

**Statement of the Freedom from Debt Coalition  
on Senate Bill 1794 amending the Official Development Assistance Act of 1996  
and on Senate Resolution 179 directing the Senate Committee on Economic  
Affairs to Conduct an Inquiry, in aid of legislation,  
on the implementation of ODA Law**

**Presented at the Joint Public Committee Hearing of  
Committee on Economic Affairs and Committee on Finance**

by  
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at the Senator Tañada Room, 2<sup>nd</sup> Floor, Senate of the Philippines

In principle, the Freedom from Debt Coalition (FDC) agrees with the concept of giving aid to support the economic, social and political development of developing countries. We also agree that aid must be used and extended by organizations much more by developed nations' governments to facilitate immediate and strategic financial assistance to people and poor countries in distress in order to relieve and/or eliminate suffering brought forth by abject poverty and social vulnerability.

However, the kind of aid-giving that generally takes place suits more the interests of the "donors" who use aid to advance their commercial and capital advantages rather than the interests of "people in need."

From its inception, the Official Development Assistance (ODA) facilitated by the Organization for Economic Cooperation and Development (OECD), made up of the developed nations of the world, was riddled with problems arising from the procurement of tied aid. This greatly reduced its development effectiveness, as it was more concerned with mandates securing the interests of donor countries—often donor countries themselves. The said aid will be spent on goods or services produced in a selected country, often the donor country itself or by introducing specific economic conditionalities.

This greatly reinforced the conception that aid donors were not sincere in extending external financial assistance to poor nations but were only using aid as a precondition to introduce one-sided conditionalities benefiting the donor countries while opening developing nations' fragile economies to the ramifications of future debts and external structural adjustments such as trade liberalization and privatization of essential services.

This is especially true in the case of the highly contested Japan-Philippines Economic Partnership Agreement (JPEPA) which promotes toxic dumping and trading in exchange for developmental aid and partnership.

Moreover, China's ODA to the Philippines is another case in point. Loan agreements entered with China necessarily entails the Philippine government's procurement of goods, supplies, and services from Chinese investors/contractors which are enjoying advantages to the great prejudice of existing national laws and local businesses.

Among the wide-ranging benefits is the issuance of sovereign guarantees binding our government to assume liabilities on debts contracted by the private sector in case of a default on loan payments. The illegitimate US\$503-million Northrail Luzon Project is an example of this.

In truth, as early as 1970, OECD had been urged to adopt a progressive reduction of tied aid (Führer, 1996). However, these calls were met with lukewarm responses from developed nations claiming that the tying of aid was essential to local public support for extending aid to other countries. Though almost all of the OECD and Development Assistance Committee (DAC) members agreed to participate in further discussions on the issue, they also stressed their special circumstances and the character of their aid composition.

That is why we are very frustrated with the Paris Declaration on Aid Effectiveness made last March 2005 binding all major donor and recipient governments to set out an agenda to make aid more effective and efficient by reducing duplication, transaction costs, and misdirected aid.

Instead of realizing the pledge made by donors to help developing countries' governments formulate and implement their own national development plans using their own prioritization, measurement and implementation systems, the OECD admitted that concrete targets set for 2010 look unlikely to be met in their current phases such as increased proportion of aid to be untied, establishment of "mutual accountability" mechanisms in aid recipient countries, and for two thirds of aid to be delivered in the context of so-called program approaches rather than projects (OECD, 2006).

The democratic deficit is another issue plaguing ODA. Aid-giving is within the exclusive realm of government-to-government dealings excluding popular participation and scrutiny from the people—the very recipients or beneficiaries of these aid assistance. In tandem with recipient governments, donors largely determine the amount, allotment and methodologies of the ODAs largely bypassing not only needed consultations but also existing national laws on procurement and competitive bidding.

This exclusivist determinism on part of the donors is one of the reasons why there is a lot of wasted or misdirected aid. This is especially true in a scenario where the share of ODAs on education, health and housing have been unilaterally decreased by donor countries in favor of increased military expenditures after 9/11.

Over the last 20 years, annual ODA has been between US\$50-60 billion but has reached over US\$100 billion in 2005 (OECD, 2006). The United States is the world's largest contributor of ODA in absolute terms (US\$15.7 billion, 2003), but the smallest among developed countries as a percentage of its GDP (0.14% in 2003). The UN target for development aid is 0.7% of GDP; currently only five countries (with Norway in the lead with 0.92%) achieve this.

The lack of mutual accountability mechanisms and non-participation by civil society organizations have led to feelings of exploitation and abuse on the part of recipient nations who are expected to be 'grateful' for the donors' philanthropy, empathy and charity. Such aid-giving may either encourage mendicancy and/or resentment. We do not need this kind of bogus aid. We note the kind of aid that has supported strategically important leaders from the donors' limited perspectives, the likes of dictators, Ferdinand Marcos of the Philippines, Mobuto Sese Seko of Zaire while plunging the recipient countries into deeper crises.

The kind of aid we need and want must “be premised primarily on a recognition of the history of colonization of countries across Asia, a history that persists in the continued exploitation by the North of the South, particularly the peoples of Asia and the region's biodiversity. Form this lens, aid becomes a matter of global redistributive justice, a just righting of historical wrongs” (The Quezon City Declaration on Aid July, 2007).

Without this framework, developed countries will tend to impose their own needs and solutions onto other societies and nations in an 'endogenous' way thereby making us more dependent, vulnerable to more corruption and deeper in debt. For the year 2002 alone, poor countries paid almost US\$380 billion in interest and principal payments out the world total of more than US\$460 billion.

For these reasons, the initiative of Senator Loren Legarda to call the sense of the Senate to conduct an inquiry, in aid of legislation on the implementation of Republic Act No. 8182, otherwise known as the “Official Development Assistance Act of 1996,” looking into the implications of tied loans is not only laudable but very timely.

Likewise, we also welcome Senator Mar Roxas' proposal to impose safeguards in contracting loans classified as ODAs by amending Republic Act No. 8555, the amended version of RA 8182.

As we all know, the furor created by the recently cancelled ZTE National Broadband Network (NBN) project and the equally controversial Cyber Education Project (CEP) and the defunct Austrian Medical Waste Project have once again put in the spotlight the issue of anomalous, if not illegitimate loan agreements entered into by our government at the expense of the Filipino people.

We look up to the legislature to enact laws and guidelines to rationalize ODA so that our debt problem is not further aggravated. In this regard, we are reiterating the Quezon City Declaration on Aid made during the Regional Conference on Official Development Assistance (ODA) in Asia held last July 25-27, 2007 which proposed the following:

- Reject tied aid.
- Ensure the meaningful participation of stakeholders, especially the poor and socially excluded both in the formulation of national development strategies and in the implementation of ODA programs.
- Provide venues for the participation of civil society representatives (as well as of local governments) in the Country Coordinating Groups (or Country Development Fora) and in the government oversight agencies for the implementation of ODA projects.
- Progressively increase from at least 30 percent to 100 percent the share of ODA allocation to social services and pro-poor infrastructure development, and prioritize aid flows to the poorest regions in the country. Negotiate that ODA allocations for social services be in the form of grants.
- Conduct debt and ODA audits in consultation with civil society and third party auditors.

· Pressure donors to:

1. Realign, in the immediate, the loan-grant mix of aid such that grants significantly constitute at least 30 percent of ODA.
2. Align ODA flows more effectively with the MDGs and all other internationally agreed commitments such as Education for All 2015, the Kyoto Protocol and other climate change mitigation and adaptation measure commitments and the 2002 World Summit for Sustainable Development Johannesburg Plan of Implementation.
3. End conditionalities (especially in the area of political and macroeconomic policies) and the practice of tying aid to the hiring of foreign consultants, purchase of goods, etc.

**Help us help our people free themselves from their long incarceration from illegitimate debts.**

**Together, let us create a better future for our people—a future where debt is used as a tool to promote human development and dignity instead of an instrument to advance unjust power and economic relations.**

**The Filipino people and the next generation deserve no less.**

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