

Freedom from Debt Coalition

PRESS STATEMENT

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Asian Development Bank in the Philippines: 40 Years of Debt, Poverty, Corruption, Destruction and Hypocrisy

On the occasion of the 40th anniversary of the Asian Development Bank (ADB) and the holding of ADB's Annual Governors Meeting (ADB-AGM) in Kyoto, Japan, the Freedom from Debt Coalition (FDC) joins the debt activists and civil society organizations from various countries in unmasking the anti-development nature of ADB. ADB's lending practice and outright policy interventions in the country have not only exacerbated the country's debt problem, but have in fact promoted poverty & corruption, facilitated environmental exploitation and destruction. Clear evidences of the hypocrisy amidst continued claims as development and anti-poverty institution in the Asia-Pacific region.

By its own standards, latest data on success rate of ADB-funded projects in the country is at 57.7 percent. In spite of evidence of pointing to responsibility over failed project implementation, the ADB has managed to walk away with impunity. Not only has ADB been assured of debt payments on these loans, it also earns through commitment fees as a result of delayed project implementation. For 2005, total commitment fees paid to the WB and ADB amounted to US\$8.4 million. NEDA report attributes these to three major ADB-funded projects, namely:

- * Pasig River Environment Management & Rehabilitation Sector Development Program (\$0.52 million)
- * Metro Manila Air Quality Improvement Project (\$0.41 million);
- * Southern Philippine Irrigation Sector Project (\$0.32 million).

ADB's biggest lending in the Philippines is in the power sector - US\$2.631 billion loans and US\$10.621 million for technical assistance, a big chunk of which is aimed at privatizing the National Power Corporation (NAPOCOR) and restructuring the entire power sector to attract more private sector involvement. ADB must take responsibility in the so-called power sector reform in the Philippines which resulted in dismal failure in terms of serving public interest such as in relentless increases in power rates (ranked 2nd in the world, next to Japan), less consumer protection, less environmental protection, legitimizing wrong policies and corruption, resulted in the ballooning of NAPOCOR debts, and adding to the heavy burden of the taxpayers. Clearly, ADB's accountability is illustrated in the incidents surrounding the passage of the Electric Power Industry Reform Act:

- * ADB pre-conditioned two loans to the government's accessing of a \$300 million power sector loan and \$300 million from the Japan Bank for International Cooperation for the swift privatization of NAPOCOR. Further disbursements of these loans became contingent to the passage of the NAPOCOR privatization bill known as Electric Power Industry Reform Act (EPIRA).
- * The payola scandal in the House of Representatives in 2000, is an indication of the arm-twisting tactics adopted by ADB, which prompted the Estrada government to take short cuts to get the necessary votes. ADB had wanted the law passed by 1999.
- * ADB reduced loan disbursements to the Philippines in 1999 to nearly zero from the usual annual outlay of \$300 to \$500 million.

Another case in point is the privatization of the Metropolitan Waterworks and Sewerage System (MWSS), a glaring testament to the detrimental impact of ADB's interventions in the Philippine water sector. The ADB's past and current MWSS portfolio clearly show how the Bank helped determine water access in Metro Manila as well as facilitating exploitation by profit-driven corporations on people's need for water. Now on its 10th year, MWSS's privatized set-up has nothing to show but skyrocketing rates, unmet service obligations, heavier debt and financial burdens and a co-opted water regulatory office that has turned deaf to cries of the public, as illustrated below:

- * Increase in water tariffs by private concessionaires - 563 % (Maynilad) and 750% (Manila Water) from pre-privatization rates
- * Connection fees remain prohibitive for millions of Metro Manila urban poor residents with rates ranging from Php 5,000 to Php 6,000.
- * Poor quality of water supply remains widespread. In 2003, several urban poor communities became victims of cholera and gastroenteritis affecting over 800 individuals and killing 8 persons.
- * Heavier government financial burden resulting from non-payment of concessionaire fees by Maynilad; this further resulted in government's buying into ownership of a bankrupt company
- * Foregone government revenues as concessionaires enjoyed tax breaks since contract signing. Granting extension of Manila Water's tax holiday for another year (until 2007) translates to revenue loss of approximately Php 650 million. This in spite of reported increase of 51% in profits from its 2005 operations.
- * Maynilad and Manila Water charge consumers the cost of their taxes at P1.55 and P4.15 per cubic meter, respectively.
- * These private firms were allowed to earn more than the 12 percent cap on profit margins of public utilities by virtue of an MWSS Board resolution declaring the concessionaires mere agents and contractors.

Further, \$370 million ADB loan for the MWSS the ADB under the Umiray-Angat Transbasin Project has been reported to have caused adverse environmental impacts, dislocation of indigenous communities, in addition to unfulfilled project outcomes.

ADB role in the promoting corporate exploitation of the country's natural resources with impunity are exemplified through its support to the Masinloc Coal-fired Power Plant and the Marinduque Copper Mining Corporation (Marcopper). The environmental consequences of the Masinloc project such as pollution, impacts on community health, human displacement, damage to centuries-old mango orchards, fisheries and farming areas, and siphoning of water resources from nearby communities. Yet, the ADB did nothing to these issues. In fact, it opposed the sale of Masinloc (on the basis of NAPOCOR's inability to pay its loans) not until the National Government agreed to assume the NAPOCOR debt.

ADB's refusal to own up responsibility on the Marcopper disastrous mine-tailings spill in 1996 for having financed the project, and being bound by its environmental policy, was flimsily countered by claims that loans related to the projects have already been closed. To this date, communities affected by the disaster remain uncompensated.

These cases are but few of the multitude of cases that ADB must be held responsible for. This 40th year of ADB, the Freedom from Debt Coalition demands a stop to these continuing atrocities. FDC calls on the Filipino people and government to demand accountability from the ADB with its irresponsible lending and flawed policy prescriptions which led to four decades of illegitimate debts, unabated poverty, environmental destruction and blatant show of hypocrisy. XXX

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