



Business groups support economic managers over federalism risks

Ralf Rivas – August 13, 2018

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The groups 'echo the concerns of fiscal and economic experts about the ambiguous provisions on the division of revenue and expenditure responsibilities' under federalism.

Seven business groups urged lawmakers to carefully weigh the costs and risks associated with the proposed shift to a federal system of government.

The Cebu Business Club (CBC), Employers Confederation of the Philippines (ECOP), Financial Executives Institute of the Philippines (FINEX), Makati Business Club (MBC), Management Association of the Philippines (MAP), Philippine Chamber of Commerce and Industry (PCCI), and Philippine Exporters Confederation (Philexport) came out with a joint statement to express their concerns over how the government would implement and fund the proposed shift.

"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. (READ: Businessmen see upside in federalism, but wary of pesky politics)

The business groups pointed out the "alarming cost" estimated by the Philippine Institute for Development Studies (PIDS) amounting to P72 billion and the P130-billion projection of the National Economic and Development Authority (NEDA).

"The fiscal deficit is estimated to reach 6.7% of the gross domestic product, which is way beyond the sustainable 3% target of our fiscal managers – a prudential limit also observed by the European Union for its member-countries," they said. (READ: Federalism might lead to hyperinflation – economists)

The groups are also worried about "the dire consequences" the shift could have on the economy and the government's Build Build Build program.

"We commend the economic managers in the Department of Finance, the Department of Budget and Management, National Economic and Development Authority, Bangko Sentral ng Pilipinas, as well as the researchers in the Philippine Institute for Development Studies for their transparency in openly sharing their analysis and airing their concerns to the public. 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," the groups said.

They also called for dialogues regarding federalism "keeping in mind its long-term impacts on future generations of Filipinos."

Consultative Committee member and San Beda Graduate School of Law dean Father Ranhilio Aquino called on President Rodrigo Duterte to fire Finance Secretary Carlos Dominguez III and Socioeconomic Planning Secretary Ernesto Pernia over their statements regarding federalism.

Pernia previously said the proposal would "wreak havoc" on the economy. Dominguez said interest rates "will go to hell" if the shift is implemented.

Dominguez later on clarified that the economic managers are open to discussing the draft constitution.