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Economic response for whom?

How the COVID-19 response loans of the Asian Development Bank aggravate chronic crises in the Asia-Pacific region

Introduction

The COVID-19 pandemic has exposed further the existing chronic and structural dilemmas of poverty and deteriorating social services in countries across the globe, most glaringly among the economically backward countries in the Asia-Pacific region.

Even before the pandemic, the majority of these countries were already reeling from the impact of neoliberal policies that have been imposed mostly through the conditionalities of international financial institutions (IFIs). After decades of implementation, it has been proven that so-called push buttons for development and global competitiveness e.g., liberalization, deregulation, and privatization have additionally depressed these already backward economies.

Now, the poor majority who suffered most from these neoliberal policies will again have to live through the pandemic's worst impact. Hunger, joblessness, low agricultural

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productivity, and closure of small enterprises multiplied several times because of the restrictive measures implemented supposedly to curb the pandemic. Also, the impact of privatization of health services and the low-budgeted public hospitals has never been remarkably felt by the poor than during this health crisis.

Unable to respond appropriately to the health and economic crisis in their respective countries, cash-strapped governments resorted, as usual, to loans that were readily offered by international financial institutions such as the International Monetary Fund, The World Bank, and particularly in Asian countries, the Asian Development Bank or the ADB.

The World Bank, for example, allocated more than U$157 billion, from April 2020 to June 2021, for Cambodia, Fiji, Indonesia, Kiribati, Lao PDR, Marshall Islands, Mongolia, Myanmar, Papua New Guinea, Philippines, Samoa, Solomon Islands, Timor-Leste, and Vietnam. For its part, the IMF has released U$ 2,622.78 million from 2020 to 2021 to Asia-Pacific countries such as Bangladesh, Maldives, Mongolia, Myanmar, Nepal, Papua New Guinea, Samoa, the Solomon Islands, and Tonga.

(Read: https://www.worldbank.org/en/region/eap/brief/world-banks-operational-response-to-covid-19-coronavirus-in-east-asia-and-the-pacific)

For its part, the Asian Development Bank allotted U$20 billion aid package in April 2020 for the Asia-Pacific region. The aid package came with a policy paper, the "ADB's Comprehensive Response to the COVID-19 Pandemic: Policy Paper" to enhance its response to the pandemic. ADB's policy paper also introduced "special policy variations to streamline implementation." Aside from this, an additional U$ 9 billion APVAX vaccine initiative was made available to offer "rapid and equitable" support to its member countries to ensure the delivery of effective and safe vaccines.

1 The ADB COVID-19 Response

Japan-led Asian Development Bank readily offered financing programs to cash-strapped countries in the Asia-Pacific region severely affected by the pandemic. The aim was along with the current buzzword of "build back better." It cited the need to help countries in the region to contain the health and economic crisis and to support the recovery of the local economies.

Thus, from the U$6.5 billion allocated in March 2020, the ADB decided in April 2020 to increase its loan package to U$20 billion. It also approved "measures to streamline its operations for quicker and more flexible delivery of assistance." In December 2020, it earmarked an additional U$9 billion for its APVAX vaccine initiative to support MDCs in their purchase of "effective and safe COVID-19 vaccines." The actual committed amount, however, reached U$31.7 billion, exceeding its initial allocation. The amount financed some 282 projects in the region.

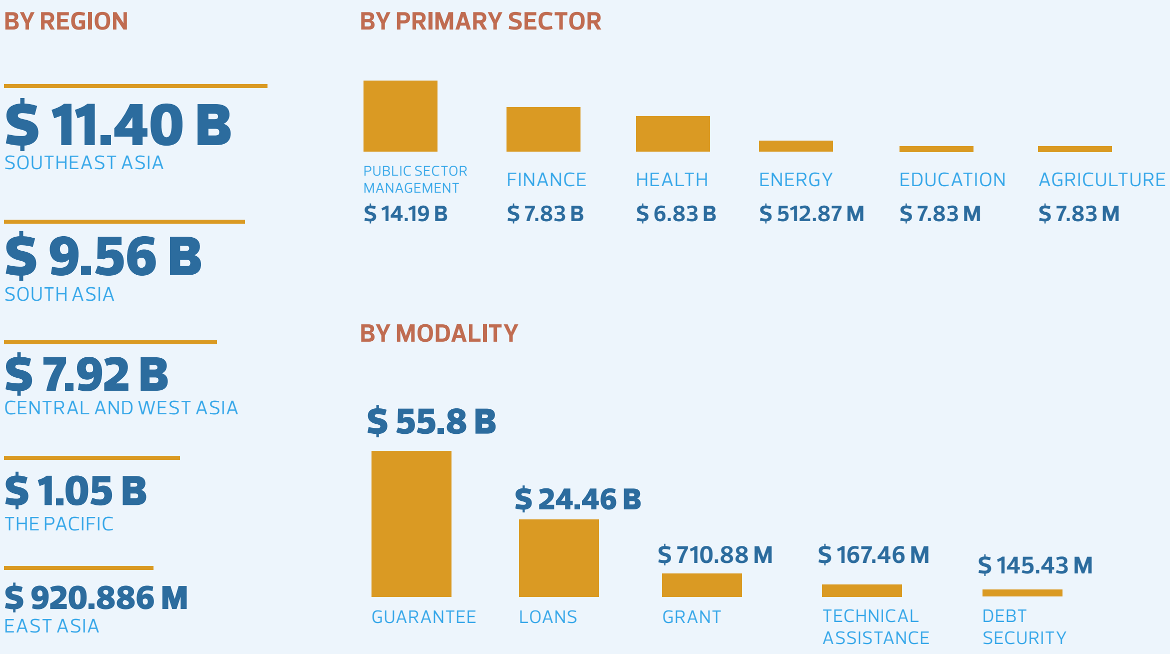
In the Asia-Pacific region, the loans for COVID-19 response ranged from U$21 million (such as those granted to East Asian countries) to U$11.40 billion (committed to Southeast Asia). Among the Southeast Asian countries, the Philippines got the highest committed loans amounting to U$ 4. 44 billion for 24 approved projects. Indonesia came in second with U$3.21 billion, also for 24 projects; and, U$1.65 billion for Thailand with 10 projects.

While recognizing the health crisis and the severe impact of the pandemic on the local economies, the loan package of the ADB focused on public sector management. This item ate up almost half of the bank's loan commitments while the health sector came in only third with U$6.83B. Grossly left out is the sector of agriculture with U$438.63M.

This is reflected in the case of the Philippines, Indonesia, and Thailand—the top 3 "beneficiaries" of ADB loans. In these three countries, public sector management got top financing over health, agriculture, and education which are deemed priorities from the people's point of view, with or without the pandemic.

Supposedly intended to ease the crisis that stemmed from the pandemic, the "comprehensive compensation" aid package remains to be in the form of loans. Also, the majority of these are sovereign loans. The funded projects are geared to support governments of debtor countries that are willing to implement "structural reforms and address debt sustainability." This did not deviate from the thrust of ADB's pre-pandemic financing programs, especially the privatization of state-owned

The US$31.7 billion are broken down as follows:
(https://www.adb.org/what-we-do/covid19-coronavirus)



assets and services through the so-called Public-Private Partnership (PPP) to ensure payments of debts. This is the same policy that imperiled the health services in most countries. Its impact is now severely felt by the people in most countries not only in the region but globally as well.

The COVID-19 pandemic has been effectively used by IFIs like the ADB to siphon off the remaining resources in the economically backward countries in the Asia-Pacific. The ADB further squeezes these debtor countries to implement neoliberal policies as part of its loan conditionalities. During the pandemic, the debts of Asian governments have worsened with an increase of around 65% of their gross domestic products in 2020 from 41% in 2009.

(Read: ADB's "resilient and green recovery" inimical to people's development)

In the end, it is the poor sectors of these countries that will carry the burden of these onerous loans. Expectedly, the rights of the peasants, indigenous peoples, and workers to their livelihood and development are sidelined. Worse, these new loans add another layer of burden on the marginalized sectors. Debt servicing has only increased consumer taxes and eroded people's access to government services, which are either privatized or burdened by budget cuts.

Ibon International observed:

"The Bank's current appeals to progressive taxation, from imposing more taxes on the wealthy, to mobilising domestic resources and social protection, if not scrutinised in the context of its historical role in policies that attacked Southern peoples' economic rights, could be a

smokescreen while it treads old paths. Such ADB-driven tax measures at the country level will be pursued via loans with strings attached through policy conditions, the greater influence of the International Monetary Fund (IMF), and tools that promote the private sector as the main economic engine. They serve to introduce new means for the Bank's old ends."

2 The history of the ADB and its problematic idea of poverty and development

Established in 1966 based on the blueprint of the World Bank, the ADB is a multilateral development bank that aims to finance economic growth and development in the Asia-Pacific region. Its primary founders are Japan and the United States. It now counts 68 member countries, including nations outside the Asia-Pacific, the majority of which are called "Developing Member Countries" (DMCs) by ADB. In reality, these are debtor countries.

The ADB is a public sector institution funded by taxpayers from member countries either through debt servicing or direct financing. The ADB supports its DMCs through "finance, knowledge, and partnerships." Simply put, this means conditional loans, greater private sector involvement, and tied technical assistance.

ADB claims that it is distinct from the other IFIs because of its "Asian-ness" and in advancing regional cooperation based on the unique circumstances of the region. However, scholars and other development organizations observed that ADB's orientation is no different from the older IFIs such as the World Bank and International Monetary Fund. The ADB forwards the same neoliberal reforms these IFIs believe as the only path to development. These are the same policies that have weakened the public health system and other social services that they are today.

Indeed, while the ADB heavily uses anti-poverty rhetoric in its messages, its strategies suggest that its primary goal has never been poverty reduction. Its primary goals have always been the integration of local economies into the global market, the diminishing of the role of the State, and the expansion of opportunities for the private sector, even at the expense of the fundamental rights of vulnerable sectors.

K. Ravi Raman and Kearrin Sims in their separate publications both observed that ADB has been employing flawed strategies in alleviating poverty—primarily because of its unsound definition of poverty alleviation and its neoliberal agenda that only widens inequalities. ADB misses out on what poverty truly is and consequently fails to address it. Moreover, the ADB has remained silent on the structural roots of the inequities in its member countries.

The case of the Greater Mekong Subregion (GMS), an economic connectivity program financed by the ADB, is illustrative of this. The GMS program started in 1992 and aimed to facilitate or streamline capital flows and the exchange of services among the countries surrounding the Mekong River: Cambodia, China, Laos, Myanmar, Thailand, and Vietnam. The objective, like all ADB programs, was to "achieve a well-integrated and prosperous Mekong Subregion."

In his paper "The Asian Development Bank and the production of poverty: Neoliberalism, technocratic modernization and land dispossession in the Greater Mekong Subregion," Kearrin Sims of The Institute for Culture and Society at the University of Western Sydney in Australia, said the parameters used by the ADB do not reflect the actual conditions on the ground.

(Read: The Asian Development Bank and the production of poverty: Neoliberalism, technocratic modernization and land dispossession in the Greater Mekong Subregion)

According to Sims, the ADB considers poverty in the GMS to come from "weak economic growth, geographic conditions, and insufficient transportation and communications infrastructures." This framework, Sims said, puts primacy on the market and the private sector to lead the development process. The ADB also holds the crucial role of integrating poor countries with international markets for their economies to advance. But Sims argued, "Once impoverishment is represented in this manner, poverty-alleviating strategies naturally become targeted towards infrastructural investment..."

With this framework, ADB's U$14 billion funds were spent mostly on infrastructures for energy, telecommunication, and transportation claiming it will "promote trade flow and investment opportunities." Despite the huge amount, poverty remained widespread primarily because ADB's development framework is flawed as it glossed over the economic, social, and cultural roots of poverty.

For Sims, the ADB did not only overlook the real causes of poverty in the Mekong subregion but it has also effectively sidelined the grievances of the people who were displaced and who experienced "new forms of impoverishment" when "regional connectivity" was pushed. In effect, ADB has legitimized the displacement and dispossession of people as "pro-poor strategies for development."

3 Opening opportunities for the private players at the risk of the public sector

One of the strong characteristics of the ADB's neoliberal agenda is its framework that the private sector is the catalyst for economic growth. Its post-pandemic recovery financing follows the same path as its previous loan projects—to push for public-private partnerships (PPPs).

In the Philippines, for instance, the ADB declared that part of its recovery assistance is the financing of the "Build, Build, Build" (BBB) infrastructure program, although the BBB, with its lofty goals and contentious progress reports, has been cited many times as justification for the Tax Reform for Acceleration and Inclusion or TRAIN Act. Under TRAIN, the tax on basic commodities increased significantly, burdening the poor majority and especially those who subsist through informal employment.

The BBB project pipeline is also composed of PPP contracts (de Vera, 2019), despite concerns over the detrimental effects of PPPs on public funds and safety. As anticipated, the trickle-down economics, which has often been cited as justification for empowering the private sector as providers of basic services, did not materialize as only the big corporations or businesses have profited from such a set-up.

Citing the experience of Kerala in India, K. Ravi Raman stated in his paper, "Asian Development Bank, policy conditionalities and the social-democratic governance: Kerala Model under pressure?" that the programs of IFIs like the ADB served only "the interests of transnational elites, their local bureaucratic authoritarian classes, broadly, the social structures of accumulation."

PPPs have long been criticized because key services and infrastructure originally provided by the state are passed on to the private sector with more incentives and guarantees to lessen the risks of its investments. As exemplified by numerous cases across the globe, PPPs have dangerously turned basic social services into businesses, with the profit motive taking precedence over public welfare.

4 Continuing neoliberal reforms harming the agriculture sector

The ADB has pioneered agricultural loan projects and programs throughout the Asia Pacific since its establishment. It has encouraged foreign businesses and corporations, particularly agribusiness, to invest in countries such as the Philippines, India, Indonesia, Malaysia, and Thailand.

The incursion and proliferation of agribusiness have resulted in the demise of local agricultural practices and systems in developing countries. Because of the introduction of high-yielding varieties and chemical fertilizers, the quality of agricultural land in these countries deteriorated at a very fast rate.

As early as the 1960s, the ADB funded Indonesia's first technical assistance with U$80,000 under the Rice Production Project to contribute to its Green Revolution Project. This program required farmers to plant specific types of seeds and use chemical-based fertilizers. This resulted in the degradation of the quality of land, abandonment of indigenous and traditional farming practices, and the accumulation of debt passed on to the farmers through high prices of farming supplies. Thus, aside from landlessness, farmers are forced to resort to usury and other lending schemes that bury them deeper into more debts. The essence of agriculture as a means of providing healthy, sustainable, and culturally appropriate food for all is now overtaken by profit-making.

The COVID-19 pandemic has worsened the destitution of the peasant sector in the region. Recently, the ADB has approved a U$400 million policy-based loan to support the Philippine government's Competitive and Inclusive Agriculture Development Program (CIADP) under its controversial Rice Tariffication Law (RTL). The Philippine government claimed that agriculture is one of its top priorities during this pandemic as the law will "ensure food security and lower prices through increased competition". However, as of February 2020, local farmers already lost about U$1.4 billion in income as they struggled with the influx of cheaper imported rice (Simeon, 2020).

The ADB program and so-called development projects, such as land conversion, have contributed to the continued land grabbing in many countries, victimizing peasants and indigenous peoples, and marginalizing these sectors further. The ADB-funded projects continue to destroy the agriculture sector, the foundation to build and develop the member countries' industries.

Although it claims to be in the business of "achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty," the ADB is doing exactly the opposite. It has, in effect, excluded the marginalized, aggravated poverty, and undermined the people's efforts toward genuine development.

5 ADB policies hostile to workers' rights

Over the decades, the ADB has used the excuse of creating "good business climates" for foreign capital to put in place the privatization of social services, liberalization, and deregulation. Because it is part of its loan conditionalities, governments of debtor countries have subsequently "adjusted" their labor laws to fit this framework. As a consequence, the hard-earned economic rights of workers such as the right to unions have been overturned. These have led to the displacement of millions of workers—through depressed wages, mass lay-offs, underemployment, labor contracting, unsafe workplaces, and lack of benefits, among others.

APRN's study showed that before the pandemic, registered workers in nine out of 11 countries in Southeast Asia earn as little as U$ 3 to U$D 5 daily. Workers in Singapore, the city-state with one of the highest standards of living in the world, only earn U$ 34 a day.

During the pandemic, workers' situation in the region worsened. In Laos, for example, Chinese economic zones closed down; Laos Airlines laid off some 1,000 workers. In Cambodia, some 33 factories shut down and more than 5,000 workers lost their jobs. Yangon's Shwepyithar and Hlaing Tharyar industrial zones also closed down leaving 2,000 workers jobless. Meanwhile, two million garment factory workers in Indonesia have lost their jobs as factories reduced operations to only 20 percent capacity.

Read: Wages, poverty, and health in the time of Covid-19: Focus on Southeast Asia

With the Additional loan packages for COVID-19, the worse effects on the workers are expected, belying claims of ADB that through its loans, countries could "build back better."

6 Conclusion and recommendations

International financial institutions like the ADB have long taken advantage of the people and the resources in the economically backward economies in the Asia-Pacific region, primarily through their governments. This has served well the interests of the global elites and big business. Throughout the years, ADB's loan packages are meant to spawn private investment and not to bring about real and sustainable development in the region, and to end inequality.

Joining today's big business mantra of "building back better," ADB pushes through with its Strategy 2030 which is based on a corporate-driven framework of development and "regional integration."

Its calls for "sustainable recovery" and "inclusion" thus, only become a cover-up to the same neoliberal agenda it has promoted through its loans and their attached conditions. Long-term development is far from reality with ADB's neoliberal policies. It has been proven that this framework only results in the multiplication of debts of ADB member countries and in the massive use of public resources to subsidize private capital and profits.

As Ibon International puts it:

"The ADB claims to be for "social inclusion" while being silent on the structural roots of worsening inequalities and unsustainable economies. Left unacknowledged are the roles of the market power of transnational corporations, supported by elite governments, in the dismal situation of socio-economic rights today. Its prioritisation of loans despite the pandemic and recession means more debt burdens for the Asia Pacific, which governments pass on to the shoulders of the people through more taxes."

What the people went through during the pandemic has highlighted, more than ever, the need for genuine development through systemic change. The experience has crystallized the people's vision of development where people are the primary actors, where people's needs are the primary concern over the profits of big business. The struggle for a rights-based and people-centered development framework must be pursued now. And one way of doing it is by rejecting ADB's neoliberal agenda wrapped in its loan packages.

Recommendations

To the ADB:

- Cancel onerous debts and provide COVID relief without requiring debtor countries to implement structural adjustment programs.
- Terminate ADB-supported infrastructure projects that adversely affect the people and the environment.
- Hold corporations and businesses accountable for the damages caused in communities and sectors; and provide compensation to the members of the community.
- Stop big corporate bailouts. Channel funds to provide sufficient aid for the workers and the people most affected by the COVID-19 pandemic.
- Assist, without conditions, public health and social services to countries severely affected by the global health crisis.

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- Prioritize rural development projects that benefit the rural-based sectors.

To governments:

- Provide enabling environment and mechanisms for genuine participation of, and partnership with, Civil Society Organizations and people's organizations.
- Prioritize and support genuine agriculture and rural development programs and strategies initiated by communities to ensure food security and sufficiency for their country.
- Ensure quality and accessible social services to the people, especially healthcare.
- Support the development of basic local industries and small and medium enterprises (SMEs).
- Allocate funds and grants to people's organizations (POs), non-government organizations (NGOs), and local government units (LGUs) that directly work with communities.

To civil society organizations and people's organizations:

- Hold governments accountable for loans and development projects that did not benefit the citizens.
- Expose and oppose ADB and other IFI-initiated projects in communities and sectors. Assert autonomy on land and resources and continue educating and mobilizing people inside and outside the community.

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ASIA PACIFIC RESEARCH NETWORK
Advancing the transformative role of people's research

#275 Horeb House, St. Andrew's Theological Seminary,
E. Rodriguez Sr. Avenue, Barangay Kalusugan,
Quezon City, Philippines, 1112

+63-2-79054912

secretariat@aprnet.org

aprnet.org

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