

The Movement Continues

The Continuing Struggle of the Debt and Development Movement in the Philippines

Debt and Public Finance Campaign

May 2008

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**Freedom from Debt
Coalition**

Revisiting Debt and Development, Challenging Debt Paradigms¹

The Freedom from Debt Coalition (FDC), in existence for two decades now, has been consistently active in advancing progressive changes in the government's debt and public finance policy through innovative campaign strategies anchored on popular education, lobbying and mobilization. It has also proactively engaged in the development of alternatives to debt-inducing policies as privatization, liberalization, and deregulation leading towards comprehensive economic policy reform.

For the past twenty years, the coalition has also been a significant actor in the social movement arena, and, in various historic moments, the center of advocacy of progressive economics. Broadening its mandate to include development in the early 90's, it was able to ground its call on tangible and specific needs of the people. The coalition's twin praxis of involving grassroots communities and articulating a sharp critique of mainstream policy contributed to its becoming a major player in the shaping of the national socio-economic discourses.

As the coalition enters its 20th anniversary, FDC assesses its achievements in different debt-related socio-economic arenas of struggle such as in fiscal and taxation policy, oil deregulation, water services, and the power industry. How much of FDC's message has registered with the public and the government is being measured because the handling by the government of the country's debt sharply differs from the advocacies of the coalition. Despite, the efforts of the coalition and palpable mass support, there had been no major policy shifts in the part of the government. This is in part due to the hegemonic grip of the neo-liberal framework on government economic policy, and in part to the "honor all debt" policy that dominated government thinking in the post-Marcos period.

For one, the fraudulent debt of the Marcos era has not been addressed by the government. In fact, the most infamous of them all – the Bataan Nuclear Power Plant (BNPP) – has just been completely repaid, without a single benefit to the people, and without calling to account Westinghouse, the US Eximbank, Marcos crony Herminio Disini, and the Marcoses themselves [AFP, 2007]. Furthermore, dealing with some of the odious loans of the dictatorship has recently

¹ Excerpted, with minor editing, from **Revisiting Debt and Development, Challenging Debt Paradigms**, the Research Program for the Debt and Public Finance Campaign of FDC.

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become more complex. Take the debt of the Construction and Development Corporation of the Philippines (CDCP) to Marubeni Corporation, a claim that CDCP's successor – the Philippine National Construction Corporation (PNCC) – had refused to recognize, that is, until Radstock Securities Ltd. bought the debt from Marubeni. A recent compromise agreement with the Arroyo government now finds PNCC effectively being owned by Radstock [GMANews.TV, 2007].

For another, one of the long-standing obstacle to the resolution of the debt problem – the Automatic Appropriations Provision – is still in place, despite efforts to have it repealed. Even the fiscal crisis of 2004 failed to push the decision-makers to enact significant reforms on government borrowing and debt payment policies.

Moreover, new players have entered the debt arena over time, like bondholders, portfolio investors, mutual fund managers, and vulture funds (i.e. financial organizations that buy securities in distressed environments) – making it even more difficult to position calls for canceling onerous loans because the holders of the debt have become more difficult to pinpoint, and the debt itself keeps changing hands.

This lack of change when it comes to fundamental institutional and legal environment on the debt is in stark contrast with the persisting effect of the debt problem, and consequently, the palpable public dissatisfaction of the government debt policy. In fact, the Philippine debt problem is again gearing up to become a national discourse due to controversies which hounded recently transacted loan-financed projects, such as the Zhong Xing Telecommunication Equipment Company Limited – National Broadband Network (ZTE-NBN) project and the Cyber Education Project (CEP), which FDC's timely and relevant intervention contributed much to popularize.

This is aided by a favorable composition of the legislature, with the long-time debt advocate and FDC partner Rep. Lagman chairing the powerful Committee on Appropriations tasked to craft the 2008 National Government budget. In fact, recent bicameral conference committee on the 2008 budget centered on the debt payment cuts legislated by both the Senate and the House of Representatives, with the former focusing on adjusting the foreign currency exchange rate and the latter focusing on suspending payments for illegitimate debts pending renegotiation and/or condonation.

Thus, we are in a situation where there is enduring pressure from various sectors of society for debt reduction and economic reform, but the government is resilient enough to withstand such pressure and continue with its creditor-backed conservative fiscal policy which places prime on debt service over and above social spending.

Fortunately, new discourses on the debt arise, serving as new and effective armaments in the struggle of the debt and development to challenge and replace the neo-liberal global finance model. Discourses on the illegitimacy of debt, ecological debt and its links to the issue of climate change, debt as viewed from the perspectives of gender, class, and the state, alternative financing schemes and alternative regional development – these discourses can serve as tools we can use to bridge the gap between advocacy and concrete government action.

It is also fortunate that international debt developments, such as the Norwegian Debt Cancellation, a unilateral and unconditional decision of the Norwegian government to cancel some €63 million (about US\$ 81 million) of the illegitimate foreign debt of five developing countries: Egypt, Ecuador, Peru, Jamaica and Sierra Leone [Jubilee Norway, 2006]. The decision gave the debt and development movement additional maneuvering space to call for repudiation of

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illegitimate debts, which is strategically important in a period when the credibility, relevance, and legitimacy of International Financial Institutions (IFIs) are under attack.

The campaign of Freedom from Debt Coalition, thus, remains to be centered on three main calls:

1. the Official and Citizen's Audit of Public Debts
2. a Comprehensive Action on Illegitimate Debts
3. the Repeal of the Provision for Automatic Appropriations for Debt Service.

FDC believes that these comprehensive reforms will bring out the necessary national vigilance and public involvement in solving the country's systemic and enduring debt woes. In this narrative, we will be giving updates on the status of these three calls for debt reform. We will also be recounting the recent actions of social movements, people's organizations, and other sections of the civil society as it relates to FDC's campaign on the debt.

Such a narrative, we hope, will elucidate us with the current milieu when it comes to debt campaigning. Through such an account, we hope that the social movement will be able to draw out lessons it can use in its continuing struggle towards genuine and final resolution of the Philippine debt quagmire.

The Evolving Debt Audit Initiative²

Debt audit is both a political tool and a process used by governments, citizens and social movements to fundamentally disentangle and decipher the web of debt. It aims to decipher debt thread by thread so as to reconstruct, dissect and scrutinize the series of events of why many nations arrived at such debt quagmire.

Debt audit initiative is an important and decisive first step in freeing our people from paying burdensome, unnecessary and unacceptable debts. As a process and tool of examination, it firmly exposes numerous illegitimate debts that not only continue to evade public scrutiny but also continue to take a bigger part of the people's resources at the expense of important social services like education and health. It seeks to establish the accountability and responsibility of all institutions, governments and personalities involved in the transaction of such debts.

It is a method that can develop an evaluation not only of the figures or of money involved concerning the debt. More importantly, it aims to evaluate the policies, existing laws and institutions that perpetuated this problem, with the end view of identifying relevant and far-reaching solutions by correcting structural flaws and deficiencies that exacerbate and compound the debt problem

In general the debt audit initiative aims to:

² Excerpted from, with minor editing, **The Renewal of the Independent Citizens' Debt Audit Initiative**, a concept paper prepared for the launching of People Against Illegitimate Debt (PAID) in January of 2008 held at the University of the Philippines Manila.

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- Develop a critical, comprehensive, participatory and transparent examination of the Philippine public debt and contingent liabilities based on data and existing studies by resource persons and organizations, studies prepared by working groups and technical teams, and testimonies and inputs from affected communities, sectors and people's organizations.
- Formulate policy proposals and advocacy platforms based on findings of the audit; Presentation of proposals to government, social movements, citizens groups, political movements and NGOs.
- Conduct wide public dissemination of information and findings through media, public forums and popular education activities.

Debt audit basically has two forms: the Official Government Audit and the Citizen's Debt Audit. FDC actively seeks to conduct both – it pushes the government to conduct an audit of its debts on one hand, while it organizes citizens to conduct their own on the other hand.

FDC's effort on the debt audit continues to evolve as political and economic conditions change. From the fiscal crisis of 2004, where the basis of debt audit is more about debt sustainability, the basis for a debt audit evolved into a politically sharper debt legitimacy as one controversial loan agreements after another stormed the public discourse.

Debt Audit as Strategic Response to Debt and Fiscal Crisis

In 2004, Gloria Macapagal Arroyo's administration admitted publicly that our country was officially in the midst of a serious fiscal crisis – a crisis that was on the verge of threatening the very fiber of our economy. This was affirmed much earlier by a discussion paper issued by members of the academe from the University of the Philippines School of Economics (UPSoE) expressing deep concerns regarding our country's economy specifically on revenue accumulation and the expenditures side. The country's debt problem had become one of the central issues during that period.

For the longest time, FDC have already been sounding the alarm of a full-blown fiscal and debt crisis since 2002, citing clear indicators such as:

- the government had been running a huge deficit since 1999
- interest payments on the National Government (NG) debt has skyrocketed
- government borrowings have reached unprecedented levels

In response to the crisis and to the longstanding issue of the debt, FDC stepped up its efforts putting forward urgent steps towards strategic, meaningful and just resolution of the problem. This campaign included, among others:

1. **The push for a Congressional Investigation and Audit of Public Debt and Contingent Liabilities.** FDC led in a serious legislative initiative mounted during the last 13th Congress. We pushed our legislators to pass a resolution (House Joint Resolution No. 2, Senate Joint Resolution No. 1³) to conduct a legislative audit of all public debt and

³ House Joint Resolution (HJR) No. 2, Joint Resolution Creating a Congressional Commission to Review and Assess the Debt Policies, Strategies and Programs of the Philippines, Conduct a Public Audit of All Loans Acquired, Including Assumed and Contingent Liabilities, Validate the

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contingent liabilities aiming for an accurate, comprehensive examination of the Philippine debt problem with the end view of identifying relevant and far-reaching solutions and correcting structural and flaws and deficiencies that exacerbate and compound the problem.

FDC was successful in getting the said resolution passed unanimously by the House of Representatives. However, it was stalled in the Senate due to the inaction of some legislators, coupled with the political crisis involving no less than Mrs. Arroyo herself.

2. Initiating a parallel, independent Citizens' Debt Audit process involving social movements, civil society leaders, political analysts and respected economists.

This initiative was envisioned to complement the Congressional Debt Audit process by filling gaps in the inquiry, raising questions beyond the limits of the parliamentary initiatives, and putting forward bolder proposes, and articulating critical citizens' perspectives on the problem. When and if necessary, the citizens debt audit process would serve as counterpoint and challenge to the parliamentary process when the latter seems to be whitewashing issues or if it is serving as administration platform to justify current debt policies.

More importantly, the Citizens initiative would serve as the main arena for the critical audit and examination of the debt, if in the end the Congressional Debt Audit Joint Resolution would not pass final approval.

The Political Crisis Around the Presidency: Tactical Imperatives and Adjustments

In mid 2005, the political crisis surrounding the Presidency became the central issue of the nation. This situation presented the democratic progressive social and political movements, the FDC included, with the imperative of rising to the occasion and calling for immediate political changes involving the highest office of government.

It also had major implications for FDC's legislative initiatives as both Houses of the Congress became engulfed with the issues leveled against the President, and eventually the battle for her impeachment. The Joint Resolution on the Congressional Debt Audit – already being delayed by some Senators, was shelved indefinitely by even the Senate's principal authors.

The preparations for the Citizens Debt Audit were temporarily suspended as the main attention and energies of social movements and peoples organizations were channeled towards the political crisis. In addition, the attention of the media and public were rightly devoted to the political crisis, and it did not longer seemed the best time to raise specific debt issues in this context of a citizens audit.

Utilization of Loan Proceeds, and the Payments Made Thereon, and Recommend Policies and Strategies to Reduce Debt Service as well as Institutional and Infrastructural Measures to Ensure Sound Fiscal and Monetary Status of the National Government Principally through Effective Debt Management. Being a counterpart measure, Senate Joint Resolution (SJR) No. 1 bears the same title and content as that of HJR No. 2.

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Though FDC's debt audit initiatives during this period did not proceed as earlier envisioned, the Coalition's debt campaign was able to make great strides in other areas, such as broadening the reach and consolidating different sectors leading to the formation of the Youth Against Debt (YAD) and joint efforts with faith-based formations. The recent period also included gains in expanding initiatives in other arenas resulting in FDC's participation in NGO Consortium for an Alternative Budget and joint projects with ODA Watch, GCAP-Philippines, LnM.

The Continuing Debt Crisis and the Stampede of Illegitimate Debt Cases

Three months after admitting that there was indeed an economic crisis, the embattled Arroyo administration announced the fiscal crisis was over. Bragging about increased public confidence on banks and financial institutions, new tax measures, positive direct investments and healthier stock market levels, Mrs. Arroyo put the case to rest and urged the people to move forward towards the fulfillment of 'uninterrupted economic development'.

However, three years have passed since the fiscal crisis; our government is still facing a huge debt problem. Controversial loan agreements entered by our government allegedly through fraudulent and corrupt means. The ZTE National Broadband Network (NBN) project, the World Bank textbook scam, the Cyber Education Project (CEP) and the Austrian Medical Waste Loan are also now being raised again in executive and legislative discourses.

FDC described this as the 'great white elephant stampede', referring to loan agreements and 'development projects' that are on the pipeline or have overwhelming potentials of becoming white elephant projects. This gives credence to our consistent claim that a big chunk of our debts are claimed because of these useless and unnecessary infrastructure programs and projects which are hidden in our national government budget and expenditure books.

It is within this context that the broad mass campaign network against illegitimate debts which FDC is a part of, the People Against Illegitimate Debt (PAID, to be discussed at length later), convened and publicly launched a petition calling for the creation of an Independent Citizens' Commission to audit public debts.

The Independent Citizen's Debt Audit Commission

On the height of controversies hounding the ZTE-NBN project, the Independent Citizen's Debt Audit Commission (ICDAC) was launched in a PAID press conference at the UP Law Center. Composed of civic leaders, leaders and experts from social and people's movements, experts from the academe, private and NGO sector, ICDAC was given a mandate to scrutinize all illegitimate debts of the government, starting with the controversial loans contracted from the Chinese EXIM bank, and to provide strategic and long-term policy proposals to resolve the Philippine debt problem.

Among the individuals chosen to compose the ICDAC were former Vice-President Teofisto Guingona, former Senator Wigberto "Bobby" Tañada, former Representative Mario "Mayong" Aguja, Former Undersecretary Dr. Sixto K. Roxas, national daily columnist Randolph F. David, former Jubilee South International Coordinator Lidy Nacpil, and former FDC President Ana Maria Nemenzo. The other commissioners are known experts in the field of economics, aid and development, international law and other fields related to debt and debt transactions:

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- Dr. Joseph Anthony Lim
- Dr. Eduardo C. Tadem
- Atty. Golda S. Benjamin
- Dr. Sylvia “Guy” Estrada Claudio
- Dr. Grace Gorospe-Jamon
- Atty. Ibarra “Barry” M. Gutierrez
- Sr. Cres Lucero, SFIC
- Dr. Emmanuel M. Luna
- Fr. Ben Moraleda, CSsR
- Atty. Antonio A. Oposa, Jr.
- Mr. Eribert Padilla, CPA
- Dr. Aurora Parong
- Atty. Teddy Pascua
- Atty. Maria Paz “Ipat” Luna-Severino
- Bishop Efraim M. Tendero, D.D.
- Sectoral representatives from workers, youth, teachers, and the urban poor

Fortunate for ICDAC, the civil society is not the only one now which is exposing these debt-creating illegitimate deals – legislators, government workers, the media and ordinary folks are joining the fray. Thus ICDAC, on top of its strategic role, serves a very timely role as a forum from which the truth behind such deals can be heard in the form of testimonies of the citizens.

And as ICDAC investigates these claims of illegitimate debts, FDC’s task is to organize these citizens into groups that will put forward a national discourse on the issue, with the end view of building a national consensus against illegitimate debts.

Building Constituencies, Forwarding Discourse on Illegitimate Debts⁴

In the 2008 national government budget deliberations (which was done in the second half of 2007), the debt and development movement, in partnership with budget advocacy group Alternative Budget Initiative (ABI) led by Social Watch Philippines, had been able to realign payments for interest payments to social services. Among those interest payments to be realigned, FDC proposed, is the interest payments for debts which FDC campaigned to be illegitimate.

The House of Representatives and the Senate heeded this call, and after much discussion on the dangers of cross-default and other ramifications, decided to suspend payments on debts “challenged as fraudulent, wasteful, or useless”⁵. This started not only a discourse on the

⁴ Excerpted from **FDC’s Annual Narrative Report, January-December 2007**.

⁵ The exact wording in the revised NEP is as follows:

“Pending renegotiation and/or condonation no amount shall be used for interest payments on debts which are challenged as fraudulent, wasteful and or useless like but not limited to the following:

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automatic appropriation for debt payments, but also a recognition and consensus on the existence of illegitimate debts.

But the government is not alone in this discourse. The year 2007 saw the formation of different campaign formations and constituencies led by FDC focused on the issue of illegitimate debt. The Stop Toxic Debt! Campaign project, the Sabbath group of faith-based organizations, the strengthening of the Youth Against Debt (YAD) and the formation of the People Against Illegitimate Debt (PAID) are the results of this initiative.

The Stop Toxic Debt! Campaign

The STD was a campaign organized jointly by FDC and the Ecowaste Coalition of the Philippines (EcoWaste Coalition), a broad green coalition composed of Green Peace-Philippines, Health Care Without Harm (HCWH) and the Global Alliance for Incinerator Alternatives (GAIA). It is calling for the cancellation and/or repudiation of an estimated ATS 200,000,000 (500,000,000 PHP) worth of Liechtenstein/German-made medical waste incinerators provided by the Austrian government as a loan to our country last November 1996. The said incinerators were for 26 public hospitals to “help” in the proper disposal of medical waste [Greenpeace SE, 2002].

However, the incinerators we received were clearly pollutants and were even banned from Austria itself. Furthermore, early in its operations, the said machines were retired because of the passage of the Clean Air Act, which has a strong provision against the use of incinerators and other ‘dirty technologies’. Then again, both the Philippine and Austrian Government continued to honor the said loan.

As a result of the campaign, the said issue gathered a lot of attention from the media and the public drawing parallelisms to the mothballed Bataan Nuclear Power Plant (BNPP). Because of this, no less than Executive Secretary Eduardo Ermita said Malacanang is seriously considering

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- i. The Small Coconut Farms Development Project, as financed by loan numbers 3204-0 PH and 3204-A PH from the International Bank for Reconstruction and Development (IBRD);
 - ii. The Austria Medical Waste Project, as financed by loan number 29451000 - Bank Austria 212.060 from the Bank Austria Aktiengesellschaft (Bank Austria AG);
 - iii. The Second Social Expenditure Management Program, as financed by loan number 7118-PH from the IBRD;
 - iv. The Secondary Education Development and Improvement Project, as financed by loan numbers PH-P200 from the Japan Bank for International Cooperation (JBIC), and 1654-PHI from the Asian Development Bank (ADB);
 - v. The Philippine Merchant Marine Academy Modernization Project, as financed by loan numbers 4306551/199866609 and 3961971, both from Kreditanstalt fur Wiederaufbau (KfW);
 - vi. The Telepono sa Barangay Project, Phase I and II, as financed by loan number EDC 880 PHI 7535 from the Export Development Corporation (EDC), and loan I.D. 29463000 from the Credit Comm'l de France (CR COMML DE FRANCE);
 - vii. The Power Sector Restructuring Program, as financed by loan number 1662-PHI from the ADB and loan account JEXIM PSR from JBIC;
 - viii. The Power Sector Development Program, as financed by loan number 2282-PHI from the ADB and loan account JBIC UNTIED PSDP from JBIC;
 - ix. Sixth Road Project, as financed by loan number 1473-PHI from ADB and loan account EXIM 6TH RD PROJ.UNT from JBIC;
 - x. The Angat Water Supply Optimization Project, as financed by loan number PH-P110 from JBIC;
 - xi. Procurement of Search and Rescue Vessel from Tenix Defense Pty Ltd., as financed by loan number 29462000 from EFIC IV;
 - xii. Pampanga Delta Development Project, as financed by loan number PH-P071 from JBIC;
 - xiii. Bohol Irrigation Project Stage II, as financed by loan number PH-P202 and PH-P063 from JBIC;
 - xiv. Remaining unsecured loans incurred during the dictatorship of former President Ferdinand Marcos”

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the possibility of reviewing the Austrian loan project, which he described as a 'bad debt' [Business Mirror, August 2007].

Seizing the opportunity to further develop the necessary condition for a popular public clamor, STD initiated a petition signing last August 2007 not only to popularize and raise awareness on the said issue but more importantly to build strong public support urging both the Philippine and Austrian Governments to invalidate this loan agreement.

Close to three hundred signatures from respectable personalities and organizations from the national and international arena were gathered. This was presented to the Austrian Embassy based here in the Philippines on Austria's Independence Day last October 2007 calling for the immediate liberation of the Filipino people from paying the said illegitimate debt. A separate petition initiative was also circulated in Austria by counterpart debt advocacy groups as well in Spain led by different environmental organizations.

In the Philippine Legislative arena, the STD campaign was successful in getting the attention of legislators in the 14th House of Representatives especially from the minority bloc, the Liberal Party as well as the powerful Mother Committee of the Committee of Appropriations headed by Representative Edcel Lagman. The said legislators in the subsequent budget committee hearings championed the "toxic debt" issue where it was asked to be stricken out of the government budget book pending a thorough investigation of the matter.

As of the moment, the Austrian loan is included in the list of loan agreements whose interest payments were suspended in the 2008 National Government Budget pending their appropriate investigation, renegotiation and/or repudiation. Furthermore, Senator Loren Legarda filed a Senate Resolution calling for an investigation in aid of legislation of the controversial Austrian Medical Waste Project.

The Sabbath Group of Faith-based Organizations

The Philippine Sabbath group was an offshoot of the Jubilee year campaign launched last 2000 that pursued a vision of liberation and fullness of life for all. It highlighted various political and social issues calling the attention of governments and institutions for urgent and concrete actions on the deepening problems of poverty, injustice and inequality.

In the Philippines, the Jubilee Debt campaigns the following:

1. The repeal of the Automatic Appropriations on Debt Servicing, and
2. the non-payment of onerous, fraudulent and behest debts incurred during the Marcos regime .

The year 2007 marked the seventh year after the celebration of the Jubilee year. In the scriptures, the seventh day or seventh year is as significant as the observance of Jubilee. This is referred to as the Sabbath year, which prompts one to reflect on many important social issues one of which is the debt. To quote one particular passage: *"Every seventh year we will forgo working the land and will cancel all debts."* - *Nehemiah 10:30*

This passage became the inspiration of the Jubilee debt campaigners particularly in the United States in defining their campaign theme for 2007. Named as the 2007 Sabbath Year Campaign,

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Jubilee USA's debt campaign called on political leaders for the adoption and passage of the Jubilee Act (H.R. 2634), a US legislative agenda that calls for cancellation of debts of 67 impoverished countries.

In the Philippines, FDC together with its member faith-based organizations saw the observance of the Sabbath Year as an opening to gather the various faith-based groups in the country to renew their commitment on the debt advocacy and once again become a strong voice in pushing for significant policy reforms on the debt problem.

As a result, FDC in partnership with different religious formations launched a comprehensive debt campaign led by a strong faith-based constituency composed of various institutions, communities and lay people of different religious denominations. It was successful in contributing to the debt discourse by giving primary focus on the relationship of debt and morality/faith and how the relationship is intertwined in the concept of illegitimacy of debt.

FDC was also successful in building a strong network of constituents among faith-based groups. The first networking initiative took place within the ranks of the Philippine Council of Evangelical Churches (PCEC) headed by Bishop Efraim Tendero.

The Philippine Sabbath Group together with FDC was able to present the concept and framework behind the illegitimacy of debt in the highly influential Permanent Council of the Catholic Bishops Conference of the Philippines (CBCP), one of the highest decision-making structures of the Philippine Catholic Church. It managed to get the commitment of CBCP on the said endeavour.

As of this time, the Philippine Sabbath Group is composed of:

1. Association of Major Religious Superiors in the Philippines (AMRSP)
2. Center for Social Action- De La Salle University (CSA-DLSU)
3. Institute of Spirituality in Asia (ISA)
4. Institute for Studies of Asian Church and Culture (ISACC)
5. Inter-Congregational Theological Center (ICTC)
6. Justice, Peace and Integrity of Creation (JPIC)
7. Kaalagad Kristiyanong Katipunan (KAALAGAD)
8. Micah Challenge-Philippines

The highlight of the said campaign was the General Assembly of the Philippine Sabbath Group last October coinciding with the Week of Global Action against Debt and International Financial Institutions (IFIs). More than two hundred delegates representing different faith/religious denominations participated in the said event.

The Philippine Sabbath Manifesto declaring debt as illegitimate, immoral and a structural sin was launched during that occasion. Bishops from the Catholic Church, the Evangelical Churches, and other faith-based formations were united in this advocacy.

As of the moment, The Sabbath group is in the process of planning its task of promoting and popularizing the moral dimension of the debt issue to the public by helping push for concrete policy reforms on the debt and by sponsoring massive education sessions with their different constituencies.

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The Youth Against Debt (YAD)

YAD is a dynamic alignment of different youth and student organizations organized by 14 youth groups with the help of FDC last 2006. Its member organizations are based on strategic schools and communities committed to common issues on debt and education.

The year was a year of consolidation for YAD. The youth group tasked itself in fulfilling its organizational requirements to effectively address sectoral concerns related to debt and education as well as broaden its constituents.

For this reason, YAD held its First General Assembly last July 2007 to formally commit its members to a unified platform, and program of action. The assembly was also used as a venue to collectively design its campaign and networking plan for 2007 focused on the advocacy against illegitimate debt.

Early in the year, YAD conducted activities to engage the candidates particularly senatoriables regarding their respective platforms during the May National Elections. YAD's press releases and statements were widely read in different broadsheet newspapers. Concurrently, YAD was also able to distribute its "Debt and Education IQ questionnaires" targeting Senate candidates which helped other groups and sectors in consolidating a comprehensive mapping of the senatoriables' different levels of advocacy on the debt issue.

On the legislative front, YAD helped FDC in mainstreaming its illegitimate debt cases by being the chief youth articulator of the anomalous World Bank Textbook Loan project. The youth group effectively mainstreamed the textbook issue at the 14th House of Representatives by helping Citizens' Battle Against Corruption (Cibac) Party-list Representative Joel Villanueva deliver a privilege speech on the said loan project. FDC and YAD's data and research were widely used and cited during the privilege hour.

The loan was meant to fund 17.5 million Social Studies textbooks and teachers' manuals for public elementary and high schools. However, high-profile fraud and power play issues riddled the said project. In the bidding process, the World Bank allegedly pressured the Inter-Agency Bids and Awards Committee (IABAC) to reverse its earlier decision to disqualify a certain Publishing Group despite being ineligible due to "conflict of interests" [FDC, 2007].

Nevertheless, the publishing group, which had been able to monopolize textbook publication in recent years, was re-qualified by the Bank, fueling suspicions of corporate-government collusion and manipulation on the part of the World Bank. But the most glaring incongruity of the loan project was that at least 60,000 textbooks funded by the projects were found to have inverted and erroneous pages, making it a classic example of a defective process of textbook procurement considered an obligation that must be religiously paid [FDC, 2007].

In this regard, by involving itself with the budget process and by spearheading independent mass actions and other activities, YAD campaigned for the suspension of interest payments of the textbook loan project pending its thorough investigation. It presented its case to different legislators from the members of the Liberal Party up to the House Committee on Basic Education chaired by Representative Del De Guzman. It conducted creative actions which captured the

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interest and attention of the media. It effectively issued statements that have contributed in the debt discourse.

Due to its resilience and with the help of FDC, Congress suspended interest payments of the said textbook loan. This was included in the list of illegitimate debts whose interest payments worth PhP 11 billion in 2008 General Appropriations Bill were suspended. This resulted to the progressive fund reallocation for important social services like education and health. In this specific arena, YAD won an additional PhP 1.1 billion funding for public tertiary schools on top of the additional budget allocation it also won for scholarship programs to tertiary students.

As of the moment, YAD is now composed of 38 youth and student organizations. It is now preparing for its campaign activities next year still focused on illegitimate debt and its connection with education issues. It is planning to campaign the cancellation of the controversial Cyber Education Project together with teachers' groups, parent-teacher associations (PTAs) and other interested youth groups.

The People Against Illegitimate Debt (PAID)

Due to the "great stampede" of illegitimate debt cases in the open that must be confronted and campaigned, FDC decided that the issue had become much bigger than the coalition that necessarily entails the need to form a broad, yet loose formation of different social movements, NGOs and personalities.

As a result, FDC organized a forum last September 24, 2007 concerning anomalous loan agreements and illegitimate debt incurred by our government in the name of the people. The objectives of the forum were to enable civil society leaders, social movements and non-government organizations to share perspectives and to develop a common platform of action regarding the issue. Eighty participants comprising anti-poverty advocates, debt and development activists, environmentalists, alternative lawyers, youth, academe and others attended the said forum.

FDC together with the EcoWaste Coalition, Youth Against Debt (YAD) and Mr. Antonio Calipjo-Go of the Marian School of Quezon City presented different illegitimate debt cases covering the ZTE scandal, the World Bank funded Textbook scam, the Austrian incinerator loan and the Cyber Education Project.

The forum participants asserted the need to build a broad formation against illegitimate debt as well as loan agreements being challenged as anomalous. The broad, yet loose formation will necessarily entail the support of all organizations, formations and personalities not previously involved with the campaign before.

During a successive meeting, the name "People Against Illegitimate Debt" was formally adopted as the name of the formation. It was decided that the imagined formation would work and function as a broad campaign alliance.

PAID's primary functions were identified as:

1. To give mandate for the establishment of a renewed Independent Citizens Debt Audit Commission.

Freedom from Debt Coalition

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The Movement Continues

The Continuing Struggle of the Debt and Development Movement in the Philippines

2. To expose and oppose cases of illegitimate debt and to popularize the concept of the illegitimacy of debt
3. To build a strong campaign to Repeal the Automatic Appropriations Law
4. To campaign for Congress to conduct a Legislative Debt Audit led by FDC.

However, aside from being a broad campaigning formation, part of its task was to educate the broader public and to necessarily set-up network mechanisms to touch-base with the unorganized or untapped organized groups. Furthermore, it was also decided that the structure of the formation would be loose as accustomed to a loose movement formation.

A public launching was conducted last October 9 at the College of Arts and Sciences of the University of the Philippines-Manila. Director Nimia Simbulan of the UP Manila Office of Students Affairs and the Dean of the College of Arts and Sciences sponsored the said activity. Furthermore, news of the launching appeared in two major broadsheet newspapers namely: the Philippine Daily Inquirer and the Philippine Star.

Fifty delegates representing the youth, environmental organizations, academe, religious formations, trade unionists, urban poor and women attended the said event. Citizens and organizations involved in exposing specific illegitimate debt cases and other anomalous loan agreements discussed and shared their views in the issue, with AKBAYAN Chairperson Joel Rocamora, EcoWaste Coalition Spokesperson Ronnel Lim and Mr. Antonio Calipjo-Go as resource speakers.

As of the moment, PAID has a total of 47 organizations and personalities who have committed themselves to PAID. The following are: Active Citizens Foundation (ACF), Almanan, Aniban ng Manggagawa sa Agrikultura (AMA), ASCENT, Ateneo School of Government CSP, Atty. Harry Roque of UP College of Law, BIGKIS of University of the Philippines-Manila, BISIG, Bukluran ng Manggagawang Pilipino, Christian Convergence for Good Governance (CCGG), Confreedom, Global Alliance for Incinerators Alternative (GAIA)-Philippines, Global Call to Action Against Poverty (GCAP)-Philippines, Health Care Without Harm (HCWH), IDEALS, ISAAC, JPICC-ARMSP, Jubilee South, Kaakbay, KAALAGAD, Kabataan Kontra Kahirapan (KKK), Kalayaan!, Kasama Pilipinas, KPML, LUPA, Micah Challenge, Movement for the Advancement of Student Power (MASP), Mr. Antonio Calipjo Go of Marian School, NCRFW-EcoWaste Coalition, ODA Watch, Pamantasang Lungsod ng Muntinlupa - Warden Publication, Partido ng Manggagawa (PM), Philippine Greens, PSlink, Sagip Pasig Movement, Sanlakas, Sarilaya, Stop the War Coalition, Task Force Detainees of the Philippines (TFDP), Teachers Dignity Coalition (TDC), UP Diliman ALYANSA, UP Manila Office of Students Affairs Director Nimia Simbulan, UP Manila Orgasm, UP-Manila ISKOLAR, Valenzuela Public School Teachers Association, WGC-ARMSP, and Youth Against Debt (YAD).

Following Through: Task Force Diskaril

A Movement against "Privatization through Illegitimate Debts"

Months after the creation of PAID and the ICDAC, FDC continues to organize and form into network other groups that are involved in other cases of illegitimate debts. During the Senate Blue Ribbon Committee investigation on the ZTE-NBN project, star witness Rodolfo "Jun" Lozada revealed that another Chinese loan, earmarked for the rehabilitation of the South Luzon Railways, was overpriced by as much as \$70 million.

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Incidentally, the North Luzon Railways Project, also funded by the Chinese EXIM Bank, was also hounded by anomalies since 2005. According to the study of UP Law Center, the project suffered legal infirmities and severe technical deficiencies. This is on top of allegations of overpricing and corruption, and the fact that it displaced communities without adequate relocation and adaptation subsidies [UP Law Center, 2005].

Dealing with the workers union inside Philippine National Railways (PNR), PAID and FDC members and allied organizations then discovered that the framework of the government in dealing the whole railways transit industry is simply: rehabilitation/modernization through loans towards privatization.

Thus, combining all the data gathered from North Rail, South Rail, and the North-South Rail Linkage Project, and the data on the subsequent displacement of communities near the areas, FDC and PAID members proceeded to draft a campaign framework that would aim three things:

1. Call for the suspension and investigation of illegitimate deals and debts involving the rehabilitation of PNR.
2. Call for adequate and humane relocation and livelihood to the communities already involved in the ongoing rehabilitation project.
3. Call for the halting of the privatization drive of the government that would cause massive retrenchment on the part of PNR workers.

The Campaign to Repeal Automatic Debt Service⁶

The best institution that can solve the debt problem is the country's legislature, which needs to assert its power of the purse. Constitutionally, the Philippine Congress has well-defined powers regarding debt, budget, and appropriations, as stipulated in the Philippine Constitution, Article VI, Section 24 which states, " All appropriation, revenue or tariff bill, bills authorizing increase of public debt... shall originate exclusively in the House of Representatives, but the Senate may propose or concur amendments."

Unfortunately, Congress wasn't able to exercise this power to its fullest extent due to certain impediments, the greatest of which is the automatic appropriations provisions in Sec. 26 (B), Book 6 of the Revised Administrative Code of 1987, as adopted from Sec. 31 (B) of Presidential Decree 1177. A huge chunk of the budget is already automatically appropriated to debt servicing for interest payment and principal amortization, giving the Congress very little flexibility in setting the budget.

It is thus no surprise that some legislators move to repeal this provision. House Bill no. 329 authored by Representative Edcel Lagman, for example, calls for the immediate amendment of Section 26, Chapter 4, Book 6 of Executive Order no. 292, otherwise known as the Administrative Code of 1987. The said bill seeks to repeal specific provisions that lead to the automatic

⁶ The first two paragraphs were lifted, with minor editing, from **Breaking the Momentum of Indebtedness: Policy Recommendations Debt for the 2008 National Government Budget and Beyond**, a paper presented to the House of Representatives Committee on Appropriations 2008 budget deliberations.

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appropriation for debt service which in the end will result in the actualization of a more responsive budget expressed by the people together their duly elected representatives.

Some key legislators like former Senate President now Senate Minority Floor Leader Sen. Aquilino Pimentel [Senate of the Philippines, 2007], Committee of Appropriations Chair Rep. Edcel Lagman [Briones, 2007], Pangasinan Rep. Rachel Arenas [Calonzo, 2007], Sen. Jinggoy Estrada [Danao and Cruz, 2008] already expressed their intention to have the automatic appropriations repealed.

The “6 will Fix!” Campaign and the Automatic Appropriation for Education

In the recent years, debt service allocations dwarfed allocations for social spending, including spending for education, health, agriculture, and the environment. This is despite the constitution provision (Article XIV, Section 5.5) stating that education should receive the highest budgetary allocation.

Seeing this, the Youth Against Debt (YAD) recalibrates their budget engagement in order to align their efforts for higher education spending with FDC’s campaign on the repeal of the automatic appropriation for debt service. Thus, in its 2nd general assembly, YAD decided to campaign for the “automatic appropriations for education”.

But where will YAD peg the appropriation? YAD looks on international benchmarks. It was then discovered that in 1996, the International Commission of Education in the Twenty First Century, headed by former European Commission President Jacques Delors, submitted a report entitled “Learning: the Treasure from Within” to the United Nations Educational, Scientific and Cultural Organization (UNESCO). The report proposed, among many things, that at least 6% of the gross national product of the nation should be allocated to education spending. Thus the “6 will Fix!” campaign of YAD.

Automatic appropriations for education will contribute significantly to the call for the repeal of the automatic appropriations for debt service, especially since the existence of one is almost mutually exclusive that of the other – having both would claim almost all of the government’s national expenditures. Also, it directly piths education spending to that of debt servicing, giving flesh to the constitutional provision mandating the highest budgetary allocation to education.

Conclusion

The New Stage of the Struggle against Debt Domination

The struggle against the Philippine debt problem is far from over. The Philippine government, aided by its own self-imposed constraints (read: automatic appropriations for debt service) towards a contractionary economic policy and a conservative fiscal policy, can pass most measures of debt sustainability, precluding it from recognizing the problem of severe debt. In the battle of discourse on the debt problem, debt sustainability is intrinsically inadequate as a framework in the case of the Philippines.

That is why the debt movement moved into another level of discourse, that of illegitimate debts and deals. Little by little, the government is again being convinced of the existence of debts which terms of contract are so fraudulent, which impacts are so damaging, and which benefits are so

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small as to render it useless, that they should not be paid. The 14th Congress took such a step: it refused to allocate money as interest payments for such debts.

The challenge for the debt and development movement in the Philippines, is to raise further the debt discourse into a sharper and more political one – the issue of the illegitimacy of the debt in the global historical context and in the present context of the power-relations within the current financial system. With global social justice as a framework, debt and development organizations such as FDC must further engage the public to join such a discourse.

Thus, the Philippine debt movement will always be a continuing movement as long as global relations which govern Southern countries like the Philippines remain fundamentally the same. As such, the key is not just sustaining the struggle nor applying more pressure – but raising the level of debate higher and higher until the government and/or the public comes to face-to-face with structural and paradigmatic origins of the debt problem.

But the struggle to do so carries with it an imperative – that of building constituencies with which discourses can be improved and elevated, or at least sustained. Only in an inclusive environment which allows for grassroots participation can advocacies genuinely sharpen and evolve in the right direction. FDC, with its formations like PAID and YAD, applies this precept on its advocacy against illegitimate debt.

The debt and development movement, essentially, is a learning movement – it incorporates the lessons of the past with its intuitive feel of the future in order to effectively fight for lasting changes. It understands that only the right combination of popular support, correct understanding of the underlying problems, and radical, comprehensive solutions fiercely campaigned, will genuinely free us from debt domination.

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