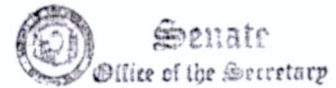


SEVENTEENTH CONGRESS OF THE]
REPUBLIC OF THE PHILIPPINES]
Third Regular Session]



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SENATE
P. S. Res. No. 823

RECEIVED BY

Introduced by SEN. WIN GATCHALIAN

A RESOLUTION

DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, TO EVALUATE THE ECONOMIC IMPLICATIONS OF A SHIFT TO A FEDERAL SYSTEM OF GOVERNMENT INCLUDING, BUT NOT LIMITED TO, THE ATTENDANT ECONOMIC RISKS AND OPPORTUNITIES, THE IMPLICATIONS TO REGIONAL ECONOMIC GROWTH, THE ADDITIONAL FISCAL COSTS OF THE SHIFT TO FEDERALISM, AND THE EFFECTS ON INVESTMENTS DUE TO EMERGING ISSUES ON THE IMPOSITION OF ADDITIONAL TAXES, THE ADMINISTRATION OF INCENTIVES AND THE REPERCUSSIONS ON THE EASE OF DOING BUSINESS

WHEREAS, the goal of the present administration to institute “wide-ranging and significant political and socio-economic reforms” – including the shift to a federal form of government – has led to the creation of a Consultative Committee on December 7, 2016 by virtue of Executive Order No. 10¹;

WHEREAS, the Consultative Committee was created “to study, conduct consultations, and review the provisions of the 1987 Constitution including,

¹Creating a Consultative Committee to Review the 1987 Constitution.

but not limited to, the provisions on the structure and powers of the government, local governance, and economic policies”²;

WHEREAS, on July 9, 2018, the Consultative Committee led by its Chairman, retired Chief Justice Reynato Puno, submitted to President Rodrigo Roa Duterte the proposed federal constitution “which will usher in the country’s shift from unitary to federal system of government”³;

WHEREAS, Chief Justice Puno described the proposed form of government as “a distinct federalism” – called “a bayanihan federalism” – which installs a federal government “strong enough to hold together the various federated regions and establishes regions that are socially, economically, and politically viable and sustainable”⁴;

WHEREAS, the federal form of government is being considered as the system that will “maximize regional growth potentials and to resolve decades of unrest in Mindanao,”⁵ as the present unitary system is claimed to have concentrated resources and the power to deploy them in the hands of the national government, engendered inefficiency in the delivery of government services, and exacerbated regional inequalities by sustaining patronage, corruption, and the growth of political dynasties⁶;

WHEREAS, reducing the supposed concentration of power, resources and services in the national government through federalism is seen as a crucial step in addressing poverty and uneven economic growth;⁷

WHEREAS, notwithstanding the proposed federal charter’s undertaking to level both the political and economic playing fields,

²Executive Order No. 10.

³https://pcoo.gov.ph/news_releases/president-duterte-receives-proposed-federal-constitution-of-consultative-committee/

⁴*Id.*

⁵<https://pidswebs.pids.gov.ph/CDN/NEWS/pidsdps1729.pdf>

⁶*Id.*

⁷*Id.*

Socioeconomic Planning Secretary Ernesto Pernia warned that the regions in the country, at this point, are not ready for this system, that the momentum of infrastructure improvement in the regions is going to be disrupted, and that the shift to federalism will entail immense expenditures which may increase the fiscal deficit to GDP (gross domestic product) ratio which is “going to wreak havoc in terms of our fiscal situation”⁸;

WHEREAS, other economists such as University of Asia and the Pacific senior economists Victor Abola and Bernardo Villegas have also expressed their concerns that the country might experience hyperinflation as it shifts to federalism,⁹ while debt watcher Moody’s Investors Service has similarly opined that the shift to federalism, accompanied by the “prospective changes to governance frameworks, could have negative implications for public finances” and could be a downside risk for the country’s institutional and fiscal profile¹⁰;

WHEREAS, with the new configuration of powers, functions and resources around which the federal and regional governments are proposed to operate, Moody’s also said that “there may be a gap between the national and local levels of government with respect to their ability to manage fiscal resources”¹¹;

WHEREAS, the Philippine Chamber of Commerce and Industry – the country’s largest business group – and business groups such as the Makati Business Club, Management Association of the Philippines, Financial Executives Institute of the Philippines, Semiconductor and Electronics Industries of the Philippines Foundation Inc., and Cebu Business Club have earlier raised, before the Pernia statement, the possibility that such “fiscal management gap” might occur, and raised concern that the proposed federal

⁸<https://www.rappler.com/business/207521-federalism-bad-for-economy-ernesto-pernia>, quoting from an interview of Sec. Pernia with One News’ *The Chiefs*.

⁹*Id.*

¹⁰<http://business.inquirer.net/254280/moodys-shift-federalism-downside-risk-ph-economy>

¹¹*Id.*

shift may have implications on the economy and lead to uncertainties among investors¹²;

WHEREAS, in a statement issued by Malacañang on July 18, 2018 thru Presidential Spokesperson Herminio Roque, Jr., it countered the claim of Sec. Pernia and stated that the federal shift “does not carry the risk of weakening the country’s fiscal position” and would have no adverse effect on the Philippine economy¹³;

WHEREAS, in view of these conflicting claims, the Senate must be given an opportunity to evaluate the economic implications of the proposed shift to a federal system of government;

NOW THEREFORE, BE IT RESOLVED BY THE SENATE OF THE PHILIPPINES to direct the appropriate Senate Committee to conduct an inquiry, in aid of legislation, to evaluate the economic implications of a shift to a federal system of government including, but not limited to, the attendant economic risks and opportunities, the implications to regional economic growth, the additional fiscal costs of the shift to federalism, and the effects on investments due to emerging issues on the imposition of additional taxes, the administration of incentives and the repercussions on the ease of doing business.

Adopted,



WIN GATCHALIAN

¹²<https://www.philstar.com/headlines/2018/06/28/1828531/pcci-worried-over-shift-federalism-system>

¹³<http://www.bworldonline.com/palace-no-risk-of-weaker-fiscal-position-with-federalism-shift/>