

## ***WOMEN, DEBT AND ENVIRONMENT***

# **DEBT AND POVERTY, MALDEVELOPMENT AND MISALLOCATION OF RESOURCES\***

*Leonor M. Briones*

I will tell you the story of my country and its people, particularly the women. During the past few years, the Philippines has been afflicted with a series of calamities. First, we had a prolonged drought which was followed by a killer typhoon. Last July, a massive earthquake struck the main island of Luzon, killed hundreds of people, mostly schoolchildren, reduced buildings to rubble in two cities, and destroyed infrastructure in the island. Only a few months ago, a volcano, Mount Pinatubo, erupted, spewing lava and lahar in three provinces. More than three hundred thousand people have been laid homeless, thousands (mostly children) have been killed, farms flooded with lahar, and factories and commercial establishments destroyed.

However, the most serious calamity which has held the country in its grip since 1983 is the external debt problem. It is a major cause of the deteriorating conditions in the economy and escalating levels of poverty. Because of the debt, the government cannot generate resources to rehabilitate areas stricken by typhoons, the earthquake and now the Mt. Pinatubo eruption. Debt is linked to all the other problems in the country like the destruction of the environment and human rights. It is a burden which is borne primarily by women who constitute one-half of the population. It is a problem which women, acting together on a nationwide as well as international scale, can help resolve.

---

\* Testimony presented at the World's Women's Congress for a Healthy Planet sponsored by Women's Environment and Development Organization/Women's Foreign Policy Council, Hyatt Regency Hotel, Miami, Florida, U.S.A. November 8 to 12, 1991.

## **The Debt Problem of the Philippines**

At present, the Philippines ranks fifth among the world's severely indebted middle income countries (SIMIC). In spite of faithful payment of interest and principal on all debts and loyal adherence to the conditionalities of creditor institutions, the external debt of the Philippines has been steadily increasing.

When the debt bomb exploded in the Philippines in 1983, the external debt totalled \$24.095 billion. By February 1986, it had increased to \$26.342 billion. At the end of 1989, it stood at \$27.616 billion. By September 1990 it further rose to \$28.698 billion. By February 1991, it was calculated at \$29.376 billion.

More than 80% of the external debt is owed by the public sector: the national government, government-owned or controlled corporations, and government-owned financial institutions. Because of this, the debt service burden has an immediate and direct impact on the poor who rely on the government to provide them with minimum services. For example, in the national government budget alone, debt service for both domestic and foreign debt accounted for 44.15% of total expenditures in 1989. In 1990, debt service constituted 36.96% of the total national government budget. The latest estimates for 1991 place the debt service burden at 43.09%. Under these circumstances, resources badly needed for economic recovery and for social services go to debt servicing. What should go to the people goes to the creditors.

A substantial portion of the Philippine external debt is tainted with fraud and corruption. The most dramatic example of this is the Bataan Nuclear Plant Loan. This is the loan for a nuclear plant built by Westinghouse Corporation during the time of President Marcos right smack on an earthquake fault, within the vicinity of two active volcanoes. The contract to construct the nuclear plant was obtained through bribery. The government mothballed the plant because of many technical deficiencies and filed a case for bribery against Westinghouse Corporation. In the meantime, it has been faithfully paying \$350.00 a day in interest on the loan which totalled \$2.67 billion.

The Bataan Nuclear Plant loan is one of six loans which has been identified and documented as fraudulent. by Freedom from Debt Coalition, a broad coalition of the major political tendencies actively campaigning for political, social, and economic reforms in our country. The total value of these loans amount to approximately \$3.5 billion. It is widely believed that a substantial number of loans incurred during the Marcos regime are tainted with fraud. Since these loans did not benefit the country, faithful repayment has been an added burden to an already burdened and suffering Filipino population.

The Philippine external debt is only part of the global debt crisis which has affected the poor of many developing countries. As far as the commer-

cial banks and the multilateral institutions are concerned, the crisis is already over. They are amply protected by loan loss reserves. Also, stabilization programs undertaken under World Bank and IMF stewardship insure full payment for loans, whether beneficial or not, whether tainted with fraud or not.

Developing countries like the Philippines which have fallen into the debt trap see no hope of economic recovery. Even as their poor continue to multiply, precious financial resources keep flowing out to creditors. Their governments adapt stabilization programs which reduce expenditures for economic and social development even as the tax burdens are mercilessly increased.

The problem of debt is a global issue affecting many developing countries. The case of the Philippines is a concrete example of how the debt has increased in spite of full payment and compliance with conditionalities of creditor institutions. It also illustrates how debt has exacerbated economic deterioration and increased poverty levels.

## **Debt and Poverty**

International organizations which have initiated poverty alleviation projects in the Philippines are overwhelmed with the increasing numbers of Filipinos who are hungry, have no roof over their heads, are sick and are unemployed. Foreigners who visit the Philippines periodically see the visible deterioration of the country each time they return. They see more children begging on the streets, more potholes on roads, and more public facilities breaking down. They can literally see, smell and feel the pollution that is choking Metro Manila. They see the rundown buildings, the heaps of garbage. Even more alarming, they note the growth of slum areas which are rapidly engulfing vast areas in urban centers.

In 1989, the government estimated that 49.5% of the Filipino population of over 60 million lived in absolute poverty. This estimate is now considered understated in the light of the killer typhoons, the earthquake and the volcano eruption which increased the number of poor people by the hundreds of thousands. Equally devastating are the stabilization programs required by the International Monetary Fund which have drastically increased the number of poor families.

In the Philippines, as in many indebted poor countries, poverty in the 1990's is not the result of karma or fate, history, or laziness. It is the direct result of economic policies implemented as part of stabilization programs. These stabilization programs called for drastic reduction in levels of expenditures with the notable exception of the debt service burden. At the same time, additional revenues were extracted through the import levy, increased price of gasoline and oil products, increased cost of public utility services and hikes in indirect taxes.

The 1991 Stabilization Program for example, called for a reduction in the

government budget by P25 billion (nearly \$1 billion), and an increase in government revenues by P30 billion (slightly over \$1 billion). At the same time, a 5% levy was imposed on all imported goods. This policy had the effect of increasing prices on practically all consumer goods, including rice which relies on imported fertilizer.

No less than the Finance Secretary admitted that the Stabilization Program would have the effect of increasing unemployment by 400,000 workers and slowing down the growth of the economy to a mere 1.5%. The original GNP growth targetted was 6.5%.

The decision to implement the stabilization programs of 1990 and 1991 resulted in the immediate reduction of real incomes even as prices of basic commodities soared. Workers were laid off by the thousands, further fueling industrial unrest. Infrastructure projects were drastically reduced and social services brutally cut. Thus, a policy decision viciously created more poor people and inexorably slowed down the growth of the economy.

What is happening in the Philippines is also happening to other debtor countries. UNICEF has documented in graphic detail the human costs of payment the enormous global debt burden in terms of women and children dying before their time, sharp deterioration in the quality of education, curtailment in basic services, and even non-availability of seemingly mundane things as clean and potable water.

### **Maldevelopment and Misallocation of Resources**

The debt burden of the Philippines has resulted in maldevelopment and misallocation of resources. Since 1983, the Philippine economy has consistently registered negative net resource transfer. In other words, more financial resources are flowing out to creditor banks and institutions than are flowing in. In 1988, total availments from creditors was only \$236 million while interest payments (excluding principal) totalled \$2.192 billion, resulting in a negative net resource transfer of -\$1.956 billion. In 1989, total availments from creditors reached \$1.029 billion while interest payments (excluding principal) totalled \$2.420 billion, resulting in a negative net resource transfer of -\$1.391 billion. In 1989 also, not a single cent was received from the commercial banks in new availments even as the Philippines paid \$1.391 billion in interest. As long as this hemorrhage of resources continues, economic recovery is out of the question.

The misallocation of resources is even more evident in the national budget. In 1987, 49.87% of the national government budget went to the servicing of both foreign and domestic debt. This is practically one half of the budget! The debt service was more than three times the total allocation for economic services at 16.13% of the budget. It is nearly three times as large as the total allocation for social services at 17.74%.

The Constitution provides that the highest item of expenditure should be for education. In 1990, while 36.5% of the budget went to debt servicing,

only 14.48% went to education. It is not surprising therefore that there is a severe shortage of schoolrooms, books and teachers. It is not uncommon to see two classes crowded in one small room, or classes being held under mango trees in the provinces. The picture for health is even more grim. The debt service expenditure is more than ten times the expenditure for health which reached a meagre 3.96% of the budget. Researchers calculate that more than one child dies per hour because of lack of health facilities. When the 1989 IMF Stabilization Program was put into place the Department of Health calculated that the required reductions would mean 'leaving 399,120 children denied of milk and vitamins, 27,565 lepers deprived of treatment, 103,262 TB (tuberculosis) patients untreated, and 16,100 schistosomiasis cases denied medicines.'

Expenditure for land reform, a critical social issue, was only 1.11% of the national budget, also in 1991. The cry of millions of peasants for genuine land reform has gone unanswered since the 1930's. It has triggered rebellions. The current insurgency is fueled in part by the government's failure to implement genuine land reform. Government claims it does not have the funds to finance land reform even as it is prepared to faithfully spend billions of dollars annually on debt service.

### **Women as Bearers of the Debt Burden**

The debt burden has affected everyone in the highly indebted countries with the singular exception of the highest officials in government, transnational corporations, banks and oil companies. However, it is acknowledged that women bear the greater part of the burden.

Societies in developing countries place the burden of nurturing, nourishing and keeping the family together on women. When government reneges on its obligations and fails to provide even the most basic of services to its citizens, the responsibility of making up for these failures fall on the women as mothers and wives.

When the debt bomb exploded in the Philippines, working women had to look for second, third, and even fourth jobs to augment the shrinking incomes of their husbands, fathers, and brothers. Mothers had to leave infants and small children and scrounge for additional means of livelihood.

Increase in unemployment is an immediate effect of IMF-inspired stabilization programs. Thus, factories are closed by the hundreds and workers are thrown out into the streets. Government offices fire employees in the desperate effort to reduce expenditures. When formal channels of employment and productivity are reduced, the poor resort to what is euphemistically described as the "informal economy" where people engage in small time trade, produce goods and services, and do odd jobs without the benefit of formal organizations. In many indebted countries, it is the women who are most active in the informal economy. It is they who push themselves to the limit as they strive to earn an extra dollar or two for their families. More

often than not, they not only augment family incomes; they end up as the main earner, or even the sole breadwinner.

For women, the burden of earning for their families is aggravated by the responsibility of keeping them healthy as well. When the members of their families get sick, women think nothing of personally caring for them, especially since government services are woefully inadequate. They drive themselves to exhaustion as breadwinners outside the home and as domestics and nurturers in the home as well.

It is the women who go into debt—to buy food, pay hospital bills, pay the tuition fees of children, buy clothes and pay the rent. It is the women who bargain with usurers, plead with doctors to treat their children, beg schools to allow their offspring to take their examination and plead with government officials not to demolish their shanties.

In indebted countries like the Philippines, it is not only the poor women who suffer under the onslaught of the debt crisis. Professionals take additional jobs not only to earn more for their immediate families but also to help increasing numbers of poor relatives in their extended family systems. Since they hold relatively “better” jobs, poorer relations, friends and even acquaintances turn to them for help. Thus, they are crushed by the burdens of maintaining professional excellence to keep their jobs, the exertions of juggling three extra jobs and anxious efforts at keeping their families intact. An even greater burden for the professional woman is the fact that she knows what is going on and realizes she must do something. Daily, she faces the pressures of maintaining her career, attending to her family, and acting on fundamental national problems which are at the root of her country’s endless crises.

A more immediate effect of the debt crisis on women is the massive export of human beings by indebted countries like the Philippines. During the seventies, natural resources like lumber, marine resources, minerals and resource-based handicrafts were exported in great quantities. Now that our government has run out of resource--based exports, it has turned to the more lucrative export of human beings. What was started by the late President Marcos as a “temporary policy” has developed into a major source of foreign exchange for the present administration.

Millions of Filipinos have been driven by unemployment and poverty to leave their families and work in other countries. In Japan, they work as “cultural” dancers. In Italy, United Kingdom and other countries in Europe, they work as domestics. In the Middle East, they work as physicians, nurses, construction workers and servants. In the United States, they work as highly paid professionals.

The export market for human beings has a bigger demand for women. Thus, hundreds of college girls leave for Japan daily to work as dancers, and in many cases, eventually as prostitutes. Teachers and college graduates go to nearby Hongkong and Singapore to work as domestics. Those who

are more fortunate go to Italy, France, United Kingdom, Greece and other countries, also as domestics. Each time I travel to attend a conference, my co-passengers invariably include young girls going off to Japan, to Hong-kong, Singapore and Europe to seek their fortune. In Italy, I have met schoolteachers who work as domestics and double on Sundays as food vendors.

The government encourages this commerce of human beings mainly because it brings foreign exchange which help pay the debt. However, corruption, degradation, exploitation—and in certain cases, torture and murder come in the wake of the export of women. Only recently, a young Filipina was sent home from Japan in a coffin. The medical certificate stated that she expired from hepatitis. An autopsy revealed violent blows on the head, as well as stab wounds in the genital area. Her case is only one of hundreds of documented cases of young girls dying abroad, or coming home pregnant and driven mad by maltreatment and rape. In a very literal sense, women are not only paying the external debt with their earnings, but primarily with their bodies and their lives.

### **Response of Women to the Debt Program**

Since women are directly affected by the debt crisis and other related problems of poverty and maldevelopment, they are also in the forefront of the struggle to put an end to it.

In our educational programs and campaigns, we have noticed that women respond very quickly to the issue of debt once it is explained to them. This is because as mothers, wives and sisters, they have seen the effect of debt first hand. They know how creditor institutions exploit debtor countries from their own experience with usurers. They have experienced for themselves the horrors of negotiating with moneylenders. They appreciate the problem because they are the ones who do the borrowing for their families. They know how it is to work to the bone and have their earnings merely go to their creditors. They feel bitter about having to pay taxes and still compensate for the failures of government in basic public utilities and social services.

So what are the women in the Philippines and other highly indebted countries doing?

I have already described what they do as individuals. They work, take care of their families, and earn much of the foreign exchange which the government uses to pay the external debt.

As members of non-government organizations of women, they have been organizing cooperatives, managing credit and financing institutions, producing goods and services, and trading domestically as well as internationally.

Since they know that the problems affecting them are linked with bigger national issues, women are active not only in women's organizations and

women's causes. They have organized issue-based as well as sectoral organizations. There is no cause-oriented organization in the Philippines where women do not play a major role.

The Philippines has an abundance of highly trained professionals who excel in their respective fields. In addition to direct involvement in many organizations, they also render technical assistance to other cause-oriented organizations, policy-makers and legislators.

As primary victims of the debt crisis, women are active in Freedom from Debt Coalition which is leading the campaign against the present strategies of the international financial system and the Philippine government. The Coalition is headed by a woman who is known for her professional competence and activism. The women are represented in the FDC Board by a Women's Committee which is actively involved in educational, research and political campaigns. The women have produced a primer on women and debt, an educational video on debt and what women are doing about it in addition to books and pamphlets on the issue.

Only last October 13, OXFAM and Freedom from Debt Coalition launched a joint publication entitled *The Philippines: Debt and Poverty*, written by a member of the Women's Committee—Rosalinda Pineda-Ofreneo.

### **Debt Campaign as a Global Activity for Women of the North and South**

It has been pointed out earlier that debt is a global issue necessitating global action, particularly from women.

At present, Freedom from Debt Coalition is spearheading a campaign in the Philippines to cancel payments for fraudulent debt. The Women's Committee of FDC is actively supporting this campaign. Similar campaigns can be launched likewise in other countries. The problem of fraudulent debt is not exclusive to the Philippines. Other indebted countries have their own stories to tell. It is not moral for banks to continue extracting from the poor their pound of flesh for tainted loans.

Many NGOs are putting pressure on creditor institutions, particularly World Bank and IMF to change their policies which are responsible for escalating levels of poverty in indebted countries. Women can actively join these campaigns. One issue on which they can exert pressure on WB-IMF is in the matter of fraudulent loans. Both institutions support the principle of paying all loans in full.

The problem of debt is not the problem of women in indebted countries alone. In the final analysis, it is a problem women from the North and South must confront. After all, it is linked to poverty, the environment, and our efforts to help Planet Earth survive. We cannot begin to talk about a healthy planet without confronting the cancer which is eating at its resources and people: the global debt crisis.