
Part II

Thematic Chapters on Conflict, Security
and Development Cooperation

Australian Aid: A Mixed Bag

Poverty Reduction Needs a Bigger Role in Australian Aid

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Main developments in Australian aid

- There have been a number of recent improvements in Australia's aid program. These include increased harmonization and cooperation with other donors, reductions in aid tying and improvements in the scale and planning of responses to humanitarian emergencies. Further improvements in aid harmonization and untying are likely.
- There has also been a gradual increase in Australian aid over the last three years after a significant drop when the current government came to power in 1996. In 2005-06 ODA is estimated to be 0.28% of GNI, up from a low of 0.25% during the period 2000 to 2003.¹
- The government has increased the geographic focus on the Pacific. In 2005-06 40% of the Australian aid program will be spent in the Pacific, up from 30% ten years ago. The main focus has been on supporting "fragile states" such as the Solomon Islands and Papua New Guinea. The government also significantly increased aid to Indonesia² after the December 2004 tsunami. However, even after this increase, per capita aid to Australia's neighbors in South-East Asia is still much lower than for Pacific countries.
- During the last few years the sectoral focus of the aid program has also changed significantly, with a much greater emphasis on supporting governance programs. Since 2000-01 governance (including law and justice programs) has risen from 17% to 36% of total aid. Almost all of this increase is due to much greater expenditures on law and justice programs including police interventions in the Solomon Islands and PNG, and border security funding in these and other countries such as Indonesia. Sectors such as rural development, education and infrastructure now make up a much smaller proportion of the aid program.
- Increased support for PNG and the Solomon Islands has involved what the Australian government has termed a "whole of government approach" in which military, police, and, to a lesser extent, staff of other departments such as justice, customs and finance have been involved in supporting these "weak" states. For the first time in Australia, a range of ministers and their officials are now actively involved in aid policy development processes, including an active engagement by the

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Prime Minister's Department. Security considerations have been a key factor in shaping this "whole of government" approach to policy formulation.

- In September 2005, just before the UN Millennium Summit, the Prime Minister announced that Australian aid would increase to around A\$4,000m by 2010. This would be conditional on appropriate projects being identified. This volume would lift Australian aid to about 0.36% of GNI – about the same level as the projected weighted average for all OECD donors for 2010. While the government says it is still committed to the international target of 0.7% "when economic conditions permit", it has set no timetable to reach this goal. The achievement of further significant increases in aid will probably require some change in the Prime Minister's strong conviction that trade is much more important than aid in reducing poverty. In a press conference at the November 2005 APEC meeting, he was quoted as saying "I don't want to be heard to suggest that there isn't a significant role for [aid]. But trade is infinitely more important and the contribution it can make to the relief of poverty is very, very much greater."³
- The government expects to present a White Paper on Australian aid to Parliament in March 2006. This will shape the direction of the aid program over the coming decade. It is likely that there will be a strong emphasis on stimulating economic growth and building stronger governance within the region as the basis for reducing poverty. There may also be further reductions in aid tying, increased support for some South-East Asian countries and for health, especially HIV programs. At the end of 2005, the Government

remained opposed to using the Millennium Development Goals (MDGs) as a planning framework, claiming that this "can lead to distortion in sectoral allocations of budgets and aid programs, to the detriment of investments in growth, stability and governance"⁴.

However as partner countries increase their engagement with the MDG framework and aid harmonization increases, Australia is expected to become more engaged with the MDG framework and may even decide to support the MDGs in 2006 as part of a communications strategy with the Australian public.

- In summary, Australia has a generally good aid program which also has some significant flaws. Its poverty reduction focus remains blurred by foreign policy and security priorities related to fragile states and fears of political instability. This primary security filter for the program is likely to remain in place for many years. Notwithstanding Australia's exceptional economic performance over the last decade, the projected level of ODA/GNI by 2010 remains below the expectation of many Australians and below that of many OECD counterparts. The high concentration on improving governance via a narrow band of public sector reforms is expected to remain, though the White Paper may reflect recognition that a broader suite of actions, including through civil society actors, will be needed. In terms of geographic distribution, Australia will remain primarily committed to neighbouring countries. While programs in East and South East Asia may expand, this is likely to be on a limited scale and no significant commitment is expected for development programs in Africa.

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Conflict, security and development

Australia's aid program has increasingly focused on neighboring countries in South-East Asia and the Pacific. For this reason, recent conflicts such as in East Timor, Fiji, Bougainville and the Solomon Islands, as well as terrorist threats and threats to law and order in Papua New Guinea, have driven many of the changes in the aid program in recent years. In 2002 the government released its policy paper *Peace, Conflict and Development Policy* which focuses on conflict prevention, conflict reduction and humanitarian relief, and post-conflict recovery and peace building. Because of the close geographic proximity to many conflict areas, Australia has and will continue to have long-term engagement with these issues.

Australian military and police have been active in East Timor, Bougainville and the Solomon Islands and Australia has recently attempted to second around 200 police to Papua New Guinea in order to enhance law and order.⁵ The high cost of such placements has meant that these actions have formed a significant part of the Australian aid budget. A number of Australian development NGOs have expressed concern that this increased focus on law and order should not be at the cost of other sectors such as basic health and education.

Australian aid policy strongly emphasizes sustainable economic growth as the solution to poverty and the government believes that such growth rests on four pillars:

- providing secure and stable environments
- improving governance and the investment climate, including property rights
- opening up to trade, and
- helping the poor participate in such growth through health, education and market access.⁶

In the last few years the Government has been confronted by increased instability

in a number of neighboring countries, as well as increased threats and incidents of terrorism (such as the Bali bombings and the bombing of the Australian Embassy in Jakarta). The focus on pre-empting conflict and addressing the negative consequences of conflict, combined with an urgent need to respond to terrorist incidents involving Australian citizens, has shaped Australian foreign policy thinking in recent years. Melanesia and East Timor are now widely perceived in official and academic circles as an 'arc of instability' within which economic development has also largely stalled.

One result of this has been a growth in "whole of government" involvement in the aid program and in more extensive aid interventions in neighboring countries. For example, the Regional Assistance Mission to the Solomon Islands (RAMSI) was created in response to a request from the Solomon Islands government for intervention. RAMSI involved the deployment of military and police personnel to help re-establish civil order, and of advisers from a range of Australian departments who have worked closely with officials from many Solomon Islands agencies. A broadly similar approach was applied through the bilateral Enhanced Cooperation Program with Papua New Guinea.

The substantial cost of the Solomon Islands and PNG interventions largely explains the growth in Australia's aid program in recent years and has resulted in an even greater focus on its closest neighbors. As noted above, Australian aid has grown from 0.25% of GNI to 0.28% in the last few years. The tables in the next page summarize the sectoral and geographic characteristics of this growth.

Table 6 shows the three sectoral areas that have grown most in recent years — law and justice, other governance and HIV/AIDS. The very large increase in law and justice

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Table 20. Sectoral distribution of Australian aid 2001-02 vs 2005-06 budgets

sectoral distribution of aid	% of total aid program 2001-02	% of total aid program 2005-06	change in funding over the period (in A\$05-06 m)
law and justice	2.0%	16.9%	+381
other governance	15.0%	19.1%	+175
HIV/AIDS	2.3%	3.8%	+50
other health	9.7%	8.2%	+8
basic education	4.1%	3.9%	+15
other education	13.9%	10.1%	-27
rural development	13.0%	9.0%	-37
infrastructure	13.0%	7.0%	-86
emergencies and multisector	27.0%	21.0%	+6
TOTAL			+485

programs is particularly noteworthy. It is also worth noting that the growth in HIV funding appears to be at the expense of other health programs as the total proportion of aid allocated to health has remained at 12.0%.

Table 7 highlights the increased concentration of aid to Australia's nearest neighbors – PNG, the Pacific and Indonesia. Total aid to these areas has risen from 36.0%

of the aid program in 2001-02 to 50.5% in 2005-06. The largest increase of A\$257 m to the Pacific is mainly due to the increased funding to the Solomon Islands under RAMSI. During 2005-06, the Australian Federal Police presence in the Solomon Islands will cost A\$145 m out of a total RAMSI cost of A\$207 m⁷.

In addition to these major interventions, Australia has supported increased counter-

Table 7. Regional distribution of Australian aid 2001-02 vs 2005-06 budgets

regional distribution of aid	% of total aid program 2001-02	% of total aid program 2005-06	change in funding over the period (in A\$05-06 m)
PNG	18.7%	19.8%	+116
Pacific	10.3%	18.6%	+257
Indonesia	7.0%	12.1%	+161
rest of East Asia	20.0%	13.8%	-58
South Asia	6.1%	5.0%	+2
Africa	3.7%	3.1%	+3
Middle East - mainly Iraq	0.6%	1.6%	+28
core contributions to multilaterals	28.2%	19.5%	-80
other - not country allocated	7.3%	7.0%	+27
reconciliation of expenses to cash			27
TOTAL			+485

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terrorism and border security programs in a number of neighboring countries; has provided aid to Afghanistan and Iraq and has actively supported moderate Islamic schools and inter-faith dialogues in an attempt to reduce the growth of terrorism.

The new environment was encapsulated by the Director-General of AusAID when he said that: "Aid was often regarded as a somewhat ill-defined process of 'doing-good', a process which had little tangible impact on the strategic environment faced by Australia and its policy makers. These times are now over."⁸ In keeping with the Australian government's pre-emptive security approach

and the pattern of collaboration with regional countries, in late 2005 it committed A\$100 million over four years to help neighboring countries prepare for the avian flu threat.

In 2006 the Australian government plans to implement a new *Fragile States Initiative*. This is intended to bring together domestic and international expertise and research findings on the complex issues facing Pacific Island countries and other "fragile states". The Government aims to draw on this expertise in the coming years to influence international thinking on appropriate policy for "fragile states".⁹

Notes

- 1 Unless otherwise noted all statistics quoted in this section come from AusAID budget papers.
- 2 An additional A\$1000 m over five years (half in the form of a highly concessional loan) has been allocated to fund the new Australia Indonesia Partnership for Reconstruction and Development (AIPRD). This is in addition to the existing forward estimates for aid to Indonesia.
- 3 *The Australian* Nov 26, 2005
- 4 AusAID submission to the *DAC Peer Review Process* 2004
- 5 The police presence in PNG has been scaled down because PNG would not guarantee their immunity from prosecution as desired by the Australian government.
- 6 Foreign Minister's *Statement to Parliament on the Aid Program* 10 March, 2005
- 7 Department of Attorney-General *Portfolio Budget Statement 2005-06* and ACFID *Aid Budget 2005-06 Overview and Analysis*
- 8 Speech to The Australian Strategic Policy Institute October 2005
- 9 DAC 2005 *Peer Review of Australia*

Australian Aid: Promoting Insecurity?

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Summary

Central to the post 9/11 development agenda is the concept of security. As Australia dons the mantle of “regional sheriff”, it has invoked the fear of failed or “fragile” states as justification for a newly interventionist aid policy – one that strays far from notions of human security.

Since 1997 Australian aid has been explicitly in the service of the “national interest.” The Government’s definition of the national interest is increasingly centered on countering regional “security threats” with the additional focus on supporting Australian commercial interests. Thus the aid program has become more explicitly a tool of domestic defense, and foreign and economic policy. Aid is now centered on “good governance,” law and order and military assistance, and geared to Australian strategic interests rather than to regional development priorities.

This paper examines recent aid projects; the “Regional Assistance Mission to the Solomon Islands” (RAMSI), the Australia-Papua New Guinea “Enhanced Cooperation Program” (ECP) and the Australia-Indonesia “Partnership for Reconstruction and Development” (AIPRD). These three cases

expose Australia’s new approach to “aid”, and highlight the threat it poses for the everyday human security of the people of the Solomon Islands, Papua New Guinea (PNG) and Aceh.

Introduction

Almost 10 years ago the newly elected Foreign Minister, Alexander Downer, released a review of the Australian aid program entitled “One clear objective: Poverty alleviation through sustainable development”.¹ This landmark 1997 Report recommended a more focused aid program aimed at poverty reduction. Unfortunately, like the Jackson review of the Australian aid program in 1984, many of the most positive aspects of the Report were never implemented.² In 2005 the OECD conducted a review of Australia’s aid program and in its report, hidden beneath the diplomatic veneer, was a clear indication that Australia’s aid program was failing the global south.³ Instead, the aid program was being used explicitly as a tool of an increasingly interventionist foreign policy.

Since 2001 the post 9/11 security focus in the North has produced a new rhetoric of pre-emptive intervention against so-called

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“failing” states in the South. This new interventionism is legitimizing a dramatic shift in the practice of development assistance. Instead of addressing the causes of the human development crisis, aid is increasingly used to address its symptoms and to promote the agenda of the donor.

The Australian government’s aid agency – AusAID – has, under the current government, effectively been downgraded to the status of an adjunct to the foreign affairs portfolio and remains firmly ensconced in the Department of Foreign Affairs and Trade. This sends two messages: i) aid is not an important role of government and ii) aid is more about the advancement of foreign policy objectives than the alleviation of poverty. To what extent are these interpretations reasonable? A brief glance at developments in aid policy over the life of the current Australian government provides some answers.

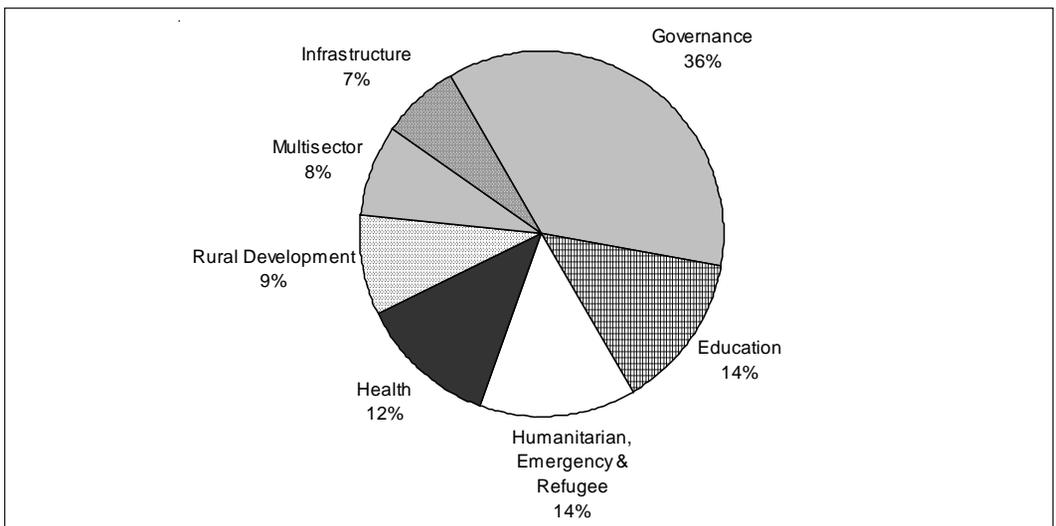
Development orthodoxy is now centered on the need to put in place “good governance” programs that facilitate “free

trade” and work as a “boomerang” to generate income for Australian companies. Across the globe Southern elites have been encouraged to think of governance rather than government. Market-friendly interventions, and various forms of corporate welfare, have become the order of the day with scant regard for their impact on the poor.

We can see this trend clearly reflected in the Australian aid budget. For the coming fiscal year, funding to the governance sector will top \$1 billion and will absorb 36% of the entire aid program (See **Graph 13.**) Governance now eclipses the combined funding allocated to health, education, and infrastructure – the traditional bread and butter of aid programs.

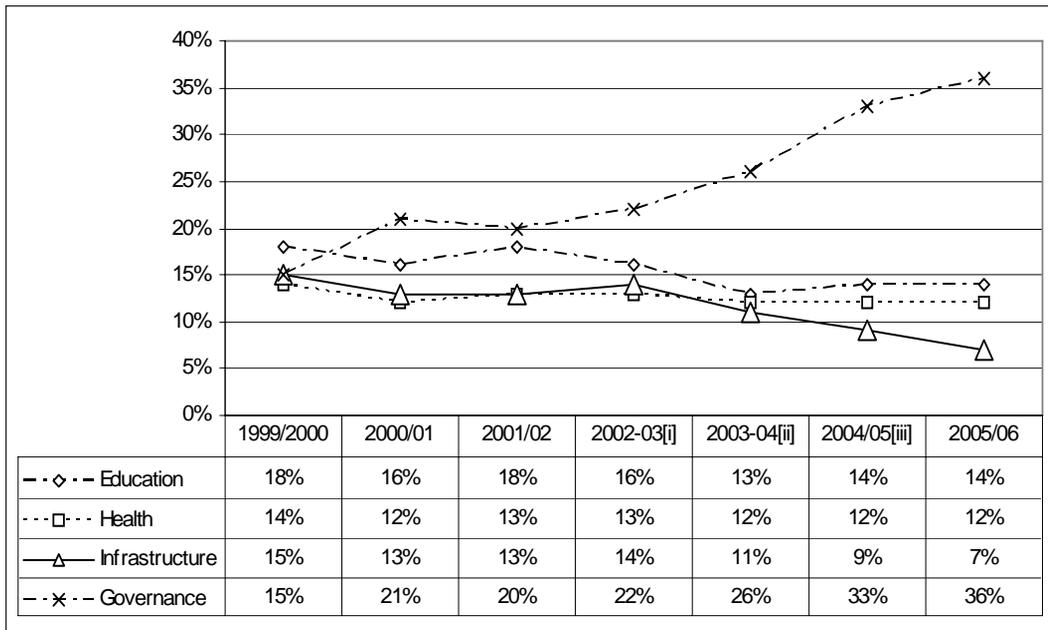
It is no accident that we have seen this rapid rise in funding for governance projects over the past five years. Security and governance are now closely linked – since 9/11 and Australia’s involvement in the War on Terror we have seen governance expenditure more than double (See **Graph 14.**)

Graph 13. *Estimated sectoral breakdown of Australian ODA 2005-06⁴*



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Graph 14. Comparison of Australian aid funding priorities pre- and post 9/11⁵



If we dig a little deeper into the aid budget we can clearly see the particular types of governance the aid program is promoting. In line with the post 9/11 security agenda, the main priority of governance is funding for the law and justice sector 47%. This should be compared with the paltry 2% that is allocated for “improved democratic processes” (See **Graph 15**.)

The Department of Foreign Affairs and Trade (DFAT) admits that there is a clear development and security nexus in the funding of Official Development Assistance (ODA): “In recent years, development issues have become increasingly interlinked with broader Australian regional and international policy priorities, including regional security, trade, economic integration, and the trans-boundary threats posed by communicable diseases”.⁷ The emphasis is on development

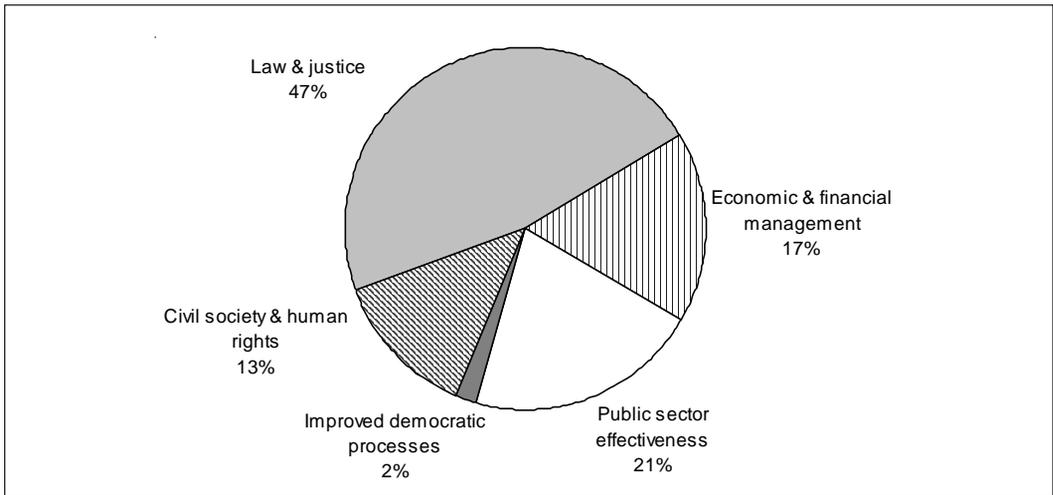
through market liberalization, with the program focused on “improving market access” and “improving the investment environment”, with little regard for the provision of basic needs or human security.⁸

The Director General of AusAID, Bruce Davis, has most recently reinforced the link between the government’s regional security agenda post 9/11 and the development program. In a speech at an Australian Strategic Policy Institute (ASPI) “Defence and Security” luncheon, Davis specifically linked the aid program with the War on Terror, endorsing the argument by Hughes⁹ and others that “fragile states” are incubators of “crime; people, gun and drug smuggling; and, potentially, terrorism”.¹⁰

Security is now presented as the cause and solution of all development dilemmas. Viewed through the lens of the War on

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Graph 15. Good governance funding under the Australian aid program⁶



Terror, it has become all too convenient to categorize security issues as the “primary cause of poverty”. For Davis, not only is “security” a prerequisite for development but “underdevelopment is itself a security threat”.

The very fact that it was deemed appropriate for the Director General of AusAID to address ASPi’s defense and security luncheon reflects the progressive merging of the development and security agendas of the Australian Government.

It should also be noted that the “threat”, to which “aid” is the response, – is conceived entirely in terms of Australia’s regional interests. As Davis says, the times of just “doing good” with the aid program are now over. Instead the aid program today must focus on “building a strategic environment that favors Australia’s interests”.¹¹

Not only does the government rhetoric of aid and security reflect the changing agenda. It also indicates a marked politicization of the aid program. This

process has resulted in the hijacking of Australia’s pro-poor aid policy by the Department of Prime Minister and Cabinet under the guise of the “whole of government” approach. Australian Government Departments now contribute over \$563 million in the form of services to aid recipients. This includes departments such as Treasury, Finance, Customs, Immigration and Multicultural Affairs, and of course Defense and the Australian Federal Police – agencies that have no mandate for development, yet increasingly have become “aid providers”.

The following discussion illustrates how these broad agendas are played out in practice. The focus is on three recent examples of Australian ODA politics, centered first on the Solomons, second on Papua New Guinea and third on Indonesia.

RAMSI: Aiding the war on terror

The Regional Assistance Mission to the Solomon Islands (RAMSI) was announced in June 2003. It saw one of the largest

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deployments of Australian troops since World War II, and was funded directly through the Australian aid program. While Australia had also sent troops to Iraq and Afghanistan in response to the US led “war on terror”, the intervention in our own region was unprecedented. RAMSI thus marked a clear shift in Australian aid and foreign policy.

RAMSI was initiated following a request from Solomon Islands Prime Minister Alan Kamakeza. Significantly, in early 2000, the Australian government had rejected a request for 50 Australian police officers to be sent to assist the then Prime Minister of Solomon Islands, Bart Ulufa’alu (who was overthrown in a coup in June 2000).

Explaining why Australia could not then intervene in the Solomon’s, Foreign Minister Downer remarked that: “Australia has a strong commitment and devotes substantial resources to the South Pacific region. It is not however, the region’s policeman”.¹²

In December of 2002 Foreign Minister Downer, on a trip to the Solomons, again refused to provide policing assistance for the Solomon Islands Government. Yet, with the launch of the RAMSI initiative just a few months later, Australia very much took on the role of regional policeman — a turnaround in policy that should be seen in the context of both the September 11 World Trade Center bombings and the 12 October 2002 bombing in Bali.

RAMSI was heralded as a multilateral effort that involved Papua New Guinea, New Zealand, Fiji, Tonga, Samoa, Vanuatu, Fiji, Cook Islands, Nauru, Tuvalu and Kiribati, as well as Australia. Yet the vast majority of the police and military were sent by the regional power, Australia. Interestingly, at the time, Australia was under pressure from the United States to send more troops to Iraq, a move that would have been politically unpopular. Instead, under RAMSI the Australian Government bolstered its regional presence

with a 2,225-strong intervention force, composed of approximately 1500 Australian Defence Force personnel, 155 Australian Federal Police and 90 personnel from the Australian Protective Services.¹³

The official aim of RAMSI was outlined in the Framework for Strengthened Assistance to the Solomon Islands. It stated that: “Strengthened assistance will address the most serious specific threats to security and economic recovery in Solomon Islands”.¹⁴ RAMSI was designed as a police-led operation with Australian and other regional military participation to enforce the restoration of peace and ensure a clear path for the work of the police.

While the first stage of RAMSI was effective in restoring peace largely through the presence of a large and well-equipped military, the long-term situation is less certain. There have been suggestions, including from Solomon Islands civil society organizations and in the Solomon Parliament, that little has been done to attempt to reconcile the ethnic tensions that are at the root of the conflict, nor to deliver justice to those affected by the bloody conflict that plagued the country from December of 1998.

Around 12 months after RAMSI began, the Australian Government released a Report through the Department of Foreign Affairs and Trade, titled “Solomon Islands: Rebuilding an Island Economy”.¹⁵ The Report, which was funded by the Australia-based mining giant BHP-Billiton, signaled a shift in the mandate of RAMSI from peace-keeping to business-promotion. In his speech at the launch of the Report, John Ridgeway, President of the Australia-Pacific Island Business Council, stated that RAMSI has had a “positive effect on business confidence”: the “business outlook” in the Solomon Islands was improving, adding, “Australian businesses are the most likely to succeed in creating the

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type of private sector-led economic growth that is fundamental to the rebuilding of the Solomon Islands economy".¹⁶

The Report revealed that Australia was overtly using the RAMSI aid program to promote its business interests rather than to address the causes of the conflict or to assist in poverty alleviation and sustainable development. With aid used to bolster Australian business interests and "private-sector" growth, human security falls off the agenda.

One of the main recommendations of the Report was that land holdings in the Solomons should be registered. Communal ownership was identified as a key barrier to wealth creation. The Solomons, like PNG and several other Pacific nations, remains largely the domain of traditional landowners. According to the report approximately 88% of land in the Solomon Islands is customarily owned and only 12% is registered. The Australian Government sees land registration as a key precondition for growth, since land that can be sold can be turned into capital, which in turn can facilitate growth. But "land registration" has long been a controversial topic in Pacific nations. The World Bank's attempts to register land in PNG in 2000 resulted in huge protests, and the Bank withdrew its proposals after four protesters were killed.

It is not simply a coincidence that the DFAT Report, funded by one of the world's largest mining companies, advocated land registration. Like PNG, the Solomons is a mineral-rich country, and commercialization of land holdings would certainly open the way to extended exploitation of its mineral wealth. BHP Billiton has close ties with the main company involved in Australia-funded land registration projects throughout Asia, a company known as Land Equity International (LEI).¹⁷ The first land-titling project that Australia funded was in Thailand and it was

conducted by BHP. BHP employees on the project then went on to form LEI, which has since been an AusAID contractor for further land registration projects throughout South East Asia.

In partnership with companies like BHP Billiton and LEI, the Australian Government has expanded the mandate of RAMSI, to include the dismantling of local barriers to land acquisition. While this may serve Australian corporate interests, it does not serve the interests of the local populace, suggesting a direct conflict at the heart of the Australian "aid" program. The clear implication is that Australia is using military intervention and "good governance" programs to advance the interests of Australia-based corporations in the Pacific. It is telling also that Nic Warner, the person in charge of the first stages of RAMSI, is now the senior adviser on international issues in the Department of Prime Minister and Cabinet.

The Enhanced Cooperation Program (ECP): security for whom?

The policy package on display with the RAMSI intervention was also in evidence with the Australian Government's ECP scheme for PNG. The ECP reflects the same policy of aiding the war on terror, along with a willingness to intervene in the domestic affairs of foreign nations, a clear focus on private investment, and the promotion of boomerang aid as a basis for development. The ECP is best understood as a form of transnational "forward defense", where the neighboring country becomes a "frontline" in protecting Australia from global terrorism, drug-trafficking and "people-smuggling". Here, "securitization" and market-friendly policies displace any commitment to poverty reduction and human security.¹⁸

Since PNG independence in 1975, over \$15 billion of Australian aid money has flowed

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into PNG. Yet living standards for the majority of people there have barely improved.

The ECP inter-governmental agreement was signed under duress by the PNG Government on 27 July 2004. The ECP offered \$1000 million in new funding to PNG over five years¹⁹, principally for placing Australian police and departmental personnel in PNG, with a mandate to promote “good governance”. The ECP proposal was vociferously opposed by PNG politicians, including Prime Minister Somare and Foreign Minister Namailiu, who viewed the package as an unwarranted intervention in PNG affairs.

The PNG Government was forced to sign when Australia made the ECP a condition of future aid receipts.²⁰ The Australian Government effectively threatened to cut off PNG’s lifeline – aid receipts of \$330 million annually. But Australia’s cheque-book diplomacy unraveled when the PNG Supreme Court ruled that parts of the ECP were in violation of the PNG Constitution. Specifically, the Court found that “the authority of the country’s Police Commissioner and Public Prosecutor, and the rights of citizens to seek redress, have been undermined by the immunity given to Australian personnel”.²¹

Questioned in the Australian Parliament, Departmental officials revealed that the Australian Government spent at least \$165,000 on legal advice in relation to this project.²² The Government and its advisers were either cynically unconcerned with questions of legal jurisdiction, or unaware of how the project could backfire, or simply were assuming the PNG courts would not assert the country’s sovereign rights.

Australia’s willingness to force PNG to accept the ECP, in violation of PNG sovereignty, highlights the hypocritical nature of donor-driven governance projects

and raises questions about Australia’s claims to support “good governance”. It also suggests incompetent, on-the-run policy-making.

The ECP was clearly a product of Canberra policy innovation, exported to PNG with minimal consultation. Australia’s disregard for PNG sovereignty, though, extends beyond the legal issues. The ECP must be seen as an intervention that acts to restrict the future ability of ordinary people in PNG to democratically determine their path to development. Far from assisting governments to realize their own development objectives, the ECP was essentially a political intervention designed to promote Australian interests. We may be forgiven for asking what place such approaches should have in Australian diplomacy, let alone in any “aid” program.

According to AusAID, the original objective of the ECP was to “promote sound economic management and growth in PNG, to help improve the law and order situation and ensure the integrity of national security systems”. AusAID makes it clear that the ECP was “designed to re-establish investor confidence and provide an enabling environment for broad based development.”²³ To this end, the ECP involved the expenditure of \$800 million for policing and \$200 million for departmental placements, amounting to \$1 billion over the five years. To put this in perspective we can calculate the opportunity cost of the ECP. According to Sugden, the \$1 billion funding for the ECP could provide:

1. Education for around 700,000 children annually; or
2. For the law and justice sector at twice its size; or
3. For the entire health sector; or
4. The maintenance and progressive

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upgrade of all national, provincial and district roads.²⁴

When considering whether the ECP would have resulted in long-term security or development for the people of PNG, there are several things to consider. One is the disproportionate amount of funding that was allocated for the salaries and accommodation of the Australians in comparison to money invested in PNG for the project. From **Table 8**, we can see the kind of boomerang aid that sparked controversy over the project. Australian Police salaries and accommodation would have absorbed the bulk of the funding, leaving anywhere between 11 and 1.4 per cent per annum for the provision of technical assistance to the Royal Papua New Guinea Constabulary (RPNGC) over the duration of the project. The ECP offered little, if any, provision for improving the material situation of the local police service,

for instance to address problems associated with poor morale and under-resourcing. It should be noted that the Australian Parliament itself has recognized that problems in the RPNGC are exacerbated by a lack of resources, yet the ECP has clearly ignored its recommendations.²⁵

Law and order problems have persisted in PNG despite a long history of AusAID funding for law and justice sector projects. Since 1975 Australia has provided more than A\$240 million in assistance to strengthen law and justice in PNG, 68 per cent of which has supported the police force.²⁶ The lack of evaluative data about these projects is likely to have an impact on AusAID's ability to learn from its mistakes and improve on its previous performance. The lack of any policy framework for evaluating the ECP itself is also of major concern.

The ECP planned to send around 300 Australian police and officials to take up positions directly within the PNG public

Table 8. Budget allocations for the policing component of the ECP

	2003-04	2004-05	2005-06	2006-07	2007-08	Totals (x Aust. \$ 1 Million)
Australian Federal Police (AFP) Salaries & Accommodation	3,087,933	75,534,374	83,673,028	87,019,950	90,500,748	339.82
AFP Logistics, Operational Costs	27,207,212	102,066,930	92,993,055	85,374,007	86,955,429	394.59
Sub total Australian Federal Police (x Aust. \$1 mill.)	30.29	177.61	176.66	172.39	177.46	734.41
Royal PNG Constabulary (RPNGC) Technical Assistance	16,052,755	10,038,845	20,913,100	6,082,850	2,615,975	55.7
Total (Including Capital)	46,347,900	187,640,149	197,579,183	178,476,807	180,072,152	\$790.11

Source: Senate Foreign Affairs, Defence and Trade Legislation Committee (2004).

Australia

service.²⁷ While there has been much controversy over the deployment of Australian police to PNG, much closer attention must be paid to the activities of the Australian bureaucrats that have also been inserted into strategic positions within the PNG public administration as part of the ECP project.

While the police play a role in securing areas of commercial interest to Australia such as Port Moresby, Lae and major transport corridors such as the Highlands Highway, what can we expect from Australian officials? A look at the job descriptions of the officials working under the ECP indicates that their main concern is to serve Australia's economic and strategic interests by marketizing the PNG economy and strengthening customs and border controls. In doing so, they are in no way charged with directly addressing the day-to-day difficulties of people in PNG.

In this context, special attention must be given to the work of a team of Australian treasury officials — one of whom is now the Senior Policy Advisor with the PNG Department of Treasury. This team of Treasury officials has taken control of strategic roles such as “expenditure control activities”, “evaluation of proposed investments”, “asset sales”, “taxations policy”, “structural adjustment”, and reviewing of wages.²⁸ The officials are thus literally drawing-up an emerging matrix of neo-liberal reforms designed to create a more market-friendly environment in PNG.

Chief among the restructuring is what the Australian Government is calling the “rightsizing” of the PNG bureaucracy. Rightsizing is modern managerial-speak for downsizing, or cutting jobs. One of the first areas targeted for rightsizing was the PNG Defence Force, which was reduced to 3000 personnel at the request of Australia in 2003.

For a country of over 5.2 million people, this is equivalent to 0.06% of the entire population. This compares with Australia, which has 0.26% of the total population under arms.²⁹ Such layoffs in defense are at odds with the Australian governments’ stated concerns about security, and suggest other agendas may be in play especially given the military’s active role in PNG politics.

Military down-sizing should raise alarm bells for the people of PNG, forewarning them of cuts in social services (“expenditure control activities”), privatization (“asset sales”), reductions in company taxes to promote foreign investment (“taxation policy”), and industrial reform. These reforms have little to do with poverty reduction: they are a recipe for sharpened social stratification and deepened dislocation, and are likely to have a far reaching social and political fall-out. How, for instance, will a reduction in funding for social services increase access to health and education for the people of PNG who are already struggling to afford these services? How will privatization benefit people in PNG who do not have the capital resources to compete with foreign investors?

In addition to Australian Treasury assistance in PNG, there were also proposals to post officials from the Australian Customs Service, the Department of Immigration and Multicultural Affairs, and Aviation.³⁰ AusAID failed to explain how these officials would assist in reducing poverty, suggesting their primary function would be to protect Australia’s strategic interests through, for instance, strengthening border controls to prevent transnational terrorism, drug trafficking and the flow of asylum-seekers. The proposed role of these ECP officials placed them outside the official mandate of Australian ODA, reflecting Australia’s increased preparedness to use ODA for

Australia

foreign policy objectives. Australia already has a track record in diverting aid funds to projects such as the “Pacific Solution”, which involved the internment of asylum-seekers in detention centers on Pacific Islands such as Nauru and Manus Island in PNG.³¹ We must ask whether using aid money to position PNG as a form of “forward defense” for Australia is the best way to alleviate poverty or even achieve regional security.

Australia’s ECP in PNG failed to address the day-to-day insecurities of people in the country. Instead it threatened to undermine national democracy and sovereignty while strengthening border controls and “enabling a market friendly environment for foreign investment”. In portraying PNG as a potential “incubator of terrorism” and as a “failing state”, the Australian Government moved to strategically frame its actions as a pre-emptive strike on terror. Yet, in seeking to police the economy of PNG, to bolster Australian interests the ECP was more likely to threaten human security than promote it.

The tsunami

The Australian public and business community pledged over \$280 million to the many Australian, international and local Non-Government Organizations (NGOs) that organized tsunami appeals. It was a tragic event that found Australians, over their traditional holiday period, shocked and stunned by what they saw on their television screens and read in their newspapers. The outpouring of compassion was unheralded and signified renewed support for NGOs, a clear indication that Australians were concerned about their neighbors who had suffered so badly.

The Australian Government was slower to respond, pledging \$10 million the day after the event and an additional \$15 million on

the 29th of December 2004. While the extent of the disaster was still largely unknown, particularly in the war-torn and off-limits area of Aceh, the Government came under pressure to increase its commitment. In response, on the 5th of January 2005, Australian Prime Minister John Howard pledged \$1 billion in addition to the emergency assistance that Australia had already committed. This generous offer was announced as international donors gathered in Jakarta to discuss what the world could do.³²

The response from the Australian media, politicians of all parties, and the Australian public, was one of unanimous support. Australia, which had long had a delicate relationship with many of its near neighbors, was seen to be reaching out in a time of need.

Despite the creation of a donors’ alliance, known as “the Core group”, composed of India, Australia, and Japan, and led by the USA, Australia took the unprecedented step of establishing a separate bilateral arrangement to distribute its funds. Taking on this role, the “Australia-Indonesia Partnership for Reconstruction and Development” (AIPRD), was to be overseen directly by PM Howard in conjunction with Indonesian President Susilo Bambang Yudhuyono, to operate as a “unique bilateral partnership”.³³

Added to the Government’s existing tsunami commitment, the total package amounted to over \$1.8 billion over five years. On announcing the package, Howard claimed it to be “the single largest aid contribution ever made by Australia”.³⁴ The commitment, though, was significantly below the \$2.3 billion allocated for PNG over the same period. In addition, the donation was to be partially offset by maintaining other forms of Australian aid to Indonesia at \$160 million per

Australia

year, rather than rising as they had in previous years, at a rate of 15 per cent per annum.³⁵ The Prime Minister's exaggeration of the extent and significance of the funding suggests there were broader political agendas at work.

These agendas were further highlighted as details came to light of how the Australian Government's "Tsunami Relief" would be spent. A common perception amongst Australians, largely perpetuated by the Australian media, was that the \$1 billion package was solely for tsunami relief. Contrary to this, PM Howard had stated in his January 5 announcement of the package that "all areas of Indonesia" would be eligible for AIPRD funds, not simply those affected by the tsunami.³⁶ (See **Table 9**.)

The first tranche of AIPRD expenditures was announced at a joint ministerial meeting in March 2005 between the two countries. It became clear that not even the bulk of

funds were destined for tsunami-affected areas. From a total of \$115 million, only \$50 million was allocated to Aceh, \$30 million to rebuild Banda Aceh hospital, and the remainder for "health and education services and to restore local government services" in Aceh.³⁷ The remaining \$65m was to be spent on rehabilitation assistance for other areas of Indonesia (\$5m), programs to develop Indonesia's disaster relief (\$15m) and for a new "Government Partnership Fund" to support the exchange of skills, knowledge and expertise between Australian Government agencies and their Indonesian Government counterparts (\$50m).

Remarkably, the bulk of tsunami funds were to be spent on governance support rather than on disaster relief, with less than half the money going to affected areas. Even this relief was a long time coming. The Australian Government had insisted on a bilateral arrangement through the AIPRD

Table 9. Australian AIPRD funding³⁸

Amount allocated AUD (\$) million	Type of assistance	Tsunami specific
\$ 328 million	Eastern Indonesia National Roads Improvement Project	No
\$ 300 million	Junior Secondary Education Program	No
\$ 151 million	Aceh Relief, Rehabilitation and Reconstruction Programs	Yes
\$ 78 million	Australian Partnership Scholarships for 600 students	No
\$ 50 million	Government Partnerships Fund	No
\$ 25 million	Small-Holder Agribusiness Development Program	No
\$ 10 million	Disaster preparedness and response	No
\$ 5 million	Response to other disasters outside of Aceh (eg. Nias, Alor)	Yes

Australia

ostensibly to promote the efficient delivery of funds, and the AIPRD gave Australian officials a direct role in overseeing the allocation of funds. But little happened on the ground.

The joint ministerial meeting between Indonesia and Australia did not occur until March 17th and 18th — almost 3 months after the tsunami struck. The projects that were agreed upon were then delayed by the budget process, and would not be implemented at least until September 2005. Meanwhile NGOs, the UN and other governments had been delivering funding and projects from day one. Nearing 12 months after the tsunami, the Australian Government has still only allocated \$156 million of rehabilitation aid and an additional \$30 million of emergency aid (pledged in the immediate aftermath) to the tsunami-affected areas of Aceh, Nias and North Sumatra. As can be seen from **Table 8** the majority, of the so called “\$1 billion tsunami funds” has been directed to other projects outside areas that were affected by the tsunami.

The disjuncture between rhetoric and reality suggests that tsunami relief was by no means the main purpose of the AIPRD. Perhaps we may be forgiven for speculating that there were other more pressing imperatives for the AIPRD — a program that gave the Australian Government officials direct access to the Indonesian Presidency and into Indonesian departmental decision-making.

Equally important, the AIPRD departs from the established AusAID practice of giving grants rather than loans, requiring that half of the \$1 billion be repaid to the Australian Government. The Simons review, mentioned earlier, had found that giving aid in the form of loans was an inefficient and ineffective manner in which to deliver aid and in response the Australian Government stopped giving loans as aid in 1997.

Yet, as confirmed at the March ministerial, \$500 million in AIPRD funds would take the form of an interest-free loan, repayable from 2015.³⁹ The package would thus add to the Indonesian Government’s overseas borrowings and strengthen the role of the Australian Government as a creditor country. Already over a third of Indonesian Government expenditure is devoted to loan repayment: the package, if taken up by Indonesia, will further add to that burden.

The province of Aceh has suffered one of the world’s worst humanitarian disasters in living memory. The Australian Government response was to impose conditions on assistance that will drive Indonesia further into debt. The catastrophic incident enabled Australia to achieve a number of strategic aims it had already developed and sought to implement, long before the tsunami struck. Indonesia’s weakness, it seems, was Australia’s opportunity.

What is perhaps most distressing is the apparently cynical use of the tsunami crisis to serve Australian interests. Rather than offer assistance to address the humanitarian crisis, the Australian Government has required that the funds be used to fund projects already promoted by the Australian Government. AIPRD projects are strikingly similar to those outlined by Foreign Minister Downer in his budget statement of May 2004 — 7 months before the tsunami struck. Principal among these is the “Partnership Fund”, a fund for “good governance” assistance from Australia-based consultants and Government officials, along with a scholarship fund.

Finally, despite claiming concern for tsunami-affected Aceh, Australia failed to call on Indonesia to demilitarize the region, or to declare a ceasefire. The Indonesian military continued to pursue insurgents and presumed civilian militants directly after the tsunami, despite a unilateral ceasefire by the

Australia

Acehnese militia. The ongoing conflict complicated the delivery of aid, and positioned the military, well known for corrupt practices, as one of the primary conduits for emergency and reconstruction funds.⁴⁰

The Australian Government, for strategic reasons of “national interest”, continued to insist that the civil war in Aceh was an “internal matter” and failed to comment on continuing human rights abuses in the region. If Australia was seriously concerned about the plight of the people of Aceh, it could for instance have insisted on such a ceasefire as a condition of assistance, thereby ensuring the aid effort was not constrained by the machinations of the conflict.

What these failings suggest is that the people of Aceh have not simply been forgotten by Australia — they were never actually even at the foreground of concern. The Australian PM cynically grabbed the limelight on 5 January 2005 for a program of “aid” that had little to do with the tsunami-affected Acehnese, and everything to do with Australian strategic and economic interests.

Conclusion

The overall thrust of the Australian “aid” program, and the three recent examples of “aid” politics in action, clearly illustrate that Australia’s aid program is mired in domestic political expediency, short-term commercial objectives and increasing securitization. Such evidence highlights the limits of the Government’s rhetorical commitment to “poverty alleviation” and “human security”. The declaratory commitment is politically valuable to the Government, but only insofar as it offers opportunities for “humanitarian” grandstanding.

The implications for NGO advocates are important. For decades development NGOs in Australia have called for an end to “tied aid”, arguing aid should be geared to the priorities of recipient countries, not to the interests of donors. For years the Australian Government has responded that aid giving is a win-win process that serves Australian interests at the same time as it serves the interests of donor recipients.

The recent shift from conditional assistance to a combination of military intervention, law-and-order securitization and “good governance” programs signals an important new phase in this aid orthodoxy. Instead of simply offering the Australian Government a means of social and economic intervention, aid increasingly offers a means of direct political intervention. In the process, the gulf between recipient needs and donor interests has grown ever-wider.

The mythology and self-image of Australia as the generous humanitarian aid-giver, though, remains centrally important. In the age of media hype, the giving of ‘aid’ provides a vital gloss to the heightened exercise of Australian power in the region. This is not so much important for the recipient countries which, as we have seen, are not so easily convinced by the rhetoric. More important perhaps is the recognition of such ‘generosity’ by the Australian public.

Here, Australian development NGOs have a special responsibility — to expose and challenge these increasingly naked manifestations of Australian power-mongering in the region. Our responsibility lies in the first instance in forcing some accountability and responsibility from our own government, for the “aid” program it claims to enact in “our” name. *To do so will foster the beginnings of a truly secure world not just for Australia but for all.*

Australia

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ASEAN and the Struggle for Democracy*

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Background

Burma has been ruled by a series of military dictatorships since 1962. Despite the fact that Burma is rich in natural resources, the military stranglehold on the economy has reduced it to one of the world's Least Developed Countries. The military refused to hand over power to the National League for Democracy, which won the 1990 elections. The people of Burma continue to suffer from denial of their basic human rights. The regime's policies of increased militarization, particularly to control resources in Burma's ethnic states, have led to widespread abuses, such as forced relocation, forced labor, torture, rape and extrajudicial killings. These violations have been well documented by local and international NGOs, as well as the United Nations. Refugees are continuing to flow into the neighboring countries of Thailand, Bangladesh and India.

Regional economic cooperation: life support for the regime

Between 1962 and 1988, the Burmese military regime practiced a policy of economic isolation, under its so-called Way to Socialism. After the 1988 democracy uprisings, fuelled by the critical state of the economy, the regime began opening up the

country to foreign investors to gain urgently needed foreign capital. While most western countries boycotted trade with Burma immediately after the 1988 democracy crackdown, Burma's neighbors, keen to exploit Burma's untapped natural resources, had no such reservations. Thai and Chinese investors benefited from logging, gem and mineral concessions in the ethnic states. This provided foreign capital to the regime, and, in the case of China, enabled the regime to purchase over US\$1 billion worth of weapons as part of a barter deal. Regional trade thus salvaged the regime economically, and paved the way for resumption of trade relations with other countries during the 1990s.

Regional trade and investment directly leading to human rights abuses

Foreign trade and investment has not only subsidized military expenditure, but has directly led to further human rights abuses. Local people are being denied the right to participate in decisions about the use or sale of their land and resources, and rarely gain profits from any of the business deals. More commonly, people are dispossessed of their lands, and, particularly in the case of infrastructure development, suffer abuses at

Burma

the hands of the increased number of troops needed to provide security for the projects. For example, the Yadana and Yetagan pipelines which export natural gas from Burma to Thailand have been notorious for causing forced relocation, forced labor, torture and extrajudicial killings of local ethnic peoples. The exploitation of natural resources has also led to serious environmental destruction. Formerly thickly forested areas of Kachin, Shan and Karen States have now been clear-felled, seriously impacting the livelihoods of local communities.

Trend of further regional economic integration

Despite the clear evidence that trade with the regime involves direct or indirect complicity with human rights abuses, the trend is currently for further economic integration of the regime into the region, a process facilitated by Burma's entry into ASEAN in 1997. This is generally rationalized as a form of "constructive engagement" which will enable other members of ASEAN to coax Burma's regime into democratic reform. In fact, it simply allows further economic exploitation of Burma's resources by ASEAN business interests. Not only ASEAN countries, but also neighbors such as India and Bangladesh are also increasing economic ties with the Burmese regime. A consortium of Indian and South Korean corporations is currently exploring a massive gas reserve off Burma's Arakan coast, which will potentially provide revenue of billions of dollars to the regime. The construction of the planned overland Shwe gas pipeline to India is sure to involve increased militarization and severe human rights abuses, including force labor, land confiscation, and forced and uncompensated relocation of entire communities living along the proposed pipeline route, as well as violence such as rape, torture and murder.

Roles of the Asian Development Bank:

The Asian Development Bank (ADB) is also actively engaging with Burma's military regime in various ways, despite an official suspension of loans by the ADB to Burma since 1988. The ADB sends consultative missions to Burma to give advice on macroeconomic and other sector reforms. The ADB also issues Country Assistance Plans for Burma. A representative of the ruling military regime sits on the ADB's Board of Executive Directors. The most significant method of engagement, however, is done through the Greater Mekong Sub-regional economic cooperation program.

Under this cover, the ADB is promoting plans for various infrastructure projects in Burma. These include a planned giant hydroelectric dam on the Salween River in Shan State, to feed into a regional power grid. This dam is being planned in an area where 300,000 villagers have already been forcibly relocated, and extrajudicial killings, rape and torture have taken place on a massive scale. Another project is a deep-sea port on the Andaman Sea in southern Burma, which will be part of the East West Economic Corridor linking with Da Nang on the South China Sea in Vietnam. These projects are being promoted without any attempt to address either the serious human rights violations already taking place in the areas, or those that will be directly caused by the projects.

The manipulation of humanitarian aid by the Burma's military regime

Together with the increased trend for regional economic cooperation has come increased bilateral development aid. For example, Japan restricted ODA to Burma after 1988, but in recent years, has given increasing support to "humanitarian" projects. This is in response to the Burmese military regime's call for more assistance from the international community to alleviate

poverty and solve the country's "humanitarian crisis." Unfortunately, the reality is that aid to the regime subsidizes, legitimates and ultimately prolongs the life of the regime itself, thereby perpetuating the root cause of the country's problems.

Although those that espouse engagement with the regime claim that bilateral assistance to the regime will slowly bring political reform, the reality is that international agencies in Burma rarely raise human rights issues with the regime. This allows the regime to use their presence to defend itself against charges of abuse. In September 2002, the regime rejected charges that it was using rape as a weapon of war in Shan State, saying that if this had been the case, UN agencies and INGOs in Shan State would have reported on it.

On the rare occasions that donor countries threaten to suspend aid over human rights issues, the threats are not seriously carried out, suggesting that other agendas related to promotion of bilateral trade interests are more important than human rights. For example, in June of 2003, Japan stated that it would suspend bilateral aid after the massacre of supporters of Aung San Suu Kyi in May 30, 2003. It also demanded the immediate release of Aung San Suu Kyi and that her party the National League for Democracy should be allowed to resume its political activities freely. Aid was temporarily suspended, but in October 2003 was again discreetly resumed, despite the fact that Japan's demands had not been met.

The regime has recently shown its contempt even for proponents of aid through Rangoon by placing new restrictions on UN and INGO agencies working in Burma, making it difficult for personnel to travel to field sites, and insisting that regime personnel accompany all such visits. This is why the International Committee of the Red Cross has

been forced to suspend its visits to political prisoners since January of this year.

The failure of ASEAN's "constructive engagement" policy

The regional group, ASEAN's 'non-interference' policy has proved to be wholly unsuccessful at civilizing the military in Burma and promoting democratic reforms. Meanwhile the regime has been using the ASEAN as a way of getting legitimacy, and a protective shield from international criticism and pressure without keeping their promises to bring about political and economic reforms.

In the nine years that Burma has been a member of ASEAN, none of the promised democratic reforms have transpired. On the contrary, abuses have intensified, economic mismanagement worsened and the military has consolidated its power while severely undermining and intimidating the democracy movement and civil society.

Senior envoys from Malaysia and Indonesia have visited Burma earlier this year, but failed to convince the regime to allow them to even meet Daw Aung San Suu Kyi. Ministers of the regime have repeatedly broken their promises to ASEAN that they would release Aung San Suu Kyi and have instead embarrassed ASEAN by officially extending her detention last month for another year.

While we are now beginning to see some core ASEAN members toughening their views and position on the junta, the grouping's image and reputation is continuing to take a beating due to the ongoing deterioration inside Burma.

The threat to regional security

Of particular concern is how the policies and mismanagement of Burma's military regime continue to threaten regional security.

Burma

For example,

- An estimated 2.5 million asylum seekers and undocumented migrant workers have spread throughout the region. Well-documented human rights abuses are unrelenting, including forced labor, systematic use of sexual violence, forced conscription of child soldiers, torture and extrajudicial killings, economic sabotage and military offenses in the ethnic nationality areas. They continue to force thousands of Burmese to flee their home country despite the difficulties they face in alternate countries. This includes recent attacks on the Karen people, that have just forced more than 16,000 people to leave their home.
- Over 1.5 million known drug addictions have resulted from Burma's narcotics industry. Burma is the largest producer of amphetamines in Southeast Asia, and the second largest producer of heroin in the world.
- HIV/AIDS is rampant and is affecting the region through trafficking in persons and narcotics, but the military is unwilling to properly address the problem, and continues to prioritize military spending and neglect the health sector.
- The regime has continued to build up its armed forces. Since 1998 the regime has more than doubled the size of its army and placed financial priority on weapon acquisitions. This includes the acquisition of nuclear technology from North Korea. We are extremely concerned that the regime has obtained nuclear technology without demonstrating adequate commitment to upholding safety standards.

Last September Czech leader Vaclav Havel and Bishop Desmond Tutu, called for the UN Security Council to move a resolution

on Burma. The resolution will call for the Burmese military to honor their commitments to democratization. This is an initiative that is supported by the movement for human rights and democracy in Burma, and governments are urged to support this.

The extension of Aung San Suu Kyi's detention and the news of her hospitalization in mid-June 2006 heightened the sense of urgency that something must be done at the highest level to bring further pressure to bear on the regime.

Conclusion and Recommendation

It is clear that the military regime's policies are directly responsible for poverty, systematic environmental and economic destruction, and ongoing human rights abuses in Burma. Until there is radical political reforms, restoration of the rule of law, and local people's customary rights to land and resources are respected, these problems will continue in Burma.

The international community should not tolerate the ongoing human rights crisis in Burma. ASEAN members, Burma's other neighbors and countries around the world must impose comprehensive economic and aid sanctions against the regime. This will allow people's empowerment and advance the people's movement for democracy. Democratic change is the only way to relieve the suffering of the people of Burma.

Notes

- This paper has been presented during the Rights and Democracy Annual International Conference entitled Strengthening Democracy in Asia: New Networks and Partnerships for Human Rights and the Rule of Law on June 14-15, 2006

Footing the Reconstruction Bill

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Overview

Japan's economy is bouncing back after a decade of recession and mismanagement, but ODA has not benefited from the recovery. The allocation in the national budget for aid has been slashed seven years in a row: 3.8% for FY2005 and another 3.4% for FY2006. At this rate, Japan will be surpassed by France and even by the UK in a year or two in aid volume.

The DAC puts Japan's ODA for 2004 at \$8.86 billion and its share of GNI at 0.19%, the third lowest of all DAC members. Unlike all other G7 countries except US, Japan is neither willing nor able to set a timetable to attain the 0.7% mark.¹ It then came as a surprise when Prime Minister Koizumi revealed a plan at the Gleneagles' Summit (July 2005) to increase its aid by \$10 billion— i.e. more than double— in five years. But a generous offer often shelters tricks: waiving the right of indemnity for private trade claims that the Japanese government has come to obtain against developing countries (such as Iraq) through official reinsurance schemes counts as ODA. Hence, there seems to be a small likelihood of additional aid allocations despite the Koizumi plan.

Another commitment made at the Summit was to double Japan's aid budget for African countries in the next three years. Why so generous? In the past year, Japan went all out in its mightiest bid to win a permanent seat at the UN Security Council. Africa meant some 50 votes that had to be bought. Now that the hope is nearly dashed, Japan is asking the UN to lessen its share of annual contributions to that body.

New medium-term ODA policy

The second most important policy document for Japanese ODA, the Medium-Term Policy on ODA which was first formulated in 1999, was renewed in February 2005. It was reformulated so that it would dovetail with the ODA Charter that had been revised in 2003. The policy will guide development and implementation of country assistance programs and sectoral/thematic policies for the next three to five years. While the old one was too comprehensive and lengthy to be useful, the new policy is much more focused and compact.

It singles out **human security**² out of the five basic tenets³ of the revised Charter, effectively according it most

Japan

weight, and emphasizes the **people-centeredness** of Japanese assistance. In deliberating on the four priority issues listed in the Charter (poverty reduction, sustainable growth, addressing global issues, and peace-building), **MDGs** are mentioned for the first time (there was no such mention in the Charter).⁴ Of all the global issues, environmental problems and natural disasters are given importance because these are believed to be the areas where Japan has comparative advantage and expertise. And in terms of implementation, **strengthening functions at the field level** is singled out from six measures that the Charter puts forward for effective and efficient aid implementation.

It is a welcome sign for the NGO community that human security, people-centeredness and MDGs have taken front seats, and that the policy makes ample references to the partner roles of NGOs. Yet, it remains to be seen whether the relabeled bottle will be filled with fresh wine or with the same old stuff.

Reorganization

There are two major thrusts in the reorganization of the institutional structure of ODA. The first relates to the above-mentioned “strengthening functions at the field level.” From FY2003, the Ministry of Foreign Affairs (MoFA) made it a policy to establish a country-based ODA Task Force in a recipient country comprising aid personnel of the Embassy, JICA and JBIC.⁵ The idea was to delegate decision-making powers to the field level so that Japan’s aid can respond quickly and be more effective. The Task Force has been charged with drafting and reviewing country assistance programs, conducting policy dialogues with a recipient country, and liaising with other donors. The new Medium-Term Policy significantly

strengthens the powers of the Task Force by allowing it to play a leading role in discharging the assigned duties. The Policy states that Tokyo will “respect” proposals put forward by the Task Force.

Another reorganization in the making was supposed to be far-reaching and almost “revolutionary.” It came as a bolt from the blue when the Koizumi Government started restructuring governmental financial institutions including JBIC. Debate over what to do with JBIC led to the creation of a panel charged with the task to look into overseas economic assistance. After a three-month deliberation, the panel submitted its final report at the end of February. It calls for centralization and unification. ODA has been handled by 13 line ministries with little coordination among them. Now, according to the panel’s plan (the government had a hand in its formulation), a new Cabinet council will be created to make coordinated decisions. The council will have the Prime Minister as its head and four other Ministers that look after foreign affairs, finance, industry and trade, and Cabinet matters. Then, three major implementation arms (JICA, ODA division of JBIC and grant aid division of MoFA) will be integrated into one, that is, a new JICA, which, in turn, will be supervised by MoFA. MoFA will recreate a new Bureau to play the enlarged supervisory role.⁶ The Japanese NGO community, which has been advocating such a streamlining to make ODA integral, transparent and responsive to the genuine needs of developing countries, is now more apprehensive than appreciative. A new agency headed by a minister that NGOs have sought is not created. The 13 ministries continue to be involved in technical cooperation. And the new council is likely to be plagued with

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conflicting interests of three major ministries. Technocratic control over ODA will be replaced by ministerial political control, which is “democratic.” But Koizumi and a new cadre of Japanese political leaders are more concerned with national interest than with genuine developmental needs.

Conflict, security and development

It was the initial ODA Charter formulated in 1992 that first outlined official policy related to conflict and security. Two of four principles therein stipulated that ODA 1) not be used for military purposes or for the aggravation of international conflicts and 2) pay full attention to trends in recipient countries’ military expenditures, their development and production of weapons of mass destruction and missiles, their export and import of arms etc., so as to maintain and strengthen international peace and stability (these two principles survived the revision and are still in effect). But Japan has been typically shy of putting the principles into action.

In 2000, Japan displayed a more active posture when it announced an initiative — the so-called “Action from Japan” — Japan was ready to take on the issue of conflict and development. It called for a comprehensive approach that involved a continuum of actions from conflict prevention (building governance and democracy) to emergency relief and post-conflict restoration and development. Then, to achieve the stated objective, the initiative hailed the important role of NGOs and called on them to participate in ODA efforts to deal with the issue. The Government went out its way to create in short notice a tripartite “Japan Platform,” enticing business and NGO sectors to join hands. The primary objective was to

support the NGOs’ emergency relief activities by all means.

The new Charter, as stated earlier, emphasizes human security and selective peace-building as one of the four priority issues. The new Medium-Term Policy elaborates on what actions are needed and how to do for attaining human security objectives and for building peace. It details actions to be taken in the aforementioned continuum that now adds support to the peace-making process and stabilization. To date, it provides the most authoritative policy orientation in addressing the issue of conflict, security and development. Concrete actions taken thus far show that peace-building efforts have been skewed away from conflict prevention towards emergency aid and post-conflict restoration. In that sense, Japan’s ODA has been more curative in nature than preventive in addressing the root causes of conflicts.

To be more specific, Japan sought to play an active role in the rebuilding and development of war-torn Afghanistan and Iraq. It hosted in 2002 the International Conference on Reconstruction Assistance to Afghanistan. It provided \$500 million worth of assistance, pledged to provide another \$400 million, and took the lead in DDR (disarmament, demobilization and reintegration of former soldiers) in particular. To Iraq, Japan not only pledged to provide up to \$5-billion-assistance, but also dispatched Self Defense Forces (SDF) to help the US bring stability back to the state.

Although ODA money has not been siphoned off to support PKO (peace keeping operations) activities, close cooperation developed between the two. Japanese ODA provided to Iraq included water supply, hospital supplies and road

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rehabilitation in the province where the SDF were encamped. In reality, ODA was used to appease the local population so that the SDF could accomplish its mission without confrontations with hostile locals.

The Medium-Term Policy calls for collaboration with NGOs for the sake of effective, efficient and speedy provision of emergency relief. While the revival of local communities and capacity-building of the socially disadvantaged are mentioned in the Policy, there is no mention of justice or human rights (the rights-based approach has been absent all along in all ODA policies). Prevention of terrorism is referred to only in the opening statement of the Policy, and no substantive policy is provided for with regard to terrorism.

It is true that while Japan has been playing a major role in building peace in Sri

Lanka and lesser roles in East Timor and elsewhere, its peace-building programs have closely followed the steps of US: After the US destroyed not only undemocratic and peace-threatening governments but the whole swath of Afghanistan and Iraq, Japan stepped in to foot the bill of rebuilding peace and economies. In September 2005, the two countries entered into a new partnership billed as the US-Japan Strategic Development Coordination, in order to jointly identify countries of strategic importance and provide development assistance in a coordinated manner, ostensibly with a view to achieving MDGs. This marriage of the two largest donors may very well exert a significant influence over international development efforts, hopefully for the better.

Notes

- ¹ The latest authoritative statement was made by Prime Minister Koizumi in April 2005 when he said "Japan will continue its efforts towards the goal of providing ODA of 0.7% of our GNI in order to contribute to the MDGs."
- ² By human security, the Government means "protecting individuals from "fears," such as conflict, terrorism, crime, human-rights violation, displacement, disease epidemics, environmental destruction, economic crises and natural disasters, and "wants," such as poverty, hunger and lack of educational and health services, and empowering people so that they can choose and take action against these threats."
- ³ The other four are: (1) supporting self-help efforts of developing countries; (2) assurance of fairness (impact on the environment and society, the perspective of gender equality, etc.); (3) utilization of Japan's experience and expertise; and (4) partnership and collaboration with the international community.
- ⁴ The policy says "Japan will contribute actively to achieving the MDGs, including through effective use of ODA."
- ⁵ JICA (Japan International Cooperation Agency) is specialized in providing technical assistance and JBIC (Japan Bank of International Cooperation) in providing concessional ODA (and semi-commercial non-ODA) loans. JETRO (Japan External Trade Organization) and Japan Foundation (international cultural exchange agency) may join the Task Force where its office exists and NGOs are "consulted" occasionally. Task Forces are established in some 70 countries now.
- ⁶ In the reorganization deliberation, turf war erupted among concerned ministries, and a political decision was made to allow Ministries of Finance as well as Industry and Trade to keep their hands on concessional loan making.

Japan's ODA at a Crossroad: Counter-terrorism or Poverty Eradication?

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Japan's ODA has been drastically changing. What drives this change is the "September 11" incident and the US-led "war on terror".

In 2003, the government reviewed the ODA charter, bringing it more directly in line with the US-led approach to global security policy. The new ODA Charter adds Japan's own security and prosperity to its purpose, and, "the prevention of terrorism" is also included in the principles of ODA implementation.¹

The Japanese government recently accelerated this move by announcing the four strategic targets of ODA for rapid implementation. These targets are 1) Waging the War Against Terrorism, 2) Peace-Building, 3) Reinforcement of Japan's influence in East Asia, and 4) Dissemination of Asia's development experience to Africa. Countries in the "arc of instability" that stretches from Northeast Asia to the Middle East will be the main ODA recipient countries. In the ODA budget for 2006, the total amount is reduced to 759.4 billion yen, but a budget for anti-terrorism has been created with an allocation of seven billion yen. Indonesia and the Philippines are already listed as recipients.

Prior to this, on 29 October 2005, Japan and the US had agreed on the "Security

Consultative Committee Document U.S.-Japan Alliance: Transformation and Realignment for the Future". In this document, the U.S. Forces and Japan's Self Defense Forces emphasized "their close and continuous policy and operational coordination" and affirmed that their cooperation must "evolve as the regional and global security environment changes". The specific areas for cooperation include counter-terrorism, humanitarian relief operation and reconstruction assistance operation.

What these show us is that Japan's ODA policies follow the US-Japan military alliance strategy. That is why "a broad arc of instability", which is a major concern of US military strategy mentioned in the "Quadrennial Defense Review 2001" of the US Department of Defense, has been chosen as the most crucial region for Japan's ODA. This is not Japan's choice, but dictated by US military interests.

It has been the premise of Japanese NGOs and concerned citizens that ODA should be a peaceful and reasonable means for a "non-militaristic international contribution" by Japan, whose Constitution prohibits involvement in "militaristic international

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adventures. Based on this, Japanese ODA must be reformed so it can realize its “beautiful slogan” of poverty eradication and human security.

But since “counter-terrorism” has become one of its top priorities, we can no longer think of Japan’s ODA as a “non-militaristic international contribution”. Without an awareness of the bigger picture of security-related issues such as UN Peace Keeping Operations and US military strategy, we cannot understand the present directions of Japanese ODA.

1. Japan’s ODA and the Afghan War

Japan has been a major donor country to Pakistan in the past half century.² After Pakistan tested a nuclear weapon in 1998, Japan imposed sanctions by suspending new ODA money (both grants and loans). Even then, however, pledged projects were continued. But just eight days after September 11, Japan pledged to lift the sanctions, provided three billion yen as emergency financial support and 1.7 billion yen for refugees support, and also implemented 64.6 billion yen of official debt rescheduling. Three billion yen of emergency financial assistance is categorized as “Non-Project Grant Assistance” which can be used for the purchase of any “goods” the recipient government needs. But since obtained goods

and expense have not been reported, this money might be a “gift” for the Musharraf regime which has become one of US’ key allies in the War on Terror. Other countries such as the U.S and U.K. also resumed or increased their assistance to Pakistan (**Table 10**) and decided on debt reduction.

In October 2001, the Asian Development Bank also decided to increase its loans to Pakistan from 626 million dollar to 950 million dollars, while the World Bank also approved a new 300 million dollar loan. Since then the Bank has approved 20 projects which cost more than two billion dollars up to June 2005.

This loan expansion is justified under the name of “poverty reduction”, “relief for refugees” and “structural adjustment”. But another reason behind this quick decision of donor countries and multilateral financial agencies to support the Musharraf regime is to encourage Pakistan to host a “rearward supporting role” for the Afghanistan attack.

The countries that have resumed or increased their assistance to Pakistan are those which sent military troops to Afghanistan in support of US and UK forces. These governments emphasized the importance of “humanitarian assistance for Afghanistan’s refugees”. But considering the fact that the US military attack created a lot of new refugees in Afghanistan, the “humanitarian

Table 10. ODA to Pakistan

	U.S.million dollars			
	1999	2000	2001	2002
Japan	169.7	280.4	211.4	301.1
U.S.A	75	88.5	775.6	209
U.K	39.5	23.7	27.4	66.9
Total	435.2	475.1	1100.1	702.5

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assistance" actually serves to support the military operations of the US and its allies.

What the Musharraf Regime of Pakistan has received is not only ODA money. Powerful countries in the North also politically supported and recognized the Musharraf military regime, which came to power through a military coup d'etat, and which has refused to hand over power to a civilian government. The donor countries imposed sanctions on Burma's military junta, but support the Musharraf military regime with debt reduction and ODA allocations. Since security has emerged as ODA's main purpose, this kind of double-standard has become the international norm.

The Pakistan case shows the new aid-security structure in which "aid" is used to cover up the massive killing and destruction wrought by war, and has also resulted in political and economic stability for the military junta. To break this evil spiral, we should distinguish between "aid" and "war cooperation".

2. Japan and the Iraq War

Japan is the second biggest donor for Iraq rehabilitation, and has already allocated the

total amount of US\$ 1.527 billion (as of June 2005) for this (Table 11). Of this amount, electricity and health (hospital rehabilitation) are major areas and consist of around 60% of the total amount. The project sites are concentrated at Samawa and surrounding areas, where Japan's Ground Self Defense Force (SDF) has been stationed since early 2003.

The government claims that the SDF was dispatched to Iraq for "humanitarian assistance", which is a form of non-military action. Aside from Ground SDF, Air SDF and Marine SDF have also been dispatched to Iraq to provide logistical support for the occupation forces (but the details are not officially shown).

The Ground SDF is reported to be working on school buildings and road repair in addition to ODA projects. Since the battles in Iraq are so intense, the government cannot send official Japan International Cooperation Agency (JICA) research teams for Iraq projects. Instead, it has apparently decided to utilize SDF soldiers for information-gathering, among other functions.

The aid for Iraq is quite problematic, and is illustrative of fundamental issues over

Table 11. Japan's ODA to Iraq, in million US dollar

TOTAL		1,527
1. Direct support to Iraq		892
a. Electricity		348
b. Health	233	
c. Water and Sanitation	118	
d. Security	94	
e. others	98	
2. Through International Organizations		101
3. Iraq Trust Fund for rehabilitation		500
a. United Nations 400, World Bank 90	490	
b. IFC	10	
4. Through NGOs		25

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the conduct of Japanese ODA. Those issues include 1) the Government provides huge amounts of aid in response to US requests, but cannot draft a realistic project program since the war in Iraq is continuing, 2) but because the budget has been allocated and should be spent, 3) the government has asked Japanese firms and consultant agencies to resume the implementation of several old projects that were stopped during the Saddam Hussein regime, and 4) has mobilized the SDF for project finding research, 5) Therefore, there is no space or system for addressing the urgent and basic needs of the Iraqi people.

The main projects of direct assistance to Iraq are the rehabilitation of power plants and hospitals at Samawa, which Japanese firms constructed and delivered equipment to in the 1970s and 1980s under ODA. In JICA's hospital rehabilitation projects in Southern Iraq, four hospitals including the Samawa hospital were selected from 13 hospitals to which Japan provided ODA during the 1980s.

Current Japanese ODA for Iraq can therefore not be described as for emergency relief aid for the rehabilitation of the Iraqi peoples' livelihood. Neither is it "aid for peace-building", but a form of indirect aid to Japanese firms.

What mechanism has enabled the "remaking" of old ODA projects? Japan's bilateral grant aid handled by JICA is basically a tied one, so only Japanese companies can apply for bidding. That is why Japanese civilians (from consultancy firms contracted by JICA) normally have to be involved in the projects from preparation to implementation. But in Iraq's case, since the Japanese government is reluctant to allow Japanese civilians to enter Iraq, JICA uses a Jordanian consultancy firm to conduct the feasibility study based on projects Japanese companies had previously implemented.

There is thus no need assessment being done for emergency relief and rehabilitation in Iraq. Instead, mega projects are going on.

For Japanese firms, "aid for Iraq rehabilitation" is a big business opportunity, because around 20% of bilateral grant aid was allocated to Iraq alone in FY 2005. And it is tied aid, to implement which Japanese firms alone can be involved. Japan's giant trading companies, such as Mitsubishi Trade and Sumitomo Trade have already accepted orders under these projects.

Another serious problem is the SDF's involvement in ODA activities. In Samawa and nearby areas, around ten SDF soldiers did the research for ODA project preparation, following the Japan International Cooperation Agency's (JICA) direction. Other SDF soldiers worked for the ODA-funded water project in the outskirts of Samawa, in "joint assignment" with Japan's MOF.

In Iraq, however, the resistance movement is still fighting against the occupation forces, so it is important for the occupation forces to get the support of residents, through among other means, projects such as those being funded by Japanese ODA. Japanese ODA is thus being used for pacification purposes. The same can be said of Japan's SDF in Samawa. Because the Iraqi people regard the SDF as part of the occupation forces, their going around Samawa for information-gathering to implement ODA projects is similarly bound to military operations.

And yet Japan's ODA Charter prohibits using ODA for military purposes. This principle has been understood to mean that recipient countries cannot use ODA money for military expenses. But we should reexamine this premise because we are in an era of Japanese "international peace cooperation activities" with "the strategic use of ODA" being listed among SDF's main tasks in the November 2004 "National Defense Program Guideline for

FY2005 and after". The strategic use of ODA by the SDF is against the ODA charter. The redefinition of ODA is going on not only in the DAC committee but also in Japan.

3. ODA for the right to live in peace

To challenge this "securitization of ODA" and to transform ODA as a means of promoting global peace and poverty eradication is urgent and crucial. Unfortunately Japan's ODA has repeatedly been criticized for providing almost nothing useful for grassroots people in the recipient countries. But the Japanese Constitution states in its Preamble that "we recognize that all peoples of the world have the right to live in peace, free from want." The Constitution holds up the ideal that global society will be peaceful when its people are free from fear and want.

It is a quite similar ideal with the UN Millennium Declaration. If the Japanese

government is faithful to the Constitution, it should take initiatives on disarmament, arms control, human rights, poverty eradication and other global issues. ODA should be used for these, not for military activities in the name of "counter terrorism" and "peace and order maintenance". Human rights in particular, and social and economic rights should also be included as main target areas of ODA.

ODA is, needless to say, public assistance. The "public" will should be decided through debate among diverse ideas and opinions. But the securitization of ODA initiated by US counter terrorism is contrary to this public decision-making process. What we should do is to restore the purposes of Japanese ODA according to the commitment to peace and freedom prescribed in the Preamble of the Japanese Constitution.

Notes

- ¹ Koshida Kiyokazu, "Security and Development as Emerging Agenda", in *The Reality of Aid 2004 Report*
- ² Aly Ercelan, "Aid from Tokyo to Islamabad via Washington and Manila", in *Fifty Years of Japan ODA- A critical review for ODA reform: Reality of Aid Asia-Pacific*

Alternative Priorities

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The correlation between security, democracy and development is a basic principle of modern political and sociological thought. To prioritize one at the expense of the others would be a wasted effort, since priorities are based on the specific conditions of different countries and their different histories. Problems of security and development can only be addressed together, in a comprehensive effort to face conditions that, on one hand, cause stability and instability, and, on the other, stimulate or hinder development.

This is why impartial and objective international cooperation is important. International cooperation should aim to remove the causes of violence and eradicate obstacles to the development of different countries, especially those with low development rates and scarce human and natural resources. The question of funding, including its standards and bases, can be fruitfully discussed only in this context.

In the last decades of the 20th century, reports from the UN and related entities confirmed that aid is not a charitable act in which the "rich brother" donates some of his money to the poor family. Aid is a duty

determined by the reality of human interconnectedness. Secondly, it is a political act that guarantees stability in international relations and allows the safe flow of commodities, capital, and labor (the latter facing constant discrimination and restraints), especially in a period that has seen the flourishing of the dictums of globalization and free trade.

Quick overview

Globalizing the economy, however, undeniably leads to the globalization of security. Technological advances have also made violence more widespread and more deadly than in any other period.

The Arab region is an ideal example of the correlation between security, development, and cooperation. Its current problems should stimulate the search for solutions that would guarantee both stability and progress and enhance the prospects for democracy, human rights, and respect for the law. The international community, together with national and regional powers, can benefit from participation in this search.

The region – from western Asia to the whole of the southern Mediterranean coast

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— has witnessed a long chain of crises, wars, civil conflicts, and open disagreements between its different ethnic and sectarian components. Today, it faces a continuing wave of religious fundamentalism. In some circumstances, fundamentalism has been a carrier of legitimate resistance. But in most cases, it has created an ideological human resource pool for violence and terrorism.

The series of wars in the Middle East began with the creation of Israel in 1948 and continued in the trilateral aggression on Egypt in 1956, the Arab-Israeli wars of 1967 and 1973, the Israeli invasion of Lebanon in 1982, and the Iraqi wars against Iran and Kuwait in 1979-1989 and 1991, respectively, ultimately leading to the US occupation of Iraq. All these conflicts resulted in the reinforcement of two trends that have had a profound impact on the Arab situation in general:

First: Defense and security became a priority at the expense of development and social security. Military spending reached extraordinary levels in the countries on the front-line with Israel. Beginning in the 60's, it reached 30 to 40% of the total budget of Egypt until 1975, and in Syria, until today.¹ Even some countries relatively remote from the center of the Arab-Israeli struggle purchased billions of dollars worth of military equipment that they could not use. This increase was the result of concerns over Israel's possession of nuclear weapons. Due to the relatively modest budgets of productive installations, they were overshadowed by military spending that managed to consume large parts of produced capital. It is only natural that this situation reflects negatively on all development projects and impedes the possibilities for accumulation — a slow process to begin with.

Second: Political systems became militarized as a result of the nature of the leaderships that took power following military coups. This militarization has become a self-

legitimizing process, justified by nationalism and patriotism. Slowly but surely, state control over society has been legitimized, political and security repression increased, and despotism has become the political heir to the national liberation period that was coming to an end. State authority became a closed and concentrated power circle, overshadowing society and with no accountability. Democracy became formal, merely a mask to conceal authoritarian practices.

In the absence of oversight, especially by legislative bodies, the press, and civil society organizations, hypocrisy and duplicity thrived in politics. Slogans and promises were on one side and the miserable truth on the other. The thick curtain covering leaders and their actions also concealed a web of corruption and back-room deals, the squandering of resources, mismanagement, patronage and clientelism.

With the increasing awareness by the people of the issue, but with their inability to prevent it or take it into account, social values deteriorated. Public aspirations were lowered, social security institutions collapsed, political parties grew smaller, and culture was vulgarized. The "individual way out" became an alternative to development.

The high cost of war is known by Iraq more than any other Arab country. Following a period of various levels of hostility to its neighbors, the Iraqi regime began two open wars against Iran and Kuwait. The consequences of these wars lasted until the occupation of Iraq by the US and its allies. The cost of reconstruction, today handled primarily by US-based multinationals, is estimated at hundreds of billions of dollars. The war also did considerable damage to the economies of some neighboring countries (especially Jordan and Syria).

At the political level, the progress of the

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political process — building state institutions, and increasing participation in various elections by active political forces and parties — has been linked directly to the improvement of economic performance and to development projects. The fact remains that instability in security and the terrorism of small religious groups is a real danger to Iraqi society. Even the resistance movement, with its focus on the forces of occupation, cannot make serious progress towards regaining independence and sovereignty without coordination with the democratic political movements that have a declared position on independence and without the maturity of an inclusive national awareness. The most dangerous consequence of terrorist activities is the possibility of an ethnic or sectarian breakup of the Iraqi entity and the social melting pot that had sustained its cohesion historically despite earlier calamities.

Many Arab countries suffered, and some are still suffering, from long civil wars (Somalia, the Sudan, and Lebanon). Some live in a state of political instability and insecurity due to ethnic, sectarian, and tribal conflicts. The direct results of these conflicts are the destruction of human and material resources and of social and political structures. The countries that survived the wars need extensive efforts for many years to recover. But this is only the visible part of the problem. Underneath, there lie backward allegiances that weaken the state, hinder civil society's impact, and attack the foundations of democracy. This is in addition to environmental damage, the absence of state control, the decline in social values, and the breakup of family relations and citizenship.²

Impeded development

This miserable reality in the region accounts for the failure of development projects and

the collapse of the economic and social policies of Arab states in the post-independence period. All the three main models used to classify Arab political and economic regimes ended up failing to achieve the required development. Countries of the first model that followed the path of general developmental indicators and kept semi-despotic regimes intact³ and countries of the second model that export oil, still depend on a rentier economy⁴ based entirely or mainly on one product, oil. Their traditional social structures and the hereditary and lineage-based political systems are still intact, characterized by the absence of democratic practices and women's participation in public life. All these are factors that shackle development and impede growth. Those countries which chose to open up economically and politically to the West at an early stage, such as Morocco, Jordan, and Tunisia, despite some positive indicators in the past few years⁵, remain very far from any hope of achieving real breakthroughs in the development process, especially with their relatively high rates of population growth.

What makes these doubly pathetic is that the failures were not a result of lack of political awareness or of resources. The slogans of progress, freedom, and justice were part of popular awareness and of the programs of political parties for more than half a century. On the other hand, oil wealth, correctly managed, could have been a strong foundation for a thriving and multi-sectoral economy benefitting all Arab peoples.

In this regard, the occupied Palestinian territories are tragically unique. Following their re-occupation by Israel in 2002, based on [Israeli Prime Minister Ariel] Sharon's plans to destabilize the authority of the late Palestinian President Yasser Arafat, direct losses due to the invasion were estimated at a

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billion US dollars, just for that year. The rate of unemployment reached 60% of the workforce. Two-thirds of the population lived under the poverty line, estimated at three US dollars per day. Imports decreased by half and exports fell to a third. Industrial installations functioned at 20 to 30% of their capacity. Today, these figures are almost the same⁶.

Required aid

This summary of the situation in the Arab region shows two facts:

The first is the fragility of the general political atmosphere in the region, its profound weakness in a large number of Arab countries, and the dangers of current or future instability.

The second is the setback in development processes or their reversal due to several reasons, one being the interlink between political stability and a steady, long-range development plan.

What role then do grants and aid play in this situation, and how are they perceived by both donors and recipients?

We can easily say that the main decisions concerning the quality of grants, loans, and aid and their criteria are made by the large institutions (the World Bank and the IMF) created following Bretton Woods, in addition to the WTO. These institutions are the main tool of the large global powers in dealing with poor and underdeveloped countries.

1. Arab oil-producing countries are the only Arab sources of grants, but they are still very modest compared to international donors. Total official Arab aid is less than that of Sweden alone.⁷ The situation in Lebanon is symbolic. Lebanon is living in a state of a highly acute crisis and has a special status, with a high amount of consideration,

according to the declarations of leaders in oil-rich states.

Nevertheless, in its reconstruction plan of 2000, the country could source only 2% of the needed funding from grants and aid. In the plan for the years 2000-2007, the allocation was zero percent.⁸ Arab aid, although very small, faces another obstacle that further weakens its efficiency: lack of planning. The Arab League is still failing to create a center for development efforts, or even an institution with the ability to develop economic strategies. Bilateral relations that control the issue of aid are based on a short-sighted vision and are meant to contain crises or to support immediate policies. Therefore, they suffer from discontinuity and unevenness on the side of the donors, and are misused by beneficiary regimes and authorities due to the lack of transparency and accountability and the ease with which laws are broken. Although some of these grants are merely "donations" to ease one's conscience (the feeling of those who provide quickly and with minimal effort), they have an important positive side. Unlike those provided by international organizations for example, these grants are not conditional, and the support is not linked to an implementation mechanism that serves the interests of donor countries.

2. At the beginning of the paper, there was mention of the perspective of the UN and related organizations concerning development in general, particularly the role of aid. Today,

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the UN's battle against poverty is conducted on this basis. The number of forces and individuals that support this view is increasing, both in the North and South. Consequently, international aid has become more important and, step by step, an affective tool in the battle. From this long experience, it is clear that the most beneficial aid to developing countries is aid that comes from the side that has the lowest ambition for hegemony, and with the least inclination to invest aid in narrow political choices. In poor countries (the South in general), especially in Africa, responsibility for backwardness is seen clearly as that of European colonialism. This idea converges with the theory that sees the disparity of progress between the capitalist centers and the backward peripheries in the current order as a result of the logic and mechanisms of modern capitalist accumulation. These countries consider aid as very minor retribution for the sins of the past, and some of those that continue in the present. The United States, along with a number of major contributors in international aid, looks at the situation pragmatically. Aid is a tool that has its own logic. It should be used to serve the neo-liberal project — there are minor disagreements, of course, but the key phrase is “the free market”. If this goal happens to agree with positive development standards, needs and virtues become tied together. If not, then we should sacrifice for the most important goal: free trade, freedom for capitalism, and freedom for large companies.

Where does this vision appear in the aid provided to the region?

During the Cold War, aid was part of political, economic, and ideological investment in the struggle to “win over the world”. Both the US and the USSR were forced to be lenient, allowing beneficiaries a wider margin of freedom in planning and envisioning benefits from external aid. After the collapse of the Soviet Union, the US changed its goals but the political logic of aid only saw formal and minor changes. The fixed foundation remains as that of serving the economic and political strategies of the lone hegemon: aid is given, or stopped, based on the willingness of the beneficiary to succumb to structural adjustment needs, both at the economic level as well as at the level of political choices. This is done through a list of conditions presented by “friendly” donor institutions. This is the tried and tested policy of “the carrot and the stick”.⁹

In the Arab region, “opening-up” has been the axis used by the US and Western aid strategies since the 1970s. This was on two interlinked levels, economic and political:

The economic level

Opening-up had to include the freeing of trade and currencies from restrictions similar to those in so-called socialist experiments. This means:

1. Reducing the size of the public sector in an effort to eliminate it completely, if possible, and removing economic policy-making from the hands of the state.
2. Using privatization as an alternative approach in productive sectors, even those considered as public services, such as transportation, energy, telecommunications, and health.

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3. Weakening the social and political weight of labor, including public employees, in relation to capital through new types of contracts, reducing the role of labor and professional unions, and marginalizing political forces that defend the rights of workers and marginalized segments.

In spite of the apparent failures of development efforts based on these principles and the regression of economic performance indicators (as in Egypt and Algeria in the 1980s), neo-liberal circles still insist that the mistake was not in the policy of openness, but in the fact that it was not done in a complete and immediate manner.

Similar to today's globalization strategies, "opening-up" neglects the social dimension and its political impact. The poor who know that they "give society much more than their share in wealth" are in an ever increasing crisis. The state has provided some protection for these segments, but the decline of the economic role of the state results in a decrease in its ability to influence the distribution of income. The weak are thus alone in facing a bleak destiny that pushes them into despair and social explosion.

The political level

For the United States, the concept of "opening-up" goes hand in hand with the resolution of the Arab conflict with Israel. The relation with Israel is an indicator for the relation with the rich and civilized world: following their peace agreements with Israel, economic aid to Egypt and Jordan increased dramatically. Today, following each step towards an "agreement at all cost", Palestinian moderation is rewarded with a lot of promises, but trickles of support. But even this becomes cause for intimidation following any attempt at an independent

position on the peace process. The Palestinian Authority is held responsible for the acts of its political opponents.

On the other hand, Israel receives more than 5 billion US dollars of aid every year from the US alone, without any political or economic conditions. Here, economic experts do not intervene to give advice on privatization, even though the public sector in Israel has a strong weight in major industries (especially the military industry). The US administration does not pressure Israel to implement UN or UNSC resolutions, as is the case with other countries, nor to cease violating the right of self-determination of the Palestinian people, or even their basic human and legal rights.

Drying-up the well of terrorism

Currently, a new goal is included in the political priorities of the US and the international community: drying-up the well of terrorism — according to George W. Bush. The truth is that after the crime of 9/11/2001 and the consequent terrorist attacks on European and Arab countries, terrorism has become a real danger to global security.

Terrorism is a form of rebellion that takes the ultimate form of violence against those perceived as enemies, without discrimination between the innocent and the guilty. (For Al-Qaeda, as an example, and as mentioned by its leaders, the West, as a whole, becomes the enemy. There is no difference between a military leader and a tax payer). This is exactly why terrorism should be condemned and why resistance against occupation and targeting occupation forces should be justifiable. Terrorism is not a legitimate progeny of any religion or ideology. At the same time, it does not appear out of nowhere. It is the result of the accumulation of many factors, namely feelings of profound injustice and being

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unable to achieve change through legitimate means. To justify its violent methods, terrorist forces opt for their own explanations of religious teaching, for example, or of revolutionary theory, in the most closed and adversarial manner.

The question remains, how can we get rid of terrorism? And, is facing the results enough to remove the cause?

Facing the challenge head-on, such as breaking up networks, assassinating leaders, and removing funding sources cannot solve the problem. These can always be rebuilt or replaced. But to eradicate this phenomenon, there needs to be another type of challenge. I will give one example. Israel's refusal to abide by international resolutions does not result in US pressure or any threat of any kind. On the contrary, it is rewarded with tolerance and understanding by the US administration and other Western powers. Can a Palestinian or Arab citizen, thus, not feel blatant discrimination in the actions of the international community? Can this discrimination not produce the sentiments of anger and rebellion, even against the legitimacy of the international community itself? That is why those who know the depth of the problem in the region see that a just solution to the Palestinian cause is essential in the fight to eradicate terrorism.

Seeing this side is not enough. What is also required is to open up the horizon for hope in the future through improving the living conditions of people and respecting their right by establishing real developmental processes. Here, democracy plays a pivotal role. When some political forces, including those with a religious background, were barred from their share in power, their popular support did not diminish. This ban, nevertheless, increased their tendency towards violence. The experiences of Algeria and Egypt are prime examples of this fact.

On the other hand, the democratic solution chosen by Turkey, for example, reinforced moderation in Islamic circles, and blocked the path, until now, of violent choices.¹⁰

If the use of force and pressure does not remove the roots of terrorism, then using economic might for political manipulation almost always results in the opposite of what is aimed for. The best example is the economic embargo on Iraq. The sanctions did not weaken the oppressive regime in Iraq. They did not form popular resentment into an act of political change. What happened was the opposite. The leaders of the regime were living in luxury, while the people died quietly due to excessive repression. Children died due to lack of medication. This resentment was channeled against those considered to be responsible for the famine, meaning those countries that imposed the sanctions. The conditions for a future explosion lay between desperation and the build-up of pressure.

Cooperation between nations: a new order

If the world's rich are seriously convinced that aid is not a coin that is thrown to a beggar on the sidewalk, if they believe that contributing to comprehensive human development is a responsibility and duty to allow "neighbors in one world" to live in peace, and if backwardness and despair are the repository of conflict, the causes of terrorism, and the land of bigotry and isolation, then there is a need to find another system for aid based on different types of strategies:

First: Aid should complement local development plans. This requires rising above "national" obstacles hindering these plans, such as lawlessness, the absence of democracy, and the prevalence of corruption, in addition to the lack of expertise and

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scarcity of technology. If conditionality is on issues such as the freedom to vote, the right of expression and belonging, and the independence of the judiciary, rather than on privatization and the removal of subsidies that support basic services, then, the aid regime could become the developmental lever needed badly by poor countries.

Second: Local development plans should answer the needs of the majority of the population that lives below the poverty line in most countries in the South. External aid in support of these plans will contribute to raising the living standards of real people, and not merely raise general economic indicators that benefit only a minority.

Third: The aid regime should be removed from its biased political use in international relations. It will then gain the credibility of human duty and responsibility for world peace. Using aid to influence conflicts, no matter on which side, will only stoke the fire of violence and lead the disadvantaged to look for other sources (still available even in a unipolar world). The vicious circle continues in the

shape of wars and internal clashes. Linking aid to a just peace, based on international legitimacy, should make the ultimate goal nearer: ending the use of wars for political ends.

It could be useful to look into two practical issues related to aid in general.

The **first** is to continue demanding and exerting pressure on private capital to fulfill its responsibility towards development aid, through a UN agency funded by a tax on monetary exchange. No matter how small this tax, its impact will be enormous due to the size of the transaction in the global financial markets.

The **second** would be to consolidate aid, identify sources, sizes of grants, and their conditions, in specialized bodies wholly accountable to the UN. This will mean that big and rich powers should only use their wealth, accumulated through the efforts of billions of poor around the world, to serve goals with humanitarian dimensions, such as eradicating poverty, fighting disease, maintaining world peace, spreading democracy, and protecting the environment.

Notes

¹ Bilan du Monde, Edition 2003, p. 116

² Hamdan, Kamal, 'Al-Azma Al'Lubnaniya' (The Lebanese Crisis), Al-Farabi, Beirut, 2001 (Arabic)

³ For development indicators, please see Human Development Report 2005, UNDP, Beirut 2005, p. 17-21 (Arabic)

⁴ 'Dirasaat Fi Al-Tanmiya Al-'Arabiya' (Studies in Arab Development), Center for Arab Unity Studies, p. 285 (Arabic)

⁵ For each of the three countries, please see the Arab Economic Report by the General Union of Chambers of Commerce, Industry, and Agriculture in the Arab Countries, September 2005

⁶ Bilan du Monde, op. cit.

⁷ Human Development Report, op. cit. p. 287

⁸ Arab NGO Network for Development, 'Post-War Lebanon', ANND, Beirut 2005, p. 34-36

⁹ Edwards, Michael, Future Positive, London 2000, p. 111-127

¹⁰ It is very important to follow the results of the latest elections in Egypt (December 2005) because of their impact on the political life of the country. With the Muslim Brotherhood gaining around 20% of the votes, this party became the main opposition force. The left opposition, on the other hand, along with the traditional opposition, lost some of their vital positions. Their share does not exceed 7% of the votes, including the various independent candidates.

Nepal: The Militarization of Foreign Aid*

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Attempts to establish a multiparty system within a constitutional monarchy in Nepal have been failing repeatedly since 1950, when the first multiparty constitution was introduced. The first general elections were held in 1958 with the promulgation of the second constitution, but the government was dissolved in 1960 after a coup by King Mahendra, who imposed a partyless *Panchayat* system that lasted till 1990.

Ruled since then mainly by the Nepali Congress and partly by the Communist Party of Nepal (Unified Marxist and Leninist), the country faced many problems. A succession of governments failed to introduce pro-people social and economic policies and to restructure the State security forces. They also failed to implement progressive land reform and to eliminate class and caste-based discrimination. Today over 70% of the 24 million population lives below the poverty line. The Communist Party of Nepal (Maoist) launched a Peoples' War in February 1996.

In an attempt to address the insurgency, the political parties made some efforts at peace through negotiations, but failed mainly due to the vested Indian and western interests in Nepal. Instead of supporting the democratic processes, the US, the UK,

Belgium, India and even China began to supply arms to the then Royal Nepalese Army (NA)" in the name of suppressing the Maoists.

King Gyanendra inherited the throne after the suspicious Royal massacre of June 1, 2003. He dissolved the elected government in October 4, 2004 with the support of the army. He assumed all executive power on February 1, 2005 and began running the country despite the Supreme Court's declaration on February 13, 2006 that his rule is unconstitutional. The Maoists are in control of most of the country and with their help seven parliamentary parties launched a movement against monarchy. In April the king was forced on the defensive by a strong upsurge of anti-palace sentiment and he restored parliament in an attempt to break the alliance between the Maoists and the parliamentary parties. However, people's pressure is strong and anti-monarchy sentiment is running high in the country. US political support for the palace continues openly to this day, despite the message of the April movement. Additionally it has pledged new material support to the discredited national army that is still loyal to the king.

Military aid to Nepal

Although direct foreign military assistance to the regime is not large, it is politically and symbolically significant. The US provided \$12 million in military support to Nepal through Foreign Military Financing (FMF). The amount is nearly 10 times what Nepal received in the decade prior to 9/11. Nepal had also received nearly \$0.4 million under the International Military Education and Training program (IMET), and \$3 million under Economic Support Fund (ESF) financing.

In 2003, Nepal was provided \$0.5 million in IMET, \$3 million in FMF and \$6 million in ESF. In 2004, Nepal was promised \$0.6 million in IMET, \$10 million in FMF and \$6 million in ESF. To give continuity to its military ties, the US compelled Nepal to sign an agreement with the US Government in April 2003 for the establishment of an anti-terrorist assistance program and to further expand the intelligence network.²

The goal is to prevent Nepal from falling into the hands of a Maoist government. But Nepal has also become a highly strategic location for the US, from where it can intensify its surveillance of China as well as India and Pakistan.

The US thus became the biggest hindrance to a negotiated settlement of the Nepal's political crisis with the Maoists. For example, the US was committed to increasing the numerical strength of the then RNA (hereinafter "RA") from its present estimated number of 78,000 troops to over 200,000 in a few years time. This is opposed by many Nepalis who see no reason for maintaining a permanent army or any further increase in its size, and who believe that a civilian police force will be sufficient to maintain law and order.³ The US throughout the period of the king's dictatorship opposed any involvement of the UN or EU in facilitating the peace process, and is insisting on the unity of the king and the parliamentary parties against

the Maoists. And yet the parliamentary parties have declared their commitment to a pluralist republic by writing a new constitution through an elected constituent assembly.⁴ The latest political development is the conclusion of the second agreement on March 19, 2006 between the seven-party alliance and the Maoists, which further emphasizes the need for the enforcement of the previously agreed 12-point understanding dated November 22, 2005.

The US position is "no peace with terrorists." In 2004, the US also listed the Maoists as terrorists and provided the Nepal government another \$20 million in military aid to discourage peace negotiations. And yet, solving the conflict with the Maoists militarily is only a dream, and even if all the Maoists were killed, the basic problems of poverty elimination, democratization and social security will continue.

In the 1980s, the US provided aid in the western part of Nepal supposedly for integrated development, but grossly failed to deliver development. In fact, the division of the population into rich and poor that it created in that area is one of the root causes of the Maoist uprising.

The European countries' position towards the then Royal military regime was different from that of the US and is rather constructive. Norway reduced its bilateral financial assistance for 2006 by 15 million Kroner (10%), and terminated its support for the controversial Melamchi Water Supply Project. Norway had also decided to "focus on effort[s] to promote democracy and human rights, including support to the United Nations Office of the High Commissioner for Human Rights (OHCHR) mission in Nepal."⁵

Nepal's donors and lending agencies agree that poverty is one of the main reasons for the Maoist uprising and the tremendous rise in public support for it.

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Lack of land reform to address poverty, rather than foreign-aid-led poverty alleviation projects managed by corrupt government officials and retired members of the elite, the absence of effective and meaningful decentralization, the replacement of democratization processes by militarization and the continuing socio-cultural exclusion of marginalized groups and communities are the other fundamental problems Nepal faces. Surprisingly, even the World Bank has recognized the Maoists as an ideology-based political movement rooted in poverty and the unequal distribution of development resources.⁶

Nevertheless, the main problem is the lack of collective realization by Nepal's donors that negotiation is possible, peace inevitable and development definite with their positive cooperation, or at least non-intervention in the conflict and in development decision-making.

The European Commission is underlining its support for peace and democracy by providing €12 million in assistance for human rights and conflict settlement, and €7 million for conflict mitigation through the National Human Rights Commission and the Supreme Court. The funding is also said to be for providing legal support for those who need it, through the Nepal Bar Association. An additional €5 million is for an international human rights monitoring mission to be managed by the OHCHR.⁷

Japan has mainly been interested in providing technical assistance in profit-making infrastructure projects. The main purposes of Japanese aid have been to pay for high-cost consultancy, to sell expensive equipment, and the return of most of its aid money through these schemes. Japan is less interested in actual poverty reduction strategies and programs, but claims that big infrastructure projects automatically help poverty reduction.⁸

Nepal's immediate neighbors

Both China and India have maintained close ties with Nepal, where they have their own security interests. The amount of aid they provide is fairly high and mainly concentrated in infrastructure development.

The role of India with regard to the Maoist insurgency has been as disturbing as that of the western countries. It considers the Maoist insurgency a "shared security threat".⁹ India also has its eyes on Nepal's huge water resources and the need for dam-building in the Himalayas. In recent years, India had provided huge military support to the Nepali King by giving arms and ammunition as aid or as business in the name of assisting the army in fighting the Maoists.

Although India's support for the then Royal military regime was reduced after the February 1 coup last year, it did not stop the arms supply even when there were protests from within and outside Nepal. India also maintains the so-called special and secret relationships with Nepal as regards military cooperation.¹⁰ There are some doubts about India's attitude towards the involvement of the UN and/or any other third party in any peace negotiations in Nepal. It reportedly fears that it may set a "bad" precedent towards conflict resolution initiatives in the region in the background of the decades-long Indo-Pakistani dispute over Kashmir and the internal conflict in the North-East of India, or in other SAARC countries. But in November 2005, India made a positive contribution towards conflict resolution by providing shelter and support to Nepali political parties and the Maoists in Indian territory so they could agree to work together in overthrowing the monarchy.¹¹

After India shifted its support to the democratic forces by publicly endorsing their demands and facilitating their meetings within India, the then Royal military regime turned to China for more help. China is

closely watching political events in Nepal for the sake of its own security interests. When all the donor and friendly countries were asking the King to restore democracy and support peace, China considered it an internal affair, expressed hopes for social stability, economic development and national reconciliation, and concern over the anti-government insurgency. It called for peace negotiations at the earliest.¹² At the same time, however, China has been selling arms to Nepal and providing military assistance directly despite concerns from India and other countries. It was only in January 2006 when China for the first time expressed its serious concerns over political developments in Nepal.¹³

Security sector reform in Nepal

Security Sector Reform (SSR) is crucial in countries with armed conflicts, provided that it is focused on the democratization of State security forces and making them accountable to the people. It is also important if the reform is about their best use in national development and poverty eradication. It means that SSR can only be justified if a democratic government is in control, and Parliament is not immune from judicial scrutiny for their acts. SSR in these terms should be a fundamental component of democracy, development and human rights.¹⁴

Given the poor record of Nepal's security forces, donors have started showing concern on the impact of the on-going armed conflict on development projects, but it is rather too late for them to go back. The fundamental issue as far as the donors are concerned is the need for them to change their policies and practices so they may address the needs and priorities of poverty reduction and elimination in Nepal. These donors actually helped increase poverty in the past. They are not contributing much at the moment, and the

same will prevail in the future even after Nepal achieves peace and needs to reconstruct its economy and to achieve development. The donors and the international community should not only express their concern over deteriorating economic and development situations but should also start correcting their wrongful policies that in the past helped fuel the present conflict. They cannot escape their accountability and responsibility for knowingly funding the Nepalese elite and security forces directly or indirectly.

In spite of the concern of donors over the internal conflict, some major donor countries have supported Nepal with military assistance in their 'war on terrorism' directly. This focus overshadowed SSR after 9/11, even if it has had any positive elements. The dual character of most donors — providing military aid on one hand, and talking about democracy and peace on the other — has never been helpful.

According to some analysts,¹⁵ the mapping of SSR in Nepal is a delicate and complex process. The loyalty of the security sector to the government, particularly to the NA is in dispute. The NA had violated constitutional provisions by defying the executive order of the Prime Minister mobilizing them for counter-insurgency in the past. It took the position that such orders should come from the King as the Supreme Commander-in-Chief of the NA. The concern in Nepal at present is that SSR is not on the national agenda, because the primary aim of the regime is to strengthen the armed forces and consolidate absolute monarchical power by enhancing the capacity and effectiveness for repression of the State's coercive apparatuses.

The law governing control of the army should be clear for times of peace and for times of crisis, and whether the threat is internal or external. The security forces

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should be accountable to Parliament in any situation. Since the sovereignty and territorial integrity of the Nepali State is not threatened by any external powers, its national security policy should be towards the decrease in the size of the army. In the current SSR, Nepal was and is not free from donor-driven security sector reform. The increase in the number of armed personnel from 47,411 in 2001 to the current officially claimed figure of 78,000 (which is actually around 90,000 including reserves) is an indicator of the rapid increase in militarization. In the 10-year plan, there is a move to increase the size of the armed forces to 125,000 with more divisional headquarters.¹⁶

The maintenance costs of the armed forces have also increased from slightly over Rs. 1 billion (US \$14.07 million) in 1990/91 to over Rs. 8 billion (US \$112.53 million) in 2004/05.¹⁷ On the other hand, Nepal's civilian police force, with 48,500 personnel, was supplemented by the Armed Police Force as the army had earlier denied to be engaged in the Maoist conflict unless a national emergency is declared, anti-terrorist laws introduced and a consensus is built among the major political parties.¹⁸ The budgetary allocation in the 2000/01 for the police increased two-fold in comparison to that of the army.¹⁹ Now Nepal's security forces comprise the civilian police, the armed police and the Nepali army (total estimate 142,500 with a 51% increase since 2001)²⁰, and have become the subject of concern nationally and internationally for their brutality in committing gross violations of human rights as well as war crimes against the international human rights and humanitarian laws which Nepal has ratified. They also have become so corrupt that even the government officials have to pay them for special security from the Maoists.²¹ The figures, the tenders and the official

statements clearly show that the military is interested in purchasing more and more arms and will not give away their hold on the army even after peace. For this, the army had demanded an additional budget of Rs.11 billion (US \$154.73 million) to improve the security situation in the country.²²

Diverting development funds to the army

After intensified attacks by the Maoists on most of the local government bodies – e.g., on Village Development Committee (VDC) buildings – VDC officials moved to the relatively secured District Headquarters for their day-to-day functions. As the people became desperate for access to these VDCs, the government took the chance of taking control of local resources and administrative control by introducing the Integrated Security and Development Programme (ISDP). In ISDP, army officers are the overall in-charge of development decision-making as well as the appropriation of funds. No questions could be raised about the diversion and/or misuse of funds for any other purpose by the army due to fear and their unlimited political power.

There are no legal, administrative or political safeguards and mechanisms to guarantee that aid money is not diverted to military purposes, or that it reaches the people and meets the goal of poverty reduction. The army is free to ask any amount of money they want. For example, the army had asked for Rs.13.86 billion (US \$195.21 million) to spend under the so called Unified Command for the year 2004-2005.

Misappropriation of funds

As regards dealing with the conflict and security situation, there are just too many foreign experts and consultants in the country. They may have a role to play in understanding the dynamics of the conflict

and in helping convince the international community, particularly the US, that Nepal needs support for peace, and for a peaceful and democratic resolution of the political crisis. But they are not doing this as much as they are engaged in conflict-related projects. This needs to change. The money available for conflict-related activities such as community awareness, mediation and humanitarian work should be channeled directly through local organizations and by involving local experts.

There is a criticism that donors are also pouring money haphazardly to some Nepali and foreign NGOs without even considering their need and capacity. This approach is wrong, costly and imposed from the above. Pouring money for consultants and advocacy groups on conflict does not make any sense unless the Maoist-Government conflict is understood in Nepal's social, cultural and political contexts rather than treating it as terrorism. Terrorism is not about any political ideology or resistance, but consists of specific and sporadic acts of violence and terror that are committed more by State security forces rather than armed groups anywhere. Nepal is not an exception.²³

Shift in international concerns

The holding of a municipal election by the King on February 8, 2006, was a mess. He used his security forces to field candidates, and forced them to file nominations and to stand for the fake exercise. Some candidates were even kept in army barracks and police stations or sent to India to hide from possible Maoist attacks. The fear was that they may withdraw their candidacies and even resign after the election – which many of them did and are still doing. There was hardly a 20.58 percent turn out. All the major political parties boycotted the election. The seven-party alliance condemned the election and said that the

“drama of the so called election staged by massively misusing state force and funds became a total failure due to the people's boycott.”²⁴

In a press statement issued from Washington DC, Sean McCormack, spokesman of the Department of State said, “The United States believes Nepal's municipal election called by the king today represented a hollow attempt to legitimize his power. There was a clear lack of public support for these elections.”²⁵ Nepal's largest donor country, Japan, deplored that the municipal election was held without broad support from the people of Nepal. In a press statement issued by the Director-General for Press and Public Relations of Japan's Ministry of Foreign Affairs, the Japanese government said that “What Nepal now needs is for the government and the political parties to reach out to one another with the spirit of reconciliation, and Japan expects that positive steps will be taken soon to that end.”²⁶

India described the poll as lacking in credibility. The statement issued by the spokesperson of the Indian Ministry of External Affairs said, “Any credible electoral exercise should have the active involvement and participation of all mainstream parties. Only then would such elections be able to contribute to the restoration of democracy and political stability.” The statement further said that “the grave challenges facing Nepal demand the initiation of a genuine process of national reconciliation, dialogue and participation which can facilitate a peaceful political settlement.”²⁷

The UK said that “The low level of turnout at the municipal elections indicate that they didn't have public support”²⁸ and urged the King to reach out to political parties to develop a common agenda for “full return to multiparty democracy” by stressing the need for an inclusive and

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comprehensive process to achieve a negotiated peace.

During a visit in March 2006, the State Councilor of China, Tang Jiaxuan, said "The Chinese government and the people have never interfered with the internal affairs of Nepal and highly respect the mode of development chosen by the Nepalese people."²⁹ He emphasized the need for reconciliation among democratic forces and a dialogue among them.

However, this positive shift of the international community towards the peaceful settlement of Nepal's political crisis is being derailed by US obstructionism. US Ambassador James F Moriarty, in a speech in Kathmandu, criticized the coalition between the seven-party alliance and the Maoists, urged the King to urgently reach out to political parties, and asked the seven-party alliance to withdraw from its agreement with the Maoist rebels. His main worry was that "If the armed Maoists and unarmed parties successfully implement Prachanda's and Baburam Bhattarai's vision of a violent revolution, the Maoists will ultimately seize power, and Nepal will suffer a disaster that will make its current problems pale in comparison."³⁰

As a result of this US diatribe, the King became even more brutal. His ministers threatened that political parties allying with the Maoists would also be called terrorists.³¹ The licensing of 10 FM radio stations for a propaganda war against the Maoists was also being considered as part of the King's ploy towards the total militarization of Nepal with the help of the US.³² During his visit to India in early March 2006, US President Bush urged the King to reach out to the political parties for the restoration of democracy. Bush said, "In Nepal, the Maoists should abandon the path of violence. We (with Indian Prime Minister Man Mohan Singh)

agreed that the King should reach out to the political parties for the restoration of democracy."³³

Conclusions and recommendations

- The post 9/11 or the so called "war on terrorism" led by the US has had a tremendous impact on Nepal's democratization process. The ruthless monarchy and the brutal RNA found a way to survive militarily by usurping all executive and legislative power and suppressing all activities for democracy, human rights and the rule of law. When the civilian governments, the political parties and the Maoists were ready for peace negotiations, the US derailed the peace process by opposing the internal political consensus and by funding and supporting the army overtly or covertly.
- More and more aid resources have been diverted to security in Nepal in the name of the fight against terrorism. The trend of increasing bilateral security arrangements and donor-led security sector reforms is taking more resources from the development sector directly or indirectly. Furthermore, the concentration of wealth, the pro-rich tax system, and the unfair distribution or no distribution of national revenue to those in dire need continue to fuel social unrest and insurgency.
- The securitization of aid, supported by a series of so called anti-terrorist laws, has made the effectiveness of existing development aid more questionable than in the past. The taking of the "poor" peoples' own resources and the external domination of domestic markets by the forces of privatization

and globalization are additional factors contributing to the further increase in poverty and insecurity.

- The tying of development aid to security has tremendous negative impacts on resolving internal conflict. The Maoist insurgency would not have been born if the post-1990 democratic transition was not taken over by the donors with their domination of all economic and development decision-making in furtherance of their interests. They also made the internal democratic process ineffective and the political leadership and technocrats vulnerable.
- The donors need to learn that their unilateral, non-transparent and undemocratic decision-making is not helping Nepal at all. Rather are they increasing donor-dependency and creating a huge debt burden. In the case of Nepal, they must apply a human rights framework to development financing and poverty-reduction measures.
- The donors should not divert the money that is supposed to be for poverty-reduction to ineffective foreign experts and national NGO elites-led peace or conflict-related projects. They should invest such money in direct peace-building and conflict resolution processes at local levels.
- Finally, there should be no increase in any military expenditure at the cost of funds needed to eliminate poverty. No aid of any kind should be given to an absolutist or military regime and those who oppose peace negotiations and the peaceful transition of a country towards democracy.
- The international community should stop any kind of military assistance to Nepal in the future, suspend all development aid and discontinue the involvement of the NA and the police force in UN peace-keeping operations till the restoration of democracy, human rights in the country.

P.M. Blaikie, John Cameroon and David Seddon

The extent and depth of popular disappointment and disillusionment as the failure of successive governments to deliver the promise of genuinely progressive social and economic policies – particularly after the dramatic rise of the People's Movements – was not foreseen.

Source: Blaikie, P. et al. 2001. Nepal in Crisis: Growth and Stagnation at the Periphery. Adroit Publishers, Delhi. p. 310.

LATEST DEVELOPMENT

The political situation has drastically changed in Nepal after the popular April Revolution (2006). It was the result of a joint alliance of the Communist Party of Nepal (Maoist) and the Seven Party Parliamentary Alliance. Nepal now is moving towards an all party

government, and the election of the first ever Constituent Assembly on the writhing of a new Constitution. The popular demand now in Nepal is the abolition of the notorious and repressive monarchy.

During the April Revolution, the US and India played a clandestine role to save King

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**Annex 1. Nepal's Budget on Security and Development
In Rs. Million**

Particulars	1995/96	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Total Expenditure	46,542 (US\$ 655)	66,273 (US\$ 932)	79,835 (US\$ 123)	80,072 (US\$ 1126)	84,006 (US\$ 1181)	89,443 (US\$ 1258)	126,885 (US\$ 1785)
Percent change		42	20	0.2	4.9	6.4	41.8
Total security expenditure	4,053 (US\$ 57)	6,750 (US\$ 95)	9,009 (US\$ 127)	11,987 (US\$ 168)	13,618 (US\$ 192)	14,866 (US\$ 209)	18,786 (US\$ 264)
Percent change-		66.5-	33.4-	33-	13.6-	9.1-	26.3-
Defence Military Expenditure	2,126 (US\$ 30)	3,486 (US\$ 49)	3,813 (US\$ 54)	5,860 (US\$ 82)	7,382 (US\$ 104)	8,520 (US\$ 120)	10,905 (US\$ 153)
Percent change		64	9.4	53.7	26	15.4	28
Police expenditure	1,927 (US\$ 27)	3,268 (US\$ 46)	5,195 (US\$ 73)	6,128 (US\$ 86)	6,237 (US\$ 88)	6,346 (US\$ 89)	7,880 (US \$ 111)
Percent change		69.6	59	18	1.8	1.7	24

This shows that:

1. Total security expenditure had increased over the years, from 33.4% in 2000/01 and 33% in 2001/02 after the declaration of the first post-1990 emergency rule.
2. During the first few years after the Nepalese emergency, police expenditures increased by double digits, whereas military (army) expenditure did not increase so much. Absolute expenditure for the military was less than that for the police.
3. In 2001/02, military expenditures increased by almost 54% and in double digits during the years after the dissolution of the elected government by the King on October 4, 2002.

Annex 2. Who says what on development aid to Nepal?

Dr. Baburam Bhattarai, the Maoist leader

Financial capital as a social relation logically promotes certain class configurations in society which are conducive to its continued reproduction. Within the present world imperialist order, promotion and/or preservation of capitalist classes would be the natural concern of metropolitan financial capital even during its operation in backward and underdeveloped formations. In the context of Nepal, however, since foreign financial flow takes places exclusively in the form of 'aid', the preservation and strengthening of the present class and state structure becomes more direct and glaring. This may be better expressed in the word of a seasoned observer thus:

"... aid has assisted the monarchy both directly and indirectly to create a better-equipped and better trained army and to put a large number of potentially restive, educated young men on the bureaucratic payrolls... Thus, in the short run at any rate, foreign assistance has enhanced the monarchy's chances of survival and has inhibited the growth of pressures for fundamental change".

Source: Bhattarai, B. 2003. The Nature of Underdevelopment and Regional Structure of Nepal: A Marxist Analysis. Adroit Publishers, Delhi. p. 383.

Dr. Siera Tamang, gender and development analyst

According to one of Nepal's leading development analysts, most development agencies have withdrawn to the district headquarters if not Kathmandu. More aid will not ameliorate the situation of those who live beyond the immediate control of the state. Financial commitments now will amount to support for the current counter-insurgency methods of the state. The case of the election budget being diverted for military and palace expenditures highlights the ease with which an unaccountable government can distort budgetary allocations. With gaps in the development finances being filled by donors, the possible militarization of international aid needs to be taken seriously. The biggest weakness of both the government and the international community is the absence of plans to help the Maoists move from being a military organization to a political/civilian entity.

Manjushree Thapa (living in self-exile), renowned author of 'The Tutor of History' and 'Forget Kathmandu: An Elegy for Democracy'

"Many foreigners in Nepal's international community seem to rely more on cocktail hour chatter than on in-depth study to learn about this country, where they wield great influence. Outsiders turn to insiders for insight; they ought to also read up. It would greatly help Nepal if influential foreigners here would read, read, read – not just newspapers. Actual books. And if there aren't enough good books around, then support the intellectual ferment gathering force today: invest in new scholarships."

Source: Thapa, M. Educating Foreigners. Nepali Times No. 186, 5-11 March 2004.

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Gyanendra, and to sideline the Maoist. They did this by restoring the dead Parliament and opposing the demand of the vast masses for an all party national conference for the formation of an interim government and the holding of the constituent assembly election.

Leading towards the process of final peace agreement, two additional agreements have been signed between the SPA/Government with the CPN (M) recently. The eight-point SPA-Maoist Agreement (16 June 2006) has paved the way for a formal peace process in the country that began from the first 12-Point Memorandum of Understanding signed in November 2006. These agreements have expressed their commitment to competitive multi-party system and urged the United Nations to monitor the management of arms of both the government and the Maoist leading to the free and fair election to the Constituent Assembly. Another important point is the agreement to dissolve the controversial Parliament after making an alternative arrangement for an interim legislature as well as the dissolution of Maoist-led People's Governments of CPN-Maoist.

The Five-Point Agreement (9 August 2006) is related to the monitoring of human rights situation by the Office of the UN High Commissioner for Human Rights in Nepal and the 25-Point Code of Conduct signed with the Maoist for an effective ceasefire. It also has agreed to seek the UN assistance for the management of arms and armed personnel from both the sides. The agreement is that the Maoist forces will be confined within designated cantonment areas, and the Nepal Army in their original barracks.

However, the US and India have been playing a negative role again to maintain the monarchy and sideline the forces of republic of Nepal. They have already offered the

resumption of arms supply and their military advisors are in Kathmandu offering 'any help' needed to defeat the Maoist if the peace process breaks up. Unfortunately, the SPA, mainly sections of the Nepali Congress and the CPN-UML, have already fallen into the US-led trap willingly to regain their lost credibility and maintain their supremacy at the Constituent Assembly election. Parliament, which was dissolved four years ago, has now become the weapon to prevent the Maoist from joining the transitional government. They also have started saying that the Maoist will not be let in the government till the management of arms, and it is a process that cannot end before the election of the Constituent Assembly. This is possible only when a new constitution is drafted by the elected Constituent Assembly. Sections of the two main parties are even suggesting that Parliament will not be dissolved, that Maoist will be prevented from joining the government and even the election of the Constituent Assembly may never be held.

If the SPA government fails to comply with the previously signed agreements then the ultimate result is that the Maoist will be forced to resume the People's War again. But this is what the people of Nepal never want to happen again. The Maoists have also said that they would rather launch a peaceful people's struggle to put pressure on the SPA to comply with the previous agreements but will not go back to war. They also have said that no final management of arms is possible before the election of the Constituent Assembly and they can never accept the SPA-conspiracy behind it in line with the US-Indian strategy. The failure of the SPA-government in suspending the key army personnel who were involved in committing serious human rights violations and internal war crimes during the past 10 years of insurgency and the 19-Day April Revolution

clearly shows that there is a clear danger of all these pro-monarchical and anti-republican forces planning a military coup against the Maoist if they succeed in the Constituent Assembly. The vast masses of the people, including the indigenous-ethnic communities, *Dalits* (the so called 'untouchables'), the *Madhesis* (the people of Terai region) and the other marginalised communities are clear about the need for a republic and a comprehensive restructuring of the state.

Therefore, the need of the time is that all Nepal's neighbours and friendly countries, and the 'donors' do not interfere in the internal affairs of Nepal and do not offer any aid or threaten to suspend aid that is not helpful for a peaceful transition to multiparty federal republic of Nepal." The US is directly threatening Nepal with the suspension of aid if the Maoists are allowed to join the government before giving up arms and till they are de-listed from the US list of terrorist groups. The US is behaving as if Nepal is its colony and thus bound by the US laws and regulations. The issues relating to Nepal's security forces and foreign assistance in the context of the changed situation is

radically different. The issue now is of reducing the size of the army and seek a zone of peace status for Nepal through a non-aggression treaties with India and China.

Finally, one important thing that the US, India and other governments have to understand is that the agenda for a republic of Nepal is not merely the political demand of the Maoist, but of all the vast majority of the people. They have been suffering for centuries under the feudal monarchical upper class dominated racist regime and now they will not tolerate it anymore. History has given them the first chance to overcome all social, political and cultural obstacles to change. The spirit and hope they have now is that they can fight back the SPA-government, the Nepal Army and even external interventions peacefully. The agenda of the majority of the people of Nepal and the Maoist has become one – that is the establishment of a republic of Nepal through a Constituent Assembly. Therefore, the only constructive role that the donors can play is to give Nepal unconditional political support and untied aid in support of democracy, human rights and poverty eradication.

Notes

- * The authors express their apologies for the lack of technical clarity in this article which was written before the April Revolution of the global Reality of Aid Report. A few language and factual corrections have been made for the Asia-Pacific edition of this Report.
- ** After the April Revolution, the name of the 'Royal Nepal Army' has been changed into the 'Nepal Army', Likewise, the name 'His Majesty's Government of Nepal' has also been changed to the 'Government of Nepal.'
- *** See for the new constitutional framework for Nepal, the draft proposal for the Constitution of the Federal Republic of Nepal, 2006, prepared by the Citizen's Constitution Drafting Committee and

released on 6 August 2006. The Committee was formed by the National Coalition against Racial Discrimination in September 2005.

- 1 'Chintan' and Shrestha are directors at the Nepal Policy Institute and members of the Reality of Aid, Asia-Pacific. The authors would like to acknowledge the contribution of Laxman Acharya, Jagadish Parajuli and Prabin Man Singh from Nepal, and Thomas J Mathew and Bela Malik from India.
- 2 Kumar, D. and H. Sharma. 2005. *Security Sector Reform in Nepal: Challenges and Opportunities*. Friends for Peace. Series 8, Kathmandu. pp. 34-35.
- 3 Acharya, N. *Annapurna Post* (Nepali daily). January 16, 2005.

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- 4 Nepal's major seven-party alliance and the Maoists signed a Memorandum of Understanding on November 22, 2005 in New Delhi, India.
- 5 Royal Norwegian Embassy. Press Statement No. 01/05. July 20, 2005.
- 6 World Bank. *Nepal Country Assistance Strategy 2004-2007*. p. 9.
- 7 Benita Ferrero-Waldner, European Commissioner for External Relations and European Neighbourhood policy, said: "To break the cycle of escalating violence in Nepal, it is essential that we boost human rights – and end impunity for those who commit human rights abuses. Today's announcement shows the EU is committed to help pave the way for a brighter future for the country."
- 8 Siwakoti, G 'Chintan', "Who's aiding whom? Poverty, conflict and ODA in Nepal," In Randel, J. *et al.* (eds), *The Reality of Aid 2002*. IBON Foundation, Inc., Manila, pp. 81-87.
- 9 *The Himalayan Times*, September 11, 2004.
- 10 Nepal and India signed a controversial Peace and Friendship Treaty in 1950 followed by a secret arms deal in 1965. The provisions include the understanding and cooperation for mutual security interests and giving priority to Indian arms supplies.
- 11 Indian Ambassador to Nepal, Shiv Shankar Mukherjee says, "The issue of military supplies is under constant review by the Government of India, taking into account the evolving situation in Nepal. In view of the disturbed situation in Nepal it is a fact that no military supplies have been delivered since February 1, 2005." India is opposing third party UN mediation in resolving the insurgency. "A third party brings in more complications, my government does not see at the moment the need to muddy the water further. Certainly, an insurgency should be talked to, they have grievances that should be addressed, but the methods they use must be resisted and they must be encouraged to come to the table." Says Mukherjee. *Nepali Times*, No 236, 25 February-3 March 2005.
- 12 Chinese Ambassador Sun Heping, "It is essentially Nepal's internal affair. As a friendly neighbour, we sincerely hope that Nepal can realise social stability, economic development and national reconciliation. Meanwhile, we respect the choice of the Nepali people for their social system and development in line with Nepal's national realities. As Nepal's close neighbour, China is concerned about the issue of anti-government insurgency in Nepal. We strongly condemn any violent activities against civilians and civil infrastructures. Peace and stability in Nepal is not only in the interests of Nepal and its people, but is also conducive to regional peace and stability. We hope that the peace process here can be restarted as soon as possible so lasting peace can be realised at an earlier date." *Nepali Times*, No 249, 27 May-2 June 2005.
- 13 *The Kathmandu Post*. January 26, 2006.
- 14 For details, see Kumar, D. and H. Sharma. 2005. *op. cit.*
- 15 *Ibid.*
- 16 *The Himalayan Times*. April 20, 2004 and *Deshantar Weekly*. July 25, 2004.
- 17 Kumar, D. and H. Sharma. 2005. *op. cit.*, p. 41.
- 18 *Ibid.*, p. 43.
- 19 *Ibid.*, pp. 46-47.
- 20 *Ibid.*, p. 93.
- 21 *Ibid.*, p. 47.
- 22 *Ibid.*, p. 60
- 23 See, Mahat, R.S. 2005. *In Defence of Democracy: Dynamics and Fault Lines of Nepal's Political Economy*. Adroit Publishers, Delhi. p. 385.
- 24 *The Kathmandu Post*. February 9, 2006.
- 25 *Ibid.*, February 10, 2006.
- 26 *Ibid.*
- 27 *Ibid.*
- 28 *Ibid.*, February 11, 2006.
- 29 *Ibid.*, March 18, 2006.
- 30 *Ibid.*, February 16, 2006.
- 31 *The Rising Nepal*. March 25, 2006.
- 32 *Samay Weekly (in Nepali)*. No. 2, Issue 96, March 3-9, 2006.
- 33 *The Kathmandu Post*. March 3, 2006.

Developments in the New Zealand Aid Program

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The past two years have been a period of consolidation and review for New Zealand's aid program. The formation of a new government in October 2005 looks likely to see both continuity and change in New Zealand's approach to international development.

- The New Zealand Agency for International Development (NZAID) has consolidated its position as the government aid agency with a mandate to focus on poverty elimination. The reorientation of the government aid program since the establishment of NZAID in 2002 was endorsed by the OECD Development Assistance Committee (DAC) peer review of New Zealand, released in 2005. This review described NZAID's achievements in a short period of time as "impressive". The DAC review welcomed NZAID's employment of development specialists, its focus on poverty elimination, its development of new policies and capacities, its approach of working with the priorities of developing-country partners (including in post-conflict states where institutions are weak), its emphasis on primary education, and its commitment to improving the focus of its assistance through 'bigger, fewer, deeper and longer' engagements with bilateral and multilateral partners.¹
- The DAC review also made a number of recommendations for the improvement of New Zealand's international development cooperation. These included increasing New Zealand's aid volume from its current low level by setting a medium-term target for aid levels; strengthening NZAID's public information strategy with the aim of improving public understanding of aid and development; maintaining NZAID's focus on the Pacific while deepening its engagement with fewer core bilateral countries in Asia; increasing the level of policy coherence for development across government, with NZAID taking a lead role in promoting such coherence; and strengthening NZAID's field presence in order to facilitate policy dialogue and collaboration with developing country partners and other donors.²
- NZAID has also been the subject of a Ministerial Review to assess progress in implementing the changes sought by the government when it established the

New Zealand

agency. The report of the reviewer had not been made public at the time this report was being written.

- New Zealand NGOs generally endorse the positive assessments of NZAID in the DAC review. They have continued to enjoy a good working relationship with NZAID, and believe that considerable progress has been made in improving the quality of New Zealand's aid program.
- However, the news is not so good on aid volume, New Zealand's Official Development Assistance (ODA) was only 0.23% of Gross National Income (GNI) in 2004, and New Zealand ranked 18th equal out of 22 OECD donor countries in terms of ODA/GNI ratio. The 2005 Budget increased ODA significantly to 0.27% of GNI, but this was still only the same level it was at when the Labour Party-led government came into office in 1999. The government has pledged to increase ODA to 0.28% of GNI in 2007-08. At present this is the only firm commitment to an ODA target. New Zealand is one of only six donor countries that have either not reached the internationally-agreed 0.7% aid target, or set a timetable for doing so by 2015 at the latest.
- In September 2005 a general election was held in New Zealand, and a new government was formed the following month. The government continues to be led by the Labour Party, supported by a number of smaller parties. As part of its policy platform for the election, the Labour Party committed to increasing ODA to 0.35% of GNI by 2010. Three of the parties on which it relies for support are committed to increasing ODA towards the 0.7% target. There is some cause for optimism about the prospects for improving New Zealand's poor performance with regards to ODA levels. New Zealand NGOs will continue to push

the government to reach the 0.7% target by 2015.

- Unlike in the previous two terms of government, when there was a separate Minister responsible for ODA, the new government has brought aid back under the responsibility of the Minister of Foreign Affairs. In an unusual move, the Minister of Foreign Affairs will not be a member of Cabinet because his party is not formally part of the government.
- The new Minister of Foreign Affairs, Winston Peters, is the leader of a populist, nationalist party not previously known for its support for overseas aid. However, since taking up the role he has indicated that one of his priorities is to channel more aid into the Pacific region. While there has been no indication to date that he will accord higher priority to immediate foreign policy concerns than to long-term development and poverty elimination, this is an issue that the Council for International Development (CID, the umbrella organization for international development NGOs in New Zealand) will be monitoring carefully. It is noteworthy also that the Cabinet Committee on Foreign Affairs and Trade is chaired by the former Minister of Foreign Affairs and that the Prime Minister also has a keen interest in Foreign Affairs and ODA.

Conflict, security and development

Since the US administration declared its 'War on Terror' in 2001, the New Zealand government has adopted some of the anti-terrorist rhetoric and practice of this 'war', but has not gone along whole-heartedly with the US agenda. In contrast to its neighbor Australia, it did not support the invasion of Iraq and its development assistance in the Pacific has not been driven primarily by security concerns.

New Zealand

- NZAID's policy *Preventing Conflict and Building Peace* recognizes the importance of preventing violent conflict by addressing its root causes. The policy states that NZAID's conflict prevention and peace-building work will support initiatives aimed at building a culture of respect for human rights, promoting inclusive dialogue and addressing gender issues. As well as helping tackle poverty as a cause of conflict, NZAID also assists partners in developing local capacities for conflict prevention, mediation and resolution; supports processes such as election monitoring and disarmament; and works with governments and communities on post-conflict reconstruction.
- While NZAID is still working on the implementation of its policy, it is already supporting significant initiatives in conflict prevention and peace-building, many of which are grassroots and civil society efforts. For example, in Indonesia NZAID supports a number of local and international NGOs working on conflict prevention projects, and has established a contestable fund that NGOs can apply to for conflict prevention and peace-building work.
- NZAID and New Zealand-based NGOs are working together on a number of initiatives related to conflict and peace-building. CID has developed a position paper on conflict transformation that guides CID's involvement in this area. The policy stresses the importance of including civil society in the conflict transformation process, stating that: "this inclusion is often ignored when governments work with their officials and seek help from other governments, bringing in military and other law and order enforcers, which may be necessary in order to stabilize a volatile environment such as that in the Solomon Islands."³
- CID is also involved in pre-deployment briefings for New Zealand peacekeepers, and is also working, together with NZAID, on building a relationship with the New Zealand Defence Force (NZDF) so that representatives of the international development sector and the NZDF can talk over issues of common concern. Another collaborative effort has been the establishment of a Pacific Conflict Transformation Network (PCTN) involving New Zealand and Pacific NGOs, academics, Maori and others. The PCTN was established to look at how best to deal with conflicts in the Pacific before they escalate to violence. NZAID was represented at the meeting that launched the PCTN, and funded research by the Pacific Concerns Resource Centre in Fiji aimed at exploring the potential for conflict transformation work in the Pacific.
- New Zealand has a long history of contributing to United Nations peacekeeping missions in many parts of the world. In recent years NZDF and police personnel have been involved in a number of peace support operations close to home in East Timor, Bougainville and the Solomon Islands. In each of these cases, New Zealand's military and police involvement has been part of a much wider engagement with post-conflict reconstruction. This has included long-term community development assistance, as well as assistance with the challenges of recovering from conflict, such as reconciliation and building the capacity of government institutions.
- An increasing amount of New Zealand's aid is going to countries in the Melanesian region of the Pacific, and the government has justified this in part by referring to the vulnerability of these countries to conflict and instability. The Solomon Islands, recently emerged from

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ethnic conflict, now receives more New Zealand ODA than any other country. However, it would be unfair to characterize New Zealand's aid distribution as following a security-driven agenda, since the Melanesian countries also have the most pressing human development needs among Pacific countries.

- The New Zealand government's approach to the Pacific has not been marked by the same obsession with security and terrorism as Australia's. Nevertheless, Prime Minister Helen Clark has said that Pacific Island countries have an interest in 'not being perceived by criminals or terrorists as a weak link', and has described this as a priority area for New Zealand.⁴ New Zealand is assisting Pacific Island countries to comply with international counter-terrorism standards. Such compliance imposes significant costs on small island states that are struggling with major development challenges, and this seems to be an area where the agenda is being driven by donors rather than by the needs of Pacific countries themselves.
- The New Zealand government describes itself as 'a strong supporter of the international campaign against terrorism',⁵ and New Zealand military forces took part in the US-led invasion of Afghanistan. NZDF personnel have since been part of a Provincial Reconstruction Team in Afghanistan, and Special Air Services combat troops have also been deployed to that country. The New Zealand government did not support the invasion of Iraq in 2003, although NZDF engineers were subsequently engaged in reconstruction work in southern Iraq in 2003-04. Reconstruction work carried out by the Provincial Reconstruction Team in Afghanistan, and by NZDF engineers in Iraq, was counted as ODA, but the New Zealand government has not been an advocate of expanding DAC ODA guidelines to include more security-related assistance. New Zealand international development NGOs opposed the Iraq war, and the deployment of New Zealand combat troops in Afghanistan has also been a matter of great concern.

Notes

¹ OECD Development Assistance Committee, *DAC Peer Review: New Zealand*, 2005, pp. 10-12

² *Ibid.*, pp. 11-20

³ CID, *Position Paper: Conflict Transformation*, 2004, p.9

⁴ Helen Clark, address to the Papua New Guinea Chamber of Commerce, 24 October 2005

⁵ Ministry of Foreign Affairs and Trade, "New Zealand and the Campaign Against Terrorism," <http://www.mfat.govt.nz/foreign/spd/terrorism/campaignterrorism.html> (accessed 28 October 2005)

Aid and Conflict: the Philippine Case

Arnold Padilla
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Aid donors have long recognized, even before 9/11, the problems posed by armed conflict in the Philippines and the important role foreign aid plays in easing its social impact. In the mid-1990s, donors even used development aid to help facilitate the peace process in Mindanao, where Muslim groups have engaged the national government in a separatist war since the 1970s.

But the armed conflict has continued to escalate, although the national government signed a peace agreement with the Moro National Liberation Front (MNLF) in 1996 and is currently in the process of forging another with the Moro Islamic Liberation Front (MILF). But the 36-year old war for national liberation and democracy led by the Communist Party of the Philippines — New People's Army (CPP-NPA) remains the biggest security concern of the government.¹

The conflict in the Philippines took a new complexion after 9/11 when the current government of President Gloria Arroyo declared unconditional support for the "war on terror" declared by the Bush administration. All of a sudden, the country became a hotbed of terrorism as well as the "second front" in the war on terror. Along

with it came renewed commitments from major donors for more economic and military aid.

Decades of fighting the communist and Muslim wars have taught the government that the strength of these groups lies in the wide mass support they have from the poor communities in the countryside where they operate. All-out war and peace negotiations in the past have failed because many of the social and economic issues of the people remained unaddressed.

Post-9/11 military strategists of the government have thus developed a grand design to resolve the insurgencies — the National Internal Security Plan (NISP), which more systematically combines military campaigns and poverty alleviation/social development initiatives, some of which are funded by official development assistance (ODA).

The intensified campaign of the national government against armed groups — whether they be legitimate rebel groups like the CPP-NPA, MILF, and MNLF, or criminal organizations like the kidnap for ransom gang, the Abu Sayyaf — within the NISP framework has distorted the concept of peace and development.

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More disturbingly, the stepped-up campaign of the Armed Forces of the Philippines (AFP) against the CPP-NPA has also resulted in accusations of rampant military-perpetrated human rights abuses against non-combatants, including the rising incidence of assassinations of activists, leaders, members, and supporters of legal political parties and people's organizations.

NISP: military hijack of development work

The perennial bankruptcy and chronic fiscal problem of the national government have made the Philippines one of the world's most foreign aid-dependent countries in Asia. The latest available data show that the Philippines ranked sixth in 2004 among all Asian countries in terms of net ODA received from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). It also received the 11th biggest net ODA disbursement in Asia from all multilateral and bilateral donors during the same year.ⁱⁱ

Not surprisingly, the Arroyo administration was quick to capitalize on the tragic events of 9/11 to secure the commitments of aid donors to bankroll its anti-poverty campaign as well as the modernization of the AFP and the Philippine National Police (PNP) within the framework of fighting terrorism.

The increased volume of military aid has raised the issue of aid militarization, where security and defense-related assistance has overwhelmingly outpaced the expansion of economic and anti-poverty assistance. US economic aid to the Philippines, for example, has been growing by an average of 33% per year since 9/11, a far cry from the 551% annual increase in its military aid to the country.

Increased foreign military aid and the presence of foreign troops tend to escalate

existing conflicts especially in the absence of a comprehensive and effective program to address the poverty, inequity, and social injustice that feed it.

What is worse, however, is how the Arroyo administration has allowed the military establishment and its foreign supporters to hijack poverty-reduction and social development efforts in the country, including programs and projects funded by ODA.

This form of aid militarization should cause more alarm than the increase in direct military aid from foreign governments because it subsumes peace efforts, development goals, and poverty alleviation under a militarist mindset and in the process aggravates the conditions for conflict.

This military takeover is embodied in the NISP, which is one of the products of the Trilateral Senior Leader Strategic Planning Symposia between the Philippines, the US, and Australia.¹ It was approved by President Arroyo on 26 November 2001 through Memorandum Order 44.²

The NISP is anchored on tight "civilian-military links" and has adopted a multi-faceted approach to the insurgency problem in the Philippines. As described by the Department of National Defense (DND), it is "a coordinated, synchronized, interrelated and mutually supporting campaign of the whole government machinery and its resources to uplift the socio-economic condition of the Filipino people, particularly those at the local levels (sic)."³

With the DND as the lead agency, the NISP combines the social development and nation-building functions and tasks of government departments and agencies on social welfare and development, health, education, land reform, agriculture, housing, anti-poverty, etc. with the anti-insurgency and internal security campaign of the government's armed forces.

The linking of military and civilian operations is being done through the Area

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Coordinating Centers (ACCs) created in places where rebel groups are strong. It is a 24-hour physical facility that serves as the “nerve center” for responding to security and development needs, including disaster relief and rehabilitation, and keeping peace and order. Through the ACCs, the AFP, the local government units (LGUs), and the local offices of national civilian agencies closely coordinate their activities.⁴

To further embed the NISP concept within the AFP, the DND is currently implementing its Philippine Defense Reform (PDR) program in which it identifies the enhancement of the AFP’s capability to conduct “civil military operations” as one of the key areas for improvement. Under this program, the military aims to “diminish the underlying socio-economic conditions and spur development in the countryside” and “support the construction of ‘Affirmative Action Roads’ that will facilitate economic dispersion in conflict areas.”⁵

Under the NISP, the government no longer defines priority areas for development projects and programs in strictly development and poverty-reduction terms. What has become more important in determining priority areas for government’s social development initiatives is their strategic importance to the anti-insurgency campaign of the AFP.

The “War on poverty”

With the NISP as its strategic framework in managing conflict and addressing insurgency, the Arroyo government has designed the Kapit-Bisig Laban sa Kahirapan (Unity against Poverty – KALAH) program. KALAH is the national government’s overarching program for a focused, accelerated, convergent, expanded, and strategic effort to reduce poverty. According to the National Anti-Poverty Commission (NAPC), the lead agency in KALAH, all government poverty reduction

programs and projects shall be anchored on KALAH.⁶

As envisioned in the NISP, KALAH shall have an inter-agency convergent mechanism composed of the National KALAH Convergent Group (NKCG) and the Regional KALAH Convergent Group (RKCG).

Among the functions and responsibilities of the RKCG, which is made up of the regional counterparts of national agencies in the NKCG plus Local Government Units (LGUs), is “close collaboration with the AFP and the PNP” to ensure a strong link between the anti-poverty and internal security efforts of the government.⁷ Around 36 of the 65 provinces with KALAH sites are classified as conflict areas, the majority of which are CPP-NPA guerilla fronts.

One of the major projects under the KALAH initiative is the KALAH-Comprehensive and Integrated Delivery of Social Services (CIDSS), a six-year (2003-2008) project with \$100-million in funding from the World Bank. It covers 42 of the poorest provinces in the Philippines and according to the World Bank “aims at strengthening local communities’ participation in barangay (village) governance, and developing their capacity to design, implement, and manage development activities that reduce poverty.”⁸

In reality, the KALAH-CIDSS is essentially the “social development” component of the AFP’s pacification campaign. For example, to help implement the projects in Muslim areas in Mindanao under the KALAH-CIDSS, President Arroyo announced in 2003 the formation of Salaam Soldiers. Salaam means peace and in this case is an acronym for the Special Advocacy on Literacy/Livelihood Advancement for Muslims.

At least half of this special team is composed of Muslim regular soldiers and integrees (former MILF or MNLF rebels) who have been tasked to provide “psycho-social and medico-civic services” as well as to

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ensure peace and order in their area. But the AFP itself said that the Salaam Soldiers are similar to the special operations teams (SOTs) deployed in insurgency areas in the early 1990s.

The SOTs combined civic action with intelligence-gathering and were largely credited for the decline of the communist insurgency in some regions of the country. Together with vigilante and paramilitary groups, they were accused of countless human rights violations in Mindanao.

Development funds for war

Strictly speaking, military aid does not qualify as ODA under DAC definitions. However, as many critics have pointed out, official policy papers calling for a re-definition of aid imply a clear link between poverty and terrorism and the need for aid “calibration” more in keeping with the new counter-terrorism-centered security agenda, thus “militarizing” ODA.⁹

DAC donors attempt to downplay this concern with clarifications on the eligibility of conflict, peace, and security expenditures as ODA. Donors, for instance, say that “eligible assistance is limited to non-military competence/capacity-building and strategic planning activities that promote political, institutional and financial accountability, civilian oversight, and transparency,” and that “any such support to defense ministries must be part of a national security system reform strategy.”¹⁰

They further claim that support for civilian peace-building, conflict prevention and resolution activities including capacity-building, monitoring, dialogue and information exchange must exclude engagement in military strategy and defense cooperation.

But in the Philippine case, the NISP-KALAHI has put poverty alleviation and social development – the core purposes of ODA – within the ambit of the government’s military

campaign against insurgency. Therefore, practically all bilateral and multilateral ODA funding for such programs and projects is being used for military operations.

This has serious implications because aside from ODA’s falling behind in terms of annual growth compared to military aid, that part of ODA which the DAC defines as conflict and security-related expenditures has also been eating into an increasing portion of DAC donors’ ODA to the Philippines since 9/11 at the expense of other sectors that directly benefit the poor and marginalized.

To illustrate, between 2001 and 2004, DAC funding for conflict, peace, and security has been growing by 59% per year, while funding for health has been declining every year by 2 percent. Consequently, the share of ODA expenditures for conflict, peace, and security grew from 8% to 16%, while the total ODA for social infrastructure and services like health and education fell from 14% to 3% during the same period. (See **Graphs 16 and 17**)

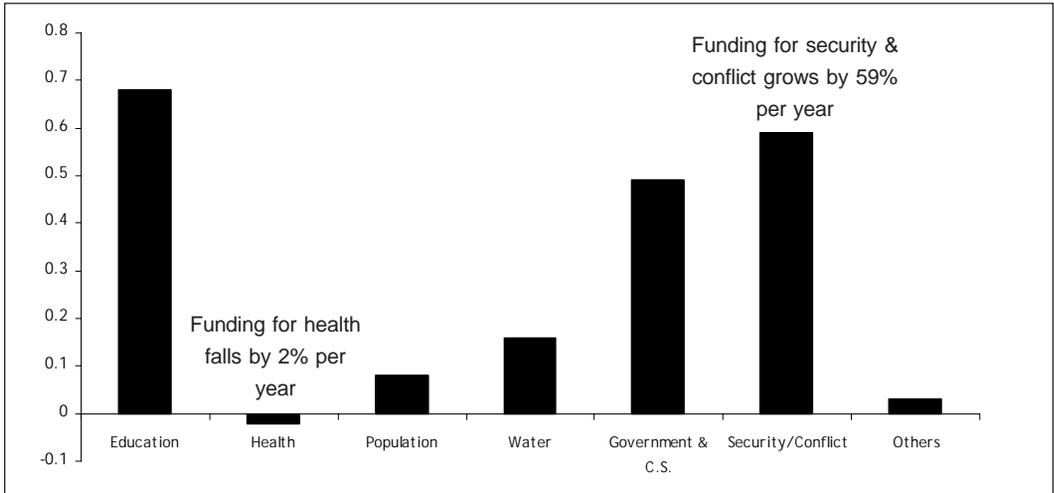
Shortcut to peace

Mindanao has a special place in the overall peace and security efforts of the national government and donors. Some analysts have pointed out that this is not only because of the dramatic attacks by the notorious Abu Sayyaf terrorist group based in Mindanao. A more compelling reason behind the campaign to stabilize security in Mindanao is the huge economic potential of the region owing to its vast but under-exploited natural resources.

Major donors with economic interests in Mindanao like the United States, Japan, Australia, and Canada have been directing a substantial portion of their aid to the Philippines for the resolution of the conflict in Mindanao. A partial list of these programs and projects show that at least \$112 million in DAC ODA is directly being used for the peace efforts in the region mainly for livelihood projects for former Muslim rebels

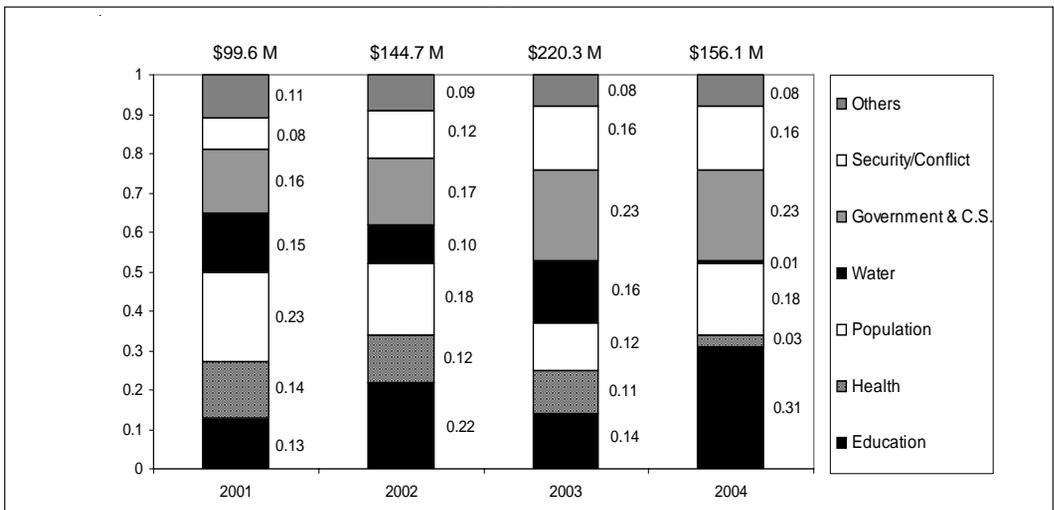
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Graph 16. Annual Growth of ODA Commitments from DAC Donors for Social Infrastructure & Services in the Philippines, 2001-2004



Source of Basic Data: OECD-DAC

Graph 17. Distribution of DAC ODA Commitments for Social Infrastructure and Services in the Philippines, 2001-2004



Source of Basic Data: OECD-DAC

as well as social and economic infrastructure. (See **Table 12.**)

Consistent with the NISP approach, the national government and the donors also

continue to use ODA as a bargaining chip to entice Muslim rebels into surrendering. The national government, for instance, has been trying to raise resources for the Mindanao

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Table 12. Partial List of Ongoing/Committed Peace and Security-Related Programs/Projects in Mindanao

Country	Amount	Details
US		
Conflict Resolution in Mindanao		
a. Integration of former combatants	\$1.86 million	Assistance in the form of production inputs, training, technical support, & marketing assistance as well as provision of post-harvest facilities
b. Improving economic infrastructure in conflict-affected areas	\$19.92 million	Construction of 100 community infrastructure projects such as water systems, jetty improvements, bridges, farm-to-market roads, ports, etc. to facilitate movement of goods & services
c. Accelerating business & economic development	\$5.5 million	Technical assistance to expand the production & marketing of high-value crops & products; Assist in formation/strengthening of business organizations
d. Increasing access to micro-finance services	\$5 million	Technical assistance to 110 rural bank units based in conflict-affected areas
e. Improving governance & delivery of social services in the ARMM tbd - to be determined	\$5.5 million	Assistance for improving school administration in the ARMM; Expanding linkages between schools & business community; Improving internet access for ARMM students; improve efficiency, transparency, & accountability of ARMM regional government
f. Livelihood assistance for former fighters	\$4 million	Livelihood assistance to 4,000 MILF former MILF combatants & their families
Japan		
UN Emergency Rehabilitation of Agri-based Livelihood for Disadvantaged Farmers & Returning Internally Displaced People in Mindanao	¥200 million	Japan's support to the project of the Food and Agriculture Organization (FAO) of the UN
ARMM Human Resource Development Project	nda	Technical cooperation project; Training courses for 700 high-level ARMM officials; Assistance for reformulation of ARMM Regional Development Plan (2005-2010) & Regional Development Investment Program

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Country	Amount	Details
Support Package for Peace & Stability in Mindanao		
a. ARMM Social Fund for Peace & Development	¥2.5 billion	
b. For socioeconomic development & peace-building in ARMM	¥1.5 billion	
c. Past commitments	¥40 billion	Completion/continuation of various ODA-funded infrastructure projects in Mindanao
Canada		
Mindanao Program for Peace & Development	P52.53 million	Livelihood & enterprises project in Mindanao's Special Zone for Peace and Development areas
Local Governance Support Program in ARMM	\$18 million	Enhance local governance capacity in ARMM with respect to local government leadership & management, service delivery, resource generation & management, participatory development governance, & peace building
European Commission		
Aid for displaced people in Mindanao	\$0.58 million	Improving access to safe water, sanitation, & public health; Boosting of security of food sources
tbd - to be determined nda - no data available		

Sources: AusAid; USAID; CIDA; Japan Embassy; Associated Press

Peace Fund. The Fund would be used to build soft and hard infrastructure in Mindanao, but would only be available if the national government and the MILF reach a final peace agreement.

The US initially committed \$30 million, but later withdrew a portion of it and blamed the "slow progress" in the government-MILF peace talks.¹¹ Other contributors to the peace fund

include the World Bank (\$2 million plus administration of the fund), Australia (amount to be determined), European donors, and UN agencies.

By making the conclusion of a peace agreement a prerequisite to access to the fund, the proponents actually defeat its purpose of helping achieve genuine and lasting peace in Mindanao. The need for rehabilitation

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and poverty reduction cannot wait for the conclusion of peace talks and may actually provide field conditions to promote peace. On the other hand, using development funds as enticement for concluding peace talks has failed as experience in Mindanao shows, nor can development funds be used as a shortcut to sustainable peace.

The national government already tried this approach in 1996 when it signed a peace agreement with the MNLF.ⁱⁱⁱ But only five years later, an MNLF faction continued the armed struggle against the government because the underlying issues of their revolution had not been addressed by the peace agreement.^{iv}

Increased military aid

Meanwhile, US military aid has been pouring into the country since 9/11. Arroyo's support for the US "war on terror" has warmed Philippine-US aid relations, which turned "cold" when in 1991 the extension of the 1947 Military Bases Agreement (MBA) that allowed the US to maintain naval and air bases and other military facilities in different parts of the country was rejected by the Philippine Senate.

From 1992 to 1997, US military and economic aid to the Philippines had steadily declined until the 1998-1999 period when the Visiting Forces Agreement (VFA), which allowed joint military exercises and training between Filipino and American troops, was negotiated and eventually approved. But the sharpest increases in US aid occurred after 9/11 with American military assistance to the Philippines growing by a staggering 1,639% between 2001 and 2002.¹² (See **Graph 18.**)

The Philippines now ranks as one of the most important destinations of US military aid worldwide. Between 2001 and 2005, for instance, US Foreign Military Financing (FMF) for the Philippines is expected to have increased by 1,171%. In comparison US FMF

for Afghanistan is projected to have increased by 692% during the same period; Israel, 11%, and Pakistan, 98 percent. Note, however, that while US FMF for the Philippines is one of the fastest growing in the world, Afghanistan, Israel, and Pakistan still account for the biggest share in US FMF.^{v 13}

Aside from the provision of military hardware, US military aid to the Philippines also involves the conduct of the Balikatan (rough translation: shouldering the load together) exercises. The Balikatan actually started in 1981 under the 1952 Mutual Defense Treaty (MDT), but has become bigger in terms of the number of visiting US soldiers as well as the frequency and scope of the exercises under the 1999 VFA and the "War on Terror".^{vi}

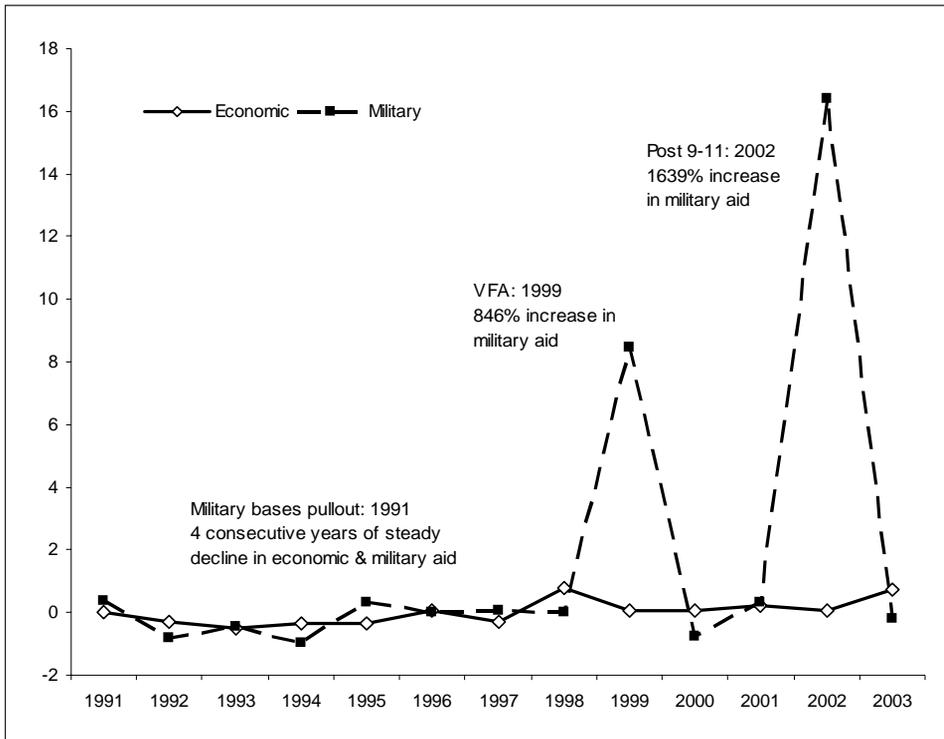
Another active donor in terms of military assistance to the Philippines is Australia, which has an ongoing three-year (2003-2006) \$5-million Philippine Counter-Terrorism Assistance initiative. The package aims to build the capacity of key government agencies to combat terrorism with a particular focus on law enforcement, border control, port security, and regional cooperation.¹⁴

It includes the 18-month Port Security Capacity-Building Project worth \$1.3 million and the Australian Aid (AusAid)/AFP law enforcement counter-terrorism capacity-building project worth \$3.65 million, both approved in April 2004.

In October 2005, President Arroyo held a closed-door meeting with Australia's defense minister. Manila and Canberra affirmed their commitment to a higher level of security cooperation in fighting terrorism. The two countries are now in the process of ironing out an agreement to enhance military cooperation particularly on intelligence exchanges, maritime security, and military training.¹⁵ Under this pact, Australian

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Graph 18. Comparative Annual Growth of US Military and Economic Aid to the Philippines 1991-2003



Source of Basic Data: *US Overseas Loans & Grants (Greenbook)*

soldiers may hold regular military exercises with their Filipino counterparts similar to the Balikatan.

Aside from the US and Australia, the Philippines also has existing defense cooperation programs with other major DAC donors such the UK, France, Spain, and Italy.

Reign of (state) terror

As the Arroyo administration aggressively used anti-poverty and social development initiatives as well as foreign military aid in the government's intensified campaign against insurgency in the country, an alarming trend in human rights abuses has begun to afflict the people, particularly in the vast Philippine

countryside. While human rights violations perpetrated by military and paramilitary units against civilians are no longer new, such attacks have become more numerous and more vicious since President Arroyo declared all-out support for the US-led war on terrorism.

The incidence of assassination of leaders and members of militant groups and progressive political parties as well as their supporters has been rising since 2001. Anyone — from town officials, church leaders, and lawyers to activists, ordinary farmers and workers — *suspected* of supporting or being a member of the CPP-NPA could be targeted for assassination.

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Meanwhile, the number of murdered journalists in the provinces in the last five years has also been steadily increasing.

In Mindanao, the atrocities of military units against the Muslim people remain unabated. In February 2005, for example, five Muslim civilians including a 14-year old boy were massacred in the province of Sulu by soldiers from the 53rd Infantry Battalion of the Philippine Army. One of the victims, a village official, was accused by the military of being an Abu Sayyaf member.¹⁶

An independent report by the human rights group Karapatan (Rights) recorded a total of 150 victims of political killings in 2005, of which 80 were confirmed activists while 70 were suspected by the military to be sympathizers, supporters, friends, or relatives of communist or Muslim rebels. The number of victims of political killings from January to November 2005 is almost double the annual average from 2001 to 2004. (See **Table 13.**) Overall, 874 different cases of human rights violations have been recorded in 2005 involving 99,011 victims, “the worst since the days of the dictator Ferdinand Marcos,” the group said.¹⁷

Peace means social justice

Donors may argue that they should not be held accountable for the human rights

abuses that the Philippine military may have been committing, since, unlike the military aid that some donors like the US and Australia provide, their engagement in the country is only in the field of social development and poverty alleviation. But as already discussed, the NISP has already blurred the distinction between military operations and social development/poverty alleviation work.

The NISP is bound to perpetuate conflict in the Philippines because the military establishment is oriented and trained for war and conflict. ODA resources used within a strategic framework of subsuming the peace and development process under a military-defined internal security effort therefore help perpetuate the conflict and the rampant violation of the people’s most fundamental human rights.

It is thus imperative for all donors to take a hard look at how their programs and projects in the Philippines are being hijacked for the militarist pacification campaign of the government.

At the minimum, direct military aid and other forms of foreign assistance to the AFP and PNP must be immediately suspended in the light of the alleged state/military terrorism and violence against the people.

Clear, verifiable standards and mechanisms must be put in place to distinguish

Table 13. Selected Indicators of Human Rights Abuses Under the Arroyo Administration (Number of victims)

Indicator	2001-2004	2001-2004 annual average	Jan-Nov 2005
Killing	349	87	150
Frustrated killing	68	17	52
Enforced disappearance	108	27	41
Torture	199	50	66
Physical assault or injuries	1498	375	118

Compiled by Karapatan Alliance for the Advancement of People’s Rights

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ODA poverty reduction programs from government anti-insurgency programs which must not be allowed to use ODA funds. ODA funded programs for peace and development in conflict areas must be decentralized and implemented by independent parties involving non-government players and the local communities in particular. The government and its armed units are adversaries directly engaged in the war, and as such they should not have a monopoly over peace and development work. In many cases, popular confidence in the government and the military is seriously challenged in conflict areas, creating difficulties in providing effective services and even in implementing infrastructure projects.

However, for the engagement of non-government players and affected communities to be more effective, the NISP frame-

work must be abandoned because it does not promote the democratic participation of other forces in society in the peace and development process in the conflict areas. Non-government development workers face a serious danger of being tagged as terrorists or enemies of the state, if they act independent of government, because of the AFP's anti-insurgency campaigns and the NISP framework.

There will never be lasting peace and sustainable development without social justice. Social justice can only be defined by the people themselves — the landless farmers and other marginalized sectors who make up the base support of the communists and the poor Muslims who have suffered decades of displacement and oppression — and cannot be imposed by the military nor by well-meaning donors.

Annexes

Annex 1.

Brief Profile of Major Rebel Groups in the Philippines

New People's Army (NPA): The NPA is a communist-led guerilla army in the Philippines, formed in March 29, 1969. The NPA is the military wing of the Maoist Communist Party of the Philippines (CPP) which is carrying out a revolutionary program for national democracy and liberation. Starting out with 60 fighters and 34 rifles, the NPA quickly spread throughout the Philippine Islands during the dictatorship of Ferdinand Marcos. The armed struggle in the Philippines, deeply rooted in the countryside, helped in the downfall of the dictatorship. In its 36th anniversary statement, the NPA said that it is now operating in 130 guerilla fronts covering significant portions of nearly 70 provinces in around 800 municipalities, and more than 9,000 barrios all over the country.

Moro National Liberation Front (MNLF): Founded in 1969, the MNLF draws its members primarily, though not exclusively, from the Tausug, Samal, and Yakan ethnic groups. Its first members were Muslim nationalist youth activists recruited by the traditional Muslim leadership for military training in Malaysia. Like Nur Misuari, MNLF's chairman, these young men generally had a secular education, and some had briefly taken part in left-wing student politics. When the MNLF was founded, its objective

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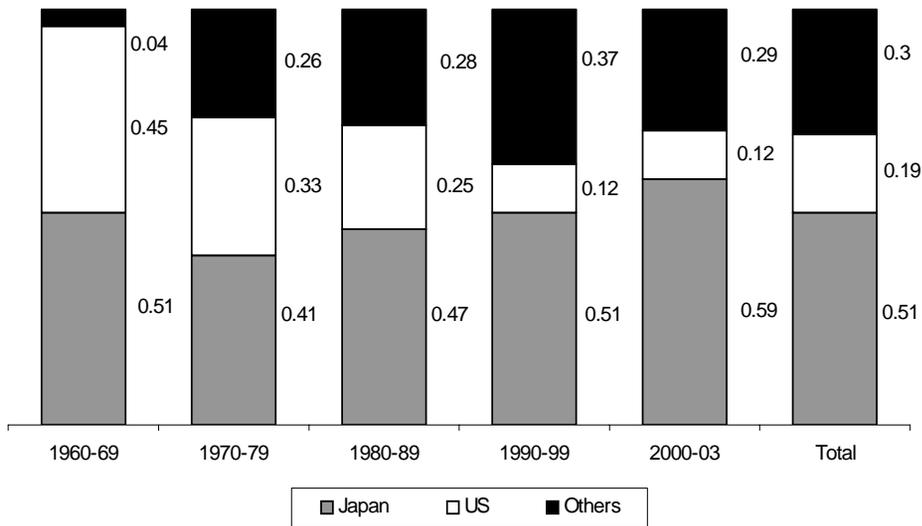
was to create an independent Bangsamoro homeland. However, under pressure from some Islamic states, it has accepted autonomy within the Philippine state. Some MNLF leaders currently serve in the ARMM administration while Nur Misuari leads a breakaway faction that reinitiated armed activities against the government.

Moro Islamic Liberation Front (MILF): While the MILF was officially founded in 1984, its origins were in a group led by Central Committee member Salamat Hashim that left the MNLF shortly after the collapse of the Tripoli Agreement in 1977. At first called the New MNLF, it formally established itself in 1984 as the MILF. The organization puts much greater emphasis on Islamism than the MNLF, and most of its leaders are Islamic scholars from traditional aristocratic and religious backgrounds. The MILF claims to have 120,000 armed and unarmed fighters and many more supporters. Recent Philippine government estimates put the MILF strength at 8,000 while Western intelligence sources put it at 40,000. Most members come from the Maguindanaon and Iranun ethnic groups, although Maranaw recruits seem to be increasing.

Sources: New People's Army, Wikipedia, The Free Dictionary (http://en.wikipedia.org/wiki/New_People%27s_Army); Raise the People's War to a New and Higher Level against US Imperialism and the Arroyo Puppet Regime, Message to the NPA on its 36th founding anniversary by the Central Committee of the Communist Party of the Philippines, 29 March 2005 (<http://www.philippinerevolution.org/cgi-bin/statements/statements.pl?author=cc;date=050329;language=eng>); Separatism in Mindanao, Philippines by Alyson Slack, ICE Case Studies, No.118, May 2003

Annex 2.

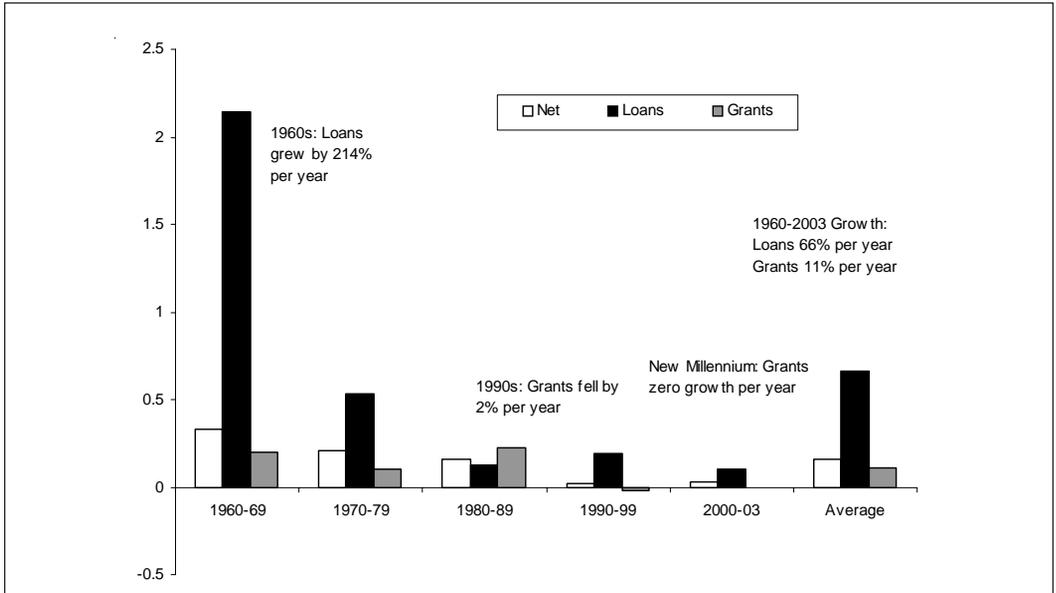
Long-Term Distribution of Net ODA Disbursement to the Philippines



Source of Basic Data: DAC-OECD

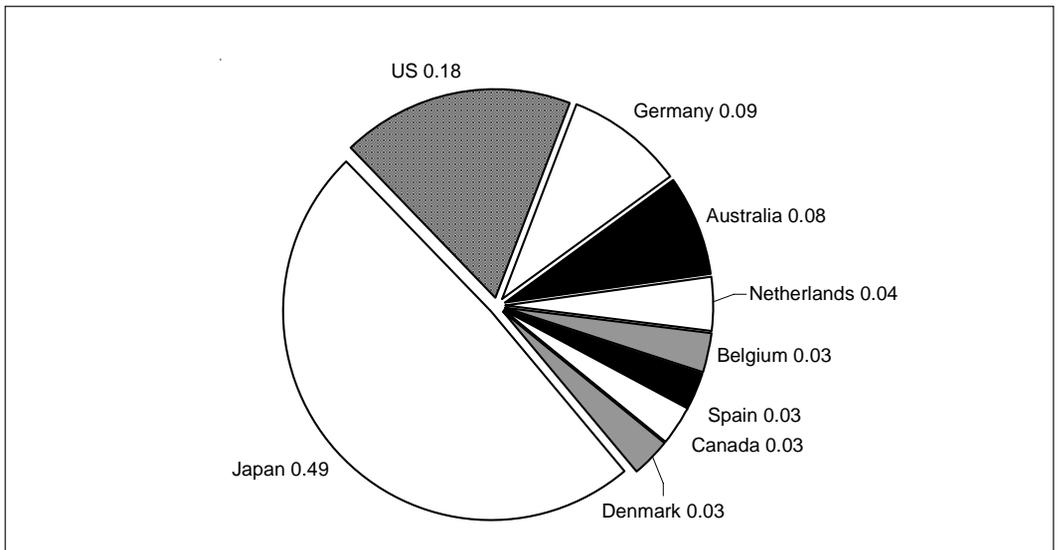
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Annex 3. Long-Term Annual Growth Rate ODA Disbursement to the Philippines



Source of Basic Data: DAC-OECD

Annex 4. Distribution of ODA Net Disbursed to the Philippines, By Donor, 2004



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Notes

- ⁱ See Annex 1 for a brief profile of the major armed rebel groups in the Philippines.
- ⁱⁱ See Annexes 2, 3, & 4 for an overview of the long-term distribution of and annual growth rate in net ODA disbursement to the Philippines from 1960 to 2004, as well as the current distribution of bilateral ODA funding in the country by donor.
- ⁱⁱⁱ The Ramos administration (1992-1998) used a package of ODA-funded social development programs and projects to woo the MNLF to surrender and sign a peace agreement with the government. The package would supposedly help in the “transition” of the MNLF rebels from guerrilla fighters to productive and law-abiding citizens. A USAID livelihood project under the package, for instance, was responsible for enticing 13,000 MNLF fighters to surrender and reintegrate into the mainstream society.
- ^{iv} According to Khaid O. Ajibon, MNLF State Chairman of the Sulu State Revolutionary Committee, the issues of the ongoing conflict between the MNLF and the Philippine government are: (1) The root causes of the war, which includes the issue of the Moro people’s right to self-determination; (2) Non-implementation of the 1996 GRP (Government of the Republic of the Philippines)-MNLF Peace Agreement; (3) Continuing human rights abuses against the Moro people; and (4) Justice for MNLF chairperson Nur Misuari who was jailed for rebellion in 2001. (*For more details, please see “Sulu: State of War, Calls for Peace” by Atty. Soliman M. Santos Jr. which can be accessed at http://www.cyberdyaryo.com/commentary/c2005_0506_01.htm*)
- ^v In 2005, the World Policy Institute estimated that US FMF for the Philippines was \$29.8 million. Israel remains the largest beneficiary of US FMF with \$2.2 billion, followed by Afghanistan (\$396 million); Jordan (\$204.4 million); and Pakistan (\$148.8 million). To access the complete list of US FMF beneficiaries, please visit <http://www.worldpolicy.org/projects/arms/reports/WatWTable3.html>.
- ^{vi} The gross imbalances in the VFA favoring the US, particularly the provision allowing US custody of US military personnel involved in criminal cases committed in the Philippines, again became a national debate when a 22-year old Filipina accused five US Marines of rape. The US suspects were among the 4,500 troops who arrived in the country in October 2005 for one of the Balikatan exercises.

Endnotes

- ¹ *Trilateral Strategic Defense Capability Planning Symposium* by Dr. Kent Hughes Butts and Lieutenant Colonel Curtis Turner, US Army War College, Center for Strategic Leadership, Issue Paper, Volume 7-04, September 2004
- ² *The War on Terrorism in Southeast Asia: Strategic Implications for Philippine-China-US Relations* by Professor Rommel C. Banloi, Paper presented at the Institute for Southeast Asian Studies on Zhongshan University, Guangzhou, China, in connection with his visit on 8-17 January 2002
- ³ Department of National Defense, Accomplishment Report, January to June 2004
- ⁴ “Civilianizing the War” by Marites Dañguilan Vitug, *Newsbreak*, 15 April 2002
- ⁵ Implementing the Philippine Defense Reform (PDR) Program, Department of National Defense (http://www.dnd.gov.ph/DNDWEBPAGE_files/html/pt1agenda.htm)
- ⁶ Briefer on the Kapit-Bisig Laban sa Kahirapan (KALAHI), National Anti-Poverty Commission (NAPC) in cooperation with the United Nations Development Program (UNDP)
- ⁷ KALAHI Database, National Anti-Poverty Commission (<http://www.napc.gov.ph/>)
- ⁸ Kapit-Bisig Laban sa Kahirapan - Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) Project, Projects and Operations, The World Bank (<http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P077012>)
- ⁹ *From the War on Poverty to the War on Terror? The Shifting Priorities of ODA* By Carl Dundas,

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GSD Network, BOND 2004 as cited in *Financing the Millennium Development Goals* by Christine Auclair, Third World Resurgence, Issue No. 180-181, August/September 2005

- ¹⁰ *The ODA Eligibility of Conflict, Peace, and Security Expenditures*, Background Note, DAC Meeting, 10-11 February 2005
- ¹¹ "Government Sorry for US Partial Pullout of Funds in Mindanao" by Maila Ager, *Inquirer News Service*, 7 July 2004 (http://www.inq7.net/brk/2004/jul/07/brkpol_8-1.htm)
- ¹² Aid figures were generated from the US Overseas Loans and Grants [Greenbook] (<http://quesdb.cdie.org/gbk/>)
- ¹³ Growth figures were based on data from the World Policy Institute, Arms Trade Resource Center (<http://www.worldpolicy.org/projects/arms/reports/WatWTable3.html>)
- ¹⁴ *Reducing Terrorism Risks in the Philippines*, Australian Aid, Media Release, 27 April 2004 (http://www.ausaid.gov.au/media/release.cfm?BC=Media&Id=7540_4789_3694_2613_1112)
- ¹⁵ "RP Thanks Australia for Military Aid" by Genalyn D. Kabling, *Manila Bulletin*, 18 October 2005
- ¹⁶ "The Philippines' Nasty Little War" by Leila Halud and Tyrone Velez, *Asia Times*, 13 April 2005
- ¹⁷ "Militant Group Accuses Government of Rights Abuses," Agence France Presse, *Philippine Daily Inquirer*, 3 December 2005