

TO : NORLU CEDEC Cooperative Leaders
FROM : CEO Paeng Gayaso
Date : 15 August 2018

SUBJECT : **PARTIAL INFORMATION ABOUT FEDERALISM**

This information is about the feedbacks for the on-going plan of President DU30 shift from PRESIDENTIAL FORM OF GOVERNMENT TO FEDERALISM SYSTEM OF GOVERNMENT. This is not a campaign for or against the proposed system of governance but it is purely for information so that as parents of the next generation, as a Filipino Citizen, and as a Tax payer, we can analyze and internationalize so that our children and children's children will not say "Why did our grandparents did not think of our welfare?"

First, I would like to present the reaction of the Secretary of the department of Finance-Mr. Carlos Dominguez extracted from the PDI dated 08/11/2018 page 2:

- He warned that the draft federal Charter could lead to job losses in the public Sector;
- Reduce funds for the government's ambitious infrastructure program;
- Widen the budget deficit;
- Downgrade the country's credit ratings -(Credit ratings are a measure of government's creditworthiness);
- Possible repercussions could result in dire, irreversible economic consequences;
- "Ambiguous and unclear" fiscal provisions of the draft federal constitution should first be addressed.
- "The federal Government would incur a deficit of 6.7%, which may result in a credit rating down grade for the Philippines"
- To avoid this negative economic consequence and maintain the current deficit target of 3%, the federal government will have to cut its expenditures program by PhP 560 Billion. This means that the National Government may have to lay off 95% of its employees, or reduce the funds for its BUILD, BUILD, BUILD's program by 70%, or a combination of both. According To DBM there are current 1.46 Million employees in the National Government.

Note: Malacanang remained mum on Fr. Ranhilio Aquino's call (Dean of San Beda Graduate School-member of the Consultative Committee who drafted the Charter), with Presidential Spokesperson Harry Roque saying on Friday that the Palace "views the differences of opinion on federalism as part of the continuing discourse among members of the President's official family.

Second, Reaction of DBM Secretary DIOKNO in page 11 of PDI dated 08/15/18 on "Federalism Needs More Study".

Here are the features of this article:

- Sec. Diokno has joined a growing list of Cabinet members expressing hesitance to take a plunge into the planned shift to federal form of government, saying it needed deeper study but did not categorically say he is against federalism;
- Need for an in depth study. (Because he noted that 6.7% deficit of GDP will be experienced if Federalism will push through.

SOME OF HIS QUESTIONS RAISED IN THIS ARTICLE:

1. How do you finance the federal government? (increase of Senators from 24 to 36, the Congressmen from 292 to 400, and the employees 'salaries of the additional 18 federal states);
2. What are the functions of the federal government the local or state? Because the proposed new charter drafted was NOT CLEAR.
3. Who is going to take care of our Public Debt?
4. Would the Federal State share the debt burden or would the federal government shoulder it alone? and
5. What functions are we going to assign to the federal states? (as proposed 18 federal states).

CONCERNS OF STAKEHOLDERS

- ***There are 19 mostly business groups expressed concern over the consequences of shifting to federalism;***
- ***DoF had warned that the shift to federal form of government could bloat the budget deficit to PhP 1.2 Trillion.***
- ***For these reasons, many other concern organizations join the 7 large business organizations in calling legislators to WEIGH CAREFULLY THE COSTS AND RISK ASSOCIATED WITH THE PROPOSED MONUMENTAL SHIFT TO A FEDERAL SYSTEM OF GOVERNMENT.***

NORLU CEDEC as one of the Change Agents will continue to inform all the affiliates on critical development issues.

**Rafael "Paeng" C. Gayaso
Chief Executive Officer**