

## **Philippine Working Group on ADB: Press Coverage (June/July 2003)**

**ADB meets with labor, civil groups**, BusinessWorld/July 2

**Activists blame ADB for water privatization**, Today/June 30

***“ADB Should be Accountable for Failure of Projects it Funds!”***

**Project Affectees and Consumers Join Protest Against ADB Meeting in Manila**, June 30  
Press Release

**FDC hits ADB’s ‘interventionism’**, Today/June 27

**ADB eyes funding private sector activities**, BusinessWorld, June 27

\*\*\*\*\*

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**

---

#### **Activists blame ADB for water privatization**

By RHODINA VILLANUEVA

TODAY Reporter, June 30

The Asian Development Bank (ADB) should share in taking responsibility for the impact of the failed water privatization in Metro Manila.

According to the Freedom from Debt Coalition (FDC), the ADB, together with the International Monetary Fund and the World Bank, has been very active in pushing the government to pursue the privatization of water utilities.

"In the ADB country-operation strategy for the Philippines in 1993, ADB called for greater involvement of the private sector, especially in the water sector," said Jollette Fajardo of the FDC-Water Team.

He noted that the ADB, as one of the lenders of Maynilad Water Services Inc., helped push government to agree to giving in to Maynilad's demand for a rate increase to prop up the ailing company.

"Because of the privatization policy, Metro Manila residents have been subjected to steep water-rate increases with no accompanying service improvements. The policy also succeeded in taking away the provisioning of water from the realm of government services to a sphere which treats water as a source of profit," Fajardo said.

He added that with water in private hands, the people have lost their power to demand better services because of the private corporation's lack of accountability to the public.

"They cannot even participate in the ongoing legal dispute between the Metropolitan Waterworks and Sewerage System [MWSS] and Maynilad because of lack of 'legal personality' to intervene in a "private contract" between these companies," Fajardo said.

On December 9, 2002, Maynilad filed a notice of termination of its services with MWSS, alleging that the government has made it difficult for it to perform its service obligations. According to Maynilad, MWSS violated provisions of the concession agreement.

In this light, the FDC reiterated its stand that privatization will not solve government inefficiency and corruption. "Even privatization proponents admit that strong and good governance is a requisite for privatization to work. The solution is to reform government, not turn its

back from its responsibility to its people."

Fajardo said, "Pursuing the privatization policy espoused by multilateral financial institutions like the ADB will not bring water for all."

He added that "by pushing government to adhere to a policy treating water as an economic good provided by the private sector, the ADB has succeeded in taking an essential service away from effective government control, making water a source of profit available to only those who can afford."

---

30 JUNE 2003 Press release

***"ADB Should be Accountable for Failure of Projects it Funds!"***  
**Project Affectees and Consumers Join Protest Against ADB Meeting in Manila**

The Asian Development Bank holds its 36th Annual Governors Meeting (AGM) in Manila on June 30, 2003. This year's event lacks the usual pomp and extravagance that characterized previous AGMs. Original plans to hold this year's AGM in Istanbul, Turkey were cancelled without any clear explanation from the Bank. It is widely believed, however, that it had something to do with the security concerns as a result of the United States' invasion of Iraq.

This year's meeting has been drastically abbreviated to a 1-1/2 hour business-only meeting, where attendance of all Governors (Finance Ministers of Members Countries) is not even mandatory.

A protest rally, led by the Philippine Working Group on the ADB, will be held outside Bank premises. The rally will be a joining of voices from Filipino communities and consumers affected by projects and programs financed by the ADB.

The PWG on the ADB, a consortium of groups working on issues related to the ADB, urges the Asian Development Bank and its officials, country representatives and delegates "to stop adopting and implementing flawed policies, and to take responsibility for the failure of many of its loan programs."

The group particularly calls the attention of the ADB on its participation in the privatization of the Metropolitan Water works and Sewerage Systems (MWSS) and the failings of one of its private concessionaires, the Maynilad Water Services Inc. "The Maynilad case highlights the dangers of a badly-designed privatization program, where the major aim appears to have been the creation of opportunities for foreign water companies rather than to ensure affordable and quality water services for all."

The group further urges the Bank to acknowledge its accountability for the mess that plagues the Philippine power sector. "The restructuring of the power sector serves the ADB's bottom line of creating the biggest space for foreign private capital, but is a dismal failure in terms of serving the public interest. The way the privatization of the Philippine energy sector has evolved has meant higher electricity prices for consumers, greater probability of private market power in the sector, lesser environmental protection, lesser consumer protection, and legitimating of wrong policies and corruption", the group said.

Protest organizers estimate around 5,200 marchers will join the mobilization in front of the ADB Headquarters in upscale Ortigas Center. They will then march to the Edsa Shangri-la Hotel where a luncheon is being hosted by ADB President Tadao Chino, and where Philippine President Gloria Macapagal-Arroyo is guest of honor.

Several foreign campaigners from Indonesia, Papua New Guinea, Australia, Nepal and Europe – all members of the international network NGO Forum on the ADB – will join today's protests.

The Philippine Working Group on the ADB is composed of: the Freedom from Debt Coalition (FDC); Focus on the Global South-Philippine Programme; Legal Rights and Resources Center-Kasama sa Kalikasan (LRC-KSK); Asian NGO Coalition for Agrarian Reform and Rural Development (ANGOC); Philippine Rural Reconstruction Movement (PRRM); Tambuyog Development Center; Southeast Asia Research Institute on Community Education (SEARICE); and Action for Economic Reforms (AER).

For Inquiries:  
Mary Ann Manahan - 09173670823  
Dinah Fuentesfina – 09209054576

---

TODAY  
Friday, 27 June 2003

### **FDC hits ADB's 'interventionism'**

By R. VILLANUEVA  
Reporter

The Freedom from Debt Coalition (FDC) yesterday pointed out that despite the numerous financial assistance it extends to the Philippine government, the Asian Development Bank (ADB) still works in the same line as the International Monetary Fund (IMF) and World Bank (WB) as it imposes conditionalities geared toward the promotion of trade liberalization and privatization.

The FDC, which is a member of the Philippine Working Group tasked to examine ADB's role in the country, said the financial institution is engaged in "interventionist" strategy by trying to tamper or restructure the policy environment of our country."

"It works in the same way as the IMF and WB. It has the same modus operandi as the two agencies by coming out with loans, technical assistance with instructions," FDC president Ana Maria Nemenzo said in an interview.

She added that the ADB's country strategy program as well as its other projects bear the mark of its core strategy which is a private-sector led economy.

"The ADB plays a big role in restructuring, particularly, our power, as well as water industry when it, for instance, provided loans to the government but actively promoted privatization," Nemenzo stressed.

The FDC official said that based on ADB's Annual Report 2002, its focus will be poverty reduction strategy in Asia and the Pacific region through the promotion of PRSP or the Poverty Reduction Strategy Program.

"However, the ADB for the continuous extension of its development assistance and loan to the country is imposing a conditionality to the government to formulate a clear policy on poverty reduction. Again, this will be done in a manner that will be directed by the bank. This will be through strategies that will promote liberalization, privatization and deregulation," Nemenzo explained.

FDC secretary-general Lidy Nacpil said, "One of the key elements to the ADB's poverty reduction strategy is its plan to promote private sector investment in developing member-countries like the Philippines, as a means of reducing poverty."

Nacpil even cited an ADB key policy document which states that “economic development of the private sector is the most critical component of a successful strategy in alleviating the conditions of poverty.”

She added that the ADB also argued that by privatizing public enterprises the resources that are tied up in public enterprises can be shifted into higher priority programs that will be of more immediate benefit to those in poverty

---

MANILA, PHILIPPINES | Friday, June 27, 2003

### **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 poverty 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 billion at PhP53.44=US\$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.

---