

## **Business Support Economic Managers Call to Weigh Costs and Risks in Shift to Federal Government**

We, the undersigned business organizations, appeal to our legislators to weigh carefully the costs, risks and uncertainty associated with the proposed monumental 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.

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 (PIDS) to P130 billion of the National Economic Development Authority (NEDA). 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.

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 of 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.

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.

As always, the business community stands ready to work with our political and economic leaders to bring about sustained and inclusive economic growth in the country.

*(in alphabetical order)*

CEBU BUSINESS CLUB (CBC)

EMPLOYERS CONFERATION OF THE PHILIPPINES (ECOP)

FINANCIAL EXECUTIVES INSTITUTE OF THE PHILIPPINE (FINEX)

MAKATI BUSINESS CLUB (MBC)

MANAGEMENT ASSOCIATION OF THE PHILIPPINES (MAP)

PHILIPPINE CHAMBER OF COMMERCE & INDUSTRY, INC. (PCCI)

PHILIPPINE EXPORTERS CONFERATION, INC. (PHILEXPORT)