

Japan ODA: Cause of river erosion, displacement and environmental destruction in Bangladesh?

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Introduction

The Peoples Republic of Bangladesh was established as a sovereign nation in 1971 after a 9-month long liberation war. Along with many international development agencies Japan started to finance development activities in Bangladesh since 1973. From this point of view, Bangladesh has experienced over 30 years of the 50 years of Japanese ODA. However, it could also be said that Bangladesh inherited the relationship of Japan with ODA when it was part of Pakistan. Starting from a very meager amount of US\$15 million in 1972-73, Japanese assistance to Bangladesh rose to US\$ 356 million in 1994-95 and continues to be around this level today. Bangladesh has received a total amount of US\$ 6049.79 million as foreign aid from Japan.

Among the various countries that Japan ODA is supporting Bangladesh stands number one in Grant Aid with US\$ 216.35 million, accounting for 9.98% of the Grant Aid. This Grant Aid is utilized for the development of “critical sectors” of the economy. In the Technical Assistance,

Table 1. Foreign Aid Disbursement by Japan (1971-2001) in US\$

TYPE of AID	GRANT	LOAN	TOTAL
Food Aid	245.265	163.210	408.475
Commodity Aid	1964.874	1377.468	3342.342
Project Aid	668.142	1630.832	2298.974
Grand Total	2878.281	3171.51	6049.791

Bangladesh stands 15th, with US\$ 22.83 million accounting for 0.82% of the total Technical Assistance. Here China, receiving finance from Japan for Technical Assistance is number one. Bangladesh is ninth among the ten major recipients of Japan's Bilateral ODA during 1996 to 2001.

Japan's ODA policy to Bangladesh is not unique. Japan has no particular interest in Bangladesh and there is no evidence that as an Asian country it has interest in striking on commonalities of cultural histories and connections. Bangladesh, despite its geographical location in the visual map of South Asia, it is not India. The eastern location of the country in the South Asian geography, bordering Myanmar and long and historical relation with the people of South East, Bangladesh could be very interesting for Japan in terms of development approach with cultural insights. It is well known that the cultural archaeology of Bangladesh has very strong root in both Jainism and more so the life and teachings of Buddha. A cultural world that could not be effaced either Islam or modernization. It is evident in the local or folk cultures of

Bangladesh. Could Japan and Bangladesh exercise a mutually beneficial relation both at cultural and political levels is yet to be explored, but it is hindered mainly by the lack of vision in Japan's ODA policy that cannot go beyond the narrow economic interest in the market of a peripheral economy where effective demand for Japan's commodities and consultancies could only be generated through development financing.

Japan ODA did no better than say USAID, DFID or European Commission, etc.

The stereotype policy perception is based on few very negative indicators: high rate of population, low literacy, poor infrastructure, inequalities in income, and bad governance of the countries; although this is not the entire picture of Bangladesh. This perception is created by multilateral and bilateral donor agencies like the World Bank, Asian Development Bank, USAID, European Union, etc. Japan's perception Bangladesh is only a repetition of the conventional understanding of the donor agencies.

Accordingly, in the 1990s, Japan began to give new priorities to Bangladesh. From 1992, Japan became the largest donor for

Table 2. Top Ten Donors of Bangladesh (99-00) in US\$ million

IDA	385
Japan	354
Asian Development Bank Special Funds	267
United States	110
United Kingdom	104
European Commission	66
Germany	42
Denmark	38
Netherlands	34
Canada	34

Source: OECD DAC Statistics (2000)

Table 3. The facilities constructed in Bangladesh with Japanese ODA loans are:

- 1 Kaptai Hydro Power Station Unit No. 4 and 5,
- 2 Fenchuganj Power Station,
- 3 Power Plant Barges and Transmission Lines,
- 4 Greater Dhaka Telecommunication Exchanges,
- 5 Chittagong Urea Fertilizer Factory,
- 6 Goalpara-Barisal Transmission Line,
- 7 Dhaka-Chittagong Coaxial Cable,
- 8 Development Loan through Banking System,
- 9 Electric Power and Gas Generating Barge,
- 10 Shipping Reinforcement,
- 11 Bheramara-Barisal Transmission Line,
- 12 Karnaphuli Rayon Plant,
- 13 Bakhrabad Natural Gas,
- 14 Kaptai Hydro Electric Power and Gas Plant (E/S),
- 15 Chittagong Urea Plant, Chittagong Urea Plant (II),
- 16 Kaptai Hydro Electric Power and Gas Plant (I),
- 17 Kaptai Hydro electric Power and Gas Plant (II)
- 18 Barge Mounted Electric Power and Gas Plant,
- 19 Gas Turbine Electric Power and Gas Plant,
- 20 Telecommunication Network, Greater Dhaka Telecommunication,
- 21 Chittagong Steel Mill, Chittagong Urea Plant (III),
- 22 Sylhet Combined Cycle Electric Power and Gas Plant.

Bangladesh and is continuing to keep that position till today. The landmark of Japan ODA is symbolized by Jamuna Multipurpose Bridge, massive assistance in power and telecommunication, and establishment of fertilizer factories in addition to host of other social sector development contribution. As a single sector, Japanese aid has been concentrated mainly in infrastructure. Hi-Fi bridge means Japanese aid supported bridge.

Debt Relief:

On the occasion of thirty years of ODA, on 21 March 2004 Japan government has declared to waive its loan to Bangladesh worth about 158-billion yen (TK 8,395 crore) and both sides exchanged notes in this regard. This debt relief was meant to use it for poverty reduction purposes and social sector development.

“Thirty years have passed since Japan extended its first Yen loan to Bangladesh and it is a great honor for me to add one more page to the history by signing the document on behalf of the government of Japan. By grant aid for debt relief in the past, we could say that Sonargaon Hotel became a gift from the People of Japan to Bangladesh.. In addition, today’s agreement on the debt relief measure, such facilities constructed with Japanese ODA loans as BPDB’s Kaptai Hydro-Power Station units (Nos. 4 and 5), Fenchuganj Power Station,

Power Plant Barges and Transmission Lines, BTTB’s Greater Dhaka Telecommunication Exchanges, BCIC’s Chittagong Urea Fertiliser Factory, and Petrobangla’s Bakhrabad Gas Field will eventually become gifts from Japan.”
Ambassador of Japan to Bangladesh Mastsushiro Horiguchi said.

Ambassador of Japan to Bangladesh Mastsushiro Horiguchi and Economic Relations Division Secretary Mirza Tasadduq Hossain Beg signed the notes on behalf of their respective governments. Through the agreement, the Bangladesh government has been exempted from the repayment of principals and interests for the loan agreements signed with Japan Bank for International Cooperation (JBIC) before 1988. The cancellation of the payment will be made by JBIC every fiscal year as the principals and interests fall due.

Trade, Infrastructure Development and Effective Demand

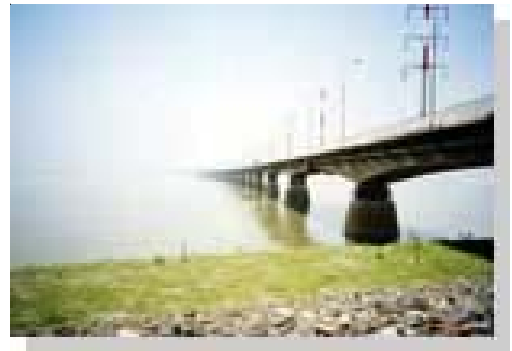
The role of Japan’s ODA in creating effective demand for the Japanese commodities could be best illustrated by the trade balance between the two countries. While the trade relations between Japan and Bangladesh continued unabated since the early 1970s, there has not been any significant improvement in volume and terms of trade between the two countries in the past three decades. The total volume of trade peaked US\$ 600 million. In other words, Bangladesh continued to have large negative imbalance

of trade, imports constituting many-fold times than the exports, and there has not also been significant increase in volume in real terms. Infrastructure building, particularly roads and bridges, are very important “help” from Japan. These are seen as symbols of prosperity and development, but for the rich and the elite. These contributions are called “revolutionary” and at times “monumental”. Japan government motivated multilateral donors to fund the major project of Jamuna Bridge. In 1990 World Bank and other donors were expressing doubts on the viability of the project and there were resistance in the country against the bridges for its negative environmental and social impacts.

Jamuna Bridge: An Example

The Jamuna Multi Purpose Bridge was opened in 1996, an example that begs reviewing of the claim of ODA as ‘monumental’ contribution. It is obvious that such claims are not pro-people, and has been transforming the biodiversity rich flood plain agro-economy into industrial zones integrating an unsustainable urbanization that is the major cause of social unrest, violence and serious problems of governance. The rural population, particularly the poor are paying very high price for this development intervention that uses the magnanimity of the project to repress the irreversible negative consequences of such major intervention on a river that is the lifeline of the Bengal

delta. More than 105,000 people were directly or indirectly affected by land acquisition. People did not have the choice of “not giving their land” when the Jamuna bridge and the approach roads were built. After the bridge was built the continuous river erosion due to heavy structure on the river has been a yearly phenomenon. Even the Asian Development Bank, one of the financiers of the Jamuna Bridge, reported as saying:



Jamuna Bridge, the icon of Japan ODA, is built with a yen loan. While the ‘development’ industry flags this bridge as an icon of their success, the environmental and ecological cost of such intervention on the major river of a deltaic plain is highly questionable. The dislocation of the communities and misery that has been brought to the life of the poor villagers has never been assessed; their stories are suppressed by the roar of imported Japanese cars and vehicles. Interest of Japan in infrastructure building in Bangladesh is directly related to its interest in car, telecommunication and other competitive industries

“The directly affected households lost their agricultural land, homestead structure, and/or properties, while indirectly affected households, such as farm/non-farm workers, tenant cultivators, squatters and uthulis and destitute people who lost their land and homes to flood and erosion disasters, lost their sources of income. Income restoration activities in the Project have not performed well as yet. Two thirds of those interviewed are worse off than before the project.”

This year during flood in July-August period the villages in the Jamuna bridge areas such as Bhuapur in Tangail were badly affected. Besides the flood water, people experienced severe land erosion and sand siltation on the cultivable lands. This is a disaster for the thousands of farmers and the cause of devastating economic loss to the communities.

People in Bhuapur are severely affected by river erosion and sand flowing over the cultivated lands. Farmers reported that the adjacent river banks of Jamuna near the Jamuna Multi-purpose Bridge. They were already warned of environmental destruction, therefore, were given a “blue card” to each family for rehabilitation. They never received anything except the card itself. People have saved the card in the hope of receiving some help. There was no sign of any authority of the Jamuna Multi-purpose Bridge to deal with the displaced people. There are thousands of people on

the two sides of road in Bhuapur living in conditions like slum areas. They do not know where they will go next.

Jamuna is 14km crossing of one of the world’s great rivers and the bridge is 4.8km long. There is 15km of approach roads at each end of bridge. Bridge carries four-lane roadway, 230kV electrical power transmission line, 750mm diameter gas pipeline, as well as meter and broad-gauge rail track.

Built at a cost of about \$950 million, the Jamuna Bridge is one of the most expensive infrastructure facilities in the Third World. This project was opposed by many groups on the grounds of potential impact on environment and for displacement of people. The potential loss of agricultural land, thereby livelihood and displacement of people were anticipated in the early assessments of the bridge. The new railway line on the bridge is causing blockage of flood waters in certain areas. Water and soil are also polluted from materials used during construction.

And now at the time of the floods, people faced severe erosion of their land. The villages are disappearing; the cultivated lands are having piles of sand. The remaining villages are also under threat of erosion.

People do not know what to do with the “blue cards”. Will they ever get any compensation?

Now Padma Bridge?

Takashi Sakamoto, who represented Japan International Cooperation Agency was asked in a Press briefing in June this year about any JICA role to help mobilize funds for the proposed 6.1 km Padma Bridge. Sakamoto said "I am optimistic about Japanese support in this regard." However, he said Japan alone can not provide the full fund for the construction of the biggest infrastructure. The World Bank, Asian Development Bank (ADB) and Japan Bank for International Cooperation (JBIC) are expected to be major partners for the construction of the bridge, which is expected to cost an amount of over Taka 7,000 crore. "Padma Bridge project should not be failed and it should be constructed at any cost," he said. (June 17, 2004, BSS). This means, after Jamuna more bridges are being built with Japanese support. Padma, Jamuna and Meghna are the major rivers of Bangladesh and the bridges over them will perhaps increase car imports but will have potentially destructive impacts on the poor people in terms of displacement, loss of land and livelihood. Who is going to measure the economic value of such hardships?

Japan means cars and motor cycles

There is a general perception in the minds of people that all cars come from Japan, although there are other car and vehicle exporting countries including US, Germany, India etc. In Bangladesh, population growth has been seen as a major factor, but no

one looks at the growth of use of cars, which has increased tremendously over the last thirty years. The annual growth rate of population is 1.8% while annual growth of cars is 8%. According to a study conducted by International Trade Centre, "there is a steady growth in the use of various types of vehicles in Bangladesh. Reasons are increased polarization of wealth in few hands, high degree of mobility of people for different purposes, improve, bridge and culverts, roads and highways, etc. Increased trade, commerce and export have also created additional demand for various types of automobile. Demand of construction vehicles and auto equipment used in construction works also increased to a great extent due to the increased number of on-going construction works both in private and public sector. On top of that, the life style of the Bangladeshi people particularly the middle class and elite in the urban areas have been changing very fast and improving, which has resulted in greater movements and greater use of vehicles in the country."

Similar story is there with imported motorcycle. There are at least 7-8 different regular brands of motorcycle and these are: Honda CD 80, Yamaha, Suzuki from Japan, Xinfu, Jangshen, Jailing, Hero, TVS Victor, Yamaha, Suzuki, Bajaj, Vespa, etc. Motorcycle is extensively used in Bangladesh in both rural and urban areas.

Increased demand, economic development and changed life style have resulted in a great increase in the number of motor cars

and the demand for motor cars is still increasing day by day. Both brand new and reconditioned cars are imported into the country. Statistics show that majority of the people usually prefer reconditioned motor cars more than brand new cars due to lower price.

In Bangladesh, more than 65% of the total motor cars are coming from Japan. Many Bangladeshis living in Japan involve themselves in reconditioned car business. Recently, the government has put an age restriction on the import of reconditioned motor cars. Reconditioned cars more than 3 years old cannot be imported.

Products category	Brand names
Heavy Bus	Hino, Mitsubishi, Isuzu, Volvo, Tata, Ashok Leyland, etc.
Mini bus	Hino, Mitsubishi, Isuzu, Toyota, Sawraz Mazda, Tata, Eicher, etc.
Microbus	Nissan, Mitsubishi, Toyota, etc.
Heavy truck	Hino, Tata, Bed Ford, Isuzu, Ashok Leyland
Mini Truck	Hino, Tata, Mitsubishi, Isuzu, Toyota, Eicher, Sawraz Mazda, etc.
Motor Car	Toyota, Mercedes Benz, Nissan, Mitsubishi, Ford, Suzuki, Dewoo, Proton Saga, Proton Vira, Hyundai, BMW, Maruti etc.
Four wheels	Toyota, Tata, Mitsubishi, Nissan, etc.
Auto tempo	Bajaj, Krishan
Scooter	Bajaj, Krishan
Motor-cycle	Honda, Xingfu, Jialing, Jangshen, Yamaha, Suzuki, Hero, TVS Victor, Bajaj, Vespa, etc.
Light & heavy commercial vehicles	Nissan, Dewoo, Huyandi, Volvo, Ashok Leyland, Tata, Hino, Mitsubishi, etc.
Farm and agricultural vehicles	Hyundi, Dewoo, Dongfang, Dongchang, etc.

The government has also reduced the duties and taxes on the import of new cars to discourage reconditioned car import.

Micro-credit: Japan's credit or women's?



Women using a cellular phone provided by Grameen Bank (by Mr. Salahuddin Azizee)

Micro-credit programmes, i.e. lending of small loans with high interest rates and weekly repayment systems has become another icon of success of Japan's development support. Bangladesh is known for flood at the international level, and now, the micro-credit has made Bangladesh very famous all over the world. More than 1200 NGOs are engaged in disbursing micro-credit to over 11 million borrowers, 85% of these borrowers are women. Grameen Bank made the initial model, which has been replicated and remodeled by other big NGOs such as BRAC, Proshika, ASA and hundreds of other NGOs. In the development field, working with women means giving them micro-credit. Other forms of social development are disappearing. The high repayment rate and the focus on women is a "success" in

papers of the micro-credit giving organizations but in real lives of women this has become an additional cause of violence against women.

Economically, micro-credit has also proved to have failed in reaching the poorest population. The bottom 15% of the population are out of micro-credit, also the sick, disabled and the destitute are not "good candidates" of micro-credit programmes. So what kind of poverty alleviation does micro-credit programme can claim?

Japan is showing mobile phone in a poor woman's hand as a sign of development, is this really so? Grameen phone is a nationwide network connecting the entire country through telecommunication and they have created phone-ladies and taking cellular phones to others' door steps to provide services to them. According to Grameen statistics there are 70 thousand Grameen Cellular phone ladies in the rural Bangladesh. The bank's latest idea is to arm beggars with mobile phones so they can sell services to others. Each mobile cost \$225 repayable during two years in interest free installments plus the paying for subsidized monthly service. This is very interesting way of selling corporate products through the poor. In reality hardly any phone ladies are running their own telephone business. In the rural areas, there are mobile phone shops which are run by young men, the sons, brothers and husbands of the phone ladies.

Japan has other social support programmes, but when cellular phone becomes the icon of development then the question raises whether Japan is helping the company or the women?

Conclusions

For Bangladeshis, to see Japan playing a positive role in South Asia is still a general expectation. If Japan is interested only in its commercial interest, disregarding the peoples' priorities, it will be very unfortunate given the increasing economic, social and cultural antagonism and contradiction of the occident with the orient. The social organizations of Japan and Bangladesh must join hands and collaborate to achieve the following:

1. A greater understanding through frequent exchange and education tour at people to people and community to community level to highlight the commonality of culture, positive religious and spiritual synergies in order to identify the unique features of Asia and the reciprocal role of the peoples of two countries. The development paradigm and the policy must be informed by these understanding so that people of the two countries could understand each other better. The migrant community in Bangladesh could play a bridge and socially conscious and responsible youth of Japan could play a very effective role.
2. Media projection and propaganda against Bangladesh by certain quarters and often picked up by Japan's ODA policy thinking should be interrogated. Bangladesh is rich

in popular grass-root culture, natural resources, biodiversity and an excellent example where various religions, cultures, ethics and values have mingled to create conditions for new ideas for Asia and the whole world. The struggle of Bangladeshi people against communalism of various expressions and the inappropriate political expressions against the injustice done against Palestine, Afghanistan and Iraq should be understood in a real life context and opportunity should be created to reflow the energies for constructive engagement. Majority of the people are Muslim, but retaining.

3. Japan has an economic stake in Bangladesh and that could be best served by mutual respect and a trade relation that contributes to enhancing the capacity of the country to participate in the global exchange of her products.
4. The people affected by infrastructure development must be compensated. Japan must intervene with ADB and World Bank to give compensation to the victims of Jamuna Bridge. Only few people got compensation as token, majority people are holding the cards with only hopes that does not seem to be fulfilled. This is unethical and must be corrected as a gesture to people after 50 years of ODA. Debt relief depicted Sonargaon hotel as a gift is not going to help the people, it is only a luxury for the rich.
5. Using ODA as a means to create effective demand for Japanese cars and

other commodities must be reviewed. Although such policies are financial delights to the rich and elite of Bangladesh it is seen as a bad policy in line with other western donors. The people of Japan and Bangladesh must find a good and constructive platform and principle of collaboration to review the effect of Japan ODA on the livelihood, environment,

biodiversity and the overall effect on the economy of Bangladesh.

We are very eager and will be very happy to work with any social organization of Japan to develop a platform/network where we could constructively engage policy makers of two countries to come close with their people in order to facilitate review of development paradigm and policy.

APPENDIX	
Bangabandhu Bridge Facts and Figures	
Contractors	
Main Bridge Construction	Hyundai Engineering and Construction, Republic of Korea
Approach Roads Construction	Samwhan Corporation, Republic of Korea
River Training Works	HAM - Van Oord ACZ Joint Venture, Netherlands
Rehabilitation of East Flood Embankment	AML-Monico, Bangladesh
Consultants	
Construction Supervision	Rendel Palmer and Tritton (UK), NEDECO (Netherlands), Bangladesh Consultants Limited
Management Consultants	Halcrow, Price Waterhouse (UK),
Engineering Planning	Consultants\ (Bangladesh), Rahman, Rahman and Huq (Bangladesh)

Financiers	
The Government of Bangladesh - Development Budget US\$ 350 million	
The International Development Association (IDA) (World Bank) US\$ 200 million	
The Asian Development Bank (ADB) US\$ 200 million	
The Organisation for Economic Cooperation and Development (OECD) (Japan) US\$ 200 million	
Bridge Statistics	
Length of Main Bridge	4.8 Kilometers
Width of Bridge	18.5 meters
Number of Spans	49
Number of Piers	50
Number of Segments	1,263
River Training Statistics	
Length of East Guide Bund	3.07 Kilometers
Length of West Guide Bund	3.26 Kilometers
Volume of Sand Dredged	22.55 million cubic meters
Weight of Rocks Laid	1.5 million tons
Approach Road Statistics	
Length of East Approach Road	14.76 Kilometers
Length of West Approach Road	16.94 Kilometers
Bridges on East Approach Road	8
Bridges on West Approach Road	6

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Sharing Experiences about ODA Japan from a Human Rights Perspective

NGO Forum on Cambodia

This paper gives a brief background to Cambodia and its current reliance on international aid. It then introduces the NGO Forum on Cambodia and one of its activities, the Resettlement Action Network. Finally, it gives a case study on the use of Japanese aid for the rehabilitation of National Route No.1, describes the concerns of the

Resettlement Action Network regarding the rights of project-affected-people living along that road, and draws from the case study some recommendations for Japanese aid.

I- History: Land of Cambodia

1- The Geography of Cambodia

Capital : Phnom Penh
Population : 11.5 million
Area : 181,035 sq km
Currency : Riel
Per Capita : 270
Form : Constitutional Monarchy
Official Languages : Khmer



A low-lying alluvial plain in the center of Cambodia makes up most of the country, although in the South there is the Mekong Delta. There are several mountainous regions, one of which forms a border along the coastline with another separating Cambodia from Thailand.

The tenth largest river in the world, the Mekong River, is the longest river in Southeast Asia and the most important river in Cambodia. One of its important uses is that it is navigable for most of its "run" through the country, as well as the Mekong delta in the South.

Cambodia is also home to the largest lake in Southeast Asia, the Tonle Sap (Great Lake), which connects with the Mekong River in Phnom Penh. The Tonle Sap enlarges to four times its normal size when the Mekong rises during the monsoon season thus causing the Tonle Sap River to flow northward into the Lake.

During the dry season it reverses its flow and goes back into the Mekong River. As a result of this, The Tonle Sap Lake is a great resource for freshwater fish, actually being one of the richest sources in the world.

2- People of Cambodia

Most of the people who live in Cambodia are ethnic Khmer, averaging between 90-95% of the total population, making Cambodia the most homogenous country in South-East Asia.

Vietnamese make up one of the largest minority groups with about five percent of the population and Chinese make up another one percent. The Cham, of Islamic faith, are another significant minority group. Beside these, indigenous people groups are living in the highlands of northeast of Cambodia and elsewhere. With one of the highest population growth rates in Asia (2.5% per year), Cambodia had a population of a little over 11 million in 1998.

3- Cambodian people and Land

Cambodia is a predominantly agricultural country. About 80% of the population live in rural areas. The majority of Cambodia's population (about 74%) is employed in agriculture and derive their livelihoods from a combination of agricultural activities and access to common property resources such as forests and fisheries. This makes tenure over agricultural land, and access to forest and fisheries areas of critical importance.

There is an increasing inequality in the distribution of land holdings in Cambodia, with an estimated 20% of the poorest families having no land and around 20% of the richest families holding 60% of available land. The majority of landholdings are small. Only 10% of the families hold more than 3 has. of land and it is considered that rural families should own at least 3 has. of land to derive sufficient income to meet their livelihood needs. It was also found that

families holding up to 0.5 ha. of land can paradoxically make people poorer than landless people because they are tied to their land and commonly do not go to earn income from other sources.

Post-colonial Cambodia (1953-1975) utilized the Western system of property ownership, but the land privatization and commercialization was limited. And during Democratic Kampuchea period (1975-1979), the Khmer Rouge collectivized all land of Cambodia.

In 1989, the government liberalized the economic system in favor of a free-market economy. As part of these economic reforms, the government reformed the existing land management system by reintroducing private property rights. Ownership, possession rights, and concession rights were given to people. And local government reallocated land to private households. Under the 1992 land law, those who have been in legally valid possession of land for 5 years could be registered as the owner of the land. But this doesn't mean that all Cambodians owned land.

In August 2001, the new land law was enacted. Under this land law, land in Cambodia is divided into 3 categories. 1) State public property 2) State private property 3) Private land.

A major difference between the old (1992) and new land laws (2001) is the removal of temporary possession as a means of

acquiring land. The new land law says that there will be no recognition of the temporary possession claims commenced after the law comes into effect. This means that under the new law one will not be able to acquire land by identifying a piece of land that is not possessed by anyone and taking possession of it for oneself.

Another significant change is that the 2001 land law removed the limitation of 5 has. as the maximum size of private land ownership right. There is no more limitation on land size for ownership right. This change has allowed the concentration of land to some land owners.

Another difference between the old and the new land law is the creation of Social Concessions. This social land concession allows poor landless people to obtain lands that belong to the state. The social land concessions are granted for free although other concessions are not. In addition, if a social land concession recipient remains on the land for a period of five years, they can convert the concession rights to ownership.

4- Poverty and International Aid in Cambodia

However, even though we receive a huge assistance, both grants and loans, from international aid agencies and multilateral banks, Cambodia is one of the world's poorest countries. Its GDP per Capita is still only \$ 270, lower than that of most other ASEAN Countries. In 1994, the

number of people living under the poverty line was 39%; in 1997 it was reduced to 36%; and in 1999 was 35.9%. For the last 5 years, the poverty figures have not been updated. Now, the number of people living under the poverty line is almost 5 million, which is much too high considering the huge amount of aid which Cambodia receives. Japan is the biggest donor giving grant-assistance to Cambodia.

The ADB is aggressively promoting the privatization of natural resources through its market-based programs for “poverty reduction”, resource extraction and infrastructure development. Much Japanese assistance focuses on infrastructures: e.g. bridges, national roads, irrigation, health centers and others. On a global scale, the World Bank has promoted a series of initiatives under the banner of “market-assisted” or “negotiated” land reform, that consist of supporting alienable land titles. Rather than improving access by the poor to land in any significant manner, these initiatives are actually worsening the situation in many places, as families and communities already marginalized from economic potential are forced to rely on markets that they have no control over for even the most basic subsistence.

Unlike its neighbors Thailand and Vietnam, Cambodia still has no formal support

systems for the poor: no national resettlement law, no housing board, no ministry of housing, no legislative mechanisms for regularizing informal settlements, no government programs to provide basic services or to support people’s efforts to improve conditions in their settlements. There is no housing finance to any sector – poor or middle class. And the municipality, which has been overburdened with challenges such as flood control, crime and economic development, has been unable to respond to the needs of the city’s growing poor population. On the other hand, because the country has for so long been considered



Stung Slot new relocation community caused by Highway1 Development Project of ADB

one of the world’s development basket cases, it has been bombarded with international agencies and development aid, which intervenes in virtually every conceivable sector of the country’s development and governance. All this expertise and all this aid money has

certainly done a lot of good things for Cambodia, but it has also left the whole country – the urban poor included – in the begging mode, waiting for hand-outs instead of finding space for their own organizations and their own solutions to evolve.

II- About The NGO Forum on Cambodia:



The NGO Forum, made up of local and international non-governmental organizations, exists for information sharing, debate and advocacy on priority issues affecting Cambodia's development.

Background

The NGO Forum on Cambodia had its beginnings in the 1980s in an international NGO campaign to advocate an end to the aid embargo then imposed on Cambodia. Since then, the NGO Forum has continued to evolve in response to changing external conditions.

Following the full restoration of development aid in 1993, the NGO Forum became more Cambodian based. It began to work on a broader range of issues, such as an international ban on land mines, creation of a permanent tribunal for crimes against humanity, and concerns about the impacts of development aid. It appointed a representative in 1995. Although based in

Phnom Penh and focusing increasingly on domestic advocacy issues, the NGO Forum was still dominated by expatriates. An International Steering Committee was retained until 1996, after which the local Management Committee became the chief decision making body.

From 1997 to 2001, the NGO Forum became much more Cambodian in character, with meetings held predominately in Khmer and with Cambodians playing the dominant role in NGO Forum activities. This reflected the growing level of responsibility taken by Cambodians in both local and international NGOs. A five-year Strategic Plan, adopted in 1999, reflected these changes. The NGO Forum also expanded its staff in order to meet more effectively the expectations of member organisations. It began to improve cooperation with NGOs based in the provinces, and to help NGOs build advocacy-linkages from the grassroots to the national level. Issues dealt with over this time period included the landmines campaign, the environment, the impact of development banks, women's rights, the growth of civil society and democracy, the strengthening of advocacy skills, and the need for policy makers to have easy access to information about Cambodia.

The Action Plan for 2002-2003 focused on strengthening NGO Forum's work on a limited number of priority issues. These priorities were chosen for their importance to Cambodia's development and for the unique role that the NGO Forum is able to

play on these issues. One of the projects, the Fisheries Livelihoods Project, underwent a process of separation from NGO Forum to become a separate NGO entitled the Fisheries Action Coalition Team. In mid-2003, the NGO Forum began discussions on its plan for 2004-2005.

The NGO Forum has maintained an excellent reputation with the local and international media and representatives of bilateral and multilateral organizations. It is well respected among its international network of supporters. As one of the two longest standing NGO umbrella groups, it has a presence with Cambodian government officials and its work has been well received in the international Consultative Group process.

Mission

The NGO Forum is made up of local and international non-governmental organizations grounded in their experience

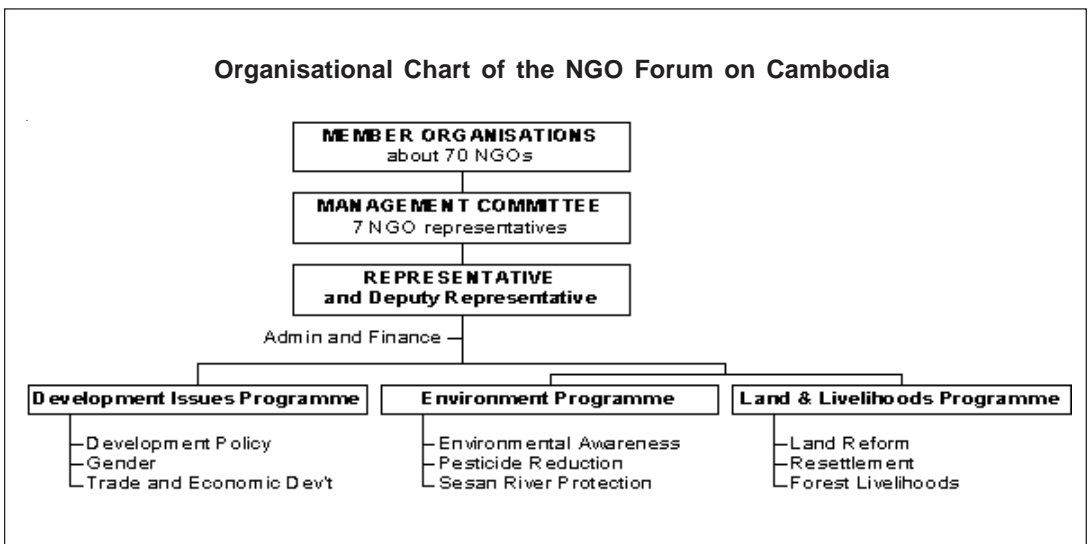
of humanitarian and development assistance to Cambodia. The NGO Forum exists for information sharing, debate and advocacy on priority issues affecting Cambodia's development. The NGO Forum has an important role to highlight the impact of development processes and economic, social and political changes on Cambodians.

Vision

Cambodia will have a well-informed and empowered population participating in a strong and vibrant civil society, to the benefit of poor and vulnerable people in Cambodia.

Goal

For the Action Plan 2004-2005, the NGO Forum is focused around a single goal: The rights of poor and vulnerable groups in Cambodia are recognized and supported by the policies and practices of Cambodia's



government and donors, and by the wider community.

III- Background of Resettlement Project of NGO Forum:

Background

The NGO Forum has been raising resettlement issues in its dialogue with multilateral development banks since at least the year 2000. In 2002, a group of NGOs requested that the NGO Forum step up its work in this area by forming an NGO working group to focus specifically on resettlement issues. The Resettlement Action Network (RAN) was formed, with a committee of eight NGOs (RAN/C) leading the activities. The group has so far had some considerable success in training NGOs in how to support resettled communities and in seeking justice for resettled people.

Problem Statement

Cambodia is undergoing rapid development. New or upgraded roads and urban developments can end up forcing people to relocate or lose their sources of livelihood. Road improvement projects are being used to enforce right-of-way legislation, and the land rights of project-affected-people are often unclear. The government's national resettlement policy is not yet in place. Donors and multilateral development banks have their own resettlement standards, but these are unlikely to be enforced unless there is effective monitoring and project-

affected-people are given a chance to speak out about their situation.

Currently, there are many serious land conflicts between land owners, both government land and private land (individual and company land), and poor people; many of whom have been living in their present location since 1979 (i.e. since the fall of the Khmer Rouge). People are now fighting to protect their land.

There are many cases of land being acquired for

- Road expansion for example the national road improvements in the countryside
- River bank development
- Long term land concessions
- Public garden development
- Market construction, and bus terminals
- Railway track expansion
- Hydro-electric dam construction
- International airport construction
- Entertainment complex construction
- Angkor-period archeological conservation
- Real estate investment

Purpose

NGOs cooperate to protect the rights of people affected by resettlement and relocation so that they are fairly compensated and are not worse off than before.

Contributing factors include the following:

- 1- Network participants have increased capacity in lobbying and advocacy skills on resettlement and relocation issues. The Resettlement Action Network (RAN) members intend to explore a variety of methods to improve their knowledge and skills on resettlement and enable them to advocate more effectively.
- 2- The Resettlement Action Network Committee (RANC) members frequently visit relocation areas, meeting with affected people and listening to their problems. Besides that, the RANC organizes trips for government, ADB and other officials to visit the sites of unresolved problems. Through these activities, the affected people will gain better confidence and have a chance to speak out about their problems caused by relocation.
- 3- Resettlement and relocation issues are brought to the attention of multilateral banks/donors, governments, and other related stakeholders.
- 4- Gender is considered and represented in the project.

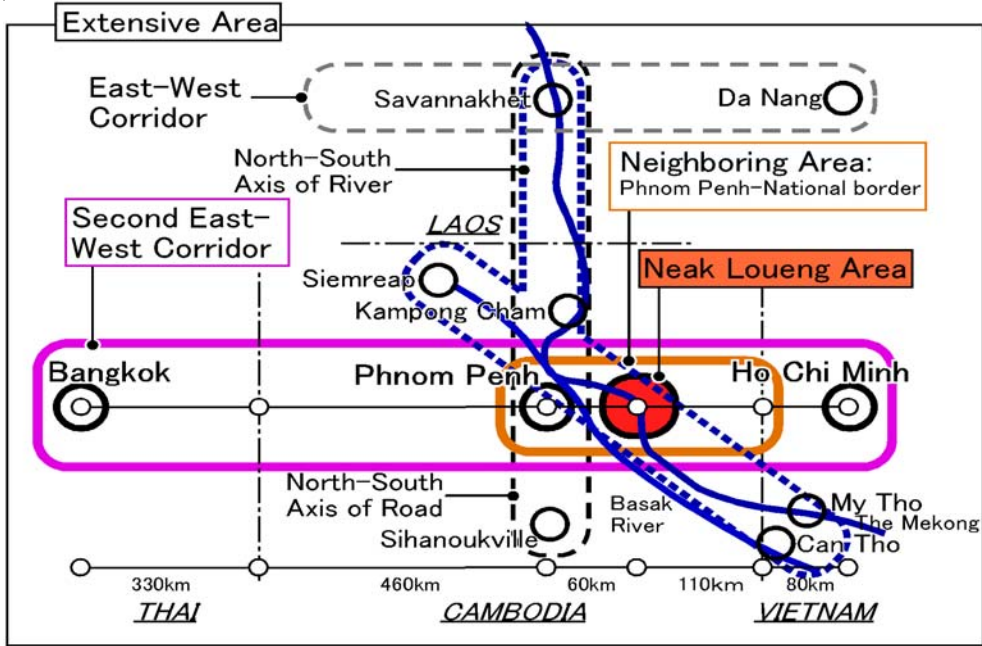
Japanese Aid to Cambodia

The Case of National Route 1 Rehabilitation Plan in Cambodia

This case study focuses on the experiences of Cambodian NGOs working to protect the rights of people suffering from road development projects, in particular National Route One (NR1) Rehabilitation Project. A section of this road is to be rehabilitated with funding from the Japan International Cooperation Agency. It will describe the concerns of civil society about the NR1 project, as well as their experiences of advocacy towards the government of Cambodia and JICA. The paper will also touch on some general issues regarding Japanese aid to Cambodia.

Under the framework of the Greater Mekong Subregion (GMS), which aims to increase connectability among the Mekong Basin countries, various road rehabilitation projects are being promoted and financed by aid agencies in Cambodia. NR1 forms a part of the Second East-West economic corridor plan, which will connect the major cities in 3 countries, Ho Chi Minh City in Vietnam, Phnom Penh, the capital of Cambodia, and Bangkok, the capital of Thailand. NR1 is a 166km road between Phnom Penh and Ho Chi Minh City. The section between the east side of the Mekong River up to Ho Chi Minh City has already been rehabilitated with the financial support of the Asian Development Bank (ADB). Rehabilitation of the section

National Route 1 (NR1) Rehabilitation Project



GMS Road Plans

from Phnom Penh to the west side of the Mekong River is proposed to be financed with the grant aid of the Japanese government. Currently, the Japan International Cooperation Agency (JICA) is conducting studies.

Precedent: Resettlement and Impoverishment of Communities in the ADB-Funded Section

NGOs in Cambodia, namely the Resettlement Action Network (RAN) consisting of around 20 NGOs working on housing rights and resettlement issues, have been working together with

communities who have suffered and experienced great pain from the rehabilitation project of NR1 funded by ADB. This ADB-funded NR1 rehabilitation resulted in relocation of approximately 1200 households (approximately 6000 people) who were living within 30 meters from the centerline of the road (within a band 60 meters from side-to-side) even though the actual width of the new road is only around 14 meters. The loan from ADB was approved in December 1998, and resettlement of the communities began in February 2000. These communities became severely impoverished, as they did

not receive sufficient or full compensation from the Cambodian government. People not only lost their assets and places to live, but also community networks, proximity to schools, graves of their ancestors, and their livelihoods, etc. Many also became deeply indebted from the resettlement. Some communities are still refusing to relocate fearing the grave and irreversible consequences to their lives.

Based on an NGO survey of 99 affected households in 2002, it was recognized that various losses resulting from the project, including loss of livelihoods, houses, moving costs, were hardly compensated. The scope of compensation was very limited, and the payment was not appropriate. The Cambodian government officials reportedly told the affected communities that the small amount of cash that the government was delivering to the communities shall not be considered "compensation", but simply a "contribution" to the relocation cost. What was critically damaging to these affected communities was that the Prime Minister's Edict issued in 1999 titled "Elimination of Anarchical Land Grabbing" declared that the land within 30 meters from the centerline of the road is public land or the "Right of Way (ROW)". In 2000, the Ministry of Economics and Finance (MEF) declared that the government can evict people who live within this ROW without any compensation. Communities who were living in this area thus became "illegal occupants" overnight, and no compensation

for the loss of land was provided to these communities.

Calling people within the ROW "illegal occupants" who do not deserve compensation, however, could be said as simplistic and immoral as well as legally questionable. Firstly, the 1999 Edict and 2000 MEF Declaration were issued after the loan for the road construction was approved and the necessity of land acquisition became evident. It should be noted that the communities along NR1 before issuing of the 1999 Edict did not have a legal problem with their occupancy. Most of the communities have lived on the land long before the Edict and some even had receipts from application of land ownership. Full legal title is uncommon in Cambodia, as systematic titling efforts have just recently started. In other words, communities were suddenly told that their land use is "illegal" at the time of construction and evicted. During Khmer Rouge period, from 1975 to 1979, private property was abolished and all land was considered public. According to a recent NGO survey of 250 people living along NR1 between Phnom Penh and the Mekong River, many of the people living along NR1 settled there after the fall of the Khmer Rouge, during the period of the Vietnamese-backed government. The same survey suggests a steady increase of residents between 1979 and 1989. Those who moved prior to 1989 should have ownership of the land, as the Council of Ministers declared in 1989, that occupants

as of 7 January 1989 are the owners of land and ownership prior to 1979 is denied. Therefore, NGOs consider that the ROW of 60 meters should not apply to a populous area.

Another significant problem with the project was that, during the formulation and implementation of the project, information dissemination to the communities was scarce, and participation of the communities to decision-making was hardly ensured. Not only did the communities not have opportunities to voice their opinion about the compensation content, they were told to give thumbprints on the documents approving their relocation and compensation amount with hardly any information about the project or their rights. In addition, there were reports of human rights violations, including demolition of houses by bulldozers when a resident could not remove their assets and relocate due to their illness before the deadline set by the government. The sufferings faced by the communities are still largely unaddressed by both the Cambodian government and the ADB.

It is relevant to mention that these problems occurred despite the high standards and procedures of the funder, the ADB. The ADB has many internal policies that should govern the project during formulation and implementation, ensuring public participation in decision-making, and consideration of social and environmental impacts of projects. One of these policies is specifically on resettlement, which

provides that involuntary resettlement of people should be avoided, and if it is unavoidable, proper mitigation measures should be employed to prevent the communities from becoming poorer than their pre-project condition. Unfortunately, the ADB failed to enforce their own policies and to supervise the Cambodian government properly.

Lessons NOT learnt: Plan by JICA

The rehabilitation of the remaining section of the NR1 is proposed to be funded by the Japanese Government with grant aid. Upon the completion of JICA's studies and the agreement of local communities for relocation and compensation content, the Japanese government is to decide whether or not they will commit to financing. The section of NR1 proposed to be rehabilitated, from Phnom Penh to Mekong River, includes urban and densely populated areas. The present road width is around 10 meter at its narrowest points. JICA's Feasibility Study published in March 2003 proposes great expansion of the road; 21 meters to 24 meters in urban areas and 10 meters to 14 meters in rural areas. The plan also includes increasing the height of the road, which is located in the floodplain of the Mekong and Tonle Basaac Rivers. This means that large areas of land, much greater than the proposed road width, will be needed for the embankment slope and the maneuvering of bulldozers to construct it. The JICA Feasibility Study writes that there exist 1806 houses within 15 meters from the center of the road. The number of

people who would be affected by the project is expected to be much larger than this number, as more than 15 meters from the centers of the road would be required for the construction in some areas. Often more than 1 family live in one house, and people have large families. There is no official figure provided by JICA or the Cambodian government; however, a simple estimation could be more than 10,000 people affected by the project.

Besides the nightmarish figure, what is of deep concern is that the 2003 Feasibility Study completely ignores the problems and suffering of people that occurred in the ADB funded project. The scope and rate of the compensation, as well as the procedures for resettlement, proposed in the JICA Feasibility Study are similar to those of the ADB funded project. The implementing agency in charge of the resettlement proposed, the Inter-Ministerial Resettlement Committee, is also the same. It also concludes that the local communities are "illegal occupants" who do not deserve compensation for land, and that they can simply move away from the road. In conclusion, the Feasibility Study writes that: "...there are neither substantial nor irreversible adverse environmental and social impacts arising from the Project. No adverse social impact is expected because the project only involves the improvement of existing roads and no land acquisition for road right-of-way is required additionally" (Feasibility Study, Chapter 17 conclusion and recommendations).

Economic Growth: Questionable Economic Benefits and Needs

It is true that establishment of road networks could bring social improvements, such as medical and health services in local areas, reduction of traffic jams and promotion of tourism. It cannot be simply concluded, however, that the construction of wide highways connecting cities would encourage economic growth. Especially for a country like Cambodia, which could potentially be a mere transition point or improved connection between two more powerful neighboring countries and for which improved transport could aggravate its trade deficit, careful consideration should be given to whom the project would benefit and to whom it would disadvantage, and to the project's negative impacts such as involuntary resettlement of local communities.

The Feasibility Study proposes to expand the NR1 to a 4 lane road. (In the urban area, an additional area worth 2 lanes will be secured in the center of the road for further expansion in the future). However, the need for and benefit of the road are questionable for the following reasons. One is that investigations into the current situation regarding traffic volume or reasons for use of the road were undertaken for a day to one week, which is far from sufficient to determine the need for a bigger road.

Secondly, the economic benefit of the road is also questionable. The Feasibility Study emphasizes the significance of the

proposed project by stating that the project would contribute to economic development and poverty reduction through improved connection between production and consumption sites. What the study failed to demonstrate, however, is how improved connection between Ho Chi Minh City and Phnom Penh would impact the country's economic growth and poverty reduction using specific data and analysis.

Cambodia suffers from a chronic trade deficit, and depends on imported products for daily products, even fruits. In year 2001, Cambodia's exports to Vietnam were valued at approximately US 279,000 dollars. About a quarter of its imports, totaling approximately US 149 million dollars, came from Vietnam. These statistics are for total trade and not only on trade using the NR1; however, it can be speculated that a large road connecting the major city in Vietnam to the capital of Cambodia would contribute to an increase in imported products from Vietnam due to smaller transportation costs, and thus an increase in Cambodia's trade deficit. Furthermore, those who would benefit from the improvement of the road may mostly be wealthy, which could widen the discrepancy between the rich and poor in Cambodia.

Thirdly, although the Feasibility Study claims that the project would bring benefits to the local communities, rendering a narrow bumpy road into a smooth highway may have adverse impacts on communities' lives and livelihoods. In the case of National Route 7, construction of which was also funded by ADB and already

completed, communities reports an increase in traffic accidents and a decrease in income due to relocation of their small shops farther away from the road and the faster speed of the vehicles which no longer stop at their shops. Also, for the better access to hospitals and health centers for 80% of population in rural areas, improvement of smaller scale rural roads is more effective and necessary.

Therefore, although the NGO Forum on Cambodia does not oppose the rehabilitation of the road, we believe that the decision to fund the project should be based on a more thorough analysis of the costs and benefits.

NGOs Advocacy towards Japanese government and JICA

NGO Forum on Cambodia, in collaboration with many local and international NGOs, are now working with communities who will be negatively affected by the NR1 project, and conducting advocacy towards the government of Cambodia and Japan, and Japan International Cooperation Agency (JICA). Drawing from problems that occurred in past road projects and the subsequent sufferings of people, NGOs have conveyed concerns and made recommendations to the decision-makers. We have written letters to the Japanese government, informing them about what happened in the ADB funded part, and asked Japanese government to study the causes of the problems and situations in ADB funded part and prepare appropriate

measures so that the same suffering of people would not be repeated.

Japanese Ministry of Finance (MOFA) also did not consider that the social impacts of the project were appropriately considered in the Feasibility Study. MOFA ordered JICA to conduct an additional study. JICA's new Social and Environmental Guidelines (hereafter "the new Guidelines") came to be applied to the project, even though the project was requested to the Japanese government prior to the establishment of the new Guidelines. We received a letter from JICA Tokyo office that they will make sure that similar problems will not happen.

[*** What did JICA then do, regarding public consultation and awareness raising? ***]

In late August 2004, NGO received an anonymous phone call from a local community member, seeking help. He told us that he was forced into agreeing with relocation and to a small compensation amount for loss of his house. He reported that when he attempted to disagree, the group consisting of local authority and police threatened him saying that if he disagrees, the government would come and demolish his house and he would not only not receive compensation but also have to pay for the cost of bulldozer. Although JICA told NGOs that those who would have to relocate would receive substitute land from the Cambodian government, community members to whom we spoke have not been promised land. Many already agreed and gave their thumbprints. Community

members have told us that they have nowhere to go and the compensation amount is not enough, but they do not know to whom or how to complain. Some say they will not complain, fearing repercussions. Some have been told that if they want to complain, talk to the Prime Minister. In conclusion, JICA and the Japanese government have so far failed to listen to the voices of NGOs and communities, learn from the past mistakes, or prepare appropriate measures to protect the rights of the people and ensure the benefit of the NR1 project to Cambodia.

Conclusion

Drawing from our experiences in examining the NR1 rehabilitation project and conducting advocacy towards JICA and the Japanese government, the following analysis, we consider to be applicable to Japanese aid in general. The needs and priorities of the project for the benefit of Cambodia is not adequately considered while the importance of roads to economic development are perhaps over-emphasized. Negative impacts of the projects are not fully studied; thus mitigation measures, including human rights protection, are not prepared or appropriate. Development obviously brings benefits, but what groups are receiving benefits and what groups are suffering should be considered. In Cambodia, the former groups tend to be those with power and connections, whereas the latter are the poor.

Communities are not given information or able to participate in the decision-making of

the project. At the same time, the Cambodian government's implementation is not sufficiently supervised and the need to help capacity building of Cambodian government officers as implementers is not sufficiently recognised by the Japanese government or JICA. Furthermore, the Japanese government, in general, seems to have concerns for its own nationalist interests, exemplified by "tied aid", and have a very lenient attitude towards the Cambodian government, valuing diplomatic relationships with the current regime over human rights of the Cambodian public and the sustainable and equitable development of Cambodia.

If Japan seeks to effectively assist Cambodia, it needs to understand that democracy in Cambodia is still at an early stage; thus, it is essential that not only the government but also various stakeholders, including the civil society and local communities, are consulted during planning, implementation, monitoring and evaluation of developments. Japan should also prepare appropriate and effective ways to strictly supervise the government's implementation of projects funded by Japan, –and ensure that the most effective institutional arrangements are used based on accurate and realistic assessments. Since Japan is the largest donor to Cambodia, it already has great impacts on Cambodian politics as well as influence over the poor human rights situation and lack of democracy. Proactive intervention by the Japanese government to promote democracy and human rights is needed.

Lastly, "aid" to Cambodia should be based on the interests of the people of Cambodia, especially the large portion of its population who live under poverty but currently lack access to the benefits of development. Perhaps what is needed is improvement in the quality of aid as opposed to the quantity of aid. Since Japan contributes a large amount of money to the Cambodian government every year, Japanese aid influences our lives in all aspects, including political, economical, social, and environmental elements. Improving the quality of aid would not only bring us prosperity but also could indirectly contribute to raising awareness of the government and people about and improving human rights and democracy.

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Japan-India Economic Cooperation:

Ambiguous Realities, Ambivalent Signals

Dr. Sandeep Pendse
Vikas Adhyayan Kendra

India and Japan established diplomatic relationships in April 1952. Both countries were then in a period of transition. The major efforts were to build a future society and nation. Both countries had a history of millennia of civilisation, strong traditions, and social structures unique to themselves. The project for nation building had to appropriate the positive aspects of the legacy as well as elements that were part and parcel of the people's lives and psyches. Both countries also had episodes of recent history to undo – not just forget but to actively erase from operational realities of the nation building project – and to ensure that they left no permanent scars on the future and more important did not recur in the future.

India had gained independence only in August 1947 – and emerged for the first time in history as a modern nation state. Independence was for India a mixed blessing – the colonial rule had ended and British imperial regime had ceased to exist. The transfer of power had however led to

the partition of the country. The basis of the partition was unfortunately *religion*. The partition even more sadly was not smooth or amicable. It was accompanied by unprecedented inter-religious violence. Brutal violent incidents including killings and rapes and destruction of property marred the independence celebrations of both India, and the newly created nation of Pakistan. Massive transfer of population with a dislocation of millions of people also took place during this event. Despite the imagination of the colonial masters the process was not smooth or final. Millions stayed in the 'wrong country' – particularly India.

Japan had just emerged from the world war – the inhuman nuclear bombing of Hiroshima and Nagasaki, the 'occupation' (thank god it wasn't like the Iraq occupation) – and was in the throes of the birth of a new nation. It is perhaps also necessary to admit that the occupation by the victors of a war in effect subverted rather than aided a process of 'overcoming'.

The new disposition had more to do with dictates of occupiers rather than a democratic churning of the society and a true 'appropriation' of even the immediate past.

The experimentation in both countries – Japan and India - was with independent modernity and capitalism.

Pre-colonial India was definitely feudal – of course with an Indian twist, in the sense that the feudalism was not comparable to European feudalism. The industrialisation during the colonial period was not at all propelled or directed by 'national' factors but by the needs of the economy and industry in the metropolitan imperial country – Britain. The entire economic (along with political and administrative) structure was *colonial*.

After independence too the Indian look was towards the west. The basic interest was in the attitudes of Britain and later US. Culturally and educationally too the gaze was at Oxbridge. Politically the leadership of independent India followed a path of solidarity of the underdeveloped countries – then newly independent. It was to later become the Non Aligned Movement. The Afro-Asia conference at Bandung, Indonesia became the precursor of what was to later become a firm third world bloc. India, more or less with the rest of this bloc, also leant towards the USSR and at least for a brief period towards the PRC.

The reasons were multiple. India sought

relations apart from those with the imperial masters and their allies. It found advantageous deals with the USSR – till it discontinued to exist. There were also significant political reasons. The principal ones were – the dispute over Kashmir with Pakistan in which the western powers took a position against India, the Suez Canal dispute in which the developing newly independent countries were seen as victims, and the independence of Indonesia that was seen to expose many claims of the western countries. The relationship with western countries was hence rather peculiar – there was an economic dependence, the aid and investment did come from the west at least in the immediate post-independence period but politically the western powers were not trusted.

Japan and India

There was no baggage of history between Japan and India.

There were probably no firm opinions about each other in the two countries.

India had not experienced the war. It had only come to the doorsteps. Japanese forces had come to Burma (now Myanmar) and almost into the north-eastern states of India. This intrusion was offset by the formation of the Indian National Army (INA) led by an anti-British charismatic hero – Netaji Subhash Chandra Bose which drew most of its support from wartime Japan.

Nevertheless, and this remains true despite the statistics to be cited later, there was not any great impression about Japan and relationship with Japan.

Even today, one must admit, the awareness about and interest in Japan is quite low in India.

Economic Relations

Economic relations between India and Japan were established in 1958. Japan was a member of the first International Aid India Consortium under the aegis of the World Bank.

The economic relations consist of Overseas Development Aid in the form of grants and loans, Foreign Direct Investment, and Foreign Trade.

Japan India Economic Relations

A few points need to be made immediately while discussing economic relations between India and Japan.

The relationship is quite old (since 1958). Japanese ODA is important in India. It has a large quantum and is involved with numerous major projects in the country. The annexure puts forth the statistics. Nevertheless the perception about Japanese ODA – or even awareness – is fairly low in India. The most visible project – because of its very nature – is the underground metro railway in the capital city, Delhi. This is a recent development. Prior to that very little discussion of economic relationship with Japan could be

found even in the financial newspapers of the country. The exception perhaps was the Suzuki involvement in the automobile company – Maruti Udyog Ltd. This of course is not an example of ODA but of FDI.

The relationship has seen many ups and downs – principally for non-economic reasons. During the years of the cold war Japan was wary about India's relationship with the USSR, its attempts to distance itself from the US camp, and its efforts to forge a Non Aligned Movement. After the disintegration of the USSR and the end of the cold war the relations began to improve. Effort of the Indian government to liberalise the economy was also one of the major reasons. The aid was completely stopped in 1998 when India test-exploded nuclear devices. The aid was three years later – first as disaster relief in the wake of a devastating earthquake and subsequently for other projects.

There is actually no historical baggage in economic relations with Japan. India was never under any imperial sway by Japan, so the question of historical drain does not enter into the picture. The ODA loans are at very low rates of interest and with a long span. Thus they have not been odious.

The Japanese vision of Indian economy as exemplified in its 1995 India country report is however thoroughly neoliberal and comes up with the same prescriptions for the country that the WB-IMF combine does. These are highly questionable.

Annexure

Trade with Japan (bil. Yen)		
	Imports	Exports
1995	238.0	274.5
1996	264.7	309.3
1997	267.7	322.1
1998	314.4	284.8
1999	275.5	255.4

(Source: Ministry of Finance)

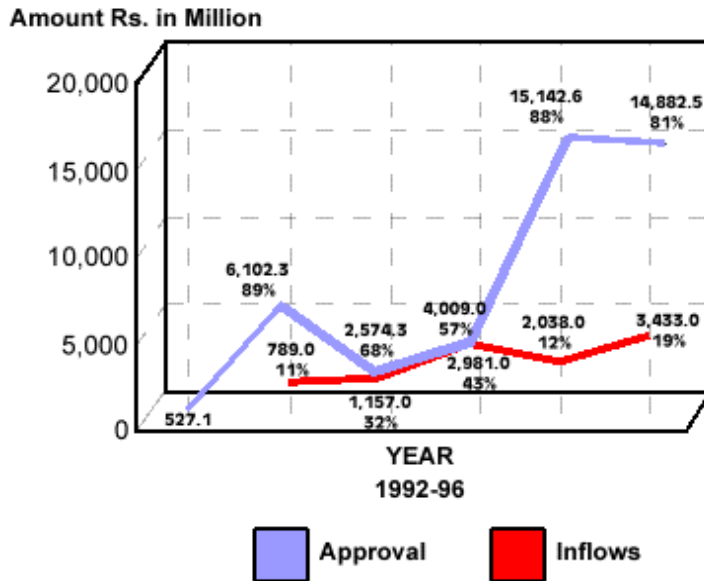
The trade between the two countries is also typical of trade relations between a developed and a developing country. India essentially exports low value added goods and imports high value added goods.

Direct Investment from Japan (bil. Yen)				
1995	1996	1997	1998	1999
12.5	24.7	53.2	32.9	23.2

Loan Aid
Exchange of Notes in Fiscal Year 2003

Date of E/N (Local Date)	Country	Project	(100 million yen)
March 31, 2004	India	Delhi Mass Rapid Transport System Project (V)	592.96
		Purulia Pumped Storage Project (II)	235.78
		Dhaultiganga Hydroelectric Power Plant Construction Project (III)	138.90
		Rengali Irrigation Project (II)	63.42
		Kurnool-Cuddapah Canal Modernization Project (II)	47.73
		Umiyam Stage-II Hydro Power Station Renovation and Modernization Project	19.64
		Bisalpur Jaipur Water Supply Project (Transfer System)	88.81
		Integrated Natural Resource Management and Poverty Reduction Project in Haryana	62.80

Japanese FDI in India (Approvals and Inflows) Rs. (million)						
Japan	1991	1992	1993	1994	1995	1996
Approvals	527.1	6102.3	2574.3	4009.0	15142.6	14882.5
Inflows	-	789.0	1157.0	2981.0	2038.0	3433.0



Foreign Aid India

- (1) Japan has been the largest bilateral donor to India since 1986. Out of the total aid of \$2.5 billion that India received in 1997, Japan accounted for \$1.2 billion. (Commitment basis, compiled by the Ministry of Finance, Government of India). Japan has been providing aid to India covering various sectors and regions within India with utmost priority in the following sectors:

Economic Infrastructure:	Power, Transportation
Anti-Poverty measures:	Health, Medical treatment, Agriculture, Rural Development, Population and AIDS, Support for small enterprises
Environmental Conservation:	Anti-pollution measures, water quality improvement, water supply, afforestation, improvement in urban environment.
Press Release:	<u>See Press Release section for some of the examples.</u>

ODA Disbursements to India Amounts in US \$ (million)						
Year	94		95		96	
	Country	Amount	Country	Amount	Country	Amount
1 st	Japan	886.5	Japan	506.4	Japan	579.3
2 nd	Germany	123.1	Germany	168.0	U.K.	154.3
3 rd	U.K.	100.4	U.K.	142.2	Netherlands	58.5
4 th	Sweden	91.1	Netherlands	81.8	Sweden	51.4
5 th	Netherlands	48.6	Sweden	51.5	Germany	51.2
Others	Others	128.3	Other	101.3	Others	130.3
Total		1378.0		1051.2		1025.0

Japan's ODA Receipts						
Year	95		96		97	
	Country	Amount	Country	Amount	Country	Amount
1 st	China	1380.15	Indonesia	965.53	China	576.86
2 nd	Indonesia	892.42	China	861.73	Indonesia	496.86
3 rd	Thailand	667.37	Thailand	664.00	India	491.80
4 th	India	506.42	India	579.26	Thailand	468.26
5 th	Philippines	416.13	Philippines	414.45	Philippines	318.98
Others	Others	6694.57	Others	4871.29	Others	4259.83
Total		10557.06		8356.26		6612.59

- (2) Japanese ODA program comprises three components: viz. Yen loan, grant aid and technical cooperation.

(i) Japan's ODA Disbursements to India						
Amounts in US \$ (million)						
Year		Grants		Loan Aid		Total
	Grant Aid	Technical Cooperation	Total	Gross	Net	
1993	31.03	17.73	48.76	379.70	247.18	295.94
1994	34.64	23.61	58.24	997.36	828.28	886.52
1995	37.41	25.39	62.80	644.36	443.62	506.42
1996	35.18	21.83	57.01	728.39	522.26	579.27
1997	31.84	23.26	55.10	641.25	436.70	491.80
Total	466.24	224.59	690.79	7641.79	5197.95	5888.74

*Net Disbursement = Gross Disbursement - Repayment

(ii) Japan's ODA Commitments to India					
Amounts in JP Yen (million)					
Year	Grants			Loan Aid	Total
	Grant Aid	Technical Cooperation	Total	Gross	
1993	4.185	1.049	5.234	119.640	124.874
1994	3.363	1.193	4.556	125.765	130.321
1995	3.563	1.109	4.672	128.774	133.446
1996	3.406	1.051	4.457	132.746	137.203
1997	3.526	1.335	4.861	132.725	137.586
Total	73.323	16.051	89.374	2009.984	2099.358

- (3) In response to the nuclear tests by India in May 1998, Japan has frozen fresh commitment of grant and yen loan for new projects, except humanitarian and emergency aid and Grant Assistance for Grassroots Projects.

Conclusion

1. Components of Economic

Cooperation between any two countries are

- a. Aid as outright grant
- b. Aid as loan – hopefully ‘soft’ – with low rates of interest and a long repayment period
- c. Trade
- d. Direct investment

It becomes increasingly important to examine each of these components – particularly when the countries in question are unequal in economic development, strength, and political power.

Aid as Grant

The component of aid as outright grant is generally very low. It is usually given in exceptional circumstances like ‘natural’ disasters or major humanitarian calamities. (In the case of India-Japan relations for example such aid came in 2001 to deal with the devastating earthquake in the western Indian state of Gujarat. The money was utilized mainly for medical assistance, for providing immediately necessary relief material, and for providing temporary shelters. It was provided through Japanese NGOs that executed the programs directly.) Grant as aid is otherwise channeled through international organizations – for example Japan provides grants to India for a program to eradicate poliomyelitis through UNICEF. Same is the case of the

grant to the program to control diarrhea in children.

Despite the low quantum of ‘aid as grant’ it is important to ask how the priorities of the programs are determined, and who has the final say in determining the priorities. While the programs cited above are unexceptional and of unquestionable importance the argument still remains valid. Without any disrespect to the generosity and hard work of those involved in earthquake relief one must ask exactly what kind of assistance was objectively necessary and what was really desired by the affected people – or other people’s organizations working in the same areas. The provision of immediate relief was important of course – but should have been the sole responsibility of the official and non-governmental bodies in India. Japanese aid would have served far more permanent purpose if it was directed towards ‘rehabilitation’ – imparting the technology for the construction of earthquake resistant houses, particularly at low costs with a major self-help component, and training and technology transfers in prediction of earthquakes. Poliomyelitis and diarrhea in children are of course major problems – but they are also related to the entire question of reliable and safe (for drinking) water supply for the poor and marginalized populations in the rural and urban areas. This of course, is not to deny the importance of immediate curative measures.

A more important question, however, will be which maladies to concentrate on (and

perhaps in what manner). At one stage a number of aid agencies – directly governmental or more indirectly linked to them – concentrated all efforts of drug addiction. A sarcastic remark that was then often made in India was that if you are a deprived young person from the slums of say Mumbai and wish to get the opportunities you justly deserve but have been denied, become a drug addict. The cynicism of the remark beside, it does point out the skewed nature of priorities of this kind. As is well known the ‘awareness’ and near panic regarding HIV/AIDS including the financial support it evokes has often been questioned. It has also been suggested that the HIV/ AIDS control programs as privileged above all other health issues in reality serve some commercial interests of pharmaceutical giant corporations.

Aid as Loan

Enough has been said about international debt and loan already. Numerous books have discussed the reality of loan as aid. The loans invariably come with stringent conditions – at a certain level to ensure repayment of the loan, regular payment of the interest, and to create the proper programs.

As said earlier loans from Japan have very low rates of interest, 1.8% in general, 1.5% for environmentally sensitive projects, and 0.75% for international environment projects. The repayment is over 30 to 40 years. These are generous terms. The

question however remains in terms of decisions regarding priorities of the projects. Apart from the Delhi Metro the Japanese loans have come for development of highways and transport facilities and the development of power generation capacity including thermal power plants. The highways as well as the thermal power plants have come in for severe criticism for their social as well as environmental impacts.

A major Japanese consideration seems to be the development of power projects in India. The thinking about this is clear in the 1995 country report on India prepared by a Japanese expert group for government agencies involved with ODA.

That is the other fact about loans, apart from considerations of repayment capacities. The loans reflect the interests of the donor countries somewhat more than those of the recipient countries.

Trade

International trade is a recent topic of debate and campaigns on a global scale. The current campaigns are sparked off by the activities of WTO that create international compulsions on amount and conditions of trade.

The inequality in trade actually predates the WTO. The developed countries opened up the markets of the developing world, sometimes through the use of naked force. In doing so they even changed the definition of ‘development’ – not always through the

use of force. Development became the ability to produce industrial goods and their plentiful availability, whether the populations of the developing world required or needed these goods or not! The structures of economies of the developing countries were often changed in this process.

The case of cotton cultivations and manufacture of cotton textiles is illuminating in this context. Not only was the indigenous production of cotton textiles virtually destroyed – to enable the sale of mill-manufactured cotton cloth from Britain in the South Asian subcontinent but also the varieties of cotton crop were altered. The indigenous varieties of cotton that were perhaps more attuned to the climatic and soil conditions of the region, and were definitely more hardy and pest resistant, were dubbed 'inferior' and 'lowly'. New varieties from Americas – sometimes cross-bred with Asiatic varieties – were more or less forcibly planted. The entire classification of fine, super-fine, staple, long staple, extra-long staple, etc. is based not on any innate characteristics of the cotton produced but on the suitability of the grown cotton for the power-driven textile mills and the machinery based production process. This forms the other facet of international trade.

The developing countries were utilized as storehouses of extractible raw material – forest wealth, mineral deposits, and agricultural potentials were exploited to suit the needs of the industries and market-

enterprises of the developed world. In the loot of the colonies and semi-colonies that contributed to the primitive accumulation in the developed countries. In a later phase, when the accumulated and amassed treasures had been looted and transferred, the colonies and semi-colonies became production facilities for cheap primary goods. The developed world specialized in the export of manufactured, 'value-added' goods. The situation has changed in details and some features in the past few decades but the basic relationship is not altered. Extraction of the former variety is no longer required or at least no longer desirable.

The developing countries hence begin to 'develop' and acquire modern technological capacities even in areas like agriculture. Some of the developed countries have also boosted their capacities to produce critical agricultural commodities. The developed countries led by the US are now mostly food exporters. The developing countries are left the task of growing 'colonial' crops e.g. coffee, cocoa, tea and some fruits! These crops also mask the export of another critical commodity now under great stress as far as availability and supply is concerned, viz. water. The 'colonial' crops are generally water guzzlers. Coffee, sugar, tea, cocoa, even soybean need and claim tremendous amounts of water. It is for example estimated that a cup of coffee actually represents utilization of 142 cups of water – and only one of them for boiling and adding to the coffee. The story of the other crops is quite similar.

The trade scene is further vitiated by overt or covert prohibitory tariffs and subsidies. Raw pineapples, tinned pineapple slices, and pineapple juice for example attract different kinds of tariffs in the developed countries. The case of subsidies to American and European farmers while they are virtually banned in the developing countries has become a major issue of dispute even within the WTO.

International trade has generally led to inequalities, imbalances, vulnerabilities, and dependence. It may be essential for the developing countries – even for mere survival but is never fair or equal. In the prevalent market paradigm it perhaps can never be so.

Trade between India and Japan exhibits these typical characteristics of international trade between non-equals. India exports gems, minerals, agricultural and marine products, cotton yarn or cotton 'gray' cloth. Japan exports technology, machinery, electronics, etc. To say the least the relationship shows no new features.

Investment

Deployment of capital across international borders is a characteristic of capitalism ever since its very inception. It now acquires a philosophy and some fancy terminology.

Investment can be of various types.

We have already discussed *speculative* investments in commodity, currency, and

financial instruments-derivatives markets. This kind of investment has lent some colorful sobriquets to the contemporary phase of capitalism, e.g. foot-loose capitalism, casino-capitalism, etc.

A more responsible and steadier variety is *portfolio* investment. This is not capital on the move and it is a long-term investment in stable companies and firms. This essentially 'merger and acquisition activity does not, however, lead to any augmentation of productive activity since it is essentially only a transfer of ownership. There may be some injection of new capital in the existing firm that may at times bring about improvements in technology, equipment, production processes, areas of operation etc. More often than not however it only means a repatriation of profits to another country.

Capital invested in *productive* activities – in investment of *manufacture of goods and products* – definitely augments actual productive capacities of the recipient country. The questions that remain are what kind of production and for whom it is intended. It rarely if at all, and only indirectly touches the basic problems in the developing countries – for example poverty, unemployment, loss of livelihood opportunities, low standards of living, etc. It is natural in a capitalist system that investment will only flow into profitable areas, into manufacture of goods for which there is a demand. It is unlikely that the private enterprise indigenous or foreign will invest to manufacture low surplus mass

consumption or wage goods. It goes to manufacture of goods like consumer goods and luxury perishables. Ruling neo-liberal axioms of course now raise this to the status of a canon – an almost religious or divine principle of desirable and optimal operation of the world.

The market and the process of profit maximization is not in itself a correct determinant of development priorities. Take the case of automobile industry for example – also because the presence of Japanese corporations in vehicle (personal and commercial, 2 and 4 wheeler) industry is quite marked in India (Suzuki, Isuzu, Honda, Nissan, Toyota for example). The manufacture of large number of personal vehicles has an impact – direct and indirect – on the transport planning of a country. The emphasis then shifts away from development of public transport. The development of roads – free ways and express ways to cater to high technology and high performance vehicles then takes precedence over creating facilities of affordable and convenient transport for the masses. Strangely this policy of neglect of public transport is by and large never followed in the home countries.

Such developments are again celebrated by neoliberalism – since it expects these to be rational and logical determiners of priorities. There are of course some exceptions. The development of the Delhi metro is with Japanese loans and know-how. Similarly the development of the Mumbai Metropolitan Transport Project will take

place with World Bank and other foreign assistance. One need not necessarily look for hidden reasons for this interest in a cynical fashion.

The other current trend is investment *in services and commercial activities*. These are notional production activities more directed to tackle the basic crisis of capitalism – of relative overproduction – that is exacerbated by the latest technological developments that have largely displaced the direct producer – if not actually then at least as a foreseeable possibility, thus further shrinking an already limited market. The need then is for ‘consumption’ without actual increase in production. Similar will be the case of the image industry – involving production of images and production of image accessories. Travel and tourism – that now also acquire the name of cultural and heritage development play a similar role. Japan is quite active recently in this area of activity in India.

2. The Neo-liberal Paradigm

I am not very sure of the status of neo-liberalism as an economic ideology in Japan. A country report on India prepared in 1995 by a group of Japanese experts is however a revealing document. (The Second Country Study for Japan’s Official Development Assistance to India, Study Group for Development Assistance to India – Japan International Cooperation Agency, March 1995 organized by Japan International Cooperation Agency.)

The report expresses appreciation for India's economic liberalization program – identified as giving due importance to the market, in fact as marked led development. Note for example a very potent paragraph:

“India's efforts to reform its economy are aimed at securing the country's bonds with the global economy at large. The country has begun to draw attention as a gigantic market with potential second only to China's in scale; given that factor, India's presence on the world stage can only be expected to loom ever larger in the years ahead. Nonetheless, to nurture healthier ties with the rest of the international community, India and Pakistan will be well advised to build friendly relations within the context of SAARC and at the same time by signing the Nuclear Nonproliferation Treaty.”

A political plea for peace in the region and friendly relationship between India and Pakistan would be unexceptionable and welcome. The quoted paragraph is more concerned with the creation of a South Asian market bloc – that can then be dealt with conveniently as a single entity. (SAFTA is now close to becoming a reality.) The report further notes:

“Essentially drawn up in keeping with elements of the structural adjustment programme advocated by those two institutions, the reform programme consisted chiefly of policies aimed at curbing overall demand: macroeconomic stabilization measures and institutional reform on the supply side of the economy

(including the liberalization of trade and foreign exchange, the relaxation of restrictive industrial policies, steps to overhaul and privatise state-run enterprises, tax reform, and reforms to the financial system). India deserves high marks for the accomplishments in macroeconomic management it has demonstrated since implementing its economic reform. Macroeconomic indicators began hinting of an improving trend in the economy in fiscal 1992. And, to be sure, India met most of its targets in economic stabilization during the first two years of the reform process.¹ Nonetheless, it still faces numerous problems in the arena of budget reform and in striving to overhaul its state-run enterprises and the financial system.”

The report continues all through in a similar vein. It makes quite a few recommendations. Those on power and agriculture are quite revealing once again. Proper charges for electricity are recommended for a country wherein the cultivator (in numbers and production) is mainly the small farmer with hand-to-mouth existence. Similarly no new or innovative measures are suggested – except further commercialization – of agriculture.

3. A Dream Situation

Somehow I am given to speculate in a dreamy fashion a little at this stage.

I must confess that I do so principally because I see a possibility for even developed countries to escape the trap of

neo-liberalism while protecting their self-interests in an enlightened manner. I think a non-western nation like Japan has/ had a real possibility to take such steps.

If there were real people to people cooperation between India and Japan what would be the shape of that cooperation? What would be the expectations from Japan? Obviously these assumptions can have a brush with reality only if both the countries are real popular democracies rather than formal market democracies.

Impact of Japanese Aid in Nepal

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1. Introduction

Japan is one of Nepal's largest donor countries. The history of Nepal-Japan relations began about 150 years old - the time when a Buddhist Monk, Kai Kawguchi, visited Nepal as the first Japanese. Formal diplomatic relation with Japan began in 1956. Nepalis and Japanese people find many things common. Both countries have monarchical system and strong Buddhist religious like in addition to the attraction of Nepali mountains for Japanese tourists.

From the sixties, Japan's involvement started increasing in Nepal. A team of experts did the survey in Kali River in the western part of Nepal for hydroelectricity and design of Nepal's agricultural system. Since 1989 onwards, Japan has ranked as the top in Nepal's ODA list. For example, in the overall ratio of bi-lateral ODA, Japan has provided 31.1% in 1989, 23.1% in 1990, 43.9% in 1991 and 38.7% in 1992.

Today, we can find strong Japan involvement in the following areas for official development assistance (ODA):

A. Human resource development

As part of its technical assistance programme, Japan has sent over 1,400 technical experts and over 838 Japan Overseas Cooperation volunteers (JOCV) in the past five decades. They have traveled to different parts of Nepal and have been involved in various studies of natural resource management and training for human rights resource development.

B. Social sector activities such as health and education

Japan has been very active in the areas of water supply, health care, polio vaccines and other medical support. They include the establishment of Tribunal University Teaching Hospital, one of the few biggest in the country, and National Tuberculosis Center as well as the support to the Kanti Children Hospital. Similarly, Japan also has provided assistance for the construction of approximately 5,500 classrooms in primary schools under the Basic Primary Education Program (BPEP) in 1994-2002.

C. Agriculture

Japan has been providing assistance in the field of agriculture such as high value agricultural products, huge supply of chemical fertilizers and the development and diffusion of agricultural production technologies since 1977.

D. Infrastructure development

Japan's involvement in Nepal's overall infrastructure development ranks as one of the largest. These areas include the survey, design and construction of hydropower projects, bridges, water supply facilities, transportation, telecommunications, etc. Some of the major projects are Kulekhani I and II hydropower projects, Sindhuli road, Udayapur Cement Factory, traffic intersections in Kathmandu and the most controversial Melamchi Water Supply Project (MWSP) which is in the process of construction.

E. Environment conservation and cultural activities

Japan's ODA in the field of resource conservation, environmental protection and disaster prevention/mitigation is very well-known in the country. These include the establishment of Water-Induced Disaster Prevention Centre as well as the forest conservation and watershed management in and around the Phewa Lake in Pokhara Valley. The assistance in the cultural sector include the micrographic equipment to National Library, dubbing equipment for

educational programme to the state television, display equipment to Buddhist Art Gallery at National Sport Council and the printing equipment to Royal Nepalese Academy.

2. Japanese Aid Conditionality

Generally, the Japanese ODA has three different forms: a) loans, b) grants, and c) technical assistance. One standard practice of Japanese ODA is conditionality. The most serious problem is the complete lack of transparency of contracts and agreements. It is simply impossible to access any documents relating to Japanese ODA, including their evaluation and progress reports if and whatever they may have. The government ministries are equally reluctant to release any such documents which apply to all ODA documents.

When citizens and groups make requests or judicial complaints for the accessibility of these documents for research and study, they are either simply ignored claiming that these do not exist or give the narrow arguing about who should give the permission first. This game of denial goes on and on for months without any results.

It is equally impossible to meet the responsible Japanese ODA officials in their offices in Kathmandu or the meetings end just in brief conversations which are very formal, hierarchical and diplomatic. All these exercises end up in a nice afternoon or tea, some glossy brochures or a few

pages of reports highlighting the history of “great co-operation” or “achievements”.

There is also a general experience and reaction to Japanese ODA in the sense that the Japanese officials have been very clever in promoting their business. There is a saying that no equipments or machines could be repaired or fixed without calling a Japanese consultant or expert all the way from Japan or in Kathmandu if there is any, implying that even fixing some small nuts and bolts to replace some simple machinery arts require the services of Japanese consultants. The Kulekhani hydropower project and the Udaypur Cement Factory have some very interesting stories like this. One example of such conditionality can be cited from the Project for the Expansion and Reinforcement of Power Transmission and Distribution

System in Kathmandu Valley (Phase 2). The grant conditionality described in the leaked official letter says the following:

“3 (1), The Grant will be used by His Majesty’s Government of Nepal properly and exclusively for the purchase of the products of Japan or the Kingdom of Nepal and the services of Japanese or Nepalese nationals listed below :

(The term nationals whenever used in the present arrangements means Japanese physical persons or Japanese juridical persons controlled by Japanese physical persons in the case of Japanese nationals), (a) Products and services

necessary for the construction of power distribution system and other related facilities (hereinafter jointly referred to as “the facilities”); (b) Equipment necessary for the execution of the project and services necessary for the installation thereof; and (c) Services for the transportation of the products referred to (a) and (b) above to the Kingdom of Nepal, and those for internal transportation therein. The letter further describe that “(His Majesty’s Government of Nepal or its designated authority will enter into contracts in Japanese yen with Japanese national for the purchase of the products and services referred to in paragraph 3. Such contracts shall be certified by the Government of Japan to be eligible for the Grant.”

It also provides that the Nepali government shall exempt Japanese nationals from customs duties, internal taxes and other fiscal levies which may be imposed in the Kingdom of Nepal with respect to the supply of the products and services under the Verified Contract. It also bars the exports of products purchased under the Grant to other countries, requires the prior review of any tender documents by JICA and the review of detailed evaluation reports before the award of the contract.

3. Impacts and Observations

In the minds of the general public, Japanese ODA is considered as not a “BAD” one. The reason is that it is like a Pandora’s box. It is so hard to say anything in concrete with authority until one has the

chance to see it. Japanese, as a matter of their own socio-cultural behaviour, are always seen as working gently, nicely and in low profile. Japanese are not considered as arrogant and offensive.

This is true of course in the case of the people but even government officials and corporate representatives are good in this diplomacy. But one could be sure that Japanese ODA may rank as one of the worst when the question is who benefits the most. But the copies of the contracts and agreements, the data and the evaluation reports must be made available.

In Nepal, based on some little knowledge of how Japanese operate and do their business, Japanese equipments and supplies cost almost three times more than those to be purchased through bidding in an open international market. As said earlier, all these items are also difficult to maintain with locally available spare parts thus necessitating the subsequent import of spare parts from Japan at a high price. Deepak Gyawali, a renowned researcher and academician on water, says that "Japanese Aid has still many questions to answer. In comparing foreign aid and projects of different countries, in Nepal bilateral Japan projects stand out for efficacies. When Japan projects are executed, there is an exhibition of tremendous diligences, clockwork precision schedule and often new construction equipment at work. Japanese project construction site are often surrounded by

throng of awestruck Nepali bystanders."

4. Conclusions

Given the country's economic crisis, the Japanese ODA is important for Nepal. But the fundamental question is whether the Japanese ODA has been provided according to the needs and the priorities of Nepal and the Nepali people. Another question is whether it has increased more dependency, and the answer is certainly 'yes'. The time has come to make an independent assessment by Nepalis and Japanese experts from the related fields and see how the same ODA could be used differently by giving a priority to the recipient country which is Nepal. The same is the case for other countries as well. Whatever is the past, Japanese ODA should remain as so closed from transparency and not accountable to the people of both the countries - the recipients and the donor(s).

Even in today's simple norms of access to information as a fundamental human right and as a matter of transparency and democratic practice, all ODA needs to be fully reviewed, make it untied and bring it into the framework of human rights as defined under both national and international laws and treaties. We can trust and respect ODA only when a county like Japan believes in the framework of international co-operation as defined under the United Nations system that it really believes in the benefit of the recipient countries first. Even in the case of private

lending and the operations of multinational corporations and consultants, the framework of transparency and accountability needs to apply. This helps not only in the effective realization of the ODA but also helps combat corruption that is rampant in recipient countries due to the existence of corporate-led undemocratic governments in most of these countries. Nepal is certainly not an exception.

5. Recommendations

Based on the above observations and conclusions, the following recommendations are absolutely relevant for the better effectiveness and legitimacy of Japanese ODA in the future:

1. Japan must have a policy and law that allows all the stakeholders and beneficiaries of Japanese ODA to have full access to information and documents before the said projects or activities are implemented.
2. Japan must respect and comply with national laws and international treaty obligations of the recipient countries with regards transparency.
3. Japan must follow the practice of untied aid.
4. Japan must development effective complaint procedures, mechanisms and remedies for the people who claim to be negatively affected by Japanese ODA.
5. These procedures and mechanisms must provide for adequate compensation and appropriate remedies for victims of Japanese ODA-funded projects and activities, including access to Japan's courts with clear jurisdiction over these claims.

Narrow Visions & Grim Outcomes

Aid from Tokyo to Islamabad via Washington and Manila

Who decides what happens to whom in Pakistan?

A. Ercelan*

Pakistan began receiving aid from Japan as technical assistance in the mid-50s. Over the past half-century Japan has become a major donor for Pakistan. ODA comes directly through official agencies, such as the Japan International Co-operation Agency (JICA) and the Japan Bank for International Co-operation (JBIC), and indirectly through the IFIs, now largely from the Asian Development Bank (ADB).

Bi-lateral aid as grants and loans comes directly for projects and programmes initiated and implemented by Japan agencies, largely to be spent on procurement from Japanese industry and consultants (which include academics). Through direct grants and loans, and more so through “subscriptions and contributions,” Japan also actively supports projects and programmes that have been initiated and are implemented by ADB and the World Bank (WB) in Pakistan. These provide Japan an opportunity to reduce visible interventions in the Pakistani state – an obviously successful strategy in that

Pakistan activists, as elsewhere in South Asia, focus on IFIs themselves rather than on their major funders in Washington and Tokyo.

The influence of Japan ODA goes substantially beyond simple financing of projects — through the support given to conceptual preparation of interventions by IFIs using Japan Trust Funds (the most recent include the Japan Fund for Poverty Reduction administered by the ADB, and the Japan Social Development Fund at WB). A subtle source of influence through IFIs is Japanese nationals in senior management at IFIs, especially whose professional expertise has been nurtured by extensive service to the Japanese state.

In 1998, Japan suspended direct assistance when Pakistan publicly announced its nuclear capability in a tit-for-tat with India’s actions. Significantly, Japan placed no restrictions on its indirect but substantial support through the IFIs to either of the countries. Since 2001, other on-going projects were provided direct

assistance in both Pakistan and India as “*projects not covered by the sanctions.*” Additional levels of direct assistance were also provided to General Musharraf’s government after 9/11, apparently “*to promote the stability of Pakistan and support the country’s commitment to anti-terrorism.*”¹

A recent visit to Pakistan by its Foreign Minister confirms that the Japan government will return to a high level of direct assistance. In a dramatic reversal of long-standing public policy, Japan will apparently no longer require Pakistan to sign international agreements on nuclear controls (NPT and CTBT).² No doubt persuaded by the US, Japan apparently sees militant Islamic groups as a greater threat than nuclear weapons.

Both the Japan Embassy and senior officials at the Ministry of Foreign Affairs, JICA and JBIC in Tokyo confirm that a Country Assistance Program is currently in active preparation. However, little has been made public about specific plans, with Japan continuing its tradition of restricting serious consultations overseas to those between governments.

Japanese capital dominates direct foreign investment in Pakistan, with much of it in the transportation sector. It will grow because of the stress on private sector operations by the IFIs, and the integration of Japan industry into its policy making establishment. This paper does not, however, deal with this aspect of Japan’s

influence on Pakistan’s development.³

The paper begins with summary data on levels of Japan ODA to Pakistan.⁴ Specific case studies are then used to draw attention to problems in Japan ODA. The probable future course of Japan ODA is presented as official perspectives. The concluding section uses this opportunity to dwell, briefly, on both the need and possibility of influencing state actors in Pakistan and Japan by international alliances of civil society organisations.

1. Data on Japan ODA

Pakistan’s external (mostly public) debt plus foreign exchange liabilities are around \$36 billion – almost half of the GDP.⁵ Of the total outstanding bilateral debt (excluding that owed to ADB, WB and other multilateral institutions) of \$13 billion, Japan’s share was almost half at \$5.5 billion in 2003. The level of indebtedness to Japan is substantially increased once we recognise that multilateral debt is more than half of all external debt.

External debt servicing, which exceeded \$6 billion recently, claims a high share of exports – at over one-third-and is a substantial share of foreign exchange ‘earnings’ (including remittances at high levels from the US since 9/11). When private protection of capital is added (foreign exchange cover and the like), the burden on the poor (through mostly indirect taxation) is much higher. Recent debt servicing for Japan bilateral debt has been nearly \$200 million annually.

Through loans of over \$3 billion, grants and technical co-operation, Japan ODA totalled \$4.5 billion by end 2001. Annual aid rose from over \$100 million in 1991 to nearly \$500 million by 1998. Aid declined after the nuclear tests, but still exceeded \$600 million over the next three years.⁶ These figures appear to exclude contributions through the ADB and the WB.

Direct ODA from Japan has been a substantial proportion of total ODA to Pakistan. By 1998, Japan ODA was nearly one-half of all assistance, and dwarfed all other country donors. Even compared to the international organisations, Japan ODA (\$490m) exceeded the combined aid from the ADB (\$235m) and WB (\$170m) in 1998.

While the primary vehicle for 'policy reforms' remains the WB, the main conduit for Japan ODA (at least currently) is the ADB. According to its most recent news release, ADB support to Pakistan (at end 2003) has amounted to \$12.5 billion in loans, and \$115 million in (grants for?) technical assistance. The ADB Bank Country Strategy plans to lend nearly \$2 billion over 2005-2006.⁷

Presently [in 2002?], 53 public sector loans covering 38 projects are under implementation, of which 83% loans are rated satisfactory. In addition, 8 private sector loans for a total of \$152.5 million are under implementation. 57 TAs for a total of \$29.5 million are under implementation.

Data for ODA should also be viewed in the context of other inflows of foreign exchange, where exports and direct foreign investment are obviously other ways to assist development (e.g. fairer prices for exports tied to labour and environmental justice; private equity investment in provision of services to the poor and in labour intensive enterprises; production of buses rather than cars).

During 2003, exports came close to \$10 billion, and nearly \$4 billion arrived in remittances (much as possibly reverse capital flight from the US).⁸ Direct foreign investment was 0.8 billion, and project aid from donors was \$1 billion.

2. Peoples Views from Pakistan

Japan ODA comes both as direct aid to projects, and as indirect aid through the ADB and other IFIs. It is not only difficult but irrelevant to analyse these two channels of aid separately – Japan government is responsible for all projects regardless of the channels or nature of funding; and the issues are similar. We also see no point in distinguishing between 'software' (training or experts) — and 'hardware' assistance. Similarly, there is not much use in separating case studies of grants and loans. Even when grants are given, a project usually has other components that place future tax burdens on the poor. Furthermore, when a project is ill conceived, its adverse impacts occur independent of the specifics of financing. In fact, grant aid can lead to more ill

conceived projects since local oversight mechanisms become weaker.

Serious problems with projects may be grouped into three categories:

- Inappropriate and ill-conceived
- Directly adverse impacts upon peoples lives and livelihoods — that are especially harsh because excessive, and mitigation measures are absent, inadequate or delayed; inadequate or delayed compensation, rehabilitation and resettlement of displaced people.
- Excessive fiscal burdens – whether direct cost-recovery from beneficiaries, or general taxes, people suffer because of large-scale waste and corruption, including hardware that can neither be used efficiently nor maintained.

As citizens, our experience points us towards the main source of the problems.

Peoples Participation is the core issue. In the absence of meaningful public debate and discussion, adverse consequences are inevitable when ODA:

- identifies broad development needs correctly but responds with the wrong action priorities
- identifies a specific need but comes up with an inappropriate technical response
- places undue emphasis upon bricks and mortar, equipment and training rather than upon institutional arrangements for

cost-effective implementation and subsequent sustainable operations

- produces impacts and burdens that penalise large numbers of poor people.

These issues are illustrated below through specific projects. Some of which – such as the National Drainage Project or the Social Action Program – have (mis)used billions of dollars of public resources, including billions of yen from taxes of Japanese citizens. These are mostly projects which reflect the author's direct involvement in research or as an activist in solidarity with people affected adversely by the projects.⁹

Disregarding constitutional and international commitments, the Government of Pakistan rarely pays attention to the actual implementation of rights-based development. Hence most donor projects often violate one or more core labour rights defined by the ILO Declaration of Principles – most notably, child and forced labour are present directly or indirectly through procured materials and out-sourced contracts; collective bargaining is severely curtailed or not permitted; women are discriminated against in pay and in jobs. Like other donors, Japan has yet to publish a review of project compliance with core labour rights or environmental standards (or even local laws).¹⁰

Under pressure from the WB, the Government of Pakistan has prepared a *Poverty Reduction Strategy Paper* (PRSP). As for other countries, this paper is

Illustrative Impacts of Japan ODA in Selected Projects

Project	Direct Adverselmpacts	Excessive Fiscal Burdens	Response to Complaints
Chashma Irrigation (ADB)	Flood damage to crops and houses in some areas Loss of water in other areas Inadequate and delayed compensation for loss of land, crops and housing Destruction of fragile ecology	Poor design and construction Large private investment in water pumping	ADB Mgt denied complaints; ADB Board accepted Inspection Report; Pak Govt delaying Action Plan
Left Bank Outfall Drain/ National Drainage Plan (WB)	Drainage effluent and backwash salinity has inundated coast: destroying wetlands, forests, agriculture and fisheries; pollution of drinking water Special severity during cyclone	Poor design and construction Privatisation of Irrigation & Drainage	WB Mgt denied complaints; Affectees have filed Complaint with Board
Chotiari Reservoir (WB)	Loss of crop land, grazing land and fisheries Destruction of fragile ecology Inadequate compensation to landowners for land and houses No compensation to landless, herders and fisherfolk	Widespread corruption	WB withdrew from project without solving any problems
Ghazi-Barotha Hydropower (WB)	Crops and drinking water suffering because of loss of water; no compensation	Delays in Compensation and Resettlement, leading to Penalties paid to Contractor	
Korangi Deep Sea Fisheries Harbour (ADB)	Foreign and Local Trawlers taking away large catch of prime species and wasting larger volume of by-catch	Underutilisation by local fisheries due to inappropriate location and lack of complementary infrastructure	
Korangi Wastewater Project (ADB; postponed)	Destruction of peoples investment in sewage system	Duplication of sewerage infrastructure Underutilisation	Submission to Inspection Committee rejected Provincial government finally refused loan

Project	Direct Adverse Impacts	Excessive Fiscal Burdens	Response to Complaints
Baldia Sewerage (ADB)		<i>Inappropriate design and hence severe underutilisation</i>	
Solid Waste Disposal Project (UNDP)		<i>Unusable hardware Complementary public investments not made</i>	
Lyari Expressway	<i>Massive displacement of people and enterprises without compensation</i>	<i>Core problem of transport not solved Improper design</i>	<i>ADB denies funding</i>
Social Action Programme (WB)		<i>Phantom infrastructure Unused infrastructure Low-quality service delivery</i>	
Privatisation of Karachi Water Services (WB & ADB; postponed)	<i>300% increase in tariffs for all Minimal increase in coverage of poor and low-income areas Small reduction in water loss Minimal expansion of safe waste water disposal No performance conditions Private monopoly over entire city for 20 years</i>	<i>Guaranteed profits Additional loans Outstanding loans remain public liability</i>	
Access to Justice Programme (ADB)		<i>No correspondence between public needs and programme actions Over half goes to Police; Judiciary gets more than one-third</i>	
Note: IFI in parenthesis is the lead donor in project/program. For evaluations, see references in footnotes. All projects/programs have large slush funds for consultants, which mostly serve to distract professionals from social obligations.			

supposed to provide the general framework for future assistance from all donors, including Japan. In the aid establishment of Japan there has been some public voicing of critical views about the *PRSP*, but the aid agencies seem to have generally accepted the approach of the WB.¹¹

The fact that *PRSP* is essentially an elaboration of the World Bank's (neo-liberal) approach to development should surprise no one. It is equally unsurprising that the *PRSP* has been produced with little substantive consultation from civil society in Pakistan. Despite contrary claims, there is little domestic ownership — even among state elites — since the government has not attempted to get formal endorsement of the National Assembly or Senate or even of the new National Security Council installed by the President General.¹² To obtain funds directly from donors, provinces have 'prepared' their own strategies within the overall framework.¹³

There is no doubt that the current ODA system (of all donors) is far from being an effective instrument for development — benefits are narrowly distributed while burdens are imposed widely on the poor. In fact ODA often increases poverty.¹⁴ Aid projects may provide large but only temporary increases in jobs, hence creating a short-lived impact upon poverty. The temporary reduction in poverty for some just does not offset the permanent increase in the poverty of many others currently and in the future, aside from the fact that redistributing poverty is

unacceptable. International bidding, and tied aid in particular raises costs dramatically. Donor countries get back ODA loans twice over once the principal is repaid, and often high rates of interest over and above this. The simple macroeconomics of loans also casts serious doubt about ODA loans. The economy can hardly grow more than 4 percent annually, but interest rates usually exceed this rate of growth. ODA enhances patronage funds for government, thus deflecting calls for good, democratic governance.

Specially through IFIs, Japan ODA has promoted market-based provision of public needs. Pakistan has been straitjacketed by Structural Adjustment Loans with the goal of reducing public spending and privatizing public enterprises. As has happened elsewhere, the poor have suffered from increasingly inequitable access to quality education and health care, and even to clean drinking water. Even as the number of unemployed and the poor has risen, livelihoods of labour have become insecure, and increasingly fewer people realise core labour rights.

3. Official Perspectives in Japan

We know that Japan ODA has serious problems in conceptualisation, implementation and operations. In view of substantial and increasing ODA levels, it is important to ask if the system of Japan ODA is likely to change appreciably so that such problems are minimised in the future?

What is the view of development needed for people in Pakistan? Of consultative processes that privilege people rather than client government? Of improving projects and programmes to help rather than hurt people? It may well be useful to recall (in more ways than one) that ‘the road to hell is paved with good intentions.’ For an indicative answer to such queries, we look at some recent government documents. Since the ODA system is poorly equipped for public consultations, and it is expensive to interview top aid officials in Islamabad (even were they to be available), the paper does lack a frank perspective from those Japan officials who actually implement Japan ODA in Pakistan.¹⁵

JBIC published an ex-post evaluation of projects in February 2004.¹⁶

Unfortunately, the study of Pakistan ODA is restricted to a relatively minor project of water supply. The *Annual Report* for 2003 merely lauds its road projects in Pakistan. JBIC has a narrow view of using aid for development (rather than growth) – an illustration of which is the recent *Special Term for Economic Partnership (STEP)*. More favourable terms for loans are offered when recipients commit themselves to a higher ratio of tying procurement to “*excellent Japan technology and know-how.*”

JICA last published its *Annual Report* in September 2003.¹⁷ Impervious to peoples evaluation (as contrasted to evaluation by experts and governments) of its *Technical Co-operation*, the Report states blandly that

“*JICA deems that an expansion of bilateral grants mainly involving technical co-operation is an essential requirement for increasing the grant ratio of Japan’s ODA [which is one of] two of the main indices of the quality of aid.*” Since Japanese expertise and training are usually requested for mega projects which are wholly anti-poor — or for unsustainable state-of-the-art equipment peddled by Japan industry which are blatantly cost-ineffective – should this mean that Japan ODA will primarily support such boondoggle projects, in a business-as-usual approach?

In this regard, it is instructive to examine some of the terms used by JICA (in its *Annual Report*).

Accountability [is the] responsibility to furnish adequate and accurate explanations to citizens and the people of a recipient country regarding content, financial affairs, and reasons behind decisions when proceeding with development aid and international cooperation activities and programs.

Core support for important policies [is] direct support for pivotal institutions within governments responsible for formulation of important policies such as financial and monetary policy, industrial policy, and regional policy concerned with transition to a market economy.

It is refreshing to find that accountability will be to citizens and people (rather than just

public representatives and government), but note that it is only to the extent of information rather than consent. In any case, one would be hard pressed to find evidence of systematic implementation of even such limited accountability. Note also that accountability does not seem to extend to sharing lessons learnt from (multiple, repeated and obvious) failures of programs.

Promotion of economic development through markets is understandably important to Japan's economy and the Pakistani state. But why are other pressing issues of the Pakistani people such as poverty and environment not (genuinely) central to goals of Japan ODA. If Japan's economy decides the character of Japan ODA, then is there much that ODA can really do for Pakistan's (just and sustainable) development beyond (inequitable) growth? We all know that market-based growth in an inequitable economy will do little to reduce poverty specially when it is rapid growth; existing institutional mal-governance will also do little for poverty through the expansion of public investment made feasible through rapid growth.

A review of *ODA to Pakistan [Review]* was prepared for JICA in 2003. The aid agency expected the *Review*¹⁸ to accomplish two major goals.

One is to get to the bottom of the challenges facing Pakistan from a socio - structural perspective, while paying

attention to new developments in and around the country so that analyses of sustainability of present economic recovery and development process become possible. The other is to explore both desirable directions for the development of Pakistan and the optimal approach for Japan's ODA to the country from the medium - and long - term perspectives based on the factors and paths to make present development sustainable.

The reference to the present economic recovery is, to say the least, curious in view of increasing mass poverty and entrenched inequality (acknowledged by donors but denied by government).

From the JICA web summary and the introduction to the JICA study, the Japanese government apparently considers President General Musharraf to be on the right track for development. Furthermore, in its view Pakistan has not been "*able to overcome structural problems [of growth] due mainly to frequent regime changes and incoherent policies. The present government still faces many challenges including rampant terrorism, high poverty rate, Kashmir conflict with India and contraband traffic from Afghanistan.*"¹⁹

Since the *Review* may be influential in both government and the larger policy community of Japan, its analysis and recommendations require comments. We find a host of issues for which the *Review* can be taken to task.

There are at least three necessary conditions for sustainable development: maintenance of law [whose?] and order [for whom?] and the consistency and continuation of policy directions [which are?]; ensuring equality of opportunities [through what structural changes?]; and strengthening social monitoring capacity...as the framework of the interaction between the ruling structure and the countervailing forces [?] of society... It is this weak social monitoring capacity that has failed to check the rent-seeking behavior of the ruling elites and [who has?] invited military intervention at times of civilian government failure.

The military action of the US against terrorists in Afghanistan has highlighted the significance of imbalanced regional development (ignoring the role of US and Pakistan military in creating the Taliban!). The redirection of public investment seems urgent [implying support to dubious mega infrastructure projects?]...

Sustainability can be assured through the rapid growth of social monitoring capacity, a healthy market economy [for people or capital?] and balanced regional development [without strengthening fiscal federalism?]...

We have identified three directions for development efforts. The first is the direction of human development, in

which the main objectives are to eliminate gender bias and to accelerate the growth of the middle class, and to ensure equality in medical and health services and human security [meaning what and how?]. The second is the direction of economic development, in which the main emphasis is placed on agricultural growth to enhance employment absorption [how?], control the 'black economy,' and ensure industrial growth and the development of a pro-poor infrastructure [meaning what and how?]. The third is the direction of regional development ...public investment for the purpose of equalizing socio-economic opportunities and to support the rapid development of regional capitals [including Karachi and Lahore!] as economic centers...

The most effective means of modifying the power structure would be, as has been frequently asserted by the international agencies, the introduction of radical land reforms...Given the social character of political forces in Pakistan, it would be unrealistic to draft a strategy incorporating the 'required land reform' for the achievement of sustainable development. Alternatively, we presume that ... rapid human development and the pro-poor growth of a market economy could create an environment in which the capability, leadership and resources of the rent-seeking power

elites could be mobilized for development [how and by whom?].

Given limitations and problems [with PRSP], Japan's ODA should stress consistency with the PRSP and at the same time have medium- and long-term perspectives...

Japan is committed to helping Pakistan to improve its debt servicing capacity and achieve high economic growth, and for this purpose will resume assistance for high-quality infrastructure development with yen loans [rather than grants because infrastructure for the middle class?].

For the authors of the *Review*, and for JICA, development is seen essentially as economic and service delivery. Claims to the contrary, the political economy analysis is then naturally quite narrow in scope. Sustainability considerations pay no real attention to the environment, especially to peoples control over natural resources. We should then not be surprised that the recommended strategies for ODA are unlikely to promote basic rights of people, and may even do the reverse under conditions of neo-colonial imperialism masquerading as globalisation and 'war against terror'.

Among the serious questions not raised by the *Review* are those that relate to militarisation of the polity and economy in general and the expanding economic control by the armed forces, directly and

through their foundations.²⁰ The human rights consequences are severe, as exemplified by the repression of peasants in Panjab who have challenged the continued role of the military as landlords over government land.²¹

When properly framed, donor guidelines for projects can help to mitigate adverse impacts. The ADB and WB have (relatively) comprehensive guidelines for their staff (though being gradually weakened and repeatedly violated). How does Japan ODA fare? JBIC last published its guidelines in 2002. A JICA document revised this year also sets out a basic framework.²² It would seem that these guidelines apply only to directly aided projects, i.e. that complaints against IFI projects will not be taken up formally by either of these agencies.

The *JBIC Guidelines* apparently extend to all *future* projects of direct assistance. They provide a welcome, broad determination of adverse impacts, and one can only wish that they would actually be applied to Japan ODA and reduced the immense suffering of people.

However, extracts from guidelines provide little optimism for reversing serious problems in Japan ODA. The *JICA Guidelines* seem to apply to projects where the *client government requests* JICA assistance for dealing with social and environmental problems. It is not obvious why an undemocratic client government will so request JICA; it is not clear that JICA can then be asked to do this task by the

Japan government; and whether the client is then bound by recommendations of a report that it did not ask for. As further reading reveals, one should also have reservations about the seriousness of agency intentions for genuine compliance.

Since there is not much difference between the JICA and JBIC *Guidelines*, we quote extracts together.²³

In its confirmation of environmental and social considerations, JBIC places importance on dialogue with the host country [but not its people?] regarding environmental and social considerations, while respecting the sovereignty of the host country [regardless of international commitments? Of the Japan constitution?].

When third parties [from Japan only?] point out in concrete terms that environmental and social considerations are not being fully undertaken, JBIC forwards such claims to the borrowers and, if necessary, encourages them to request the project proponents to take appropriate action.

If JBIC judges that there is a need for improvement in the situation with respect to environmental and social considerations, it may ask the project proponent, through the borrower, to take appropriate action in accordance with the loan agreement [and if that is incomplete?]. If the response of the project proponent is inappropriate,

JBIC may consider ... suspension of the disbursement [and let people suffer without remedial actions?].

The guidelines outline JICA 's responsibility and procedures, and requirements for the recipient governments to facilitate [but not compel?] achievement of the objectives.

Various documents prepared through the EIA process and reports (EIA documents) must be written in official languages or in languages familiar to people within the host countries. Documents written in understandable languages and forms for local people must be prepared and explained to them. It is requested [but not mandated] that EIA documents be made open to local stakeholders including local people. In addition, EIA documents should be available for public reading at all times, and the making of copies of these for the local stakeholders should be permitted. [what is the responsibility of Japan if recipients fail to do any or all of these?]

'Environmental impact assessment' means evaluating environmental and social, analyzing alternative plans and preparing adequate mitigation measures and monitoring plans in accordance with laws or guidelines of the recipient governments [and what if they are weak as compared to international standards?].

JICA makes a decision to stop cooperation projects and recommends MOFA to do the same when JICA concludes that it is impossible to ensure environmental and social considerations even if the above measures are taken. [how then is MOFA made accountable to affectees?]

Revised in 2003, the *ODA Charter* represents the official framework for international assistance – to be certainly followed by Japanese government agencies, and likely to be also a consensus of State elites.²⁴ Excerpts are illuminating — as inconsistent goals, as well as for deviance between precept and practice (as the case studies illustrate).

Among *Basic Policies*, and *Priority Issues* the *Charter* includes “*Perspective of human security; Poverty reduction; Sustainable growth.*” The *Principle of ODA Implementation* makes clear that this requires “*Environmental conservation and development should be pursued in tandem.*” Further, “*Any use of ODA for military purposes should be avoided; Full attention should be paid to military expenditure, their development and production of weapons of mass destruction, and export and import of arms.*”

So how will additional ODA to Pakistan be justified when it is widely felt that nuclear capability was attained and nuclear development pursued by covert transfers of public resources, including ODA? ²⁵ Presumably Japan’s establishment sleeps

comfortably by ignoring this *Principle*, and being quite confused about the implications of another *Principle* (which has its own inconsistencies) – “*Full attention to promoting democratisation, introduction of a market economy, protection of basic human rights and freedom.*”

And how will policy be formulated and implemented? Mostly by Japan and international bureaucrats in the donor community, with a token reference to domestic and international NGOs. Explicit consultations with citizens are restricted to Japan.

Donors meet annually with government in Islamabad at the *Pakistan Development Forum* to make public their consensual perspectives in a spirit of ‘harmony’. At the 2004 Forum, it is notable that the Japan delegation chaired a single session, and that too on Water Resources Development.²⁶ For Pakistan this usually means mega projects that rob the many to enrich the few, i.e. whose history is both contestable from the view of efficiency and equity, and evidently depriving many poor people from secure life and livelihood.

Being considerably more influential in Manila than in Washington, the most important conduit for Japan ODA (and state interests) remains the ADB. What is it that the ADB says should be done for Pakistan and why?

Towards the end of September 2004, the Bank issued a significant press release

after a Board update of the *Country Assistance Strategy*. It welcomed the improvement in GDP growth, exports and remittances – all macroeconomic indicators. Notably missing was any reference to poverty and unemployment, conveniently since both the incidence and intensity of poverty have been increasing. The data on remittances is self-serving since neither government nor donors can claim credit for increased remittances — except perversely, since remittances are coming at high levels in consequence of the ‘war on terror.’

The ADB goes on to state that:

The program in Pakistan will put new emphasis on assisting infrastructure projects with greatest impact for growth and poverty reduction over the next two years. ADB supports the Government’s shift in emphasis toward higher sustained growth to ensure that the benefits of structural reforms that are taking place reach the poor. Priority will be on rehabilitating existing infrastructure in irrigation, roads, and urban centres, as well as addressing critical gaps in the power sector. ADB will also promote public-private partnerships for infrastructure development through a combination of loan and risk mitigation products.

Additional details from the *Country Assistance Strategy* are revealing in ADB’s vision of development strategies for Pakistan (extracts in the Appendix).²⁷

These are no doubt shared by the Japan aid establishment. ADB expects (supplementary?) contributions from Japan to include:

Potential support to improvement in electric power distribution. JBIC [is] currently providing financing for Ghazi-Barotha for transmission lines. JBIC will also support public-private partnerships [privatization?] and promote effective electricity distribution and tariff collection, and provide financial assistance for hydropower [mega dams?] and rural electrification.

SME enterprise development program, investment promotion, and information technology promotion [pro-poor?]. JBIC to also support SME development.

Support for Irrigation and drainage improvement program [ignoring downstream impacts?]. Flood control assistance [diversionary boondoggles or Chashma-type disasters?]. Support for water resources development program [mega projects?]. JBIC support for sustainable irrigation development [corporatization?].

Support for urban water supply schemes, environmental monitoring systems, solid waste management and sewage disposal [more Korangi and Baldia boondoggles?]. JBIC’s support for organizational reforms in urban water supply [privatization?].

On the other hand, this is what the ADB Country Director has to say:²⁸

ADB has endorsed the Government's reform program and has provided an assistance of \$3.2 billion during 1999-2002 in support of the reform effort and investments for poverty reduction and economic growth. Over the last decade, the ADB's development policy in Pakistan ... shifting from an emphasis on infrastructure projects to a more defined focus on poverty reduction

Are these real conflicts between Manila and Islamabad, or just the usual double-speak of IFIs?

4. Improving ODA

From the *perspective of peoples both in Japan and Pakistan*, all ODA problems point to the *core issue of conceptualisation of projects and programmes*. What can we do to push for a *rights-based development agenda, so that ODA no longer remains an "Odious Debt Alliance?"*²⁹ What can we do to ensure that aid institutions – in Japan and in IFIs, as well as in Pakistan – acknowledge and accomplish a more significant role of people and communities in the selection, design and implementation of projects?

Japan aid agencies have serious outstanding obligations towards poor people substantially hurt by its funded projects – directly and through IFIs. Restitution as compensation for damages

and restoration of livelihoods must be comprehensive and prompt. There are two ways in which this can be done. One is to cancel debts with the condition that debt servicing saved is applied for this purpose. Another route is allocating additional funds in new projects for the purpose (and conditionality). There is a precedent for this in the Ghazi-Barotha Hydropower Project, where funds for the new project were made conditional on adequate compensation to affectees of Tarbela Dam. As long as Japan aid agencies deny their obligations to redressal, what can be done to halt additional projects?

We may be able to reform only future ODA. How then could Japan ODA agencies such as JICA and JBIC be persuaded to evaluate compliance with guidelines in a participatory manner with affectees and then stop funding projects if their guidelines are not being implemented?

These (limited) issues have, in fact, been raised repeatedly even within the Japan aid agencies themselves. Almost a decade ago, a JICA Aid Study Committee posed the issues as follows:³⁰

Why is it necessary to incorporate the concepts of participatory development and good governance into the implementation of Japan's aid to developing countries? How should they be incorporated?

What should be taken into account in the actual process of aid planning and

implementation? What specific types of aid will promote participatory development and good governance in developing countries?

What are the relevant challenges and points to be borne in mind when implementing aid?

In its recent Annual Report, JICA includes in its “Pillars of Aid – Eradication of Poverty,” the need for “approaches to structural issues by examining reasons why the [Southwest Asia] region has so many poor people, and why the number of poor people does not decrease despite economic development.” How do we hold JICA accountable for actions consistent with its pronouncements?

However one phrases the responses, the outcomes of the answers largely depend on what Japanese civil society organisations want to and can do. Within Japan, it is a question of the scope of greater political action – lobbying with public representatives as well as with government representatives in IFIs (such as the Executive Directors in ADB and WB).

More meaningful accountability is also needed from ODA organisations such as JICA and JBIC, including the participation of Japan NGOs in post-project evaluations. Stronger complaint mechanisms need to be established, which not only cover directly aided projects but also require a public response from government agencies when a complaint is filed with IFIs supported by Japan ODA.

These are difficult tasks since the Japan government acts (as do most governments) as if its primary accountability is to other client governments rather than to people – e.g. as late as 2003, the MOFA-led Workshop on ODA Evaluation was confined to participants from other governments.³¹

Some advocacy NGOs of Japan (such as JACSES) have recently begun active collaboration with organisations in Pakistan.³² This needs to become both more extensive and intensive. Exchange of information is useful but cannot replace more frequent and extended visits to Pakistan by Japan NGOs. When the visits are in genuine solidarity there can be no fear of critical interactions between comrades who deny cultural and geographic borders constructed by state elites. Capital is unified in the new global order: labour has no choice but to seek universal solidarity for social justice.

It is evident that serious problems in Japan ODA are shared by most recipient countries. Hence the need for fundamental reforms in all ODA, including that from Japan. The direction of reforms – ‘harmonised’ across donors — can be summarised through a recent statement by the Reality of Aid network (*Focus on Governance & Rights in International Co-operation*).³³

- *Development co-operation programs to reflect binding obligations under human rights law and the rights based approach, including the right to development*

- *Any terms must be fairly and transparently negotiated with participation of and accountability to people living in poverty*
- *Efforts to achieve MDGs must be founded on strategies that empower and recognise the rights of all people, including the poor no matter where they live*
- *Aid should support governments, representative institutions and legislatures in formulating national poverty reduction strategies; aid should not determine the process; IFIs must not remain the monopoly providers of policy advice or the gatekeepers on resource transfers*
- *Aid should be treated as money held in trust for the poor*

Appendices

Extracts from *Official Development Assistance to Pakistan*, Japan Embassy-JICA-JBIC

Extracts from *Country Strategy and Program Update 2004-22006*, Asian Development Bank, Manila: July 2003

Selected Web Links

Embassy of Japan

www.pk.emb-japan.go.jp/ECONOMIC/ODA%20Pamphlet/ODA%20toppage.htm
(*Official Development Assistance to Pakistan published by Japan Embassy*)

Ministry of Foreign Affairs

www.mofa.go.jp/policy/oda/white/2001/contents.pdf (*Japan's Official Development Assistance White Paper 2001*)

www.mofa.go.jp/policy/oda/reform/revision0308.pdf (*ODA Charter 2003*)

JICA

www.jica.go.jp/english/publication/studyreport/country/pak/pdf/pak_01.pdf
(*Country Study for ODA to Pakistan 2003*)

www.jica.go.jp/english/publication/studyreport/country/part/part_03.html
(*Participatory development and good governance report of the Aid Study Committee 1995*).

www.jica.go.jp/environment/guideline/pdf/guideline_eng.pdf (*JICA Guidelines for Environmental & Social Considerations*)

www.jcif.or.jp/e/about/ (*Japan Center for International Finance*)

JBIC

www.jbic.go.jp/english/environ/guide/finance/eguide/pdf/guide.pdf (*JBIC Guidelines For Confirmation Of Environmental And Social Considerations*)

www.jbic.go.jp/english/oec/environ/hand/index.php (*JBIC Handbook on Social Dimensions for ODA Projects*)

www.jbic.go.jp/english/base/achieve/annual/2000/pdf/2000.pdf (*Japan Bank for International Cooperation, Annual Report*)

Asian Development Bank

www.adb.org/Documents/CSPs/PAK/2003/default.asp (ADB Country Assistance Strategy 2004-2006)

adb.org/Inspection/Projects/Chasma/appendix01.pdf;

adb.org/Inspection/Projects/Chasma/appendix03.pdf (Complaint on Chashma filed with the ADB in 2002)

www.adb.org/Media/Articles/2004/5674_pakistan_inspection_committee/default.asp?RegistrationID=6684 (ADB Board Response to Complain on Chashma)

www.adb.org/Inspection/Projects/korangi_wastewater_creed.asp (ADB version of complaint filed for Korangi Wastewater Management Project)

World Bank

textsearch.worldbank.org/servlet/ SiteSearchServlet?q=japan+assistance+to+pakistan (World Bank survey of Japan ODA)
[wbln0018.worldbank.org/IPN/IPNWeb.nsf/\(attachmentweb\)/PAKNoticeofRegistration/](http://wbln0018.worldbank.org/IPN/IPNWeb.nsf/(attachmentweb)/PAKNoticeofRegistration/)

[\\$FILE/PAKNoticeofRegistration.pdf](#)

(Complaint on National Drainage Plan filed with the World Bank in 2004)

Government of Pakistan

www.finance.gov.pk/survey/home.htm (Annual Economic Survey)

www.sbp.org.pk/reports (Annual Report by the State Bank)

Others

www.chashma-struggles.net/ (Activist website on Chashma Irrigation Project)

www.bicusa.org/bicusa/issues/ (Aid-watch website of the Bank Information Centre)

www.forum-adb.org/policies (Aid-watch website of the NGO Forum on the ADB)

www.focusweb.org/main/html/index.php (Development website of Focus on the Global South)

www.realityofaid.org/Asia/ (Aid-watch website of the Reality of Aid Network)

APPENDIX

Official Development Assistance to Pakistan Japan Embassy-JBIC-JICA

JAPAN, A TRUSTED DEVELOPMENT PARTNER TO PAKISTAN SINCE 1952

Japan and Pakistan in April 2002 commemorated the 50th anniversary of diplomatic relations between the two countries. Japan opened its Embassy in Karachi on 28th of April 1952, and initiated its economic assistance with provision of technical assistance in 1954; ODA loan in 1961 and grant aid in 1970 and has continuously played an important role in Pakistan's development.

Both the countries have been enjoying very cordial and friendly relationship for the last five decades. Japan through its Official Development Assistance (ODA) has long been supporting Pakistan in a wide range of fields including development of large-scale infrastructure, social sector projects as well as human resource development. The commitment of Japan being a development partner to Pakistan is unchanged and Japan will continue to assist the country in its efforts to reduce poverty by addressing the prioritized areas of assistance.

JAPAN ASSISTED PROJECTS IN PAKISTAN IN VARIOUS SECTORS

In 2003, Study Committee on Japanese ODA to Pakistan, comprised of Japanese academics, Embassy of Japan, JBIC, and JICA, completed its study on Japanese long term assistance strategy to Pakistan. The Committee concluded that Japan should assist Pakistan's efforts for sustainable development.

In order to achieve such a goal, Japan is actively supporting the efforts of the Government of Pakistan to revive its economy and to reduce poverty through series of reforms and Poverty Reduction Strategy Paper (PRSP). In doing so, seven areas were identified as being crucial: 'Health', 'Education', 'Water', 'Economic Infrastructure and Development', 'Governance and Economic Reform', 'Agriculture', and 'Environment'.

HEALTH The Japanese government is supporting Pakistan's efforts to reduce infant mortality rate. Since 1996, under Expanded Programme of Immunization (EPI) of the Pakistani government, continuous support for procurement of oral polio vaccine has been provided that constitutes almost half of the total vaccine requirements to eradicate polio among Pakistani children. Similarly, grant is also being extended for immunization against Neonatal Tetanus, since 2000. Technical cooperation is also expected to begin on TB control for the DOTS implementation in Punjab.

Pakistan Institute of Medical Sciences (PIMS) is one of the prominent examples, where the Government of Japan has supported the improvement of health services and human resources development. Japan continues to provide its support to health sector through programs such as In-country training “Safe Management of Newborn Infants” which has been conducted since 2001 in Children’s Hospital, a set up with in PIMS. Another In-country Training “Safe Motherhood” will be carried out starting from this year in Mother and Child Health Care Center (MCHC) which is also a part of PIMS.

In addition, Japan has started a study on Improvement of Management Information Systems in Health Sector since January 2004. The major objective of this study is to formulate a national action plan for the improvement of health information system, which will respond to the information needs at each level of public health service delivery.

Education Balochistan Middle Level Education Project is an ongoing ODA loan project that aims to improve access and quality of middle level education and reduce gender disparity in the province of Balochistan. Japan supports upgrading of 200 primary schools to middle schools, construction of science rooms and technical workshops, together with the provision of necessary equipment. The project scope also includes recruitment and training of general and technical teachers.

Government of Japan has also assisted for strengthening literacy programs in Pakistan. Japanese experts were dispatched to EFA Wing, Ministry of Education in order to strengthen the function of policy formulation and coordination capacity of EFA Wing. A 3-year project for improving the District Literacy Programs will also be starting to establish Literacy Management Information System (LitMIS) in 4 districts of Punjab

Water

Irrigation In this sector, the Japanese Government has been the prime bilateral donor along with multilateral donors as the World Bank, and has provided assistance through ODA loans, grant assistance and technical assistance. Under On-farm Management Project, which is an ODA Loan project, watercourses at the on-farm level were improved, training centers were established, and farmers and government officials received trainings. Japan is also assisting a project such as National Drainage Program, which is co-financed by the World Bank and Asian Development Bank.

Water Supply and Sanitation Unsafe water and insufficient sanitation lead to high mortality and water borne diseases, and Pakistan, along with other developing

countries greatly suffers from such problems. In this sector, the Japanese Government has assisted through ODA loans, grants and technical assistance.

Metropolitan Water Projects (Khanpur I and Simly), which were completed in 1997 and 2000, are ODA Loan projects aimed at building water supply system in Islamabad and Rawalpindi. Karachi Water supply Project is another project, which is currently being implemented to strengthen water supply capacity at Hub and Pipri treatment plants.

Economic Infrastructure and Economic Development

Transportation Kohat Tunnel Construction Project is an ODA Loan project that was completed in 2003. The project was a first major tunnel project in Pakistan, aiming to remove the impediments in Indus Highway (N55), which the Japanese Government has been assisting for many years. There is another on going project for rural road development, which is administered by Federal Ministry and implemented by Provincial Governments. Japan is also extending various technical assistance and trainings, such as dispatching advisor to NHA.

Power Ghazi-Barotha Hydropower Project is one of such ODA Loan projects co-financed by various donors including the World Bank, the Asian Development Bank, and the Islamic Development Bank. The project is expected to cover the estimated increase in power demand in Pakistan and change its dependency from thermal power to hydropower. Japanese Government has also provided assistance for ODA loan projects such as rural electrification, national grid line strengthening, and power generation such as Bin Qasim and Jamshoro.

Private Sector and Investment Japan has cooperated in projects designed to promote the development of Pakistan's industries. In 1977, Japan extended the first ODA loan for the establishment of two cement plants and provided grant assistance for the establishment of "National College of Textile Engineering in Faisalabad".

'Establishment of Geo-science Laboratory Project' was carried out in 1989 and 1990 through grant aid support to the Geological Survey of Pakistan for the establishment of a modern research laboratory, furnished with high degree analytical equipment for exploration of the very rich natural resources of Pakistan.

Japan is also providing support for 'Pakistan Industrial Technical Assistance Center (PITAC)', Lahore in the field of 'Plastic Molding Technology' by means of Project-Type Technical Cooperation for a period of four years. The project which was started in September 2002 currently has 4 Japanese experts who are training the local manpower in this new technology.

GOVERNANCE Japan will continue the training programme on “Local Administration” for 30 young officials from key fields, selected each year from various federal/provincial government departments, thus contributing to Pakistan’s future development. Also, in order to enhance administrative capacity of local government, a technical cooperation project will be carried out in three selected districts of Punjab. Support will also be provided to develop an effective monitoring mechanism under PRSP.

AGRICULTURE A grant was provided in 1993 to the National Agricultural Research Center, Islamabad for establishment of “Plant Genetic Resource Preservation Laboratory” to conduct research for development of high-yield plants. A five-year Project Type Technical Cooperation was implemented in 1993 through 1998. Numerous Japanese experts were dispatched and provided their expertise in enhancing the capacity of the local scientists through transfer of technology and skills in areas of genetic resources preservation.

Environment Japan is focusing mainly on Urban Environmental Protection in the areas of Air & Water Pollution and Solid Waste Management

Currently, two Japanese experts are working with the Pakistan Environmental Protection Agency (Pak-EPA). One expert deals with Urban Environmental Protection which includes: Air Pollution Control, Water Pollution Control and another expert is working in the area of Solid Waste Management on a project called “Integrated Management of Solid Waste”.

In addition to dispatching experts, studies for two projects will be carried out in near future: A Basic Design Study for “Establishment of Environmental Monitoring System in Pakistan” and “Master Plan Study on Karachi Industrial Wastewater Management”.

APPENDIX**COUNTRY STRATEGY AND PROGRAM UPDATE 2004–2006 PAKISTAN
ASIAN DEVELOPMENT BANK
July 2003****LENDING PRODUCTS**

- (i) Table A3.1: Sustainable Livelihoods in Barani Areas Project (Punjab)
- (ii) Table A3.2: Agriculture Diversification and Agribusiness Development
- (iii) Table A3.3: Cleaner Fuel
- (iv) Table A3.4: Balochistan Public Resource Management Program
- (v) Table A3.5: Southern Punjab Basic Urban Services
- (vi) Table A3.6: Decentralized Social Services
(Balochistan, North-West Frontier Province, Punjab, and Sindh)
- (vii) Table A3.7: Restructuring of Technical Education and Vocational Training System
- (viii) Table A3.8: Rawalpindi Environment Improvement
- (ix) Table A3.9: North-West Road Development Sector and Subregional Connectivity
- (x) Table A3.10: Balochistan Rural Development and Drought Mitigation
- (xi) Table A3.11: Sindh Coastal and Inland Community Development Project
- (xii) Table A3.12: Renewable Energy Development
- (xiii) Table A3.13: Punjab Resource Management Program—Subprogram 2 and 3
- (xiv) Table A3.14: Federally Administered Tribal Areas (FATA) Governance
- (xv) Table A3.15: Public-Private Infrastructure Financing Facility
- (xvi) Table A3.16: Family Protection Project
- (xvii) Table A3.17: Sindh Basic Urban Services
- (xviii) Table A3.18: Water Sector Development

- (xix) Table A3.19: Sindh Forestry Sector Development II
- (xx) Table A3.20: Microfinance Sector Development Program II
- (xxi) Table A3.21: Punjab Local Justice Support Program
- (xxii) Table A3.22: Social Health Insurance
- (xxiii) Table A3.23: Subregional Connectivity I
- (xxiv) Table A3.24: Power Transmission and Distribution Enhancement
- (xxv) Table A3.25: Trade, Export Promotion, and Industry Program (TEPI) II

NONLENDING PRODUCTS

- (i) Table A4.1: Water Sector and Irrigation Development in Pakistan
- (ii) Table A4.2: Strengthening NGO Engagement in ADB Policy and Operations
(Balochistan and Punjab)
- (iii) Table A4.3: Punjab Resource Management Program
- (iv) Table A4.4: Strengthening Alignment of ADB Operations to Devolution
- (v) Table A4.5: Enhancing Pakistan's International Competitiveness
- (vi) Table A4.6: Private Sector Infrastructure Financing
- (vii) Table A4.7: Decentralization Support Program
- (viii) Table A4.8: Border Area Rural Development (NWFP)
- (ix) Table A4.9: Energy Sector Development Fund
- (x) Table A4.10: Pension Reform
- (xi) Table A4.11: Balochistan Basic Urban Services
- (xii) Table A4.12: Provincial Road/Rural Access (Cluster TA II)

Endnotes

- * Taking note of discussions at the Conference and the Symposium at Sophia University, this is a revised version of the Country paper delivered at the Conference. The author works for the South Asian labour movement as Senior Fellow at PILER, and joins broader activist solidarity in Pakistan as a Co-ordinator of the creed alliance. However, neither PILER nor creed assumes agreement or responsibility for all of the views expressed in the paper.
- ¹ www.jbic.go.jp/autocontents/english/news/2003/000006/ There is a general impression that only low levels of aid were provided since 2001; this is mistaken, as evident from the information given by the Japan Embassy: "a grant of \$300 million was pledged in November 2001;" see *Official Development Assistance to Pakistan*, Embassy of Japan: Islamabad [www.pk.emb-japan.go.jp/ECONOMIC/ODA%20Pamphlet/Overview.htm].
- ² Following debt cancellation of around a billion dollars, the US has begun to implement large-scale economic and military *grant* aid to Pakistan. It would be surprising if Pakistan's nuclear weapons program did not obtain additional financial resources without visible allocations from the public budget. President General Musharraf has repeatedly stated that Pakistan 'joined' the 'war on terror' because its nuclear assets came under threat (from whom?).
- ³ Japan NGOs may want to focus additional attention on DFI from Japan — since the division between private and public sectors should be seen more as a division of who manages resources rather than who owns resources. General and specific subsidies given to Japan industry by Japan and Pakistan are a specific intervention. A dubious impact on Pakistan development is evident from the coincident expansion of Japan auto industry and decline of public investment in mass transit. Is it any wonder that Japan ODA supports road projects in infrastructure assistance?
- ⁴ The paper would have but could not benefit from the requested sharing of information from IFIs and Japan agencies resident in Islamabad. Country offices of WB and ADB were similarly unresponsive. The knowledge of power among the few clearly excludes many from the power of knowledge.
- ⁵ Official data sources of the Pakistan government are the *Economic Survey* by the Ministry of Finance [www.finance.gov.pk/] and the *Annual Report* by the State Bank [www.sbp.org.pk/reports/]; the latter is considered less propagandist though both are largely social abstractions. It is not clear if this includes contingent liabilities on account of private external debt.
- ⁶ *Official Development Assistance to Pakistan*, Japan Embassy: Islamabad [www.pk.emb-japan.go.jp/ECONOMIC/ODA%20Pamphlet/Overview.htm]. A list of projects is provided in www.pk.emb-japan.go.jp/ECONOMIC/ODA%20Pamphlet/ODA%20projects.htm. See also *Japan as Top Donor*, Japan Embassy: Islamabad [www.pk.emb-japan.go.jp/Booklet/Economic%20Relations/Japan%20Top%20Donor.htm].
- ⁷ *News Release*, ADB: Manila, September 27, 2004 [www.adb.org/Documents/News/2004/nr2004124.asp] and *Country Strategy And Program 2004–2006*, ADB: Manila, July 2003 [www.adb.org/Documents/CSPs/PAK/2003/default.asp]. The strategy and program are discussed in a later section.
- ⁸ As things go, overseas labour has little official recognition of its major contribution to the Pakistan economy.
- ⁹ *National Drainage Program: A Curse for Coastal Communities*, ActionAid: Islamabad, September 2004; see also submission to Inspection Panel of the World Bank. *Displacement, Dislocation and Adverse Impact of Chashma Right Bank Irrigation Project*, NIPA: Karachi, June 2003 [www.nipa-khi.edu.pk/Perils-june2003.pdf]; *NGO Visit to the Asian Development Bank's Chashma Right Bank*

Irrigation Project (CRBIP) in Pakistan: Trip Report, Bank Information Centre: Washington DC, March 2004 [www.bicusa.org/bicusa/issues/Chashma_Trip_Report_final_March_15.pdf]; *Chashma Right Bank Irrigation Project*, NGO Forum on the ADB: Manila [www.forum-adb.org/projects]; see also submission to the Inspection Committee of the ADB. *Market Friendly Rights: The ADB Access to Justice Programme*, PILER: Karachi, Social Watch [www.epw.org.in/]. *Poverty Reduction in Sindh: Donor Strategy in Search for Country Vision*, PILER: Karachi, Social Watch. *ADB Korangi Wastewater Project: Ill-Conceived Boondoggle*, creed: Karachi; *Dirty Business* Newline June 1999. *ADB-Funded KWSB Sewage Plan for Baldia*, Urban Resource Centre: Karachi [www.urckarachi.org/iswm.htm]. *Pakistan's Karachi Water and Sewerage Board – World Bank's Guinea Pig on Water Privatization in South Asia*, NGO-Forum on the ADB: Manila, August 1998 [www.forum-adb.org/RESOURCES/Briefers/0124.pdf]; *Urban Water Reforms: Whose Water? Whose City?* in *The Politics of Managing Water*, Oxford Univ Press: Karachi. *Securing Fisherfolk Rights in Environmental Law and Policy*, Shirkat Gah & PILER: Karachi._

¹⁰ For example, construction involves bonded adult and child labour in brick kilns. See *Forced Labour in Pakistan, Asia Pacific Research Network Journal, Manila, December 2003* [www.aprnet.org/journals/9/v9-2.htm] or *Unfree Labour in South Asia*, Economic & Political Weekly, May 29, 2004 [www.epw.org.in/].

¹¹ For critical views disseminated by JICA through its journal, see e.g. *Approach to Poverty Reduction in Developing Countries and Japan's Contribution*, Technology and Development, No.16, January 2003; and, *On the Effectiveness of the PRSP Regime*, Technology and Development, No.17, January 2004 [www.jica.go.jp/english/publication/studyreport/topical/articles/]. The former article is more sensitive to the political economy of aid and development.

¹² A key political problem in all aid to Pakistan is that the government of Pakistan has always made even the most far-reaching agreements with

donors without any endorsement or subsequent review by the National Assembly. Provinces are now following suit for direct agreements with donors without discussion by the provincial legislature. Even projects for enhancing municipal services are approved by the federal or provincial government without substantive consultation with public representatives in local government.

¹³ For e.g., a provincial government (Sindh) invited NGOs to join in framing the provincial poverty strategy paper. Naturally the NGOs refused to be constrained by the framework of the draft PRSP produced by consultants for the federal government: e.g. *Poverty Reduction in Sindh: Donor Strategy in Search for Country Vision*, PILER: Karachi, Social Watch. The government's reaction to NGO suggestions was to simply hand over the work to a 'development professional', who dutifully produced the standard, technocratic, report required by IFIs. His task was made easier by the fact of being a former World Bank staffer.

¹⁴ See e.g. various publications by the Reality of Aid network, and by Focus on the Global South.

¹⁵ Perhaps frankness is impossible with bureaucrats anywhere – not much was in evidence at the Tokyo-based meetings with senior officials of JICA, JBIC and MoFA.

¹⁶ *Ex-post Evaluation on ODA Loan Projects 2003*, JBIC: Tokyo, February 2004 [www.jbic.go.jp/english/oec/post/2003/index.php].

¹⁷ *Annual Report*, JICA: Tokyo, September 2003.

¹⁸ *Country Study for Japan's Official Development Assistance to the Islamic Republic of Pakistan: Development Towards a Sustainable Society – Medium and Long-term Perspectives*, JICA: Tokyo, November 2003 [www.jica.go.jp/english/publication/studyreport/country/pak/pdf/pak_01.pdf]; emphasis added. The web summary is at www.jica.go.jp/english/publication/studyreport/country/pak/index.html. The study team was led by Professor Shigemochi Hirashima (of Meiji Gakuin University), a respected academic in Pakistan since his fieldwork for Ph.D. at Cornell University.

¹⁹ A comparison of the review summary posted on the JICA website with the full Review is illuminating. Taking the web summary as closer to official thinking, it is apparent that the official view will not admit of being seriously influenced by the study, perhaps because negotiations within the Japanese establishment on the new ODA Charter had already been completed before the JICA study was completed.

²⁰ See *Militarization of Globalization: Impacts upon Economic & Social Rights of Labour*, APRN Conference on **War and Terror: People's Rights & the Militarization of Globalization, Beirut: November 2003**, in PILER: Social Watch; *South Asian Labour for Peace & Development*, Conference on Peace in South Asia, University of Texas: Austin, April 2004, in PILER: Social Watch.

²¹ See www.satribune.com/archives/oct19_25_03/P1_grab.htm, and a fuller expose in *Soiled Hands*:

Pakistan Army's Repression of the Punjab Farmers' Movement, Human Rights Watch [hrw.org/reports/2004/pakistan0704/].

²² *Guidelines For Confirmation Of Environmental And Social Considerations*, JBIC: Tokyo, April 2002 [www.jbic.go.jp/english/environ/guide/finance/eguide/pdf/guide.pdf]; *Guidelines for Environmental & Social Considerations*, JICA: Tokyo, April 2004 [www.jica.go.jp/environment/guideline/pdf/guideline_eng.pdf].

²³ Emphasis added.

²⁴ *Revision of Japan's Official Development Assistance Charter*, Ministry of Foreign Affairs: Tokyo www.mofa.go.jp/policy/oda/reform/revision0308.pdf. We cite the summary given by JICA in its *Annual Report 2003*.

²⁵ Under Pakistan's political system, the military budget is not open for debate by the National Assembly. According to General Musharraf,

oversight of the entire nuclear program development was restricted to the President, Chief of Army, and the Prime Minister. Most Prime Ministers would deny serious consultation.

²⁶ www.worldbank.org/PAKISTANEXTN/Resources/Pakistan-Development-Forum-2004/PDF2004-Agenda.pdf.

²⁷ www.adb.org/Documents/CSPs/PAK/2003/default.asp

²⁸ Country Director Pakistan Resident Mission, speaking at a National Seminar on Child Labour organised by Ministry of Labour, Manpower and Overseas, Government of Pakistan in collaboration with the Social Policy and Development Centre (SPDC) on 15 October at Islamabad [www.adb.org/Documents/Speeches/2003/ms2003077.asp].

²⁹ This is not the place for discussion on a development agenda. These perspectives are available in a note written at PILER for the Five-Year Plan (2005-10) Working Group on Poverty Reduction, Social Protection, Nutrition and Income Distribution.

³⁰ *Participatory Development And Good Governance Report Of The Aid Study Committee*, JICA: Tokyo, March 1995 [www.jica.go.jp/english/publication/studyreport/country/part/part_03.html].

³¹ *The Third Tokyo Workshop on ODA Evaluation*, MOFA: Tokyo, November 2003 [www.mofa.go.jp/policy/oda/evaluation/2003/workshop.pdf].

³² JICA has a NGO Partnership program for Japan NGOs but which is focused on service delivery, and hence unlikely to be suited to NGOs that advocate critical engagement with government, i.e. debate ODA perspectives and dispute project impacts.

³³ *Annual Report* for 2004, published by Ibon: Manila, and Zed Books: London.

Japan ODA to the Philippines

Antonio Tujan Jr.

Commemorating the 50th anniversary of Japanese official development aid is important in the light of its significant impact on development and economy of various countries around Asia and the world. The Philippines itself is the third largest recipient of Japan ODA after China and Indonesia. [See Table 3 Annex] Thus Japan ODA has been the main source of support for Philippine development projects and needs since it started 45 years ago in 1960.

The Philippines has received a total of \$9.991 billion in net disbursements, equivalent to 43% of all development assistance received since 1960 to 2002. Annually, Japan ODA has generally

occupied the dominant share of all development assistance to the Philippines. While the trend has been somewhat erratic, net disbursements of Japan ODA comprised 55% of total DAC assistance starting in 1960 amounting to \$37.85 M, already outstripping USAID. In 2002 (latest data available), it has comprised 62% of total DAC assistance and amounted to \$318.02 M. [See Table 1 Annex]



San Roque Dam, a \$1.19 billion project funded by JBIC, is implemented by a consortium of foreign corporations led by Marubeni

Achievements in infrastructure development

Such substantial amounts of ODA translate to major accomplishments especially in infrastructure development since 1969. The Japan embassy in the Philippines reports the following sectoral accomplishments, to wit:¹

(1) Roads and Bridges

“13% of all National Highways were improved through Japan ODA”

A total of 260 billion yen (PhP113 billion) have been allocated to national highway projects. Thirteen percent (13%) of all national highways, including the 2,100-km Philippines-Japan Friendship Highway (Pan Philippines Highway stretching from Aparri in Cagayan Province to Davao), have been constructed and rehabilitated through Yen loans. Two hundred (200) new bridges, including the Second Mandaue-Mactan Bridge and the San Juanico Bridge, were built while another 200 bridges are under construction or repair.

(2) Power and Energy

“Japan assisted 8% of energy generation”
A total of 286.6 billion yen (PhP124.6 billion) was extended for the construction of power plants, which generate 8% of the country electricity (including electrification of poor and rural areas). Japan supported the development of geothermal power generation as well as the development and interconnection of power grids.

(3) Potable Water Supply

“Million Filipinos enjoy clean water”

Water facilities built by Japanese ODA provide drinking water to an estimated 13 million Filipinos. Two-thirds of all grants to the sector come from Japan. Japan is also supporting rural water supply and water quality improvement.

(4) Airports

A total of 110 billion yen (PhP 47.8 billion) have been channeled to the construction of major airports, which include the NAIA 2 and Cebu-Mactan international airports. These facilities cater to about 13 million passengers taking domestic flights and about 8.3 million passengers taking international flights. Three more international airports are being built.

(5) Ports

“62 major and small ports were built”
Japan supported the construction, expansion and the improvement of major ports such as the ones in Subic, Cagayan de Oro and Batangas. Fifty-nine (59) small-scale ports were also built or rehabilitated to provide greater access to various areas and facilitate industrial development.

(6) Flood Control

“No more Ormoc disaster”

All over the country 22 major flood control projects were assisted by Japan. For instance, in response to the flash floods that killed an estimated 8,000 people in

Ormoc in 1991, the Ormoc City Flood Mitigation Project was completed in 2001. Just after the project completion, Ormoc was hit by another massive typhoon which had the same intensity as 1991 storm, but the Flood Mitigation Project prevented the recurrence of similar devastation.

(7) Agriculture

“129,000 has. were irrigated in 10 years”
In the last ten years, more than 50% of all irrigation projects in the Philippines has been funded by Japan, irrigating an estimated 129,000 has. of farmland Japan.

(8) Environment

Japan supports the Philippine Government in various environment management projects such as reforestation, solid waste management and Metro Manila Air Quality Improvement.

(9) Health

Japan has extended grants and technical assistance amounting to a total of Yen 20 billion (PhP 8.8 billion) for the Philippine health sector. The most noteworthy projects include upgrading and expansion of major hospitals and research institutes, including the Philippine General Hospital, Vicente Sotto Hospital, Davao Medical Center, and Benguet Hospital. Services at other regional hospitals were improved through the provision of medical equipment. Japan has also extended its support on research center for infectious diseases.

(10) Education

“More than 65,000 classrooms are built”
Japan extends grants and loans for the expansion of school buildings. So far, 1,557 classrooms and 156 science laboratories, have been constructed at a cost of P4.4 billion under grant-aid while the construction of 64,000 classrooms is ongoing funded by loan schemes. Japan also focuses on improving science and mathematics education and teachers' capabilities.

While there is no doubt that Japan development assistance has provided invaluable support to the development of the Philippines, there are also significant problems resulting from the nature of Japan aid and supported projects. A prominent issue is that the bulk of Japan aid to the Philippines comes in the form of loans which contribute to the country's debt burden. Another significant issue refers to the character and process of determination of projects which has resulted in various negative impacts to the people.

Contributing to the debt burden

While the scale and results of Japan development assistance is remarkable, the impressiveness of the performance disappears when it is noted that this was not free assistance, but was provided mainly in the form of loans. Net ODA loans disbursed since 1969 amounted to \$6,230.45 million and constitute two thirds or 63.84% of total aid amounting to \$9,760.14 million from 1964 to 2002.

[See Table 2 Annex] This constitute the bulk of \$16.895 billion outstanding bilateral debt as of 2003 and is a significant share of total outstanding foreign debt of the Philippines at \$57.395 billion as of 2003.

In the context of a prudent fiscal policy, these ODA loans, while arguably contributing to development, may not be necessary or could even be deemed to be inappropriate in the light of the Philippines problematic fiscal position. Philippine public debt is equivalent to 70% of abovementioned foreign debt and total public debt has reached serious proportions at PhP4.1 trillion. The Philippine government faces a fiscal crisis as revenues decline to 12.3% of GDP in 2003 from 16.9% of GDP in 1996 and the tax effort of the Bureau of Internal Revenue and Bureau of Customs continue to decline to 9.6% from 12% and 2.4% from 4.8% in the same period respectively. As the Philippines has an automatic debt payment law, the budget deficit continues to balloon to levels of P200B in 2004.

It may be said that much of visible development in the Philippines in the form of infrastructure would not be present without Japan ODA. It may further be argued that the Philippines is able to avail of development projects it would not have been able to afford presently because ODA loans were provided. In this way, development is hastened or even ensured.

But on the other hand, it could also be argued that Japan is able to secure its

investments for Philippine development projects by providing ODA loans, many of which are tied, or even if untied, often naturally result in awarding of contracts to Japanese companies due to various reasons.

In the process of bilateral negotiations, the Philippines accepts projects and loans which are not appropriate in the light of its fiscal situation while not being necessarily urgent. In this sense, these ODA loans provide a negative factor for development, endangering the recipient country's macroeconomic viability. In the absence of funds for economic services and investment, the Philippine government is keen on receiving bilateral aid, even in the form of loans that enhance its debt burden, because such project loans constitute infusion of needed investment and contributes to economic pump-priming. This is oftentimes inadvisable for fiscal management, and is useless in the context of microeconomic poverty reduction programs.

One aspect which must be considered in the interest of immediate financial relief to the Philippines is the fact that the Philippines continues to pay odious debt of the Marcos dictatorship amounting to \$1.2B as of end 2003. Much of this debt went to behest loans and projects with terrible consequences for the people and the nation. This burden was imposed on our country by the dictatorship without any form of consultation whatsoever, while the

dictator and his clique routinely pocketed ten per cent or more of disbursements.

A substantial amount of the Marcos debt is bilateral loans by Japan which the Philippines is still paying. According to the Philippines Bureau of Treasury Debt Monitoring Division, outstanding Marcos debt to Japan includes \$280 million outstanding principal and interest of direct loans by the Marcos government and another amount equivalent to \$355 million outstanding principal and interest of relending. This amount (\$635 million) constitutes more than one half of total Marcos debt still pending. Cancellation of this debt would result in substantial relief for the Philippines at this point.

Growth strategy – promoting people’s development or foreign investments?

As a country that continues to suffer from a combination of structural and governance problems including mismanagement of public finances and economic priorities, economic dislocation and marginalization of weaker sectors of the economy and resulting widespread poverty, the Philippines cannot just accept any form of aid on the premise that foreign currency infused in whatever form is positive.

Development assistance can help mitigate or even reduce poverty if properly selected and implemented. Generally such assistance should be in the form of grants provided to social and economic development programs that were designed

mainly through the participation of recipient communities and sectors and implemented transparently and with their participation.

On the other hand, focusing development assistance on big ticket infrastructure development not only simply creates the illusion of development, but more importantly is meant to attract foreign investment as the expected engine of development. As economic planners project massive influx of foreign investment in their best case scenarios, then the necessary infrastructure to provide power and other utilities, transport and communications and other support systems take on an urgency as a development imperative that is dictated only by their desire to realize their own dreams of maximum development scenarios.

However, the urgency is not real or evidenced by the level of economic development. On the other hand, the financial burden and social, economic and environmental dislocation from such projects can hardly be compensated by whatever benefits are forthcoming from expected foreign investments.

This process of donor dialogue with government officials, sector programs and poverty reduction strategies often reflect what Sogge terms “the politics of the mirror” – addressing potential aid donors “in the language that is most congenial, and crucially, most easily reinforces the belief that they (outsiders) understand what [the recipient] needs.”² In such processes, aid

programs are shaped in favor of donor interests where development project approaches, such as privatization or public/private partnerships, result in greater opportunities for investment and trade for donor country corporations while reducing access of the poor to services.

A graphic example of this is the San Roque dam constructed on Agno river in the Cordillera in the Philippines. Built at a projected cost of \$1.19 billion, the San Roque dam is meant to provide 345MW of hydroelectric power besides later add-ons like irrigation for 87,000 hectares, flood control and water quality improvement. The project is implemented and run by a consortium of foreign corporations led by Marubeni. The assumption of the project is the massive influx of foreign investments especially to Central Luzon, and the expected shortfall in power based on this assumption.

The construction of San Roque dam has negatively affected thousands of people, mostly indigenous Ibaloi people who lost gold panning livelihood on the river, 4,400 individuals were resettled because their communities and farms would be inundated, and even more upstream who will be affected by sedimentation of the river as a result of the dam. The Ibaloi people and their organizations mostly affiliated with the Cordillera People's Alliance fought the dam in a long peaceful struggle.



San Roque Dam constructed on Agno River in the Cordillera

Many of those who were resettled eked out a living as gold panners in the river while others were subsistence farmers planting rice, vegetables and fruits in Pangasinan province. While JBIC and the San Roque Power Corporation promised that the affected people would be resettled in conditions that would be the same or better than their original standard of living, many have no land or source of income in the cramped resettlement sites that were provided.

In 2002, gold panning was banned by the San Roque Power Corporation along Agno river resulting in further economic dislocation to the Ibaloi residents. In the light of the negative impact of the dam, the Ibaloi people as well as farmers and other affected residents in Pangasinan are demanding that the project be stopped and proper compensation be paid to the affected people.



The CSCRP envisions to create 330.9 ha. of additional land for industrial and export processing use.

Another example of such problematic infrastructure projects being implemented in the Philippines is the ongoing South Cebu Reclamation Project. The Cebu South Reclamation Project (CSR) and the Cebu South Coastal Road Project (CSCR) are two final phase components of the Metro Cebu Development Plan Phase III (MCDP-III). The reclamation project envisions to create 330.9 hectares of additional land for industrial and export processing use, including modern container and fish ports that can spur economic growth in Cebu as the trading center for central Philippines. Projected to have a value of P18 billion, the reclamation project is envisioned to become a Special Economic Zone, an industrial enclave like the Mactan Export Processing Zone (MEPZ), and an international port.

The CSCRP will create a modern road that include viaduct, subway and causeway sections avoiding heavily congested residential and commercial areas on the southern coast of Cebu City. It will provide uninterrupted access from the southern Metro Cebu such as Pardo district, Talisay City and other southern towns in the province to the Central Business District, seaports and the international airport of Lapu-lapu City. A major component of the road network in Metro

Cebu, the coastal road will provide access to the development of the reclamation area into an industrial district.

Both projects are being implemented in sections by several Japanese construction corporations with the objective of economic growth through increased investment and trade through development of transport infrastructure and industrial estate development. However, the development benefits for the tens of thousands of poor residents along the southern coast of Cebu City remains unclear. Starting from Barangay Ermita after the Carbon Market at the central portion of the coast of Cebu City, the southern coast is studded with large slum communities carved out of the coastline reclaimed by the settlers themselves. Coming from around the various islands in the Visayas, as well as

from Mindanao in the south, these fisherfolk/farming families have been uprooted economically or by the insurgency. They have been attracted by the prosperity of urban Metro Cebu but have found no decent form of employment except ekeing out a living in subsistence forms of fishing such as beachcombing, hook and line fishing and fishing using unmotorized outrigger canoes or bancas. Others are lucky to find odd jobs and trades typical of the urban poor who are worst hit by unemployment.

Many have been negatively affected by the project as many houses and even communities have been demolished to give way to the project. Others were spared the demolition but construction work has prevented them from continuing with subsistence fishing. Only those with bancas can continue to fish by paddling beyond the construction area, but are challenged by the deeper waters.

Economic planners may say that these unemployed residents may be expected to benefit from the trickle down effects such as employment and livelihood opportunities, but these may only be forthcoming after the special economic zone becomes fully operational which depends on several other factors. Even then, they may still be bypassed by employment opportunities due to lack of training and capacity.

Consultation or participation?

The Cebu South Reclamation Project was conceptualized under the Marcos

dictatorship in 1974 as part of a grand modernization plan of Cebu and suburbs that included the North reclamation and reclamation and development of Lapulapu City and Cordoba town in Mactan island. Consultation with the poor residents in MetroCebu's coastal communities were never conducted under the Marcos dictatorship.

But if the residents were consulted or were provided participation in the determination of the project, it would be clear that priorities would be quite different. In interviews conducted during the study made by the Solidarity and People's Advocacy Network based in Cebu City, it was very clear that employment, health, nutrition, education and social services were the immediate concerns of the residents.

While the issue of tied aid, as well as the focus on infrastructure development as the contribution to producing economic growth constitute important questions and issues regarding Japan ODA, the ultimate question that Japan ODA must address is development and poverty reduction. The experience and record of Japanese assistance must be measured in how much it has influenced the development of the majority of the population in recipient countries and how it has reduced their poverty.

The nature of the majority of supported projects and programs attest to the focus on technical assistance and project loans

as against social investment and economic support for the poor. Even more important, grants that help strengthen the capacity of the poor for participation in development are rare.

Reality of Aid recommendations

On the occasion of the 50th anniversary of Japan ODA, we would like to take note of a number of Reality of Aid recommendations in its 2004 Report which may be relevant towards strengthening and developing effectiveness of Japan ODA in contributing to development and poverty reduction in countries of the South.

- The unconditional untying of aid, including food aid and technical assistance, is an acknowledged precondition for the contribution of aid to strengthening local productive capacities and livelihoods of poor people through small and medium scale enterprises. The Reality of Aid notes the donor commitment made at the LCD III Conference to “enhance the value of their development assistance by increasing the proportion of goods and services sourced in the recipient LDC or from other LDCs or developing countries to help boost poor-poor economic growth.”³
- Japan must take up the challenge of the Millennium Declaration to focus on reducing poverty and increasing assistance. It must establish and be accountable to a realistic timetable to achieve long-standing commitment to

reach 0.7% of their GNI for Official Development Assistance principally as grants. Global aid increased by 7.2% in real terms between 2001 and 2002 – marginally up to reach 0.23% of donor GNI and has actually surpassed in 2003 the highest amount achieved in 2000. But while this may indicate a reversal in the decline of global aid, the increases fall far short of the additional \$50 billion estimated by the World Bank as required each year to reach the Millennium Development Goals. The WHO Commission on Macroeconomics and Health estimate that a donor investment of \$27 billion a year, on TB, HIV/AIDS, malaria, and other infectious diseases and nutritional deficiencies, could save up to 8 million lives a year. The UNDP estimate the additional cost of providing basic education for all is only \$6 billion a year.⁴ Even a modest rate of increase towards achieving 0.7% of GNI while immediately reducing loans share to less than 10% of total would result in a tremendous impact in terms of contributing to development. Furthermore, selective debt cancellation for financially threatened countries like the Philippines would result in substantial financial and development relief.

- Japan must strengthen ownership and local accountability by reducing their reliance on donor country technical assistance. Despite the rhetoric on ownership, reliance on technical assistance to increase the capacity of sectoral ministries in developing

countries to manage donor project relationships, has not diminished. In 2002, \$15 billion or 38% of bilateral ODA worth \$39 billion, was in the form of technical cooperation. From a rights perspective, technical assistance might make a positive contribution, if it were to be provided on request to build the capacities of governments and other constituencies of the poor to achieve rights commitments and engage in policy dialogue on rights obligations. On the other hand, the Philippines has a relatively high level of human and technical resources making it unnecessary to have to source technical assistance from donor countries.

- Increase direct support for civil society organizations as important partners in poverty reduction programs, as well as instruments for putting in place “social accountability mechanisms” to monitor government action as well as in leading significant anti-corruption campaigns.

Ending poverty is inherently a political process specific to local economic, social, cultural, ecological and gender equality circumstances in each country. As the work of Amartya Sen demonstrates, people-centered development for poverty eradication is ultimately about recognizing the rights of the vulnerable, and transforming the power relations, and cultural and social interests that sustain inequality. Development is therefore a political process that engages people, particularly the poor and the powerless, in

negotiating with each other, with their governments, and with the world community for policies and rights that advance their livelihood and secure their future in their world.

The poor are not the subjects to be acted upon by development action, but rather are central actors in sometimes conflictual politics seeking pro-poor development strategies. Consequently, finding avenues to address unequal power, capacity, and access to resources for the poor and the marginalized is a fundamental challenge to development actors wanting to link poverty reduction to democratic governance and participation. The rights framework is a dynamic one that continues to evolve through intense national and multilateral political processes. It has been the result of many decades of struggles by peoples' organizations – women's movement, indigenous nations, gay and lesbian networks, workers and labour organizations, fishers and farmers organizations, human rights defenders. Human rights are essentially active and should not merely be 'promoted' or 'protected', but are to be practiced and experienced. They have implications for the actions of all donors, governments, and non-state actors in development.

In the words of John Foster, “participation is central to a human rights approach to development as a right, an entitlement guaranteed by international law, rather than an optional extra or tool for the delivery of aid”. Nevertheless the challenge for

development practitioners, civil society and official aid agencies alike, is to make the language and analysis of rights accessible to citizens and organizations working to overcome the conditions of poverty from community to national levels.⁵

In the light of the 50th anniversary of Japan ODA, the most important challenge is to adopt the rights based approach to development, shifting the focus of assistance to empowerment, social and economic development and basic services.

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Endnotes

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Annex
Table 1. Net Disbursement of ODA for Philippines from Japan and DAC countries
1960-2003

US\$ Million				In percent		
Year	Japan	DAC	DAC minus Japan	Year	Japan	DAC
1960	27.85	50.93	23.08	1960	55%	45%
1961	8.54	19.06	10.52	1961	45%	55%
1962	7.02	30.34	23.32	1962	23%	77%
1963	10.75	21.61	10.86	1963	50%	50%
1964	21.35	72.34	50.99	1964	30%	70%
1965	35.3	90.87	55.57	1965	39%	61%
1966	30.5	42.41	11.91	1966	72%	28%
1967	61.54	83.35	21.81	1967	74%	26%
1968	27.76	62.15	34.39	1968	45%	55%
1969	49.21	76.03	26.82	1969	65%	35%
1970	19.23	41.3	22.07	1970	47%	53%
1971	29.63	63.66	34.03	1971	47%	53%
1972	103.49	156.66	53.17	1972	66%	34%
1973	141.58	213.67	72.09	1973	66%	34%
1974	73.32	132.93	59.61	1974	55%	45%
1975	70.33	160.06	89.73	1975	44%	56%
1976	75.54	161.01	85.47	1976	47%	53%
1977	30.61	143.94	113.33	1977	21%	79%
1978	66.47	164.66	98.19	1978	40%	60%
1979	89.16	170.44	81.28	1979	52%	48%
1980	94.4	205.44	111.04	1980	46%	54%
1981	210.05	330.98	120.93	1981	63%	37%
1982	136.38	276.35	139.97	1982	49%	51%
1983	147.02	358.5	211.48	1983	41%	59%
1984	160.07	355.78	195.71	1984	45%	55%
1985	240	437.55	197.55	1985	55%	45%
1986	437.95	886.82	448.87	1986	49%	51%
1987	379.38	703.14	323.76	1987	54%	46%
1988	534.72	790.1	255.38	1988	68%	32%
1989	403.75	757.69	353.94	1989	53%	47%
1990	647.45	1102.1	454.65	1990	59%	41%
1991	458.92	857.17	398.25	1991	54%	46%
1992	1030.67	1535.55	504.88	1992	67%	33%
1993	758.39	1327.16	568.77	1993	57%	43%
1994	591.6	939.62	348.02	1994	63%	37%
1995	416.13	764.5	348.37	1995	54%	46%
1996	414.45	749.34	334.89	1996	55%	45%
1997	318.99	560.68	241.69	1997	57%	43%
1998	297.55	513.29	215.74	1998	58%	42%
1999	412.98	609.71	196.73	1999	68%	32%
2000	304.48	502.08	197.6	2000	61%	39%
2001	298.22	501.78	203.56	2001	59%	41%
2002	318.02	509.14	191.12	2002	62%	38%
	9990.75	17531.89	7541.14			

Year	Loan	Grant	Total
1960	0	27.85	27.85
1961	0	8.54	8.54
1962	0	7.02	7.02
1963	0	10.75	10.75
1964	0	21.35	21.35
1965	0	35.3	35.3
1966	0	30.5	30.5
1967	0	61.54	61.54
1968	0	27.76	27.76
1969	13.28	35.93	49.21
1970	3.49	15.74	19.23
1971	5.33	24.3	29.63
1972	65.24	38.25	103.49
1973	71.2	70.38	141.58
1974	40.3	33.02	73.32
1975	34.08	36.25	70.33
1976	48.92	26.62	75.54
1977	16.83	13.78	30.61
1978	41.28	25.19	66.47
1979	57.25	31.91	89.16
1980	58.69	35.71	94.4
1981	165.08	44.97	210.05
1982	91.29	45.09	136.38
1983	85.05	61.97	147.02
1984	102.39	57.68	160.07
1985	170.29	69.71	240
1986	357.58	80.37	437.95
1987	267.59	111.79	379.38
1988	403.62	131.1	534.72
1989	227.69	176.06	403.75
1990	494.31	153.14	647.45
1991	285.3	173.62	458.92
1992	845.01	185.66	1030.67
1993	512.97	245.42	758.39
1994	342.78	248.82	591.6
1995	180.62	235.51	416.13
1996	228.96	185.49	414.45
1997	161.52	157.47	318.99
1998	138.54	159.01	297.55
1999	238.68	174.3	412.98
2000	147.39	157.09	304.48
2001	146.77	151.45	298.22
2002	181.13	136.89	318.02
	6230.45	3529.69	

Aid in Situation of Conflict in Sri Lanka

by: Harsha Kumara Navaratne

Prior to start sharing our experience with Japan Overseas Development Assistance (ODA) programme in Sri Lanka, I wish to say a couple of things pertaining to the genesis of the organization I represent. In fact, Sewa Lanka came into existence in 1992 with an agenda of promoting sustainable development by adopting participatory development approaches. Subsequently, it was registered under the Companies Act of the Government of Socialist Republic of Sri Lanka in February 1993.

In view of the massive displacements in the north-east & boarder districts, increasing loss of human lives, sufferings of the internally displaced families including infants & children, growing suspicion among multi-ethnic communities, our Board of Directors decided to serve the poor/poorest in the south and also the families directly affected by the protracted war.

In fact, my organization made this decision during the time when there was no national NGOs to serve Internally Displaced

Families in the north-east including the areas controlled by the Liberation Tigers of Tamil Eelam (LTTE) and also the 04 districts adjoining to the north-east. I am very happy to say that we received a very positive response from the Government of the Federal Republic of Germany & the United Nations High Commissioner for Refugees to provide humanitarian assistance to the IDP families in the North-East. Though it was too risky (possibility of getting caught into cross fire, landmines and aerial bombing, etc.) to work in the LTTE controlled areas, a large number of our staff served such areas over the past years. I have always been grateful both to the Sri Lankan Security Forces and the LTTE as they recognized Sewa Lanka as neutral which has really provided our staff with courage to serve the affected families faster than any other organizations (government and international NGOs). Prior to the signing of the cease fire agreement between the Government of Sri Lanka and the LTTE, Sewa Lanka was the only national NGO accepted by the above

parties to work in the LTTE controlled areas in Vanni as Sewa Lanka has been very transparent in the way it works, demonstrated good accountability, maintained very good working relationships with all concerned stakeholders, professional approach, multi-ethnic staff cadres and so on.

From our perspective relief, rehabilitation and development are strongly related aspects. We have therefore always advocated that all organizations should try to the extent possible to promote the principles of "Participatory Development" in all stages (relief, rehabilitation & development). For Example, during relief stage we have organized people and given them the tasks of unloading food items and the responsibilities relating to the distribution of food, keeping welfare centre environment clean, etc. I am sure, you would agree with me that people become fully relief oriented/dependent if they are required to stay at welfare centres for an unexpectedly longer period. It also entails a very difficult and time-consuming process to re-orient their attitudes/behaviours required to bring them back into the long-term development process during the transition period and/or post conflict situation. Since planning & implementation of long-term development programmes requires stable security situation & stabilized communities, we have implemented, over the past years, a considerable numbers of humanitarian assistance & rehabilitation projects in the

LTTE controlled areas in the districts of Mullaitivu, Kilinochchi, Mannar, Vavuniya & Trincomalee while long-term development programmes have been carried out in the government controlled areas of Vavuniya, Trincomalee, Ampara and southern districts.

Though the situation in the north-east still remains fragile, we have also undertaken a couple of small & medium size initiatives with assistance from the European Union/German Agro Action, Danish Refugee Council, the World Bank, NECORD of the ADB, Embassy of Japan, UNDP, Terres des Homes, OXFAM (UK), Helvetas and so on to assist some of the affected families in the north-east since mid 2002.

Frankly speaking, our main strength has been the multi-ethnic/multi-lingual staff trained in participatory development methodologies, conflict resolution/Do No Harm and so on. These staff members are also guided by a multi-disciplinary team of experts drawn from the Universities of Jaffna, Peradeniya, Batticaloa, Colombo & Kelaniya. During this period we have been able to gain trust of the government agencies, bi- & multi-lateral donor agencies, provincial councils, the LTTE, national & international NGOs, community based organizations, which we consider as the most important success factor of our activities.

Today, Sewa Lanka Foundation has become one of the largest NGOs in Sri

Lanka and the following are our main sectors of intervention:

- Socio-economic Studies, Social Research & Community Empowerment,
- Agriculture & Aquatic Resource Development,
- Women Empowerment/Gender & Development,
- Peace Promotion involving civil society organisations,
- Environmental/Wild Life Conservation,
- Enterprise Promotion & Micro-Finance.

Since most of our district offices are manned with professionals, adequately trained & highly experienced staff (nearly 360) and also equipped with adequate IT facilities & other logistics, Sewa Lanka national headquarters has brought a significant shift into its planning & project management approaches by decentralizing planning & project management responsibilities to the respective district offices since 1989. These districts have also been given liberty to negotiate projects with donor agencies represented at the field level. The national headquarters now plays a coordination/liaison role with some of the major multi- & bi-lateral donor agencies including the Embassy of Japan in Colombo, national level stakeholders and so on. The national level team of experts provide their specific services at the request of the respective districts.

Sri Lanka:

I am sure, most of you are well aware that Sri Lanka is a middle-income country, where 45.5% of the population have a per capita consumption of less than \$2/day (World Development Report 2002), yet life expectancy at birth (73 yrs) is almost as high as the average for high income countries, under 5 mortality is half the average for middle income countries and adult literacy is lower than the average for East Asia or Latin America. The main reason as to why Sri Lanka has been able to achieve the above is that it was one of the first developing nations to understand the importance of investing in human resources and promoting gender equality. As a result, it has achieved health & education outcomes more consistent with those of high income countries. In 1977, Sri Lanka began the transformation from an inward-looking socialist system towards a market economy based on liberalized trade, foreign exchange and investment arrangements which helped the country to increase its GDP from 4 to 6% per year. However, our country experienced a negative growth in 2001 which was due to the global economic recession, drought, political instability, slowed down economic reform, drastically reduced number of tourist arrival and so on. However, it gradually recovered and the present growth rate is more than 5% per annum.

Even though Sri Lanka has made significant advances over the past several

decades in regard to quality of life, efforts to reduce 'poverty' have recorded less than satisfactory results due to the government's inability to dedicate its resources, energy & time in the socio-economic development of the country as it had to incur massive expenditures for the war. The Northeast war during the period from 1983 to 2002 has not only affected the north-east, it has badly affected the whole country as it has slowed down the socio-economic growth of the country. This conflict is also responsible for the chronic budgetary deficit of the country. As a Sri Lankan, I strongly feel that Sri Lanka would have achieved a stronger economy if the country was not subjected to the armed conflict over the past years.

The conflict in the north-east compelled nearly 800,000 people to leave their native places and take refuge within/outside the country. It has also caused severe harassment of civilians & injuries to the people; damaged/destroyed physical, economic and social infrastructures; severely affected livelihoods of people and social networks; produced traumatized children & women, etc. As far as the official sources are concerned, this war has claimed nearly 60,000/70,000 human (men, women, children and infants) lives. The economy of the north-east was paralyzed due to the economic embargo, restrictions on civilians' movements to/from the LTTE controlled areas, transportation of essential items, etc. imposed by the government. However, the actual social & economic costs of the war are yet to be determined.

Since the whole country was subjected to severe hardships for a longer period, Sri Lanka missed significant social & economic development opportunities.

The Cease fire agreement signed between the Government & the LTTE in February 2002 brought a hope of relief to the civil society throughout the country especially in the north-east. Subsequently, a total of 47% of the total of 730,000 (UNHCR Report) displaced people have returned to their homes hoping that in addition to the establishment of a peaceful political environment, the government would provide them with opportunities to reduce most of the pressing needs pertaining to their livelihoods, etc. Unfortunately, those expectations proved overly optimistic as the initiative to start political dialogue has come to a standstill situation which has already started making the ground situation more fragile. On the other hand, most of the returned families continue to experience extreme difficulties as no systematic support schemes has been planned for such families by the authorities. There are still many areas where immediate resettlement is not possible as almost everything has been destroyed due to direct confrontations between the warring parties. There are also areas termed either by the Security Forces or the LTTE as "HIGH SECURITY ZONES". Since most of the rural families have returned after a long time, their native places have become inhabitable – area full of jungles, no dwellings, unavailability of safe drinking

water & sanitation facilities. Immediate cultivation is also not possible as the preparation of their farm lands require substantial financial investment on their part for clearing dense jungles, preparing lands, purchasing agricultural tools & agricultural inputs; capital to restart non-farm activities and so on. The above situation has started creating unhappiness among the returnee families as it has been extremely difficult for them to restart their livelihoods. Further, they also do not foresee any possibilities of getting immediate assistance from any sources. As a result, some returnee families have indicated that "We were better in welfare centres as we had, at least, shelters and access to dry rations". Some also say that "the ceasefire gave us the opportunity to use the A9 road without fear and also to receive a considerable numbers of (local & international) officials coming to interview us".

In view of the above, I would like to state that perhaps most of the balance 55% of the displaced persons would not be prepared for immediate return as they may be afraid of being subjected to the same situation like the others. Further, very little thought has been given to 92,062 people who are still in welfare camps situated within the country and 140,000 people still remain in South India (UNHCR Report). Therefore, there is a greater need for all of us to be serious about the issues relating to the displaced families as smooth resettlement no doubt requires greater

efforts & investments to ensure that the ground situations in return areas are conducive in terms of their safety and adequate support are required for them to restart earn a living, send their children to schools, access to health facilities.

Despite the present government's genuine intention & strong efforts to start the political negotiations with the LTTE, it has not commenced as yet due to some unavoidable circumstances. However, there are signs that both parties are taking some positive initiatives to commence it soonest. We therefore strongly feel that there is a greater need for the international community including the Government of Japan to assist the affected families to restore their livelihoods while efforts are being made at the macro level to bring the two parties into the negotiation table.

Helping these families to stabilize in their places of origin would no doubt encourage the balance families to return on their own. From our previous experience, we know that the people of Japan are very generous and the Government of Japan has been helpful to our nation. The reason behind our request is that a great majority of the people affected by the conflict may start losing hope in the present "Stage of Transition" as they are still experiencing hardships even though they have returned to their native places. It is sad to say that though the ceasefire has been effective for nearly two & half years, there are areas where people have not received productive

assistance from any sources. Their expectations to restore houses, safe drinking water & sanitation facilities, sending their children again to schools, etc. have not materialized as yet.

We are aware of the fact that Japan's official development assistance is governed by the ODA Charter adopted by the government in 1992. This Charter declared the following guiding principles for ODA:

- The pursuit of environmental conservation and development,
- Avoidance of the use of assistance for military purposes or for aggravation of the international conflict.
- Monitoring of the recipient countries' military expenditures, their production of weapons of mass destruction;
- Monitoring of their efforts for promoting democratization, market oriented economy and their human rights situation.

In addition to the above, very recent policy guidelines for ODA includes support for poverty alleviation, social development, economic and social infrastructures, human resource development and responding to debt relief and global issues. The global issues include environment, population, AIDS, food, energy and drug abuse.

It is interesting to note that a substantial portion of the Japanese aid has gone to the Asian countries. Data for 1999 reveals that 63% of Japanese bilateral assistance went

to Asia, 9.05% to Africa, 7.8% to South America and 5.02% to the Middle East. Another feature of Japanese loan is that it is soft loan with low interest rate & long repayment period. In 2004, the GOJ announced that the interest rate would be 1.5% per year and repayment period would be 30 years, including a grace period of 10 years. Since Japan has recently declared that interest rate would be 0.75% if the particular project is directed towards addressing environment issues, human resource development & peace building.

In fact, Sri Lanka has traditionally been a friend & strong supporter of Japan due to historical reasons. There is also a consensus in Sri Lanka that the Japanese economic cooperation programme has made a productive contribution towards Sri Lanka's achieving strong social indicators through projects for improving economic infrastructures, human resources development and technical cooperation.

Though we have not been engaged in the planning & implementation of large scale projects over the past years, we are happy to note that the Japanese missions visited Sri Lanka during the course of 2002-2004 have increasingly encouraged the government counterparts to involve the non-governmental organizations in the planning and implementation of such projects. We had also the opportunity to accompany a number of Japanese missions to various project locations situated in the north-east and organizing meetings with various stakeholders in the north-east. In fact,

Foreign Grants Assistance Received (RS.)			
	2000	2001	2002
Total Grant	5145	5500	7079
Contribution of Japan	2826	2135	2287

(Source: Central Bank, Socio-Economic Data 2003)

Project Title	Year	Beneficiary Family	Approved/ Expected Funds	Status
Rural Livelihood Development Project.	2000-2001	878	70,898	Completed
Revitalizing Rural Economy by Using Locally Available Resources in Trincomalee	2002-2003	407	55,939	Completed
Project for Livelihood Enhancement of Poor Families in Batticaloa.	2004-2005	850	74,147	Being Implemented
Restoration of Basic Facilities affected by Flood & Landslides in Matara District.	2004-2004	5,000	72,745	Being Implemented
Emergency Rehabilitation for Returnee Communities in the Vanni & the East. Japanese Counterpart Fund project through the Dept. of External Resources & Ministry of RRR.	2004-2005	422 families	225,698	Being Implemented
Employment Creation for Youth through Skills Development Training	2004-2005	1,500 unemployed youth	Approx. 33,0240	Hard Pipeline

various missions had carried out thorough consultative process including participatory development methodologies to ensure getting voices of the poor/poorest and stakeholders at various level during their project formulation missions. Since the implementation rates of some of the on-going foreign funded projects have been very slow, they have also done assessments to ascertain institutional capacities of the government departments and NGOs, and proposed appropriate implementation mechanisms to ensure the completion of projects in time. The two recent hard pipeline initiatives are as follows:

- Pro Poor Economic & Community Enhancement Project Phase I,
- Pro Poor Economic & Community Enhancement Project Phase II

The Central Bank Reports 2003 reconfirms the fact that the Government of Japan is the largest development partner of the Government of the Socialist Republic of Sri Lanka:

Apart from the above, another category of Japanese assistance to Sri Lanka is **Grant Assistance for Grass Root Human Security Projects (GGP)**, which places considerable importance on reconstruction, rehabilitation and socio-economic development of the disadvantaged population. The fund provides the NGOs and grassroots level organizations with opportunities to apply for resources

required to address their needs relating to rural development, livelihood enhancement, de-mining, environment conservation, peace building, promotion of agriculture and so on. During the past three years (2001-2003), the Japanese government has contributed about \$ 3 million to 35 projects in Sri Lanka. Sewa Lanka Foundation has been provided with the following projects:

I also wish to take this opportunity to share with you some of the positive aspects of the following project supported by Japanese Grassroots Human Security Project fund:

Project Title: Revitalization of Rural Economy Using Locally Available Resources in Trincomalee.

Location: 03 DS Divisions in Trincomalee

Like other districts in the north-east, the district of Trincomalee has also been directly affected by the recently paused armed conflicts. This district is situated in a very strategic location as it is nearly in the middle of the north-east. The uniqueness of this district is that it comprises equal proportions (33%) of families belonging to three major ethnic groups (Tamils, Sinhalese and Muslims). Unfortunately, the above conflict compelled a large number of families to take refuge within and outside the district. As a result, irrigation tanks, roads, drinking water facilities, etc. have been damaged due to lack of regular maintenance. Since rural economy largely depends on irrigation based agriculture, farmers returned to their native villages experienced difficulties to earn income

required for their survival. Since the project locations were not served by other NGOs/ donor agencies, Sewa Lanka staff in consultation with the Government staff (Divisional Secretariat, departments of Agrarian Development & Agriculture) organized participatory needs assessment exercises in October 2001. The list of prioritized needs prepared by the villagers highlighted the immediate need to rehabilitate the minor tanks to enable the small farmers to cultivate their paddy lands. The proposal to assist the farmers was approved by the Embassy of Japan on 15 March 2002.

This project was planning & implemented by the Farmers' Organizations. The rehabilitation works done have enabled a total of 407 resettled farmer families to restart their agricultural cultivation in both Yala and Maha seasons. They have also brought 150 additional acres of paddy lands under cultivation. The Farmer Organizations have also prepared Operational and Maintenance plans with assistance from the Department of Agrarian Services.

Project Title: Rural Development

Project Location: 03 DS divisions in Trincomalee

In early 1999, a considerable number of families have returned to their own villages in the DS divisions of Morawewa, Thambalagama and Kinniya. However, these villages became jungles, villagers were afraid to allow their small children to move. Some of the locations were not

easily accessible. In case of sickness there was no way to call in an ambulance or transport patients in vehicles. Incidents of water borne diseases were prevalent. At the request of the Government Agent & Divisional Secretaries, Sewa Lanka staff based at Trincomalee district office carried out needs assessment exercises in June 1999 when villagers identified access roads and drinking water as their priority problems. The proposal was approved by the Embassy of Japan approved the project on 21 February 2000. Under this project, we have assisted villagers belonging to the mixed communities (Sinhalese, Tamils & Muslims) to re-active their village societies, plan & implement project activities. Under this project, a total of 17 km of rural gravels roads were restored and 17 drinking water wells were constructed. The village societies also established "Water Users' Groups" who are responsible for maintaining these wells. The villages societies with help from the Divisional Secretariats & Mosque/Temple /Kovil Committees are responsible for ensuring maintenance of the roads rehabilitated under this project. This project also has strengthened the social ties among multi-ethnic beneficiary families, provided the beneficiary families with easy access to safe drinking water, reduced incidents of water borne diseases. Increased vehicular movement within the project villages enabling villagers to sell their produces without difficulty. The beneficiaries including children also obtained easy access to the schools, market places & nearby cities.

Conclusion:

Nearly 31 months have passed since the "Cease fire" agreement was signed. However, nothing has happened and/or is happening on the ground and therefore families affected by the protracted war in our country continues to experience extreme difficulties to re-establishing normalcy in their lives. Though a large number of the displaced families have been allowed to return to their native places, barricades on roads/security check points have been removed, people have been allowed to travel along A9 road, economic embargo has been withdrawn, physical harassments have been stopped, restrictions on the transportation of essential items is no longer effective after signing of the above agreement, the war affected families still continues to struggle for their survival. Further, there are also still a considerable number of families living at welfare centres and/or with friends/relatives as these families are unable to return to their villages due to security reasons (landmines/villages situated close to militarily strategic locations). Since neither the government nor the LTTE has been able to support the affected and returning population to recover from the social & economic shocks as yet, there is a potential threat that these people may lose their confidence & trust on the "Ceasefire Agreement" and the "Peace Process". There are also signs that people both in the northern & southern parts of the country have started getting worried and

afraid of the present situation. Since the present government has not been able to re-start the political negotiation due to some unavoidable reasons, there are also evidences that a couple of extremist groups have started making efforts to make use of this opportunity to sabotage the reviving social fabrics and the hopes for re-establishing peace in the country.

The present state of affairs in Sri Lanka is that every single thing seems to be left to the government and the LTTE while this should be a joint task of the government, the LTTE, international development partners, international & national private sector entities, non-government organizations, civil societies and so on. I, on behalf of Sewa Lanka Foundation, wish to request the Japanese Tax Payers, Japanese NGOs and the Government of Japan to consider initiating programmes that would allow Japanese NGOs work together with National NGOs in Sri Lanka to Promote Sustainable Peace and Development through active involvement of civil societies. Such programmes should be designed to directly engage civil societies as they are the actual victims of the conflict- who have lost breadwinners and/or relations, who have lost permanent assets & livelihoods, who have been subjected to hardships, harassments and so on. Therefore, there is a greater need for all of us to enable the civil societies to enhance their knowledge-base on their roles in negotiated settlement, accept the reality of war, re-invigorate their livelihoods, re-establish social linkages, and empowering

them to play a proactive role during the transition & post reconstruction periods of the country.

We all are living in a unique planet where everything is inter-connected & inter-dependant. We believe that AID plays a pivotal role to help countries affected by temporary setbacks /unexpected situation to overcome such situation, strengthen national capacity & become self-reliant. Our country is presently experiencing massive challenges while the country economy is not strong enough to meet the challenges, Sri Lanka would therefore require development assistance from its international partners. Since large scale development assistance does not immediately reach the civil society, I would request attentions of all stakeholders on the following:

- Consideration of development interventions at micro (civil society) level while waiting for the restoration of peace at macro level as sustainable peace would certainly require simultaneous interventions both at micro (civil society) and macro levels.
- Establishing close links between the Sri Lankan NGOs & the Japanese NGOs for developing joint programmes aiming at empowering civil societies that would ensure local capacity building & sustainability.
- Promoting productive linkages between the private sector & corporate sector agencies in Sri Lanka & Japan.
- Encourage establishing linkages between the Sri Lankan Civil Societies with the Civil Societies here in Japan.