

ALNI-Philippines: Media War with ADB (June 2003)

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MANILA, PHILIPPINES | Wednesday, July 2, 2003, BusinessWorld

ADB meets with labor, civil groups

The Asian Development Bank (ADB) said yesterday it met with groups protesting outside its Philippine head office on Monday in an effort to address their concerns.

ADB Philippine country office acting director Richard Ondrik said in a press statement that the bank received issue briefs and statements from labor and civil society groups that rallied outside the bank headquarters during its annual meeting.

The protesters aired their concerns, and voiced their desire to be represented in the annual meeting.

"ADB shares many of your concerns and we will study your materials very closely. We are always open to dialogue with nongovernment organizations and would be happy to meet with you after the annual meeting," Mr. Ondrik told the groups' leaders.

Mr. Ondrik met with Freedom from Debt Coalition president Ana Maria Nemenzo and Alliance for Progressive Labor secretary-general Josua Mata.

In a statement given to the press, ADB responded to issues raised by protesters.

On the matter of privatization, ADB explained that it only assists countries in privatizing public sector enterprises.

It assured the protesters that the primary considerations are all studied: economic viability, technical and financial feasibility, and social desirability of the move.

"When privatization is used, ADB policy calls for mitigation of the social costs involved and the protection of the interests of those directly affected by privatization," the bank said.

On the issue of the involvement of local residents and groups in ADB projects, the bank said it regularly consults with those residing in areas considered for a project before loans for project financing are approved.

ADB cited that it often engages the services of civil groups to act as bridges between project authorities and local communities, and to help get citizen participation.

Civil groups' presence also helps ensure the implementation of projects in ways that respond to local needs.

"ADB is working closely with nongovernment organizations to clean up the Pasig River, support renewable energy development in Negros Occidental, and improve community infrastructure and basic services in 23 communities around Metro Manila," the bank said in a statement.

"ADB has collaborated with community-based organizations to improve the living conditions of forest-dwellers, fisherfolk, and agrarian reform communities, and to create sustainable microcredit operations and microfinance institutions," it added.

As for reforms in the power sector, ADB said its Power Sector Restructuring Program supports government initiatives to create competitive electricity markets.

ADB hopes that its efforts in the power sector would lead to lower electricity rates for consumers and restore the financial sustainability of state-run National Power Corporation (Napocor) prior to privatization.

ADB assured the protesting groups that any labor rationalization related to the sale of state-owned enterprises in the Philippines would be carried in such a way that the interests of workers will be protected.

"Reform of the power sector is aimed at ensuring the quality, reliability, security, and affordability of the country' s electricity supply. In order to create a competitive power supply market, a number of power generating plants owned by Napocor will be privatized so they can bid in the wholesale electricity spot market," the bank said.

It explained that the ownership of Napocor' s transmission assets will remain in the public sector, with a qualified private sector concessionaire as operator. It pointed out that these measures would help lower electricity tariffs in the medium- and long-term, and to expand electricity supply to rural areas.

ADB said as the privatization process remains incomplete, consumers have not yet seen the benefits of market competition. It said that high electricity prices now may also be attributed in part to oversupply caused by the impact of the Asian financial crisis, and the economic slowdown thereafter, on power demand.

As for water tariffs and future water demand, ADB said new water resources have to be developed as Metro Manila' s water sources can barely meet current demand.

However, it pointed out that the government cannot do this alone given its limited budget and funds.

"Water provided from additional sources will not only ensure improved and sustainable service delivery for existing customers, but will also enable extension of service coverage, particularly benefiting the urban poor," it said.

ADB said that in 1999 it approved loans to Maynilad Water Services, Inc. to help finance, develop, operate and maintain facilities in the West Zone of the service area of Manila' s Metropolitan Waterworks and Sewerage System.

However, the loan documents were never signed. ADB clarified that it did not make any loan disbursement to Maynilad so it is not a creditor of the firm.

As for the country' s debt portfolio, ADB said the Philippines' owes it about \$3.2 billion, which is just about six percent of the country' s total external debt. It added that around \$300 million of these loans can be cancelled.

"Although this share may be small, ADB has worked closely with the government over the last 18 months in intensive efforts to streamline the portfolio. ADB' s most recent joint portfolio review with the government identified about \$300 million for possible cancellation in 2003," it said. -- **M. P.**

Tabingo

MEDIA ADVISORY

Labor groups to protest ADB meeting on June 30

WHAT: A press conference by the Asian Labor Network on International Financial Institutions (ALNI) on the Annual Meeting of the Asian Development Bank (ADB)

WHEN: June 27, 2003, Friday, 10:30 am

WHERE: Astoria Plaza, J. Escriva Drive (formerly Amber Avenue), Ortigas Business District, Pasig City

ALNI spokespersons will announce the details of their protest rally against the Asian Development Bank (ADB).

The mobilization is in protest of the scaled down ADB Annual Meeting. ALNI/P has criticized the Annual Meeting for being silent on workers' rights. Though invited by the ADB to a luncheon at the Shangri-La Hotel where President GMA is the guest of honor, ALNI/P has decided to boycott the social function since it believes it is not a venue where they can talk with Bank officials on policies related to labor.

ALNI/P, a coalition of trade unions and people's organizations, advocates for the integration of core labor standards in all loans and projects funded by the ADB and increased accountability of International Financial Institutions when they directly or indirectly cause displacement of workers and communities.

Resource Persons:

Atty. Zoilo Dela Cruz, ALNI/P Co-Chair and TUCP Vice President
Atty. Allan Montaña, ALNI/P Co-Chair and FFW Vice President
Mr. Louie Corral, ALNI/P Co-Chair and APEC Secretary General

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MANILA, PHILIPPINES | Friday, June 27, 2003, BusinessWorld

ADB eyes funding private sector activities

By ROMMER M. BALABA, *Reporter*

The Asian Development Bank (ADB) is looking for opportunities to build on its public sector activities through direct support to private sector-led projects that have high development impact.

"The Private Sector department of ADB is more actively pursuing opportunities for private sector projects," ADB country director Thomas Crouch told *BusinessWorld* in an interview.

ADB is interested in providing support government efforts to clean up banks' bad loans, particularly now that the Special Purpose Vehicle law is in place.

"We are looking at a private sector partnership to set up an asset management company, either through a loan or equity or both," Mr. Crouch said. He, however, declined to provide details.

The ADB official likewise said they are looking at the mechanism of Overseas Filipino Workers' (OFWs) remittances where the bank can play a role in bringing down the cost of sending money. "These are all in the initial stages," Mr. Crouch said.

UNJUSTIFIED LENDING

As this developed, the Freedom from Debt Coalition (FDC) again asked ADB to reexamine its Philippine lending policy that supports unjustified private sector participation.

"FDC calls for the ADB to examine its policies and stop supporting the privatization process," FDC chairperson Ana Maria Nemenzo said.

She claimed ADB has always supported market-oriented policies to support the private sector, which could eventually diminish the government' s role in development strategies and policies for the Philippines.

ADB will hold its scaled-down annual meeting on Monday here in Manila after a scheduled Turkey meet was cancelled with the onset of the US-Iraq war.

NGOs are usually invited for parallel discussions and dialogues as well as presentations of sector-specific concerns that need ADB action.

"Loans, technical assistance and grants are not without instructions," Ms. Nemenzo said, which runs counter to the bank' s shift in strategy of povęty reduction.

POWER SECTOR WOES

Meanwhile, an umbrella group of labor organizations yesterday scored ADB for the country' s power sector problems, particularly on issues concerning privatization of state-owned National Power Corp. (Napocor).

Asian Labor Network for International Financial Institute (ALNI) chairperson Luis Manuel Corral said his group is rejecting the economic harm done by the PhP550-billion (US\$10.292 million at PhP53.44= \$1) stranded costs of Napocor which resulted in the power purchased adjustment (PPA).

INCORRECT

"ADB made an incorrect valuation of the assets and liabilities of Napocor and should have advised an equity sale rather than its asset sale. The bank should have taken a full-option approach to secure its social responsibility to the people," Mr. Corral said.

The ALNI official likewise pointed out ADB' s failure to properly disclose information regarding the power sector loan and its failure to consult with communities affected by the project.

The group plans to file a complaint to assert ADB' s new inspection policy that will submit bank management to challenges from civil society.

The ALNI' s complaint will deal on ADB' s PhP550 billion bailout fund made available through the Miyazawa Fund as financial aid to state-owned Napocor.

The loan conditionality for this financial support was to pass the Electric Power Industry Reform Act and thus legitimized 35 overpriced and onerous take-or-pay independent power producers contracts, Mr. Corral claimed.

*ALNI-P PRESS RELEASE
June 26, 2003*

Labor Files Complaint Against ADB

Labor groups yesterday announced that they are going to file an official inspection complaint to Asian Development Bank (ADB) President Tadao Chino for ADB' s failure to comply with its own operations manual. The Asian Labor Network for International Financial Institute (ALNI) said ADB' s loan-assisted projects and loan conditionalities have harmed Filipino communities.

In a statement, ALNI said that an official protest would be endorsed to ADB President Tadao Chino calling for an investigation on the harm done to workers and their families by the ADB Power Sector Loan. ALNI co-chairperson and Association of Philippine Electric Cooperatives (APEC) Secretary General Louie Corral said they are particularly protesting the economic harm of the PhP 550 billion stranded costs of National Power Corporation (NAPOCOR), which resulted in the Power Purchased Adjustment or PPA. Corral also pointed out the failure of ADB to properly disclose information regarding the power sector loan and its failure to consult with communities affected by the project.

Corral said the complaint would assert the new inspection policy of ADB, which submits the Bank management to challenges from civil society for the harm done due to the Bank' s failure to comply with its internal operation rules.

Corral added the group would push for an inspection challenge demanding ADB to review its valuation on the assets of the state-owned NAPOCOR, which caused the price of electricity to skyrocket.

Corral said ADB made an incorrect valuation of the assets and liabilities of NAPOCOR. He opined that the bank should have advised an equity sale of NAPOCOR rather than its asset sale. He added that ADB should have taken a full-option approach to secure its social responsibility to the people. "ADB should have provided a model that would have given more flexibility to government to negotiate with the independent power producers. Instead, they rushed the passage of EPIRA consequently bringing harm to ordinary Filipinos," said Corral.

Corral also said ADB should hold its management and consultants responsible for the incorrect consumer impact assessment. "The bank' s loan conditionality to privatize resulted in a real loss to us in exchange for the imaginary gain of so-called competition," said Corral.

"The bank failed to give a realistic consumer impact assessment in the country. The PPA increased electric rates in the household level. Now, we have cartels instead of competition. All of these are contrary to what ADB initially claimed would be the benefits of privatizing NAPOCOR," said Corral.

"Because of the wrong assessment, the burden of the loan payment is now being owned by the consumers. PhP 300 billion is also borne by the Philippine government budget over the next 10 years. It would mean no additional salaries for teachers, no new schoolrooms, no new roads and

the effect of legitimizing onerous IPP contracts we see in our overpriced electric bills," Corral said.

Corral said that the coverage of ALNI' s complaint would deal on ADB' s P550million bailout fund made available through the Miyazawa Fund of Japan as financial aid to NAPOCOR to recover from its debt-ridden status. The loan conditionality for this financial support, Corral said, was to pass the EPIRA. ADB, by pursuing the passage of the EPIRA as a loan conditionality, has legitimized 35 overpriced and onerous take-or pay contracts with the IPPs.

The ADB is immune from any lawsuit despite alleged anomalies and unjust results of its project assessments. But ADB' s inspection policy is the only way to hold ADB to account. ALNI said that a formal complaint through an inspection challenge is the only way heads of the bank can look into the anomalies of its management.

Corral also expressed disappointment on how ADB deals with the irregularities in their projects and revealed that the bank' s inspection committee solved the problem mostly through compromised settlement to avoid further investigation and public scrutiny.

"It is funny how ADB asserts itself as a learning institution dedicated to reduce poverty in the region but in fact according to its operational evaluation report, 40 percent of the bank' s anti poverty loans have failed and 28 percent was rated unsatisfactorily. Where is the social responsibility in that?" Corral said.

Previously, ADB officials were already put on the hot seat after they refused to withdraw its funding in a waste water treatment plant in Samut Prakarn, Thailand where thousands of villagers were greatly affected due to the location of an ADB-funded wastewater treatment plant in a large fishing community, with negative effect to their environment and livelihood.

The Klong Dan wastewater treatment plant in Samut Prakarn district is one of ADB' s more expensive and long-drawn projects in the region. A total of \$230 million of the \$605 million project, approved by the Thai Cabinet in 1995, was pumped in by the ADB alone. The Japanese Overseas Economic Cooperation Fund put in an additional \$70 million. Japan contributes the highest amount of funds to the ADB.

Corral said ADB, amidst its "learning-institute posturing", must start learning from its past mistakes and should be more sensitive to the plight of the affected people brought about by its incredulous projects.

ADB denies having hand in TRANSCO sale

By Rizal Raoul Reyes, Correspondent

Today, 23 June 2003, page 13

The Asian Development Bank (ADB) clarified Friday that it has no direct participation in the privatization in the privatization of the National Transmission Corp. (TRANSCO). It confirmed that it is not involved in the bidding for the selection of the concessionaire for the TRANSCO transmission system.

The ADB issued the statement in reaction to the allegations of the Asian Labor Network on International Financial Institutions (ALNI) that the development bank allowed the bidding of the TRANSCO transmission system despite alleged irregularities in violation of ADB' s inspection policy.

Patrick Giraud, director of the infrastructure in the ADB' s Southeast department said the bank "has no direct involvement in TRANSCO privatization because it is the Philippine government alone which will implement the privatization program. He also stressed that ADB role is to help the government by extending grants and loans once the power-restructuring program goes smoothly. "Our position is that the government must move forward in restructuring the power sector before we will consider any new lending or partial credit guarantee," he said.

"The decision to privatize, or more accurately, provide a concession for, TRANSCO is a government decision, not ADB' s," Giraud added.

"The government has decided that the TRANSCO concession is the next step for the sector' s restructuring, and allocation of a franchise to the concessionaire is one of the issues that must be addressed," he added.

Reference was made by ALNI to ADB support for the Leyte-Cebu submarine interconnection. Giraud clarified that the amount corresponding to this project was removed from an earlier ADB loan in July 2002, following disagreement between ADB and the government on a rebidding proposal. No contract was awarded for the interconnection under ADB financing, and ADB is not involved in the new bidding recently organized by the government for this project.

ADB clarified that under its independent inspection function, individuals alleging harm from an ADB-assisted project, caused by the bank' s failure to abide by its policies, could file a complaint. "The inspection function does not come into play, though, in projects which do not involve ADB," Ann Quon, director, ADB office of external relations.

Quon said ADB holds regular consultations with stakeholders, including trade unions and non-government organizations, to ensure that their input is considered in the formulation of projects, programs, and policies. "We maintain an on-going dialogue with labor organizations, such as ALNI, and welcome their views in development issues," Quon emphasized. "Half of ADB projects involve civil society participation in some way," she added.

MANILA, PHILIPPINES | Saturday, June 21, 2003, BUSINESSWORLD

NGOs to boycott annual ADB meet

Nongovernmental organizations (NGO) and trade unions plan to snub Asian Development Bank' s (ADB) invitation for its annual board meeting scheduled on June 30.

The group' s participation in an "invitation-only exclusive luncheon" will not involve substantial discussion on the issues of workers within the agenda of the ADB board meeting, the Asian Labor Network for International Financial Institutions (ALNI) said in a press statement.

The lending institution reportedly refused to include the people' s representatives into the core programs and formal discussions.

"The luncheon is a social function. It is not a venue where ALNI and trade unions can formally discuss workers' rights and core labor standards with the bank' s executive directors," ALNI co-chair Louie Corral said.

An ADB source, meanwhile, told BusinessWorld the scaled-down assembly, after the Istanbul meeting was earlier cancelled because of the US-Iraq war, will not feature the regularly held ADB-NGO dialogues and NGO country presentations.

ALNI, however, pointed out that labor issues like the worsening unemployment problem in the

country should be seriously addressed during the meeting considering that ADB-funded projects support market liberalization, privatization and deregulation.

"We hope this will not constitute a precedent. ADB has long been trumpeting the rights of basic sectors in participatory processes within the ADB," Mr. Corral said.

Press Release: Asian Labor Network on IFIs-Philippines, 20 June 2003

Labor boycotts ADB meeting

A coalition of trade unions and people's organizations announced that its members have decided to boycott the luncheon socials of the annual board meeting of the Asian Development Bank (ADB) scheduled on June 30.

The Asian Labor Network for International Financial Institutions (ALNI) said that the group's participation in an "invitation-only exclusive luncheon" would not involve substantial discussion on the issues of workers within the agenda of the ADB board meeting. The group said ADB refused to include the people's representatives into the meeting's core programs and formal discussions.

"The luncheon is a social function. It is not a venue where ALNI and trade unions can formally discuss workers' rights and core labor standards with the bank's executive directors," ALNI co chair Louie Corral said in a statement.

Corral pointed out that various labor issues such as the worsening unemployment problem in the country should be seriously addressed during the meeting in light of ADB-funded projects, which support market liberalization, privatization and deregulation.

This year's ADB meeting was initially scheduled in Turkey for one week last May but due to global and regional uncertainties brought about by the U.S.-led Iraq war, the annual meeting was reduced into a one-day brief meeting of government representatives only. ADB governors are expected to designate a temporary alternate governor to represent the ADB members.

"We hope this will not constitute a precedent. ADB has long been trumpeting the rights of basic sectors in participatory processes within the ADB. They talk about accountability but then their website announced that the meeting paper itself is closed to media and NGOs," Corral said.

Unlike previous years, ADB officials announced that the 36th annual board meeting would be closed to observers, NGOs, private sector representatives, media and even members of the bank's association of former employees.

ADB has instead arranged a social luncheon for representatives of locally based NGOs, trade union organizations, and the media where ADB Chairperson of the Board of Governors Ibrahim Çanakci and ADB President Tadao Chino will deliver their formal reports. Pres. Gloria Macapagal Arroyo is also expected to grace the said occasion. "How can we share the lessons of the civil society on the bank's loan when the ADB meeting will not provide an opportunity for these views to be expressed," Corral said.

Corral added that the participation of people affected by the ADB projects in the Philippines is "unsatisfactorily" rated. "How can they be a learning institution improving their projects if they close their doors to the people they are supposed to be helping," Corral said.

Corral said that ALNI is closely monitoring the developments from the series of consultations with ADB officials. He added that ALNI leaders and ADB personnel have agreed on a policy that will ensure protection for the rights of the workers.

Corral said that ALNI's immediate goal is to integrate core labor standards in the bank's lending operations to the extent that it is reflected in the bank's manual of operations. "This is the measure of the bank's genuine concern for labor and their livelihood as a direct or indirect result of ADB projects. Once it is made part of the bank's operational manual, compliance with core labor standards will be made mandatory for bank-administered loans," he said.

ALNI noted that there has been pressure across the globe to reduce workers' rights. Many country-level interventions of international financial institutions such as the World Bank and the International Monetary Fund do not show concern for respecting core labor standards, promoting social partnerships or ensuring improved social protection.

ADB passes blame to Arroyo gov't on rushed Transco sale

By Paolo Joseph Lising

Tribune, 18 June 2003, page 9

An international labor body criticized the Asian Development Bank (ADB) for turning a blind eye on what it alleged as corruption and irregularities emerging in the sale of transmission assets holding firm National Transmission Corp. (Transco) which the group said the multilateral financing agency is requiring before it allows guarantee cover on a planned government borrowing.

The ADB, when interviewed by the Tribune, however, said that it was the call of the Arroyo administration to privatize Transco first to fire off the privatization of state firm National Power Corp. (Napocor).

An ADB official said the main concern of the funding agency is to get the Napocor privatization off the ground and not specifically the sale of Transco.

A bill pending in Congress seeks to provide franchise for Transco to effect its sale, President Arroyo has pushed for the sale saying that delay on it would stall the release of ADB loans for the country.

"We are not pushing for the privatization of Transco. The ADB is not directly involved with it. What we are saying is that if the Philippine government wants further assistance, it should first move with its agenda related to the Electric Power Reform Act (Epira)," ADB director for infrastructure for Southeast Asia Patrick Giraud said.

The Epira law seeks to reform the local power industry mainly through the breaking up of Napocor and selling its assets to private firms.

In a statement, Asian Labor Network on International Financial Institutions (ALNI) said the ADB violated its own inspection policy based on the core labor standards defined by the International Labor Organization (ILO) by prodding the government to sell Transco.

"We appeal for more time to examine the draft. Also, there must be an internal ombudsman to challenge the inspection committee of ADB to avoid fraud by politicians who have vested interests in the project," ALNI co-chairman Louie Corral said.

The inspection policy should be accessible to the basic sector and the ordinary consumers and ADB should be sensitive enough to understand this," Corral said.

"ALNI in the Philippines scored the ADB on its failure to properly implement the bank's inspection policy when it allowed the bidding of the Transco transmission system despite the alleged

corruption and irregularities embedded in the project," he added.

Why is the ADB in such a hurry to privatize Transco when under the Epira, it should be privatized only when 70 percent of its other assets have been privatized? Why privatize it ahead of the others?" Corral said.

Giraud agreed with this saying that countries like Korea who is also in the process of privatizing its energy sector chose not to privatize its transmission facilities.

"That remained to be their choice stipulated in their agenda," Giraud said. He said in the Philippines' case, since the government wants Transco' s sale as indicated in the Epira, there should be progress related to this before the bank can extend financing facilities.

Created under Republic Act 9136 or the Epira, Transco is responsible for planning, construction and centralized operation and maintenance of high voltage transmission facilities nationwide. It is one of the largest corporation in the country with around \$2-billion in physical assets.

Giraud said in a telephone interview that the bank does not conduct any inspection policy related to the Transco since such policies are only made when the agency has direct involvement in a project.

The Arroyo administration is asking the ADB for a partial credit guarantee for a \$250-million bond flotation that would be used mainly to finance the operational costs of Napocor for this year.

"We just want to see their main agenda for the assistance that they are asking. They have to implement what was stipulated in their agenda and that has something to do with concrete progress in their privatization," he said.

Labor group hits ADB for rushing TRANSCO bid

By Lenie Lectura, Reporter

Today, 18 June 2003, page 13

The Asian labor Network on International Financial Institutions (ALNI) in the Philippines criticized the Asian Development Bank (ADB) yesterday for not complying with its own inspection policy, which, it said, resulted in serious violations of the core labor standards as defined by the International Labor Organization (ILO).

ALNI, in a statement, scored the ADB on its failure to properly implement the bank' s inspection policy when it allowed the bidding of the National Transmission Corp. (TRANSCO) transmission system despite alleged corruption and irregularities embedded in the project.

"Why is ADB in such a hurry to privatize TRANSCO when under the Electric Power Industry Reform Act, it should be privatized only when 70 percent of its other assets have been privatized? Why privatize it ahead of the others?" asked ALNI cochairman Louie Corral.

According to Corral, the auction in the Leyte interconnection venture was immediately awarded to the winning bidder without submitting the required three-submarine cables, one of the key provisions under the agreed technical terms of ADB and the government.

TRANSCO is responsible for the planning, construction and centralized operation and maintenance of high voltage transmission facilities nationwide. It is one of the largest corporations in the country and with around \$2 billion in physical assets. ADB pushes for the

privatization of TRANSCO or the transfer of its public utility franchise to a private concessionaire.

ADB' s inspection process allows communities, groups or organizations affected by ADB projects to complain about how a project will cause harm and demand an inspection of the project. The bank is currently revising its inspection policy.

Corral cited another infraction of the bank' s inspection policy when it pushed for the privatization of National Power Corp., which led to the retrenchment of some 8,000 employees early this year. "The ADB and the International Monetary Fund-World Bank threatened to withhold all pending foreign loans to the Philippine government if NAPOCOR will not be privatized.

Both international financing agencies pledged assistance amounting to \$600 million as soon as the privatization of NAPOCOR is implemented," Corral said.

Corral appealed to ADB officials to listen to workers in revising its accountability mechanism. He insisted that ADB' s inspection policy should effectively involve trade unions and civil society organizations and that ADB should ensure that the concerns of the labor sector are integrated in the revised policy. "We appeal for more time to examine the draft. Also, there must be an internal ombusman to challenge the inspection committee of the ADB to avoid fraud by politicians who have vested interests in the project," Corral said.

ADB refutes labor' s claim of nonprotection

By R. Reyes

Today, 18 June 2003, page 14

The Asian Development Bank (ADB) refuted the claim of labor group Asian Labor Network on international financial institutions (ALNI) that it does not consult and dialogue with nongovernment organizations and trade unions in its undertakings.

The ADB said that half of its projects, including many in the Philippines, have a big civil society participation in some significant way and ADB personnel interact daily with civil society organization of the development and implementation of projects, programs, and policies. "ADB has been strengthening its consultation mechanisms with labor unions and other stakeholders to ensure a regular two-way flow of information and ideas," said ADB in a statement.

Earlier, ALNI claimed that ADB is not serious in establishing concrete measures to uphold basic workers' rights or core labor standards (CLS). On the same note, ALNI also urged the ADB to comply with CLS and give social protection to workers displaced by the reforms implemented by ADB projects.

ADB said it is open to views presented by ALNI and other groups on development issues because labor standards are an integral part of ADB' s development mission. "As a good social corporate practice, ADB complies with the internationally recognized core labor standards in the design and implementation of all of its projects," the ADB pointed out.

ADB has its most recent meeting with ALNI representatives on May 29, and the two sides agreed to continue regular discussion on labor issues, and to promote enhanced stakeholder involvement in ADB-supported activities.

As a concrete measure to develop core labor standards, the ADB said it is carrying out a regional technical assistance project (RETA) with International Labor Organization (ILO) on Improving the

Role of Labor Standards.

Because of global and regional uncertainties, the ADB's board of directors decided to hold a reduced scale during the 36th Annual Meeting of the board of governors in Manila on June 30.

Contrary to an earlier claim by ALNI that the event is a closed-door activity, the ADB said representatives of locally based NGOs, trade union organizations, and the media are among those who have been invited to attend a luncheon following the board meeting.

ADB president Tadao Chino will host the luncheon, with President Arroyo as guest of honor. Chino will deliver his annual report at this luncheon.

Despite the reduced scale of the annual meeting, the ADB said it would have no bearing on the organization's engagement of nongovernment stakeholders. "In fact, we fully expect that our cooperation with labor groups and other civil society organizations will intensify in the month ahead with the recent adoption of a new framework for cooperation among ADB, government and NGOs," the ADB said.

The ADB said crafting of its new accountability mechanism provides a recent concrete example of the bank's close collaboration with civil society. NGOs and labor organizations actively participated in the review of ADB's inspection function and in the formulation of the accountability mechanism that will supercede it.

Labor hits ADB for not protecting workers

By Rizal Raoul Reyes, Correspondent

Today, 14 June 2003, page 14

The Asian Labor Network for International Financial Institutions (ALNI), a coalition of 18 labor unions organizations led by the Trade Union Congress of the Philippines (TUCP), Federation of Free Workers (FFW), and the Alliance of Progressive Labor, hit the upcoming annual board meeting of the Asian Development Bank (ADB) because the meeting's agenda continue to be silent on the need for concrete measures to uphold basic workers' rights, of "core labor standards" (CLS).

In a statement, ALNI cochairman Allan Montano said that the ADB-funded projects, which support market liberalization and public sector reform, have worsened the unemployment problem. "We have no hope of curbing unemployment unless ADB ensures that its projects adhere to core labor standards and provide social protection to workers affected by the reforms implemented by ADB projects. Government efforts are not enough to curb the unemployment rate," Montano said.

Montano pointed out that until now ADB's board members have not drafted an official report about whether the bank's projects comply with International Labor Organization's labor standards. "The ADB should realize their programs are creating a huge impact on the lives of millions of workers. ADB representatives should demonstrate greater sensitivity to the plight of labor by including labor issues in the agenda before this year's annual board meeting begins," Montano said in a statement.

As a powerful institution, Montano said ADB's programs and policies could contribute to a specific country's compliance with core labor standards. "International financial institutions should encourage countries to develop and maintain comprehensive social protection programs, including pensions, unemployment benefits, child support, maternity, and sickness and injury benefits. All of these programs are important components of effective long-term poverty reduction strategies, which international financial institutions claim to be their overarching

goal," added Montano.

To stress his point, Montano cited a February 2003 World Bank study on unions and development that sound industrial relations based on respect of the core labor standards contribute to economic stability and better macroeconomic performance. It also declared that increased union members tends to reduce earnings inequality and wage discrimination against women and minority groups.

Montano said that respect for core labor standards should be integrated into the manual of operations of international financial institutions like ADB and World Bank. "They should provide no funding for restructuring or privatization of enterprises or sectors, when employees do not have the freedom to join a union, or where managers refuse to negotiate with the union when exists," Montano said.

ALNI noted that there has been pressure across the globe to reduce workers' rights. Many country level interventions of international financial institutions like the World Bank and the International Monetary Fund (IMF) do not show concern for respecting core labor standards, promoting social partnership, or ensuring improved social protection.

Montano added that several other examples of country-level interventions by international financial institutions show great regard for "labor market flexibility" and reduced labor costs, but none for core labor standards. The IMF's Article IV Report for Colombia [January 2003] asserts that "more flexible labor market policies would help spur economic growth" but complains that the proposed reforms do "not go far enough" because the minimum wage is still indexed to the cost of living. IMF proposes that labor reforms be key loan conditionality.

"Neither institution mentions the extremely serious threats to freedom of association in that country, with a total of 184 trade-unionists murdered last year," said Montano.

Labor group wants changes in profit-sharing measure

By Ruffy Villanueva, Businessworld, 6 to 7 June 2003

A labor group wants amendments in the proposed profit-sharing bill currently pending at the Senate.

In a telephone interview, Asian Labor Network of International Financial Institutions spokesman Julius Cainglet told Businessworld that the group supports the passage of the bill but said coverage provisions should be clarified.

Mr. Cainglet noted that the bill remains vague on the coverage and did not provide clear parameters on which firms are bound to offer profit sharing to employees.

Senate Bill 94, filed by Sen. Juan Flavio, proposes that "in all business enterprises, entities and corporations which can afford," labor should be allowed to share in earnings and profits - not only through wage increases but also through profit sharing.

The bill pushes for business enterprises to set aside 10% of their net income after tax to constitute a profit-sharing fund for employees.

The bill likewise set penalties amounting from P25,000 to P500,000 for violations of the proposed extension of such benefits to employees. "We are pushing for the passage of the profit-sharing bill. However, what we're pointing out is that the law should be clear on who will be covered by the legislated profit sharing," he said.

"What the bill is saying is that those who can afford should offer profit sharing, but what is the basis in saying who can afford or not? We might be seeing a case wherein almost all companies could apply for exemption," he added.

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