors

Stability in social and political domains can encourage investment and social development, thereby influencing economic growth in BARMM. Conversely, instability may hinder economic growth.



### BARMM Economy



### Macroeconomic Trends

The region's economy is linked to macroeconomic trends, which can affect the demand for its overall economic output.



### Natural Disasters & Climate Change

BARMM's susceptibility to natural disasters and climate change can disrupt production, damage infrastructure, and affect agricultural output, impacting the region's economy.

# END NOTES

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12. This includes budget for general public services, economic affairs, environmental protection, health, public order and safety, recreation, culture and religion, social protection, education, housing and community amenities as presented in the Al-Maliyyah Al-Ammah 2023.
13. LGUs, such as provinces, cities, municipalities, and barangays, can impose taxes within their jurisdictions, but regional governments, like the BARMM, do not directly impose taxes. Instead, they receive their funds from the national government, internal revenue allotment, and shares from the proceeds of national taxes and fees collected in their area. While there are impositions in the ARMM Revenue Code of add-on taxes collected by the LGU, such as real property tax, this was not enforced by ARMM.
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19. At current prices, calculated from 2021 Family Income and Expenditure Survey (FIES) of the Philippine Statistics Authority (PSA)
20. Includes salaries/wages from regular and seasonal employment, calculated from 2021 FIES of PSA. Income from entrepreneurship is 60.8% while the other 0.3% is from other sources of income.
21. Data from Bangko Sentral ng Pilipinas (BSP)





## ABOUT US

The **Economics Division** serves as the support arm to the Office of the Minister, tasked to undertake research, and examine economic data/trends for the continuing formulation of fiscal and other development policies and processes toward efficient and responsive fiscal management and resource utilization in the Bangsamoro region.




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