

ALTERNATIVE PEOPLE'S DEVELOPMENT FORUM

The People's Engagement with the Philippine Development Forum

25 March 2008

Bahay ng Alumni, University of the Philippines, Diliman

DEVELOPMENT FROM THE PEOPLE'S PERSPECTIVE

Official development assistance (or ODA) plays a significant role in Philippine development. However, for the past two decades, this has been beset by long-standing and structural inadequacies that negate its avowed purpose to provide humanitarian support for the poor and serve as a catalyst for growth. These problems have become critical and urgent, especially with the eruption of the National Broadband Network-ZTE deal and other scandals connected with the anomalies and misuse of ODA funds.

It is in this context that civil society organizations under the umbrella of *ODA Watch Philippines* decided to engage the *Philippine Development Forum* (PDF)—Government's primary mechanism for policy dialogue among government agencies and bilateral and multilateral development partners that generates commitments on critical actionable items of the country's development strategy. The particular engagement launches a parallel *Alternative People's Development Forum*, envisioned as an annual affair that will address the question of the effectiveness of ODA from the people's perspective—whether the increasing flow of ODA money, which is enlarging our national debt, is decisively bringing about real development to the people and sectors for whom the assistance is intended. The specific objectives of the *Alternative People's Development Forum* are:

1. To articulate citizens' views on the use, misuse, and effects of ODA on the people's development;
2. To effect changes in Philippine and donor country policies and implementation on ODA programs and projects;
3. To lobby for effective peoples' participation in the Philippine Development Forum and other venues of engagement concerning ODA.

The launching of the *Alternative People's Development Forum* on 25 March 2008 presented a "Citizen's Report on ODA in the Philippines" and adopted an agenda that will be advanced by civil society organizations.

ACTUAL CONDUCT OF THE PEOPLE'S DEVELOPMENT FORUM

The *People's Development Forum* was launched at the Bahay ng Alumni, University of the Philippines in Diliman, Quezon City. It carried the theme "Dismantling Obstacles to Advancing Development Agenda and Accountability" and was sponsored by the following organizations:

- ✎ ODA Watch, which served as the *Forum* Secretariat
- ✎ Freedom from Debt Coalition (FDC)
- ✎ Initiatives for Dialogue and Empowerment through Alternative Legal Services (IDEALS)
- ✎ Social Watch Philippines
- ✎ Philippine Legislators' Committee on Population and Development (PLCPD)
- ✎ Philippine Rural Reconstruction Movement (PRRM)
- ✎ Philippine Network of Rural Development Institutes (Philnet-RDI)
- ✎ Management and Organizational Development for Empowerment (MODE)
- ✎ Pambansang Koalisyon ng Kababaihan sa Kanayunan (PKKK)
- ✎ Sustainability Watch
- ✎ Partido Kalikasan
- ✎ Justice, Peace, Integrity Communication Commission-Association of Major Religious Superiors of the Philippines (JPICC-AMRSP)

The *People's Development Forum* was attended by around 100 participants from government and non-government organizations, people's organizations, academe and media. Moderators were Ms. Beth Roxas of Sustainability Watch and Mr. Vince Lazatin of the Transparency and Accountability Network (TAN).

Professor Leonor Magtolis Briones gave an eloquent opening address as she explained the rationale behind convening "The People's Development Forum". *Dr. Walden Bello's* Keynote Address on "International Financial Architecture and Aid Flows" gave an account of the current crisis besetting the global financial system. *Dr. Eduardo Tadem* presented highlights of "The Citizens' Report on ODA in the Philippines". Other presenters—FDC's *Ms. Lidy Nacpil* and IDEALS' *Atty. Jae de la Cruz* and *Atty. Golda Benjamin*—elaborated on prominent examples and proposed solutions to the problem of illegitimate debts as well as trade agreements framing ODA between the Philippines and China and the Philippines and Japan.

Senator Francis 'Chiz' Escudero described current problems and initiatives of Congress to exercise its oversight functions vis-à-vis ODA-funded projects and called on the academe and civil society for support especially in the area of information sharing. *Former Budget Secretary Emilia Boncodin* gave her insights on the need to control government borrowings and proposals on several demands that were recommended by previous presenters. After a short Open Forum, ODA Watch's *Rene Nachura* capped the affair with a synthesis of general agreements and action points that will be pursued by the body as a collective response to the problem of ODA.

The following are highlights of discussions described above:

The People's Development Forum by Prof. Leonor Briones of Social Watch Philippines. Prof. Briones welcomed the participants and said that her organization, Social Watch Philippines is one of the mothers of ODA Watch, the primary convenor of the *People's Development Forum*. She noted that Social Watch realized that ODA in itself is a distinct category that deserves examination in itself and by itself. Social Watch was also part of those who examined ODA in the Philippines, providing resources for Dr. Eduardo Tadem's research, which is the primary reference of the Citizens' Report.

The Philippine Development Forum. She said that the PDF evolved from the Consultative Group of donors and government agencies led by the Finance Department, international funders and business who get together on a regular basis. The annual meeting is a culmination of regular workshop meetings held throughout the year. The PDF annual meeting usually reports on government's presentation of its accomplishments and future plans, as well as negotiations between multilateral and government organizations. It is capped by a joint statement issued by the participants. Prof. Briones, who had opportunities to attend the PDF, saw personally how donor-driven ODA is, how terrible the conditionalities and how blatant government's efforts are to deodorize reports to emphasize the positive aspects. It was in 2004 when calls for the participation of civil society organizations, business, and media were heeded and since then a broader set of stakeholders were invited to these consultative meetings. Even then, Prof. Briones notes that funding for social development priorities such as the Millennium Development Goals were not kept. She also said that civil society groups never fail to notify government and donors of its findings on ODA and that in 2007, ODA Watch even made a statement that was disseminated to the body. For this year's session, the select NGOs invited to PDF will question how the PhP1 billion grant given to the government to curb corruption is being used. She further notes the phenomenon of 'political corruption' perpetrated by technocrats and bureaucrats who are usually not accountable and exercising only 'golf governance' usually decides on what development investments should be made. She elaborated on PDF topics such as decentralization and local governance, Mindanao, among others, which are of great interest to NGOs. However, they have minimal participation in PDF workshops held on these matters.

The Alternative People's Development Forum. NGOs have thus set up this alternative forum to fill the gaps in the PDF, which is essentially a consensus between donors and government on development matters in the country. Prof. Briones notes that people's organizations are largely excluded from the PDF. The alternative forum will thus push for ODA reforms covering bilateral and multilateral technical aid and humanitarian assistance. It will also push for the full enforcement of the Paris declaration on aid effectiveness, establishment of measures against corruption in ODA-related projects, insist on the alternative budget and question the role and responsibilities of the donor community in relation to the crisis

confronting the country. A major aim is to calibrate aid to respond to issues brought out by civil society organizations, business and media.

The Global Financial System in Crisis by Dr. Walden Bello. Dr. Bello's address noted that the current context of capital flows is underlined by the worst economic crisis experienced since the Second World War—a crisis that may rival the Great Depression, which is too great to be resolved by old means but may hopefully provide an opportunity for judicious changes.

Roots of the financial crisis. This crisis began in the early 80s and is the latest of some 100 financial crises to have occurred for the last 30 years, most noted of which are the 1997 Asian financial crisis and the US recession of the late 90s. This crisis can be attributed to the lack of financial architecture manifested by radical deregulation of financial markets that also began in the 80s. Dr. Bello explained that the liberalization of the financial economy is not disconnected to and is actually a mechanism to activate the stagnant real economy reeling from the crisis of overproduction and over-accumulation. Three means were devised to address this—deregulation and structural adjustment, market liberalization and investments in financial speculation. Military spending is touted as another way against stagnation but this is not an easy solution.

Opportunity in adversity. Dr. Bello concluded his address by noting that the current collapse of institutions is just the beginning and that the Philippine banking system will certainly be affected. While we brace for more dislocations, the crisis may also provide the opportunity for a transition to a more progressive global economic system where, forced by a civil society that is outraged, markets are brought under control and are disciplined by the public interest.

The Citizens' Report on ODA in the Philippines by Dr. Eduardo Tadem. The report enumerated Dr. Tadem's findings on his ODA studies that basically come up with the conclusion of ODA's failure to serve its humanitarian and developmental intents and objectives, mired as it is in longstanding problems and recurring inadequacies that remain unaddressed until now.

Trends of ODA to the Philippines. Dr. Tadem described the declining trends for the last 20 years, when the country received a total of US\$37.9 billion from 1986 to 2006. Most ODA came from bilateral sources at 63.6% while multilateral sources accounted for 36.3 percent. He notes that loans have dominated grants under forms of aid received by 84% against 16% respectively. Dr. Tadem also explained that the human development component of foreign aid, which includes health, education, and housing, continues to suffer highly inadequate allocations. Its already minuscule share of 11% of Philippine ODA in 1986-2000 fell further to 7% in the 2001-2006 period. On the other hand, the economic growth-oriented sector of infrastructure development increased its share dramatically from 50% to 67%. The geographical distribution of aid continues to favor the country's more developed regions while discriminating against the less-developed areas. Dr. Tadem further notes that the pattern of foreign aid to Mindanao reflects the new global trend of emphasizing geo-political concerns over development issues, which falls basically under the context of peace building, conflict resolution, and undermining support for armed rebellion. Moreover, dependency on ODA loans remains high as its share of the external debt, although decreasing, remains at an average of 44% for 2001-2006. A 2000 report by the Commission on Audit showed that the total amount the Philippine government repaid to ODA donors in interest payments, commitment fees and penalties exceeded the principal payments by P3.5 billion (P13.68 billion vs. P10.2 billion). This does not include other donor charges and fees. In addition, the COA reports a total of P10.34 billion in superfluous, unnecessary and unauthorized ODA expenditures and the underreporting and over reporting of assets.

Tied Aid and other contentious ODA issues. Dr. Tadem reports that the issue of "tied aid" remains a major irritant in Philippine ODA. Out of twenty-five (25) Japan Bank for International Cooperation (JBIC) project loans from 2000 to 2004, 40% were totally tied, another 40% were partially tied, and only 8% were totally untied. In terms of loan amounts, 59% was totally tied, 28% was partially untied and only 2.8 % was totally untied. He also enumerated the issues over foreign consultants, the deteriorating availment rate of ODA funds, corruption and transparency that has grown endemic in the handling of ODA funds as manifested by controversial projects like the NBN-ZTE scandal, the North Luzon Railways Project, the South Luzon Railways Project, the Cyber Education Project, the Subic-Clark-Tarlac Expressway Project, and the 2nd National Roads Improvement & Management Program. Dr. Tadem further reported recent cases of human

rights violations associated with ODA-funded projects, as well as social and environmental concerns brought about by ODA projects. Moreover, Chinese ODA are marked by controversy.

Policy Recommendations. Dr. Tadem ended his presentation with the following recommendations to the Philippine government to: a) fix implementation problems, b) plug the hemorrhage of government funds in repaying loans, c) address the foreign consultants' issue, d) end human rights violations in aid projects, e) focus on long-term and alternative sources of development financing, f) strictly follow the legal requirements in negotiating loan agreements, g) adopt a policy of transparency and popular participation, h) draw up comprehensive and consistent ODA performance standards, i) re-evaluate government policies and thrusts on ODA and j) adopt a policy of preferential option for untied aid.

The Illegitimacy of Debt & Its Concrete Examples by Ms. Lidy Nacpil. Ms. Nacpil's presentation defined illegitimate debts as debts that are onerous, fraudulent, immoral, odious, unacceptable, and irregular. In deciding the illegitimacy of debts, one looks at the a) circumstances in which the debts were incurred, b) how the debts were contracted (processes & transactions), c) the nature of the contracting parties, d) the nature, terms & conditions of the debt contracts. How funds were actually used, the impact of projects financed, how the interests and welfare of people were violated and how payments were extracted are the areas where anomalies usually occur. Thus far, FDC has chronicled 30 cases of illegitimate debts from currently outstanding debts, 13 cases of which are under ODA.

Creditor responsibility. Ms. Nacpil clarified that illegitimate debts are misconstrued as primarily due to the irresponsibility of borrowers. However, it is really about the culpability of government officials as well as of lenders. She noted that international financial transactions conducted in the context of grossly unequal power relations, with powerful parties driving processes and agreements should be held accountable for the outcome of financial transactions as well as for corruption and the emergence of dictatorships. Ms. Nacpil said that civil society organizations are now in the process of developing and articulating principles, obligations and standards of "responsible" financing that must be upheld by both lenders and borrowers, donors and recipients. She cautioned that in defining responsible lending and developing guides and platforms, the political and economic context, the power relations and dynamics must be part of the equation.

Agreements Framing ODA Policies, The Philippine-China Agreement by Atty. Jae dela Cruz. Atty. de la Cruz' presentation noted the increasing reliance of the Philippines on Chinese aid. As of January 2007, government signed 31 trade agreements with China, most of which are tainted with controversy and hugely tilted against Philippine interests. Primary issues leveled against these bilateral agreements are contentions that it violates national patrimony, smuggles in illegal tariff commitments, imperils agrarian reform and threatens food security. No consultations with stakeholders were also made before signing. Atty. de la Cruz pointed out questionable or unexplained provisions of some agreements while several big infrastructure projects tied contracts to Chinese firms.

Agreements Framing ODA Policies, The Japan-Philippines Economic Partnership Agreement (JPEPA) and ODA by Atty. Golda Benjamin. Atty. Benjamin's presentation indicated the priority areas and scope of Japanese aid to the Philippines. She also revealed that the JPEPA agreement will have no effect on investments and will not provide additional ODA.

ODA, Governance and Corruption by Senator Francis 'Chiz' Escudero. Senator Escudero called for a minute of silent prayer for former president Cory Aquino in her battle against colon cancer. His report centered on the status of government check and balance mechanisms on foreign aid and gaps that have to be addressed to ensure aid effectiveness and prevent corruption in aid transactions.

Gaps in ODA governance. Sen. Escudero mentioned that the first gap in the legal framework concerns the definition of ODA. He also reported that government has three check and balance mechanisms on ODA. One is through the NEDA, which evaluates and approves ODA funded projects. But judging from findings of Senate investigations, NEDA failed us totally. Another is through the Commission on Audit. However, COA operates after projects have rolled out. It cannot stop overpriced projects nor change contracted negotiations. A third is Congress' Oversight Committee and Congress is guilty of not doing this job. Oversight is not functional. There are no rules, no budget. It is non-existent. One of Sen. Escudero's thrusts in his Senate work is the activation of the Oversight Committee. After deliberations, he succeeded

in lobbying for a budget and currently, P5 million is allotted for Oversight in the 2008 budget. He also initiated gathering data and asking about status of contracts from several government agencies. But months have passed and there has been no response. Since there are no rules yet, his Committee has no subpoena power to compel the production of documents. This problem is expected to be solved by May.

Action plan. Sen. Escudero commended civil society especially the academe for its research and investigations on ODA projects and called on them to participate in his efforts to gather as much information to address these urgent problems. He also outlined the direction of his actions thus far: a) the first is to work on clarifying the definition of ODA; b) also to clarify procedures in getting ODA; c) third is to get a fixed term; d) the fourth and most urgent is to amend the Procurement Law. He also cited the importance of building capacity through research and development to have technical know-how for responding to development needs. He noted the urgency of passing the Right to Information Act. He bewailed the current state of government's filing and archiving system. He concluded his report with praise and assurance of support for popular efforts to act on ODA-related problems.

Response by Former Budget Secretary Ms. Emilia Boncodin. After some greetings, Sec Boncodin began her response to the presentations with the question, do we need ODA? She enumerated that there are basically three reasons why government borrow. The first is to augment budgetary resources, the second is to help the Central Bank with open market operations and the third is to serve as an indicator for private business who want to venture into financial borrowings.

Unlearned lessons, unclear prescriptions. As a reactor, she agrees that while there are some good ODA, there is an increasing number of problematic ODA. What she perceives from all the reports is that lessons have not been learned. But while this is so, she notes that the prescriptions may not be correct ones. She wants to clarify the call for an increase in ODA after such a problematic situation. She also pointed out indications from the findings that the country is capable of paying its obligations inspite of great odds. This should not be a cause for alarm. If we could pay our debts, then there could be truth to claims of growth. She further added that she is not entirely happy with calls for more ODA to social development. Appropriating funds for this purpose is government's duty to its people and should not be dependent on foreigners.

Some proposals. Sec Boncodin proposed that government should learn to just say no to ODA. There is also a great need to review the policy on borrowings, as well as a need to reduce borrowing binges. If the nation needs aid, different types of assistance (e.g. training, credit) rather than money can be explored.

Open Forum. Questions and responses to previous discussions were focused on a) explanations for the call to increase aid, b) aid alternatives, and the c) need for stronger policies on information access.

It was clarified at the outset that the context of asking for increased ODA comes with the spirit of cooperation and social justice in mind and ideally should contain no strings for the receiving country. Such aid should be channeled to support poverty-stricken sectors that ultimately bear the cost of development from globalization. The use of appropriate terms should be clear, e.g., the call is for an increase in grants not loans; increased aid as a form of reparation to right historical wrongs.

It was agreed that assistance akin to the Alba initiative of Venezuela, Cuba, Nicaragua and Bolivia as well as other beneficial aid initiatives should be reviewed and drawn lessons from. The body also did not object to calls for advocating a public right to information act.

Synthesis of Discussions by Mr. Rene Nachura. Mr. Rene Nachura gave a summing up of findings and general agreements of participants to the *People's Development Forum*, which includes the body's endorsement for the Citizens' Report, calls to reform the aid system, a resolution to ensure people's participation in the ODA processes, support for calls to audit ODA-related debts and cancel those considered illegitimate, calls for the Philippine Development Forum to address issues on corruption and misuse of ODA funds and agreement to form the Citizens' ODA Watch that will monitor the ODA situation and advocate needed reforms.

RESOLUTIONS OF THE ALTERNATIVE PEOPLE'S DEVELOPMENT FORUM

We, civil Society Organizations gathered here at the *Alternative People's Development Forum* held at the Bahay ng Alumni, University of the Philippines, Diliman, Quezon City hereby agree to the following on this day, 25 March 2008:

We endorse *The Citizens Report on Official Development Assistance (ODA)*

We endorse and make our own the general lines of the *Citizens' Report on ODA*. We are especially in agreement with the findings that:

- ✎ In general, ODA did not benefit the people for whom they are intended;
- ✎ The Philippine experience with ODA has been marked by irregularities and corrupt practices as well as misdirected, ill-conceived projects that prove wasteful, useless, and are burdensome to the people;
- ✎ ODA and ODA policies generally favor and benefit the donor countries at the expense of recipient countries like the Philippines.

We issue the call for reforms of the Philippine foreign aid system

We issue the call for reforms of the foreign aid system in the Philippines. In particular, we shall undertake various initiatives to:

- ✎ Establish a clear and enlightened policy on ODA borrowings;
- ✎ Implement inclusive and sustained development management processes;
- ✎ Demand basic standards of aid quality from donors and government;
- ✎ Enforce compliance with the laws and established systems;
- ✎ Demand transparency in all ODA processes;
- ✎ Carry out measures to effectively prevent and prosecute corruption.

We assert the need for people's participation in the ODA processes

We shall endeavor for greater people's participation in the ODA processes by working to:

- ✎ Create/institute effective mechanisms and venues for broad and meaningful civil society participation at all levels of ODA transactions—from setting the development framework, to aid negotiation, and to implementation of ODA-funded projects.

We reiterate the call for a debt audit and the cancellation of illegitimate debts

We strongly support and join the ongoing campaigns calling for broad-based audit of all ODA-related debts and the cancellation of all illegitimate debts.

We issue a call for the Philippine Development Forum to address corruption and misuse of funds

We ask the *Philippines Development Forum* to address squarely and candidly, especially at this year's meeting, the issues and questions that the recent scandals of corruption and misuse of ODA funds have raised in the public mind. The PDF will be less than honest and credible if it skirts these questions.

We agree to form a *Citizens' ODA Watch*

We agree to become part of an ongoing, informal forum of NGOs and POs that will follow up the concerns and continue to monitor the ODA situation and to advocate for the needed reforms. *ODA Watch-Philippines* shall serve as the "secretariat" of this forum.