



## **Business groups back economic managers, urge Congress to weigh costs of shift to federal gov't**

**By Rosette Adel – August 12, 2018**

<https://www.philstar.com/headlines/2018/08/12/1841939/business-groups-back-economic-managers-urge-congress-weigh-costs-shift-federal-govt>

Several business organizations expressed support to the Philippine economic managers who earlier called on legislators to carefully review the government's shift to a federal government.

In a joint statement released Sunday, seven business groups said it is asking Congress to weigh the costs and risks involved in the proposed shift to a federal system of government.

"We, too, believe in the need to adhere to the public finance principle 'funds follow function.' Accordingly, we echo the concerns of fiscal and economic experts about the ambiguous provisions on the division of revenue and expenditure responsibilities between the proposed federal government and its federated regions," the groups said.

The seven groups which signed the joint statement include the following:

- Cebu Business Club
- Employers Confederation of the Philippines
- Financial Executives Institute of the Philippines
- Makati Business Club
- Management Association of the Philippines
- Philippine Chamber of Commerce & Industry, Inc.
- Philippine Exporters Confederation, Inc.

The organizations expressed concern over the alarming cost to the would-be multi-level government under a federal system.

"Preliminary estimates range from P72 billion of the Philippine Institute for Development Studies to P130 billion of the National Economic Development Authority," the groups said.

The groups estimated the fiscal deficit to reach around 6.7 percent of the gross domestic product. They said the figure is "way beyond the sustainable 3 percent target of the fiscal managers," which, they added, is a prudential limit also observed by the European Union for its member countries.

"We worry about the dire consequences that such fiscal imbalance could have on the economy and the flagship Build Build Build program of the current administration," the groups said.

The business organizations made the appeal after economic managers in the Department of Finance, Department of Budget and Management, National Economic and Development Authority, Bangko Sentral ng Pilipinas and researchers of PIDS openly shared their analysis and aired their concerns to the public. The groups praised these economic managers for their efforts.

"We support and join their call for a more detailed analysis of the fiscal impact of federalism to serve as basis for the deliberations in Congress," they said.

“We encourage full, open, and dispassionate dialogues on this proposed shift in form of government, keeping in mind its long-term impacts on future generations of Filipinos.”

The groups vowed to work with the political and economic leaders to bring sustained and inclusive economic growth in the country.

On Thursday, a member of the Consultative Commission asked President Rodrigo Duterte to fire Finance Secretary Carlos Dominguez III and Socioeconomic Planning Secretary Ernesto Pernia over negative statements about the shift to federalism.

## **AS IT HAPPENS**

*LATEST UPDATE: August 12, 2018 - 5:22pm*

*The consultative committee, tasked with drafting a new constitution, eyes the removal of the impeachment power of Congress over justices of the Constitutional Court, one of the proposed three Supreme Courts under the draft charter.*

*READ: Concom eyes 3 supreme courts*

*Concom proposes that the impeachment of justices in Constitutional Court be decided instead by the 15-member Supreme Court.*

*The proposed Constitutional Court will have a presiding justice appointed by the Supreme Court and six associate justices with two appointees each from three branches of government.*

*LIST: Controversial features of proposed federal charter by House sub-committee*

*— with Edu Punay*

*August 12, 2018 - 5:22pm*

*The Makati Business Club and other business organizations echo the concerns of Philippine economic managers on ambiguous provisions in the draft federal constitution and urge Congress to weigh carefully the costs, risks and uncertainty associated with the proposed shift to a federal form of government.*

*"We support and join their call for a more detailed analysis of the fiscal impact of federalism to serve as basis for the deliberations in Congress."*

*"Reports indicate an alarming cost to the would-be multi-level government under a federal system. Preliminary estimates range from P72 billion of the Philippine Institute for Development Studies to P130 billion of the National Economic Development Authority. The fiscal deficit is estimated to reach 6.7 percent of the gross domestic product, which is way beyond the sustainable 3 percent target of our fiscal managers—a prudential limit also observed by the European Union for its member countries. We worry about the dire consequences that such fiscal imbalance could have on the economy and the flagship Build Build Build program of the current administration."*

*Joining MBC in the call are Cebu Business Club, Employers Confederation of the Philippines, Financial Executives Institute of the Philippines, Management Association of the Philippines, Philippine Chamber of Commerce and Industry, Inc. and the Philippine Exporters Confederation, Inc.*

*Their appeal comes amid the call to President Duterte by a member of the Consultative Commission to fire Finance Secretary Carlos Dominguez III and Socioeconomic Planning Secretary Ernesto Pernia over negative statements about the shift to federalism.*