

**Total National
Government Debt
(2004):
Php3.81 trillion**



FDC bulletin

May - June 2005



Calls mount: end GMA gov't!

The incumbent Philippine president Gloria Macapagal-Arroyo has defrauded the Filipino people in more ways than the electoral cheating suggested by the "hello, Garci" tapes. Under her four-year term, millions have been driven into deeper poverty and deprivation than before. Levels of borrowing have risen to an all time high. Basic services have been

surrendered to profit-driven private firms. Prices of basic goods have shot up far beyond the purchasing power of basic wage earners.

Lumaban Ka or *Lumalabang Mamamayan sa harap ng Krisis at Kahirapan* -- a broad network of progressive people's organizations and movements -- brought the

people's demands into sharp focus and have begun calling for an end to the Arroyo administration during the National Day of Protest last June 30. Organized through FDC efforts months before the *jueteng* and wiretapping scandals broke out, this nationally coordinated mobilization turned

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out to be act of foresight that added Arroyo's newest crimes against the people to the range of other charges leveled by various sectors against her administration.

A Body of Crimes

Even without charges of electoral fraud, a dismal track record provides more than enough basis for ending the Arroyo government, stressed **Lumaban Ka!** Bringing forward the body of crimes the Arroyo administration has committed against the people, leaders pointed out:

- the prioritization of debt service over the provision of basic social and economic services;
- skyrocketing prices of oil, power, water and other basic commodities due to privatization, deregulation and liberalization policies;
- imposition of the expanded value added tax and other regressive taxes;
- low wages, unemployment and massive lay-offs in workplaces;
- token implementation of agrarian reform;
- absence of a comprehensive reproductive health policy for women; and,
- continued transgression of indigenous people's rights

Anti-Filipino

Arroyo is more than a cheat and protector of *jueteng* lords, asserted **Lumaban Ka!** members.

"Her pro-imperialist economic policies have defrauded the people many times over than she has defrauded her political rivals during the last elections."

In 1994, promising more jobs and sustained economic growth, then Sen. Arroyo placed the country under the neoliberal trading regime of the World Trade Organization. The result has been catastrophic for the poorest households and communities: rising unemployment, low wages and job loss for millions of workers due to company closures, privatization, and the devastation of the agriculture sector due to the influx of agricultural imports. The devastation continues up to now.

Just recently, Arroyo through Executive Order 270-A and the Minerals Action Plan watered down democratic handles, namely the free and prior consent of indigenous peoples and local government consent in favor of large-scale mining companies.

Anti-Poor

In 2001, Arroyo promised to work on a platform of new politics and pro-poor economic program. But in reality, the same old *trapo* politics remained while her economic policies bent further towards foreign, as well as to corporate and landlord interests. It was also during that time when she forced the passage of an electricity sector "reform" law which ensured the speedy privatization of the National Power Corporation (Napocor).

Ironically as well, under a

woman presidency, Filipino women have assumed increased burdens with the privatization of basic public services and the erosion of access to the same.

Arroyo has likewise defrauded the farmers by colluding with Danding Cojuangco in misspending and misallocating P38 billion of funds recovered from Marcos' ill-gotten wealth.

Further, from 2001 to the present, the Arroyo administration has embarked on a borrowing spree, pushing the government more deeply into debt. This has been accompanied by continuing to prioritize debt payments over social and economic services, allocating in 2005 almost 95 percent of total tax revenue to debt service. The result: deteriorating social services; constricting budgets for economic development; imposition of the value-added tax and more regressive taxation.

Human Rights Violations

The Arroyo administration has also shown itself to be a consistent human rights violator. It is as brutal as the past administrations in the use of force against legitimate protests, as shown in the case of Hacienda Luisita, the summary killings of activists, the witch-hunting of Muslims labelled as terrorists, and in its a policy of duplicity and aggression in dealing with the Moro struggle in Mindanao.

Moreover, the GMA

administration has largely ignored the clamor for upholding reproductive health rights, even as these are critical in enhancing women's well-being and saving lives.

The Truth of Illegitimacy

Arroyo's record speaks for itself, and widespread dissatisfaction comes as no surprise. A recent survey showed a negative 33 net satisfaction rating.

"Arroyo is mistaken if she thinks that by issuing a public apology that even tried to downgrade her crime would silence the people's clamor for her ouster. She is even more mistaken if she believes that the issue of her illegitimacy lies only on the Gloriagate tapes," wrote *Lumaban Ka!*. "She is terribly mistaken if she thinks that the people would be appeased by promises of renewed efforts to implement her programs for economic recovery."

Bantay Talakay!

lingguhang radio
broadcast ng FDC

DZME 1530 AM
tuwing Linggo,
10-11 ng umaga

*Subaybayan at
lumahok sa maiinit
na talakayan!*

Repression rears its ugly head again



Shades of martial law descend as the desperate Arroyo administration tries to insulate itself from scandal upon scandal. Dismissing the "Gloriagate" tapes as purely part of a destabilization plot by the opposition to topple government, Arroyo's Justice secretary foists sedition charges against the wide range of forces now opposing the Arroyo regime and who are calling for the president's ouster. It is a line that harks back to the dark days under Marcos, but a line that will always be remembered for

the thousands of human rights violations that it served to legitimize.

Mass media is repeatedly being threatened by the Justice Department and National Telecommunications Commission for airing the Gloriagate tapes. Arrests and filing of anti-sedition charges have been made against youth activists for posting anti-Arroyo posters along Kalayaan Ave. in Quezon City.

Late June 2005, elements of the National Bureau of Investigation raided a printing press producing the now-famous "President Evil" posters of *Lumaban Ka!* portraying Arroyo as the villainous Valentina. The NBI team confiscated computers and posters, brought in two workers for questioning and later filed charges of unlawful publication against the printing press owner.

In a search warrant issued by Natividad Giron-Dizon, Executive judge of the Quezon City Regional Trial Court, All Ways Printing Press was charged of violating Article 154 of the revised penal code for possession of seditious materials. Several lawyers scored the move as "paranoia", saying that there is nothing remotely seditious about the poster. It is this paranoia, added Fortaleza that is pushing the Arroyo administration to embark on desperate acts that threaten the most basic rights to free speech and expression.

World Bank, ADB hit for poverty generation

Two recent events provided occasions to revisit the roles of the international financial institutions (IFIs) in the lives of debt-burdened South countries: the 38th Annual Meeting of Asian Development Bank (ADB) Board of Governors in Istanbul, Turkey, and the appointment of Paul Wolfowitz as the new president of the World Bank.

The Freedom from Debt Coalition (FDC) mounted protest actions on these occasions against the two influential institutions as FDC and Jubilee South members picketed the ADB main office in Ortigas Center on May 6 and the World Bank's Manila office on June 1.

A Day of Infamy

Protesters in different parts of the world greeted Paul Wolfowitz's formal succession into the World Bank presidency. In the Philippines, FDC Vice President Wilson Fortaleza said that the man US President George W. Bush picked for the post "added insult to injury". Fortaleza called on the public to remember June 1 as "a day of infamy".

"What's a war freak doing in an international financial institution, but to further add to the destruction, the World Bank has already inflicted on entire populations, communities

and environments of poor countries?" exclaimed Fortaleza. He added that the Bank "failed to produce the economic boost that it promised through its loans and policies and instead further burdened us with a ballooning debt, the interest payments of which eat more one-third of the national budget".

Wolfowitz was one of the main engineers of several international wars waged by the US particularly in the Middle East. The Gulf War, the war in Afghanistan and the downfall of Iraq's Saddam Hussein were the results of his blueprints.

Fdc noted that this was not the first time the US government appointed a high-ranking defense official as World Bank chief. In addition the group expressed fear that Wolfowitz would prove similar to former World Bank head and former US Defense Secretary Robert McNamara.

It can be recalled that McNamara, also an architect of another war – the Vietnam war –



FDC Vice President Wilson Fortaleza



was accused of blatantly channeling World Bank funds to nations based not on their needs but in their support of US policy.

Meddling in Asian Economies

Tha ADB, on the other hand, was told to stop meddling in the economies of Asian countries and imposing neo-liberal policies. The current concerns of the ADB meeting for regional integration in Asia and the Pacific include



capitalizing on high growth to achieve sustained poverty reduction, accelerating financial cooperation and bond market development.

Fortaleza said that these concerns underscore only one thing – that the ADB will remain in its market-locked, private sector oriented state of mind and continue to act as the frontrunner of the International Monetary Fund’s (IMF) and the World Bank’s neo-liberal designs on the region. Fortaleza added that these IFIs wield the debt of South countries, especially the Philippines, as leverage to put in place policies like water and power privatization, as part of requisites for loan approvals and good credit ratings.

The Asian Face of Poverty

The world’s poverty is increasing, and its face is significantly Asian. The UN’s Economic and Social Commission for Asia and the Pacific describes the region as home to two-thirds of the world’s poor or 800 million people of 1.2 billion globally. Of this figure, around 522 million are

in South Asia, barely surviving on less than a dollar a day. An estimated 374 million rural women are living in absolute poverty. Two out of three of the world’s children working fulltime are Asians, with half a million already drawn into the sex trade.

Poverty tightly grips 30 percent of Asia’s rural population, foreshadowing the worsening of urban poverty in the coming years.

Poverty-Inducing Policies

Many well-documented indicators of appalling human conditions in Asia are instructive of how ADB has, for almost four decades past, been doing “development” and “poverty reduction” work in the region. Partnering with the IMF and the World Bank, the ADB aggressively pushes for the privatization of basic social services in the region.

Over \$15 billion, or about 19% of ADB’s total lending has been invested in water sector projects. Loans like these open the doors for transnational corporations to take over services that governments are mandated to provide. But the experiences of countries like Indonesia and the Philippines – constantly rising tariffs, poor quality water, the lack of transparency and accountability on the part of private water firms and their failure to implement promised infrastructure improvements – only

testify to the failure of water privatization.

The ADB plays just as major a role in supporting “power sector restructuring programs”. But for countries in the region, these so-called “power sector reform”, which is simply power privatization, has not led to public benefits but has in fact created more problems especially for poor households and communities. Prices are skyrocketing and corruption is increasing. More financial problems have been spawned from the sovereign loan guarantees and other perks extended by host governments to independent power producers, in accordance with the IFIs’ directives to draw in private investors into the power industry.

IFIs Must Be Held Accountable

That the IFIs can blatantly do all these injustices in the name of poverty reduction makes their actions even more contemptible, and the insult heaped upon Asia’s poor and marginalized millions, even greater.

The IFIs must be stopped from imposing their poverty-inducing neoliberal policies in Asia and the rest of the poor countries of the world. Instead they must be held accountable for the destruction they have heaped on the South countries throughout their long history of intervention. The IFIs could start by an immediate and unconditional debt cancellation for South countries, beginning with the crisis-stricken and the tsunami-affected countries.

Jubilee South Response to the G8 Debt Proposal: Justice Demands Unconditional and Total Debt Cancellation For All South Countries!

Jubilee South, a network of debt campaigns, movements and people's organization from Africa, Latin America and the Caribbean and Asia and the Pacific, stands firm in its position that no less than the unconditional cancellation of all debts claimed from all South countries will liberate the peoples of the South from debt domination.

The financial burden of debt servicing is staggering. It results in the violation of our people's basic rights and impoverishes our countries. The injustice is magnified even further when we examine the onerous and often odious nature, terms and purposes of many of these debts and the negative consequences of numerous debt-financed projects, for which northern lenders and authoritarian and corrupt South governments are responsible.

Even more fundamental is how the debt is used as an instrument to perpetuate the powerful hold that rich nations, international financial institutions, and global corporations have over our people's lives. They use this power to continue the long history of exploitation and plunder that is one of the central causes of the problem of the debt in the first place.

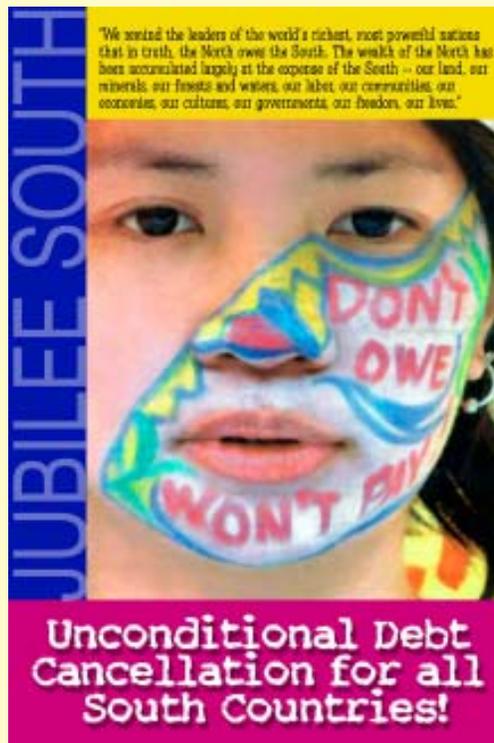
Ever since the explosion of the global debt crisis in the 1980's, we have been witness to a series

of debt relief programs by G8 governments and international financial institutions. Time and time again, these schemes succeeded not in releasing our people from debt bondage, but in keeping our countries on the debt treadmill, and creating even more favorable conditions for wealth concentration and extraction by foreign investors. In many instances they were poorly disguised initiatives to bail out international banks and financial institutions.

Since last year, G8 governments, led by the US and the United Kingdom, started discussing proposals for 100% multilateral debt cancellation. Debt campaigns took this as a challenge and an opportunity to fight for what may be partial but nevertheless important gains, and outlined the terms in which a 100% multilateral debt cancellation would truly represent a significant step forward in the struggle against debt domination.

On June 11, the G8 Finance Ministers released a statement on "Development and Debt" which includes a proposal for multilateral debt cancellation that would be put to the Annual Meetings of the IMF, World Bank, and African Development Bank by September 2005.

We cannot join our voices to those publicly hailing the G8



debt agreement as a “historic” victory for the following reasons:

1. The multilateral debt cancellation being proposed is still clearly tied to compliance with conditionalities which exacerbate poverty, open our countries further for exploitation and plunder, and perpetuate the domination of the South.

The G8 agreement includes the cancellation of US\$ 40 billion multilateral debt claimed from 18 HIPC Completion Point countries. The cancellation of US\$ 40 billion, if it were to push through, will mean a significant change from the current situation of many of these countries. But we should not forget that these 18 countries paid and will continue to pay a terrible cost for this US \$ 40 billion —compliance with HIPC conditionalities required to reach “Completion Point,” the impact of which will be felt for many years to come.

The proposal also mentions that 100% stock cancellation will be delivered to those “on track with their programmes of repayment obligations...” implying that countries currently in arrears will have to catch up on their payments before they are eligible for the cancellation.



It remains unclear as to whether new conditionalities will be imposed on these countries in the guise of ensuring “good governance, accountability and transparency.”



The proposal is also understood to include US\$11 billion claimed from nine HIPC Decision Point countries, and US\$4 billion claimed from 11 HIPC countries that have not yet reached decision point. This US\$ 15 billion comes with the same price — the 20 other countries will only become eligible for cancellation after they implement HIPC conditionalities.

The total US\$ 55 billion in multilateral debt cancellation will definitely not be enough to compensate for the devastating effects of these policies, which include privatization of services and utilities, indiscriminate trade and market liberalization, the further opening up of economies to foreign investments (especially targeting extractive industries in Africa), export-oriented policies at the expense of domestic needs. The impact of these policies includes the undermining of sovereignty and democracy, the intensification of repression and militarization, and war.

The cancellation of multilateral debts will not automatically mean these countries would finally be free from the hold that the International Monetary Fund, the World Bank and the African Development Bank have over their economies. These international financial institutions are not only lenders — their assessment and ratings of country performances heavily influence the behavior of international investors and other lenders. These countries will continue to be vulnerable to these institutions as long as the governments of



these countries insist on chasing after foreign investments, aid and loans.

2. Even if the debt cancellation were without conditionalities, the proposal falls far too short in terms of coverage and amounts to demonstrate a bold step towards justice by any standard:

- It does not cover the debts claimed by the Inter-American Bank and the Asian Development Bank from at least 6 of the 38 countries considered for multilateral debt cancellation. No logical explanation is evident and none offered by the G8 statement.
- It covers only 38 out of more than 160 South countries burdened by debts claimed by international financiers. By being silent on the rest of the South, the G8 continues to perpetuate their self-serving myth that debt is a problem only for “the most impoverished” countries.
- Even granting that the G8 aims to start with the most urgent of situations, the proposal does not even attempt to respond to the critical conditions of tsunami-hit countries in Asia and other countries experiencing severe crisis, such as Haiti.
- The amount of US\$ 40 billion is shameful compared to what G8 governments are willing to spend on their annual military budgets — for the year 2004: US\$ 400 billion for the US and a US\$ 191.4 billion for 6 other G8 countries combined (excluding Russia).
- These comparisons becomes even starker considering that as per the proposal, the contributions of donor countries to the US\$ 55 billion debt cancellation will be spread over many years (i.e. the duration of repayment of the cancelled loans).
- Their annual contribution to the debt cancellation is estimated to be only at about US\$ 1 billion per year. This is a pittance compared to what the G8

governments and the international financial institutions collect annually in principal and interest payments from South countries. In 2003, more than US\$ 23 billion dollars were collected for interest payments alone on multilateral and bilateral debts claimed from the South.

3. Like its predecessors, the proposal does not address the issue of odious and onerous debts.

Even by the narrowest legal, political and ethical parameters, most if not all debts claimed from the South are patently illegitimate. Indeed many of them have been shown to be outrightly illegal. Northern governments and international financial institutions have refused and continue to refuse to address this issue squarely.

Most historical precedents of restructuring, cancellation or repudiation of odious debts were opportunistic maneuvers by colonizing powers and occupying forces to free up resources in the South for their own interests, the most recent example being the Iraqi debt restructuring.

4. The G8 statement does not express any measure of acknowledgment of the historical and structural causes of debt and poverty and their own culpability. Without this recognition, the G8 governments cannot make poverty history. Instead, the G8 statement is a re-affirmation of their collective commitment to push poverty-inducing and debt-creating policies in the South.

We recognize that the G8 agreement on cancellation of multilateral debt stock claimed by these Institutions from 18 to 38 countries is some progress from previous schemes and proposals for limited relief from debt payments. It is also notable that debts claimed by the IMF are included, an official recognition that IMF debts can be cancelled after years of rejecting this notion. The fact that the G8 governments have been forced to address the sham and inadequacy of their various debt relief schemes would not have been possible if it were not for the unceasing and tireless efforts of debt campaigns and social movements across the world.

But we must not lose sight of the over-all nature and impact of these agreements. The G8 debt agreement is a clever effort to use positive elements to project an image of generosity, but embeds these elements in a package that is firmly consistent with and in furtherance of their economic agenda and control over the South.

We reject this renewed attempt to manipulate the hopes and demands of millions of people around the world.

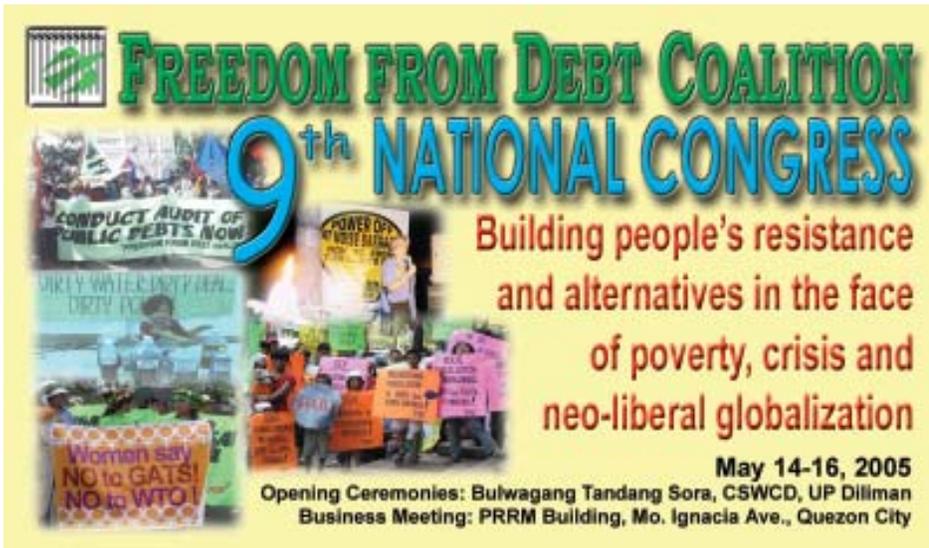
We urge all debt campaigns, social movements and people's organizations to step up the pressure and demand that leaders of the world's richest and most powerful nations take immediate and decisive steps towards:

- The unconditional cancellation of all debts claimed from all South countries;
- The end to the imposition of policies on the South using loans, aid, debt relief and debt cancellation programs, other economic leverages, political pressure, military aggression
- Restitution and reparations for slavery and colonization, the plunder of our wealth and natural resources, exploitation of our labor, the human, social and ecological destruction in the South caused by their economic activities, military operations and wars.

We remind the leaders of the world's richest and most powerful nations that in truth, the North owes the South. The accumulation and concentration of wealth in the North has been largely at the expense of the South – our land, our minerals, our forests and waters, our labor, our communities, our economies, our cultures, our governments, our lives.

We challenge South Governments to exercise the political will to repudiate all debts claimed from the South by the North and chart an independent path towards genuine development and self-determination.

June 14, 2005



structural adjustments, International Monetary Fund and World Bank conditionalities, trade liberalization, privatization, regressive taxation, and other urgent issues affecting the economy.

Evolving Mandate

In the 7th Congress in 1998, a formal Mandate Paper was drafted and ratified to define the underlying principles that would provide basis for positions adopted by the coalition as regards various

FDC holds 9th National Congress, maps out bold steps forward

The Freedom from Debt Coalition (FDC) rallied to the theme “Building People’s Resistance and Alternatives to Poverty and Globalization” for its 9th National Congress last May 14 to 16, 2005 at the University of the Philippines in Quezon City.

The congress is occasion for the coalition to assess its performance since its previous congress and plan its course of action for the next three years. “It is...essential that we take the coalition’s present position as a progression of its long history of struggle,” said FDC President Ana Maria Nemenzo in her keynote address.

Widening Advocacy

FDC was founded in 1988 as a coalition advocating the repudiation of the illegitimate loans incurred under the dictatorship of Ferdinand Marcos. “This must be kept in mind because we are not only confronting the issue of the debt to promote good governance in the administration, but to work towards the termination of a system of oppression that began in the Marcos dictatorship.” Nemenzo emphasized.

Yet in the 17 years of its existence, FDC endeavored to study all the different aspects and ramifications of the debt problem. In the process it became involved with an ever-widening scope of issues surrounding the debt:

economic issues. It was acknowledged that although FDC started as an issue-based coalition, its general platform on the economy evolved from the advocacies and general positions it has taken on the economy as a whole, or for certain aspects of the economy deemed important. Thus, the platform is an echoing of FDC’s own advocacies and the active advocacies of the coalition members.

New Program

The new theme “Building People’s Resistance and Alternatives in the Face of Poverty, Crisis and Neoliberal Globalization” stresses the coalition’s continuing efforts in advancing three major



Top row: Lidy Nacpil, exhibit panels, congress participants; Bottom: Ana Maria Nemenzo, Fr. Ben Moraleda, Milo Tanchuling, Guy Estrada-Claudio, Maitet Diokno Pascual

national campaigns: the campaign on the debt and fiscal crisis, and the campaigns against the privatization of water and power services.

In addition, the coalition will spearhead a national women’s campaign that will integrate women and gender concerns in its advocacy work; it will conduct further researches and advocacy initiatives on relevant economic issues; it will deepen its critique of neoliberal globalization and develop its alternative paradigm on economic development; and it will systematize its efforts to link up with related global initiatives.

A Coalition To Reckon With

Nemenzo summed up FDC’s achievements to date: “The result of our efforts in the past 17 years is the recognition of FDC now as a

coalition to reckon with. The nation acknowledges our unique expertise – an expertise acquired not from the academic community but from the experiences of the people themselves that we endeavored to gather and examine and make the basis for our actions in response to their real problems and needs.”

A significant role in the global struggle

Solidarity messages from organizations and movements here and abroad recognized FDC as a leading actor particularly in the campaign against the South countries’ debt. Canada’s Development and Peace wrote, “Your organization has contributed greatly to the awareness and demands for accountability on [debt] issues and also to our

understanding in Canada of how these issues are globally linked. Your staff and members are present at venues around the world and are leaders in the dialogue on the impacts of the international financial institutions on poverty.”

The 11.11.11 Asia team of Belgium similarly recognized FDC’s strides forward: “FDC has found a unique combination of militance and activism on the one hand and professionalism on the other hand. The quality and reliability of the FDC work in combination with an exceptional dynamism and outreach has been recognised internationally. This is a major strength in our joint struggle. But this struggle can never be won if not supported by the people and movements at the grassroots. FDC is equally contributing to the strengthening of this aspect.”

FDC OFFICERS (2005-2007)**President:** Ana Maria Nemenzo**Vice Presidents:**Francis Isaac
Wilson Fortaleza
Lidy Nacpil
Fr. Ben Moraleda**Secretary General:**

Milo Tanchuling

Treasurer:

Becky Malay

Assistant Treasurer:

Luzviminda Santos

Board Members:Jun Aguinaldo Bans
Noel Cabangon
Dr. Sylvia Estrada-Claudio
Ma. Teresa Diokno-Pascual
Atty. Romeo Dolleton**Political Blocs:**BISIG, KALAYAAN!, PADAYON,
SANLAKAS**Organizations:**BMP, IPD, KAALAGAD, LRC
TAMBUYOG**FDC Chapters:**FDC - Cebu
FDC - Davao
FDC - Eastern Visayas
FDC - Iloilo
FDC - Socsargen
FDC - Western Mindanao**FROM THE MESSAGES OF FDC'S CAMPAIGNING PARTNERS****IN SOLIDARITY...****Jubilee USA Network**

We proudly stand with you in campaigns and efforts for freedom from debt and building resistance to neo-liberal globalization. Together, we can and must break the chains of debt and global injustice!

Alternative Information and Development Centre

The theme of your Congress is very apt; [it] sums up the major challenges confronting all those at the receiving end of capitalist globalisation. In AIDC we see resistance as a major component of the struggle for alternatives. It is through the resistance of the people and their mobilisations that we are able to shift the balance of power which gives existing alternatives a greater relevance and gives people the confidence to see that they are not just good ideas but both possible and necessary. It is also in resistance that alternatives are born and become a material force....we look forward to receiving the results of your deliberations, which we confidently expect will develop the strategies and alternative perspectives that will launch a wave of struggles to end global apartheid. (Brian Ashley, South Africa)

The Committee for the Abolition of Third World Debt would like to bring our support for your action against debt slavery. We are convinced that your congress will be successful and hope to see you soon in the next common battles against corporate globalization. (Eric Toussaint, CADTM, Belgium)

World Council of Churches

Over the years we have witnessed [FDC's] robust struggle to analyse the problem of global indebtedness and critique the neo-liberal liberalization....This clarity has enabled movements around the world to gain in strength particularly the Jubilee South, which is a power to reckon with. Congratulations for this struggle that will finally bring us victory for the poor of the world. (Rogate Mshana)

**National Confederation of Officers Associations
of Central Public Sector Undertakings (India)**

The fact that this is the 9th Congress itself suggests the immensity and intensity of the struggle for what should be a very straightforward issue - that of enabling the progress made in science and technology and the wealth it has generated to be able to remove human suffering through a more equitable distribution...Those of us who value human life have little or no choice but to struggle and continue to fight even if at the end of our lives all we can say is that we have been true to the next generation. (K. Ashok Rao, Secretary General)

11.11.11 Asia team (on behalf of the Coalition and all 11.11.11 Departments)

Throughout the many years of our co-operation, the more than 300 local 11.11.11 committees and the more than 20,000 volunteers that support our campaigns have become well acquainted with FDC. FDC has become an inspiration to many of them and has contributed enormously to strengthen the international solidarity work....FDC has found a unique combination of militance and activism on the one hand and professionalism on the other hand. The quality and reliability of the FDC work in combination with an exceptional dynamism and outreach has been

recognised internationally. This is a major strength in our joint struggle. But this struggle can never be won if not supported by the people and movements at the grassroots. FDC is equally contributing to the strengthening of this aspect. (Hanneke van Eldik Thieme, Kris Vanslambrouck, Pol Vandervoort)

Development and Peace

Development and Peace values our long partnership with the Freedom from Debt Coalition and supports efforts to make debt issues a common and public concern, not only in the Philippines, but internationally as well.... Your organization has contributed greatly to the awareness and demands for accountability on these issues and also to our understanding in Canada of how these issues are globally linked. Your staff and members are present at venues around the world and are leaders in the dialogue on the impacts of the international financial institutions on poverty.

Methodist Church of Southern Africa/ UK

We salute the work that you have been doing which has helped reflect on developments issues and shown ways in which to deal with the debt problem that affects the developing world. Keep it up. *A Luta Continua*. (Bishop B. Mandlate)

The Development GAP

As a partner of the Coalition in SAPRIN, it has been a privilege for us to work with all of you and to learn at close hand about your noble struggles against the imposition of economic adjustment programs made possible by illegitimate debt. The Philippines, and the rest of the world, is a better place as a result of your dedication and integrity in the fight for economic justice. (Doug Hellinger; Steve Hellinger, Coordinator, SAPRIN)

Solidarity Message from Monitoring Sustainability of Globalisation (MSN) and Group of Concerned Citizens - Malaysia

In resisting and articulating alternatives we work towards a democratic economic development strategy where people can effectively exercise political power over their economic life...We hope the Congress further strengthens FDC's resolve and commitment to struggle against injustice and poverty. We look forward to working with you in the coming years. (Charles Santiago, Director)

South Asia Alliance for Poverty Eradication [SAAPE]

...Today, there is an urgency for us, people to collectively fight against this so-called current neoliberal agenda which is ever increasing in proportions and which is ever thrusting us to poverty and crisis. Only, a united call for action can in effect, bring success to our endeavours! (Arjun Karki, Coordinator)

The Norwegian Campaign for the Cancellation of Third World Debt/SLUG

In the last five years we have learned much from our cooperation with you and Jubilee South. Your strong moral perspective rooted in intellectual and campaigning work remains extremely important for guiding our decisions. Illegitimate debts and global justice are issues that resonate stronger and stronger also here in the North.

Collectively we have all raised the issue of illegitimate debts. Public pressure is building. I am very hopeful for what we can achieve together over the next couple of years and look forward to the results from the FDC Congress.

I also wish to thank your General Secretary Lidy Nacpil for her work and dedication in the past years, and for coming all the way to Norway to lend us inspiration. (Kjetil G. Abildsnes, Chair)

Debt and Development Coalition Ireland

Your Coalition led the way in debt campaigning and your campaign has been an inspiration to all of us who followed in your footsteps.

KAIROS: Canadian Ecumenical Justice Initiatives

Over the past nine years we have been inspired by the steadfast dedication and clear leadership provided by FDC....We particularly appreciate the many contributions your General Secretary Lidy Nacpil has made to the global struggle against all illegitimate debts....We look forward to learning the results of your congress as a guide for moving forward together....(John Dillon)

Focus on the Global South

FDC has played a key role on helping to strengthen the Asia Pacific Movement for Debt and Development (APMDD) and is an inspiration for building national coalitions against neoliberalism in other countries in Asia and the Pacific.... (Shalmali Guttal)

Solidarity messages were also extended by the International NGO Forum on Indonesian Development, Solidarity Africa Network in Action and Daughters of Mumbi Resource Center, Southern Peoples Ecological Debt Creditors Alliance - Acción Ecológica, Monitoring Sustainability of Globalisation and Group of Concerned Citizens - Malaysia, Nigeria Debt Campaigners, Philippine Solidarity Group Netherlands, Africa Network for Environment and Economic Justice, and the World Student Christian Federation, Africa Region. The Full text of all solidarity messages can be accessed at www.freedomfromdebtcoalition.org

Campaigners, advocates probe RP debt in nat'l conference, push steps to meet fiscal crisis

With the Arroyo government's alarmingly nearing a third of the total debt stock, the need to bring together debt activists, campaigners and resource persons to address the debt burden was long overdue. Last May 11-12, 2005, leaders of national and local organizations, public officials, members of the academe, chapter representatives did just that, through the FDC National Conference on the Debt Crisis, which comprehensively discussed the many aspects of the debt issue.

The theme of "Preparing Debt Campaigners and Advocates for the Challenges of a Nationwide Campaign on the Debt" was fleshed out by a substantive program that covered the history of the debt problem (globally and locally), as it emerged in the context of the North's domination and exploitation of South countries. Ana Maria Nemenzo, FDC president stressed in the first plenary that in truth, "we are the creditors". It is the North that is historically, socially and ecologically indebted to South peoples, who have been subjected to unjust terms of trade and conditions of exploitation and oppression.

Discussion on Public Finance, Borrowings and Public Debt; and on the so-called Contingent Liabilities, and Public Guarantees were generated from the presentations of Atty. Nepomuceno Malaluan, Jenina Joy Chavez (Focus



on the Global South) and Jessica Reyes-Cantos (Action for Economic Reform). They showed that current solutions to the fiscal crisis affect heavily small taxpayers and the general consuming public (through the expanded Value Added Tax Law, for instance). If anything, such measures have only redounded to the benefit of big local and foreign corporations that have managed, through government's intervention, to pass on the costs of doing business (including bad business decisions) to the public. Maynilad and the bailout of the Lopez's Benpres Holdings is a glaring example. Meanwhile, corruption remains rampant. Estimates place government funds lost to corruption at 20 percent. Government project costs have been slashed by as much as 40 percent, on grounds of overpricing.

Cantos outlined some measures that could stanch the flow of much-needed financial resources. These include raising direct taxes on real property, income, luxury consumption, for example; ensuring cost efficiency in the government bureaucracy; take serious steps to curb, if not totally weed out graft and corruption; and begin an earnest process of finding comprehensive solutions to the debt problem.

The ballooning of the public debt arises in large part from foreign and domestic borrowings of Government Owned and Controlled Corporations and Government Financial Institutions that have been guaranteed by the national government. As of 31 December 2003, contingent liabilities amounted to PhP723.76 billion, or US\$13.16 billion, that

government has already been bound to assume in case of payment default. Becoming more marked as another form of indebtedness, contingent liabilities clearly place people at the losing end of government transactions with private business, by having government, as guarantor, assume any and all risks attached to loan obligations.

The impact on the people, Malaluan pointed out, has been the shift of burden from direct consumers and/or members of GFIs to taxpayers in general. In the case of the National Power Corporation and the Technology and Livelihood Research Center, government assumed liabilities of US\$3.636 billion and US\$5.91 million, respectively.

FDC vice president Wilson Fortaleza and FDC Treasurer Milo Tanchuling facilitated the discussion during the third plenary, which focused on conditionalities and the role of international financial institutions, the country's current debt situation and the increasingly burdensome national government debt. Figures from the Finance Department placed the public debt at P5.8 trillion as of end-2003, and P3.81 trillion as of end-2004.

Joy Chavez hit the Poverty Reduction Strategy Papers (PRSPs) that international financial institutions like the IMF-World Bank require borrower countries to draw up as a redressing of the 80s' Structural Adjustment Programs, whose disastrous consequences continue to adversely impact on South peoples, their economies

and environments. Concrete policy emerging from these measures include trade liberalization and privatization of basic services, as solutions to getting borrowing countries out of arrears or simply keeping them "sustainably" in debt.

Continued prioritization of debt payments over any other public expenditure is another concrete expression of government's acquiescence to IMF-World Bank thrusts, attached as conditionalities to the release of loans. Interest payments reached 31 percent of the government's budget last year; add to this the principal payment and total debt service comes up to PhP542 billion. The payments for 2005 will reach PhP301 billion and PhP344 billion for interest and principal payments respectively, (total of PhP645 billion).

Consequently, up to 80 percent of 2004 revenues was allocated for interest and principal payments. For 2005, total debt payments will

claim up to 95 percent of taxes that could have gone to urgently needed social services like education, health, community development and disaster-preparedness.

Former National Treasurer Norma Lasala facilitated the discussion on bonds and bills, and the role of the Bureau of Treasury in the government's borrowing activities. Hinting at her disenchantment over the state of affairs at the Finance Department, Lasala stressed the importance of "borrowing the right amount at the right time" to minimize interest expense, and transparency. She likewise conveyed her fear on the prevailing acceptance of and lack of critical thinking on the figures being released by government. Lasala challenged the participants to look behind the numbers and start asking what these really mean.

The second day of the conference featured various

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discussion groups to take a closer look at the IMF, WB, ADB Projects and Loans; Bilateral Debts and Official Development Aid; Commercial Debts; Brady Bonds; and the issue of the Peace Bonds; Debts of Government Owned and Controlled Corporations; and Domestic Debts and LGU Debts.

A major section of the national conference took shape as a Public Forum on Trends and Analysis vis-à-vis the Current Debt Crisis, with Filomeno Sta. Ana of AER and Illuminada Sicat (Bureau of Economic Statistics, Bangko Sentral ng Pilipinas) making the initial presentations and facilitating the ensuing discussions. Sicat warned: "We are not yet in a debt crisis. But if we do not do something about it, we might end up in a situation similar to 1983." The external debt already stood at US\$54.8 billion as of end-December 2004, said Sicat, with public sector debt incurring

69 percent of this amount.

Sta. Ana scored government's measures to address the fiscal crisis as "...controversial, diluted and heavily compromised." He also stressed that government bailouts of corporations particularly Maynilad and Benpres (around US\$ 60 million from the World Bank) will not improve its fiscal situation. Sta. Ana concluded that even if the debt indicators are stable at present, the country's internal debt management policies today might not be able to cushion the economy from an internal political instability or external shock (as in 1997).

Rep. Lorenzo Tañada III and Rachael Morala followed with the plenary on Laws and Regulations Governing Policies and Processes on Borrowings and Public Guarantees / Debt Payments and the Automatic Appropriations Law on Debt Service. They underscored the need to push through with a Debt Audit, as an essential

component of parallel campaign efforts pressing for the repeal of the Automatic Appropriations Law. With the House of Representatives already agreeing on a debt audit some months back, the ball has been passed on to the Senate. But the process is again meeting with delay and difficulty. Said Morala: "One of our suspicions why the Senators are sitting on the House Resolution is that a congressional audit would unearth loans from some of their companies."

Lidy Nacpil, FDC secretary general, proceeded to familiarizing participants with Policy Instruments and Options / Developments in the International Arena Regarding Debt Cancellation. A major area of her input was the concept of odious debts and debt repudiation. "Odious debts did not benefit the people, contain questionable terms and conditions, and were contracted without the consent or the participation of the population," Nacpil said. "These debts are not recognized as legitimate." This doctrine was invoked by the United States in the case of Iraq, when they took over Cuba and the Philippines (during the turn of the last century). She emphasized that while the justness of debt repudiation is clear, "...political timing is important, and determines the acceptability of such a move."

The consequences of the debt burden on the Economy, People and Poverty and the Environment have been severe and widespread, as Rep. Renato Magtubo (Partido ng Manggagawa), Sylvia Mesina (Foundation for the Philippine



Environment), Lodel Magbanua (LRC-KsK), Trinidad Domingo (Rural Women's Network/KABAPA), Joel Pinalas (Kalayaan!) attested.

- ◆ In Metro Manila, the minimum wage is PhP 300 a day, but the cost of living is PhP 660 a day for a family of six. Five million Filipinos are unemployed, and another six million are underemployed in a labor force of 35.4 million.
- ◆ Just half of debt service for this year – around P150 billion —
 - ◆ channeled into building of new classrooms (of about P400,000 each) would translate to 226,250 more classrooms.
 - ◆ allocated for health services, like hospitals rooms, means 341,000 more hospital rooms.
 - ◆ invested in social housing would enable the construction of 750,000 housing units.

Disturbingly, the Marcos regime's opening of the mining sector to foreign investors as a strategy to pay for the foreign debt has been steadily making a comeback. There are currently 206 applications for mineral production and treatment. There are also 13 approved exploration permits, two financial and technical assistance agreements where 100 percent foreign ownership is allowed with a maximum of 81,000 hectares for exploration. Some 310 mining contracts have been leased out. Simultaneous with the approval of these mining contracts and the entry of mining firms in Mindanao was the setting up and deployment of new detachments by the armed

The NG debt figures in Philippine pesos for the years 1999 to 2004:

1999 – 1,775,356,000,000 (PhP 1.78 trillion)

2000 - 2,166,710,000,000 (PhP 2.17 trillion)

2001 - 2,384,917,000,000 (PhP 2.38 trillion)

2002 - 2,815,468,000,000 (PhP 2.82 trillion)

2003 - 3,355,108,000,000 (PhP 3.36 trillion)

2004 - 3,811,954,000,000 (PhP 3.81 trillion)

forces. A number are being set up within the compounds of predominantly Australian and Canadian mining companies.

Ana Maria Nemenzo, presenting the Philippine Debt Audit Campaign, highlighted four components: 1) a comprehensive audit of the public sector debt and contingent liabilities; 2) repeal of the Automatic Appropriations Law; 3) putting a stop to debt servicing for specific illegitimate and onerous loans (e.g., the Bataan Nuclear Power Plant debt); and, 4) cancellation of onerous and debt – creating agreements (e.g., contracts with independent power producers).

The debt audit – parallel tracks pursued in Congress and by people's organizations — looks beyond the financial aspects of the problem. "It should also focus on the issue from a historical and ethical, social, political and environmental perspective," stressed Nemenzo. "It should examine current outstanding debts, specific accounts and amounts, the

nature of the debt, their purposes, compliance with established policies and procedures, their terms and conditions, how the loan proceeds were used, who benefited and the impact on peoples and communities."

The congressional debt audit should lead to the passage of stronger, coherent and consistent laws and regulatory mechanisms on borrowings that will address over-borrowing, borrowing beyond the capacity of the economy to pay, too much reliance on borrowings, the terms and conditionalities attached to loans, and the lack of accountability and transparency. Another outcome of this process should be "a judicious, accountable and transparent debt payment policy that prioritizes public spending on social and economic services."

(Full text of the proceedings of the National Conference on the Debt Crisis will be uploaded to the FDC website at www.freedomfromdebtcoalition.org.)

The newest bailout plan of the Maynilad Water Services, Inc. has been approved by the Quezon City Regional Trial Court Branch 90. This go-signal for Maynilad's rehabilitation scheme not only sinks the government deeper in debt; it will also legalize the company's fraud and abuse of hapless water consumers in the West Zone.

The Maynilad Rehabilitation Plan

Faced by bankruptcy from the mismanagement of its own business affairs, Maynilad has been pushing a corporate rehabilitation scheme that is predictably more advantageous to the profit-making interests of the Lopez-Suez tandem than the wellbeing of the public at large.

Under the revised rehabilitation plan, the Metropolitan Waterworks and Sewerage System (MWSS), a government-owned-and-controlled corporation, will attempt to pull a heroic stunt of saving the mismanaged water firm by using public funds. About US\$ 22 million worth of concession fees that are supposedly intended to service MWSS debts will instead be converted into 84 percent shares of ownership in the bankrupt company.

Fruits of a Landmark Privatization Undertaking

The present mess of the Philippine's water utilities is a direct result of the much-vaunted privatization plan being promoted by the government, at the

At the public's expense

MAYNILAD-MWSS pursues a tradition of absorbing private business risk



Stop the unfair increase of water and power rates!

prodding of the World Bank, as the solution to the country's inefficient water services.

In January 1997, the Maynilad Water Services, Inc. (a partnership between global giant Suez and local elite Benpres Holdings of the Lopez clan), as well as the Manila Water Company, Inc., won the West and East Zone concessions, respectively, of the MWSS. The conclusion of the bidding process was a privatization undertaking hailed by the World Bank as the first large-scale water supply privatization in Asia.

Unmet Performance Commitments

As per the terms of the concession contract, the private companies promised a range of

performance targets that included the lowering of water rates; uninterrupted water supply to connected consumers at no less than 16 pounds per square inch (psi) by year 2000; compliance with World Health Organization water and effluents standards by year 2000; virtually universal water supply

by 2006; and the reduction of water losses from 56 percent to 32 percent in the first 10 years.

None of these commitments has come significantly close to fulfillment, especially for the Lopez-Suez partnership of Maynilad.

Threats to Public Health

Maynilad has failed to provide decent service to seven million residents west of Metro Manila. Up to now, water supply is intermittent and kept at low pressure. This was precisely the reason for the cholera outbreak that hit Maynilad communities in the West zone, where six people died and 600 more were hospitalized in 2003 from consuming contaminated water. A laboratory examination by

the University of the Philippines Natural Sciences Research Institute (performed at the request of the Freedom from Debt Coalition or FDC) showed Maynilad's water as contaminated with E. Coli bacteria, at more than 700 percent the national safety standard.

Ever-Rising Water Rates

Within two years of acquiring the concession, Maynilad got the first of many tariff hikes that would be granted in only seven years under the privatized setup. Maynilad now charges PhP30.19/cu. m., representing more than a 500 percent rise from its original bid of PhP4.96/cu.m. in 1997. Meanwhile, water leakage problems have remained unresolved, with Maynilad's water losses rising from 57.4 percent in 1997 to 67 percent in 2000.

Under the new rehabilitation plan, MWSS even shamelessly complied with Maynilad's request and granted the latter another water rate hike of P10 per cubic meter starting January this year. This allows Maynilad additional revenue of around P3 billion monthly despite reduced performance and service obligations. With this unjust rate increase, West Zone water consumers are unwittingly forced to bear the cost of a private water company's recovery from its self-inflicted bankruptcy.

More Debts for the Government

The current dispute which the bailout scheme is supposed to solve started when Maynilad unilaterally opted to stop paying

around PhP2 billion/year in concession fees to the MWSS. By end-2004, unpaid concession fees had ran up to PhP10 billion. Without the concession fees to pay for the old debts of MWSS, government has had to borrow US\$21 million in 2001, US\$260 million in 2003, and US\$150 million and PhP780 million in 2004 to finance maturing obligations and avoid default.

Under the present debt-to-equity conversion scheme of the rehabilitation plan, Maynilad would pay its outstanding and future concession fees in installments – 50 percent in 2004, 65 percent in 2005, 70 percent in 2006 and 70 percent in 2007. This means that MWSS will again have to source out new money to fill up the funds needed to pay its maturing obligations that Maynilad's concession fees are supposed to shoulder.

Right now, the government water agency is already arranging a new \$125 million loan from the World Bank. Of this amount about \$31 million will be infused to Maynilad as the MWSS assumes the burden of giving it financial assistance to fund its operations.

Water is a Human Right

The victims of Maynilad's contaminated water have yet to be indemnified, but their misery from unsafe water and reduced access may well be far from over as Maynilad's rehabilitation would allow it to prioritize financially profitable areas, definitely not slum communities.

From where Suez and the Lopezes stand, staunchly backed by the government and the World Bank, adequate and affordable delivery of basic water service can happen only through profit-making and full cost recovery. The Manila privatization experience shows as much: a cautionary tale that where provision of water services is driven by profit, the basic right to water of all individuals, particularly the poor, is always put at risk.

FDC condemns the approval of Maynilad's onerous rehabilitation plan. FDC demands a genuine government re-takeover of the West Zone water distribution system. Access to **water is a human right**. The public must reclaim the water that is rightfully theirs. **The privatization of water services must be stopped.**

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Vigilance pays off

PECO buckles down; Iloilo power consumers win new victories

The struggle of electricity consumers against the abuses of private power companies is certainly not confined to Metro Manila. As the government chooses to put the public increasingly at the mercy of business interests through its policy of privatization, the struggle to assert consumer's rights has become a national concern.

Upholding Consumer Rights

In a welcome reward for consumers' vigilance, the Energy Regulatory Commission (ERC) has upheld its earlier decision ordering the Panay Electric Co. (PECO), the sole power distributor of Iloilo City's 180 barangays, to unbundle its rates and reduce its charges by around P2 per kilowatt-hour.

Romeo Gerochi, president of the Freedom from Debt Coalition (FDC)-Iloilo and the Environmental Consumers Network Inc., hailed the ERC ruling. He, however, emphasized that the ruling must pave the way for a refund. Gerochi intends to file a motion at the ERC, seeking an order that would require PECO to refund its consumers the excess in charges, amounting to around P800 million, when PECO defied the original ERC order that should have taken effect in July 1, 2004.



Atty. Romeo Gerochi, FDC-Iloilo president

More Cases

Gerochi had previously filed another case against PECO, demanding that the company refund its consumers for charging unauthorized expenses through its generation charges since 1989, which could amount somewhere between P11 million and P100 million. According to records submitted by PECO to the ERC, Gerochi said the company includes employee benefits, contributions to the Social Security System and Philippine Health Insurance Corp., among others, in the computation of their generation charge.

In an order dated Feb. 14, 1999, the Energy Regulatory Board (ERB), ERC's precursor, had

directed PECO to refund its consumers P841,381.20 for overcharges. The ERB ruled that some of the expenses should be excluded from the generation charge.

In another campaign, FDC-Iloilo along with the Ilonggo Consumers Advocacy and Welfare (ICAW) launched 'Oplan Dikit Kuntador' demanding that PECO issue a meter reading card to its consumers upon actual reading of the meters. The campaign is being undertaken amidst suspicions that PECO may not be conducting actual monthly meter readings.

Consumer Vigilance

Although the ERC ruling cited here is one instance where the commission actually upheld the rights of the consumers, the public cannot let its guard down. It should be remembered that in a similar case it took a Supreme Court ruling to reverse an ERC decision and compel the Manila Electric Co. (Meralco) to refund its consumers.

It has been amply demonstrated in its past actions that the ERC could just as well take the side of private business interests when they coincide with those of the people in government.