Part III
Asia/Pacific and the Middle East

Competing paradigms of good governance, human rights and democracy

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Today almost every bilateral or multilateral donor agency says it seeks to reduce poverty, bring about development and achieve the Millennium Development Goals. To this end, donors are demanding that 'good governance', democracy and the enforcement of human rights become top priorities for recipient countries.

However, these terms are subject to different interpretations that give rise to two differing paradigms for development and poverty reduction.

One says that, to reduce poverty and bring about development, it is necessary to achieve strong economic growth. The way to do this is to follow policies based on neoliberalism, outlined in the Washington Consensus. Good governance, human rights and democracy must be promoted in the interests of trade, investment and furthering neo-liberal reforms. Bad governance, in the form of corruption, mismanagement of public funds and a biased judiciary is seen as being the main cause of the ills confronting developing countries — including their growing poverty.

The other says that the way to fight poverty and promote development is to build, not only strong processes and institutions of government, but also to encourage the participation of a strong civil society, which engages the power of the people. This will give rise to real democracy, the implementation of human rights, and will result in good governance.

Paradigm one: governance from the top-down to achieve economic growth

It seems that, until recently, development discourse has been dominated by those who declare that neoliberal economic policies are the only reliable way to achieve economic growth, which will, in turn, make the reduction of poverty possible. This has been the model outlined by the World Bank, the IMF and the Asian Development Bank. When it did not achieve its objective, these agencies diagnosed the reason as being lack of good governance. So, under the rubric of 'good governance' they (and other bilateral donors who followed their lead) demanded greater Western-style democracy and the enforcement of human rights, as a precondition for development aid.

However critics say that their interpretation of good governance, democracy and human rights is very selective, because it underlines only those areas of governance, democracy and human rights that support their neo-liberal economic policies. Thus, Kavaljit Singh (2003:10-11) writes:

> *'Governance reforms, as promoted by these institutions are actually oriented towards strengthening market reforms instead of genuine democratisation and attainment of human rights. Consequently, the promotion of good governance has become part of the emergent global economic order.'*

Consequently, he sees the shift in the policies of the international aid community, making good governance a precondition for development aid as a 'disturbing phenomenon' that needs to be rigorously questioned, especially when these International Financial Institutions are blind to the need for good governance, democracy and human rights within their own institutions and within the wider corporate world of big business (Kavaljit Singh 2003:7 and also Stiglitz 2001:2 and 8).

The World Bank, in 1992, defined good governance as 'the means in which power is exercised in the management of a country's economic and social resources for development… good governance is synonymous with sound development management'. All the IFIs tend to equate good governance with those institutions and structures of government that control corruption, promote accountability and transparency, democracy, the rule of law and the protection of the interests of foreign investors. While these issues are important, this narrow 'top-down' approach does not address the issues of the people for whom governance really matters — a better quality of life, a more equitable distribution of wealth, just wages, full employment, access to education, housing and health care, controlling the privileges of élites and dismantling the concentrated structures of property ownership.

It seems that good governance, democracy and human rights rhetoric is subtly being used to further the old neo-liberal economic agenda previously imposed on many developing countries as structural adjustment policies. These very acceptable expressions (promoted by the NGO community) are being used to provide a smoke screen of plausibility to justify and reinforce old economic policies whose success is seriously questionable. It is like putting a new cover on an old book to make it look new.

It would appear that 'developing' Third World countries are being required to mould themselves after the image of the 'developed' First World countries that are providing the aid. This is a new form of domination, being used by the new colonial masters of globalisation. Little account is taken of the fact that there can be other models of economic and political development. Kavaljit Singh (2003:17) writes:

> *'The implantation of Anglo-American institutions of governance is the overarching theme of the new agenda. It is based on the assumption that the developed countries have the best institutions, which should be embedded across the world irrespective of cultural and historical conditions.'*

As an example let us take the Asian Development Bank — a dominant player in the Asian-Pacific economic scene. It states that, according to its mission, its 'overarching objective is to promote poverty reduction' (and to help Developing Member Countries achieve the Millennium Development Goals). So far, so good!

However, the ADB paper of Ron Duncan and Steve Pollard, entitled *A Framework for Establishing Priorities in a Country Poverty Reduction Strategy,* outlines the process whereby poverty reduction is to be achieved. It stresses the need for economic growth as a prerequisite for poverty reduction. It states that the way to achieve economic growth is through the neo-liberal policies associated with an export-oriented, market-driven economy. Good governance is necessary for these policies to be effective. However good governance is seen very much in terms of 'strong government'. The aspects of good governance stressed are those associated with transparency and accountability of government, a good judiciary, the rule of law and the enforcement of human rights. Good governance is seen as important because it assists trade, investment and the furthering of neo-liberal policies. Consequently, contracts and rights to private property are stressed, while minimum wages, the right to a just wage, workers unions, and rights of association, are down-played, as being unhelpful for investment and employment. Also, the private ownership of land is given preference over communal ownership — the latter being seen as an obstacle for investors. If all this is implemented, then we are told that poverty will be reduced, because there will be more employment and the benefits of economic growth will provide revenue for governments to build schools, hospitals and roads for the benefit of the poor. It is the old 'trickle-down' theory in new dress.

It is interesting to note that in 2000 the Meltzer Commission of the US Congress reached a shattering conclusion about the effectiveness of the IFIs: 'Neither the World Bank nor the regional banks are pursuing the set of activities that could best help the world move rapidly toward a world without poverty or even the lesser, but more fully achievable goal of raising living standards and the quality of life, particularly for the people in the poorest nations in the world'. (United States *Report of the International Financial Institutions Advisory Commission, Alan H. Meltzer, Chairman,* Washington, D.C. 2000:5)

Paradigm one in the Fiji situation

The Fiji government rightly notes that good governance requires government and other key national institutions to perform their functions in a predictable, accountable, transparent and lawful manner. The institutions that it has established to reinforce the principles and practices of good governance are:

The Office of the Ombudsman;
The Fiji Human Rights Commission;
The Office of the Auditor General;
The Financial Intelligence Unit (to investigate money laundering, as well as criminal and terrorist funds).

Most of Fiji's Overseas Development Assistance (ODA) comes from Australia, Japan, the European Union (EU), New Zealand, China and UNDP. Loans are also negotiated with the World Bank and the Asian Development Bank. After the political upheaval of May 2000, various donor countries suspended all new aid programmes to Fiji, subject to the successful resolution of important constitutional issues. Only in November 2003 did the EU resume its funding for long-planned projects. This is a good example of the successful use of donor pressure to ensure good governance in terms of the rule of law and democratic principles.

Over the years, Fiji, under the influence of the World Bank, the IMF and the ADB, has pursued the export-oriented, market-driven economic agenda and all the policies associated with the Washington Consensus. Even though it had no debt to warrant the enforcement of structural adjustment

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policies, Fiji accepted the preaching of the World Bank. As Susan George said on a visit to Fiji: 'The World Bank sends out good missionaries and Fiji became a devoted convert'.

In order to achieve economic growth we have seen the following measures:

- The introduction of VAT (10% in July 1992 raised to 12.5% in January 2003). VAT was acknowledged as a regressive tax; however the benefits from it were to be used for poverty relief. In fact this did not happen. Instead, companies and those in the higher tax bracket had their taxes reduced. A capital gains tax was promised to bring about greater equity but this never materialised;
- Government attracted investors with the promise of 'keeping wages low' in order to be 'competitive'. A study based on the Census of 1996 showed that 47% of those in full-time employment were earning wages below the poverty line — two thirds of them being women. Labour unions were also forced to accept controlling 'reforms'.
- Policies directed towards increasing corporatisation/privatisation have often meant an increase in the cost of services, such as water.
- Support for private sector development in the 2004 Budget saw a decrease in personal and corporate taxation from 33% to 32%, no increase in social welfare spending and an increase of tariffs on food and other items affecting the lives of workers and the poor.

Government has said that greater economic growth is going to make it possible for it 'to devote more resources to tackling poverty and crucially important social services'. But in the years since these policies have been introduced, there has been a great increase in poverty and inequality — from 25% in 1990-91 to around 33% in 2002. Although other factors must also be taken into account, the economic policies prescribed by the IFIs must take a large share of the blame.

What use is it to say that government will use economic growth to assist the poor and needy, if that economic growth is achieved by actually creating more poverty and need? It is not surprising that people are sceptical when government says growth will lead to poverty reduction.

Two things need to be noted:

First it seems that economic growth has been achieved at the expense of people. If workers are exploited and paid low wages, then who benefits from the economic growth notched up by investors? Again if increases in VAT and tariffs impact negatively on ordinary people's ability to purchase proper food and clothing, and pay educational and health costs for their family, then who benefits from the economic growth brought in by increased government revenue? Further, if the economic policies pursued by government have demonstrated their ability to make the rich richer and the poor poorer in other parts of the world, why should Fiji be any different?

Secondly, economic growth must be shared so that all the people benefit — not just the few. But growing inequality in Fiji shows that, over the years, economic growth has not been shared despite all the nice words. As the *Fiji Poverty Report* (1997:45) notes: 'While the Fiji economy grew approx 25% between 1977 and 1990-91, the proportion of the Fiji population living in poverty grew by around two thirds. Most benefits of growth must have therefore gone to the well-off and little "trickle-down" to the poor has materialised, even in a period of relative prosperity.'

In 2003, a Participatory Poverty Assessment carried out by the Asian

Development Bank and the government of Fiji, showed some sensitivity to the situation in Fiji. The ultimate remedy proposed for poverty and hardship, however, was the same old set of economic policies.

Paradigm two: responsive governments and empowered citizens

Recently, the Commonwealth Foundation (CF) and the United Nations Development Programme (UNDP) have stressed the need for a broader understanding of good governance, democracy and human rights principles. They say that good governance and democracy cannot be restricted to institutions within government itself, but must be applied more widely to include all areas of civil society. Both the CF and UNDP speak of governance in terms of strong government *and* strong civil society. *Both* are integral to good governance. While stressing transparency and accountability of government, a good judiciary, the application of the principles of human rights, the rule of law and so on, these organisations also give prominence and support to civil society organisations and to agendas that help to create democratic or 'people's governance'. The style of development they seek is people-centred and the type of economic growth they advocate is pro-poor.

In the Commonwealth Foundation's document, *Citizens and Governance: Civil Society in the New Millennium* (1999) we read:

> *'The new consensus for the new millennium is about responsible citizenship and responsive, participatory democracy. The two are mutually reinforcing and supportive: strong, aware, responsible, active and engaged citizens along with strong, caring, inclusive, listening, open and responsive democratic governments. This is the basis on which a good society can be built. … Poverty, marginalisation and discrimination can only be overcome through responsive governments and active citizenship.'*

Through civic education programmes, or the conscientisation methods of social analysis, people can be assisted to become more aware, so that they are empowered. Empowerment then leads to involvement and involvement leads to the transformation of society, in the interests of the needs of all the people – not just the few.

The human rights of *all* are stressed – the rights of investors to private property as well as the rights of workers to a just wage. The Commonwealth Foundation document, *Human Rights and Poverty Education*, (2001:25) notes with regret, that under the ideology of globalisation, 'market-oriented rights' are prioritised over social rights. Property, investment and trade rights are given priority over equality, mobility of labour, social justice and the rights of communities. Intellectual property rights, for example, are now accorded pre-eminence and give richer countries power over poorer countries.

In the Fancourt Declaration, (1999) the Commonwealth Heads of Government noted that while, in principle, democracy should be promoting the greater participation of all (including the poor) in decision-making processes, it sometimes goes only as far as holding elections periodically. In between elections, people remain removed from the processes of governing. They declared:

> *'If the poor and vulnerable are to be at the center of development, the process must be participatory*

in which they have a voice. … Good governance requires inclusive and participatory processes at both national and international levels.'

We need not only *representative* democracy, but also *participatory* democracy.

In the document, *Reviving Democracy: Citizens at the Heart of Governance*, Knight, Chigudu and Tandon (2002:131), point out that governance involves 'collective decision-taking and action that leads to the common public good' but 'in which government is only one stakeholder among others'. Such an understanding of good governance involves a strong state with a strong civil society, a 'democratic culture' and an enlarged role for citizens.

As Foster (2003:5) notes, 'strong civil society' does not just refer to the number of NGOs, but rather to citizens' community-based and mass social movements. NGOs are important only insofar as they contribute to 'avenues and structures for citizen participation, building cohesion and solidarity, and facilitating partnerships (with the state) for progressive development outcomes'.

Knight, Chigudu and Tandon (2002:162) write:

'Citizens regard the state and civil society as equally important and, in their view, both need to be strong … What kind of strong state do citizens want? Citizens want efficient and effective performance from their governments. They want public institutions to ensure that basic needs are met through the provision of essential services. They want the state to encourage associational life, so that citizens can play a full part in delivering public goods. They want the state to encourage political participation, and to take steps to ensure human rights, social justice and other requisites of a civilized state.'

Fiji – from a culture of silence to a more democratic culture

The Commonwealth Inquiry (2002) spoke about the need for a 'democratic culture'. Traditionally, Fiji was a hierarchically ordered, male dominated society. Decisions made by chiefs commanded unquestioned respect and obedience. Fathers alone made decisions for the family. This unquestioning respect for authority has carried over into modern times and applies also to church leaders, teachers, and government officials. It has given rise to what has been termed a 'culture of silence' where ordinary people do not ask questions or take initiatives, but wait for those in authority to act and decide. This makes for apathy and a reluctance to take responsibility.

However, the 'culture of silence' is slowly giving way to a 'democratic culture' as people become more educated, more exposed to the media, more class conscious, and more dissatisfied with corruption, growing poverty, inequality and government mismanagement. People today question the decisions of chiefs and government, become involved in public demonstrations and trade union disputes, and select the political party of their choice. The part played by NGOs in all this has been significant. Among Pacific Island Countries (PICs), Fiji has the largest grouping of NGOs outside of Papua New Guinea. They fall under a variety of umbrellas — charity organisations, groups that educate and empower youths, women and communities and organisations that advocate policy changes and challenge government.

Recent research by Steven Ratuva for UNDP analysed the extent to which people in Fiji were educated in civic awareness. His study revealed serious deficiencies and the need for better education at various levels of society.

More ordinary people — the workers and the poor — need to be empowered to speak up and speak out, to make the governments they elect more accountable to them, and not to the demands of the International Financial Institutions (IFIs). For this to happen, ordinary people need greater economic literacy and better information about the consequences of the economic policies foisted upon them. They also need better civic education and encouragement to form strong community groups, so that they can lobby government in the same way that business elites lobby effectively for their interests.

If this form of democratic or people's governance is operative, corruption will be seriously questioned, as will policies that are detrimental to the poor. Moreover, people will want to be consulted on the policies and projects that touch their lives. This will give donors an opportunity to tap into the concerns and priorities of local people, on the understanding that donors should comply with the priorities of both government and civil society.

In a recent report, entitled *Poverty in Indo-Fijian and Minority Communities in Fiji (2003),* Professor Subramani said that the most imaginative and innovative practice in poverty reduction, sees the poor themselves as the main experts in poverty. He writes:

> *'Therefore they must be consulted on all aspects of poverty alleviation and must be included in decision making. However the poor are politically weak, geographically dispersed, lacking in networking, not well educated and do not have ready access to government departments.'*

Subramani notes that a most important aspect of poverty alleviation should be strategies to mobilise the poor, so that they are equipped for collective action. The poor, he says, should be taught to make demands on the State and to uphold their rights to political recourse.

However, due to their poverty, people are often excluded from full participation in political, cultural and social life and from access to proper education and health care (as well as technological and scientific resources and advances such as information technology). They are often plagued by a sense of frustration, powerlessness and dependency.

International human rights conventions provide people with a legal framework for poverty reduction strategies, since they apply to all people regardless of social class, race, colour, sex or religion. However, for a rights-based approach to poverty reduction to be effective, people in poverty — and the general public — need:

- to *become aware* of these rights — guaranteed in the various UN Conventions (and often incorporated into their national constitutions). To this end, educational/awareness programmes need to be conducted.
- to *mobilise* themselves to demand their rights. To this end, there is a need for community empowerment programmes.
- Many funding agencies are happy to promote human rights as a means of overcoming poverty. Some are interested in educating people in their human rights; others provide civic education. Very few, however, see the need to help people in poverty to mobilise. In fact, some donors are wary of this because they associate it with demonstrations, rallies, uprisings — all of which they consider 'dangerous'.

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In Fiji today we are proud to have:

- regional and national UNDP programmes for good governance and civic education;
- ILO campaigns for 'decent work' for the workers of Fiji;
- organisations such as the Fiji Human Rights Commission (FHRC), the Regional Rights Resource Team (RRRT), the Fiji Women's Rights Movement (FWRM), the Citizens' Constitutional Forum (CCF) and the Ecumenical Centre for Research Education and Advocacy (ECREA). Most of these have programmes for grassroots empowerment and/or human rights education.

Government's recent *Strategic Development Plan 2000-2004* (nos 3.117 – 3.121) speaks positively about civil society:

> *'Civil society (which comprises non government organizations, churches, trade unions) is a powerful force for social and economic development and is an important partner in nation building …'*
>
> and in par. 19 page viii:
>
> *'Government will encourage greater participation of civil society in formulation, implementation and monitoring of programmes, as well as enhancing coordination between government and civil society.*

Despite these encouraging words, we have also seen strong government outbursts against some NGOs, the media, trade unions, and academics. Public protests have been prevented in the name of national security. A Media Bill, to control the media, has recently come under discussion. There is also a danger that 'counter-terrorism' legislation may be used to clampdown on the activities of NGOs.

One of the important roles that NGOs, academics, unions, students groups and women's movements play in society is to act as watchdogs on government. They provide a critical analysis of government's policies from the viewpoint of their particular interest group. As many have pointed out, the Christian churches, which are very influential in the Pacific, need the courage to act as the conscience of society.

Some success stories within this second paradigm have been the Chandrika Prasad court case whereby, with the assistance of the Citizens' Constitutional Forum (CCF), an ordinary Indo-Fijian farmer was able to successfully challenge government on constitutional issues. Also, a number of NGOs have submitted reports to the UN in Geneva to complement, contradict, or challenge government's own reports on the Convention on the Elimination of all Forms of Racial Discrimination (CERD) and the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW). Moreover, there has been a significant move on the part of NGOs — partially acknowledged by government — that civil society needs to be consulted on the annual national Budget. NGOs were also successful in preventing government's acceptance of a controversial Constitutional Review Report drawn up under the chairmanship of Professor Ravuvu. Further, some women's groups took the initiative to have a Family Law Bill drawn up and eventually passed by Parliament.

The Asian Development Bank and people's participation

Over the last few years, 2001-2003, the Asian Development Bank in conjunction with the governments of PICs has been sponsoring Participatory Assessments of Poverty. These assessments aim to find out 'the needs, views and hopes of communities throughout the country — especially the disadvantaged and poor themselves'. Studies have been done of the Marshall Islands, Samoa, Vanuatu, Fiji and Papua New Guinea.

While the concept of people's participation in identifying common perceptions of poverty is admirable and much good work has been done by the consultants responsible, the results are often carefully worded so as not to question ADB's economic policies. For example, the low wages paid to workers are not mentioned as a cause of poverty; instead. 'insufficient income' is listed as a reason for people saying they are poor. The word 'hardship' is preferred to poverty and the main reasons given for poverty/hardship are connected with lack of access. No specific mention is made of the policies of government (and the IFIs) that impact negatively on people's quality of life.

The Asian Development Bank is also funding a Pacific-wide project to help people understand how governments draw up their annual budgets, how people can influence these budgets, and how they can monitor government expenditure and thus keep government accountable. However, they carefully steer clear of helping people understand the economic policies behind the budgets, the effect of those policies on the lives of ordinary people, who has influenced government to follow these policies, and how people can be empowered to protest against policies that do not address their priorities.

While the ADB uses the right jargon and declares it is encouraging 'participation in the Budget process', the style of participation it encourages is very limited and very non-threatening to those very powerful forces that are pulling the strings behind the scenes. It does not encourage people's involvement to put pressure on government to make budgets truly 'people-centred'. Moreover, in this ADB process the voices of the people may be acknowledged but are not necessarily heard by government.

Conclusion

In the first paradigm, good governance, human rights and democracy have been hijacked or co-opted by the World Bank, the IMF, the WTO and the ADB to promote policies supporting the neo-liberal reforms associated with the Washington Consensus and so serve the over-riding economic interests of the G8 countries (especially G1) and their multi-national corporations.

The second paradigm reclaims these terms and uses them in the interests of strong, transparent and accountable government *as well as* people's power and people-centred development. It says that the roles of the state and of its citizens must be seen as complementary, if good governance is to be achieved. This paradigm aims to serve the interests of both government and people. It can be an important means of combating corruption and ensuring that local priorities (both of government and civil society) are addressed. It seeks to uphold the power of the state, not the power of the global masters. Unfortunately, there is a danger that, in the name of anti-terrorism legislation, the voices of civil society, working for people-centred development, democratic governance and human rights, will be silenced.

There is a positive dimension to good governance, democracy and human rights. They are desirable goals that can help overcome corruption, instability and exploitation. However, people's organisations and NGOs must:

- Become aware of how IFIs and other donors misuse or twist the interpretation of these terms (a) to reinforce neo-liberal economic agenda and (b) to

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impose a new style of US/Eurocentric colonialism;

- Expose this misuse and twisted/limited interpretation through meetings with governments, NGOs, the media;
- Use these terms positively to justify serious efforts to empower people, so that they actively participate in society to bring about a people-centred style of development and ensure that globalisation benefits all. As Kofi Annan, UN General Secretary said: 'If globalisation is to succeed, it must succeed for poor and rich alike. It must deliver rights no less than riches. It must provide social justice and equity no less than economic prosperity and enhanced communication'.
- Make those who use good governance and human rights terminology focus more directly on the real issues of poverty that need to be addressed: not just property rights for investors, but just wages for workers; not the 'benefits' of privatising basic services, but the rights of all to basic services.
- Protest against the use of anti-terrorist rhetoric and legislation that demonises or compromises authentic people's struggles, trade unions and NGOs by restricting civil liberties and human rights.

As Aung San Suu Kyi stated in her address to the World Commission on Culture and Development in Manila (1994):

> *'People's participation in social and political transformation is the central issue of our time. This can only be achieved through the establishment of societies which place human worth above power, and liberation above control. In this paradigm, development requires democracy, the genuine empowerment of the people.'*

Australia: big brother or pacific deputy for US imperialism

It is true that Australia spends millions of dollars every year on aid to PICs and is geographically very much a Pacific neighbour. Consequently, Australia does have an interest in seeing that good governance is observed across the region, that governments honour their obligations and that the region is as safe as possible. Nevertheless, Australia has always claimed that it does not wish to impinge on the sovereignty of the PICs. Even when asked by the Solomon Islands to intervene in their state of near civil war, Australia was hesitant to do so. Then came George Bush's war on terrorism. Almost overnight, Australia accepted the invitation to become involved — not only in the Solomons, but also by suggesting that a number of its neighbours were coming close to being 'failed states' and potential havens for terrorists. These included the Solomons, Papua New Guinea, East Timor, Fiji, Vanuatu and Nauru. Increased Chinese involvement in some PICs, as well as 'look North[1] policies seem also to have caused concern. Consequently the Howard Government is now pushing a policy of more direct government and perhaps military intervention in the south-west Pacific.

Recent papers from the Defence-funded Australian Strategic Policy Institute (ASPI) in Canberra manifest US-style security phobias and biases. They seek to justify a policy of more direct intervention in the Pacific. One paper suggested that the Solomons could become 'a petri dish in which transnational and non-state security threats can develop and breed' and that 'potentially hostile major powers could operate forces from bases in our immediate neighbourhood'. In view of these 'threats', some form of intervention is suggested. The question is asked: 'Is there a middle option between our present detachment and an attempt to reassert colonial rule?' This is answered by arguing that sovereignty is no longer an absolute, as the 'security challenges presented by failed states have forced international policymakers to overcome many post-colonial hang-ups'. The key to offsetting any accusations of re-colonialisation could be 'broad-based international or regional support' for any intervention, and 'if at all possible, the consent of the affected state'.

Seemingly, Australia's newly found concern for PICs stems not only from national self-interest (which was always present) but from its strong ties to the US and the Bush Administration's war on terrorism, together with its determination to push the neo-liberal economic agenda. On his recent visit to Australia, George Bush repeated and affirmed an earlier media observation that Australia's Prime Minister John Howard was his 'deputy sheriff' for the Pacific.

At the August 2003 Pacific Islands Forum Meeting in Auckland, Howard not only succeeded in having an Australian appointed as the Secretary General of the Forum but, in line with an Australian Senate Report, proposed a European-style common market for PICs, with a common currency based on the Australian dollar. As first steps, he proposed a Pacific-wide policing structure to be trained by Australia and the pooling of airline resources. This went under the name of 'pooled regional governance'.

A plan for a Pacific free trade agreement was successfully completed in 2001, when the Pacific Island Forum endorsed the Pacific Islands Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER). These agreements are intended to provide stepping stones, to allow PICs to gradually become part of a single regional market and integrate into the international economy. Ultimately this free-market globalisation will occur under the domination of Australia and New Zealand. Many fear that free trade will devastate Pacific economies that already suffer grossly unequal trading relations with Australia. Already many of the 'economic reform and governance' projects in AusAID programmes, seek to export Australia's own neo-liberal policies into the public institutions and economies of the Pacific countries.

Consequently, some have referred to Australia as the 'Pacific's free-trade bully' and have suggested that all this amounts to a plan to strengthen Australian domination over the countries of the Pacific Islands Forum (PIF) and open up their economies to Australian corporate domination and exploitation.

Of concern is that the governments of PICs have been urged to adopt the narrow definition of security propagated by the US and Australia. This definition can easily be used to silence the voice of civil society on issues such as human rights, corruption, transparency and accountability and thus impinge negatively on good governance from the 'bottom-up'. It is becoming clear that 'terrorism' and the perceived danger of 'failed states' are providing an excuse for political and economic interference by Australia (and ultimately the US).

The Solomon Islands

The Solomon Islands gained Independence from Britain in 1978, but have struggled to manage their own affairs. There have been many cases of serious culpability on the part of successive governments; the country's resources have been systematically depleted through corruption and mismanagement. Poverty levels and youth unemployment — especially in urban areas — began to grow alarmingly in the 1990s. This led to people's mistrust of politicians and consequent social disorder. In the latter part of 1998, ethnic tensions and rivalry over unequal

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development and wealth distribution eventually erupted in armed conflict between the Isatabu Freedom Movement (IFM), representing the Gwale people of Guadalcanal, and the Malaitan Eagle Force (MEF), representing the people of Malaita.

After years of unresolved civil conflict in the Solomons, the government's request for Australian assistance to restore civic order was undoubtedly necessary. In July 2003, Australia sent a large deployment of troops to the Solomons — setting a new precedent for involvement in the affairs of Pacific Island nations. Australia has brought peace and some degree of stability with its Regional Assistance Mission to the Solomon Islands (RAMSI) programme. While it is in process of bringing to justice those responsible for armed violence, many are critical that it has done little to bring to justice those corrupt politicians and businessmen whose actions provoked the turmoil in the first place.

But the aim was not just to quell the social conflict and provide security. Australia has also set out to bring the economic policies and structures of the Solomons in line with the neo-liberal paradigm it promotes in the rest of the Pacific, together with the World Bank, the International Monetary Fund and the Asian Development Bank. In September 2003, Australia paid over US$3 million in debts owed by the Solomon Islands to the ADB and the World Bank, to allow the re-engagement of both organisations in the country.

There is no admission that the current problems may have had their roots *not* in traditional ethnic conflicts (of which there are no historical records) but in: (a) the unequal economic development put in place by Britain, the former colonial power; (b) the economic policies imposed by the IFIs; (c) the corruption that arose when local parliamentarians and businessmen, lured by greed, sought to attract overseas investors for the timber and fishing industries, in the name of economic growth for the nation.

The 'solution' provided for the Solomons in the National Economic Recovery and Development Plan (NERDP) is very much in line with the 'top-down' good governance paradigm dictated by the IFIs. Critics who know the Solomons say that no serious consideration is given to the possibility of adopting another economic model more suitable to the country. Moreover, as John Roughan (2003) writes:

> *'National recovery should foster increased communal engagement, strengthen civil society's formal and informal bodies and empower individuals, especially women, to participate in decision making and peace building efforts… Our enemy has never been a bad economy but poor leadership. Bad economic conditions didn't destroy the nation — people did. The cure centres on people understanding the root causes of their soul-sickness and not glibly jumping to the conclusion that if we get a good handle on the economy the roots of our social unrest will be cured as well.'*

In other words, the 'top-down' paradigm of good governance (in which Western style political and economic models are dominant) has little chance of success unless, strong civil society organisations are recognised and empowered to provide good governance from the 'bottom-up'.

It is interesting to note that the paper on the Solomons, entitled *Our Failed Neighbour,* by Elsina Wainwright from the Australian Strategic Policy Institute (ASPI) became the blueprint for the recent

Australian intervention in the Solomons. In that paper Wainwright suggested that the Solomons could be a testing ground for a policy turn towards military intervention and direct control of parts of the financial and government bureaucracy by Australian technocrats.

Papua New Guinea

At the 2003 Pacific Forum meeting, PNG's Prime Minister, Sir Michael Somare, refused to accept John Howard's criticism that PNG was coming close to being a 'failed state'.

Referring to Australia's aid to PNG, Somare noted that a large percentage of it is 'boomerang aid' because, out of the A$330 million given in aid:

- 31% is used to employ Australian consultants;
- 38% is for procurement by Australian contractors with hardly any PNG sub-contractors awarded jobs.
- Somare pointed out that PNG has never had any military coups and that, despite 'public challenges' to the government of the day, 'respect for the democratically elected government has always prevailed'. Both Somare and Qarase (Fiji's Prime Minister) were sceptical about the suggestion by an Australian parliamentary committee, that consideration should be given to the South Pacific moving towards an economic and political bloc similar to the European Union, with the use of a common currency based on the Australian dollar.
- PNG does, however, undoubtedly face many severe problems. There are issues of corruption and cronyism, serious levels of uncontrolled urban drift, unemployment and social strife, ineffective government institutions, serious law and order problems, a worsening HIV/AIDS epidemic and increasing poverty and inequality. PNG relies heavily on overseas aid along with massive loans from the World Bank, the International Monetary Fund and the Asian Development Bank. Also, due to the number of political parties, there is always the danger of political instability.
- In an article in PNG's *Post Courier* (15th August, 2003), the former commander of the PNG Defence Force, Major General Jerry Singirok, thinks that all the characteristics of a 'failed state' already exist in PNG. He warns that:

> *'PNG must now brace itself as it may be the next country to be 'restored' by a Pacific intervention force led by Australia. We cannot escape the inevitable onslaught as precedence (sic) has now been set in the Solomon Islands.'*

He goes on to paint a possible scenario for Australian intervention and the justification under which it could take place.

Conclusion

It seems that, following the much talked about 'war on terrorism', a number of PICs are currently seen by Australia not only as unstable or struggling but as 'failed states' and a 'clear and present danger' to Australia's national security. The prescribed cure is imposing 'good governance' as understood by the IFIs and major bilateral donors. This 'top-down' paradigm of good governance is to be achieved by a powerful mix of direct military and bureaucratic control (under the cover of local figureheads) and an intensified forced march towards free-market capitalist globalisation.

Rather than listening to the people of PICs and assisting them to find models that would suit their own needs, the IFIs and

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bilateral donors such as Australia seek to impose their own structures and policies for development. It is in effect arrogant domination.

The 'top-down' paradigm of good governance (building a strong government) is bound to fail unless it is worked in tandem with the 'bottom-up' paradigm, in which a strong civil society is empowered to speak up and be heard.

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Notes

[1] In the Pacific, 'look North' is understood as PICs looking for assistance to Malaysia, China, Indonesia, etc — sometimes to spite Australia, the E.U. and other regular donors.

Governance within the Consultative Group On Indonesia: partnership or domination?

Sugeng Bahagijo, International NGO Forum on Indonesia (INFID)

The prospect of Indonesia[1] growing its economy and social spending to pre-crisis levels and meeting the Millennium Development Goals is bleak. Progress will require radical but necessary reform of creditor policies, as well as the ability of the Indonesian government to regrow its economy and finance development projects. At country level, reform could start with the Consultative Group on Indonesia (CGI).

This paper looks at the development of the CGI forum. As an aid coordination forum for Indonesia, the CGI met annually and provided loans and grants. This paper considers the governance aspect of the CGI process.

The term 'governance' is broad and has many meanings. Here it is used in the sense of how much decision making within the CGI is really in the hands of the recipient country. Indicators of governance include the nature of economic analysis being used within the CGI, how the agenda is prepared and how final decisions are being reached.

The World Bank, as the lead agency or chair of the CGI, basically controls the process and the decision making. The Bank can choose which analysis is supported and which issues are deemed important. At the same time, the Bank is not a neutral party in the process, since it is both a lender as well as coordinator of the donors' forum.

Brief history of the CGI[2]

The Indonesian donor forum, the IGGI (inter-Governmental Group on Indonesia) first met in February 1967 in Amsterdam. The delegates from Indonesia were led by senior minister Sri Sultan Hamengkubowono.[3] The IGGI continued until 1992, when the Indonesian government dissolved it.[4]

In March 1992, Indonesian Minister JB Sumarlin sent a letter to the World Bank, asking it to set up the Consultative Group on Indonesia (CGI). The Bank agreed in a letter dated April 1992. The first meeting of CGI was held in Paris in July 1992.[5] Since 1997, the issues discussed in CGI meetings have been getting broader. Not just macroeconomic policies and aid related issues, but also social and political issues, such as corruption, legal reform, governance and forestry.

Since 2000, there have been several significant changes in the CGI organisational set up: (i) for the first time, a CGI meeting has been held in Jakarta, Indonesia; (ii) for the first time, CGI meetings officially invite a number of NGO representatives as observers[6]; (iii) working groups have been established.[7]

Governance in CGI: the role of the World Bank

CGI is not a Paris Club or London Club meeting, where decisions on debt relief are being made. The forum is a country level aid coordination meeting designed primarily for giving new loans and grants to Indonesia. Based on a request by Indonesia and the amount of finance being requested, CGI member countries pledge or commit their new or extended loans and grants.

This is true in a formal and procedural way. But experience shows that unofficial outcomes also involve radical changes in macroeconomic policies and the budget and priorities of the developing country. In short, this can perpetuate the problem rather than solve it. Besides being a kind of donor coordination, the CGI forum is also a forum on what type of economic analysis and economic policy is being supported and opposed.

Governance in the CGI forum matters, because it involves the power to decide on the agenda and what decisions should be made. The core of the issue is who decides and who will be affected by such decisions.

Why the World Bank? Because the Bank in Indonesia, by design and by historical development, has been playing a very important role in leading the CGI process. At the very least, it has three crucial roles (a) As chair of the CGI forum, aid coordination is held under its leadership; (b) The Bank is the one of the largest providers of loans to Indonesia, together with Japan and the ADB; (c) It has more leverage and influence relative to the smaller bilateral donors and the UN agencies operating in Indonesia, such as UNDP, Unicef, or the ILO.

Two elements are important in assessing the role of the World Bank in the CGI. The first is the Bank's analysis. What kind of policies is it advocating and is it opposing? Secondly, what agenda is being discussed and what is it choosing not to be discussed.

To start with the analysis of the Bank, in addition to its Country Assistance Strategy as the basis for its lending and non-lending operations, the Bank produces the CGI Brief/Report for the CGI meeting. The 2003 document is entitled *Beyond Macroeconomic Stability*. It is 63 pages long, plus a large number of statistical annexes, ranging from economic indicators to poverty indicators, from debt statistics to government finances.[8]

The heart of the CGI Brief 2003 is macroeconomic analysis and financial sector analysis, based on the government White Paper.[9] In addition, it has sections on legal reform, decentralisation and poverty reduction, where the Bank gives its views and opinions on progress and the problems experienced.

The main thrust of the document is to support and praise the White Paper, while continuing to push for more results and implementation in other areas that the Bank deems important, such as the investment climate, privatisation, governance (anti corruption, legal reform and so on) and decentralisation.

The key reason for the Bank supporting the White Paper is that it is a continuation of, rather than an alternative to, the previous macroeconomic programme under the IMF.

The key positions of the CGI brief are expressed in the following quotes[10]:

> *The white paper comprises the measures needed to achieve a healthy fiscal position, lower inflation and sufficient international reserves.*
> *The white paper lays out a host of measures to continue financial sector reform and restructuring. Recognising the dire shape that*

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> *Indonesia's investment climate is in, the white paper aims to improve it. The measures proposed on trade are less promising and hardly support the goal of accelerating export growth.*
> *Better governance is key for reducing policy and legal uncertainty and therefore improving the investment climate. Poverty reduction is not the main focus of the white paper, but the macroeconomic stability and higher growth the paper aims for is one of its pillars.*

The brief also praises a number of actions taken by the Indonesian government in continuing the previous programme of privatisation. For instance, on the macroeconomic position, it says '… in addition, and quite remarkably for an election year, the government also remains committed to continued privatisation — 10 enterprises in total will be on the block to raise more domestic financing to cover deficits'.

In the investment area, the brief said, 'the white paper is a good start to tackle some of the difficult issues.'

In other areas, such as trade, the document sharply opposed government measures that the Bank viewed as against the principle of full trade liberalisation. Again, to quote directly from the document:

> '...*already protectionist measures, such as import registration and licensing, have cropped up in recent years…the announcement of an expansion of counter trade seems counterproductive.*'

Yet the document is silent on a number of urgent issues that have hindered Indonesia's economic growth, such as the possibility of launching an expansionary fiscal and monetary programme, and resolution of the debt problem.

While the problem is the unsustainabilty of Indonesia debt, the document only mentions the technical issues and the management side of the problem. It does not discuss other policy options or alternatives on how to reduce the debt burden. The document admits that 'although the debt ratio to GDP was declining, the debt level remains high'. It supports government measures to: (a) limit borrowing by regional government and (b) to have a stronger debt management office with the aim of more transparency and better reporting (moving the debt management office to the treasury office). In addition, the document adds two measures to be taken by the Indonesia government: (a) better capacity in handling market risk (interest rate, liquidity, exchange rate), and (b) developing a secondary market for debt.

Consistent with its position as a creditor, it does not matter that Indonesia's recovery is hindered by a high debt burden, as long as Indonesia honours its commitment to pay the debt. It does matter that the Indonesian budget is not empowered to lead investment: '…the increase in external debt service pressures in the coming years means less financial resources for investment,' says the Bank. What to do then? The Bank's best bet is for Indonesia to rely more on international investment as an engine for investment. The Bank concludes 'it is critical that Indonesia attracts new foreign savings to satisfy its investment needs by improving its investment climate'.

More of the budget is to refinance the debt

In the budget for 2004, it is projected that Indonesia will need fresh money from CGI

donors of about US$2.4 — 3billion.
What is interesting is that, while gross financing is estimated at about US$10 billion, a huge chunk of financing, estimated at US$7.6 billion, is for debt repayment (principal debt repayment or amortisation) both for external debt (US$5.2 billion) and domestic debt (US$2.4 billion). Only about US$2.9 billion is for development projects and programme expenditure in 2004.

In short, the document offers nothing new in policy and measures that could help the Indonesian economy and the debt problem. The document is rich with figures and information but short on ways to strengthen the current fragile recovery.

Why does the Bank decide to comment extensively on the government White Paper and not produce its own analysis and projections? It is the first time the Bank has analysed the government programme at such great length, producing an almost a point-by-point commentary in several areas. Usually, the Bank will only describe the main policies of a government, and then go on with its own projections and analysis on topics that it sees as important.

There are several possible explanations. First, the Bank would like to project the image that it is supporting a home-grown economic programme drafted by the Indonesian government, rather than one imposed from outside like the previous IMF programme. The Bank will thus avoid any criticism both inside and outside Indonesia. In particular, for bilateral donors, it may be that the Bank is making a very clear statement that it supports a programme by Indonesia for Indonesia.

Secondly, as the Bank sees the content of the economic programme as essentially a continuation of the previous IMF programme, it has little reason not to support it — since it is in line with Bank's own analysis. For instance, on privatisation and on contractionary fiscal and monetary policy, both the Bank and the White Paper are genuine allies, basically sharing the belief that there is no alternative to the neoliberal way.[11]

Thirdly, given the sharp differences in the Indonesian cabinet, especially between minister Kwik Kian Gie, Chairman of Bappenas, and Minister Budiono-Dorojatun (Minister of Finance and Coordinating Minister for the Economy) the Bank would like to make it clear to Indonesian policy makers which side it is on (the former is critical of IMF and World Bank policies, while the latter advocates fiscal constraint and austerity measures.)[12]

How the agenda is being formed

The agenda of the CGI meeting covers a wide range of topics, including not just financing needs or gaps within next year's budget, but also legal and security reform. So, for example, the December 2003 CGI meeting covered fiscal sustainability as well as discussing the progress, or lack of progress, on issues of legal reform, security reform, forestry, decentralisation and poverty reduction.

The typical CGI meeting takes 2 days. The first day is called a pre-CGI meeting and is devoted to gathering inputs and reports, both from government and donors, including from working groups. The second day is the official CGI meeting, where the vice president of the Bank is chair and the co-chair is the coordinating minister for the economy. This meeting discusses the official statement and official reply, and comments from Indonesian government delegates. It agrees the amount pledged by donors, based on requests by government of Indonesia.

Two of the inputs being discussed at the December 2003 forum were highly significant in terms of their contribution to the

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Table 2. Agenda of CGI meeting, 2003, December

Pre CGI meeting/day one	*13th meeting of the CGI*
Introduction *Session I*: infrastructure (government present its programme on infrastructure *Session II*: Policy Dialogue (simultaneous meetings) forestry decentralisation ODA Effectiveness *Session III*: Supreme Court Reform Presentation and Policy Dialogue (simultaneous meetings) Supreme court reform agenda Poverty reduction Health *Session IV*: The role of Security in Development: a Dialogue	Opening statements Welcome by Bank Indonesia Governor Statement by Doroddjatun Kuntjoro-Jakti, Coordinating Minister for the Economy Statement by Chairman, Mr. Jemal-ud-din Kasum, Vice President, East Asia and Pacific Region, World Bank *Session I*: Macroeconomy issues, investment climate and financial reform *Session II*: Poverty Reduction and Governance reform *Session III*: Financing Requirements for 2004 and beyond Statement by the World Bank Tour de Table: CGI members Closing Business Approval of Press Conference Chairman's Closing Remarks Closing Remarks by the Head of the GOI Delegation Arrangement for next meeting

Table 3. Overview of CGI meeting agenda

Year	*Agenda*	*CGI Brief*
2001, CGI meeting	Fiscal sustainability, legal and justice reform, forestry, small and medium economy, decentralisation, poverty reduction and effectiveness of aid	The imperative for reform
2002, CGI meeting	Fiscal sustainability, legal and justice reform, small and medium enterprise, decentralisation	None
2003, CGI meeting	Pro-poor growth and investment, governance, issue of Bom Bali and Aceh, poverty reduction, effectiveness of aid	Indonesia: maintaining stability, deepening reforms
2004, CGI meeting	Macroeconomy, decentralisation, poverty reduction, investment, forestry, etc.	Beyond macroeconomic stability.

governance process of the CGI forum — and as alternative policy proposals from Indonesia.

One came from the Bappenas/National Development Planning Body, headed by the state minister. The study[13], after drawing attention to the donor-driven process — both in regard to the topics being discussed in the CGI and in the working groups — recommended, among other things, that the CGI should be led by Indonesia, as opposed to the World Bank. This is a remarkable document in the light of Indonesia's 'good boy' style of diplomacy with donors and creditors[14] over many years. This was the first time, since the dissolution of IGGI in 1992, that the Indonesian government had addressed the role and existence of the CGI forum. It advocated that after two years' preparation, when Indonesia would be ready to assume the leadership/chair, the World Bank should agree with the proposal.

The second input was the analysis and recommendation of Kwik Kian Gie on the debt problem, both domestic and external. With regard to aid effectiveness, Minister Kwik argued that aid flowing into Indonesia, no matter whether efficient or less efficient, would not be effective in helping the Indonesian economy and budget, if it were just going into debt repayment, rather than into development projects, or for strengthening existing or new government agencies, such as the anti-corruption commission. Minister Kwik challenged the CGI forum to find better solutions on debt repayment, so that the government could have sufficient resources to meet the dire need for development projects and job creation.[15]

Minister Kwik has attended the CGI meeting for each of the last three years and presented a similar analysis. But he has received the same response — basically no response — from both multilateral and bilateral donors. The best response has come from a bilateral government statement that said it shared some of Kwik's analysis. This, however, is a diplomatic way of saying no rather than a positive response[16] from donors who are concerned with the debt burden and its deadly effect on the Indonesian budget.[17]

The German government has so far made the most positive response to the debt problem, by granting Indonesia a bilateral debt swap for education. Though the value of this debt is not significant compared to those held by Japan, ADB, and the World Bank, it is nevertheless a recognition of the problem and the possibility of it being addressed.

Ways forward

Is there an alternative to CGI governance? Is there another perspective on Indonesia's economic needs and interests that is more pro-poor?

It is imperative that the voice and influence of both the Indonesian government and people be expanded within CGI process, both on the choice of economic policy and the processes through which the policy is being made.

On CGI governance, one modest organisational reform option is to take up the proposal from Bappenas. This proposal involves the CGI process being led by Indonesia, with the full support of bilateral donors. Both the process and the agenda of the CGI meetings, including chairing of working groups, could be led by the Indonesian side. The obvious benefits are that it will increase the ownership of the programme and will strengthen the donor-recipient relationship.[18]

The other option is to dissolve the CGI and let Indonesia deal with its creditors and donors one by one. The benefits are that Indonesia would have more freedom and flexibility. Many countries, including Malaysia, Thailand and Brazil, are dealing with donors and creditors without a CG-type forum and Indonesia could do the same.[19]

As far as analysis is concerned, it is imperative to produce more alternative and independent studies on the macroeconomic aspects of Indonesia's programme, so as to avoid a monopoly of policy and knowledge by the World Bank and IMF. Like a patient and doctor, the patient needs to ask a second opinion from other doctors, if the first doctor is only making suffering worse.

In this regard, it is worth mentioning three reports: a) the report and analysis by a team of Indonesian economists and activists, called 'Indonesia Bangkit' [Indonesia Rise up][20]; b) the study by UNDP (2003)[21] and c) the report by the Independent Evaluation Office (IEO) of the IMF.[22]

The 'Indonesia Bangkit' team was led by Dr, Rizal Ramli, who was Finance and Coordinating Minister of Economy under President Wahid. Advocating a more expansionary economy and fiscal policies to create more jobs, the Bangkit is very much opposed to IMF austerity measures.

The IEO report is investigating IMF interventions in countries suffering from capital account crises. The countries being studied are Indonesia, Korea and Brazil. The report acknowledges mistaken IMF policies in handling the Indonesian crisis in 1997, even though it denies that the IMF is entirely to blame.

The UNDP study, led by Terry McKinley, shows that the current contractionary macroeconomic approach is significantly responsible for the slow pace of recovery. The report argues that it is possible to have a more expansionary fiscal and monetary policy, which is necessary for pro-poor growth and job creation. It also shows that more effort is needed to address colossal Indonesian debt.

The three reports contain a number of useful policy proposals that are very relevant for a CGI forum seeking solutions to Indonesia's development difficulties. The test for the CGI forum, as long as it is led by the World Bank, is whether these independent studies will be considered important enough to be incorporated into official and non-official discussions within the CGI.

While gross financing is estimated at about US$10 billion, a huge chunk of financing, estimated at US$7.6 billion, is for debt repayment (principal debt repayment or amortisation) both for external debt (US$5.2 billion) and domestic debt (US$2.4 billion). Only about US$2.9 billion is for development projects and programme expenditure in 2004.

Notes

1 Among the five crisis-ridden countries, even after 6 years under IMF tutelage, Indonesia is the slowest economy. Indonesia post crisis, is severely indebted. Its Human Development Index remains below its neighbouring countries. About half of population is living in poverty, earning less than 2 dollars a day. In terms of state capacity to provide peace and security, Indonesia also belongs to the fragile states, one level above being considered a failed state.

2 The figures and data in this section draw heavily on the Bappenas Report (2003) 'Peran dan Keberadaan CGI' [The Role and Existence of CGI], Jakarta: Bappenas

3 From the donors' side, the delegates are from the US, British, IBRD, IMF, OECD, UNDP, OECD, and ADB. From 1967 to 1974, the IGGI met twice annually. But since 1975, because of better economic development, the IGGI met once a year.

4 Indonesia could not accept the Netherlands government, which Jakarta saw as using development assistance to intervene in the internal affairs of Indonesia. Jakarta was upset with Dutch pressure and criticism of human rights violations in East Timor.

5 19 countries attended the meeting, including the US, Australia, Japan, Canada. Also participating in the meeting were 13 institutions such as from IMF, The ADB, Unicef and UNDP.

6 INFID was one of those invited to CGI meetings. Other NGOs included groups working on environment, forestry, women and anti-corruption.

7 The pledges and commitments from CGI meetings between 1992 and 2003 total is about $58 million. Not all pledges wherefrom government, since part of the fund is disbursed directly to non government organisations. Data from Bappenas covering 2000 shows that out of $5.44 billion, about $88.6 million is for NGOs.

8 See CGI Brief 'Beyond Macroeconomic Stability', The World Bank, December 2003.

9 For the complete document and progress on implementation, see Coordinating Minister of Economy, at www.ekon.go.id

10 CGI Brief, ibid., page. i-iii

11 See, Mohan Rao, 'Lessons and Policy Alternatives Facing Indonesia,' Paper for INFID Conference, 2002. see www.infid.org.

12 It will send messages as well to the Indonesian parliament on which policies the Bank supports, as the Bank knows very well that its position is taken seriously by Indonesian parliamentarians as well as by those within government. By doing so, the Bank makes clear to Minister Kwik and its supporters, that the Bank rejects his analysis and policy proposal.

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[13] The study is prompted by several factors, among others, raising awareness of the perils of the debt trap suffered by Indonesia, both inside and outside the Indonesian government. It is illustrated by increasing public pressure, as well as by the MPR (Indonesian people assembly) decree that government should find a strategy to reduce Indonesian dependency to external loans and renegotiate its debt.

[14] In Indonesia, it is well known that Indonesia's approach to its donors/lenders is called 'Good Boy' which means that Indonesia is never late in fulfilling obligations resulting from loans to creditors.

[15] Under the current macroeconomic programme, with 3-4% growth, maximum job creations is only half the level necessary to cope with new entrants into the job market. It is estimated that each year, there are about 1.5 million Indonesians searching for jobs. Current estimates on unemployment or underemployment suggest it affects about 25 million people. It is equal to the size of Malaysia's population.

[16] It was at the pre-CGI meeting on the topic of ODA effectiveness, that Minister Kwik Kian Gie as the Chair of Bappenas, delivered his paper.

[17] Kwik Kian Gie, 'CGI dan Utang Pemerintah', [CGI and Government Debt] Kompas, 10 December, page 36.

[18] The World Bank and other donors may oppose this proposal, which could weaken Bank's control of the CGI. But it could also support the idea, producing more ownership from the Indonesian side and better prospects for implementation. It could play a role by increasing its production of policy options or alternatives, working together with local academics and independent experts.

[19] Some observers and NGOs are convinced that CGI is more a cartel of creditors than a partner for development. They believe that an alternative is to negotiate bilaterally with each donor/lender.

[20] See Tim Indonesia Bangkit, 2003. Jakarta;

[21] On the UNDP study, see Terry McKinley et all, *The Macroeconomy of Poverty Reduction in Indonesia*, 2004, forthcoming.

[22] On the IMF report, see IEO report at IMF websites.

Security and development as an emerging issue

Koshida Kiyokazu, Pacific Asia Resource Center

In the past, Japan's ODA has been described as a trinity of ODA, Investment and Trade. But a new trinity of ODA, NGO and the Military is emerging, as Japan becomes much more involved in peacekeeping and emergency operations linked to the wider security agenda.[1]

This shift towards a security agenda is not affecting Japan alone. Other reports — for example from Australia — suggest that the Australian government has already included defence expenditure and Australian Federal Police activities in East Timor and the Pacific Rim within total Australian assistance to developing countries. (See *The Reality of Aid 2002*, page 159). And ideas about a new definition of ODA have been discussed at the OECD's Development Assistance Committee (DAC). These discussions raise concerns about the inclusion of security measures, such as counter-terrorism activities, within the definition of ODA. Reflecting the critical awareness of new notions of ODA, NGOs from the Reality of Aid network have been examining the emerging security agenda and its potential impact on development. Key issues of concern regarding the post-September 11 situation and its impact on development are:

1 the adoption of a broader definition of terrorism in many countries and the introduction of major anti-terrorism legislation;
2 the redefinition of aid and ODA, within the framework of geopolitical interest;
3 the danger of ODA becoming more based on selectivity and conditionality, reflecting donor interests.

The Japanese government recently pledged new ODA to Mindanao entitled 'Support Package for Peace and Security in Mindanao'. This includes support for peace building and the fight against terrorism. But this project may bring a new threat to grassroots people and communities, by supporting police and para-military groups.

After 11 September, many nations re-emphasised security as their most crucial issue. Since the United States launched the global war against terrorism and urged most of the world to join this war, global militarism has been expanded under the name of the global security. It is in this context that many countries are amending their national policies, including ODA policy, in line with the global security agenda.

Case study: Japan's ODA

Japan's 1992 ODA Charter laid out the basic themes of Japanese ODA. The charter had four major principles:

1 Environmental conservation and

development;
2 Any use of ODA for military purposes or for aggravation of international conflicts should be avoided;
3 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, in order to maintain and strengthen international peace and stability;
4 Full attention to efforts towards democratisation and introduction of market-oriented economy.

Murai Yoshinori, an ODA researcher in Japan, analysed this charter as follows:
1 Political and strategic will that military power should not be established in the Third World came to the front line of aid policy;
2 Democratisation, human rights and enlargement of freedom were linked to aid;
3 The development of market-oriented economies was linked to aid.

Thus, in line with the establishment of global economic governance, under the US/IMF, World Bank and WTO, and the establishment of global military governance by US and UN, the principles underlying Japan's ODA have changed.

Prior to the institution of the 1992 Charter, there was heated discussion in Japan about the country's international contribution. When the Gulf War broke out, the government decided (in line with Japan's Peace Constitution) not to dispatch Japan's Self Defence Forces, but to provide huge amounts of aid. Japan provided US$1.1 billion in aid to multilateral forces and US$0.2 billion worth of aid to surrounding countries (Egypt, Turkey and Jordan). Leading conservative politicians claimed that an international security regime, based on the UN's Peace Keeping Operation, should be established. They argued that Japan should join this regime. As Murai pointed out, behind this lay the US interest in utilising the UN to pursue its own agenda.

But ten years later, in 2003, a shift in Japan's ODA was accomplished, 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. This shows that Japan's national interest (on security and prosperity) is to support the US led counter-terrorism war. In the past, Japanese ODA policy has been to tacitly support US interests. But this attitude has changed and become an explicit policy.

A group of politicians and élite bureaucrats called *kantei* (Prime Minister's office) leads this policy change. A bureaucrat in this group clearly stated that the ultimate raison d'être of the nation state is security and, since Japan faces multiple global threats, diplomacy should respond to this. This bureaucrat also mentioned that utilising ODA is one of the important tools for such diplomacy, so Japan's ODA should be shifted more to peace consolidation or peace building. This implies that Japan's prohibition on ODA being used for military purpose should be withdrawn.

After these views had been put forward, the government reviewed the ODA Charter in August 2003. The new ODA Charter has several significant points in relation to security:
1 It makes clear that ODA implementation should consider the national interest;
2 It introduces a new concept of human security and peace building in order to make linkages between counter terrorism, war, and ODA;
2 The terms 'terrorism' and 'conflict' are

included to open the way for Japanese ODA to be used for military purposes;

3 The strategic use of ODA is strengthened.

Many NGOs and community based organisations, international institutions, and the majority of governments have publicly stated that ODA's main purpose is to alleviate global poverty. But security concerns and poverty alleviation are difficult to reconcile. It is a time to re-consider what ODA is really for.

DAC's move to counter terrorism

The trend towards promoting security as a priority for aid is not only happening in Japan. In April 2003, the Development Assistance Committee (DAC) of the OECD endorsed its policy statement, 'A Development Cooperation Lens on Terrorism Prevention: Key Entry Points for Action'. This paper initially emphasises the importance of donor commitment to poverty reduction and human rights, quoting the internationally agreed UN Millennium Development Goals (MDGs). If this were all the statement did, NGOs would see it as in line with the proper objectives of official aid.

NGOs are concerned, however, that several sections of the statement may be interpreted as opening the door for the redirection of aid from poverty reduction towards a counter-terrorism and security agenda. Throughout the statement, there is the suggestion that donors may need to recalibrate current aid approaches and allocations to take account of terrorism prevention. This clearly opens up the possibility, not only of making terrorism prevention a goal of development cooperation, but of giving it precedence over the existing and internationally agreed goals of development. The statement emphasises that strengthening governance is crucial, as is support for democratisation and modernisation, finance and security.

But what the statement does not sufficiently take into account is the fact that counter-terrorism operations are mainly implemented by the police and military, in particular foreign military forces. And the statement makes no reference to the United States' National Security Strategy, which declares that combating terrorism is an obligation for all countries. The US has increased military assistance to developing countries for combating terrorism since 11 September.

Aid to Iraqi rehabilitation

Prior to the donors' meeting for Iraq, the World Bank and Coalition Provisional Authority appealed for assistance towards the costs of rehabilitating Iraq over the period 2004 to 2007. The World Bank estimated US$35.6 billion was needed for priorities, such as electricity, water and education. The CPA estimated US$19.4 billion for rehabilitating oil-related equipment and security. The total amount of US$55 billion was quite big money, compared to costs for rehabilitating Afghanistan (US$4.5 billion) and East Timor (US$0.52 billion).

For this huge Iraqi rehabilitation budget, the US, Japan, the UK, Spain, South Korea and the EU pledged to contribute large amounts (see Table 4)

Adding to this new aid money, Iraq holds a huge amount of foreign debt. The total amount is still unidentified. Official loan debt (Paris Club debt) alone is estimated at US$21 billion. Aside from official debts, Iraq has unpaid war reparations to Kuwait and unpaid military related debts. The Washington-based private think tank, Center for Strategic and International Studies (CSIS), estimates the total outstanding amount at US$380 billion. Based on this amount, each person in Iraq shoulders a US$16,000 debt burden. But the huge amount of money flowing into Iraq

Table 4. Donor pledges for rehabilitation of Iraq

Country	Pledged amount (US$ billions)	Troops dispatched
US	20.3	130,000
Japan	5	
World Bank	3 to 5	750
MF	2.5 to 4.25	
Kuwait	1.5	11,000
Saudi Arabia	1	
UK	0.91	850
Australia	0.83	
EU	0.236	1 300
Spain	0.3	
Iran	0.3	3 000
Italy	0.236	
Germany	0.23	470
Korea	0.26	
UAE	0.215	150
Turkey	0.05	
China	0.024	

during Saddam Hussein's regime can be described as odious debt.

The US urges donor countries to cancel the debt. Countries such as Japan are reluctant, but might succumb to this pressure. If a government like Japan decides to cancel Iraqi debt, it might acknowledge that the money spent supporting Saddam Hussein's regime was odious. This would imply not only the responsibility of the regime itself, but also the responsibility of donor countries that helped to fund it. Debt cancellation for the heavily indebted poor countries still encounters many obstacles from international society. But Iraqi debt might be very quickly dealt with by donors. This double standard on debt issues emerged after September 11, in preparation for the war in Afghanistan. Many donors, including the World Bank and IMF, cancelled or rescheduled debt owed by Pakistan in order to make the Pakistani regime more pro-US.

Under the slogan of global security, many donor countries have put security issues at the heart of their policies. This move can be described as a state-led human security approach. This idea, however, presupposes that all the insecurity comes from poor and undemocratic countries in the South. Along with this logic, is the idea that to eliminate the root of this insecurity, a US-led alliance for combating global terrorism is needed, with 'good governance' criteria strictly applied when aid is being allocated.

Global NGO and CBO networks should speak out on the clear purpose for ODA — to end poverty. NGOs must insist that donors commit more actively to achieving the MDGs. Shifting ODA to counter-terrorism simply perpetuates the vicious cycle of war and poverty.

If a government like Japan decides to cancel Iraqi debt, it might acknowledge that the money spent supporting Saddam Hussein's regime was odious. This would imply not only the responsibility of the regime itself, but also the responsibility of donor countries that helped to fund it.

Notes

1 As a loyal ally of the USA, Japan is contributing huge amounts of aid for 'peace building' operations — and the Japanese government uses the term 'All Japan' to illustrate that Japanese involvement includes enterprises, NGOs and Self Defence Forces.

How donors reject governance and human rights: two case studies of hydropower and water supply projects in Nepal

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Nepal is arguably the most beautiful country in the world. Its peoples are among the richest in cultural diversity and the best in resource management through community ownership and the local, ethnic and indigenous practices. If the national resources were properly used, the 23 million people of this country could have all they want. They have Mount Everest and many of the other highest mountains in the world to attract tourism, a huge amount of freshwater resources, flora and fauna, the most fertile valleys and plains for agriculture and animal husbandry, wildlife and natural ecosystems. But the country is now regarded as the poorest in the world — very hard to believe. Nepal was made poor and is now being made the poorest!

The era of economic dependence and poverty began with Nepal's defeat in a war with the British East India Company followed by an 'illegal' Soogauli Treaty in 1816. As a result, Nepal lost its vast fertile land and the rivers from Darjeeling in the East to Kumau-Gadhawal in the West. The British began to recruit large numbers of Nepali youth into their army — brave mountain fighters, known as the *Gurkhas*.[2] Hundreds of thousands of *Gurkhas* either gave their lives or suffered injuries in the two World Wars and other regional conflicts, from the Far East to the Falklands, but today they are still treated as virtual mercenaries. The 'export' of these youth from the rural areas of Nepal and their migration to towns is linked to widespread poverty and the socio-cultural disintegration of their various ethnic communities. Nepal is now known for its continuing export of the youth, either as security guards and British soldiers, or migrant workers in many countries, where they are treated as slaves or severely exploited. The hills and paddy fields are now turning into deserts and all the productive forces have flown either to cities or abroad. Nepalis never got a chance to develop themselves but rely on the sympathy of the donors even for a small hospital or drinking water supply.

As a result, Nepal at present is on the verge of collapse due both to chronic poverty and a Maoist civil war, which began in 1996 with demands for rapid democratisation and drastic land reforms.[3] Even the World Bank has recognised this fact recently by describing the Maoist insurgency as 'clearly a political movement with a firm political philosophy' and has further blamed the '[h]orizontal inequality and social exclusion' as well as the '[f]ailure of governance'.[4] What it does not mention is its own responsibility, and that of other donors, for the creation of such situations by the imposition of severe aid conditionalities in favour of economic liberalisation and privatisation in a feudal-agrarian society such as Nepal. Now more aid is coming in the form of military assistance and arms' supply than help in addressing the root causes of the Maoist conflict and other problems.[5]

In the five decades of international aid in Nepal, development never meant something local managed by the Nepalis and for the Nepalis; it was a complete dependency syndrome. It always meant a project run by foreigners with no transparency and accountability regarding outcomes. It was also considered as the most sacred area, to be untouched by public scrutiny or criticism. Various studies clearly show that foreign aid only benefited the local feudal-lords and other member of the élite, e.g. the Royal family and their relatives, and the army, which became more rich and also corrupt and powerful. Nepal's acceptance of globalisation and its joining of the World Trade Organisation has made the country just a dumping ground for foreign goods, with the sell-out of its vast national resources — both human and natural. These days, Nepal receives foreign loans and assistance not to build its economy but to destroy it, including the dismantling of public institutions and community systems.

One of the main reasons for the failure of the past 14 years of parliamentary rule in Nepal is the complete domination by international aid agencies and bilateral donors through their conditional loans and aid. The 'sovereign' Parliament and the elected governments remained largely as the agents of the foreign interest lobby. Thus we are never allowed to express our own needs and priorities. There are even cases of the government refusing to release secret dealings and agreements with the International Financial Institutions to Parliament and even the Supreme Court. The spirit of democratic governance[6] was taken over by donor-driven corporate governance, and human rights and the rule of law were subject to corporate rules. As a result, Nepal's adoption of a democratic constitution and laws, as well as the ratification of dozens of major international human rights and environmental instruments, remained totally ineffective as the governments have always been compelled to comply with the donors' pre-conditions and corporate obligations.

Recent experiences show that it is the donors who are mainly responsible for leading Nepal into the current economic mess and political collapse. The Maoist armed uprising is widely regarded as the result of the mockery of elections, a 'sovereign' Parliament that failed to address chronic poverty, and the failure of political commitment, due to destructive lending conditionalities and the militarisation of the state, including the Palace. What we really needed, after the democratic change of 1990, was real democratisation and the decentralisation of political power, as well as economic resources. The rhetoric of 'good governance' was in fact defined by the donors and went against the very fundamental principles of human rights-based democratic governance.

In this context, the following two cases provide the most interesting examples of the donors' inability to respect their own policies and procedures in promoting good

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governance and human rights. They also provide some details of how the people and the communities, who are supposed to be the targets of development, are denied access to their own resources and benefits. The first case of Kali Gandaki 'A' is a story of why the donors do not want to learn lessons from their mistakes; the second case of Melamchi River diversion is about how the local resources are transferred, against the will of the local people who own them and how cheaper and better available alternatives to water supply in another basin — the Kathmandu Valley — are being bypassed.

Kali Gandaki 'A' Hydroelectric Project

The Kali Gandaki 'A' (KGA) is Nepal's largest hydroelectric project, 144 MW, built in the western region of Nepal with conditional loans from the Asian Development Bank (ADB) and the Japanese Overseas Economic Cooperation Fund (OECF), now Japan Bank for International Cooperation (JBIC). Begun in 1997 and completed in 2002, this project is considered as a costly one compared to the original forecast. The reasons were the delays, and corruption. The notorious Italian Impregilo SPA company was the main contractor.

The implementation of the KGA was the result of the cancellation of the Arun III Hydroelectric Project by the World Bank in August 1995.[7] Activists and experts had presented the KGA as a better, and cheaper, alternative to Arun III. But it did not happen. The cost escalated from US$250 to US$360 millions by the time of its completion. The civil construction cost was increased by 67%. The ADB, instead of supporting cost reduction measures, was mainly concerned with compliance to its conditionalities and increasing electricity tariffs.[8] At present, Nepal has one of the highest tariffs in the world.

Struggle for access to information

The Arun III campaign represented a major shift in the development debate in Nepal. It was the first big campaign that questioned transparency and accountability in a foreign-funded project. In Arun III, the struggle for access to project documents and information was won both at the level of the Supreme Court and the World Bank's Inspection Panel, in October 1994, in the first case ever filed — in which the author was one of the main claimants.[9] The Court, in its landmark decision, set clear guidelines and procedures for seeking and receiving information on any issues of public interest, including development projects, as provided for article 16 of the 1990 Constitution of Nepal.[10]

Despite these achievements, the fight for the right to information in the KGA was not so different from Arun III, except for the accessibility of the loan agreement and Environmental Impact Assessment (EIA) reports. Even then these documents were no use to the local people, as they were all written in English, apart from some small information booklets. Most interestingly, none of these documents was available during the decision making time. The feasibility studies, cost-benefit analyses, and EIA reports, as well as the copies of the contracts, all of which were crucial for any critical debate and decision-making, have never been made available, even since the completion of the project.

Public consultation/participation

In any project, the holding of public consultation meetings is essential for ensuring effective and meaningful participation by the local/affected people. This is also the most important element when it comes to practising good governance.

Unlike in Arun III, some public meetings were held in the KGA project sites and in a Five Star hotel in Kathmandu. The local participants in these meetings were all selected at the instigation of the project officials. Activists were prevented from attending local meetings and presenting their views; those who tried to distribute printed information faced both verbal and physical abuse and harassment. The project also recruited some local politicians and leaders to systematically attack the critics and to blindly defend the project. The ADB officials present in these meetings remained silent and turned a blind eye to what was happening.

The issue of local benefits

When the project loan was being considered, the ADB and the OECF officials were accompanied by ministers and Members of Parliament to the project site and garlanded with flowers. The local people were given sweets and drinks for coming to listen to the 'donors', the ministers and the politicians promising them everything imaginable. It was out of the question to raise any critical voice in such a hostile situation. The project officials were even engaged in creating pseudo local groups and arranging fake letters of support to the ADB. Later on, some of these thugs were also used for spying on the local people and suppressing their voice.

The local people were brutally suppressed when they began to demand the promised jobs and effective implementation of the social and environmental improvement plans. There was an incident reported in the media in which an unemployed youth who had joined the protesting crowd was allegedly killed by the police, in the Impregilo office compound. No charges arose from this but about 32 local people demanding jobs were charged by the local authority, under the Public Offence Act. They were set free upon the deposit of their personal property for bail. The charges were dropped only after the completion of the project. The formation of independent unions was virtually banned and the genuine union leaders were fired for their activities. The local traditional village women were exposed to vulgar aspects of western culture and life-style, and were offered only low-level and low-paid household work at the residence of Impregilo masters. No letters of appointment or contracts, which are required by the Nepal Labour Act, were given to workers and labourers. The terms and conditions of hiring and firing were in violation of all domestic and international labour laws and standards. The minimum basic pay and benefits provisions were also ignored. The Head of Impregilo once said to the author that it had no obligations to respect any domestic, international, or ADB rules and regulations on such matters.

The displaced people, however, had no choice but to accept whatever money was made available for compensation. There was, and still is, no provision for the true representation of the affected people in the land acquisition and compensation processes. The *Bote* indigenous peoples were provided with neither proper resettlement nor guaranteed jobs. Instead, they had to lose their traditional livelihoods permanently. Planned income generation programmes were not adequately implemented.

Several public meetings and protests were organised by the local people against the NEA, the Impregilo, and the ADB during the construction period. The people even complained that the ADB officials were hiding from them to avoid complaints, and that they were largely relying on inaccurate internal reports to judge the project performance. These reports were never made public for comment, despite requests. The activists and the media were also prevented from meeting the local people and visiting the project sites. In some cases, armed

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police were used to arrest and expel them from the area before reaching the place. The people believed that the local administrative and police officials were paid bribes, on a regular basis, to give 'protection' to the project. As a result, at a later stage, the KGA sites were virtually turned into security zones.

The ADB back in Manila knew of all these incidents but never bothered to make inquiries about them. The complaints made by the local Village Development Committee officials and other groups were either ignored or poorly addressed. It was only after a detailed complaint was made by the Water and Energy Users' Federation-Nepal (WAFED) to the ADB in June 2003 that a high-level mission was sent to study the problems. The Mission responded to WAFED in November, admitting that there had been serious violations of the ADB policies and promising that the mitigation plans would be complied with as soon as possible. The Mission had also agreed, in a meeting last January, to monitor continuously the post-project impacts and to develop mitigation plans as and when required. If this is done, it will be something exceptional in the case of such projects.

Melamchi Water Supply Project

The Melamchi Water Supply Project (MWSP) is the first inter-basin river diversion project planned for the supply of drinking water for about two million people living in Kathmandu Valley, the capital of Nepal. The MWSP has been on the political agenda and the donors' priority list for about 20 years but has never been followed through, due to conflicts of interest among the donors — mainly between the World Bank[11] and the ADB. The World Bank decided to pull out from the MWSP in 2002 for the very simple reason 'that important options have not been explored to utilize the water resources within the valley'. The distribution system needs to be fixed first, but even then it will only benefit the richest 5% of the population, at the expense of other needs and priorities in the country.[12] Now the ADB is leading the project with the Japanese Bank for International Cooperation, Japan International Cooperation Agency (JICA), the Swedish International Development Cooperation (SIDA), the Norwegian Agency for Development (NORAD), the Nordic Development Fund (NDF), the OPEC-Fund, and the Norwegian NORPLAN as a consultant.

The main political issue related to the MWSP is whether it is the best option for supplying drinking water to the capital and, if so, how it will be done. So far, various studies, including those conducted by the ADB, clearly show that the MWSP is not necessarily the best option, since there are several other options within the Kathmandu Valley. These include the groundwater resources, rainwater harvesting and best management practice over the existing river and stream sources. Another option is the rehabilitation of existing old infrastructure that is regarded as the main reason for the loss of up to 70% of existing water supply due to leakages and inefficiency. However, all decisions have already been made to implement the MWSP at whatever cost and without any regard to the fundamental issues of how the new policies and institutions will be set up and at what price, and how, the water will be supplied to the Kathmandu population.

ADB taking a big chance

After the repeated failures of the World Bank — in the cancelled Arun III and the KGA and the MWSP from which it has pulled out — the ADB has been taking a big chance in monopolising Nepal's huge water and energy sector investment. Despite its gross failures in the implementation of its various policies, e.g. on information, public participation, environment, compensation and resettlement, indigenous peoples etc., the ADB is doing all it can to undermine the existing public institutions and associated welfare policies of the government, in water, energy and other social sectors. The ADB's main objective in the MWSP is guided by the desire to bring in foreign private management of the water supply system. If all goes well for the ADB and other donors in bringing the country into the international water mafia, Nepal will have to face the collapse of its public institutions, moral strength and skills — e.g. the Nepal Water Supply Corporation, which has a duty of providing safe and clean drinking water as a public service.

It is interesting to see how countries like Norway and Sweden, so well-known for their social welfare systems and democratic values, can be equally bad when it comes to their investment and operation for profit in other countries. One can feel ashamed for NORAD and SIDA in this regard. They have not shown any interest and have not even acknowledged the issues raised by the local groups in the Melamchi Valley, or by WAFED in Kathmandu. The same goes for the JBIC, unless it is specifically challenged under the newly developed complaint procedures. There seems to be a collective vested interest with the ADB to go for the dismantling of Nepal's public water authority, diluting development needs and priorities, and creating a good environment for foreign corporations. It is unfortunate that even the Nordic countries, instead of sharing their rich experiences of public service and social welfare, should unhesitatingly join the international financial and water mafia, for the benefit of their national companies and investment agencies.

Local concerns fall to international interests

As in the case of KGA, the people in the Melamchi Valley have been fighting for access to basic project documents for years, but without any significant success. The massive public campaigns and dialogue with the ADB and MWSP officials have produced little information in Nepali. In any case, these Nepali or English information documents, even if fully available, have no real use, since all decisions about the project have already been made. As regard public participation and consultation, as required for the EIA, the road survey, the land acquisition, compensation and resettlement, the development and implementation of the Social Upliftment Programme (SUP)[13] there was a complete lack of transparency and democratic processes. The inputs and suggestions provided by the local people during the meetings have never been properly considered or incorporated into the project documents and programmes, making these exercises mere formalities. The local people have totally rejected the SUP, as prepared by NORPLAN, endorsed by the ADB and implemented by the MWSP as inaccurate, inadequate and imposed by the consultants. The people in the Melamchi Valley want to see the SUP thoroughly discussed, designed, and implemented with their full consent, according to local needs and priorities — including social and economic programmes for the poor *Tamang* communities, who are known for the 'sale' of their daughters and/or tolerance of trafficking, due to poverty and illiteracy. It is yet known whether or not there is any budget for comprehensive environmental mitigation plans.

The MWSP also has failed to satisfy the local people in terms of how much water will be required in the Melamchi Valley for their livelihoods and ecosystems and how much water will really be left for diversion. This is an important issue that the local people are confronting about maintaining a minimum, but adequate, flow of water as needed for sustaining the existing irrigation for the most fertile agricultural land, the *ghattas* (traditional water mills) and other activities, including the needs of future generations. The existing EIA is full of flaws and does not incorporate a vast range of indirect economic and social impacts. The reduction in the flow of existing water will lead to the closure of hundreds of *ghattas* and irrigation canals, including those funded by the ADB on loans. There will be a loss of electricity in some villages, and many will be unemployed due to the collapse of their cottage industries. There is also no adequate study of, and income generation programme for, over 50 *Majhi* families — a fish-dependent ethnic group. There is going to be a major conflict in the future over water rights, if these issues are not settled properly, and now. The people in the Melamchi Valley are also demanding a major share of the profit from their freely supplied water from the people of Kathmandu Valley, through a levy to fund local development and mitigate any future impacts. The proposed provision of a minimum of 0.4 cubic metres (400 litres)/ second of water flow may not be adequate at all, bringing into question the credibility of the whole scheme.[14]

The other issues of local concerns include the need for effective and guaranteed provisions for skill development training and employment for the locals, and either no or less use of technicians and labourers from outside. This issue has already generated conflict between the local people and the contractors. In principle, there is a provision for a minimum 30% of local jobs during construction. There is also a fear that Royal Nepal Army may be used to suppress the local voice, since a new army barracks has been set up in the area at project cost. However, the MWSP and the ADB are denying it, and let's hope this will not be the case; although there have, reportedly, already been some incidents.

Denial of alternatives to water supply in Kathmandu

The most important question that the MWSP, and for that matter the ADB and other donors, have not dared to discuss publicly is the existence of much better, cheaper and easier solutions for water supply in Kathmandu. In the first place, no rivers can meet the demand for water supply in the capital if the population continues to grow at in the current rate, which is due to the centralisation of most of the country's scarce resources, illegal migration from India, and the influx of hundreds of thousands of people from Maoist conflict areas. Secondly, there are already huge amounts of groundwater that are yet to be explored and regulated. Furthermore, there is a large potential for rainwater harvesting, including the best management of existing surface water from ponds and streams around the Bagmati River basin. And, thirdly, enough water could be saved by the rehabilitation of old water supply infrastructure and addressing other technical/institutional leakages. So the problem is not the lack of alternatives, but the denial of these alternatives due to the big project mind-set and the role of the water mafias.

Even if the Melamchi is to be considered the only suitable option for water supply in Kathmandu, the MWSP, together with the ADB and JBIC, has a duty to discuss these issues in public and with experts in the country. Unfortunately, there have not even been proper public consultations with the Kathmandu population — the direct beneficiaries or potential victims of such an ambitious and costly project. It is still not too late to do this, since the major project construction work is yet to begin. The recent studies of the donors cannot simply be ignored, even if the opinions of the Nepali experts and activists are to be ignored. For example, the February 2003 study of JBIC clearly says that the 'improvement of the [existing] distribution network, even if it is implemented alone, can deliver a better service to customers by distributing the existing water resources through the improved distribution system. Further, by reducing water losses it should be possible to offer more hours of service to customers in areas where the distribution system has not been improved.'

Privatisation first!

There is another highly sensitive issue of equity and social justice in the proposed water supply system in Kathmandu. The price of water is going to be very high. The bringing in of a foreign private operator, or private management, will add extra, unnecessary costs because of the high profit-making approach of the project. There is no provision yet for making water available to more than 30% of the population who are poor and live in slums or have no income. The connection charge is also going to be high 'to suppress demand and subsidise consumption tariffs'. The study shows that many will not be able to pay the connection charge. unless it is paid on an instalment basis or included in the tariffs.[15]

The problem with the ADB and other donors is that they are not really interested in supporting and building the local capacity for water supply at an affordable price. This could range from collaboration among the five municipalities in the Kathmandu Valley, the involvement of the local private sector, and the communities. There could also be local cooperatives. But this is simply not the objective of the donors. They want to force Nepal towards the ultimate privatisation of its water supply system and the gradual dismantling of the Nepal Water Supply Corporation in favour of foreign companies. Due to strong opposition, from within and outside the government, the ADB is becoming flexible regarding absolute privatisation. It is now proposing a public-private partnership through international management contracts, as in the case with Nepali banks. The ultimate results and impacts, however, will be the same — the sale of water for 'profit' in place of 'service' and the virtual collapse of public utilities and their duties. What Nepal really needs is the reform of the existing Nepal Water Supply Corporation, with full autonomy from donors and the government, as well as the involvement of local municipalities, the private sector, and community cooperatives. What is also important is the philosophy and approach to water as a 'social good' and a 'human right', and not as an 'economic commodity' for corporate profit.[16] One also needs to take into account the very strong social, cultural and religious value of water in Nepali society as a free gift of nature, not something that can be privatised and commercialised for profit and at unreasonable cost.

Comparative findings

These two case studies are Nepal's most widely debated donor-driven development projects — one is completed, the other is in process. Based on the above details of these projects, the following conclusion may be drawn regarding how international aid agencies operate in Nepal in violation of the very basic principles and practices of good governance and human rights:

1. *Right to information*

The right to information is a human right,

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recognised by the International Covenant on Civil and Political Rights and many other international instruments. This is also a fundamental right under the Constitution of Nepal and has been widely expanded in various public interest cases. The Final Report of the World Commission on Dams[17] is another international document that has emphasised the need for free and prior informed consent of local people and indigenous communities, for example, in all water and energy development projects. These must be respected and implemented by all those involved in financing such projects.

2. Right to meaningful public participation

Free and prior informed consent must be obtained as evidence of effective and meaningful public participation

3. Environmental Impact Assessment and mitigation measures

The conduct of EIA is the most important element in deciding whether a project is good or bad. The main proble m with the EIA and the mitigation measures in the above studies has been the complete lack of access to information and public participation. There was also a lack of recognition of local ownership with regard to the implementation of the mitigation measures.

The affected people and the local communities should have adequate control and ownership over the EIA process and the development and implementation of mitigation plans. All the related costs should form part of the projects, including the mitigation of post-project impacts.

4. Compensation and resettlement

The compensation and resettlement measures in both of these projects have been both arbitrary and inadequate. Most of the compensation has been paid in cash with no offer of land for land for compensation or resettlement. Melamchi is the first project in Nepal with a resettlement component, due to the ADB policy. However, no consideration has been given to guaranteeing at least the same, if not better, living standards, for people displaced by the projects. The affected people must be given the choice of cash or land, and there must be adequate representations in the decision-making bodies that decide the amount and methods of compensation and/or resettlement plans.

5. Sharing benefits

One of the negative aspects of the foreign funded projects is the denial of benefits to the local people and communities upon which the success and future of such projects depend. The authorities should first distribute the project benefits to the affected people and communities. In addition, they also need to guarantee a certain amount of profit for long term local development and environmental mitigation, in addition to overall district or village-level development.

6. Freedom from destructive conditionalities

None of the above projects have come to Nepal without the overall vested interests of donors being reflected in severe lending conditionalities. They range from compulsory global procurement provision to tariff increases and privatisation. Conditionalities imposed on such infrastructure projects largely ignore the use of local resources and capacities, as well as local needs and priorities. As a result, the projects become unnecessarily costly and are also dependent on foreign donors and consultants throughout the project cycle.

Conclusion and recommendations

The KGA and the MWSP cases demonstrate that no project goes to any country unless it meets the donors' criteria, which are largely guided by economic globalisation and corporate rule. Donors pay no attention to any internationally agreed framework of human rights and democratic governance for sustainable development. They do not care about domestic laws and regulations, let alone the needs and priorities of the people. When the IFIs, because of public pressure, do adopt such policies and mechanisms, it is simply a cosmetic exercise. What all these aid agencies need to honestly recognise is that no 'governance' can be 'good' without being 'democratic'. 'Good' and 'democratic' governance cannot be achieved without the full recognition and implementation of basic human rights — civil, political, economic, social, environmental, and cultural. The violations of these human rights and democratic principles by aid agencies, as in the case of Nepal, will certainly bring more poverty, more debt burden, and the collapse of national institutions that are the foundations of that society, as against the stated goals of national or local development... There are alternatives for local development and national prosperity, based on locally owned democratic development, rather than the present unfair and undemocratic rules of the game. The people and the communities are the best alternatives to globalisation and corporatisation. The lack of a human rights approach to development and aid management will contribute to more violent conflicts, civil war and global population movement. What we urgently need is a more principle-based governance in the international aid system, which is neither above international human rights law nor immune from responsibility for their wrong polices and development crimes.

Nepalis can continue to be poor as domestic servants in India, security guards in Hong Kong, Brunei and on foreign ships and brave, but badly exploited, fighters in the British army. The rest of Nepalis will be forced to live in more and more poverty and related conflicts. But this should never be the destiny of a prosperous and dignified country in the 21st century. International development aid should primarily be for the recipient countries and their people, not the local elites and international business.

Nepalis never got a chance to develop themselves but rely on the sympathy of the donors even for a small hospital or drinking water supply.

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Notes

[1] Nepal Policy Institute (NPI) is a research, training and advocacy organization involved in providing critical inputs for policy reform in Nepal's public sector policies, membership to the WTO and other regional free trade agreements, and its relations in bi-lateral and multilateral 'donors' and lenders, including the United Nations agencies. It also promotes the incorporation of human rights and environmental principles into national and international policy-making, e.g. Nepal Development Forum (NDF) for the real achievement of Millennium Development Goals. NPI also participates in national and international campaigns to prevent the adverse effects of the existing national and global economic and trade policies and programmes, the international financial and trade institutions, and transnational corporations.

[2] The 'Gurkhas' or 'Gorkhalis' are named after the old Gurkha Kingdom in the western region of Nepal. It is now one of Nepal's 75 districts.

[3] Upreti, BR (Dr.), 'Forty point demands of the Maoists', The Price Of Neglect: From Resource Conflict To Maoist Insurgency In The Himalayan Kingdom, Bhrikuti Academic Publications (2004), Kathmandu, p. 368.

[4] The World Bank, Nepal: Country Assistance Strategy, 2004-2007, Report No. 26509-NEP, Washington, DC (2004), p. 9.

[5] The US, UK, Belgium and India are the main countries providing military assistance and exporting arms to Nepal. These are being grossly misused by the autocratic King and the Royal Nepal Army over the past two years to cross all the democratic and revolutionary forces.

[6] See for details, O S Saasa, G C Gurdian, Z Tadesse & G Siwakoti 'Chintan', 'Democratic Governance', Improving The Effectiveness of Finnish Development Cooperation: Perspectives From The South, Ministry of Foreign Affairs of Finland, Helsinki (2003), pp. 137-167 & 178-180.

[7] See, 'The Shelving of Arun III in Eastern Nepal', Encyclopedia of Sustainability: Successful Campaigning against Large Dams, Both ENDS, Amsterdam at www.bothends.org, and also, 'Nepal: Arun III Proposed Hydroelectric Project & Restructuring of IDA Credit-2029', Inspection Panel Investigation Report, The Inspection Panel, Washington, DC, 1995.

[8] To know more about the ADB, see, The Asian Development Bank: In Its Own Words, an analysis of project audit reports for Indonesia Pakistan, and Sri Lanka, SG Fried, S Lawrence & R Gregory, Environmental Defense, Washington, DC (2003); and Focus on the Global South, An Overview of the ADB's Decision Making Processes and Policies: Good Governance or Bad Management, Bangkok (2002) at www.focusweb.org

[9] The author was the main claimant.

[10] See, also for various WAFED activities, www.wafed-nepal.org

[11] To know more about the World Bank's equally disturbing policies, see, 'Water Resources Sector Strategy: Strategic Directions for World Bank Manageent ', The World Bank, Washington, DC (2003) and 'Gambling with People's Lives: What the World Bank's New 'High-Risk/High-Reward' Strategy Means for the Poor and the Environment', a report by Environmental Defense, Friends of the Earth & International Rivers Network (2003).

[12] 'The answer is no', an interview with the World Bank President Ken Ohashi, The Nepali Times, July 19, 2002, Lalitpur, p. 1.

[13] SUP-identified five key areas of activities are: local income generation, health, education, electrification and buffer-zone management with the budget of about US $6 million. It is a separate component from the EIP mitigation plans. It was prepared and is being supervised by NORPLAN.

[14] See for details, M. Bhattarai, D. Pant & D. Molden, Socio-Economics and Hydrological Impacts of Inter-sectoral and Interbasin Water Transfer Decision: Melamchi Water Transfer Project in Nepal, selected paper presented at 'Asian Irrigation in Transition-Responding to the Challenges Ahead', April 22-23, 2002 at Asian Institute of Technology, Bangkok, Thailand.

[15] A Etherington, J Wicken & D Bajracharya, 'Preparing for Private Sector Management of Kathmandu Urban Water Supply' (Discussion Paper, Draft), September 2002, p. 15.

[16] See, also, R Stavenhagen, Needs, Rights and Social Development, Overarching Concerns, Paper Number 2, United Nations Research Institute for Social Development, Geneva (2003).

[17] The World Commission on Dams, Dams and Development: A New Framework for Decision-Making, Earthscan Publications Ltd., London and Sterling, VA (2000), also at www.wcd.org

USAID's *AGILE*: toying with governance to globalise the Philippines?

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Although poverty reduction remains the goal of development aid, a donor's use of 'governance' may hold back human development. This happens when governance is used not only to set the selection criteria for recipients, but also to veil the agenda of restructuring government policies and programmes, according to neoliberal prescriptions.

Aid conditionality, which invariably entails policies pushing for integration into the global economy, contradicts the principles of good governance, which should be based on a collective decision-making process that promotes participation, access and empowerment of the disenfranchised and vulnerable populace. Conditionality takes away the essence of collective decision-making and action, as it imposes decisions from outside, regardless of national circumstances and the will of the people.

There is an even greater aberration in governance — the use of aid intended for poverty reduction to ensure the implementation of globalisation policies. This is revealed through an examination of a United States Agency for International Development (USAID) project in the Philippines, called *Accelerating Growth, Investment and Liberalization with Equity* or AGILE.

The AGILE programme came under fire when Philippines senators, working on revisions to the Anti-Money Laundering Act, questioned its influence and the work of its 'technical consultants' on a wide array of Philippine policy areas. One senator noted that AGILE's website was deleted in the heat of the debate on its existence and influence.[1] At present, the same set of objectives, actions, plans and achievements listed under AGILE comes under the name *Economic Governance Technical Assistance* (EGTA) programme.[2]

AGILE (and now EGTA) implements most of USAID's economic development and governance activities in the Philippines.[3]

Neoliberal economic reform and governance

According to USAID, its Office of Economic Development and Governance 'assists Philippine Partners in job creation and poverty reduction, by reducing the constraints on investment caused by corruption and poor governance, including the barriers to competition that inhibit domestic and international investment.'[4]

Philippines

USAID points to two goals in corruption mitigation: 1) To make institutions, policies and practices transparent and accountable; and 2) The removal of competitive barriers to development of infrastructure and trade. The second goal 'levels the playing field' and is seen to 'allow for expanded and efficient private and public investment, full participation in the multilateral trade system, and expanded job creation.'[5] (See List 1 for examples of activities).

List 1. Ongoing and planned activities under USAID Economic Development and Governance programme.[6]

Making institutions, policies, and practices transparent and accountable

- strengthening management at the Bureau of Internal Revenue;
- modernising import valuation and other operations at the Bureau of Customs, consistent with the WTO agreement;
- strengthening of the Philippine Securities and Exchange Commission to prevent stock market manipulation;
- improving transparency and efficiency of government procurement;
- strengthening and enforcement of commercial law through the Department of Justice and the courts; and
- improving transparency and accountability of banking institutions and addressing money laundering issues.

Removing competitive barriers to development of infrastructure and trade

- providing assistance to improve the competition and regulatory framework for ports, shipping, aviation, power, roads, information and communication technology, and grain marketing;
- helping to implement activities under the WTO framework for grain sector reform, biotechnology, customs valuation, intellectual property rights, plant variety protection, and sanitary and phytosanitary measures.

USAID's Economic Development and Governance programme reflects the wish list of US transnational corporations that seek to remove every single trade and investment measure put in place to protect the domestic economy. Although the Philippines has long embraced globalisation, there are still constitutional and other legal barriers that hamper foreign economic operations.

List 2 shows some of the economic barriers that the US wants removed. Clearly, those measures that cannot be achieved immediately through trade and investment negotiations are pursued through programmes that masquerade as development aid.

USAID also conveniently lumps together corruption and economic barriers as undesirable impediments to development. But protective measures and other regulations have been instituted precisely because national development can only be achieved without undue foreign competition.

List 2. Some Philippine foreign trade barriers that the US wants removed.[7]

Import policies

- Tariff-rate quotas (TRQs) — several US agricultural exports, such as corn, poultry meat, and pork are affected by TRQs, where imports outside the quota are subjected to higher tariff.
- Quantitative restriction on rice — the US wants the Philippines to consider imposing a tariff on rice, in advance of the WTO Agreement on Agriculture, to encourage imports.
- Customs barriers — the Bureau of Customs' current regime must be reformed to minimise what some US exporters describe as 'import harassment'.

Standards, testing, labelling and certification

- Industrial goods — the Generic Act of 1988 requires pharmaceutical firms to put the generic name of products on the packaging of their brands.
- On agricultural goods, action is being suggested on: the Department of Agriculture's 'inappropriate' use of Veterinary Quarantine Certificates; the government's policy of zero tolerance for methanol in wine products; restriction on fresh fruits from Texas due to phytosanitary concerns.

Government procurement

- The Philippines is not a signatory to the WTO Government Procurement Agreement. Preferential treatment of local supplies is practised in government purchases of pharmaceuticals, rice,corn, and iron/steel materials for use in government projects. Another perceived problem is the requirement of 60% Filipino ownership for contractors in infrastructure projects in water and power distribution, telecommunications, and transport systems.

Services barriers

- Constitutional restriction on 40% foreign ownership of telecommunications firms. No market access or national treatment for satellite services and no commitment on resale of leased circuits/closed user groups.
- The Philippines only agrees, in the WTO, to allow 51% foreign equity participation in the insurance sector. Current policy means 70% of total banking assets must be controlled by Filipino banks at all times. There is a total restriction on foreign ownership in the rural banking system.

Philippines

- Foreign equity in securities underwriting companies is limited to 60%. Most Favoured Nation (MFN) exemption on foreign equity participation in security firms is perceived as a problem.
- Prohibition on foreign-flagged vessels engaging in domestic carriage services, as well as prohibition on foreigners becoming crew members or officers on Philippine-flagged vessels.
- Restriction on 100% foreign ownership of air express carriers and airfreight forwarding firms.

Investment barriers

- Foreign investments are hampered, due to constitutional or other legal constraints on foreign ownership, in the retail trade, mass media, advertising agencies, natural resource extraction, educational institutions, public utilities, commercial deep-sea fishing, government procurement contracts, rice and corn processing, and private lands.
- Foreign investments are also restricted for reasons of national security, defence, public safety, and morals.

'Globalising' the Philippines through AGILE

It was in February 2003 that AGILE's activities were made public, when Senators working on the Anti-Money Laundering Act revealed the existence of a group that allegedly influences Philippine economic policy-making through satellite offices in several vital government agencies. The programme claims its aims are to 'accelerate economic policy reforms, generate growth, create jobs, and reduce poverty.'[8]

Surprisingly, AGILE had already been working for more than four years before it was 'uncovered'. What is not surprising though, is that it was conceived during the administration of President Fidel V. Ramos, who embraced and aggressively promoted liberalisation, deregulation and privatisation.

With the Philippines firmly committed to the liberalisation of its economy, USAID saw technical assistance as a way to accelerate implementation. It collaborated with the Department of Finance (DoF), the National Economic and Development Authority (NEDA) and the Coordinating Council of the Philippine Assistance Program (CCPAP) to create a programme that would 'support economic policy liberalization and enhance competition in the Philippines.'[9]

Funded under the Philippine Assistance Program Support (PAPS)[10], AGILE's project costs were then estimated at US$28.4 million, of which USAID would provide US$21 million, while the balance, plus VAT expenditures of US$7.4 million, would be provided 'in cash and in kind' by the DoF and other government agencies, as well as private sector groups who would receive AGILE assistance for their advocacy.

The Philippine government supervises AGILE through a Steering Committee composed of representatives from the DoF (which acts as Chairperson), NEDA, USAID and two members of the private sector.[11]

AGILE found a ready niche in the Philippine bureaucracy. Its influence extends over practically every major government agency, as seen in List 3, which enumerates agencies that have availed themselves of AGILE consultants' services. From finance to agriculture, and even to the judicial system, AGILE was able to supply its services.

AGILE and USAID conditionalities

AGILE works in accordance with the USAID-Philippines' Strategic Objective No. 2, 'Improved National Systems for Trade and Investment,' with the following prescribed results: 1) Fiscal Resource Mobilisation and Allocation Improved; 2) Trade and Investment Policies Liberalised; and 3) Financial Markets Improved. AGILE includes all the areas of the said results packages.[13]

This project is claimed to be a step in the evolving USAID-Philippines cooperation for economic growth. AGILE concentrates on policy reform activities, acting as the 'main policy design and implementation vehicle for policy reform work under the Strategic Objective No. 2'. Although the initial policy areas covered by AGILE were competition, and trade and investment, the programme is also tasked with having a hand in any economic policy issue that has an impact at the national level.[14]

Thus, the policy areas in which AGILE is involved are wide-ranging: competition and competitive structure; agriculture; tariff and non-tariff barriers; WTO issues; financial markets, including securities markets; inter-island and overland transportation; industrial relations; intellectual property rights; fiscal policy; telecommunications; development planning and economic statistics; privatisation of public infrastructure; tax administration and microfinance policies.[15]

AGILE's policy work supposedly uses 'a mix of diagnosis, technical assistance and advocacy.'[16] But a look at AGILE's activities

List 3: Government agencies that have used AGILE's services[12]

Bangko Sentral ng Pilipinas (BSP)

Department of Finance (DoF)

Department of Budget and Management (DBM)

Securities and Exchange Commission (SEC)

Department of Justice (DoJ)

Department of Agriculture (DA)

Department of Transportation and Communications (DoTC)

Bureau of Customs (BoC)

Bureau of Internal Revenue (BIR)

National Telecommunications Commission (NTC) reveals an alarming picture: *they ensure the implementation of globalisation policies that ultimately benefit corporate interests, by subverting national sovereignty*.

AGILE's Achievements: subverting national sovereignty?

In June 1998, AGILE began operations, with the project's implementation being awarded to a consortium led by Development Alternatives, Inc. (DAI) as prime contractor, and Harvard Institute for International Development, Cesar Virata and Associates and Price Waterhouse Coopers as subcontractors.[17]

DAI is an American corporation registered in Bethesda, Maryland. It describes itself as 'a professional services firm' whose role is 'to provide information that facilitates good decision making and to help translate decisions into action.' It runs many technical assistance projects across the globe, with 13 long-term projects in Asia.[18]

It was DAI's website featuring AGILE that came to the attention of Senator Sergio Osmeña, who delivered a privileged speech questioning AGILE's role in Philippine policy-making.[19]

AGILE boasts a number of significant achievements. But a look at what are described as its major successes, in its first three years of operation, demonstrates how it was gradually restructuring the Philippine economy, to make it more accessible and attractive to US transnational corporations and American investments. (See List 4).

List 4. AGILE's 'major accomplishments', 1998-2001

- Assisted in the enactment of the Electronic Commerce Law, which legally enables electronic transactions in the country;
- Assisted in the enactment of the Countervailing Measures Act, the Anti-Dumping Act and the Safeguard Measures Act, intended to neutralise the adverse effects of unfair trade practices and import surges;
- Assisted in the enactment of the Retail Trade Liberalization Act, allowing foreign firms to engage in retail trade in the Philippines;
- Assisted in the issuing of a circular mandating the use of a uniform system of accounts to enable fair and reasonable rates and tariffs in the telecommunications industry;
- Assisted in the enactment of the Customs Valuation Law and the Establishment of the Super Green Lane to ensure an efficient customs system;
- Assisted the Securities and Exchange Commission in the Rules of Procedure on Corporate Recovery;
- Assisted in the issuing of EO 262, reforming the government procurement system; Provided the DoF with a framework for evaluating and monitoring government's contingent liabilities;
- Assisted in the drafting and enactment of Road User Charges Law;
- Assisted the Department of Interior and Local Governments and DoF to streamline the procedures for the issuing of municipal bonds;
- Assisted in the enactment of the General Banking Act of 2000, which paves the way for ensuring better capitalisation and supervision of the banking industry;
- Assisted in designing the Securities Regulation Code, which promotes the development of capital markets.

A number of these claimed accomplishments address complaints of American firms about obstacles to doing business in the Philippines, such as the reform of the government procurement system, reform of the customs system and the passage of the E-Commerce bill. An important achievement, in terms of market access for US corporations, is the liberalisation of retail trade, which allows the entry of transnational corporations (TNCs) into a sector traditionally reserved for Filipino-owned firms. (See case study 1).

Case study 1. AGILE and retail trade liberalisation

The Philippines agreed to liberalise retail trade under the 1994-1997 'exit' programme from the International Monetary Fund (IMF). However, passing legislation liberalising the sector was difficult, because of strong opposition from the retail industry.

The liberalisation of the retail trade was part of AGILE's agenda from its conception. One of the original agenda items, under its Policy Agenda No. 5: Liberalise and Facilitate Investments, was to enact amendments to the 1954 Retail Trade Nationalization Act. The law had been enacted to prevent non-Filipino citizens from gaining a monopoly in an important sector of the economy.

Because of legal challenges in the Supreme Court to such liberalisation laws as the Downstream Oil Industry Deregulation Act (which had been overthrown by the Court in 1996, before a later version of the law was enacted in 1998) and the Mining Act, AGILE provided legal assistance in the drafting of retail trade liberalisation legislation.

According to 'A Revised AGILE Life of Contract Work Plan', dated October 1998, the project would hire three legal specialists as consultants, to undertake a legal analysis of two Bills, then pending in Congress, which focused on competition policy, power sector reform and amendments to the Retail Trade Act. Their expected output was a compilation of draft Bills, legal analysis of, and legal memoranda on the proposed Bills.

Since AGILE was aware of the strong opposition to the liberalisation of the sector, it also arranged for extensive public relations activities to make it more acceptable to the general public.

A DAI 'Statement of Work', dated August 2000, but seemingly concerning activities dating from before that, acknowledged strong resistance to liberalisation from domestic industry. In response to this, DAI decided to 'focus not only on analyzing the efficiency gains from the proposed liberalization of retail trade...(but) would also promote constituency building for the passage of a retail trade liberalization law by March 2000.'

Specific activities undertaken by DAI included: building broad public support, mobilising small and medium-scale enterprises, and informing consumers of the benefits of liberalisation. Consumer advocacy groups such as the Foundation for Economic Freedom would undertake these activities, thus effectively concealing the exact role of US aid in the process.

AGILE's activities finally bore fruit on 7 March 2000, as ousted President Joseph Estrada signed the Retail Trade Liberalization Act of 2000 into law.

Philippines

AGILE also claims to have had a hand in making the Arroyo government accept biotechnology and in paving the way for the commercialisation of genetically modified crops in the country. Case study 2 details the role that AGILE played.

Case study 2: AGILE and the Commercialisation of Biotechnology

Previous administrations, starting with Corazon Aquino, all expressed support for the exploitation of biotechnology in the Philippines. But President Gloria Macapagal-Arroyo seemed to have reversed that position in the early days of her assumption of power.

Arroyo said, during a Malacañang press conference in early February 2001, that her government would no longer allow research on genetically modified (GM) crops. She cited a groundswell of opposition to the introduction of GM crops and foods as the reason for her position.

However, by July 16, she had overturned her pronouncement by approving a policy statement on biotechnology that promotes its 'safe and responsible use'.

On 3 April 2002, the Department of Agriculture issued Administrative Order No.8 — Rules and Regulations for the Importation and Release into the Environment of Plants/ Plants Products Derived from the Use of Modern Biotechnology.

What made the current government change its position on GM crops? Apparently, the visit of the US-Philippines Business Committee of the US-ASEAN Business Council from 22-25 April 2001 affected the president's stand. Commercialisation of GM products was one of the important issues raised by the US business mission during their visit, which also produced a Business Framework Agreement between the US mission and its Philippine counterpart.

AGILE claimed the issuing of the policy statement and the DA guidelines as among its 'achievements' towards commercialising biotechnology products in the country.

According to the DAI 'Statement of Work', dated August 2000, AGILE's assistance in the commercialisation of biotechnology involved the following:

- Reviewing, revising and streamlining guidelines governing the importation and laboratory testing, as well as field trials, of biotechnology products;
- Preparing the guidelines for the commercialisation and marketing of transgenic plants by August 2000, and their subsequent publication by October 2000;
- Supporting the efforts of the US Department of Agriculture in mounting a public information campaign on the benefits of biotechnology products and in assuaging fears about their use and application.

As expected, the first beneficiary of government's new policy on biotechnology was the US agrochemical giant Monsanto, which was granted a permit by the DA's Bureau of Plant Industry for the commercial planting of its Yieldgard Bt corn in the country on 4 December 2002.

Technical assistance or manipulation?

Reacting to the claims of AGILE, Senator Sergio Osmeña said, 'We have essentially here a group funded by the United States government, or their funding agency called USAID. It practically brags that they are directing, subverting, influencing, manipulating our very own economic policy.'[20]

AGILE personnel, however, reiterated that it is merely a technical assistance project designed to promote investments and accelerate economic growth in the Philippines.'[21]

In the Senate hearings on the group's activities, some disturbing revelations surfaced, making it clear that AGILE is actively involved in lobbying for policy changes and even in the drafting of laws.

During the 19 February hearing, for instance, Senator Manuel Villar said AGILE was involved in all phases of legislative work. Senator Villar cited the enactment of the Corporate Recovery Act, wherein he observed that AGILE personnel were present at every hearing, 'shepherding' the Bill, involving themselves in the Technical Working Group and drafting the final details of the Act.[22]

He added that AGILE's participation even extended to the bicameral meetings and the formulation of the Act's implementing rules and regulations.

The senator also pointed out that AGILE-sponsored Bills were given priority over those on education, health, local government and other areas. He underscored the fact that the participation of AGILE in the legislative process has been grossly underestimated.[23]

Aid for lobby groups to push liberalisation

AGILE officers admitted they had provided aid to lobby groups that were aggressively working for policy changes that would liberalise the airline and shipping industries.

Dr David Tardif-Douglin, Managing Partner of AGILE, disclosed to the Senate that DAI had funded public relations firm Policy Research Information Strategy and Media Services, Inc. (PRISM) to do an advocacy campaign for air transport liberalisation and ports modernisation for two advocacy coalitions.[24]

Dr Tardif-Douglin said this funding was within the scope of AGILE's work statement, which includes providing assistance for air transport liberalisation and ports modernisation to increase competition.

AGILE's work plan said that PRISM designed, managed and implemented all media efforts for the Freedom to Fly Coalition and the Coalition for Shipping and Ports Modernization from 15 March to 31 July 2001.[25]

The plan pointed out successes, such as the resumption of air flights to Taiwan and increased capacity to key markets like Malaysia and Singapore. It also boasted about halting the implementation of EO 59 (issued by ex-President Joseph Estrada in 1998) and the establishment of direct competition to government's port monopoly.

EO 59 mandated the unification of all facility operators and service providers in every government port into one corporation. Estrada revoked the order in 2000.

Senator John Osmeña III, charging AGILE with having an ulterior motive beyond providing technical assistance for the Philippines, stressed that AGILE worked against a presidential order when it funded a campaign against EO 59. He also noted that, though he filed the open skies Bill given to him by the Freedom to Fly Coalition, he was unaware that AGILE had drafted it.[26]

Where is Poverty Reduction?

While AGILE pursues the globalisation of the Philippines, it leaves out one main goal of development aid — the eradication of poverty.

Philippines

In fact, as the economy continues to be restructured according to the designs of the US, more and more Filipinos become mired in poverty, marginalised and deprived of basic social and democratic rights.

As of 2000, the government estimated that 32 million Filipinos were poor. The latest Annual Poverty Indicator Survey reports that, of the families belonging to the lowest 40% of the income bracket, only 56% has access to electricity, 67% has access to secondary education, and 70% has access to safe drinking water. Unemployment is rising, with some 3.6 million Filipinos jobless as of October 2003.[27]

The AGILE experience illustrates how aid money can distort governance and further limit the rights of people to empowerment and genuine development.

The USAID funding of projects like AGILE runs counter to development cooperation; it is undeniably a form of foreign interference in national affairs. It undermines democratic governance and hinders the Filipino people from choosing and pursuing their own course to economic and social progress.

USAID's Economic Development and Governance programme reflects the wish list of US transnational corporations that seek to remove every single trade and investment measure put in place to protect the domestic economy.

Notes

[1] Senator John Osmena III claimed that the AGILE web page, which was still posted three days prior to the Senate hearing, was deleted from the website of DAI. Committee of the Whole Journal of Meeting, p. 10. Senate of the Philippines, Twelfth Congress, Second Regular Session, 28 February 2003.

[2] DAI website (www.dai.com) now features EGTA in its Back to Asia Projects.

[3] USAID website (www.usaid-ph.gov)

[4] ibid.

[5] ibid.

[6] ibid.

[7] US Trade Representative website (www.ustr.gov)

[8] USAID website (www.usaid-ph.gov)

[9] Philippine Assistance Program Support Project (PAPS – Project No. 492-0452) AGILE Joint Project Implementation Letter No. 55, signed by Kenneth G. Schofield of USAID and concurred by Roberto F. de Ocampo as Chairman of CCPAP on 21November 1997.

[10] Project No. 492-0452.

[11] AGILE Joint Project Implementation Letter No. 55 states that the DOF shall act as the lead agency of the government of the Philippines in implementing AGILE. It will also chair the Steering Committee, which shall hold semi-annual meetings.

[12] DAI website (www.dai.com)

[13] AGILE Joint Project Implementation Letter No. 55.

[14] ibid.

[15] ibid.

[16] ibid.

[17] Dr David Tardif-Douglin, a directly salaried staff member of DAI, explained that DAI along with the other firms was hired by USAID to implement AGILE. Committee of the Whole Journal of Meeting, p. 10. Senate of the Philippines, Twelfth Congress, Second Regular Session, 28 February 2003.

[18] DAI website (www.dai.com)

[19] Minutes of session. Senate of the Philippines, Twelfth Congress, Second Regular Session, 18 February 2003.

[20] ibid.

[21] Statement of Dr. Ramon Clarete, AGILE Chief of Party, to the Senate. Committee of the Whole Journal of Meeting, p. 2. Senate of the Philippines, Twelfth Congress, Second Regular Session, 28 February 2003.

[22] Committee of the Whole Journal of Meeting, p. 2. Senate of the Philippines, Twelfth Congress, Second Regular Session, 19 February 2003.

[23] ibid.

[24] Dr. Clarete denied funding such activity but Dr Tardif-Douglin admitted he knew about the contract with PRISM, which was worth P3.721 million.

[25] Senator John Osmena III read portions of the contract to the body. Committee of the Whole Journal of Meeting, p. 14. Senate of the Philippines, Twelfth Congress, Second Regular Session, 28 February 2003.

[26] Committee of the Whole Journal of Meeting, pp. 14-15. Senate of the Philippines, Twelfth Congress, Second Regular Session, 28 February 2003.

[27] Data from the National Statistics Office.

The problematics of 'governance' in the Arab experience

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The globalisation process has given rise to a number of new development approaches and concepts, the most significant of which is the concept of 'governance'. The use of this concept was, and still is, controversial in development literature and among researchers interested in the Arabic region. Attempts to arabise the concept led to three different proposed translations. This suggested that the meaning of the concept was not clear and needed to be redefined through discussion, whereas it had been adopted in development literature *before* it was explained or understood.

The concept of 'governance' has replaced that of 'empowerment' in development literature. Empowerment was elaborated through a series of evaluations at the political, economic and social levels. It also focused on assessing liberalism and criticising the adoption of market liberalisation and economic legislation without taking into account the social impact. It criticised the unjust and unequal relations between the North and the South. Democracy, transparency and participation were considered as necessary political and economic conditions and essential components in any development process.

Such clear and specific standards have been replaced by new, highly ambiguous expressions. If we examine the new theories on 'governance', we can easily detect this changing trend. This change has happened at a time when it became clear that the promises made during the Rio Summit, in 1992, had not been kept. On the contrary, today more than ever the world is suffering from poverty and environmental degradation, while in certain parts of the world wealth is increasing.

The concept of 'good governance' is presented as a means of regulating the performance of both parties in the relationship, in a framework governed by globalisation. 'Good governance' is used as a tool by the dominating power in the relationship to verify whether the countries of the South are respecting the standards and basis of 'good governance', as defined by WTO, World Bank and IMF — economic liberalisation, structural adjustment, privatisation, reducing the state's role, fighting corruption and, more recently, fighting terrorism.

On this basis, rich countries decide whether to give poor countries development assistance, or reschedule their debts, or grant them economic and commercial facilities, or allow them to join international and regional institutions. In the framework of these adopted policies, the attention shifts from the main element, which is the relationship between the two parties (in its political, economic, social, and intellectual dimensions). This relationship is the foundation that allows us to understand and analyse the historic dimension and the results of the current situation, with the increase in underdevelopment, poverty, and the degradation of living conditions.

The social model of 'governance'

When speaking of building human capabilities in order to reduce poverty, it is worth noting that this is a first attempt to define a problem present all over the Arab world, albeit with some distinctions between regions. Despite the lack of necessary data, Arab countries are considered among the poorest in the world (except for the Gulf countries) according to the World Bank statistics for 2001/ 2002. Although it has been widely recognised that the problem in the Arab world is very serious, and is likely to worsen, the social model of governance tried, simply, to define the problem and examined its main characteristics. It also tried to propose a package of general policies aimed at eradicating poverty. The package focused on procedures and completely ignored political, economic and social policies.

Some analysts argue that in the war against poverty the centre of attention has shifted from modifying economic policies and integrating them in radical social policies to a focus on governance. Therefore, universal (and national) policies are no longer responsible for causing poverty. The responsibility lies now with poor countries and their governments. These governments lack the necessary knowledge that allows them to govern society and help people in poverty. Poor countries, on this analysis, are poor simply because they don't know how to become rich, and how to seize and benefit from the opportunities of globalisation. This is due to bad 'governance' and lack of knowledge. [On] this pretext, bad governance became the primary cause of poverty in the world, and good governance the only solution for it. The great distortions in international and national economies, which are the main cause of poverty, were completely ignored.

The roles and responsibilities of political and economic forces (internal and external) are usually completely absent from any discussion regarding the issue of poverty in the Arab region.

Political perspectives

All Arabic approaches to 'governance' consider that the exercise of political power at all levels (based on the principles of participation, transparency and accountability), in addition to economic and social practices, helps to define and to evaluate the impact of this new concept. These approaches focus on political priorities and on examining public and popular state institutions.

The lack of a scientific political basis in discussing issues related to 'good governance' increases ambiguity. The 'evangelical-ethical' trend we find in development literature is thus subject to various interpretations. In the end, what really counts is the balance of power and interests, while ambiguous promises, present in every declaration, in every memorandum and every conference, remain unfulfilled.

The powers dominating the current international relations network have a different understanding of 'good governance' from that of those concerned with the interests of social forces and the basic mission of sustainable human development. They are trying today to protect their regimes, through an adjustment policy that ignores calls for change and the objectives of change.

Middle East

The true meaning of these issues can only be tested in practice, at the political, economic and historic levels. This understanding should enable 'the powers' to express clear and precise positions in a particular region. They should be able to define whether the international system is capable of accomplishing international missions aimed at strengthening and protecting the human rights charter, in all its aspects, starting with the right to live in dignity, democracy and development.

When, however, they are faced with the realities of the Arab region, as was the case with the 'Arab Human Development Report', they abandon generalities and positions of principle (that characterise all international reports) and express specific positions and orientations. The report has made great contributions on several levels, especially in its approach to development issues in the Arab world. However, it did not discuss the specific and essential problems of Arab countries, especially issues related to 'good governance'. Not only did the report not deal with these problems, it also focused on some partial aspects of democratic openness and considered them encouraging.

The approach doesn't even examine the crisis affecting the regimes, or the challenges that have entered a critical phase since the second Gulf war and the invasion of Kuwait. This critical phase continued when Israeli forces reoccupied Palestinian Authority territories, a few days after the presentation of the Arab peace initiative (during the Beirut summit in 2002). This approach is very tolerant towards Arab official regimes. Thus it avoids discussing the plans being prepared for this region, and stated during the 1990s in what is called 'The Middle Eastern Project'.

International forces and their regional allies, especially within the Arab official regimes, are responsible for underdevelopment in the Arab region and for obstructing the development process at all levels. External powers are protecting the dominant powers of the official Arab regimes ignoring all the requirements of 'good governance', such as democracy, accountability, transparency and human rights.

The same economic, political and social forces, whose interest lies in achieving the democratic aspects of 'good governance', are striving for the success of the democratic development project. They must be challenged forcefully. At stake, is the biggest social coalition that emanated from the slogans and missions of the Rio Summit. We need to protect it from the wild military globalisation that is dominating today's world.

Poor countries, on this analysis, are poor simply because they don't know how to become rich, and how to seize and benefit from the opportunities of globalisation. This is due to bad 'governance' and lack of knowledge.