

Fifty Years of Japan ODA

A critical review for ODA reform

Reality of Aid Asia-Pacific
2005 Report



Manila

Reality of Aid, Asia-Pacific 2005 Report
Published by IBON Books, IBON Foundation, Inc.
3rd flr., Social Communication Center Bldg.
4427 Interior Old Sta. Mesa,
Manila Philippines
Tels. (632) 7132737 7132729
Fax (632) 7160108
E-mail: editors@ibon.org.
Website: www.ibon.org

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Layout: Benjie Aquino and Salvador Jorque
Cover Design: Salvador Jorque and Benjie Aquino
Cover Photo: Gilbert Roland Sape
Printed and bound in the Philippines

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ISBN 971-0325-52-3

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FOREWORD

The 50th anniversary of Japan Official Development Assistance in 2004 is an important milestone because of the tremendous significance of Japan ODA in Asia and the world as a whole, and because of important challenges and policy reforms that are starting to make their presence felt in Japan ODA. Provisional figures from the Development Assistance Committee of the OECD (Organization for Economic Development and Cooperation) show that Japan provided the second largest ODA in 2003 at \$8.9 billion. This is a slight decline from 2002 where Japan provided \$9.3 billion, putting it still at second place behind the United States. This is 0.23% of Japan's gross national income, which is equivalent to the weighted average of all donors for the same year.

Japan ODA remains controversial in the donor community because of issues of tied aid, extremely skewed loan-grants distribution, overcentralization of decision making, lack of transparency and so on. On the other hand, important changes are occurring in Japan ODA policy in terms of governance among others that make it even more important to take this Golden Jubilee as an important occasion to press for reforms long demanded by various Japanese, recipient country and international NGOs and people's movements.

In 2001, a Japan ODA reform campaign was launched by the Reality of Aid Asia-Pacific network towards the Golden Jubilee Commemoration. This campaign included the convening of workshops, conferences and fora besides the release of a number of publications addressing the issue.

This campaign culminated in conference in commemoration of the Golden Jubilee of Japan ODA held on October 6-8, 2004 at the RENGO headquarters in Tokyo. Organized by Reality of Aid Asia-Pacific Network through its members Pacific Asia Resource Center (PARC) and Japan — (JANIC), the conference was attended by RoA Asia Pacific members in Japan and around Asia as well as by other NGOs. The conference was followed by a hugely successful symposium at Sophia University, meeting with key representatives of the Ministry of Foreign Affairs, JBIC and JICA and symposia organized by the Japan ODA Reform Network in Kyoto and Hokkaido.

The Tokyo conference served as the main Asia-Pacific launch of the Reality of Aid 2004 Report on the theme "Governance and Human Rights in International Cooperation". The focus of the conference on governance of Japan ODA and its timing on the Golden Jubilee was very significant in relation to the focus of the Reality of Aid 2004 report.

Consequently, the conference drafted a statement entitled “Make Japan ODA Worthy of Public Trust and Support” reflecting the spirit and principles upheld by the conference for the Golden Jubilee celebration and proposing key reform proposals that were presented afterwards to a high level delegation of the Japanese government responsible for Japan ODA. The meeting resulted in concrete proposals for continued dialogue and action for policy reform.

This book constitutes the proceedings of that conference, incorporating papers that were presented and some others submitted. A number of important presentations to the symposium at Sophia University have not been incorporated for lack of time to secure available manuscripts. We are grateful to PARC which provided editorial work in collecting the papers. However, this publication was edited by the undersigned who is solely responsible for all editorial changes that have been made.

Reality of Aid Asia-Pacific is deeply thankful to PARC, JANIC and the Japan ODA Reform Network for their tremendous efforts in securing resources and organizing the conference and other events that formed a memorable critical celebration by civil society of the Golden Jubilee of Japan ODA.

The task of following up on this work to ensure implementation of commitments and realize the main proposals for Japan ODA reform need to be sustained in earnest. We hope that more citizens and organizations from Japan and recipient countries join our efforts to realize democratic reform of Japan ODA to make it truly an effective instrument to reduce poverty around the world.



Antonio Tujan Jr.
Chairperson
Reality of Aid

Part I
50 years of Japan ODA

History of Japan's ODA in brief

Tatsuya Watanabe
Japan NGO Center for International Cooperation

1. Era of ODA Recipient (1946-53)

After the WWII, Japan had to rebuild itself from the ashes and needed development assistance in the process. US, the only country that survived the war unscathed, came forward, not least because it wanted to appease the Japanese public for the sake of successful occupation and democratization. The US assistance in the form of food/medical aid and support for obtaining raw materials lasted until 1951 and summed up to \$5 billion. Japan then turned to World Bank for financial assistance and started taking loans in 1953. It took altogether 34 loans over 14 years and paid them up without arrears by 1990. This experience serves as a strong basis for defending the use of loans instead of grants as an essential vehicle of aid delivery to developing countries.

2. Reparation and Aid (1954-60s)

When Japan signed the San Francisco Peace Treaty with victor countries in 1952, it was obliged to make reparations for the

damages it had inflicted during the WWII. Only two countries, the Philippines and Vietnam, made reparation claims. Japan signed the Reparation and Economic Cooperation Agreements with those two and two more states, namely Burma and Indonesia, and started making up for losses in 1954. The reparations continued up until 1976 and amounted to around 500 billion yen in all. Japan was quite fortunate in the following senses.

- a. Japan was obliged to make reparations only within its capacity (unlike Germany after WWI).
- b. Reparation terms were determined in consultation with claimants, not unilaterally by the latter.
- c. Major countries such as China, India, US and other victors resigned reparation claims.
- d. Japan was allowed to make reparations in kind (i.e. goods and services Japan wished to export).

e. Japan thus was able to turn the reparations into export promotion opportunities (as the name of the agreements suggests, the two were married from the very beginning).

1954 also saw the very modest commencement of Japan's ODA in the form of technical assistance when it joined the Colombo Plan of the British Commonwealth. Japan also started providing aid to Asian countries that had resigned the claims on similar terms as reparations. Japan's ODA reached the second stage in 1958 when it started providing loans, first to India and then to other countries, with strings attached (i.e. tied aid). Grant financial assistance was the last to come: it began in 1968.

3. Exponential Growth of Japan's ODA (1970s-80s)

Following the Government decision in 1968 to increase aid volume to 1% of GNP, Japan's ODA expanded by leaps and bounds in 1970s and 80s, doubling every three to five years. It was made possible by "miraculous" economic growth, but it was also a response to the demands from the South that was, at least in 1970s, united in the pursuit of NIEO and to the mounting attacks from Asia on Japan's "economic invasion" to the region. Being so heavily dependent on the import of raw materials and forced to avert the attacks, Japan moved to win the minds of developing countries. The Southern demand for increased aid was echoed in 1980s by

Northern governments that had been affected by "aid fatigue" and had seen Japan amassing huge trade surplus each year. In the same decade, as economies of NIES and ASEAN countries started to grow rapidly and provide huge business opportunities and as steep appreciation of yen after the Plaza agreement made Japanese exports very expensive, Japanese corporations multiplied their efforts to relocate their productions sites to Asia. The major impediment to corporations, however, was the lack of economic infrastructure (roads, ports, electric power and grid, telecommunications, etc.). The Government of Japan (GoJ) came to the rescue by providing ODA for building the infrastructure and thereby facilitating the corporate penetration to the Asian market. The Government makes it a point, with a self-admiring overtone, that the Japan's ODA has made major contributions to the miraculous economic advancement of East and Southeast Asia.

In 1978, Japan set up the first Medium-term Target to bolster ODA in a planned manner (which means the aid had been provided without good planning). The first Target was followed by the second in 1981, the third in 1986, and the fourth in 1988. In 1989, Japan's ODA reached \$8,968 million, compared to \$458 in 1970, representing a 20-fold increase in as many years. However, its share in GNP stood at 0.32%, virtually unchanged in two decades. Geographical distribution was diversified:

the share of Asian countries decreased from 98.2% in 1970 to 62.5% in 1989 while that of Africa and Latin America increased.

In the meantime, the quality of Japan's ODA saw some improvements. Loans were being untied and debt relief started in late 1970s. The share of aid directed to basic human needs more than doubled (yet the definition of BHN is much debatable). ODA came under closer scrutiny and evaluation in 1980s. Such improvements notwithstanding, Japan's ODA came to draw criticisms from the South and from within towards the end of 1980s as to its commercialism, effectiveness, efficiency, corrupting effects, and environmental and social impacts.

4. Japan as a Top Donor in the World (1990s)

The exponential expansion lifted Japan to the top of the world in 1989 in terms of aid volume. Japan kept the position until year 2000 with a single exception of year 1990. The major feature of this period was "strategization." To that date, Japan's aid was dubbed "ODA without a vision." It was in 1992 the GoJ at long last formulated "ODA Charter," stating its visions, guiding principles and priority issues. It also started addressing cross-sectoral issues such as environment and gender, and implementing agencies developed guidelines to deal with them. The period also marked the departure from "request-based aid" to "aid based on policy dialogue." That is, instead of passively

giving aid as requested, GoJ began to set agenda on its own and actively engage in policy consultations with recipient countries. The more assertive posture as this manifested itself in taking the lead and initiatives in world development affairs. Japan volunteered to host coordination meetings on development of Cambodia, Mongolia and Africa. It also announced initiatives on HIV/AIDS, WID, and democratization — more with fanfare than with substance.

One welcome feature of the decade was building partnership with NGOs. GoJ broke its tradition of neglecting the role of civil society and first started providing subsidies to NGO projects in 1989. The subsidies and contracting out have kept expanding since then. It then agreed to engage in policy dialogues with NGOs in mid-90s and to include NGO representatives in its official delegation to international conferences. There seemed to be an ulterior motive, however. GoJ needed NGOs to put a "human face" on its aid. It was an act of counterbalancing the blames cast upon Japan's ODA.

5. Reforming Japan's ODA (1997-)

Japan's ODA has undergone transformation since mid-90s. The factor behind it is first and foremost the prolonged economic stagnation. In 1997, GoJ decided not to set a Medium-term Target with a quantitative indication any longer, because it was unable to increase aid and rather had to slash it. It was time to place less

emphasis on quantity and more on quality — quality as defined by GoJ, however. Various reform proposals were put forward from many quarters. Reform debates culminated in 1999 in the Medium-term (five-year) ODA Policy that replaced earlier Medium-term Targets. The Policy is probably the best from NGOs' point of view as it attached, for the first time, much importance to poverty reduction, social development and human development/security.

The trend for the better was soon reversed, however. The new advisory group formed under the Ministry of Foreign Affairs of the nationalist Koizumi Government submitted its advisory report in 2002. It sought to put breaks on “humanizing” ODA and prize public participation in ODA – participation of commercial enterprises in implementation was the hidden agenda. That was the context in which the ODA Charter was revised. The new Charter adopted in 2003 made it no secret to promote “Japan’s own security and prosperity” – thinly veiled wording for national interests – through provision of ODA. 9.11 cast a long shadow over the new Charter in that poverty reduction was assigned a new role of eliminating terrorism and that peace-building (as in Afganistan and Iraq) was accorded a similar significance. Strategic alliance and partnership with US has thus become a mainstay of Japan’s ODA.

The Medium-term ODA Policy is now being revised in the same vein.

In the meantime, Japan’s ODA deteriorated both in terms of quantity and quality. Its volume peaked in 1999 at \$15.3 billion and then started rolling down the hill. In 2003, it stood at \$8.91 billion: 42% less than the peak year and gaunt 0.20% of GNI. Aid budget for FY2004 is slashed another 4.8%. The loan aid was 100% untie in FY1996, but as uncompetitive Japanese firms lost ground and started yelling and crying, GoJ allowed the percentage to slip down, to the level of 60% in FY 2001.

DAC Review

DAC peer review of Japan’s ODA was undertaken soon after the Charter revision. It aptly recommends the country to “highlight that the primary objective of ODA is for the development of the recipient country” and “ensure that narrower national interests do not over-ride this objective.” It also advises to “more fully mainstream poverty reduction,” more clearly “focus on poor countries or poor populations,” and focus “more investment in basic health and education services to reduce poverty.” It then asks the Japanese Government to “make a policy statement on coherence for development” and identify “concrete measures to progressively untie the use of grant funds for primary contractors.”

Basic Information on Japan's ODA for the last 50 years

Prepared by Nagase Riei
PARC, board member*

1. Introduction

In October 6th, 2004, a full of 50 years will pass since Japan joined the Colombo Plan and started its technical cooperation as a donor country. It would be the time to review Japan's ODA for a better future of people in recipient countries and in Japan, which is a major rationale for the Reality of Aid's Conference and the symposium to be held in Tokyo in early October.

In this Jubilee Celebration, the main objective of this paper is to provide selected information and references to the participants so that they could understand basic characteristics of Japan's ODA and find some sources available at websites for their further study, especially information specific to each recipient country

2. Historical overview

1) Reparations: the prototype of Japan's ODA

One can find the "prototype" of Japan's ODA in the form of its reparations to Asian countries which indescribably suffered from its aggressions. The reparations also started in 1954 in accordance with Article 14 of the Peace Treaty of San Francisco. Japan signed a reparation treaty with Burma, South Vietnam, the Philippines and Indonesia, which laid down reparations in the form of the provision of products and services despite their strong demands for reparation in monetary terms. This form may be called "economic cooperation" type of reparations as the products and services from Japan were directed to infrastructure, plants and facilities mainly for economic activities. Loans were provided with reparations as collateral. Cambodia, Laos, Thailand, Malaysia, Singapore, South Korea and Micronesia received grant aid, which were treated as "quasi reparations".

* It is noted here that this paper is **not** intended to present PARC's position on Japan's ODA, and all the responsibility is attributed to the writer.

These “economic cooperation” type of reparations continued until the mid-1960s, and made a great contribution to Japanese industries’ reconstruction and presence abroad. Specifically, major effects of the reparations on them may be summarized as follows:

- (1) Major industries involved in the reparations, including steel, machinery and automobiles, were able to steadily enhance competitiveness in the world market;
 - (2) Provision of the products which had not been traded on a commercial basis and their prevalence in local markets served for Japanese companies’ access to such markets through exports; and
 - (3) Construction industries were given chances for their presence abroad for the first time.¹
- 2) From a recipient country to the largest donor in the world

A recipient country during the post-war reconstruction era became the largest donor in the world in 35 years since it commenced provisions of ODA. Volume of Japan’s ODA was accelerated since late 1970s, when the Government of Japan (GoJ) started to set the Medium-term Goal of ODA, a five-year quantitative target to increase its volume, which continued until 1997, the final year of the 5th Medium-term Goal. This upward trend reflected Japan’s steady economic growth with an expanding current account surplus while other donors

showed some “aid fatigue” mainly due to their tighter financial circumstances.

Under the Japan’s national policy of “recycling surplus”, ODA was more closely combined with investment and trade, serving as a catalyst to boost foreign direct investments by improving economic infrastructure. This trend was further accelerated as Japanese manufacturers were forced to transfer their production bases abroad due to the yen’s drastic appreciation against US dollar since the mid 1980s. Growing criticism against “tied aid”, where only Japanese firms can join bidding, led to untying most of the Yen-loan-funded projects.

On the other hand, global issues, including environment, gender and social development, discussed in a series of international conferences in 1990s diversified the purposes, sectors, recipient countries and actors of Japan’s ODA. Social and environmental guidelines for funding projects were prepared as more complaints were heard from those who were affected by Japan’s ODA-funded projects.

3) Emphasis on strategic uses

Since late 1990s, the dragged recession has brought about a gradually declining trend of the ODA budget and net ODA disbursement. Thus, Japan was replaced by the US with regard to its status as the largest donor in 2001 though it remains to rank the second. At the 2002 Monterrey Conference on funding for the Millenium

Development Goals (MDG), Japan was the only major donor which did not pledge to maintain or increase its ODA volume.

The budget constraint forced the line agencies handling ODA to make more justification to stop the declining trend of ODA budget by initiating “ODA reform”, which mainly emphasized the efficient and effective use of ODA, public participation and more returns to Japan/Japanese. This “reform” may highlight the revise of the ODA Charter in August, 2003, which stressed the “strategic uses of ODA”. In the new Charter, the objectives of ODA are stated as “to contribute to the peace and development of the international community, and thereby to help ensure Japan’s own security and prosperity”.

Although the term “national interests” is not used in the Charter, the peer review conducted by the Development Assistance Committee (DAC) warned that Japan should ensure that narrower national interests do not over-ride the primary objective, i.e. the development of the recipient country².

Specific approaches to achieve the objectives in the new Charter appear to be twofold. One is to sustain Japan’s conventional approach: ODA as a catalyst for FDI (foreign direct investment) through its large contributions to improvements in economic infrastructure.

Another is to shift away from GoJ’s passive attitude in favor of active attitude towards domestic policies and political issues in

recipient countries. The Charter’s stress on the active engagement in policy dialogue would lead to further shift from “request-base principle”. Japan’s active engagement in Vietnam may be the case in point, as represented by its contributions to the establishment of a Comprehensive Poverty Reduction and Growth Strategy (CPRGS), a new version of the Poverty Reduction Strategic Paper (PRSP), which emphasizes the economic growth for poverty reduction³.

GoJ has also changed its traditional principle of separation between economic and political affairs and been engaged in “peace-building”, not only covering post-conflict relief and reconstruction, but the peace process. This new policy clearly emerged after the 9.11.

4) Major issues at present

There are at least two main issues on Japan’s ODA which have drawn attention both domestically and internationally: Japan’s approach to the efforts for MDG, especially poverty reduction, and to “peace-building”.

GoJ’s approach to poverty reduction

GoJ has been strongly claiming a unique approach to poverty reduction among donors, i.e. the conventional approach of Japan’s ODA focusing on economic infrastructure. According to GoJ, economic growth with increased investments and trade is an effective and appropriate way to reduce poverty as demonstrated by experiences in East Asia (including

Southeast Asia) and most practical approach, taking into account the limited volume of ODA for the poverty reduction⁴. It has been trying to show how effective the provision of economic infrastructure is for the poverty reduction through “pro-poor growth”, which has yet to be clearly defined and substantiated.

It has been argued that the importance of economic growth is recognized as a requirement for poverty reduction, but not as a sufficient condition. In addition, the large-scale infrastructure has often had negative impacts. The DAC peer review is critical to that approach in terms of “the software and financial aspects, including cost recovery, availability of recurrent and maintenance financing, pro-poor user charges, as well as adherence to social and environmental standards such as appropriateness of resettlements, environmental impact, and capacity building.”⁵ It also points out the need to learn lessons about debt sustainability of recipient countries as large-scale infrastructure projects usually require big amounts of loans, as well as negative impacts on living environment, income distribution and Asian crisis in wider settings.

GoJ’s approach to “peace-building”

Another controversial issue is attributed to Japan’s new pillar of development cooperation: “the consolidation of peace and nation-building in countries suffering from conflicts” as expressed by GoJ in May 2002. The “consolidation of peace” was

invented by GoJ to expand the conventional area of Japan’s ODA for “peace-building”, i.e. relief and reconstruction to include new areas of security and administration, facing the unprecedented situation in Afghanistan. Since then, this approach has been applied to other conflict areas: Mindanao (the Philippines), Aceh (Indonesia), Sri Lanka and Iraq though the extent of “consolidation” seems different among the cases. The “peace-building” approach also implies GoJ’s possible engagement in the peace process before the concerned parties in conflict reach to a peace agreement. GoJ has been so far engaged in peace processes in Aceh and Sri Lanka.

This approach has raised concerns about negative impacts on the people in conflict areas. The provision of ODA to the security area could blur the distinction between civil and military affairs. Even the one to other areas such as humanitarian relief can be delivered or assisted by military personnel mainly to “win hearts and minds”. This threatens to destroy the humanitarian principle of independence, impartiality and neutrality. As a result, some people in most need may not be able to have access to the relief, and the security of civilian workers may be threatened as occurred in the past⁶.

GoJ sent the Japanese Self-defense Forces (SDF) to Iraq for humanitarian assistance and others, which divides the public opinion in Japan. Aside from the opposition against the provision of ODA to Iraq without

questioning the legitimacy of attack and the resultant casualties and human rights violations, the linkage between ODA and SDF activities for the first time in Japan's ODA history, for example, the use of special vehicles for water supply provides in grant to carry water purified by the SDF, has raised such concerns mentioned above.

Another major concern is that human rights, especially of the most vulnerable groups in conflict areas might not be given the first priority as other interests such as those of the parties in conflict are put the first. While some people are supported by relief and reconstruction assistance, other people might suffer from human rights violations under military/police operations. In Afghanistan and Iraq, civilians have been directly affected by operations of security forces. In Mindanao, not a few number of Muslim have been arrested as "terrorists" though they claim innocent. In Ache, the collapse of peace talk reportedly led to massive casualties and human rights violations of civilians.

This concern about human rights could be relieved if GoJ substantiates and mainstreams "human security"⁷, which is adopted as a Basic Principle in the new Charter, stating "to ensure that human dignity is maintained at all stages, from the conflict stage to the reconstruction and development stages, Japan will extend assistance for the protection and empowerment of individuals".

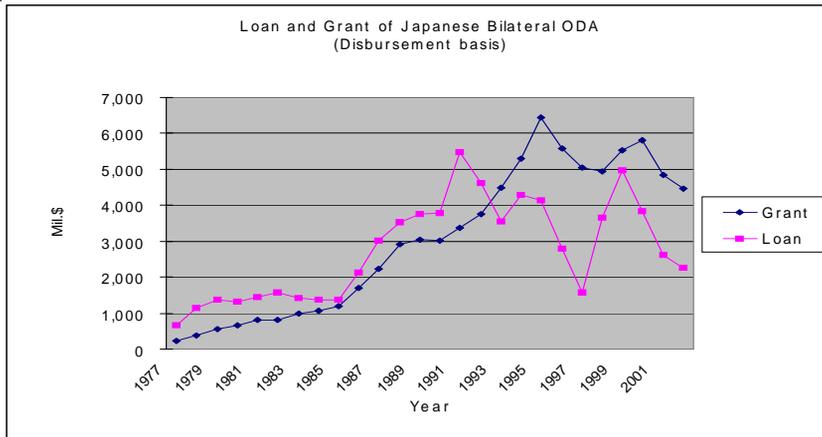
3. Some basic data

1) ODA policy, types and institutions

Japan's ODA policy framework puts to the highest the ODA Charter, which was approved by the Cabinet to set its ODA philosophy, principles and other basic issues. The Charter is more specified into the Medium-Term Policy on ODA with a five-year term frame, which sets government's basic approaches and identifies priority issues, sectors and regions. The Medium-Term Policy is going to be revised, following the revision of the Charter. Under these comprehensive policies, Country Assistance Programs and Sector-Specific Initiatives are prepared to serve as guidelines for the formulation of specific projects though they are still limited in number.

Japan's aid administration structure is complicated. Ministry of Foreign Affairs (MoFA) leads the structure to formulate policies, coordinate with other ministries and agencies, administer most grants, oversee implementing agencies and coordinate UN operations. Japan International Cooperation Agency (JICA) implements technical cooperation and "expedite" much MOFA grant assistance, and conducts development studies for planning, design and project preparation. Japan Bank for International Cooperation (JBIC) implements ODA loans, private sector investment finance, studies. Other main ministries are Ministry of Finance (MoF), which manages funds for JBIC,

Fig.1 Japan's financial flow to developing countries (net disbursement basis)



Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

coordinates International Financial Institutions' operations, and Ministry of Economy, Trade and Industry (METI), which joins the decision-making on ODA loans. Ten other ministries and agencies implement ODA programs.

2) ODA volume

Figure 1 shows changes in financial flow on a net disbursement basis from Japan to developing countries from 1961 to 2002. As mentioned before, Japan's net ODA disbursement remarkably increased from late 1970s, and accelerated from mid-80s up to mid-90s. The trend turns around at mid-90's except several years, when ODA was increased to respond to the Asian Crisis. This declining trend is expected to continue due to steady increase in loan repayments⁸, as well as continuing budget constraint.

Private flow (PF) drastically increased twice, i.e. mid-80s and mid-90s, when upsurge in yen appreciation led Japanese manufactures to invest, and "emerging markets" attracted financial flow from Japan, respectively. Sharp decline in late 90s is attributable to the Asian Crisis. With increased trend of PF, ODA tends to play a role to complement the PF, for example, private sector-led infrastructure with unprofitable related facilities funded by ODA.

3) Distributive aspect

Prominent feature (1): bilateral loans

Figure 2 indicates changes in the distribution of bilateral grants, bilateral loans and contributions to multilateral organizations from 1961 to 2002. Loans occupy more than 50% until early 1980s

and the following declining trend turns upward from mid-80s to early 90s. Since then, the share of loans has been contracting while that of grants has been expanding. This trend may be partly attributable to the aforementioned increase in the repayment of loans as the figures are on a net disbursement basis. Indeed, on a gross disbursement basis, loans account for 43% while grants and contributions to multilateral organizations do for 36% and 21%, respectively⁹.

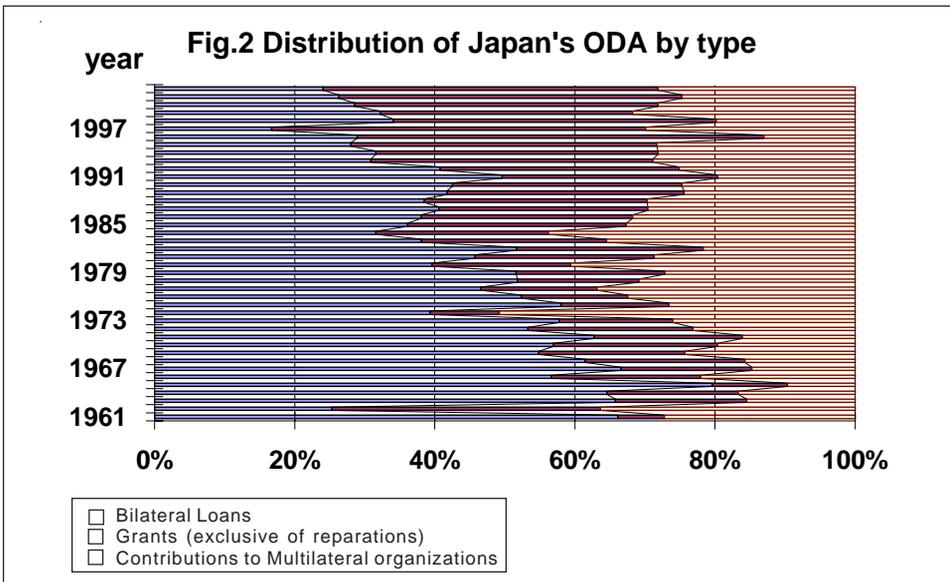
Prominent feature (2): economic infrastructure

Figure 3 shows changes in the distribution of Japan's ODA by major categories of sector on a commitment basis from 1970 to 2002. Economic infrastructure and services account for around 50% from late

1970s to mid-80s, while the share of that category poses a declining trend except late 1990s. Though the share of social infrastructure and services has been increasing since early 1990s, economic infrastructure and services still maintain as much as one-third of the share. This feature is still prominent as 37% of economic infrastructure and services can be compared with 15% of total DAC in 2001¹⁰.

Prominent feature (3): East and Southeast Asia

The third characteristics of Japan's ODA is a larger proportion provided to East and Southeast Asia. In the last five years from 1998 to 2002, this region accounts for around 50%, and an addition of South and Central Asia, i.e. Asia as a whole reaches



Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper), every year issue*

to about three-fourth of total Japan's ODA on a gross disbursement basis¹¹. The top five recipient countries have not changed for the last decade: China, India, Thailand, Indonesia and the Philippines, and have received almost half of allocable bilateral ODA¹².

In terms of income group countries, only 16% went to LDCs as compared with 26% of total DAC. Japan's disbursement to LDCs as a proportion of bilateral ODA is the fourth lowest among the DAC¹³.

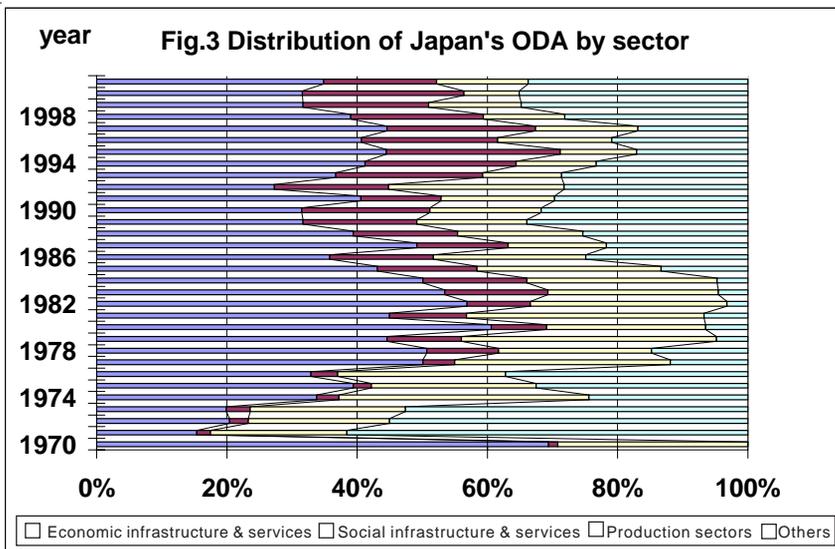
4) Integration of prominent features

These prominent features represent the Japan's conventional approach: ODA as a catalyst for FDI through its large contributions to improvements in economic infrastructure. In other words, the typical Japan's ODA is provided for economic

structure projects in East/Southeast Asia in the form of loans. MoFA praised this as saying:

“Japan has provided over half of its ODA to East Asia. This reflects the importance Japan attaches to this region, not just for historical and geographical reasons but also owing to Japan's close political and economic interdependence with East Asian countries. Japan has contributed to the region's remarkable development by linking its ODA for infrastructure improvement to the promotion of private-sector investment and trade”¹⁴.

However, there are some critical views about this type of assistance like those of the DAC peer review as mentioned before. Some data may demonstrate these views. Table 1 shows yen-loan outstanding by country at the end of 2002, which could be



Sources: MITI. Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation) and MoFA. ODA Hakusyo (ODA white paper), every year issue

Table 1. Yen-loan outstanding and its weight in long-term bilateral debt by selected recipient countries

Yen-Loan Outstanding (at the end of 2002)							Long-term bilateral debt outstanding (2001)			
Country	Total Yen-loan (disbursement)	Accumulated repayment of principals	Paid interests	(Yen bill) Debt outstanding	(US\$ milli.) Equivalent in US\$ (1)	Concessional portion	Ratio of Yen loan(%)	Total	(US\$ milli.) Ratio of Yen loan(%)	
China	1981.5	350.3	484.1	1631.2	13028.8	17457	74.6	23704	55	
Cambodia	3.8	1.3	0.7	2.4	19.2	1943	1	1959	1	
Indonesia	2891.1	720.8	760.8	2170.4	17335.5	26554	65.3	33576	51.6	
Laos	9.1	4.6	2	4.5	35.9	1406	2.6	1407	2.6	
Malaysia	572.2	363	179.7	209.3	1671.7	3159	52.9	4706	35.5	
Burma	328.3	54.8	85.1	273.6	2185.3	2876	76	2962	73.8	
Philippines	1390	440.2	321.8	949.8	7586.3	10148	74.8	11031	68.8	
Thailand	1359.4	437.7	327.1	921.7	7361.8	8325	88.4	13856	53.1	
Vietnam	360.7	22.1	29.4	338.7	2705.3	6961	38.9	6213	43.5	
Bangladesh	508.5	197.7	94.3	310.9	2483.2	3579	69.4	3579	69.4	
India	1393.4	257.1	313.9	1136.3	9075.9	18677	48.6	17086	53.1	
Nepal	50.6	14	6.6	36.5	291.5	279	104.5	279	104.5	
Pakistan	605.2	91.7	121.2	513.5	4101.4	12430	33	11690	35.1	
Sri Lanka	361.5	83.8	87.4	277.7	2218.1	3382	65.6	3200	69.3	
Others	3577.3	1127.2	930.6	2450	19568.7	115280	17	317398	6.2	
Total	15392.6	4166.3	3744.7	11226.5	89668.5	232456	38.6	452646	19.8	

Note: (1) Conversion rate -DAC designated (1\$=125.2)

Sources: Data from Ministry of Foreign Affairs, and World Bank, Global Development Finance 2003

compared with total long-term bilateral debt and its concessional portion at the end of 2001. Except Cambodia and Laos, yen-loans occupy substantial proportions of long-term bilateral debts in many Asian countries, even some with a highest level of outstanding debt, including top recipient countries, i.e. China, India, Thailand, Indonesia and the Philippines. As data by country are not available, it is unknown whether these loans will be able to be recovered by each recipient country or not. Risk-monitored loans¹⁵, however, may indicate the overall situation of so-called “bad loans” of the yen-loans. According to the JBIC financial reports, the risk-monitored loans at the end of FY 2003 amounted to 836.5 billion yen, accounting for 7.9% of total outstanding yen-loans.

Another critical view is related to dominance of Japanese firms in Japan’s ODA-funded projects. As mentioned before, however, criticism mainly from other donor countries led to untying of yen-loan projects. As Table 2 indicates, 100% of tied loans in 1970 were completely reversed to 100% of general untied loans in 1996. Since then, however, the share of untied loans has been decreasing up to 60% in 2001, reflecting the call for more contracts to Japanese firms from the business community in the context of Japan’s recession. The share of awarded contracts by Japanese firms has been almost the same as much as around 30%, while the share of developing countries tend to increase. Still, the DAC peer review raises questions about the

necessity of Japanese approach to tying ODA grants, which is not a usual practice among donors¹⁶.

There have been large-scale economic infrastructure projects funded by Japan’s ODA which caused serious social and environmental impacts. A case in point is Japan’s ODA-funded Kotapanjung dam project for hydroelectric power with massive forced resettlements, leading thousands of resettled residents to sue GoJ, JBIC, JICA and a Japanese consulting firm before the Tokyo district court for the first time in the history of Japan’s ODA.

To cope with these social and environmental issues, JBIC and JICA have been using guidelines for their appraisals on projects, and have recently revised them, which are considered “one of the strict guidelines among DAC members”¹⁷, especially with clearer descriptions about consultations with the affected people and access to information, about suspensions of loan disbursements or recommendation of stopping projects, and introduction of compliance mechanism which must accept complaints regarding non-compliance from third parties. It may be too early to appropriately evaluate these guidelines at present (there are some comments on these guidelines from Japanese NGOs which involved in the process of revisions)¹⁸.

4. Country-specific references

1) Japan’s ODA by country

Table 3 shows changes in provisions of

Table 2 . Yen-loan related procurements by Japanese firms

	1970	1975	1980	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002
Yen-loan (Yen billi.)													
Disbursed	34.8	116	282	412.7	763	655	610	646	903.1	787.4	695.3	655.9	595.9
Recovered	0	5.2	27.9	70	120	249	331	335	296.4	321.8	300.7	349.2	396.9
Outstanding	110	550	1628	3358	5950	8594	8884	9181	9794	10272	10687	10998	11227
Ratio of tied/untied loan(%)													
General untied	0	8.8	61.7	52.7	84.5	97.7	100	99	91.5	83.6	64.7	60.1	88.1
LDC untied	0	48.3	37.2	44.8	15.6	2.3	0	1	7.2	3	0	0	0
Tied	100	42.8	1.1	2.5	0	0	0	0	1.3	13.5	35.4	39.9	12
Rate of awarded contracts by country (%)1)													
Japan					31.3	36.3	46.1	40.8	28.2	28.9	34.5	38	29.1
Other donors					24.6	17.3	18.7	17	22.6	14	12.8	8.8	10.3
Developing countries (for foreign portion)					44.1	46.1	35.3	42.3	49.3	57.1	52.7	53.1	60.6
Bidding by Japanese firms (%)2)													
Bidding rate					78	87	84	81.8	69.9	69.8	63		
Rate of successful bidding					58	51	53	48.4	41.3	38.1	38		
Notes:													
1) Excluding the portion of local costs													
2) Contracts more than one billion yen worth													

Sources: JBIC. *Financial Statements and Michiko Yamashita. Nihon-no ODA seisaku-no genjo-to Kadai*
(Current situation and issues on Japan's ODA policies), Cabinet Office, Feb. 2003

Japan's ODA by types for selected 12 recipient countries (see Annex).

2) Country Assistance Programs

Not available at MoFA's website.

3) Country Evaluation

There are selected evaluations on assistance by country at the following website: <http://www.mofa.go.jp/policy/oda/evaluation/index.html>

4) Specific projects/programs

General information and data on specific projects/programs by country are available at MoFA's website: <http://www.mofa.go.jp/policy/oda/summary/index.html> and <http://www.mofa.go.jp/policy/oda/white/index.html>

5) Policy and other general information

Policy and other general information are available at the following website: MOFA: <http://www.mofa.gov.jp/policy/oda/index.html>

JBIC: <http://www.jbic.go.jp/english/index.php>

JICA: <http://www.jica.go.jp/english/index.html>

Endnotes

¹ International Development Center, Japan. *ODA yonjunen-no soukatsu, Tokutei kadai betsu enjo shishin sakutei-no tameno kiso chosa (The 40-year History and Achievements of Japan's Official Development Assistance)*, prepared for the Ministry of Foreign Affairs, March 1994, p.92

² DAC. *Peer Review: Japan*, OECD 2004, p.11 (<http://www.oecd.org/dataoecd/43/63/32285814.pdf>). Ministry of Foreign Affairs.

Japan's ODA White Paper 2002 explains about the new ODA Charter and current issues at the MoFA's website: (<http://www.infojapan.org/policy/oda/white/2002/index02.html>)

³ DAC, op. cit. p.p. 56-57

⁴ See details in MoFA, op.cit.

⁵ DAC. Op. cit. P.32

⁶ UN Commission on Human Security. *Human Security Now*, 2003, p.p.26-27 (<http://www.humansecurity-chs.org/finalreport/FinalReport.pdf>)

⁷ UN Commission on Human Security. op.cit. was the final report of the commission initiated by GoJ.

⁸ DAC. op.cit. p.21

⁹ Ibid. p.76

¹⁰ Ibid. p.79

¹¹ Ibid. p.77

¹² Ibid. p.25

¹³ Ibid.

¹⁴ MoFA. *Japan's ODA White Paper 2002*, pp.40-43

¹⁵ Risk-monitored loans are composed of bankrupt loans, non-accrual loans, past due loans (three months or more) and restructured loans. Please see details at <http://www.jbic.go.jp/english/base/achieve/annual/2003/pdf/fins.pdf>

¹⁶ DAC. op.cit. p.62

¹⁷ Ibid. p.33. As for JBIC's guidelines, see <http://www.jbic.go.jp/autocontents/english/news/2003/000050/index.htm> and as for JICA's guidelines, see <http://www.jica.go.jp/english/environment/index.html>

¹⁸ See for instance Mekong Watch Japan. <http://www.mekongwatch.org/english/policy/jbiceg.html>

Annex:

**Table 3. Japan's ODA by country
Changes in Japan's ODA by type:
Indonesia (1/12) (net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1966	-		30.00	30.00
1967	-		95.50	95.50
1968	5.00		81.87	86.87
1969	10.00		81.43	91.43
1970	10.00		203.68	213.68
1971	12.09	2.77	97.03	111.89
1972	7.04	4.49	91.68	103.20
1973	3.62	7.08	132.16	142.86
1974	8.78	7.44	204.87	221.09
1975	0.43	10.32	187.17	197.92
1976	0.83	12.02	187.63	200.48
1977	8.15	16.05	124.15	148.35
1978	14.33	25.00	188.26	227.59
1979	19.94	23.65	183.31	226.90
1980	26.5	32.70	290.80	350.00
1981	15.10	37.30	247.40	299.80
1982	19.50	37.20	237.90	294.60
1983	20.00	40.00	175.40	235.50
1984	30.00	43.70	94.00	167.70
1985	31.10	45.30	85.00	161.30
1986	46.75	63.07	51.01	160.83
1987	68.70	67.88	570.72	707.31
1988	49.40	93.79	841.72	984.91
1989	44.66	101.82	998.78	1,145.26
1990	58.38	108.68	700.72	867.78
1991	79.73	133.07	852.71	1,065.51
1992	85.73	141.72	1,129.26	1,365.71
1993	67.61	157.93	923.35	1,148.89
1994	72.28	177.69	636.20	886.17
1995	66.46	203.67	622.28	892.42
1996	64.41	163.31	737.81	965.53
1997	66.57	148.39	281.90	496.86
1998	114.59	123.99	589.88	828.47
1999	100.54	130.80	1,374.49	1,605.83
2000	52.07	144.60	773.43	970.10
2001	45.16	117.27	697.64	860.07
Total	1,325.45	2,422.70	14,801.14	18,558.31

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Sri Lanka (2/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1965	-		5.00	5.00
1966	-		5.00	5.00
1967	-		5.00	5.00
1968	-		5.00	5.00
1969	0.50		5.00	5.50
1970	0.50		5.00	5.50
1971	-	0.74	6.67	7.41
1972	0.32	0.66	3.84	4.79
1973	-	0.94	2.88	3.82
1974	0.91	1.27	8.32	10.50
1975	0.13	1.67	14.28	16.08
1976	2.18	1.60	7.13	10.91
1977	2.54	2.37	13.66	18.57
1978	8.52	3.12	27.82	39.46
1979	17.75	3.95	18.33	40.03
1980	26.60	3.10	15.10	44.80
1981	27.50	4.10	17.40	49.10
1982	23.90	3.90	33.80	61.60
1983	29.50	5.80	37.80	73.10
1984	29.40	5.80	28.50	63.80
1985	33.40	7.70	42.70	83.70
1986	56.60	11.10	59.20	126.90
1987	54.20	12.50	51.60	118.30
1988	65.70	21.20	113.00	199.80
1989	75.90	17.80	91.60	185.30
1990	74.39	16.58	85.10	176.07
1991	48.05	19.23	188.86	256.13
1992	43.78	20.97	31.31	96.05
1993	71.70	22.74	52.76	147.20
1994	53.59	27.51	132.66	213.75
1995	82.06	36.37	145.28	263.70
1996	52.39	34.16	87.39	173.94
1997	44.08	28.79	61.69	134.56
1998	52.06	24.32	121.47	197.85
1999	34.10	30.48	71.45	136.03
2000	34.23	35.26	94.19	163.68
2001	19.61	31.65	133.46	184.72
Total	1,066.09	437.38	1,829.25	3,332.65

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Bangladesh (3/12) (net disbursement: US\$ million)				
	Grant	Technical cooperation	Loans	Total
1970	0.50		-	0.50
1971	1.28		-	1.28
1972	10.01	0.14	7.20	17.36
1973	15.79	0.90	12.28	28.97
1974	1.81	2.18	17.30	21.29
1975	15.43	2.21	29.41	47.05
1976	2.93	1.84	26.72	31.49
1977	17.25	2.93	45.70	65.88
1978	18.46	5.29	95.87	119.62
1979	39.70	5.32	161.31	206.33
1980	36.50	6.30	172.30	215.10
1981	48.30	6.80	89.90	145.00
1982	42.50	6.20	167.10	215.80
1983	36.70	6.10	61.40	104.20
1984	43.00	5.20	75.10	123.30
1985	55.90	6.30	59.30	121.50
1986	49.40	9.30	189.80	248.50
1987	124.60	11.30	198.30	334.20
1988	118.70	15.00	208.20	342.00
1989	135.60	16.70	218.30	370.60
1990	131.66	19.98	221.94	373.57
1991	122.41	22.11	-29.53	114.98
1992	163.59	28.47	-28.63	163.43
1993	207.51	34.01	-56.48	185.04
1994	204.71	35.93	-13.05	227.60
1995	228.75	34.84	-8.69	254.89
1996	184.77	30.52	-41.25	174.03
1997	169.60	26.83	-66.45	129.98
1998	216.35	22.83	-50.14	189.05
1999	204.43	25.04	-102.81	123.66
2000	201.96	40.55	-40.90	201.62
2001	169.22	33.06	-76.65	125.64
Total	3019.33	464.18	1542.85	5023.46

Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Nepal (4/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1969	-		1.00	1.00
1970	0.20		-	0.2
1971	0.21	0.37	-	0.57
1972	0.30	0.42	0.06	0.78
1973	0.28	0.90	0.07	1.25
1974	-	1.36	0.13	1.49
1975	0.38	1.56	0.76	2.70
1976	0.73	2.10	0.12	2.71
1977	2.11	2.73	0.13	4.71
1978	4.69	4.33	0.51	9.53
1979	10.95	3.30	5.41	19.66
1980	16.70	3.60	4.00	24.30
1981	24.30	5.10	3.70	33.10
1982	26.60	5.80	2.90	35.30
1983	19.30	5.40	3.60	28.30
1984	15.20	6.40	7.00	28.50
1985	36.30	4.80	9.60	50.70
1986	44.70	9.10	14.40	68.10
1987	50.00	14.70	12.10	76.80
1988	41.40	14.60	6.40	62.40
1989	42.20	14.60	20.60	77.40
1990	34.27	12.86	8.04	55.17
1991	44.33	15.52	67.69	127.54
1992	52.32	24.79	29.51	106.63
1993	68.11	35.28	7.50	110.89
1994	83.96	31.18	3.61	118.75
1995	95.38	29.42	2.80	127.60
1996	64.36	30.21	-5.78	88.79
1997	59.11	23.00	4.05	86.15
1998	35.79	21.49	-0.40	56.88
1999	41.63	22.88	1.08	65.59
2000	46.69	25.50	27.74	99.93
2001	49.72	19.57	15.10	84.39
Total	1012.20	392.90	253.20	1657.80

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: China (5/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1971	-	0.13	-	0.13
1972	-	0.16	-	0.16
1973	-	0.21	-	0.21
1974	-	0.49	-	0.49
1975	-	0.45	-	0.45
1976	-	0.54	-	0.54
1977	-	0.58	0.08	0.50
1978	-	0.84	-	0.84
1979	-	2.59	-	2.59
1980	-	3.40	0.90	4.30
1981	2.50	9.60	15.60	27.70
1982	25.10	13.50	330.20	368.80
1983	30.60	20.50	299.10	350.20
1984	14.30	27.20	347.90	389.40
1985	11.60	31.20	345.20	387.90
1986	25.70	61.20	410.10	497.00
1987	54.30	76.00	422.80	553.10
1988	52.00	102.70	519.90	673.70
1989	58.00	106.10	668.10	832.20
1990	37.82	163.49	521.71	723.02
1991	56.61	137.48	391.21	585.29
1992	72.05	187.30	791.23	1,050.58
1993	54.43	245.06	1,051.19	1,350.67
1994	99.42	246.91	1,133.08	1,479.41
1995	83.12	304.75	992.28	1,380.15
1996	24.99	303.73	533.01	861.73
1997	15.42	251.77	309.66	576.86
1998	38.22	301.62	818.33	1,158.16
1999	65.68	348.79	811.50	1,225.97
2000	53.05	318.96	397.18	769.19
2001	23.02	276.54	386.57	686.13
Total	897.93	3543.79	11496.67	15937.37

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Thailand
(6/12)(net disbursement: US\$million)**

	Grant	Technical cooperation	Loans	Total
1970	0.10		-	0.10
1971	0.20	3.38	11.94	15.52
1972	0.81	3.66	10.99	15.46
1973	0.06	5.00	12.57	17.63
1974	1.42	5.07	10.88	17.37
1975	2.14	5.58	33.49	41.21
1976	-	8.28	34.80	43.08
1977	4.20	11.13	33.53	51.83
1978	6.13	20.00	77.62	103.75
1979	22.87	20.12	136.87	179.86
1980	44.00	26.20	119.30	189.60
1981	50.40	32.20	131.90	214.50
1982	33.70	27.50	109.10	170.30
1983	52.20	37.20	158.80	248.10
1984	50.20	40.20	141.60	232.00
1985	76.50	40.70	146.90	264.10
1986	71.60	54.20	134.70	260.40
1987	62.90	72.60	166.90	302.40
1988	44.20	94.30	222.20	360.60
1989	107.80	96.70	284.40	488.90
1990	76.02	96.34	246.21	418.57
1991	51.03	100.82	254.32	406.17
1992	42.69	116.74	254.50	413.92
1993	24.80	135.38	189.97	350.15
1994	27.36	137.36	217.83	382.55
1995	14.75	147.46	505.16	667.37
1996	1.86	135.41	526.73	664.00
1997	1.58	127.07	339.61	468.26
1998	18.57	121.74	418.12	558.42
1999	2.09	123.99	754.18	880.26
2000	1.51	121.04	512.69	635.25
2001	2.50	90.12	116.97	209.59
Total	896.20	2057.50	6314.80	9271.20

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Malaysia (7/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1971	3.02	1.07	8.26	12.34
1972	-	1.14	11.85	12.98
1973	-	1.34	14.11	15.45
1974	-	2.86	33.40	36.26
1975	-	3.26	60.01	63.27
1976	-	3.86	30.10	33.96
1977	-	5.34	24.11	29.45
1978	2.85	7.76	37.39	48.00
1979	0.15	9.89	64.58	74.62
1980	0.10	12.60	52.90	65.60
1981	0.30	15.00	49.40	64.70
1982	1.10	15.50	58.70	75.30
1983	6.70	22.60	63.00	92.30
1984	11.00	24.80	209.30	245.10
1985	0.60	23.10	102.00	125.60
1986	7.10	36.40	-5.70	37.80
1987	7.90	40.80	227.70	276.40
1988	2.90	54.70	-32.80	24.80
1989	1.70	57.00	20.90	79.60
1990	1.77	58.54	312.31	372.62
1991	8.00	60.03	131.82	199.85
1992	6.42	63.75	86.90	157.07
1993	0.02	76.81	-99.00	-22.18
1994	1.61	78.01	-74.30	5.32
1995	1.46	84.68	-21.30	64.83
1996	0.69	69.91	-553.11	-482.51
1997	1.20	62.77	-322.84	-258.88
1998	3.92	59.53	115.65	179.10
1999	1.27	68.49	52.85	122.61
2000	1.14	61.20	-38.40	23.94
2001	0.51	52.21	-39.60	13.11
Total	73.43	1134.94	580.18	1788.41

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Vietnam (8/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1959			7.50	7.50
1969	1.72			1.72
1970	1.39		4.50	5.89
1971	3.20	0.68	4.48	8.65
1972	6.68	1.05	3.78	11.51
1973	9.52	1.32	7.15	17.99
1974	24.58	1.85	28.20	54.63
1975	7.19	1.26	8.830	17.28
1976	27.66	0.72	-	28.38
1977	11.72	0.82	-	12.54
1978	19.48	1.19	7.84	28.51
1979	10.25	1.38	27.07	38.70
1980	-	1.00	2.70	3.70
1981	-	0.90	-	0.90
1982	-	1.30	-	1.30
1983	0.10	0.60	-	0.70
1984	-	1.10	-	1.10
1985	0.30	0.30	-	0.60
1986	0.90	4.80	-	5.70
1987	-	0.30	-	0.30
1988	0.20	4.60	-	4.80
1989	0.30	1.20	-	1.60
1990	-	1.31	-	1.31
1991	0.17	6.93	-	7.10
1992	0.21	5.20	275.81	281.23
1993	8.31	13.25	10.10	11.47
1994	58.76	30.84	10.14	79.46
1995	98.66	45.70	25.83	170.19
1996	46.37	46.67	27.81	120.86
1997	79.08	54.35	99.06	232.48
1998	55.46	45.98	287.18	388.61
1999	84.87	61.66	533.46	679.98
2000	41.52	91.49	790.66	923.68
2001	51.58	86.71	321.25	459.53
Total	650.20	516.50	2442.90	3609.90

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Cambodia 9/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1971	4.14	0.20	0.40	4.74
1972	6.24	0.24	1.26	7.78
1973	10.50	0.32	-	10.82
1974	7.98	0.47	-	8.45
1975	-	0.15	-	0.15
1976	-	0.12	-	0.12
1977	-	0.10	-	0.10
1978	-	0.15	-	0.15
1979	-	0.14	-	0.14
1980	-	-	-	-
1981	-	0.01	-	0.01
1982	-	0.40	-	0.40
1983	-	0.10	-	0.10
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	0.90	-	0.90
1989	1.80	0.20	-	2.00
1990	-	0.15	-	0.15
1991	-	0.48	-	0.48
1992	0.65	4.06	-	4.71
1993	52.00	9.19	0.15	61.34
1994	51.39	13.12	-	64.52
1995	134.90	17.14	-	152.04
1996	55.40	20.12	7.38	71.33
1997	36.11	25.52	-	61.63
1998	58.35	23.05	-	81.40
1999	27.62	23.25	-	50.87
2000	65.32	32.35	1.53	99.21
2001	79.89	40.11	0.21	120.21
Total	592	212	11	804

Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: India 10/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1961			80.00	80.00
1962			0	0
1963			80.00	80.00
1964			60.00	60.00
1965			60.00	60.00
1966			45.00	45.00
1967			52.00	52.00
1968			45.00	45.00
1969			52.00	52.00
1970			1969.90	1969.90
1971	5.07	1.18	27.29	33.54
1972	-	1.18	25.50	26.67
1973	-	1.44	67.54	68.98
1974	-	1.76	62.99	64.75
1975	0.01	1.88	44.72	46.61
1976	-	1.46	77.98	79.44
1977	1.12	1.21	26.46	28.79
1978	0.48	1.78	42.58	44.76
1979	18.67	2.06	21.46	42.19
1980	25.90	2.10	9.50	37.40
1981	18.30	2.50	-16.80	4.00
1982	14.80	2.30	24.10	41.10
1983	10.40	3.00	116.10	129.50
1984	14.50	3.20	4.00	21.60
1985	9.70	4.50	7.80	21.90
1986	22.50	6.90	197.20	226.70
1987	23.10	10.10	270.80	303.90
1988	35.30	10.30	133.90	179.50
1989	24.60	10.50	222.20	257.20
1990	22.17	11.72	53.38	87.26
1991	25.79	13.17	852.09	891.05
1992	23.94	16.59	384.64	425.17
1993	31.03	17.73	247.18	295.94
1994	34.64	23.61	828.28	886.53
1995	37.41	25.39	443.62	506.42
1996	35.18	21.83	522.26	579.26
1997	31.84	23.26	436.70	491.80
1998	23.1	20.51	461.33	504.95
1999	14.57	22.48	596.97	634.02
2000	3.47	21.38	343.31	368.16
2001	5.32	18.03	505.52	528.87
Total	512.90	305.10	9484.40	10301.90

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

	Grant	Technical cooperation	Loans	Total
1971	4.14	0.20	0.40	4.74
1972	6.24	0.24	1.26	7.78
1973	10.50	0.32	-	10.82
1974	7.98	0.47	-	8.45
1975	-	0.15	-	0.15
1976	-	0.12	-	0.12
1977	-	0.10	-	0.10
1978	-	0.15	-	0.15
1979	-	0.14	-	0.14
1980	-	-	-	-
1981	-	0.01	-	0.01
1982	-	0.40	-	0.40
1983	-	0.10	-	0.10
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	0.90	-	0.90
1989	1.80	0.20	-	2.00
1990	-	0.15	-	0.15
1991	-	0.48	-	0.48
1992	0.65	4.06	-	4.71
1993	52.00	9.19	0.15	61.34
1994	51.39	13.12	-	64.52
1995	134.90	17.14	-	152.04
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1997	36.11	25.52	-	61.63
1998	58.35	23.05	-	81.40
1999	27.62	23.25	-	50.87
2000	65.32	32.35	1.53	99.21
2001	79.89	40.11	0.21	120.21
Total	592	212	11	804

Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Philippines (12/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1971	4.14	0.2	0.4	4.74
1972	6.24	0.24	1.26	7.78
1973	10.5	0.32	-	10.82
1974	7.98	0.47	-	8.45
1975	-	0.15	-	0.15
1976	-	0.12	-	0.12
1977	-	0.1	-	0.1
1978	-	0.15	-	0.15
1979	-	0.14	-	0.14
1980	-	-	-	-
1981	-	0.01	-	0.01
1982	-	0.4	-	0.4
1983	-	0.1	-	0.1
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	0.9	-	0.9
1989	1.8	0.2	-	2
1990	-	0.15	-	0.15
1991	-	0.48	-	0.48
1992	0.65	4.06	-	4.71
1993	52	9.19	0.15	61.34
1994	51.39	13.12	-	64.52
1995	134.9	17.14	-	152.04
1996	55.4	20.12	7.38	71.33
1997	36.11	25.52	-	61.63
1998	58.35	23.05	-	81.4
1999	27.62	23.25	-	50.87
2000	65.32	32.35	1.53	99.21
2001	79.89	40.11	0.21	120.21
Total	592	212	11	804

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

ODA Briefing “Peace-building”

27 September, 2004

K. Takahashi

ODA Reform Network

1. “Peace-building” in Japan

(1) Details

“Peace-building” has been developed in Japan through the following events.

- The concept was introduced at Japan-Canada Peace-building Joint Symposium (September 1999)
- JICA studied conceptual framework and possible work areas and publicized the research report (April 2001)
- Donors Meeting for Afghanistan Reconstruction was held in Tokyo (Jan. 2002)
- International Peace Cooperation Committee under Cabinet office publicized a report that suggested joint operational framework between PKO by Self-defense force, civil police, ODA and NGOs (Dec. 2002)
- JBIC studied roles of yen loan for “peace-building” including cases studies for Sri Lanka and Afghanistan (Jan. 2003)
- MOFA revised ODA Charter that explicitly stipulated Japan’s commitment on “peace-building” as a priority area (August 2003)
- Japan pledged \$ 5 billion (including \$ 1.5 billion of grant) for Iraq reconstruction at Donors meeting in Madrid (Oct 2003).
- SDF was dispatched to Iraq under the name of “humanitarian assistance” (Dec 2003).
- Japanese government will host the Third Donor Committee Meeting and Expanded Meeting of the International Reconstruction Fund Facility for Iraq (IRFFI) in Tokyo on October 13 and 14 to discuss political process, security and reconstruction.

(2) Policy

Japanese government does not define the term of “peace-building” in articulated manner though an interpretation can be found in the section of “Priority Issues” in new ODA charter as follows.

“In order to prevent conflicts from arising in developing regions, it is important to comprehensively address various factors that cause conflicts.... Japan will extend bilateral and multilateral assistance flexibly and continuously for peace-building in accordance with the changing situation, ranging from assistance to expedite the ending of conflicts assistance for the consolidation of peace and nation building in post-conflict situations.”

Japanese government regards a series of engagement from post-conflict reconstruction through nation-building as “peace-building.” However, this does not necessarily mean that Japan has specific policy and strategies about “peace-building” while the government uses this term *statically* for its diplomatic purposes, such as demonstration of being a part of international community or consolidation of Japan-US relationship over the prevention of terrorism.

Ambiguity over the definition of “peace-building” leads to various interpretations and perspectives by different actors” as follows.

- MOFA wants to see it politically useful for international presentation in order to consolidate US-Japan relationship, and resource mobilization for ODA.
- JICA and JBIC see the possibility of extending their works as a new mandate, but are still confused over how and what to do with it.

- NGOs have mixed feeling over its political implications and funding opportunity
- General public is rather innocent or indifferent as little consultation opportunities have been given so far.

(3) Conceptual and operational development by JICA

JICA, among other institutions, has studied about “peace-building” through a series of learning process such as Canada-Japan peace-building lesson learned program, and established its basic principles: 1) Focus on reconstruction assistance, 2) Prompt assistance from viewpoints of mid-to-long-term development, 3) Promotion of Conflict Prevention lens, 4) Support for self-initiatives by post-conflict countries/region. They have decided seven priority areas of JICA’s peacebuilding assistance based on these principles.

- Reconstruction
- Governance
- Security improvement
- Rehabilitation of social infrastructure
- Economic recovery
- Assistance for socially vulnerable people
- Humanitarian emergency assistance

JICA also has been studying a tool (PNA – Peace-building Needs Assessment) to promote safe-guard policy (“Do No Harm”)

and participatory process over planning of peace-building operation.

(4) Examples (by country)

a. Kosovo

April 1999: Announcement of a \$200 million package of aid for refugees, neighboring countries, and reconstruction for the following projects.

- Assistance for Elections by sending election experts and financial contributions to OSCE to assist with the first and second municipal elections and Kosovo Assembly elections, and financial contribution to the OSCE for the first municipal elections (Oct 2000 – Nov 2001)
- Assistance for UNDP's plan to rebuild independent broadcasting media (Jan 2000)
- Support for an International Organization for Migration plan to reintegrate former Kosovo Liberation Army combatants (Jan 2000)
- Financial contributions to the UNHCR and other international organizations (Aug 1998 – Jan 2000)
- Support in the sectors of health and medical care and education and for infrastructure restoration (Oct 1999 – Sep 2002)
- Assistance to Neighboring Countries (Macedonia and Albania)

b. East Timor

December 1999: Announcement of a three-year \$130 million aid package at the first Donor's Meeting for East Timor in Tokyo (\$100 million in reconstruction and development assistance and \$30 million in humanitarian assistance).

May 2002: Announcement of up to \$50 million in aid over three years at the sixth Donor's Meeting for East Timor in Dili.

- Assistance for the UN Transitional Administration in East Timor
- Financial contribution to the Constituent Assembly Elections
- Financial contribution to the Commission for Reception, Truth, and Reconciliation in East Timor
- Assistance for regional development centers to provide reemployment training for former military personnel
- Police training in cooperation with Singapore
- Financial contribution to provide medical supplies and help refugees in West Timor
- Reconstruction and Development Assistance (infrastructure, agriculture, human resources)

c. Afghanistan

Aid totaling \$450 million was committed, including \$92 million for humanitarian assistance and \$358 million for

rehabilitation and reconstruction assistance over three major areas:

- Peace Process Assistance (Total: about \$81 million)

Administrative capacity building, Media support, and non-project grants, etc.

- Security Assistance (Total: about \$59.6 million)

Reintegration of ex-combatants, Demining, Anti-narcotics, etc.

- Rehabilitation and Reconstruction Assistance (Total: about \$177.34 million)

Resettlement of refugees and internally displaced person, Infrastructure, Education, Health and medical care and public health, Women, Agriculture, etc.

d. Others

Sri Lanka

Following a cease-fire agreement in Sri Lanka in February 2002, Sri Lanka is now moving toward genuine conflict resolution through these negotiations. Now that the peace process has been launched, it may be possible to make significant progress in the peace process if the recovery and reconstruction assistance from the international community and the efforts of the people of Sri Lanka enable all Sri Lankans to enjoy tangible peace dividends. Japan now promote the consolidation of peace in Sri Lanka by supporting the peace and reconstruction process.

Aceh (Indonesia)

At the 12th Consultative Group Meeting on Indonesia in January 2003, Japan announced that it would provide over \$6.2 million to facilitate and support the peace process in Aceh. The Aceh peace process is about to begin in earnest.

Mindanao (Philippines)

The Philippine government is currently implementing a mop-up campaign against the remaining members of the Abu Sayyaf Group, an extremist organization based in Mindanao. At the same time, it is negotiating a final peace settlement with the Moro Islamic Liberation Front (MILF). Incidents like terrorist acts, localized conflicts, and kidnappings have continued, though, even during this process. Recognizing these situations Japan will provide ongoing support based on medium- and long-term perspectives under the Support Package for Peace and Stability in Mindanao, designed to contribute to poverty eradication, peace negotiations, and peace consolidation in Mindanao. It was announced by Prime Minister Koizumi during a visit to Japan by Philippine President Gloria Macapagal-Arroyo in December 2002.

2. Problems of "Peace-building" by Japanese ODA

- (1) Lack of accountability and transparency mechanism

Peace-building assistance in post-conflict situation is usually carried out in a series of humanitarian emergency operation that requires quick disbursement and implementation. This gives an excuse to skip ordinary operational procedures such as Social and Environment Impact Assessment, and sometimes even bidding process and cost-benefit analysis.

- (2) Lack of a clear “peace” vision and coherence among related policies such as MDGs, Human Security, debt cancellation, etc.

Peace-building is implemented in very politicized environment, and thus situational decision is made at higher policy level. This leads to double standard at project level while operation at this level requires needs-based planning, people-initiative, Do-No-Harm perspective and peace-coherence.

- (3) Lack of operational tools and guidelines to mainstream “Conflict Sensitive Approach”

Japan tries to jump drastically from “Work around conflict” position towards “Work on conflict” position for direct and proactive engagement. Therefore, some essential tools and guidelines to ensure “Conflict Sensitive Approach” or “Do No Harm” concept to avoid

exacerbation of conflict are underdeveloped because Japan did not experience and learn these matters in “Work in conflict” stage. A typical problematic example of this case is the joint operation of ODA with SDF in Iraq, which blurs the distinction between civil activities (i.e. humanitarian assistance by NGOs) and military operation. Conflict Sensitive Approach is particularly important and essential to promote “Culture of Prevention,” that leads to lesser reliance on military actions for peace.

- (4) Lack of capacity and human resources

In line with lack of Japan’s peace-centered strategy and concrete tools for Conflict Sensitive Approach, scarce capacity and human resource in related sectors are serious problem. Ministry of Foreign Affairs, in particular, does not have capacity and skills to analyze conflict and assess people’s needs on the ground while they are primarily responsible for peace-building policy.

In order to address these problems, substantial policy consultation is needed between NGO, CSO and government over what peace-building should be and how it should be implemented if necessary.

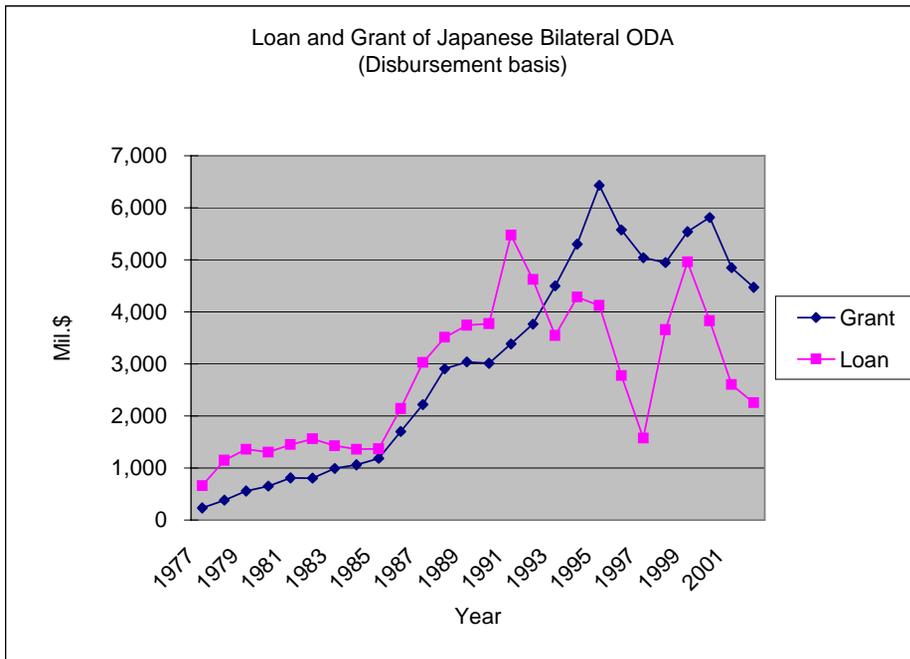
High Rate of Loan in Japanese ODA and Debt

Inoue Reiko
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1. The share of grant is still very low.

The percentage of grant has been gradually increased after 1990 under the strong criticism both from Japanese civil society

and from abroad, but the percentage of the Loan in Japanese ODA is still quite high among DAC countries and most of these Loans are spent for the large economic infrastructure projects.



Source: "International Cooperation Handbook" published by OECF and JBIC

Table 1. Grant share of total ODA (per cent)		
	2001	2002
Australia	100	100
Austria	76.7	99.9
Belgium	98	98.6
Canada	100	99.6
Denmark	99	98.1
Finland	99.7	97.9
France	88.7	87.2
Germany	87.8	93.1
Greece	99.4	100
Ireland	100	100
Italy	97.1	96.2
Japan	51.8	55.3
Luxembourg	100	100
Netherlands	100	100
New Zealand	100	100
Norway	99.7	99.1
Portugal	93.8	99.3
Spain	80.1	78.1
Sweden	99.3	99.5
Switzerland	97.8	98.8
United Kingdom	97.7	94.9
United States	99.2	99.2
TOTAL DAC	85.4	89.3

Source: *Statistical Annex of the 2003
Development Co-operation Report by
DAC*

Solution to Debt required

The above Yen Loan, together with other official financing including export credit, has brought the debt burden to many recipient countries. Japanese Government agreed to cancel 100% of the debt owed by the HIPC's based on the consensus at the occasion of Cologne G7 summit in the year 1999 in response to Jubilee 2000 which was deployed strongly globally and also in Japan and also has finally agreed, in the year 2002 to abandon Debt Relief Scheme, unique to Japan, which was notorious because of its lack of transparency and enforcement of import from abroad. But many other countries still suffer from debt from Japanese loans and we should reconsider the following points and need to make a thorough review on debt of each country and take a clear and definite measure to solve these issues, especially since heavy burden of debt to many countries should be attributed to the responsibility to the lender as written below.

(1) High interest rate in the eighties

The average interest rate is 1.4-1.5% now and the maturity period is mostly 30 years with grace period of 10 years for Japanese Yen Loan. But during the eighties, when Japanese Yen loan has started to rapidly increase, the interest rates was 2.75% to 3.5% and this high interest rate still causes the difficulty.

(2) Rise of Yen and devaluation of Asian currency

The exchange rate of yen to one US Dollar during the first half of eighties was ¥220-250 and then after the Plaza Agreement in 1985 the yen rose up nearly to the double ¥110\120.

Since most of the Asian currencies have been linked to the US Dollars and then this rise of yen has made the debt more than double in their own currencies. And after the Asian Economic Crisis in 1997, the currencies of Indonesia, Philippines, Thailand and Malaysia have been devaluated and the debt burden caused by Yen loan have become again serious.

(3) Borrowing countries need to repay the loan even for the failed projects.

The borrowing countries are forced to repay the debt for the projects after the projects have been found as failures, even though all the feasibility studies were done by the Japanese side.

(4) Odious debt

The Japanese ODA has supported Asian development dictatorship like Marcos

Government in the Philippines and Suharto Government in Indonesia; Japan has poured a large loan into the Marcos Government until the last moment against the aspiration of the people. Some record of kickbacks from Japanese company to Marcos was exposed after the fall of Marcos. Japanese ODA to Indonesia has started in 1966, the following year of the Birth of Suharto Government and Indonesia has continued to be one of the top recipient countries of Japanese ODA all through the era of Suharto. After the fall of Suharto, it has been exposed that 8 to 10 billion dollars of World Bank lending was lost as kickbacks to the government. Regarding the loan provided by Japan, it is unknown how much was lost due to the similar reason, but it was reported by the "Fortune" in 1998 that the total asset of Suharto Family amounted to 40 billion dollars, which is nearly equal to one fourths of the external debt of Indonesia. And the peoples of these countries are now repaying the debt of these loans. Both the Philippines and Indonesia are in the critical situation of their indebtedness.

Table 2. Debt owed to Japan and its weight to the total external debt of selected Asian countries (end of FY 2002)

	Public debt owned to Japan (100 million Yen)	Public debt owed to Japan (Million dollar)	Total External Debt (Million dollar)	Debt Owed to Japan/ Total External Debt
China	22,798	18,209	168,255	11%
Mongolia	271	216	1,037	21%
Cambodia	24	19	2,907	1%
Indonesia	35,789	28,585	132,208	22%
Lao PDR	46	37	2,664	1%
Malaysia	5,300	4,233	48,557	9%
Burma	3,054	2,439	6,556	37%
Philippines	13,850	11,062	61,121	18%
Thailand	16,119	12,875	59,212	22%
Vietnam	3,762	3,005	13,349	23%
Bangladesh	3,368	2,690	17,037	16%
India	13,307	10,629	104,429	10%
Nepal	365	292	2,953	10%
Pakistan	6,231	4,977	33,672	15%
Sri Lanka	2,854	2,280	9,611	24%

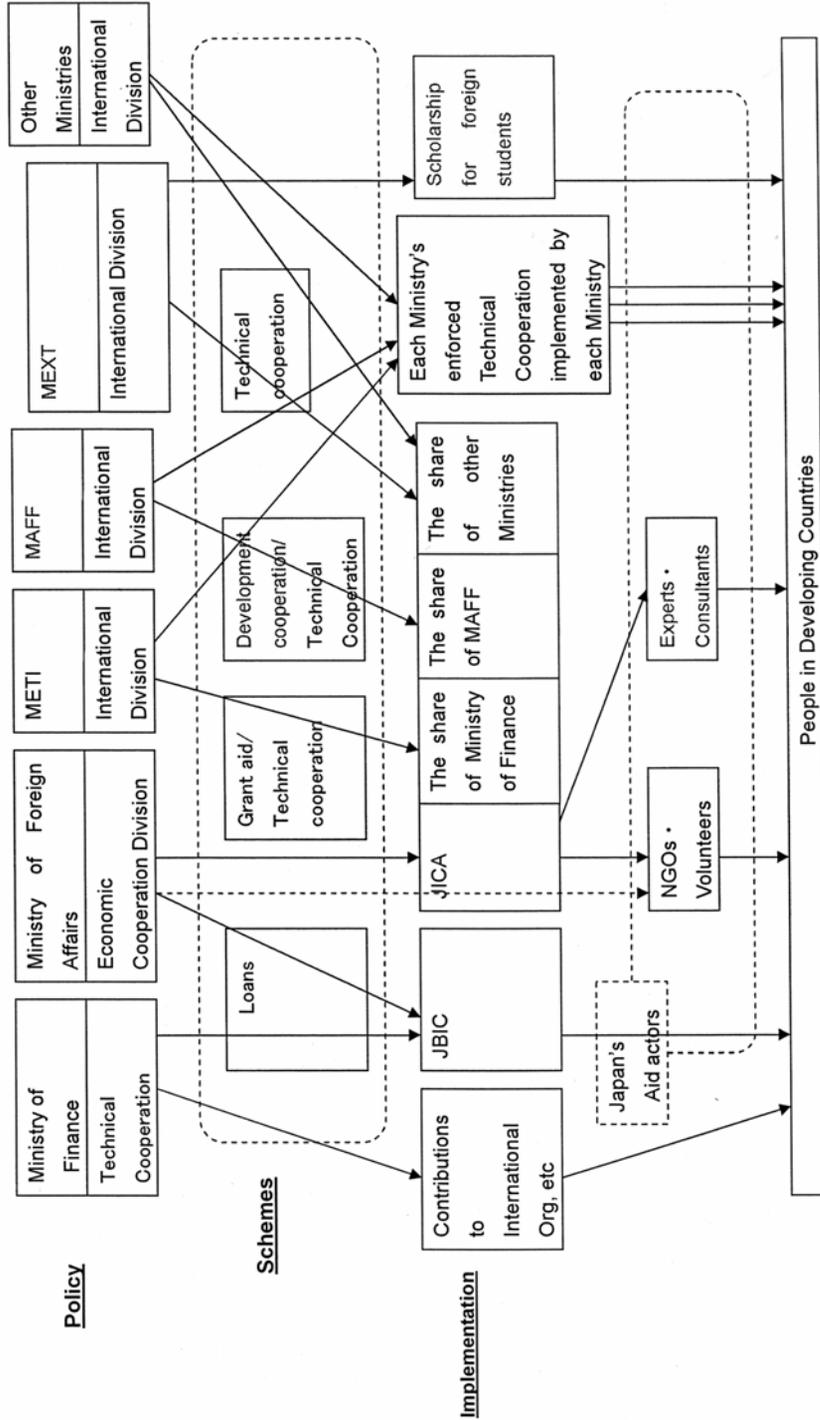
Table 3. Indebtness of selected Asian countries

	Total Debt Stock (EDT)	Total Debt Service Paid (TDS)	Export of Goods and Services (XGS)	EDT/ XGS	TDS/ XGS	GNI	EDT/ GNI
China	170,110	27,092	309,709.00	54.9	7.8	1,131,112	15
Mongolia	885	45.3	591.2	149.7	7.7	1,030.40	85.9
Cambodia	2,704.00	21	1,671.00	161.9	1.3	3,285	82.3
Indonesia	135,704	15,530	65,914.00	205.9	23.6	139,646	97.2
Lao PDR	2,495	44	483	516.5	9	1,674	149.1
Malaysia	43,351	6,229	104,282.00	41.6	6	79,628	54.4
Burma	5,670	84	117	211.6	3.1		
Philippines	52,356	7,776	41,863.00	125.1	18.6	75,702	69.2
Thailand	67,384	20,073	80,065.00	84.2	25.1	111,624	60.4
Vietnam	12,578	1,216	18,155.00	69.3	6.7	32,723	38.4
Bangladesh	15,215	672	9,214.00	165.1	7.3	46,442	32.8
India	97,320	9,283	79,264.00	122.8	11.7	474,644	20.5
Nepal	2,700	89	1,827.00	147.8	4.9	5,781	46.7
Pakistan	32,020	2,958	11,483.00	278.8	25.8	57,795	55.4
Sri Lanka	8,529	716	7,405.00	115.2	9.7	16,284	52.4

Source. Report by JBIC and Global Development Finance 2003

Note: Indebtedness: Standard World Bank definitions of severe and moderate indebtedness are used to classify economies in this table. Severely indebted means either of the two key ratios is above critical levels: present value of debt service to GNI (80 percent) and present value of debt service to exports (220 percent). Moderately indebted means either of the two key ratios exceeds 60 percent of, but does not reach, the critical levels. For economies that do not report detailed debt statistics to the World Bank Debtor Reporting System (DRS), present-value calculation is not possible. Instead,

the following methodology is used to classify the non-DRS economies. Severely indebted means three of four key ratios (averaged over 2000-2002) are above critical levels: debt to GNI (50 percent); debt to exports (275 percent); debt service to exports (30 percent); and interest to exports (20 percent). Moderately indebted means three of the four key ratios exceed 60 percent of, but do not reach, the critical levels. All other classified low and middle-income economies are listed as less indebted.



Notes: METI: Ministry of Economy, Trade and Industry
 MAFF: Ministry of Agriculture, Forestry and Fisheries
 MEXT: Ministry of Education, Culture, Sports, Science and Technology

Improvements in and main issues on social and environmental considerations: environmental guidelines and ex-post evaluation

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Summary

With some NGOs' successful advocacy, Japanese aid institutions, i.e., Japan International Cooperation (JICA) and Japan Bank for International Cooperation (JBIC), have been improving environmental guidelines to reduce or mitigate social and environmental impacts of projects/programs. Above all, important environmental documents like environmental impact assessments (EIA) are made open to the public, consultations with stakeholders including the affected people and NGOs are conducted from earlier stages, and introduction of objection procedures against possible violation of guidelines paved the way for the stakeholders' direct complaints before the Japanese aid institutions. However, public access to important information is still limited, including whether all the projects with expected serious

impacts are in compliance with the guidelines and whether they have caused no harm to the people and environment, or not. Other important documents like detailed design reports are still strictly classified.

Japanese aid institutions also release their assessment reports about the performance and impacts of their funded projects/programs. Lessons obtained from these ex-post evaluations are supposed to be fed-back to the recipient countries, as well as to Japanese aid institutions, for their improvements. These ex-post evaluations have also been upgraded in terms of transparency and the coverage and quality of evaluations. In particular, assessments of environmental and social impacts could provide important lessons to ensure avoidance of negative impacts, as well as the compliance with the environmental guidelines.

It seems, however, that social and environmental assessments in the ex-post evaluations have rooms to be improved. There are some cases with no descriptions about social and environmental problems which actually happened to people and environment. Even a controversial project like the Batangas port development project in the Philippines, to which loan was suspended due to a bloodshed incident involved with demolition of houses for evacuation. Both the proponent and the Japanese aid institution dubbed the people opposing displacement “professional squatters (illegal occupants for compensation)”, and claimed that there were no faults in the procedure of the demolition of houses. Courts ruled, however, that the people were not “professional squatters” but honest and peaceful occupants, and that there were faults in the procedure of demolition. These facts are not mentioned in the ex-post evaluation.

In addition, the evaluation found out that most of displaced people were forced to lower their living standards, which breaches the relevant part of the environmental guidelines. But, the report does not mention about countermeasures against the predicament of the displaced people.

These biases may be attributed to insufficient compliance with the “impartial and independence” principle of evaluation, which was one of principles laid down by the guideline of Development Assistance

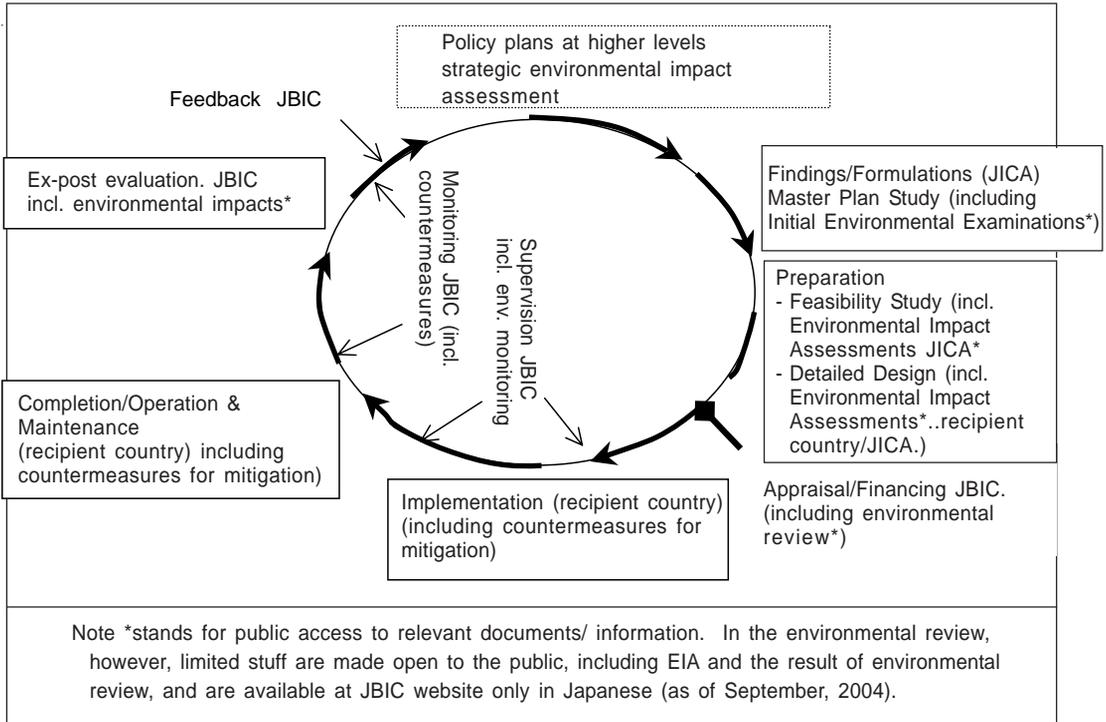
Committee (DAC). Possible countermeasures would include public access to the results of environmental monitoring, better approaches and methods of environmental and social impact assessments, including mechanisms to listen to affected people, as well as independent evaluation unit, which might be set up at the Diet (Parliament).

2. Features of New Environmental Guidelines

1) Major improvements

- *Better public access to information and consultation with stakeholders:* public access to EIA documents and consultation with stakeholders, including affected people and NGOs, from “earlier stages”.
- *Suspension measures:* JBIC can suspend loan disbursements due to major problems like the breach of guidelines. Similarly, JICA can recommend a cancellation of the study to Ministry of Foreign Affairs.
- *Objection procedures:* Stakeholders, including affected people and NGOs, can file a complaint of possible breach of the guidelines before the aid institutions. If it is found correct, the aid institution has to take appropriate actions, including a suspension of the undertaking. Also, JBIC will promote a dialogue between the parties concerned.

Figure 1. Simplified project cycle



2) Major issues

Insufficiency of earlier and radical safeguard measures: to get rid of projects with serious social and environmental impacts and assess accumulated impacts in a certain area at earlier stages, social and environmental considerations have to be incorporated into master plans/ sector plans/ programs and policies (“strategic assessment”). The guidelines include some of such considerations like examining alternatives including “no implementation of the project” or a description about the efforts to incorporate the concept of strategic

assessments, but still have uncertainties to what extent they will be implemented. In reality, the examination of alternatives seem to be conducted in a narrow sense, i.e., with minor differences.

- *Internalization of social and environmental costs:* this internalization, as described as a basic concept in JICA guidelines, is specifically to be quantitatively measured as *much as possible* to be included in economic and financial evaluations. How the counting will be done has yet to be clarified. As for financing yen loans, no information/ data on economic and financial evaluations are disclosed.

- *Insufficiency of transparency/ accountability at operation level:* the details of appraisals, results of monitoring and others are not made open to the public. Transparency/ accountability remains to be improved.
- *Uncertainties about actions against breaches of guidelines:* specific actions against the violations are uncertain as depend on the President of JBIC or Ministry of Foreign Affairs.
- *Insufficient mechanism for saving victims or solving conflicts:* it is uncertain how effective the dialogue between the parties concerned to be promoted by JBIC will be functioning to save the victims or solve the problems.

3. Features of ex-post evaluations by JBIC

1) Major improvements

Full coverage of completed projects: all the projects in two years after completion have undergone evaluation.

- *Introduced criteria for evaluation:* the common criteria of Development Assistance Committee (DAC) were introduced: Relevance of project objectives; Efficiency of outputs in relation to inputs; Effectiveness in terms of achievement of objectives; Impacts including macro-economic, social and environmental aspects; and Sustainability of effects.
- *Improved transparency:* disclosure of ex-post evaluation reports and

incorporation of opinions from third parties for feedback

2) Major issues

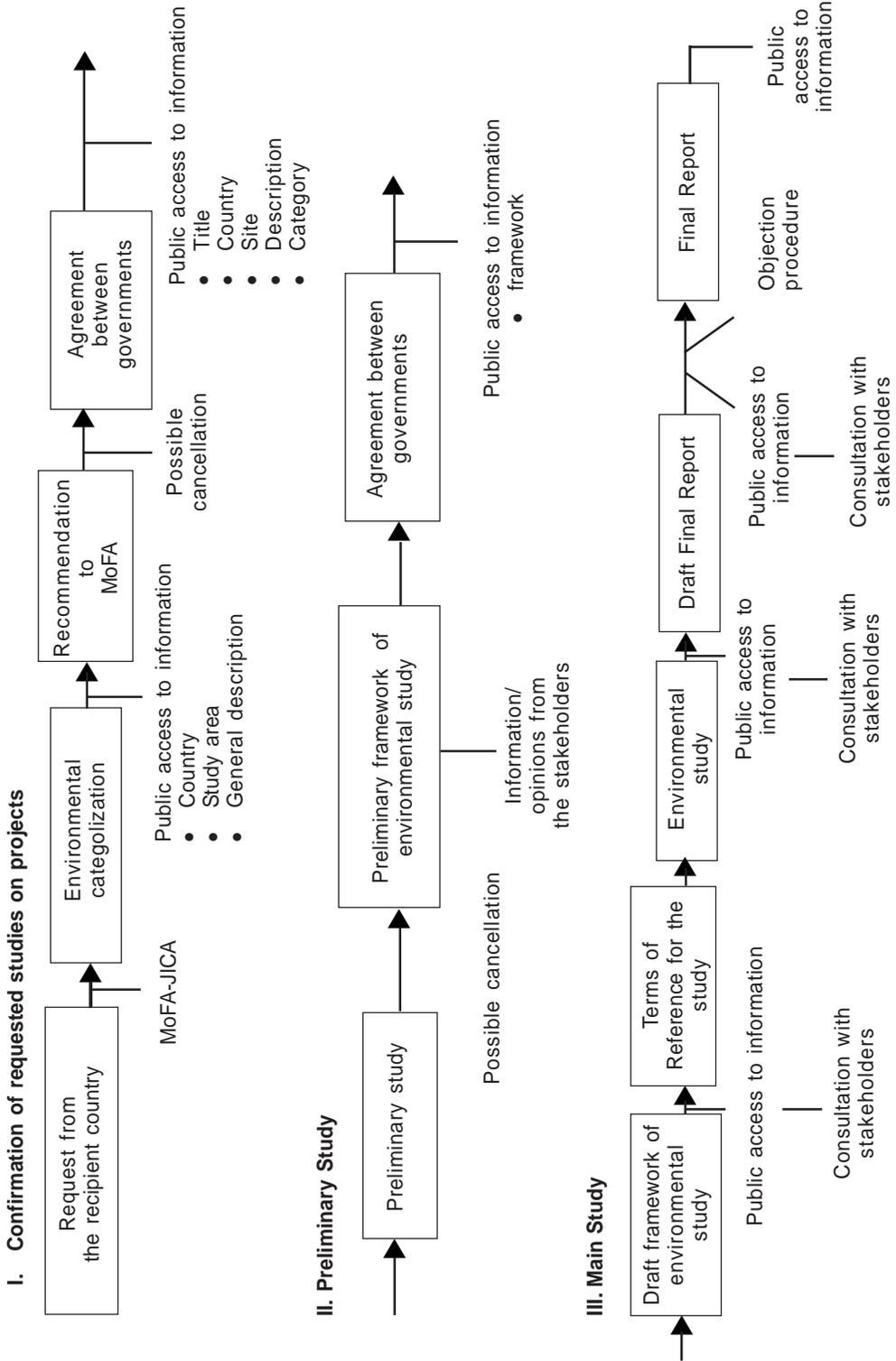
- *Possible breach of "Impartiality and Independence" principle:* this may lead to insufficient evaluation of social and environmental impacts
- *Insufficient linkage with environmental guidelines:* there appear no confirmation about compliance with guidelines and effectiveness of countermeasures for avoidance/ mitigation.
- *Insufficient feedback:* lessons learned from evaluations are not reflected in policies and new projects, e.g. lack of local budget for operation and O&M.
- *Less coverage of important evaluation items:* information on debt services is not disclosed to the public.

3) Case study of insufficient environmental impact evaluation: Batangas Port Development Project (Philippines)

(1) General

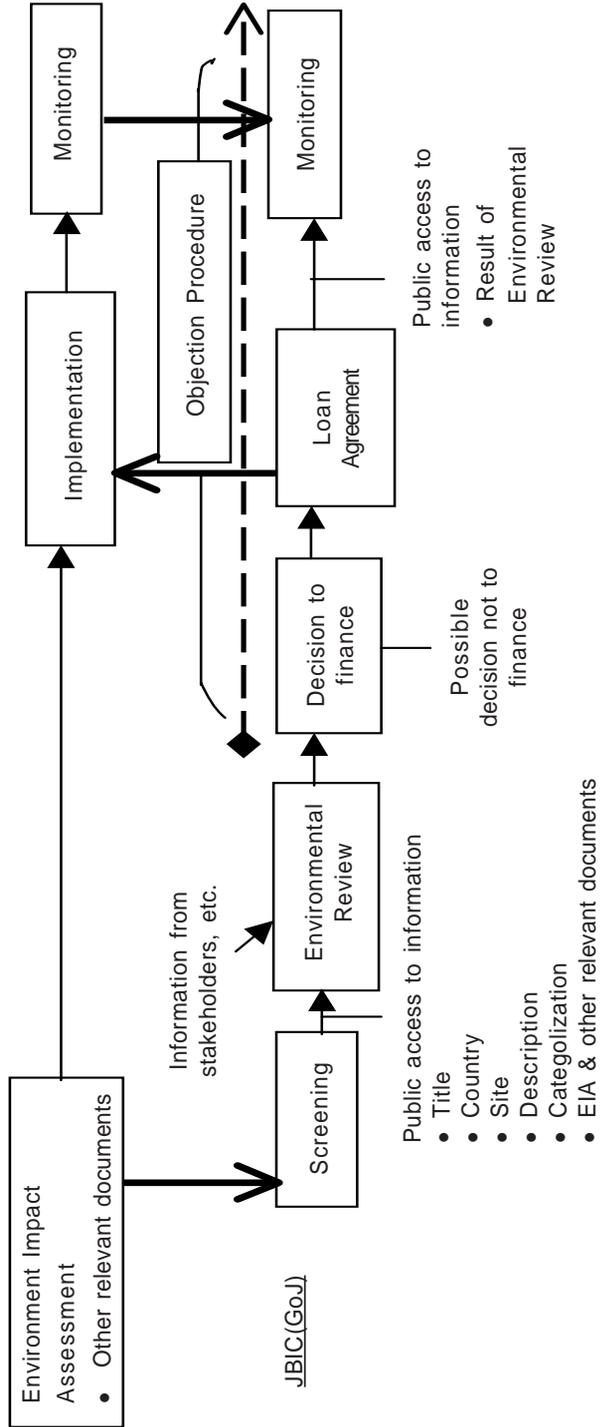
- *Proponent:* Philippine Port Authority(PPA)
- *Loan Agreement:* March 1991, *Completion of disbursements:* July, 1997, *Committed amount:* 5.788 billion yen (actual disbursement 5.497 billion yen)
- *Objective:* Improve and expand degraded narrow port facilities for more efficient flow of goods

Figure 2. Simplified flow of environmental appraisals/ studies
Environmental studies in JICA development studies



Yen-loan-funded projects—JBIC environmental appraisal

Recipient government



- *Completion:* March 1999 (delay by 43 months mainly due to the conflict involved with displacement and widening scope of work)
- *Cost:* increase in local cost, especially relocation and resettlements - about four times
 - (2) Relocation and resettlement issue
- *Number of those who were displaced:* 1,467 households—(a) those who were subject to voluntary relocation (about 200 households), (b) those who were forced to resettle at government resettlement sites after demolition (about 600 households, but about 130 households left and returned to the original site), (c) those who raised an objection and bought their land nearby to resettle themselves (nearly 400 households)
- The group of (c) above demanded that the proponent should establish their resettlement sites near the port as they would lose their livelihoods. The proponent, however, refused their demand due to lack of budget.
- In June, 1994, the proponent conducted demolition (house destruction by force), when the armed police fired and about 10 people were injured. JBIC suspended its loan disbursement from July to December, 1994.
 - (1) Major issues on relocation pointed out by JBIC ex-post evaluation in 2000
 - This relocation process satisfied all conditions stipulated by law for more “humane” demolition of houses.
 - The relocatees (affected residents) are “illegal settlers (squatters)” as they have no evidences of land ownership, including land title.
 - As of 1999, most of the resettlers at two government sites were forced to lower their standard of living, i.e., income level and employment opportunities. Unemployment ratios were 45% and 53%. Basic infrastructure such as water and electricity had yet to be improved.
 - *Lessons:* (a) the representatives of residents were unable to persuade them → conduct consultations with residents reflecting their diversity with balanced information-gathering; (b) much increase in the number of relocatees → finalize the list of relocated households at one time before the project, (c) basic infrastructure was constructed after demolition → complete the development of resettlement sites before the project, (d) many resettlers did not join discussions on their livelihood programs → involve the participation of resettlers in the formulation of livelihood programs
- (4) recognition by courts in the case of PPA vs. residents (group (b) above): PPA was defeated both at Batangas district court in 1996, and at the court of appeal in 2000 PPA offered out-of-court settlement

following the recommendation by the court, and settled in 2002

- There were some faults in the procedure for the demolition of houses. In particular, the proponent did not obtain the court order for demolition. They used falsified expressions in the notice of relocation.
- The residents are not “professional squatters”, who intentionally settled for compensation, but “possessors in good faith” and “in peaceful occupation” who have rights to receive appropriate compensation. The proponent must pay for their damages.

(5) Comments on JBIC ex-post evaluation

- The JBIC report does not refer to the recognition and decision ruled by the Batangas court

Both Philippine and Japanese government sides dubbed the affected people as “professional squatters” and created an image that their demands were egoistic, seeking for compensation

- There is no examination about whether JBIC’s appraisal on this project is appropriate or not in the wake of resettlers’ lower standard of living, which means that the relocation does not comply with the relevant part of the JBIC environmental guidelines.

- The JBIC’s lesson about livelihood program, which emphasizes the participation in discussions, serves only to be a necessary condition: there should be more conditions to be considered for successful livelihoods, including quality and demand in the markets. They must analyze the alternative demanded by a group of residents, i.e., resettlement site to be developed near their original livelihoods, which ensures their continuation of livelihoods.
- JBIC did not take some lessons suggested by “the third-party evaluator”, including “real, genuine and participatory consultations”, trust-building between the proponent side and the people, the necessity for ensuring know-how and budget for relocation and resettlement.
- There is no evaluation about the agreement between two governments to resume the loan disbursement: (1) continued efforts to persuade dissenting residents and to accomplish a peaceful and legitimate relocation; (2) measures to improve the lives of the relocated residents (priority employment at the port, infrastructure improvements at resettlement sites, etc.); and (3) the creation of a monitoring committee with the participation of both governments.

PARC Position Paper on 50 Years of Japan's ODA

**“ Proposal on ODA aiming for the well-being of all people
and global social security”**

Introduction

Japan's Official Development Assistance (ODA) started 50 years ago. Together with people in Asian Pacific, we have been watching Japan's ODA. Marking its 50th anniversary, we like to present our proposals of how Japan's ODA should look like in the future based on our fifty-years of observation and analysis.

With regard to the Japan's ODA, there are various opinions and evaluations. One says that the Japan's ODA has made great contribution in Asian countries particularly in the areas of economic infrastructure development that Japan was best at, boosting their economic development and economic growth. Another says that it has contributed little in the aspects of eliminating poverty as well as social development or it has even “promoted” authoritarianism, development dictatorship, and political fraud and corruption in the recipient countries. Following are our review and vision on Japan's ODA from the

viewpoint of the “ordinary citizens” who are not at the center of power and not able to participate in the ODA policy making process.

1. 50 Years Overview

From 1960's through mid-1970's Japan's ODA, originated as a postwar repatriation, was often used for its short-term economic benefits to achieve rapid economic growth, carrying out a mission to support national economic activities in the first half of its service.

For Japan known as a “resourceless” country, reservation of resources such as oil was the national priority for its economic growth. It was believed that the acquisition of foreign currencies by exporting manufactured goods and entry of private capital into Asian market were crucial for its economic success.

Accordingly, Japan's ODA was often used for obtaining resources, trading market share, and inexpensive labor forces. The

large loan granted to Indonesia for oil and LNG development was the one of the clear evidences.

In 1970s, the flood of Japanese business inflamed the anti-Japanese sentiment in Southeast Asia, and Japan was compelled to review the conventional manners of its short-sighted and profit-centered ODA policy. The Fukuda Doctrine of 1977 and the comprehensive security policy introduced by Prime Minister Taihei brought a great transition for Japan's ODA. Success in rapid economic growth and capital advance overseas brought Japan an era of economic luxury, "taking off" to become one of the leading ODA donor nations.

In particular, the bubble economy of the late-80s pushed up Japan to become the world biggest ODA provider (1989). Often criticized as ODA without principles or profit-centered aid, in response to fall of Berlin Wall (1989) and Gulf War (1990-1991), Japanese Cabinet endorsed Japan's ODA Charter and publicized its principles and guidelines both internally and externally. The guiding principles are (1) to withhold ODA to military regimes and arms exporters/importers (2) to include democracy, human rights, and realization of freedom in the evaluation criteria to select ODA recipient countries. Although some measures should be positively credited, specific guidelines for their implementation were lacking.

While the Japan's ODA during 90s was said to be "in full blossom", it has been facing a major turning point since Japan's internal economic crisis (collapse of the bubble economy) and the Asian monetary and financial crisis in addition to "the September 11 Terrorist Attacks" in U.S. in 2001. Under the pressure from the business community. Japan's ODA is again sailing towards the time of profit-oriented aid over the past few years loans, once completely untied, have been rapidly shifting into those with strings attached.

Moreover, new Japan's Oda Charter revised in 2003 has clearly shifted its direction towards "national-interest-first policy". In the new Charter, it proclaims an involvement in peace building and conflict prevention where it never had got involved previously. The tendency of Japan's ODA policy going alone with the U.S. foreign policy is becoming even more obvious.

Recognizing contributions made by Japan's ODA in such areas as economic infrastructure development, following negative aspect also has to be pointed out on behalf of people in Asian Pacific. The infrastructure development has destroyed people's life and environment, accelerated authoritarian system and dictatorship, failed to actively involve in democratization movements and human rights protection, supported fraud and corruption of regions in recipient countries and most importantly left a large amount of debt. We believe that ODA policy should not be implemented

before thorough review is conducted.

Many people are still suffering from famine and poverty in the developing countries, which constitute a great majority among countries in the world. From humanitarian viewpoint, the international community can ill afford to ignore this fact.

Japan's ODA Charter consists of four major principles including "international humanitarianism", recognition of the fact of interdependence among nations of the international community", "environmental conservation" and promotion of the self-help efforts of developing countries towards economic take-off". Although Japan's ODA has been criticized for the absence of clear principles, in addition to these four principles the Charter addresses to consider recipient countries' military expenditures, their development and production of mass destruction weapons and missiles, their export and import of arms, promoting democratization and introduction of a market-oriented economy, and the situation regarding the securing of basic human rights when it provides aid services. Creation of the Charter was a step forward for Japan's ODA.

On August 29, 2003, the new ODA Charter was endorsed by the Cabinet, addressing in its opening that "The objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity. Taking advantage of Japan's experience as the first

nation in Asia to become a developed country. Japan has utilized its ODA to actively support economic and social infrastructure development, human resource development, and institution building. Consequently, Japan has significantly contributed to the economic and social development of developing countries, especially in East Asia." The spirit of international humanitarianism was toned down and instead national-interests-first policy was put greater emphasis.

The reason behind the shift in direction of the Japan's ODA policy is due to changing situations of world affairs as well as Japan's economic downturn. One might question how important ODA is particularly in the time of Japanese economic slump. However, at the expense of all principles of "international humanitarianism", "recognition of the fact of interdependence among nations of the international community", "environmental conservation", and "support for the self-help efforts of developing countries towards economic take-off", pursuing national interest under the ODA scheme may leave Japan far behind the international aid community.

Some recognize that the most important factors that changed situations in the world affairs are the September 11 Terrorist Attack which occurred in U.S. as well as the afterwards "word with daily terrorist incidents". Based on this theory, the U.S. has launched a worldwide campaign to "fight with terrorism". Then the question arises: Should Japan change its ODA

policy in accordance with U.S. led world cognition?

The revised Charter states, "conflict and terrorism are occurring more frequently and they are becoming even more serious issues. Preventing conflicts and terrorism, and efforts to build peace, as well as efforts to foster democratization, and to protect human rights and the dignity of individuals have become major issues inherent to the stability and development of the international community." In reality, it is not quite easy for Japan with no experience for peace building to exercise these measures especially within the ODA platform.

There is no discussion about the righteousness of building peace. However, under the delicate nature of international politics, "peace building" efforts could trigger the conflicts. Thus, it is vital to fully discuss the adequacy of peace building within ODA scheme.

We agree that principles of ODA include the spirit of international humanitarianism. Question, however, is whether Japan's ODA has really been utilized for people in hunger and poverty above anything else?

Economic growth theory backed by the modern economic theory is one of the most important theoretical pillars of Japan's ODA. That is, ODA stimulates economic growth resulting in enlargement of economic pie. While the enlarged economy may temporarily cause unequal distribution of wealth on the long term, the trickle down

effect will eventually bring wealth down to the poor and social welfare will also expand in that society. Based on this theory, the economic effect of the large scale infrastructure development has been more emphasized as compared to micro-level assistance.

It is important to point out that the tendency to favor infrastructure development originated from the fact that the Japanese bureaucrats who had led Japan's ODA policy such as Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, and Ministry of Finance, often insisted on the legitimacy of infrastructure development based on the historically proven Japan's economic success. A bureaucrat of Economic Cooperation Bureau, Ministry of Foreign once wrote below.

In regard with the insignificance of economic-growth-centered aid such as infrastructure development, there is no question that World Bank loan helped Japan with its rapid economic growth by constructing significant power plants, steel plants, the Tokaido Shinkansen bullet train, Aichi Service Water System, Tomei Highway and other facilities. It proves that this type of assistance is clearly necessary for industrial diversification and industrialization as well as sustainable economic growth and development in the developing countries. (Sadojima, Shiro. 1991. Is ODA "the source of evil?" SEKAI vol. 12:359)

We believe, however that the infrastructure-oriented ODA promoted by the Japanese bureaucrats as well as business community has departed from its fundamental principle, "humanitarian crusade against poverty and hunger". When one analyzes the past Japan's ODA records in detail, it becomes clear that the humanitarian efforts such as elimination of poverty and hunger has not been placed as a top priority in its agenda.

Evidence further shows that Japan's ODA projects, mostly infrastructure related projects, have been unequally allocated into neighboring East and Southeast Asian countries indicating its economic and geopolitical interests.

In addition, when we weigh the advantage of the Japan's political interest with U.S. as an "allied power" and Japan's ODA recipient countries, unfortunately in large part, Japan's ODA has not been derived from its principle of "humanitarian crusade against poverty and hunger" but the artifact of bureaucrat-led economic-interest seeking symbolized as an infrastructure-oriented aid as well as U.S.-dependent diplomacy.

3. Proposals for Future Japan's ODA

As seen above, we see various issues in the past Japan's ODA policy.

In the present world, both donor and recipient countries are falling into a great wave of globalization. Globalization has brought a new experience to the human society, developing itself with accelerating

speed particularly after the collapse of Eastern World, enabling large-scale cross-border movement of people, goods, money, and information as well as a global market economy. In particular, developing countries where market economy has spread wide into all aspects of social life have been compelled to play by the rules of competitive market economy. As a result, it is creating a pattern in which wealth and powers concentrate on the strong in market economy. Everything from grass, trees, water to sand has been commercialized and peaceful collectives and blessings of nature are vanishing. Under the name of free market economy, environment is destroyed, production of essential foodstuff is marginalized and subsidy for "unprofitable services" such as health care and education are cut.

The world has produced an unprecedented number of the poor, the gap between the rich and the poor has expanded both domestically and globally, the issue of large scale unemployment has been unsolved, infectious disease has become widespread, regional and tribal conflicts has occurred in all continents, and there is no sign of significant decline in number of national and regional displaced refugees. In the era of globalization, conventional "view of aid" has already lost its significance.

We believe that now is the time to emphasize the spirit of international humanitarianism which Japan has carried. We believe ODA should be utilized to ensure the existence of the poorest who

can barely manage to survive tomorrow. We would like to define ODA as a means of ensuring existence of people next door and creating environment where people can live without terror. Following are proposals that map new directions for Japan's ODA so as to achieve the spirit of international humanitarianism.

1. ODA for Building People's Right to Peaceful Existence

Preamble to the Constitution of Japan addresses "We recognize that all peoples of the world have the right to live in peace, free from fear and want". It recognizes that all people on the world possess the right to live in peace (right to existence in peace). Article nine contains a world preeminent and pioneering passage, which ensures renunciation of war and the right to belligerency of the state, and this is the foundation of ensuring the right to peaceful existence. We hereby propose that Japan's ODA should be utilized for those people to ensure right to peaceful existence.

Japan's ODA Charter revised in 2003 states that ODA should be utilized for peace building (conflict prevention, establishment of peace, reconstruction assistance, etc.). From poverty reduction and the correction of disparities in order to prevent conflicts, emergency humanitarianism assistance in conflict situations to the establishment of peace in post-conflict situations, the new Charter added the significance of seamless and flexible assistance to achieve peace

building efforts. For Japan, which possesses a peace constitution, it is important to take part in this kind of undertaking. At the same time, one should keep in mind that a country should not favor one side under the military conflict or occupation and war situations in order to conduct peace building in a true manner.

In that sense, U.S. and British military attack against Iraq and dispatch of self-defense force of Japan that supported Iraqi occupation as well as any type of assistance to occupied Iraq should not be justified as peace building. If Japan's ODA truly gives importance to right to existence in peace, Japan should clarify that she will not cooperate with "war against terrorism" that is a part of U.S. national security strategy" announced on September 2002.

In addition, a policy guideline "A Development Co-operation Lens on Terrorism Prevention: Key Entry Points for Action" was introduced on October 2003 at the "High Level Meeting" of Development Assistance Committee (DAC), which is one of the key committees of the Organization for Economic Co-operation and Development (OECD). This guideline is to re-examine the definition of ODA and expand ODA's objectives to the areas of security and peace along with the existing poverty reduction. There is a possibility that inclusion of the new objectives may change the quality and emphasis of ODA drastically.

As a result, there is concern that social developments such as efforts to reduce poverty or prevent infectious disease will be marginalized, human rights abuses will be justified under the name of security and peace, more aid will fall into the hands of oppressive regimes, giving a great impact particularly on the poor and the socially vulnerable. Therefore, we hereby strongly oppose the “redefinition of ODA” from the standpoint of respecting poverty reduction as one of the key principle of Japan’s ODA. We demand that Japanese government as well take a clear stance to oppose this reform and further strive to achievement objectives such as MDG while encouraging other donor countries to do the same.

2. Poverty Elimination and reform of ODA Structure that Creates Gap between the Rich and the Poor

It is needless to say that nobody chooses to live in fear and want. These fears and wants for the most part are artificially created. Unfortunately in this world, there exists a structure that drives people into poverty and fear. People are discriminated by their ethnicity, religion, birth, gender, age, class, and so on. They are impoverished, jobless, infected with diseases, ostracized in the classroom, and jeopardized for life. Globalization is accelerating these “processes of impoverishment”. We believe that new ODA spirit should be introduced based on the recognition that poverty is not merely a static condition like “want of substances” derived from low-income, but also the

process that deprives people of economical, political, and sociocultural capability.

In this light, Japan’s ODA should give priority to the following objectives.

1. Rehabilitate people whose political, economical, and sociocultural capability are taken away and life is jeopardized.
2. Aid people of extreme poverty, the most discriminated and ostracized as well as the physically and mentally challenged whose livelihood are jeopardized.
3. Accelerate the process to remove the structure which generates these victims of oppression and poverty, aiming at an ODA-free world.

3. ODA as Global Social Security

We believe that so that all people in the world live in peace, the creation of a global-scale framework for security and protection is necessary. In addition, ODA should not be emphasized on national interest in a narrow sense.

Aid in the 21st century should serve as a global social security transcending national interest. United Nations General Assembly in 2000 constituted the “Millennium Development Goals” calling for active engagement of international community in its measures. MDG sets common goals that includes elimination of extreme poverty and starvation, establishment of universal primary education, promotion of gender equality and empowerment of women,

reduction of child mortality, improvement of maternal health, prevention of the spread of HIV/AIDS and other infectious diseases, and conservation of sustainable environment in addition to respecting people's initiatives and their unique cultures in recipient countries. When ODA targets poverty groups, it is necessary to make elaborate plans that identify the regional and inter-class wealth gap that GNP hardly indicates. While conventional country assistance programs of Japan were developed based on macroeconomic policy, in order to achieve above objectives, we need to see the Human Development Index (HDI) as well as social maturity level of recipient countries. In that respect, it is essential to receive input from NGOs in the recipient countries as well as Japanese and international NGOs that are working in that regions.

In regard to the revision of Japan's ODA Charter, Peer Review of Japanese development co-operation presented by the OECD Development Assistance Committee on December 2002 warns that the primary development objectives of ODA should not focus on its narrow national interests.

Sadako Ogata, president of Japan International Cooperation Agency (JICA), states that "Japan's national interest is to gain trust from neighboring countries". Unless Japan uses ODA as a diplomatic tool to achieve narrow national interests, it is impossible for her to receive any trust from people in poor countries and people oppressed under military governments. In

order for Japan's ODA to achieve its primary objectives, it is vital to listen to the critical opinions from civil society in ODA recipient countries.

4. ODA for People who are Socially, Economically and Politically Vulnerable

As already mentioned earlier, ODA Charter approved by the Cabinet on August 2003, opens with the phrase that "[t]he objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity". In this phrase, "Japan's own security and prosperity" is more emphasized than common goals within an international society. Based on the analysis of 50 years of ODA, there is rising concern that Japan's ODA has been shifting its direction to prioritizing the Japanese economy as well as the interests of Japanese corporations in the light of recent increase in ratio of untied loans that had been kept quite low for years.

It is assumed that inclusion of this phrase "Japan's own security and prosperity" in the new ODA Charter is the reflection of voices from ODA related agencies headed by businesses and construction communities suffered from Japanese economic downturn.

As already noted, Japan's ODA have been placing great emphasis on macroeconomic growth and infrastructure development.

ODA White Paper 2003 also addressed that “[w]e focus on economic growth by poverty reduction and infrastructure and insisted on this idea in the international discussion” (Ministry of Foreign Affairs, 2003. Japan’s ODA). World Bank once praised Asian economic growth as the “the Asian Miracle” in its report. Shortly after the Asian monetary and financial crisis, the fragility of economic growth achieved by external dependence was exposed. In particular, Indonesia experienced the collapse of the 23-years-old Suharto’s military dictatorship government owing to the monetary and financial crisis. Indonesia under the Suharto Administration was the biggest recipient of Japan’s ODA. Looking back the history of Japan’s ODA over the past 50 years, Japan has focused on big national projects together with Marcos Administration of the Philippines and Suharto Administration, directly or indirectly supporting various human rights suppression, destruction of livelihood of local people, and environmental destruction. Japan must learn from these history.

Learning from the case in Indonesia, we believe that the ODA policy that focuses on macroeconomic growth should be cancelled and instead create elaborate ODA policies that aim at people who are socially, economically and politically vulnerable.

5. Our Concrete Proposals

Based on the basic principles described

above, we hereby propose the following eight concrete measures.

Proposal #1: Enactment of ODA Basic Law

Japan’s ODA, which has a dominant weight in Japan’s foreign policy, is not legally binding, simply guided by “ODA Charter” endorsed by the Cabinet through administrative procedure. This system provide no opportunity for both the Diet as the representatives of citizens and taxpayers to get involved in the policy making process.

While Japanese NGOs have demanded for the enactment of ODA basic law a number of times, it has not been yet realized. We again demand for the creation of ODA basic law, which defines in detail ODA fundamental principles, enforcement agencies, policy-making process, rules of budget allocation, and administrative instruction.

Proposal #2: Establishment of “Ministry of International Aid”

Japan’s ODA is currently carried out by three major agencies, Ministry of Foreign Affairs, JICA and Japan Bank for International Cooperation (JBIC) along with many other governmental institutions. This dispersed management structure has been criticized for its bureaucratic sectionalism, complex decision-making process, incoherent ODA policies, and inefficient implementation. In order to resolve above

issues, all ODA-related services should be centralized in a “Ministry of International Aid” to bring transparency and coherent policies to Japan’s ODA. Along with the fact that current ODA is run by more than 10 agencies creating conflict of interest and opacity of process, also persons who is in charge of ODA matters in each agency including Ministry of Foreign Affairs leaves their duty in every two to three years, making accumulation of knowledge on recipient countries and training of personnel for development difficult. As a result, these tasks are heavily dependent on consultants.

Proposal #3: Requirement of People’s Participation from both Donor and Recipient Countries

While ODA has various impacts on the target regions, people in recipient countries hardly have a chance to participate in the ODA policy. Likewise, Japanese people who pay taxes or use postal savings seldom take part in the policy making process. Unfortunately, voices of citizens and civil society in recipient countries are never reflected on most programs or projects. As citizens of recipient countries, participation is their right. We have to create a system where information is fully disclosed and citizens can practically participate in the policy making and implementation process.

Needless to say, people of both donor and recipient countries should be able to participate in the ODA process. For people

in recipient countries, donor countries should require recipient governments to encourage citizen’s participation. In addition, while we credit that Ministry of Foreign Affairs and Ministry of Finance for providing opportunities for NGOs to take part in the policy making process to some extent such as regular consultation meetings, we further demand that our voices should be practically reflected in policies.

Proposal #4: Resolution of a Debt Problem

It is noteworthy that Japanese government took steps to reduce debts for the Heavily Indebted Poor Countries (HIPC), abolishing the ambiguous scheme of debt relief aid. Japanese government should further introduce a bold policy to reduce debts for countries which are incapable of breaking debt burden from yen-loan especially granted in the time of high interest rate during 80s.

Proposal #5: Loans should be changed into grants or those with no interest

While ratio of loan in Japan’s ODA has gradually lowered due to the criticism by the international community as well as Japanese NGOs, the figure still stands highest among DAC countries. In the past half century, yen-loan along with other loans has imposed a heavy debt burden on many recipient countries and these debts have become a great barrier for poverty reduction efforts. Learning from the fact that ODA, primarily for the socially vulnerable

and the poverty group, had created these structural oppressions, following rules for loans should be adopted.

1. All loans within ODA scheme should be free of interest.
2. Since the payback period is extended over a long period of time, foreign exchange gain or loss should be shared in a fair manner between a donor and a recipient.
3. As for loans made with thorough research and examination, gain or loss from the project during payback period should be also shared in a fair manner between a donor and a recipient.

Proposal #6: Shift to Untied both for loans and grants

As stated in Proposal #5, during the transition period to abolish ODA loans, all loans should be untied.

As far as ODA donations, DAC is adopting an untied policy. In “DAC Review”, the outstandingly higher ratio of Japan’s tied aid among donor countries is taking up as a target of criticism. Furthermore, even for the 100-percent-tied donation currently granted from Japan’s ODA, it is a global standard that all these donations should be untied. At the same time, in addition to the shifts of all loans and donations into untied, it is desirable for projects to hire corporations and workers inside of recipient countries.

Proposal #7: Partnership with NGOs in Implementation

While the ratio of funding to NGOs in Japan’s ODA is gradually increasing, it is still miniscule. In addition, this fund is one-year bases and takes a long time for its screening process, making it almost impossible for NGOs to take a prompt action. Japan’s ODA should shift its directions to boldly increase funding scheme for NGOs and at the same time foster capacity of Japanese NGOs so that they can engage in projects with a long-term view.

Proposal #8: Imposition of Effective Binding Force on the Guideline

Creation of “JBIC Guidelines for Confirmation of Environmental and Social Considerations” and “JICA Guidelines for Environmental and Social Considerations” is worth noting. However, the guideline without binding force can turn out to be a pie in the sky. Thus, following rules should be documented.

1. Punitive measures should be established against violations of guidelines.
2. In particular, monitoring system should be adopted so as these measures to be applied to private sector.
3. Comprehension or correction should be actively made even for projects before the creation of the guideline in case that tangible violations are found.

History of Japan's ODA in brief

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1. Era of ODA Recipient (1946-53)

After the WWII, Japan had to rebuild itself from the ashes and needed development assistance in the process. US, the only country that survived the war unscathed, came forward, not least because it wanted to appease the Japanese public for the sake of successful occupation and democratization. The US assistance in the form of food/medical aid and support for obtaining raw materials lasted until 1951 and summed up to \$5 billion. Japan then turned to World Bank for financial assistance and started taking loans in 1953. It took altogether 34 loans over 14 years and paid them up without arrears by 1990. This experience serves as a strong basis for defending the use of loans instead of grants as an essential vehicle of aid delivery to developing countries.

2. Reparation and Aid (1954-60s)

When Japan signed the San Francisco Peace Treaty with victor countries in 1952, it was obliged to make reparations for the

damages it had inflicted during the WWII. Only two countries, the Philippines and Vietnam, made reparation claims. Japan signed the Reparation and Economic Cooperation Agreements with those two and two more states, namely Burma and Indonesia, and started making up for losses in 1954. The reparations continued up until 1976 and amounted to around 500 billion yen in all. Japan was quite fortunate in the following senses.

- a. Japan was obliged to make reparations only within its capacity (unlike Germany after WWI).
- b. Reparation terms were determined in consultation with claimants, not unilaterally by the latter.
- c. Major countries such as China, India, US and other victors resigned reparation claims.
- d. Japan was allowed to make reparations in kind (i.e. goods and services Japan wished to export).

e. Japan thus was able to turn the reparations into export promotion opportunities (as the name of the agreements suggests, the two were married from the very beginning).

1954 also saw the very modest commencement of Japan's ODA in the form of technical assistance when it joined the Colombo Plan of the British Commonwealth. Japan also started providing aid to Asian countries that had resigned the claims on similar terms as reparations. Japan's ODA reached the second stage in 1958 when it started providing loans, first to India and then to other countries, with strings attached (i.e. tied aid). Grant financial assistance was the last to come: it began in 1968.

3. Exponential Growth of Japan's ODA (1970s-80s)

Following the Government decision in 1968 to increase aid volume to 1% of GNP, Japan's ODA expanded by leaps and bounds in 1970s and 80s, doubling every three to five years. It was made possible by "miraculous" economic growth, but it was also a response to the demands from the South that was, at least in 1970s, united in the pursuit of NIEO and to the mounting attacks from Asia on Japan's "economic invasion" to the region. Being so heavily dependent on the import of raw materials and forced to avert the attacks, Japan moved to win the minds of developing countries. The Southern demand for increased aid was echoed in 1980s by

Northern governments that had been affected by "aid fatigue" and had seen Japan amassing huge trade surplus each year. In the same decade, as economies of NIES and ASEAN countries started to grow rapidly and provide huge business opportunities and as steep appreciation of yen after the Plaza agreement made Japanese exports very expensive, Japanese corporations multiplied their efforts to relocate their productions sites to Asia. The major impediment to corporations, however, was the lack of economic infrastructure (roads, ports, electric power and grid, telecommunications, etc.). The Government of Japan (GoJ) came to the rescue by providing ODA for building the infrastructure and thereby facilitating the corporate penetration to the Asian market. The Government makes it a point, with a self-admiring overtone, that the Japan's ODA has made major contributions to the miraculous economic advancement of East and Southeast Asia.

In 1978, Japan set up the first Medium-term Target to bolster ODA in a planned manner (which means the aid had been provided without good planning). The first Target was followed by the second in 1981, the third in 1986, and the fourth in 1988. In 1989, Japan's ODA reached \$8,968 million, compared to \$458 in 1970, representing a 20-fold increase in as many years. However, its share in GNP stood at 0.32%, virtually unchanged in two decades. Geographical distribution was diversified:

the share of Asian countries decreased from 98.2% in 1970 to 62.5% in 1989 while that of Africa and Latin America increased.

In the meantime, the quality of Japan's ODA saw some improvements. Loans were being untied and debt relief started in late 1970s. The share of aid directed to basic human needs more than doubled (yet the definition of BHN is much debatable). ODA came under closer scrutiny and evaluation in 1980s. Such improvements notwithstanding, Japan's ODA came to draw criticisms from the South and from within towards the end of 1980s as to its commercialism, effectiveness, efficiency, corrupting effects, and environmental and social impacts.

4. Japan as a Top Donor in the World (1990s)

The exponential expansion lifted Japan to the top of the world in 1989 in terms of aid volume. Japan kept the position until year 2000 with a single exception of year 1990. The major feature of this period was "strategization." To that date, Japan's aid was dubbed "ODA without a vision." It was in 1992 the GoJ at long last formulated "ODA Charter," stating its visions, guiding principles and priority issues. It also started addressing cross-sectoral issues such as environment and gender, and implementing agencies developed guidelines to deal with them. The period also marked the departure from "request-based aid" to "aid based on policy dialogue." That is, instead of passively

giving aid as requested, GoJ began to set agenda on its own and actively engage in policy consultations with recipient countries. The more assertive posture as this manifested itself in taking the lead and initiatives in world development affairs. Japan volunteered to host coordination meetings on development of Cambodia, Mongolia and Africa. It also announced initiatives on HIV/AIDS, WID, and democratization — more with fanfare than with substance.

One welcome feature of the decade was building partnership with NGOs. GoJ broke its tradition of neglecting the role of civil society and first started providing subsidies to NGO projects in 1989. The subsidies and contracting out have kept expanding since then. It then agreed to engage in policy dialogues with NGOs in mid-90s and to include NGO representatives in its official delegation to international conferences. There seemed to be an ulterior motive, however. GoJ needed NGOs to put a "human face" on its aid. It was an act of counterbalancing the blames cast upon Japan's ODA.

5. Reforming Japan's ODA (1997-)

Japan's ODA has undergone transformation since mid-90s. The factor behind it is first and foremost the prolonged economic stagnation. In 1997, GoJ decided not to set a Medium-term Target with a quantitative indication any longer, because it was unable to increase aid and rather had to slash it. It was time to place less

emphasis on quantity and more on quality — quality as defined by GoJ, however. Various reform proposals were put forward from many quarters. Reform debates culminated in 1999 in the Medium-term (five-year) ODA Policy that replaced earlier Medium-term Targets. The Policy is probably the best from NGOs' point of view as it attached, for the first time, much importance to poverty reduction, social development and human development/security.

The trend for the better was soon reversed, however. The new advisory group formed under the Ministry of Foreign Affairs of the nationalist Koizumi Government submitted its advisory report in 2002. It sought to put breaks on “humanizing” ODA and prize public participation in ODA – participation of commercial enterprises in implementation was the hidden agenda. That was the context in which the ODA Charter was revised. The new Charter adopted in 2003 made it no secret to promote “Japan’s own security and prosperity” – thinly veiled wording for national interests – through provision of ODA. 9.11 cast a long shadow over the new Charter in that poverty reduction was assigned a new role of eliminating terrorism and that peace-building (as in Afganistan and Iraq) was accorded a similar significance. Strategic alliance and partnership with US has thus become a mainstay of Japan’s ODA.

The Medium-term ODA Policy is now being revised in the same vein.

In the meantime, Japan’s ODA deteriorated both in terms of quantity and quality. Its volume peaked in 1999 at \$15.3 billion and then started rolling down the hill. In 2003, it stood at \$8.91 billion: 42% less than the peak year and gaunt 0.20% of GNI. Aid budget for FY2004 is slashed another 4.8%. The loan aid was 100% untie in FY1996, but as uncompetitive Japanese firms lost ground and started yelling and crying, GoJ allowed the percentage to slip down, to the level of 60% in FY 2001.

DAC Review

DAC peer review of Japan’s ODA was undertaken soon after the Charter revision. It aptly recommends the country to “highlight that the primary objective of ODA is for the development of the recipient country” and “ensure that narrower national interests do not over-ride this objective.” It also advises to “more fully mainstream poverty reduction,” more clearly “focus on poor countries or poor populations,” and focus “more investment in basic health and education services to reduce poverty.” It then asks the Japanese Government to “make a policy statement on coherence for development” and identify “concrete measures to progressively untie the use of grant funds for primary contractors.”

Basic Information on Japan's ODA for the last 50 years

Prepared by Nagase Riei
PARC, board member*

1. Introduction

In October 6th, 2004, a full of 50 years will pass since Japan joined the Colombo Plan and started its technical cooperation as a donor country. It would be the time to review Japan's ODA for a better future of people in recipient countries and in Japan, which is a major rationale for the Reality of Aid's Conference and the symposium to be held in Tokyo in early October.

In this Jubilee Celebration, the main objective of this paper is to provide selected information and references to the participants so that they could understand basic characteristics of Japan's ODA and find some sources available at websites for their further study, especially information specific to each recipient country

2. Historical overview

1) Reparations: the prototype of Japan's ODA

One can find the "prototype" of Japan's ODA in the form of its reparations to Asian countries which indescribably suffered from its aggressions. The reparations also started in 1954 in accordance with Article 14 of the Peace Treaty of San Francisco. Japan signed a reparation treaty with Burma, South Vietnam, the Philippines and Indonesia, which laid down reparations in the form of the provision of products and services despite their strong demands for reparation in monetary terms. This form may be called "economic cooperation" type of reparations as the products and services from Japan were directed to infrastructure, plants and facilities mainly for economic activities. Loans were provided with reparations as collateral. Cambodia, Laos, Thailand, Malaysia, Singapore, South Korea and Micronesia received grant aid, which were treated as "quasi reparations".

* It is noted here that this paper is **not** intended to present PARC's position on Japan's ODA, and all the responsibility is attributed to the writer.

These “economic cooperation” type of reparations continued until the mid-1960s, and made a great contribution to Japanese industries’ reconstruction and presence abroad. Specifically, major effects of the reparations on them may be summarized as follows:

- (1) Major industries involved in the reparations, including steel, machinery and automobiles, were able to steadily enhance competitiveness in the world market;
 - (2) Provision of the products which had not been traded on a commercial basis and their prevalence in local markets served for Japanese companies’ access to such markets through exports; and
 - (3) Construction industries were given chances for their presence abroad for the first time.¹
- 2) From a recipient country to the largest donor in the world

A recipient country during the post-war reconstruction era became the largest donor in the world in 35 years since it commenced provisions of ODA. Volume of Japan’s ODA was accelerated since late 1970s, when the Government of Japan (GoJ) started to set the Medium-term Goal of ODA, a five-year quantitative target to increase its volume, which continued until 1997, the final year of the 5th Medium-term Goal. This upward trend reflected Japan’s steady economic growth with an expanding current account surplus while other donors

showed some “aid fatigue” mainly due to their tighter financial circumstances.

Under the Japan’s national policy of “recycling surplus”, ODA was more closely combined with investment and trade, serving as a catalyst to boost foreign direct investments by improving economic infrastructure. This trend was further accelerated as Japanese manufacturers were forced to transfer their production bases abroad due to the yen’s drastic appreciation against US dollar since the mid 1980s. Growing criticism against “tied aid”, where only Japanese firms can join bidding, led to untying most of the Yen-loan-funded projects.

On the other hand, global issues, including environment, gender and social development, discussed in a series of international conferences in 1990s diversified the purposes, sectors, recipient countries and actors of Japan’s ODA. Social and environmental guidelines for funding projects were prepared as more complaints were heard from those who were affected by Japan’s ODA-funded projects.

3) Emphasis on strategic uses

Since late 1990s, the dragged recession has brought about a gradually declining trend of the ODA budget and net ODA disbursement. Thus, Japan was replaced by the US with regard to its status as the largest donor in 2001 though it remains to rank the second. At the 2002 Monterrey Conference on funding for the Millenium

Development Goals (MDG), Japan was the only major donor which did not pledge to maintain or increase its ODA volume.

The budget constraint forced the line agencies handling ODA to make more justification to stop the declining trend of ODA budget by initiating “ODA reform”, which mainly emphasized the efficient and effective use of ODA, public participation and more returns to Japan/Japanese. This “reform” may highlight the revise of the ODA Charter in August, 2003, which stressed the “strategic uses of ODA”. In the new Charter, the objectives of ODA are stated as “to contribute to the peace and development of the international community, and thereby to help ensure Japan’s own security and prosperity”.

Although the term “national interests” is not used in the Charter, the peer review conducted by the Development Assistance Committee (DAC) warned that Japan should ensure that narrower national interests do not over-ride the primary objective, i.e. the development of the recipient country².

Specific approaches to achieve the objectives in the new Charter appear to be twofold. One is to sustain Japan’s conventional approach: ODA as a catalyst for FDI (foreign direct investment) through its large contributions to improvements in economic infrastructure.

Another is to shift away from GoJ’s passive attitude in favor of active attitude towards domestic policies and political issues in

recipient countries. The Charter’s stress on the active engagement in policy dialogue would lead to further shift from “request-base principle”. Japan’s active engagement in Vietnam may be the case in point, as represented by its contributions to the establishment of a Comprehensive Poverty Reduction and Growth Strategy (CPRGS), a new version of the Poverty Reduction Strategic Paper (PRSP), which emphasizes the economic growth for poverty reduction³.

GoJ has also changed its traditional principle of separation between economic and political affairs and been engaged in “peace-building”, not only covering post-conflict relief and reconstruction, but the peace process. This new policy clearly emerged after the 9.11.

4) Major issues at present

There are at least two main issues on Japan’s ODA which have drawn attention both domestically and internationally: Japan’s approach to the efforts for MDG, especially poverty reduction, and to “peace-building”.

GoJ’s approach to poverty reduction

GoJ has been strongly claiming a unique approach to poverty reduction among donors, i.e. the conventional approach of Japan’s ODA focusing on economic infrastructure. According to GoJ, economic growth with increased investments and trade is an effective and appropriate way to reduce poverty as demonstrated by experiences in East Asia (including

Southeast Asia) and most practical approach, taking into account the limited volume of ODA for the poverty reduction⁴. It has been trying to show how effective the provision of economic infrastructure is for the poverty reduction through “pro-poor growth”, which has yet to be clearly defined and substantiated.

It has been argued that the importance of economic growth is recognized as a requirement for poverty reduction, but not as a sufficient condition. In addition, the large-scale infrastructure has often had negative impacts. The DAC peer review is critical to that approach in terms of “the software and financial aspects, including cost recovery, availability of recurrent and maintenance financing, pro-poor user charges, as well as adherence to social and environmental standards such as appropriateness of resettlements, environmental impact, and capacity building.”⁵ It also points out the need to learn lessons about debt sustainability of recipient countries as large-scale infrastructure projects usually require big amounts of loans, as well as negative impacts on living environment, income distribution and Asian crisis in wider settings.

GoJ’s approach to “peace-building”

Another controversial issue is attributed to Japan’s new pillar of development cooperation: “the consolidation of peace and nation-building in countries suffering from conflicts” as expressed by GoJ in May 2002. The “consolidation of peace” was

invented by GoJ to expand the conventional area of Japan’s ODA for “peace-building”, i.e. relief and reconstruction to include new areas of security and administration, facing the unprecedented situation in Afghanistan. Since then, this approach has been applied to other conflict areas: Mindanao (the Philippines), Aceh (Indonesia), Sri Lanka and Iraq though the extent of “consolidation” seems different among the cases. The “peace-building” approach also implies GoJ’s possible engagement in the peace process before the concerned parties in conflict reach to a peace agreement. GoJ has been so far engaged in peace processes in Aceh and Sri Lanka.

This approach has raised concerns about negative impacts on the people in conflict areas. The provision of ODA to the security area could blur the distinction between civil and military affairs. Even the one to other areas such as humanitarian relief can be delivered or assisted by military personnel mainly to “win hearts and minds”. This threatens to destroy the humanitarian principle of independence, impartiality and neutrality. As a result, some people in most need may not be able to have access to the relief, and the security of civilian workers may be threatened as occurred in the past⁶.

GoJ sent the Japanese Self-defense Forces (SDF) to Iraq for humanitarian assistance and others, which divides the public opinion in Japan. Aside from the opposition against the provision of ODA to Iraq without

questioning the legitimacy of attack and the resultant casualties and human rights violations, the linkage between ODA and SDF activities for the first time in Japan's ODA history, for example, the use of special vehicles for water supply provides in grant to carry water purified by the SDF, has raised such concerns mentioned above.

Another major concern is that human rights, especially of the most vulnerable groups in conflict areas might not be given the first priority as other interests such as those of the parties in conflict are put the first. While some people are supported by relief and reconstruction assistance, other people might suffer from human rights violations under military/police operations. In Afghanistan and Iraq, civilians have been directly affected by operations of security forces. In Mindanao, not a few number of Muslim have been arrested as "terrorists" though they claim innocent. In Ache, the collapse of peace talk reportedly led to massive casualties and human rights violations of civilians.

This concern about human rights could be relieved if GoJ substantiates and mainstreams "human security"⁷, which is adopted as a Basic Principle in the new Charter, stating "to ensure that human dignity is maintained at all stages, from the conflict stage to the reconstruction and development stages, Japan will extend assistance for the protection and empowerment of individuals".

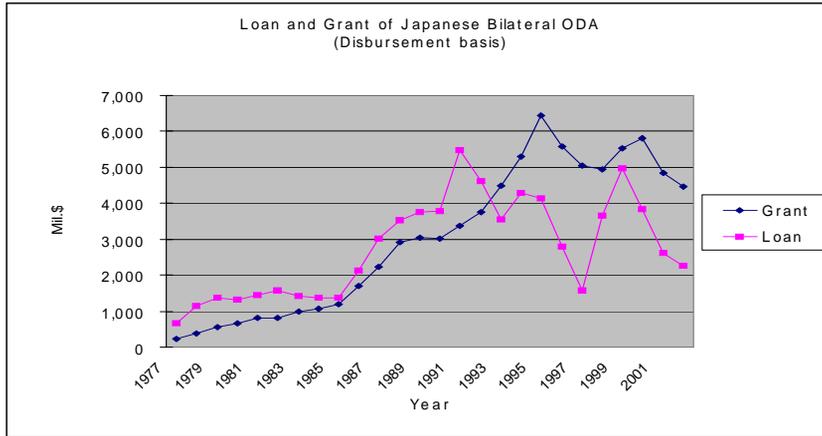
3. Some basic data

1) ODA policy, types and institutions

Japan's ODA policy framework puts to the highest the ODA Charter, which was approved by the Cabinet to set its ODA philosophy, principles and other basic issues. The Charter is more specified into the Medium-Term Policy on ODA with a five-year term frame, which sets government's basic approaches and identifies priority issues, sectors and regions. The Medium-Term Policy is going to be revised, following the revision of the Charter. Under these comprehensive policies, Country Assistance Programs and Sector-Specific Initiatives are prepared to serve as guidelines for the formulation of specific projects though they are still limited in number.

Japan's aid administration structure is complicated. Ministry of Foreign Affairs (MoFA) leads the structure to formulate policies, coordinate with other ministries and agencies, administer most grants, oversee implementing agencies and coordinate UN operations. Japan International Cooperation Agency (JICA) implements technical cooperation and "expedite" much MOFA grant assistance, and conducts development studies for planning, design and project preparation. Japan Bank for International Cooperation (JBIC) implements ODA loans, private sector investment finance, studies. Other main ministries are Ministry of Finance (MoF), which manages funds for JBIC,

Fig.1 Japan's financial flow to developing countries (net disbursement basis)



Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

coordinates International Financial Institutions' operations, and Ministry of Economy, Trade and Industry (METI), which joins the decision-making on ODA loans. Ten other ministries and agencies implement ODA programs.

2) ODA volume

Figure 1 shows changes in financial flow on a net disbursement basis from Japan to developing countries from 1961 to 2002. As mentioned before, Japan's net ODA disbursement remarkably increased from late 1970s, and accelerated from mid-80s up to mid-90s. The trend turns around at mid-90's except several years, when ODA was increased to respond to the Asian Crisis. This declining trend is expected to continue due to steady increase in loan repayments⁸, as well as continuing budget constraint.

Private flow (PF) drastically increased twice, i.e. mid-80s and mid-90s, when upsurge in yen appreciation led Japanese manufactures to invest, and "emerging markets" attracted financial flow from Japan, respectively. Sharp decline in late 90s is attributable to the Asian Crisis. With increased trend of PF, ODA tends to play a role to complement the PF, for example, private sector-led infrastructure with unprofitable related facilities funded by ODA.

3) Distributive aspect

Prominent feature (1): bilateral loans

Figure 2 indicates changes in the distribution of bilateral grants, bilateral loans and contributions to multilateral organizations from 1961 to 2002. Loans occupy more than 50% until early 1980s

and the following declining trend turns upward from mid-80s to early 90s. Since then, the share of loans has been contracting while that of grants has been expanding. This trend may be partly attributable to the aforementioned increase in the repayment of loans as the figures are on a net disbursement basis. Indeed, on a gross disbursement basis, loans account for 43% while grants and contributions to multilateral organizations do for 36% and 21%, respectively⁹.

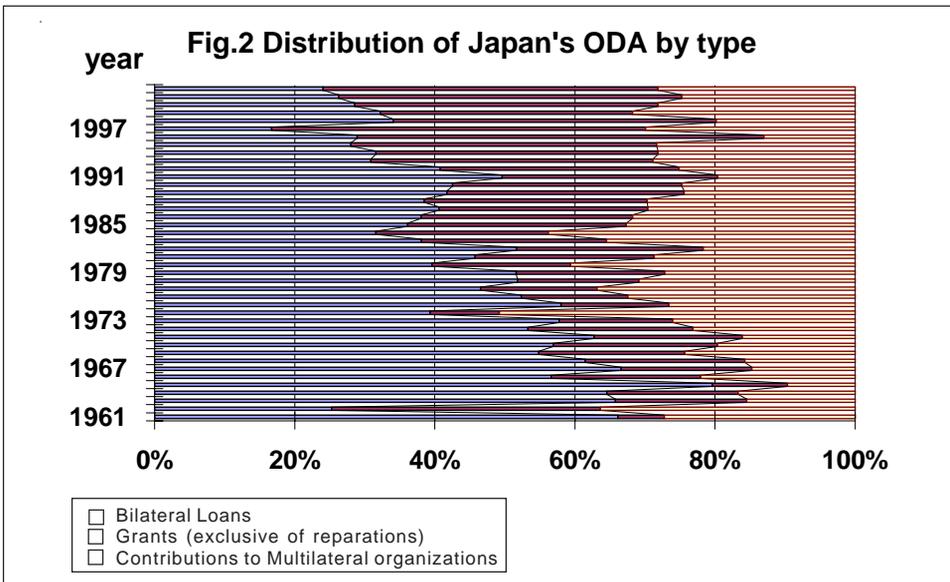
Prominent feature (2): economic infrastructure

Figure 3 shows changes in the distribution of Japan's ODA by major categories of sector on a commitment basis from 1970 to 2002. Economic infrastructure and services account for around 50% from late

1970s to mid-80s, while the share of that category poses a declining trend except late 1990s. Though the share of social infrastructure and services has been increasing since early 1990s, economic infrastructure and services still maintain as much as one-third of the share. This feature is still prominent as 37% of economic infrastructure and services can be compared with 15% of total DAC in 2001¹⁰.

Prominent feature (3): East and Southeast Asia

The third characteristics of Japan's ODA is a larger proportion provided to East and Southeast Asia. In the last five years from 1998 to 2002, this region accounts for around 50%, and an addition of South and Central Asia, i.e. Asia as a whole reaches



Sources: MITI. Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation) and MoFA. ODA Hakusyo (ODA white paper), every year issue

to about three-fourth of total Japan's ODA on a gross disbursement basis¹¹. The top five recipient countries have not changed for the last decade: China, India, Thailand, Indonesia and the Philippines, and have received almost half of allocable bilateral ODA¹².

In terms of income group countries, only 16% went to LDCs as compared with 26% of total DAC. Japan's disbursement to LDCs as a proportion of bilateral ODA is the fourth lowest among the DAC¹³.

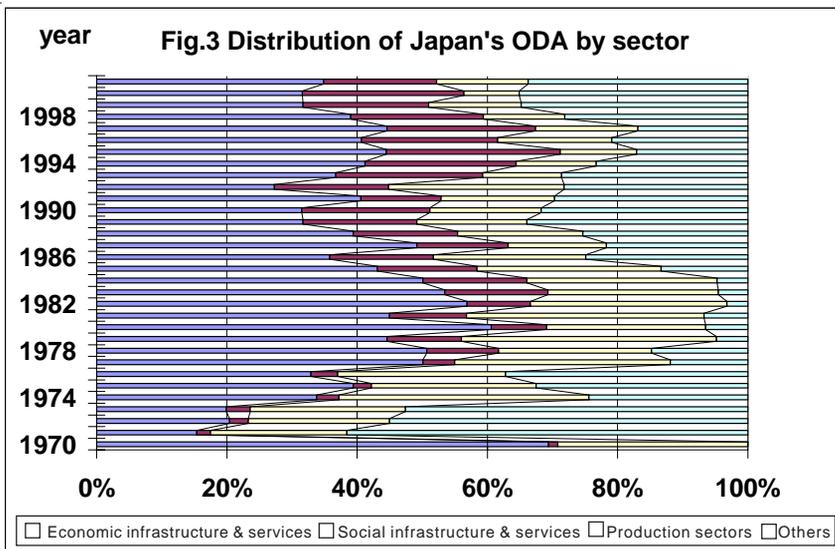
4) Integration of prominent features

These prominent features represent the Japan's conventional approach: ODA as a catalyst for FDI through its large contributions to improvements in economic infrastructure. In other words, the typical Japan's ODA is provided for economic

structure projects in East/Southeast Asia in the form of loans. MoFA praised this as saying:

“Japan has provided over half of its ODA to East Asia. This reflects the importance Japan attaches to this region, not just for historical and geographical reasons but also owing to Japan's close political and economic interdependence with East Asian countries. Japan has contributed to the region's remarkable development by linking its ODA for infrastructure improvement to the promotion of private-sector investment and trade”¹⁴.

However, there are some critical views about this type of assistance like those of the DAC peer review as mentioned before. Some data may demonstrate these views. Table 1 shows yen-loan outstanding by country at the end of 2002, which could be



Sources: MITI. Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation) and MoFA. ODA Hakusyo (ODA white paper), every year issue

Table 1. Yen-loan outstanding and its weight in long-term bilateral debt by selected recipient countries

Yen-Loan Outstanding (at the end of 2002)							Long-term bilateral debt outstanding (2001)			
Country	Total Yen-loan (disbursement)	Accumulated repayment of principals	Paid interests	(Yen bill) Debt outstanding	(US\$ milli.) Equivalent in US\$ (1)	Concessional portion	Ratio of Yen loan(%)	Total	(US\$ milli.) Ratio of Yen loan(%)	
China	1981.5	350.3	484.1	1631.2	13028.8	17457	74.6	23704	55	
Cambodia	3.8	1.3	0.7	2.4	19.2	1943	1	1959	1	
Indonesia	2891.1	720.8	760.8	2170.4	17335.5	26554	65.3	33576	51.6	
Laos	9.1	4.6	2	4.5	35.9	1406	2.6	1407	2.6	
Malaysia	572.2	363	179.7	209.3	1671.7	3159	52.9	4706	35.5	
Burma	328.3	54.8	85.1	273.6	2185.3	2876	76	2962	73.8	
Philippines	1390	440.2	321.8	949.8	7586.3	10148	74.8	11031	68.8	
Thailand	1359.4	437.7	327.1	921.7	7361.8	8325	88.4	13856	53.1	
Vietnam	360.7	22.1	29.4	338.7	2705.3	6961	38.9	6213	43.5	
Bangladesh	508.5	197.7	94.3	310.9	2483.2	3579	69.4	3579	69.4	
India	1393.4	257.1	313.9	1136.3	9075.9	18677	48.6	17086	53.1	
Nepal	50.6	14	6.6	36.5	291.5	279	104.5	279	104.5	
Pakistan	605.2	91.7	121.2	513.5	4101.4	12430	33	11690	35.1	
Sri Lanka	361.5	83.8	87.4	277.7	2218.1	3382	65.6	3200	69.3	
Others	3577.3	1127.2	930.6	2450	19568.7	115280	17	317398	6.2	
Total	15392.6	4166.3	3744.7	11226.5	89668.5	232456	38.6	452646	19.8	

Note: (1) Conversion rate -DAC designated (1\$=125.2)

Sources: Data from Ministry of Foreign Affairs, and World Bank, Global Development Finance 2003

compared with total long-term bilateral debt and its concessional portion at the end of 2001. Except Cambodia and Laos, yen-loans occupy substantial proportions of long-term bilateral debts in many Asian countries, even some with a highest level of outstanding debt, including top recipient countries, i.e. China, India, Thailand, Indonesia and the Philippines. As data by country are not available, it is unknown whether these loans will be able to be recovered by each recipient country or not. Risk-monitored loans¹⁵, however, may indicate the overall situation of so-called “bad loans” of the yen-loans. According to the JBIC financial reports, the risk-monitored loans at the end of FY 2003 amounted to 836.5 billion yen, accounting for 7.9% of total outstanding yen-loans.

Another critical view is related to dominance of Japanese firms in Japan’s ODA-funded projects. As mentioned before, however, criticism mainly from other donor countries led to untying of yen-loan projects. As Table 2 indicates, 100% of tied loans in 1970 were completely reversed to 100% of general untied loans in 1996. Since then, however, the share of untied loans has been decreasing up to 60% in 2001, reflecting the call for more contracts to Japanese firms from the business community in the context of Japan’s recession. The share of awarded contracts by Japanese firms has been almost the same as much as around 30%, while the share of developing countries tend to increase. Still, the DAC peer review raises questions about the

necessity of Japanese approach to tying ODA grants, which is not a usual practice among donors¹⁶.

There have been large-scale economic infrastructure projects funded by Japan’s ODA which caused serious social and environmental impacts. A case in point is Japan’s ODA-funded Kotapanjung dam project for hydroelectric power with massive forced resettlements, leading thousands of resettled residents to sue GoJ, JBIC, JICA and a Japanese consulting firm before the Tokyo district court for the first time in the history of Japan’s ODA.

To cope with these social and environmental issues, JBIC and JICA have been using guidelines for their appraisals on projects, and have recently revised them, which are considered “one of the strict guidelines among DAC members”¹⁷, especially with clearer descriptions about consultations with the affected people and access to information, about suspensions of loan disbursements or recommendation of stopping projects, and introduction of compliance mechanism which must accept complaints regarding non-compliance from third parties. It may be too early to appropriately evaluate these guidelines at present (there are some comments on these guidelines from Japanese NGOs which involved in the process of revisions)¹⁸.

4. Country-specific references

1) Japan’s ODA by country

Table 3 shows changes in provisions of

Table 2 . Yen-loan related procurements by Japanese firms

	1970	1975	1980	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002
Yen-loan (Yen billi.)													
Disbursed	34.8	116	282	412.7	763	655	610	646	903.1	787.4	695.3	655.9	595.9
Recovered	0	5.2	27.9	70	120	249	331	335	296.4	321.8	300.7	349.2	396.9
Outstanding	110	550	1628	3358	5950	8594	8884	9181	9794	10272	10687	10998	11227
Ratio of tied/untied loan(%)													
General untied	0	8.8	61.7	52.7	84.5	97.7	100	99	91.5	83.6	64.7	60.1	88.1
LDC untied	0	48.3	37.2	44.8	15.6	2.3	0	1	7.2	3	0	0	0
Tied	100	42.8	1.1	2.5	0	0	0	0	1.3	13.5	35.4	39.9	12
Rate of awarded contracts by country (%)1)													
Japan					31.3	36.3	46.1	40.8	28.2	28.9	34.5	38	29.1
Other donors					24.6	17.3	18.7	17	22.6	14	12.8	8.8	10.3
Developing countries (for foreign portion)					44.1	46.1	35.3	42.3	49.3	57.1	52.7	53.1	60.6
Bidding by Japanese firms (%)2)													
Bidding rate					78	87	84	81.8	69.9	69.8	63		
Rate of successful bidding					58	51	53	48.4	41.3	38.1	38		
Notes:													
1) Excluding the portion of local costs													
2) Contracts more than one billion yen worth													

Sources: JBIC. *Financial Statements and Michiko Yamashita. Nihon-no ODA seisaku-no genjo-to Kadai*
(Current situation and issues on Japan's ODA policies), Cabinet Office, Feb. 2003

Japan's ODA by types for selected 12 recipient countries (see Annex).

2) Country Assistance Programs

Not available at MoFA's website.

3) Country Evaluation

There are selected evaluations on assistance by country at the following website: <http://www.mofa.go.jp/policy/oda/evaluation/index.html>

4) Specific projects/programs

General information and data on specific projects/programs by country are available at MoFA's website: <http://www.mofa.go.jp/policy/oda/summary/index.html> and <http://www.mofa.go.jp/policy/oda/white/index.html>

5) Policy and other general information

Policy and other general information are available at the following website: MOFA: <http://www.mofa.gov.jp/policy/oda/index.html>

JBIC: <http://www.jbic.go.jp/english/index.php>

JICA: <http://www.jica.go.jp/english/index.html>

Endnotes

¹ International Development Center, Japan. *ODA yonjunen-no soukatsu, Tokutei kadai betsu enjo shishin sakutei-no tameno kiso chosa (The 40-year History and Achievements of Japan's Official Development Assistance)*, prepared for the Ministry of Foreign Affairs, March 1994, p.92

² DAC. *Peer Review: Japan*, OECD 2004, p.11 (<http://www.oecd.org/dataoecd/43/63/32285814.pdf>). Ministry of Foreign Affairs.

Japan's ODA White Paper 2002 explains about the new ODA Charter and current issues at the MoFA's website: (<http://www.infojapan.org/policy/oda/white/2002/index02.html>)

³ DAC, op. cit. p.p. 56-57

⁴ See details in MoFA, op.cit.

⁵ DAC. Op. cit. P.32

⁶ UN Commission on Human Security. *Human Security Now*, 2003, p.p.26-27 (<http://www.humansecurity-chs.org/finalreport/FinalReport.pdf>)

⁷ UN Commission on Human Security. op.cit. was the final report of the commission initiated by GoJ.

⁸ DAC. op.cit. p.21

⁹ Ibid. p.76

¹⁰ Ibid. p.79

¹¹ Ibid. p.77

¹² Ibid. p.25

¹³ Ibid.

¹⁴ MoFA. *Japan's ODA White Paper 2002*, pp.40-43

¹⁵ Risk-monitored loans are composed of bankrupt loans, non-accrual loans, past due loans (three months or more) and restructured loans. Please see details at <http://www.jbic.go.jp/english/base/achieve/annual/2003/pdf/fins.pdf>

¹⁶ DAC. op.cit. p.62

¹⁷ Ibid. p.33. As for JBIC's guidelines, see <http://www.jbic.go.jp/autocontents/english/news/2003/000050/index.htm> and as for JICA's guidelines, see <http://www.jica.go.jp/english/environment/index.html>

¹⁸ See for instance Mekong Watch Japan. <http://www.mekongwatch.org/english/policy/jbiceg.html>

Annex:

**Table 3. Japan's ODA by country
Changes in Japan's ODA by type:
Indonesia (1/12) (net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1966	-		30.00	30.00
1967	-		95.50	95.50
1968	5.00		81.87	86.87
1969	10.00		81.43	91.43
1970	10.00		203.68	213.68
1971	12.09	2.77	97.03	111.89
1972	7.04	4.49	91.68	103.20
1973	3.62	7.08	132.16	142.86
1974	8.78	7.44	204.87	221.09
1975	0.43	10.32	187.17	197.92
1976	0.83	12.02	187.63	200.48
1977	8.15	16.05	124.15	148.35
1978	14.33	25.00	188.26	227.59
1979	19.94	23.65	183.31	226.90
1980	26.5	32.70	290.80	350.00
1981	15.10	37.30	247.40	299.80
1982	19.50	37.20	237.90	294.60
1983	20.00	40.00	175.40	235.50
1984	30.00	43.70	94.00	167.70
1985	31.10	45.30	85.00	161.30
1986	46.75	63.07	51.01	160.83
1987	68.70	67.88	570.72	707.31
1988	49.40	93.79	841.72	984.91
1989	44.66	101.82	998.78	1,145.26
1990	58.38	108.68	700.72	867.78
1991	79.73	133.07	852.71	1,065.51
1992	85.73	141.72	1,129.26	1,365.71
1993	67.61	157.93	923.35	1,148.89
1994	72.28	177.69	636.20	886.17
1995	66.46	203.67	622.28	892.42
1996	64.41	163.31	737.81	965.53
1997	66.57	148.39	281.90	496.86
1998	114.59	123.99	589.88	828.47
1999	100.54	130.80	1,374.49	1,605.83
2000	52.07	144.60	773.43	970.10
2001	45.16	117.27	697.64	860.07
Total	1,325.45	2,422.70	14,801.14	18,558.31

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Sri Lanka (2/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1965	-		5.00	5.00
1966	-		5.00	5.00
1967	-		5.00	5.00
1968	-		5.00	5.00
1969	0.50		5.00	5.50
1970	0.50		5.00	5.50
1971	-	0.74	6.67	7.41
1972	0.32	0.66	3.84	4.79
1973	-	0.94	2.88	3.82
1974	0.91	1.27	8.32	10.50
1975	0.13	1.67	14.28	16.08
1976	2.18	1.60	7.13	10.91
1977	2.54	2.37	13.66	18.57
1978	8.52	3.12	27.82	39.46
1979	17.75	3.95	18.33	40.03
1980	26.60	3.10	15.10	44.80
1981	27.50	4.10	17.40	49.10
1982	23.90	3.90	33.80	61.60
1983	29.50	5.80	37.80	73.10
1984	29.40	5.80	28.50	63.80
1985	33.40	7.70	42.70	83.70
1986	56.60	11.10	59.20	126.90
1987	54.20	12.50	51.60	118.30
1988	65.70	21.20	113.00	199.80
1989	75.90	17.80	91.60	185.30
1990	74.39	16.58	85.10	176.07
1991	48.05	19.23	188.86	256.13
1992	43.78	20.97	31.31	96.05
1993	71.70	22.74	52.76	147.20
1994	53.59	27.51	132.66	213.75
1995	82.06	36.37	145.28	263.70
1996	52.39	34.16	87.39	173.94
1997	44.08	28.79	61.69	134.56
1998	52.06	24.32	121.47	197.85
1999	34.10	30.48	71.45	136.03
2000	34.23	35.26	94.19	163.68
2001	19.61	31.65	133.46	184.72
Total	1,066.09	437.38	1,829.25	3,332.65

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Bangladesh (3/12) (net disbursement: US\$ million)				
	Grant	Technical cooperation	Loans	Total
1970	0.50		-	0.50
1971	1.28		-	1.28
1972	10.01	0.14	7.20	17.36
1973	15.79	0.90	12.28	28.97
1974	1.81	2.18	17.30	21.29
1975	15.43	2.21	29.41	47.05
1976	2.93	1.84	26.72	31.49
1977	17.25	2.93	45.70	65.88
1978	18.46	5.29	95.87	119.62
1979	39.70	5.32	161.31	206.33
1980	36.50	6.30	172.30	215.10
1981	48.30	6.80	89.90	145.00
1982	42.50	6.20	167.10	215.80
1983	36.70	6.10	61.40	104.20
1984	43.00	5.20	75.10	123.30
1985	55.90	6.30	59.30	121.50
1986	49.40	9.30	189.80	248.50
1987	124.60	11.30	198.30	334.20
1988	118.70	15.00	208.20	342.00
1989	135.60	16.70	218.30	370.60
1990	131.66	19.98	221.94	373.57
1991	122.41	22.11	-29.53	114.98
1992	163.59	28.47	-28.63	163.43
1993	207.51	34.01	-56.48	185.04
1994	204.71	35.93	-13.05	227.60
1995	228.75	34.84	-8.69	254.89
1996	184.77	30.52	-41.25	174.03
1997	169.60	26.83	-66.45	129.98
1998	216.35	22.83	-50.14	189.05
1999	204.43	25.04	-102.81	123.66
2000	201.96	40.55	-40.90	201.62
2001	169.22	33.06	-76.65	125.64
Total	3019.33	464.18	1542.85	5023.46

Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Nepal (4/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1969	-		1.00	1.00
1970	0.20		-	0.2
1971	0.21	0.37	-	0.57
1972	0.30	0.42	0.06	0.78
1973	0.28	0.90	0.07	1.25
1974	-	1.36	0.13	1.49
1975	0.38	1.56	0.76	2.70
1976	0.73	2.10	0.12	2.71
1977	2.11	2.73	0.13	4.71
1978	4.69	4.33	0.51	9.53
1979	10.95	3.30	5.41	19.66
1980	16.70	3.60	4.00	24.30
1981	24.30	5.10	3.70	33.10
1982	26.60	5.80	2.90	35.30
1983	19.30	5.40	3.60	28.30
1984	15.20	6.40	7.00	28.50
1985	36.30	4.80	9.60	50.70
1986	44.70	9.10	14.40	68.10
1987	50.00	14.70	12.10	76.80
1988	41.40	14.60	6.40	62.40
1989	42.20	14.60	20.60	77.40
1990	34.27	12.86	8.04	55.17
1991	44.33	15.52	67.69	127.54
1992	52.32	24.79	29.51	106.63
1993	68.11	35.28	7.50	110.89
1994	83.96	31.18	3.61	118.75
1995	95.38	29.42	2.80	127.60
1996	64.36	30.21	-5.78	88.79
1997	59.11	23.00	4.05	86.15
1998	35.79	21.49	-0.40	56.88
1999	41.63	22.88	1.08	65.59
2000	46.69	25.50	27.74	99.93
2001	49.72	19.57	15.10	84.39
Total	1012.20	392.90	253.20	1657.80

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: China (5/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1971	-	0.13	-	0.13
1972	-	0.16	-	0.16
1973	-	0.21	-	0.21
1974	-	0.49	-	0.49
1975	-	0.45	-	0.45
1976	-	0.54	-	0.54
1977	-	0.58	0.08	0.50
1978	-	0.84	-	0.84
1979	-	2.59	-	2.59
1980	-	3.40	0.90	4.30
1981	2.50	9.60	15.60	27.70
1982	25.10	13.50	330.20	368.80
1983	30.60	20.50	299.10	350.20
1984	14.30	27.20	347.90	389.40
1985	11.60	31.20	345.20	387.90
1986	25.70	61.20	410.10	497.00
1987	54.30	76.00	422.80	553.10
1988	52.00	102.70	519.90	673.70
1989	58.00	106.10	668.10	832.20
1990	37.82	163.49	521.71	723.02
1991	56.61	137.48	391.21	585.29
1992	72.05	187.30	791.23	1,050.58
1993	54.43	245.06	1,051.19	1,350.67
1994	99.42	246.91	1,133.08	1,479.41
1995	83.12	304.75	992.28	1,380.15
1996	24.99	303.73	533.01	861.73
1997	15.42	251.77	309.66	576.86
1998	38.22	301.62	818.33	1,158.16
1999	65.68	348.79	811.50	1,225.97
2000	53.05	318.96	397.18	769.19
2001	23.02	276.54	386.57	686.13
Total	897.93	3543.79	11496.67	15937.37

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Thailand
(6/12)(net disbursement: US\$million)**

	Grant	Technical cooperation	Loans	Total
1970	0.10		-	0.10
1971	0.20	3.38	11.94	15.52
1972	0.81	3.66	10.99	15.46
1973	0.06	5.00	12.57	17.63
1974	1.42	5.07	10.88	17.37
1975	2.14	5.58	33.49	41.21
1976	-	8.28	34.80	43.08
1977	4.20	11.13	33.53	51.83
1978	6.13	20.00	77.62	103.75
1979	22.87	20.12	136.87	179.86
1980	44.00	26.20	119.30	189.60
1981	50.40	32.20	131.90	214.50
1982	33.70	27.50	109.10	170.30
1983	52.20	37.20	158.80	248.10
1984	50.20	40.20	141.60	232.00
1985	76.50	40.70	146.90	264.10
1986	71.60	54.20	134.70	260.40
1987	62.90	72.60	166.90	302.40
1988	44.20	94.30	222.20	360.60
1989	107.80	96.70	284.40	488.90
1990	76.02	96.34	246.21	418.57
1991	51.03	100.82	254.32	406.17
1992	42.69	116.74	254.50	413.92
1993	24.80	135.38	189.97	350.15
1994	27.36	137.36	217.83	382.55
1995	14.75	147.46	505.16	667.37
1996	1.86	135.41	526.73	664.00
1997	1.58	127.07	339.61	468.26
1998	18.57	121.74	418.12	558.42
1999	2.09	123.99	754.18	880.26
2000	1.51	121.04	512.69	635.25
2001	2.50	90.12	116.97	209.59
Total	896.20	2057.50	6314.80	9271.20

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

Table 3. Changes in Japan's ODA by type: Malaysia (7/12)
(net disbursement: US\$ million)

	Grant	Technical cooperation	Loans	Total
1971	3.02	1.07	8.26	12.34
1972	-	1.14	11.85	12.98
1973	-	1.34	14.11	15.45
1974	-	2.86	33.40	36.26
1975	-	3.26	60.01	63.27
1976	-	3.86	30.10	33.96
1977	-	5.34	24.11	29.45
1978	2.85	7.76	37.39	48.00
1979	0.15	9.89	64.58	74.62
1980	0.10	12.60	52.90	65.60
1981	0.30	15.00	49.40	64.70
1982	1.10	15.50	58.70	75.30
1983	6.70	22.60	63.00	92.30
1984	11.00	24.80	209.30	245.10
1985	0.60	23.10	102.00	125.60
1986	7.10	36.40	-5.70	37.80
1987	7.90	40.80	227.70	276.40
1988	2.90	54.70	-32.80	24.80
1989	1.70	57.00	20.90	79.60
1990	1.77	58.54	312.31	372.62
1991	8.00	60.03	131.82	199.85
1992	6.42	63.75	86.90	157.07
1993	0.02	76.81	-99.00	-22.18
1994	1.61	78.01	-74.30	5.32
1995	1.46	84.68	-21.30	64.83
1996	0.69	69.91	-553.11	-482.51
1997	1.20	62.77	-322.84	-258.88
1998	3.92	59.53	115.65	179.10
1999	1.27	68.49	52.85	122.61
2000	1.14	61.20	-38.40	23.94
2001	0.51	52.21	-39.60	13.11
Total	73.43	1134.94	580.18	1788.41

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Vietnam (8/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1959			7.50	7.50
1969	1.72			1.72
1970	1.39		4.50	5.89
1971	3.20	0.68	4.48	8.65
1972	6.68	1.05	3.78	11.51
1973	9.52	1.32	7.15	17.99
1974	24.58	1.85	28.20	54.63
1975	7.19	1.26	8.830	17.28
1976	27.66	0.72	-	28.38
1977	11.72	0.82	-	12.54
1978	19.48	1.19	7.84	28.51
1979	10.25	1.38	27.07	38.70
1980	-	1.00	2.70	3.70
1981	-	0.90	-	0.90
1982	-	1.30	-	1.30
1983	0.10	0.60	-	0.70
1984	-	1.10	-	1.10
1985	0.30	0.30	-	0.60
1986	0.90	4.80	-	5.70
1987	-	0.30	-	0.30
1988	0.20	4.60	-	4.80
1989	0.30	1.20	-	1.60
1990	-	1.31	-	1.31
1991	0.17	6.93	-	7.10
1992	0.21	5.20	275.81	281.23
1993	8.31	13.25	10.10	11.47
1994	58.76	30.84	10.14	79.46
1995	98.66	45.70	25.83	170.19
1996	46.37	46.67	27.81	120.86
1997	79.08	54.35	99.06	232.48
1998	55.46	45.98	287.18	388.61
1999	84.87	61.66	533.46	679.98
2000	41.52	91.49	790.66	923.68
2001	51.58	86.71	321.25	459.53
Total	650.20	516.50	2442.90	3609.90

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Cambodia 9/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1971	4.14	0.20	0.40	4.74
1972	6.24	0.24	1.26	7.78
1973	10.50	0.32	-	10.82
1974	7.98	0.47	-	8.45
1975	-	0.15	-	0.15
1976	-	0.12	-	0.12
1977	-	0.10	-	0.10
1978	-	0.15	-	0.15
1979	-	0.14	-	0.14
1980	-	-	-	-
1981	-	0.01	-	0.01
1982	-	0.40	-	0.40
1983	-	0.10	-	0.10
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	0.90	-	0.90
1989	1.80	0.20	-	2.00
1990	-	0.15	-	0.15
1991	-	0.48	-	0.48
1992	0.65	4.06	-	4.71
1993	52.00	9.19	0.15	61.34
1994	51.39	13.12	-	64.52
1995	134.90	17.14	-	152.04
1996	55.40	20.12	7.38	71.33
1997	36.11	25.52	-	61.63
1998	58.35	23.05	-	81.40
1999	27.62	23.25	-	50.87
2000	65.32	32.35	1.53	99.21
2001	79.89	40.11	0.21	120.21
Total	592	212	11	804

Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: India 10/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1961			80.00	80.00
1962			0	0
1963			80.00	80.00
1964			60.00	60.00
1965			60.00	60.00
1966			45.00	45.00
1967			52.00	52.00
1968			45.00	45.00
1969			52.00	52.00
1970			1969.90	1969.90
1971	5.07	1.18	27.29	33.54
1972	-	1.18	25.50	26.67
1973	-	1.44	67.54	68.98
1974	-	1.76	62.99	64.75
1975	0.01	1.88	44.72	46.61
1976	-	1.46	77.98	79.44
1977	1.12	1.21	26.46	28.79
1978	0.48	1.78	42.58	44.76
1979	18.67	2.06	21.46	42.19
1980	25.90	2.10	9.50	37.40
1981	18.30	2.50	-16.80	4.00
1982	14.80	2.30	24.10	41.10
1983	10.40	3.00	116.10	129.50
1984	14.50	3.20	4.00	21.60
1985	9.70	4.50	7.80	21.90
1986	22.50	6.90	197.20	226.70
1987	23.10	10.10	270.80	303.90
1988	35.30	10.30	133.90	179.50
1989	24.60	10.50	222.20	257.20
1990	22.17	11.72	53.38	87.26
1991	25.79	13.17	852.09	891.05
1992	23.94	16.59	384.64	425.17
1993	31.03	17.73	247.18	295.94
1994	34.64	23.61	828.28	886.53
1995	37.41	25.39	443.62	506.42
1996	35.18	21.83	522.26	579.26
1997	31.84	23.26	436.70	491.80
1998	23.1	20.51	461.33	504.95
1999	14.57	22.48	596.97	634.02
2000	3.47	21.38	343.31	368.16
2001	5.32	18.03	505.52	528.87
Total	512.90	305.10	9484.40	10301.90

Sources: MITI. *Keizai Kyouryoku-no Genjo -to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

	Grant	Technical cooperation	Loans	Total
1971	4.14	0.20	0.40	4.74
1972	6.24	0.24	1.26	7.78
1973	10.50	0.32	-	10.82
1974	7.98	0.47	-	8.45
1975	-	0.15	-	0.15
1976	-	0.12	-	0.12
1977	-	0.10	-	0.10
1978	-	0.15	-	0.15
1979	-	0.14	-	0.14
1980	-	-	-	-
1981	-	0.01	-	0.01
1982	-	0.40	-	0.40
1983	-	0.10	-	0.10
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	0.90	-	0.90
1989	1.80	0.20	-	2.00
1990	-	0.15	-	0.15
1991	-	0.48	-	0.48
1992	0.65	4.06	-	4.71
1993	52.00	9.19	0.15	61.34
1994	51.39	13.12	-	64.52
1995	134.90	17.14	-	152.04
1996	55.40	20.12	7.38	71.33
1997	36.11	25.52	-	61.63
1998	58.35	23.05	-	81.40
1999	27.62	23.25	-	50.87
2000	65.32	32.35	1.53	99.21
2001	79.89	40.11	0.21	120.21
Total	592	212	11	804

Sources: MITI. *Keizai Kyouryoku-no Genjo –to Mondaiten (Current situation and issues in economic cooperation)* and MoFA. *ODA Hakusyo (ODA white paper)*, every year issue

**Table 3. Changes in Japan's ODA by type: Philippines (12/12)
(net disbursement: US\$ million)**

	Grant	Technical cooperation	Loans	Total
1971	4.14	0.2	0.4	4.74
1972	6.24	0.24	1.26	7.78
1973	10.5	0.32	-	10.82
1974	7.98	0.47	-	8.45
1975	-	0.15	-	0.15
1976	-	0.12	-	0.12
1977	-	0.1	-	0.1
1978	-	0.15	-	0.15
1979	-	0.14	-	0.14
1980	-	-	-	-
1981	-	0.01	-	0.01
1982	-	0.4	-	0.4
1983	-	0.1	-	0.1
1984	-	-	-	-
1985	-	-	-	-
1986	-	-	-	-
1987	-	-	-	-
1988	-	0.9	-	0.9
1989	1.8	0.2	-	2
1990	-	0.15	-	0.15
1991	-	0.48	-	0.48
1992	0.65	4.06	-	4.71
1993	52	9.19	0.15	61.34
1994	51.39	13.12	-	64.52
1995	134.9	17.14	-	152.04
1996	55.4	20.12	7.38	71.33
1997	36.11	25.52	-	61.63
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ODA Briefing “Peace-building”

27 September, 2004

K. Takahashi

ODA Reform Network

1. “Peace-building” in Japan

(1) Details

“Peace-building” has been developed in Japan through the following events.

- The concept was introduced at Japan-Canada Peace-building Joint Symposium (September 1999)
- JICA studied conceptual framework and possible work areas and publicized the research report (April 2001)
- Donors Meeting for Afghanistan Reconstruction was held in Tokyo (Jan. 2002)
- International Peace Cooperation Committee under Cabinet office publicized a report that suggested joint operational framework between PKO by Self-defense force, civil police, ODA and NGOs (Dec. 2002)
- JBIC studied roles of yen loan for “peace-building” including cases studies for Sri Lanka and Afghanistan (Jan. 2003)
- MOFA revised ODA Charter that explicitly stipulated Japan’s commitment on “peace-building” as a priority area (August 2003)
- Japan pledged \$ 5 billion (including \$ 1.5 billion of grant) for Iraq reconstruction at Donors meeting in Madrid (Oct 2003).
- SDF was dispatched to Iraq under the name of “humanitarian assistance” (Dec 2003).
- Japanese government will host the Third Donor Committee Meeting and Expanded Meeting of the International Reconstruction Fund Facility for Iraq (IRFFI) in Tokyo on October 13 and 14 to discuss political process, security and reconstruction.

(2) Policy

Japanese government does not define the term of “peace-building” in articulated manner though an interpretation can be found in the section of “Priority Issues” in new ODA charter as follows.

“In order to prevent conflicts from arising in developing regions, it is important to comprehensively address various factors that cause conflicts.... Japan will extend bilateral and multilateral assistance flexibly and continuously for peace-building in accordance with the changing situation, ranging from assistance to expedite the ending of conflicts assistance for the consolidation of peace and nation building in post-conflict situations.”

Japanese government regards a series of engagement from post-conflict reconstruction through nation-building as “peace-building.” However, this does not necessarily mean that Japan has specific policy and strategies about “peace-building” while the government uses this term *statically* for its diplomatic purposes, such as demonstration of being a part of international community or consolidation of Japan-US relationship over the prevention of terrorism.

Ambiguity over the definition of “peace-building” leads to various interpretations and perspectives by different actors” as follows.

- MOFA wants to see it politically useful for international presentation in order to consolidate US-Japan relationship, and resource mobilization for ODA.
- JICA and JBIC see the possibility of extending their works as a new mandate, but are still confused over how and what to do with it.

- NGOs have mixed feeling over its political implications and funding opportunity
- General public is rather innocent or indifferent as little consultation opportunities have been given so far.

(3) Conceptual and operational development by JICA

JICA, among other institutions, has studied about “peace-building” through a series of learning process such as Canada-Japan peace-building lesson learned program, and established its basic principles: 1) Focus on reconstruction assistance, 2) Prompt assistance from viewpoints of mid-to-long-term development, 3) Promotion of Conflict Prevention lens, 4) Support for self-initiatives by post-conflict countries/region. They have decided seven priority areas of JICA’s peacebuilding assistance based on these principles.

- Reconstruction
- Governance
- Security improvement
- Rehabilitation of social infrastructure
- Economic recovery
- Assistance for socially vulnerable people
- Humanitarian emergency assistance

JICA also has been studying a tool (PNA – Peace-building Needs Assessment) to promote safe-guard policy (“Do No Harm”)

and participatory process over planning of peace-building operation.

(4) Examples (by country)

a. Kosovo

April 1999: Announcement of a \$200 million package of aid for refugees, neighboring countries, and reconstruction for the following projects.

- Assistance for Elections by sending election experts and financial contributions to OSCE to assist with the first and second municipal elections and Kosovo Assembly elections, and financial contribution to the OSCE for the first municipal elections (Oct 2000 – Nov 2001)
- Assistance for UNDP's plan to rebuild independent broadcasting media (Jan 2000)
- Support for an International Organization for Migration plan to reintegrate former Kosovo Liberation Army combatants (Jan 2000)
- Financial contributions to the UNHCR and other international organizations (Aug 1998 – Jan 2000)
- Support in the sectors of health and medical care and education and for infrastructure restoration (Oct 1999 – Sep 2002)
- Assistance to Neighboring Countries (Macedonia and Albania)

b. East Timor

December 1999: Announcement of a three-year \$130 million aid package at the first Donor's Meeting for East Timor in Tokyo (\$100 million in reconstruction and development assistance and \$30 million in humanitarian assistance).

May 2002: Announcement of up to \$50 million in aid over three years at the sixth Donor's Meeting for East Timor in Dili.

- Assistance for the UN Transitional Administration in East Timor
- Financial contribution to the Constituent Assembly Elections
- Financial contribution to the Commission for Reception, Truth, and Reconciliation in East Timor
- Assistance for regional development centers to provide reemployment training for former military personnel
- Police training in cooperation with Singapore
- Financial contribution to provide medical supplies and help refugees in West Timor
- Reconstruction and Development Assistance (infrastructure, agriculture, human resources)

c. Afghanistan

Aid totaling \$450 million was committed, including \$92 million for humanitarian assistance and \$358 million for

rehabilitation and reconstruction assistance over three major areas:

- Peace Process Assistance (Total: about \$81 million)

Administrative capacity building, Media support, and non-project grants, etc.

- Security Assistance (Total: about \$59.6 million)

Reintegration of ex-combatants, Demining, Anti-narcotics, etc.

- Rehabilitation and Reconstruction Assistance (Total: about \$177.34 million)

Resettlement of refugees and internally displaced person, Infrastructure, Education, Health and medical care and public health, Women, Agriculture, etc.

d. Others

Sri Lanka

Following a cease-fire agreement in Sri Lanka in February 2002, Sri Lanka is now moving toward genuine conflict resolution through these negotiations. Now that the peace process has been launched, it may be possible to make significant progress in the peace process if the recovery and reconstruction assistance from the international community and the efforts of the people of Sri Lanka enable all Sri Lankans to enjoy tangible peace dividends. Japan now promote the consolidation of peace in Sri Lanka by supporting the peace and reconstruction process.

Aceh (Indonesia)

At the 12th Consultative Group Meeting on Indonesia in January 2003, Japan announced that it would provide over \$6.2 million to facilitate and support the peace process in Aceh. The Aceh peace process is about to begin in earnest.

Mindanao (Philippines)

The Philippine government is currently implementing a mop-up campaign against the remaining members of the Abu Sayyaf Group, an extremist organization based in Mindanao. At the same time, it is negotiating a final peace settlement with the Moro Islamic Liberation Front (MILF). Incidents like terrorist acts, localized conflicts, and kidnappings have continued, though, even during this process. Recognizing these situations Japan will provide ongoing support based on medium- and long-term perspectives under the Support Package for Peace and Stability in Mindanao, designed to contribute to poverty eradication, peace negotiations, and peace consolidation in Mindanao. It was announced by Prime Minister Koizumi during a visit to Japan by Philippine President Gloria Macapagal-Arroyo in December 2002.

2. Problems of "Peace-building" by Japanese ODA

- (1) Lack of accountability and transparency mechanism

Peace-building assistance in post-conflict situation is usually carried out in a series of humanitarian emergency operation that requires quick disbursement and implementation. This gives an excuse to skip ordinary operational procedures such as Social and Environment Impact Assessment, and sometimes even bidding process and cost-benefit analysis.

- (2) Lack of a clear “peace” vision and coherence among related policies such as MDGs, Human Security, debt cancellation, etc.

Peace-building is implemented in very politicized environment, and thus situational decision is made at higher policy level. This leads to double standard at project level while operation at this level requires needs-based planning, people-initiative, Do-No-Harm perspective and peace-coherence.

- (3) Lack of operational tools and guidelines to mainstream “Conflict Sensitive Approach”

Japan tries to jump drastically from “Work around conflict” position towards “Work on conflict” position for direct and proactive engagement. Therefore, some essential tools and guidelines to ensure “Conflict Sensitive Approach” or “Do No Harm” concept to avoid

exacerbation of conflict are underdeveloped because Japan did not experience and learn these matters in “Work in conflict” stage. A typical problematic example of this case is the joint operation of ODA with SDF in Iraq, which blurs the distinction between civil activities (i.e. humanitarian assistance by NGOs) and military operation. Conflict Sensitive Approach is particularly important and essential to promote “Culture of Prevention,” that leads to lesser reliance on military actions for peace.

- (4) Lack of capacity and human resources

In line with lack of Japan’s peace-centered strategy and concrete tools for Conflict Sensitive Approach, scarce capacity and human resource in related sectors are serious problem. Ministry of Foreign Affairs, in particular, does not have capacity and skills to analyze conflict and assess people’s needs on the ground while they are primarily responsible for peace-building policy.

In order to address these problems, substantial policy consultation is needed between NGO, CSO and government over what peace-building should be and how it should be implemented if necessary.

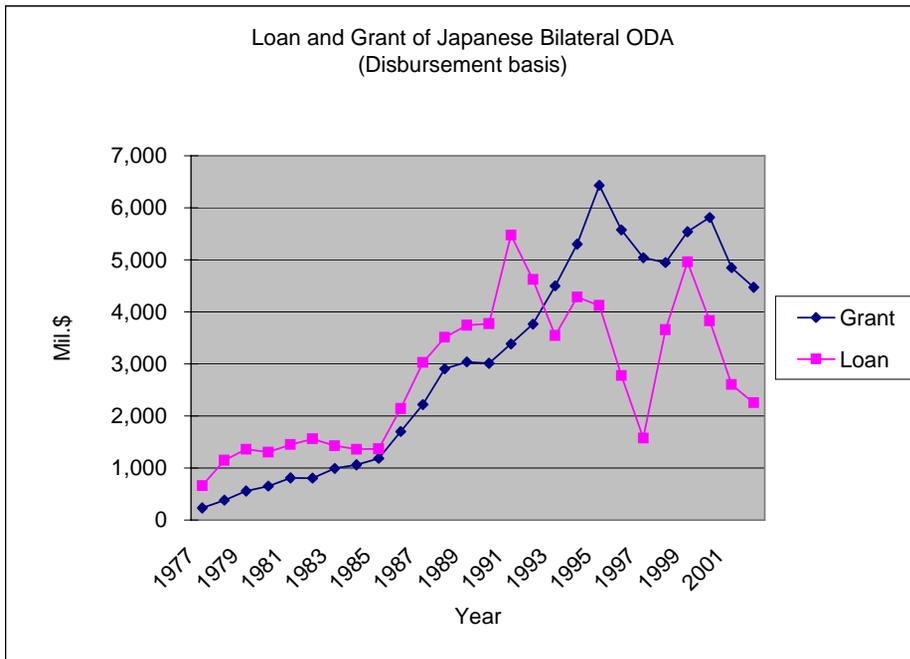
High Rate of Loan in Japanese ODA and Debt

Inoue Reiko
Pacific Asia Resource Center

1. The share of grant is still very low.

The percentage of grant has been gradually increased after 1990 under the strong criticism both from Japanese civil society

and from abroad, but the percentage of the Loan in Japanese ODA is still quite high among DAC countries and most of these Loans are spent for the large economic infrastructure projects.



Source: "International Cooperation Handbook" published by OECF and JBIC

Table 1. Grant share of total ODA (per cent)		
	2001	2002
Australia	100	100
Austria	76.7	99.9
Belgium	98	98.6
Canada	100	99.6
Denmark	99	98.1
Finland	99.7	97.9
France	88.7	87.2
Germany	87.8	93.1
Greece	99.4	100
Ireland	100	100
Italy	97.1	96.2
Japan	51.8	55.3
Luxembourg	100	100
Netherlands	100	100
New Zealand	100	100
Norway	99.7	99.1
Portugal	93.8	99.3
Spain	80.1	78.1
Sweden	99.3	99.5
Switzerland	97.8	98.8
United Kingdom	97.7	94.9
United States	99.2	99.2
TOTAL DAC	85.4	89.3

Source: *Statistical Annex of the 2003
Development Co-operation Report by
DAC*

Solution to Debt required

The above Yen Loan, together with other official financing including export credit, has brought the debt burden to many recipient countries. Japanese Government agreed to cancel 100% of the debt owed by the HIPC's based on the consensus at the occasion of Cologne G7 summit in the year 1999 in response to Jubilee 2000 which was deployed strongly globally and also in Japan and also has finally agreed, in the year 2002 to abandon Debt Relief Scheme, unique to Japan, which was notorious because of its lack of transparency and enforcement of import from abroad. But many other countries still suffer from debt from Japanese loans and we should reconsider the following points and need to make a thorough review on debt of each country and take a clear and definite measure to solve these issues, especially since heavy burden of debt to many countries should be attributed to the responsibility to the lender as written below.

(1) High interest rate in the eighties

The average interest rate is 1.4-1.5% now and the maturity period is mostly 30 years with grace period of 10 years for Japanese Yen Loan. But during the eighties, when Japanese Yen loan has started to rapidly increase, the interest rates was 2.75% to 3.5% and this high interest rate still causes the difficulty.

(2) Rise of Yen and devaluation of Asian currency

The exchange rate of yen to one US Dollar during the first half of eighties was ¥220-250 and then after the Plaza Agreement in 1985 the yen rose up nearly to the double ¥110\120.

Since most of the Asian currencies have been linked to the US Dollars and then this rise of yen has made the debt more than double in their own currencies. And after the Asian Economic Crisis in 1997, the currencies of Indonesia, Philippines, Thailand and Malaysia have been devaluated and the debt burden caused by Yen loan have become again serious.

(3) Borrowing countries need to repay the loan even for the failed projects.

The borrowing countries are forced to repay the debt for the projects after the projects have been found as failures, even though all the feasibility studies were done by the Japanese side.

(4) Odious debt

The Japanese ODA has supported Asian development dictatorship like Marcos

Government in the Philippines and Suharto Government in Indonesia; Japan has poured a large loan into the Marcos Government until the last moment against the aspiration of the people. Some record of kickbacks from Japanese company to Marcos was exposed after the fall of Marcos. Japanese ODA to Indonesia has started in 1966, the following year of the Birth of Suharto Government and Indonesia has continued to be one of the top recipient countries of Japanese ODA all through the era of Suharto. After the fall of Suharto, it has been exposed that 8 to 10 billion dollars of World Bank lending was lost as kickbacks to the government. Regarding the loan provided by Japan, it is unknown how much was lost due to the similar reason, but it was reported by the "Fortune" in 1998 that the total asset of Suharto Family amounted to 40 billion dollars, which is nearly equal to one fourths of the external debt of Indonesia. And the peoples of these countries are now repaying the debt of these loans. Both the Philippines and Indonesia are in the critical situation of their indebtedness.

Table 2. Debt owed to Japan and its weight to the total external debt of selected Asian countries (end of FY 2002)

	Public debt owned to Japan (100 million Yen)	Public debt owed to Japan (Million dollar)	Total External Debt (Million dollar)	Debt Owed to Japan/ Total External Debt
China	22,798	18,209	168,255	11%
Mongolia	271	216	1,037	21%
Cambodia	24	19	2,907	1%
Indonesia	35,789	28,585	132,208	22%
Lao PDR	46	37	2,664	1%
Malaysia	5,300	4,233	48,557	9%
Burma	3,054	2,439	6,556	37%
Philippines	13,850	11,062	61,121	18%
Thailand	16,119	12,875	59,212	22%
Vietnam	3,762	3,005	13,349	23%
Bangladesh	3,368	2,690	17,037	16%
India	13,307	10,629	104,429	10%
Nepal	365	292	2,953	10%
Pakistan	6,231	4,977	33,672	15%
Sri Lanka	2,854	2,280	9,611	24%

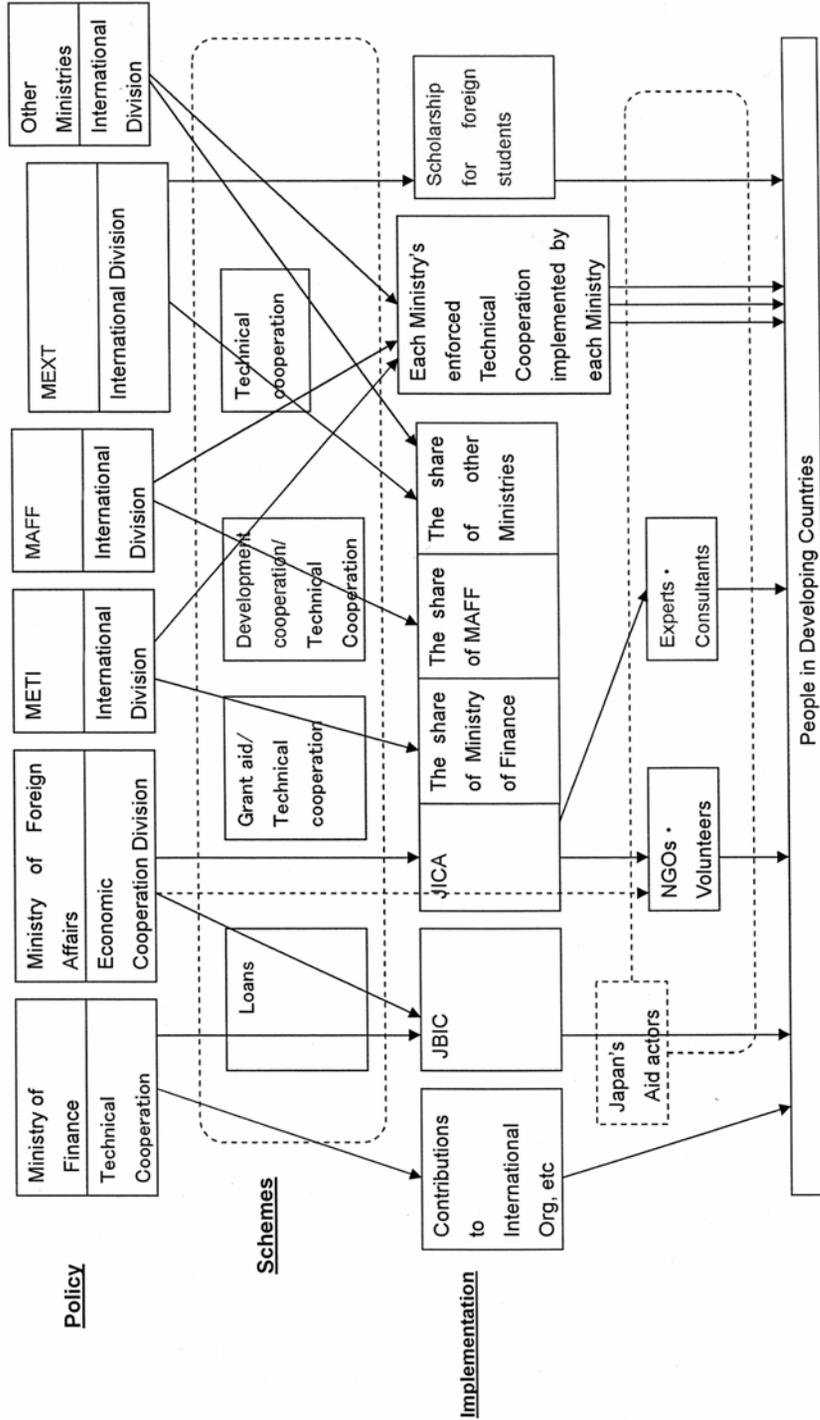
Table 3. Indebtness of selected Asian countries

	Total Debt Stock (EDT)	Total Debt Service Paid (TDS)	Export of Goods and Services (XGS)	EDT/ XGS	TDS/ XGS	GNI	EDT/ GNI
China	170,110	27,092	309,709.00	54.9	7.8	1,131,112	15
Mongolia	885	45.3	591.2	149.7	7.7	1,030.40	85.9
Cambodia	2,704.00	21	1,671.00	161.9	1.3	3,285	82.3
Indonesia	135,704	15,530	65,914.00	205.9	23.6	139,646	97.2
Lao PDR	2,495	44	483	516.5	9	1,674	149.1
Malaysia	43,351	6,229	104,282.00	41.6	6	79,628	54.4
Burma	5,670	84	117	211.6	3.1		
Philippines	52,356	7,776	41,863.00	125.1	18.6	75,702	69.2
Thailand	67,384	20,073	80,065.00	84.2	25.1	111,624	60.4
Vietnam	12,578	1,216	18,155.00	69.3	6.7	32,723	38.4
Bangladesh	15,215	672	9,214.00	165.1	7.3	46,442	32.8
India	97,320	9,283	79,264.00	122.8	11.7	474,644	20.5
Nepal	2,700	89	1,827.00	147.8	4.9	5,781	46.7
Pakistan	32,020	2,958	11,483.00	278.8	25.8	57,795	55.4
Sri Lanka	8,529	716	7,405.00	115.2	9.7	16,284	52.4

Source. Report by JBIC and Global Development Finance 2003

Note: Indebtedness: Standard World Bank definitions of severe and moderate indebtedness are used to classify economies in this table. Severely indebted means either of the two key ratios is above critical levels: present value of debt service to GNI (80 percent) and present value of debt service to exports (220 percent). Moderately indebted means either of the two key ratios exceeds 60 percent of, but does not reach, the critical levels. For economies that do not report detailed debt statistics to the World Bank Debtor Reporting System (DRS), present-value calculation is not possible. Instead,

the following methodology is used to classify the non-DRS economies. Severely indebted means three of four key ratios (averaged over 2000-2002) are above critical levels: debt to GNI (50 percent); debt to exports (275 percent); debt service to exports (30 percent); and interest to exports (20 percent). Moderately indebted means three of the four key ratios exceed 60 percent of, but do not reach, the critical levels. All other classified low and middle-income economies are listed as less indebted.



Notes: METI: Ministry of Economy, Trade and Industry
 MAFF: Ministry of Agriculture, Forestry and Fisheries
 MEXT: Ministry of Education, Culture, Sports, Science and Technology

Improvements in and main issues on social and environmental considerations: environmental guidelines and ex-post evaluation

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Summary

With some NGOs' successful advocacy, Japanese aid institutions, i.e., Japan International Cooperation (JICA) and Japan Bank for International Cooperation (JBIC), have been improving environmental guidelines to reduce or mitigate social and environmental impacts of projects/programs. Above all, important environmental documents like environmental impact assessments (EIA) are made open to the public, consultations with stakeholders including the affected people and NGOs are conducted from earlier stages, and introduction of objection procedures against possible violation of guidelines paved the way for the stakeholders' direct complaints before the Japanese aid institutions. However, public access to important information is still limited, including whether all the projects with expected serious

impacts are in compliance with the guidelines and whether they have caused no harm to the people and environment, or not. Other important documents like detailed design reports are still strictly classified.

Japanese aid institutions also release their assessment reports about the performance and impacts of their funded projects/programs. Lessons obtained from these ex-post evaluations are supposed to be fed-back to the recipient countries, as well as to Japanese aid institutions, for their improvements. These ex-post evaluations have also been upgraded in terms of transparency and the coverage and quality of evaluations. In particular, assessments of environmental and social impacts could provide important lessons to ensure avoidance of negative impacts, as well as the compliance with the environmental guidelines.

It seems, however, that social and environmental assessments in the ex-post evaluations have rooms to be improved. There are some cases with no descriptions about social and environmental problems which actually happened to people and environment. Even a controversial project like the Batangas port development project in the Philippines, to which loan was suspended due to a bloodshed incident involved with demolition of houses for evacuation. Both the proponent and the Japanese aid institution dubbed the people opposing displacement “professional squatters (illegal occupants for compensation)”, and claimed that there were no faults in the procedure of the demolition of houses. Courts ruled, however, that the people were not “professional squatters” but honest and peaceful occupants, and that there were faults in the procedure of demolition. These facts are not mentioned in the ex-post evaluation.

In addition, the evaluation found out that most of displaced people were forced to lower their living standards, which breaches the relevant part of the environmental guidelines. But, the report does not mention about countermeasures against the predicament of the displaced people.

These biases may be attributed to insufficient compliance with the “impartial and independence” principle of evaluation, which was one of principles laid down by the guideline of Development Assistance

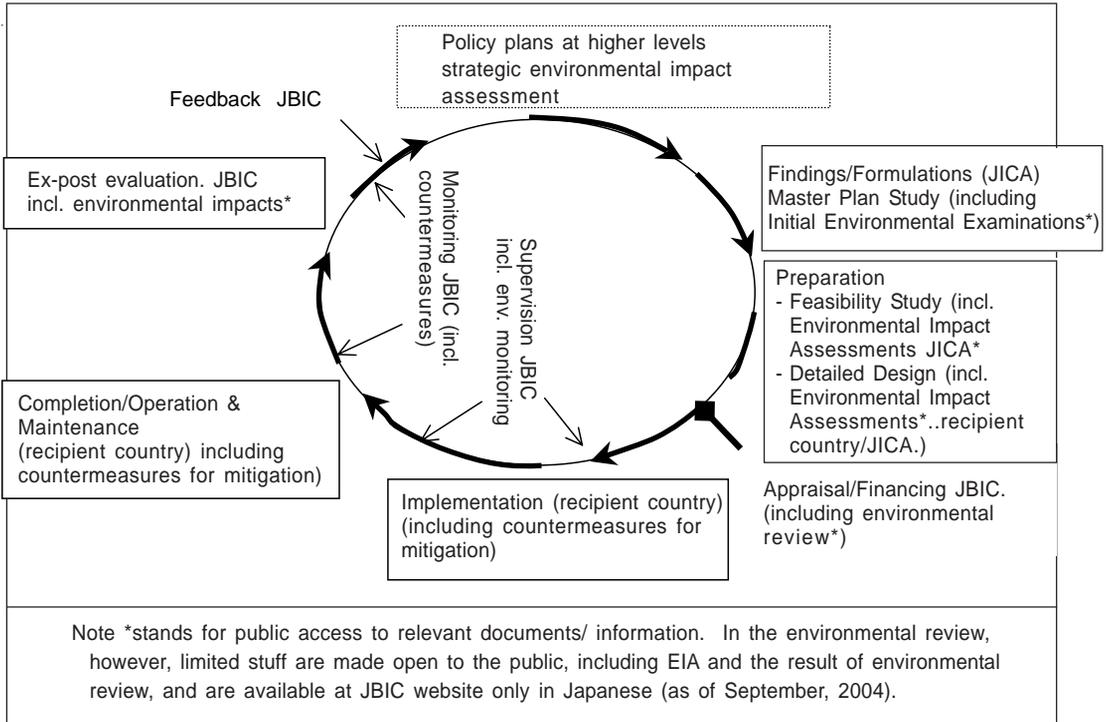
Committee (DAC). Possible countermeasures would include public access to the results of environmental monitoring, better approaches and methods of environmental and social impact assessments, including mechanisms to listen to affected people, as well as independent evaluation unit, which might be set up at the Diet (Parliament).

2. Features of New Environmental Guidelines

1) Major improvements

- *Better public access to information and consultation with stakeholders:* public access to EIA documents and consultation with stakeholders, including affected people and NGOs, from “earlier stages”.
- *Suspension measures:* JBIC can suspend loan disbursements due to major problems like the breach of guidelines. Similarly, JICA can recommend a cancellation of the study to Ministry of Foreign Affairs.
- *Objection procedures:* Stakeholders, including affected people and NGOs, can file a complaint of possible breach of the guidelines before the aid institutions. If it is found correct, the aid institution has to take appropriate actions, including a suspension of the undertaking. Also, JBIC will promote a dialogue between the parties concerned.

Figure 1. Simplified project cycle



2) Major issues

Insufficiency of earlier and radical safeguard measures: to get rid of projects with serious social and environmental impacts and assess accumulated impacts in a certain area at earlier stages, social and environmental considerations have to be incorporated into master plans/ sector plans/ programs and policies (“strategic assessment”). The guidelines include some of such considerations like examining alternatives including “no implementation of the project” or a description about the efforts to incorporate the concept of strategic

assessments, but still have uncertainties to what extent they will be implemented. In reality, the examination of alternatives seem to be conducted in a narrow sense, i.e., with minor differences.

- *Internalization of social and environmental costs:* this internalization, as described as a basic concept in JICA guidelines, is specifically to be quantitatively measured as *much as possible* to be included in economic and financial evaluations. How the counting will be done has yet to be clarified. As for financing yen loans, no information/ data on economic and financial evaluations are disclosed.

- *Insufficiency of transparency/ accountability at operation level:* the details of appraisals, results of monitoring and others are not made open to the public. Transparency/ accountability remains to be improved.

- *Uncertainties about actions against breaches of guidelines:* specific actions against the violations are uncertain as depend on the President of JBIC or Ministry of Foreign Affairs.

- *Insufficient mechanism for saving victims or solving conflicts:* it is uncertain how effective the dialogue between the parties concerned to be promoted by JBIC will be functioning to save the victims or solve the problems.

3. Features of ex-post evaluations by JBIC

1) Major improvements

Full coverage of completed projects: all the projects in two years after completion have undergone evaluation.

- *Introduced criteria for evaluation:* the common criteria of Development Assistance Committee (DAC) were introduced: Relevance of project objectives; Efficiency of outputs in relation to inputs; Effectiveness in terms of achievement of objectives; Impacts including macro-economic, social and environmental aspects; and Sustainability of effects.
- *Improved transparency:* disclosure of ex-post evaluation reports and

incorporation of opinions from third parties for feedback

2) Major issues

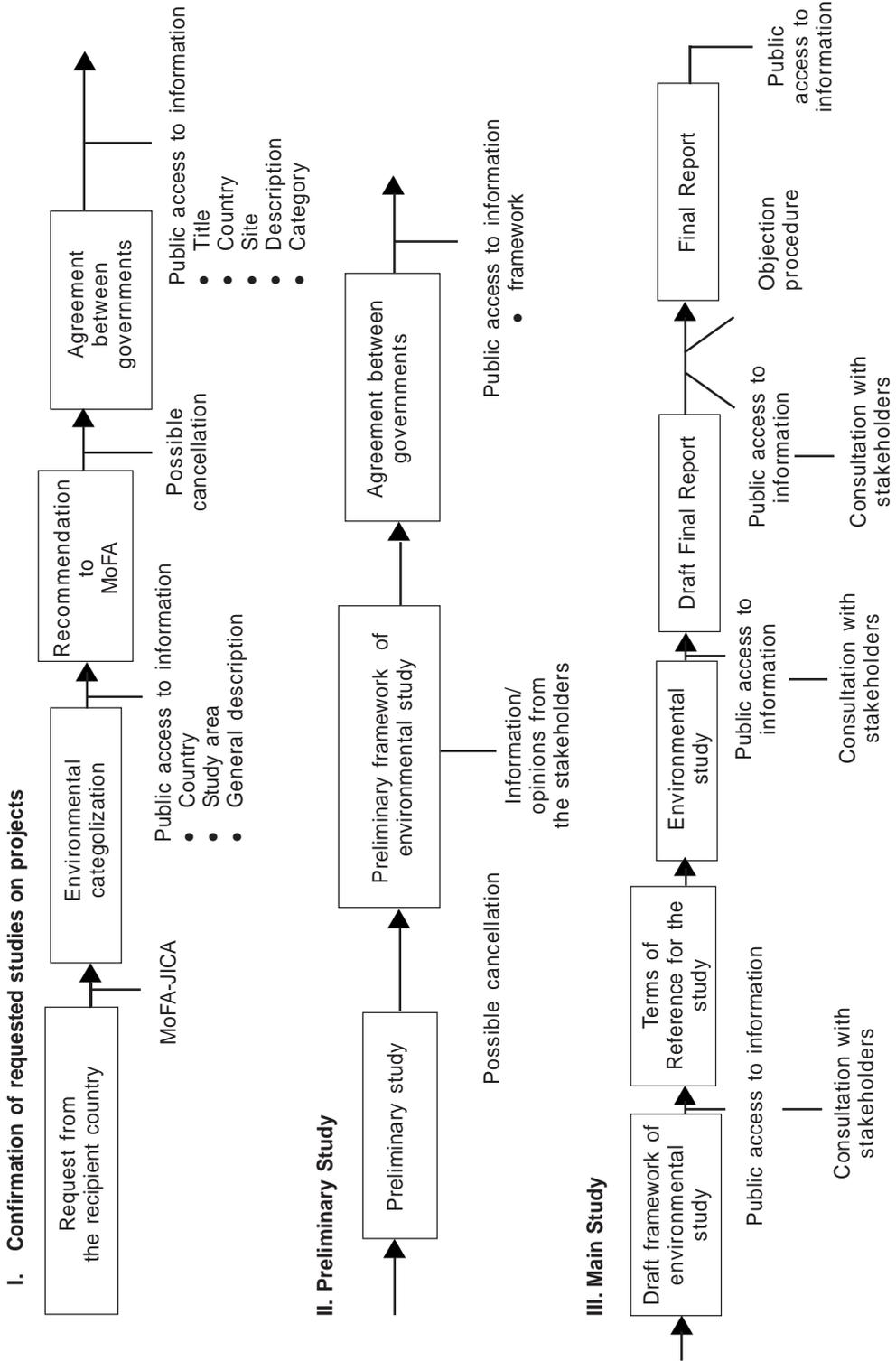
- *Possible breach of "Impartiality and Independence" principle:* this may lead to insufficient evaluation of social and environmental impacts
- *Insufficient linkage with environmental guidelines:* there appear no confirmation about compliance with guidelines and effectiveness of countermeasures for avoidance/ mitigation.
- *Insufficient feedback:* lessons learned from evaluations are not reflected in policies and new projects, e.g. lack of local budget for operation and O&M.
- *Less coverage of important evaluation items:* information on debt services is not disclosed to the public.

3) Case study of insufficient environmental impact evaluation: Batangas Port Development Project (Philippines)

(1) General

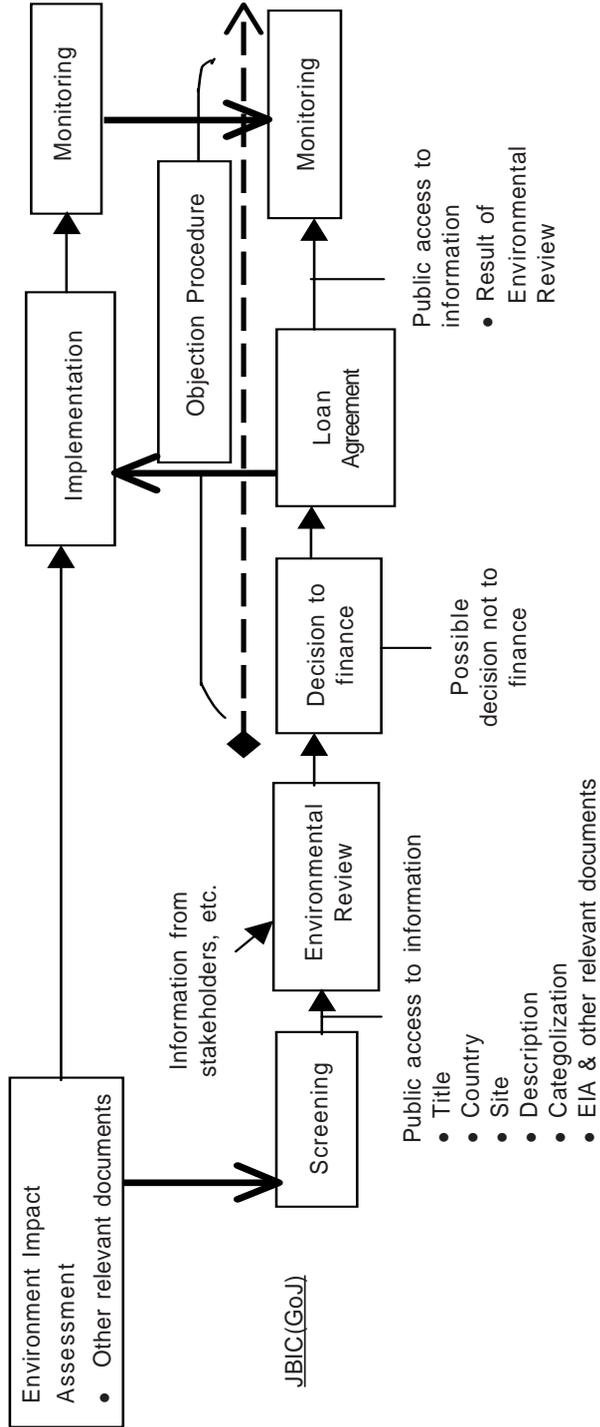
- *Proponent:* Philippine Port Authority(PPA)
- *Loan Agreement:* March 1991, *Completion of disbursements:* July, 1997, *Committed amount:* 5.788 billion yen (actual disbursement 5.497 billion yen)
- *Objective:* Improve and expand degraded narrow port facilities for more efficient flow of goods

Figure 2. Simplified flow of environmental appraisals/ studies
Environmental studies in JICA development studies



Yen-loan-funded projects—JBIC environmental appraisal

Recipient government



- *Completion:* March 1999 (delay by 43 months mainly due to the conflict involved with displacement and widening scope of work)
- *Cost:* increase in local cost, especially relocation and resettlements - about four times
 - (2) Relocation and resettlement issue
- *Number of those who were displaced:* 1,467 households—(a) those who were subject to voluntary relocation (about 200 households), (b) those who were forced to resettle at government resettlement sites after demolition (about 600 households, but about 130 households left and returned to the original site), (c) those who raised an objection and bought their land nearby to resettle themselves (nearly 400 households)
- The group of (c) above demanded that the proponent should establish their resettlement sites near the port as they would lose their livelihoods. The proponent, however, refused their demand due to lack of budget.
- In June, 1994, the proponent conducted demolition (house destruction by force), when the armed police fired and about 10 people were injured. JBIC suspended its loan disbursement from July to December, 1994.
 - (1) Major issues on relocation pointed out by JBIC ex-post evaluation in 2000
 - (4) recognition by courts in the case of PPA vs. residents (group (b) above): PPA was defeated both at Batangas district court in 1996, and at the court of appeal in 2000 PPA offered out-of-court settlement
- This relocation process satisfied all conditions stipulated by law for more “humane” demolition of houses.
- The relocatees (affected residents) are “illegal settlers (squatters)” as they have no evidences of land ownership, including land title.
- As of 1999, most of the resettlers at two government sites were forced to lower their standard of living, i.e., income level and employment opportunities. Unemployment ratios were 45% and 53%. Basic infrastructure such as water and electricity had yet to be improved.
- *Lessons:* (a) the representatives of residents were unable to persuade them → conduct consultations with residents reflecting their diversity with balanced information-gathering; (b) much increase in the number of relocatees → finalize the list of relocated households at one time before the project, (c) basic infrastructure was constructed after demolition → complete the development of resettlement sites before the project, (d) many resettlers did not join discussions on their livelihood programs → involve the participation of resettlers in the formulation of livelihood programs

following the recommendation by the court, and settled in 2002

- There were some faults in the procedure for the demolition of houses. In particular, the proponent did not obtain the court order for demolition. They used falsified expressions in the notice of relocation.
- The residents are not “professional squatters”, who intentionally settled for compensation, but “possessors in good faith” and “in peaceful occupation” who have rights to receive appropriate compensation. The proponent must pay for their damages.

(5) Comments on JBIC ex-post evaluation

- The JBIC report does not refer to the recognition and decision ruled by the Batangas court

Both Philippine and Japanese government sides dubbed the affected people as “professional squatters” and created an image that their demands were egoistic, seeking for compensation

- There is no examination about whether JBIC’s appraisal on this project is appropriate or not in the wake of resettlers’ lower standard of living, which means that the relocation does not comply with the relevant part of the JBIC environmental guidelines.

- The JBIC’s lesson about livelihood program, which emphasizes the participation in discussions, serves only to be a necessary condition: there should be more conditions to be considered for successful livelihoods, including quality and demand in the markets. They must analyze the alternative demanded by a group of residents, i.e., resettlement site to be developed near their original livelihoods, which ensures their continuation of livelihoods.
- JBIC did not take some lessons suggested by “the third-party evaluator”, including “real, genuine and participatory consultations”, trust-building between the proponent side and the people, the necessity for ensuring know-how and budget for relocation and resettlement.
- There is no evaluation about the agreement between two governments to resume the loan disbursement: (1) continued efforts to persuade dissenting residents and to accomplish a peaceful and legitimate relocation; (2) measures to improve the lives of the relocated residents (priority employment at the port, infrastructure improvements at resettlement sites, etc.); and (3) the creation of a monitoring committee with the participation of both governments.

PARC Position Paper on 50 Years of Japan's ODA

**“ Proposal on ODA aiming for the well-being of all people
and global social security”**

Introduction

Japan's Official Development Assistance (ODA) started 50 years ago. Together with people in Asian Pacific, we have been watching Japan's ODA. Marking its 50th anniversary, we like to present our proposals of how Japan's ODA should look like in the future based on our fifty-years of observation and analysis.

With regard to the Japan's ODA, there are various opinions and evaluations. One says that the Japan's ODA has made great contribution in Asian countries particularly in the areas of economic infrastructure development that Japan was best at, boosting their economic development and economic growth. Another says that it has contributed little in the aspects of eliminating poverty as well as social development or it has even “promoted” authoritarianism, development dictatorship, and political fraud and corruption in the recipient countries. Following are our review and vision on Japan's ODA from the

viewpoint of the “ordinary citizens” who are not at the center of power and not able to participate in the ODA policy making process.

1. 50 Years Overview

From 1960's through mid-1970's Japan's ODA, originated as a postwar repatriation, was often used for its short-term economic benefits to achieve rapid economic growth, carrying out a mission to support national economic activities in the first half of its service.

For Japan known as a “resourceless” country, reservation of resources such as oil was the national priority for its economic growth. It was believed that the acquisition of foreign currencies by exporting manufactured goods and entry of private capital into Asian market were crucial for its economic success.

Accordingly, Japan's ODA was often used for obtaining resources, trading market share, and inexpensive labor forces. The

large loan granted to Indonesia for oil and LNG development was the one of the clear evidences.

In 1970s, the flood of Japanese business inflamed the anti-Japanese sentiment in Southeast Asia, and Japan was compelled to review the conventional manners of its short-sighted and profit-centered ODA policy. The Fukuda Doctrine of 1977 and the comprehensive security policy introduced by Prime Minister Taihei brought a great transition for Japan's ODA. Success in rapid economic growth and capital advance overseas brought Japan an era of economic luxury, "taking off" to become one of the leading ODA donor nations.

In particular, the bubble economy of the late-80s pushed up Japan to become the world biggest ODA provider (1989). Often criticized as ODA without principles or profit-centered aid, in response to fall of Berlin Wall (1989) and Gulf War (1990-1991), Japanese Cabinet endorsed Japan's ODA Charter and publicized its principles and guidelines both internally and externally. The guiding principles are (1) to withhold ODA to military regimes and arms exporters/importers (2) to include democracy, human rights, and realization of freedom in the evaluation criteria to select ODA recipient countries. Although some measures should be positively credited, specific guidelines for their implementation were lacking.

While the Japan's ODA during 90s was said to be "in full blossom", it has been facing a major turning point since Japan's internal economic crisis (collapse of the bubble economy) and the Asian monetary and financial crisis in addition to "the September 11 Terrorist Attacks" in U.S. in 2001. Under the pressure from the business community. Japan's ODA is again sailing towards the time of profit-oriented aid over the past few years loans, once completely untied, have been rapidly shifting into those with strings attached.

Moreover, new Japan's Oda Charter revised in 2003 has clearly shifted its direction towards "national-interest-first policy". In the new Charter, it proclaims an involvement in peace building and conflict prevention where it never had got involved previously. The tendency of Japan's ODA policy going alone with the U.S. foreign policy is becoming even more obvious.

Recognizing contributions made by Japan's ODA in such areas as economic infrastructure development, following negative aspect also has to be pointed out on behalf of people in Asian Pacific. The infrastructure development has destroyed people's life and environment, accelerated authoritarian system and dictatorship, failed to actively involve in democratization movements and human rights protection, supported fraud and corruption of regions in recipient countries and most importantly left a large amount of debt. We believe that ODA policy should not be implemented

before thorough review is conducted.

Many people are still suffering from famine and poverty in the developing countries, which constitute a great majority among countries in the world. From humanitarian viewpoint, the international community can ill afford to ignore this fact.

Japan's ODA Charter consists of four major principles including "international humanitarianism", recognition of the fact of interdependence among nations of the international community", "environmental conservation" and promotion of the self-help efforts of developing countries towards economic take-off". Although Japan's ODA has been criticized for the absence of clear principles, in addition to these four principles the Charter addresses to consider recipient countries' military expenditures, their development and production of mass destruction weapons and missiles, their export and import of arms, promoting democratization and introduction of a market-oriented economy, and the situation regarding the securing of basic human rights when it provides aid services. Creation of the Charter was a step forward for Japan's ODA.

On August 29, 2003, the new ODA Charter was endorsed by the Cabinet, addressing in its opening that "The objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity. Taking advantage of Japan's experience as the first

nation in Asia to become a developed country. Japan has utilized its ODA to actively support economic and social infrastructure development, human resource development, and institution building. Consequently, Japan has significantly contributed to the economic and social development of developing countries, especially in East Asia." The spirit of international humanitarianism was toned down and instead national-interests-first policy was put greater emphasis.

The reason behind the shift in direction of the Japan's ODA policy is due to changing situations of world affairs as well as Japan's economic downturn. One might question how important ODA is particularly in the time of Japanese economic slump. However, at the expense of all principles of "international humanitarianism", "recognition of the fact of interdependence among nations of the international community", "environmental conservation", and "support for the self-help efforts of developing countries towards economic take-off", pursuing national interest under the ODA scheme may leave Japan far behind the international aid community.

Some recognize that the most important factors that changed situations in the world affairs are the September 11 Terrorist Attack which occurred in U.S. as well as the afterwards "word with daily terrorist incidents". Based on this theory, the U.S. has launched a worldwide campaign to "fight with terrorism". Then the question arises: Should Japan change its ODA

policy in accordance with U.S. led world cognition?

The revised Charter states, "conflict and terrorism are occurring more frequently and they are becoming even more serious issues. Preventing conflicts and terrorism, and efforts to build peace, as well as efforts to foster democratization, and to protect human rights and the dignity of individuals have become major issues inherent to the stability and development of the international community." In reality, it is not quite easy for Japan with no experience for peace building to exercise these measures especially within the ODA platform.

There is no discussion about the righteousness of building peace. However, under the delicate nature of international politics, "peace building" efforts could trigger the conflicts. Thus, it is vital to fully discuss the adequacy of peace building within ODA scheme.

We agree that principles of ODA include the spirit of international humanitarianism. Question, however, is whether Japan's ODA has really been utilized for people in hunger and poverty above anything else?

Economic growth theory backed by the modern economic theory is one of the most important theoretical pillars of Japan's ODA. That is, ODA stimulates economic growth resulting in enlargement of economic pie. While the enlarged economy may temporarily cause unequal distribution of wealth on the long term, the trickle down

effect will eventually bring wealth down to the poor and social welfare will also expand in that society. Based on this theory, the economic effect of the large scale infrastructure development has been more emphasized as compared to micro-level assistance.

It is important to point out that the tendency to favor infrastructure development originated from the fact that the Japanese bureaucrats who had led Japan's ODA policy such as Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, and Ministry of Finance, often insisted on the legitimacy of infrastructure development based on the historically proven Japan's economic success. A bureaucrat of Economic Cooperation Bureau, Ministry of Foreign once wrote below.

In regard with the insignificance of economic-growth-centered aid such as infrastructure development, there is no question that World Bank loan helped Japan with its rapid economic growth by constructing significant power plants, steel plants, the Tokaido Shinkansen bullet train, Aichi Service Water System, Tomei Highway and other facilities. It proves that this type of assistance is clearly necessary for industrial diversification and industrialization as well as sustainable economic growth and development in the developing countries. (Sadojima, Shiro. 1991. Is ODA "the source of evil?" SEKAI vol. 12:359)

We believe, however that the infrastructure-oriented ODA promoted by the Japanese bureaucrats as well as business community has departed from its fundamental principle, "humanitarian crusade against poverty and hunger". When one analyzes the past Japan's ODA records in detail, it becomes clear that the humanitarian efforts such as elimination of poverty and hunger has not been placed as a top priority in its agenda.

Evidence further shows that Japan's ODA projects, mostly infrastructure related projects, have been unequally allocated into neighboring East and Southeast Asian countries indicating its economic and geopolitical interests.

In addition, when we weigh the advantage of the Japan's political interest with U.S. as an "allied power" and Japan's ODA recipient countries, unfortunately in large part, Japan's ODA has not been derived from its principle of "humanitarian crusade against poverty and hunger" but the artifact of bureaucrat-led economic-interest seeking symbolized as an infrastructure-oriented aid as well as U.S.-dependent diplomacy.

3. Proposals for Future Japan's ODA

As seen above, we see various issues in the past Japan's ODA policy.

In the present world, both donor and recipient countries are falling into a great wave of globalization. Globalization has brought a new experience to the human society, developing itself with accelerating

speed particularly after the collapse of Eastern World, enabling large-scale cross-border movement of people, goods, money, and information as well as a global market economy. In particular, developing countries where market economy has spread wide into all aspects of social life have been compelled to play by the rules of competitive market economy. As a result, it is creating a pattern in which wealth and powers concentrate on the strong in market economy. Everything from grass, trees, water to sand has been commercialized and peaceful collectives and blessings of nature are vanishing. Under the name of free market economy, environment is destroyed, production of essential foodstuff is marginalized and subsidy for "unprofitable services" such as health care and education are cut.

The world has produced an unprecedented number of the poor, the gap between the rich and the poor has expanded both domestically and globally, the issue of large scale unemployment has been unsolved, infectious disease has become widespread, regional and tribal conflicts has occurred in all continents, and there is no sign of significant decline in number of national and regional displaced refugees. In the era of globalization, conventional "view of aid" has already lost its significance.

We believe that now is the time to emphasize the spirit of international humanitarianism which Japan has carried. We believe ODA should be utilized to ensure the existence of the poorest who

can barely manage to survive tomorrow. We would like to define ODA as a means of ensuring existence of people next door and creating environment where people can live without terror. Following are proposals that map new directions for Japan's ODA so as to achieve the spirit of international humanitarianism.

1. ODA for Building People's Right to Peaceful Existence

Preamble to the Constitution of Japan addresses "We recognize that all peoples of the world have the right to live in peace, free from fear and want". It recognizes that all people on the world possess the right to live in peace (right to existence in peace). Article nine contains a world preeminent and pioneering passage, which ensures renunciation of war and the right to belligerency of the state, and this is the foundation of ensuring the right to peaceful existence. We hereby propose that Japan's ODA should be utilized for those people to ensure right to peaceful existence.

Japan's ODA Charter revised in 2003 states that ODA should be utilized for peace building (conflict prevention, establishment of peace, reconstruction assistance, etc.). From poverty reduction and the correction of disparities in order to prevent conflicts, emergency humanitarianism assistance in conflict situations to the establishment of peace in post-conflict situations, the new Charter added the significance of seamless and flexible assistance to achieve peace

building efforts. For Japan, which possesses a peace constitution, it is important to take part in this kind of undertaking. At the same time, one should keep in mind that a country should not favor one side under the military conflict or occupation and war situations in order to conduct peace building in a true manner.

In that sense, U.S. and British military attack against Iraq and dispatch of self-defense force of Japan that supported Iraqi occupation as well as any type of assistance to occupied Iraq should not be justified as peace building. If Japan's ODA truly gives importance to right to existence in peace, Japan should clarify that she will not cooperate with "war against terrorism" that is a part of U.S. national security strategy" announced on September 2002.

In addition, a policy guideline "A Development Co-operation Lens on Terrorism Prevention: Key Entry Points for Action" was introduced on October 2003 at the "High Level Meeting" of Development Assistance Committee (DAC), which is one of the key committees of the Organization for Economic Co-operation and Development (OECD). This guideline is to re-examine the definition of ODA and expand ODA's objectives to the areas of security and peace along with the existing poverty reduction. There is a possibility that inclusion of the new objectives may change the quality and emphasis of ODA drastically.

As a result, there is concern that social developments such as efforts to reduce poverty or prevent infectious disease will be marginalized, human rights abuses will be justified under the name of security and peace, more aid will fall into the hands of oppressive regimes, giving a great impact particularly on the poor and the socially vulnerable. Therefore, we hereby strongly oppose the “redefinition of ODA” from the standpoint of respecting poverty reduction as one of the key principle of Japan’s ODA. We demand that Japanese government as well take a clear stance to oppose this reform and further strive to achievement objectives such as MDG while encouraging other donor countries to do the same.

2. Poverty Elimination and reform of ODA Structure that Creates Gap between the Rich and the Poor

It is needless to say that nobody chooses to live in fear and want. These fears and wants for the most part are artificially created. Unfortunately in this world, there exists a structure that drives people into poverty and fear. People are discriminated by their ethnicity, religion, birth, gender, age, class, and so on. They are impoverished, jobless, infected with diseases, ostracized in the classroom, and jeopardized for life. Globalization is accelerating these “processes of impoverishment”. We believe that new ODA spirit should be introduced based on the recognition that poverty is not merely a static condition like “want of substances” derived from low-income, but also the

process that deprives people of economical, political, and sociocultural capability.

In this light, Japan’s ODA should give priority to the following objectives.

1. Rehabilitate people whose political, economical, and sociocultural capability are taken away and life is jeopardized.
2. Aid people of extreme poverty, the most discriminated and ostracized as well as the physically and mentally challenged whose livelihood are jeopardized.
3. Accelerate the process to remove the structure which generates these victims of oppression and poverty, aiming at an ODA-free world.

3. ODA as Global Social Security

We believe that so that all people in the world live in peace, the creation of a global-scale framework for security and protection is necessary. In addition, ODA should not be emphasized on national interest in a narrow sense.

Aid in the 21st century should serve as a global social security transcending national interest. United Nations General Assembly in 2000 constituted the “Millennium Development Goals” calling for active engagement of international community in its measures. MDG sets common goals that includes elimination of extreme poverty and starvation, establishment of universal primary education, promotion of gender equality and empowerment of women,

reduction of child mortality, improvement of maternal health, prevention of the spread of HIV/AIDS and other infectious diseases, and conservation of sustainable environment in addition to respecting people's initiatives and their unique cultures in recipient countries. When ODA targets poverty groups, it is necessary to make elaborate plans that identify the regional and inter-class wealth gap that GNP hardly indicates. While conventional country assistance programs of Japan were developed based on macroeconomic policy, in order to achieve above objectives, we need to see the Human Development Index (HDI) as well as social maturity level of recipient countries. In that respect, it is essential to receive input from NGOs in the recipient countries as well as Japanese and international NGOs that are working in that regions.

In regard to the revision of Japan's ODA Charter, Peer Review of Japanese development co-operation presented by the OECD Development Assistance Committee on December 2002 warns that the primary development objectives of ODA should not focus on its narrow national interests.

Sadako Ogata, president of Japan International Cooperation Agency (JICA), states that "Japan's national interest is to gain trust from neighboring countries". Unless Japan uses ODA as a diplomatic tool to achieve narrow national interests, it is impossible for her to receive any trust from people in poor countries and people oppressed under military governments. In

order for Japan's ODA to achieve its primary objectives, it is vital to listen to the critical opinions from civil society in ODA recipient countries.

4. ODA for People who are Socially, Economically and Politically Vulnerable

As already mentioned earlier, ODA Charter approved by the Cabinet on August 2003, opens with the phrase that "[t]he objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity". In this phrase, "Japan's own security and prosperity" is more emphasized than common goals within an international society. Based on the analysis of 50 years of ODA, there is rising concern that Japan's ODA has been shifting its direction to prioritizing the Japanese economy as well as the interests of Japanese corporations in the light of recent increase in ratio of untied loans that had been kept quite low for years.

It is assumed that inclusion of this phrase "Japan's own security and prosperity" in the new ODA Charter is the reflection of voices from ODA related agencies headed by businesses and construction communities suffered from Japanese economic downturn.

As already noted, Japan's ODA have been placing great emphasis on macroeconomic growth and infrastructure development.

ODA White Paper 2003 also addressed that “[w]e focus on economic growth by poverty reduction and infrastructure and insisted on this idea in the international discussion” (Ministry of Foreign Affairs, 2003. Japan’s ODA). World Bank once praised Asian economic growth as the “the Asian Miracle” in its report. Shortly after the Asian monetary and financial crisis, the fragility of economic growth achieved by external dependence was exposed. In particular, Indonesia experienced the collapse of the 23-years-old Suharto’s military dictatorship government owing to the monetary and financial crisis. Indonesia under the Suharto Administration was the biggest recipient of Japan’s ODA. Looking back the history of Japan’s ODA over the past 50 years, Japan has focused on big national projects together with Marcos Administration of the Philippines and Suharto Administration, directly or indirectly supporting various human rights suppression, destruction of livelihood of local people, and environmental destruction. Japan must learn from these history.

Learning from the case in Indonesia, we believe that the ODA policy that focuses on macroeconomic growth should be cancelled and instead create elaborate ODA policies that aim at people who are socially, economically and politically vulnerable.

5. Our Concrete Proposals

Based on the basic principles described

above, we hereby propose the following eight concrete measures.

Proposal #1: Enactment of ODA Basic Law

Japan’s ODA, which has a dominant weight in Japan’s foreign policy, is not legally binding, simply guided by “ODA Charter” endorsed by the Cabinet through administrative procedure. This system provide no opportunity for both the Diet as the representatives of citizens and taxpayers to get involved in the policy making process.

While Japanese NGOs have demanded for the enactment of ODA basic law a number of times, it has not been yet realized. We again demand for the creation of ODA basic law, which defines in detail ODA fundamental principles, enforcement agencies, policy-making process, rules of budget allocation, and administrative instruction.

Proposal #2: Establishment of “Ministry of International Aid”

Japan’s ODA is currently carried out by three major agencies, Ministry of Foreign Affairs, JICA and Japan Bank for International Cooperation (JBIC) along with many other governmental institutions. This dispersed management structure has been criticized for its bureaucratic sectionalism, complex decision-making process, incoherent ODA policies, and inefficient implementation. In order to resolve above

issues, all ODA-related services should be centralized in a “Ministry of International Aid” to bring transparency and coherent policies to Japan’s ODA. Along with the fact that current ODA is run by more than 10 agencies creating conflict of interest and opacity of process, also persons who is in charge of ODA matters in each agency including Ministry of Foreign Affairs leaves their duty in every two to three years, making accumulation of knowledge on recipient countries and training of personnel for development difficult. As a result, these tasks are heavily dependent on consultants.

Proposal #3: Requirement of People’s Participation from both Donor and Recipient Countries

While ODA has various impacts on the target regions, people in recipient countries hardly have a chance to participate in the ODA policy. Likewise, Japanese people who pay taxes or use postal savings seldom take part in the policy making process. Unfortunately, voices of citizens and civil society in recipient countries are never reflected on most programs or projects. As citizens of recipient countries, participation is their right. We have to create a system where information is fully disclosed and citizens can practically participate in the policy making and implementation process.

Needless to say, people of both donor and recipient countries should be able to participate in the ODA process. For people

in recipient countries, donor countries should require recipient governments to encourage citizen’s participation. In addition, while we credit that Ministry of Foreign Affairs and Ministry of Finance for providing opportunities for NGOs to take part in the policy making process to some extent such as regular consultation meetings, we further demand that our voices should be practically reflected in policies.

Proposal #4: Resolution of a Debt Problem

It is noteworthy that Japanese government took steps to reduce debts for the Heavily Indebted Poor Countries (HIPC), abolishing the ambiguous scheme of debt relief aid. Japanese government should further introduce a bold policy to reduce debts for countries which are incapable of breaking debt burden from yen-loan especially granted in the time of high interest rate during 80s.

Proposal #5: Loans should be changed into grants or those with no interest

While ratio of loan in Japan’s ODA has gradually lowered due to the criticism by the international community as well as Japanese NGOs, the figure still stands highest among DAC countries. In the past half century, yen-loan along with other loans has imposed a heavy debt burden on many recipient countries and these debts have become a great barrier for poverty reduction efforts. Learning from the fact that ODA, primarily for the socially vulnerable

and the poverty group, had created these structural oppressions, following rules for loans should be adopted.

1. All loans within ODA scheme should be free of interest.
2. Since the payback period is extended over a long period of time, foreign exchange gain or loss should be shared in a fair manner between a donor and a recipient.
3. As for loans made with thorough research and examination, gain or loss from the project during payback period should be also shared in a fair manner between a donor and a recipient.

Proposal #6: Shift to Untied both for loans and grants

As stated in Proposal #5, during the transition period to abolish ODA loans, all loans should be untied.

As far as ODA donations, DAC is adopting an untied policy. In “DAC Review”, the outstandingly higher ratio of Japan’s tied aid among donor countries is taking up as a target of criticism. Furthermore, even for the 100-percent-tied donation currently granted from Japan’s ODA, it is a global standard that all these donations should be untied. At the same time, in addition to the shifts of all loans and donations into untied, it is desirable for projects to hire corporations and workers inside of recipient countries.

Proposal #7: Partnership with NGOs in Implementation

While the ratio of funding to NGOs in Japan’s ODA is gradually increasing, it is still miniscule. In addition, this fund is one-year bases and takes a long time for its screening process, making it almost impossible for NGOs to take a prompt action. Japan’s ODA should shift its directions to boldly increase funding scheme for NGOs and at the same time foster capacity of Japanese NGOs so that they can engage in projects with a long-term view.

Proposal #8: Imposition of Effective Binding Force on the Guideline

Creation of “JBIC Guidelines for Confirmation of Environmental and Social Considerations” and “JICA Guidelines for Environmental and Social Considerations” is worth noting. However, the guideline without binding force can turn out to be a pie in the sky. Thus, following rules should be documented.

1. Punitive measures should be established against violations of guidelines.
2. In particular, monitoring system should be adopted so as these measures to be applied to private sector.
3. Comprehension or correction should be actively made even for projects before the creation of the guideline in case that tangible violations are found.

Part II Recipient Country Reports

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

Farida Akhter, UBINIG, Bangladesh

Introduction

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

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

Table 1. Foreign Aid Disbursement by Japan (1971-2001) in US\$			
TYPE of AID	GRANT	LOAN	TOTAL
Food Aid	245.265	163.210	408.475
Commodity Aid	1964.874	1377.468	3342.342
Project Aid	668.142	1630.832	2298.974
Grand Total	2878.281	3171.51	6049.791

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

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

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

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

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

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

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

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

Source: OECD DAC Statistics (2000)

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

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

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

Debt Relief:

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

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

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

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

Trade, Infrastructure Development and Effective Demand

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

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

Jamuna Bridge: An Example

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

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



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

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

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

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

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

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

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

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

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

Now Padma Bridge?

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

Japan means cars and motor cycles

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

Conclusions

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

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

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

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

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

biodiversity and the overall effect on the economy of Bangladesh.

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

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

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

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Sharing Experiences about ODA Japan from a Human Rights Perspective

NGO Forum on Cambodia

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

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

I- History: Land of Cambodia

1- The Geography of Cambodia

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



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

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

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

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

2- People of Cambodia

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

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

3- Cambodian people and Land

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

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

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

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

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

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

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

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

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

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

4- Poverty and International Aid in Cambodia

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

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

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

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

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



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

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

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

II- About The NGO Forum on Cambodia:



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

Background

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

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

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

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

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

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

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

Mission

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

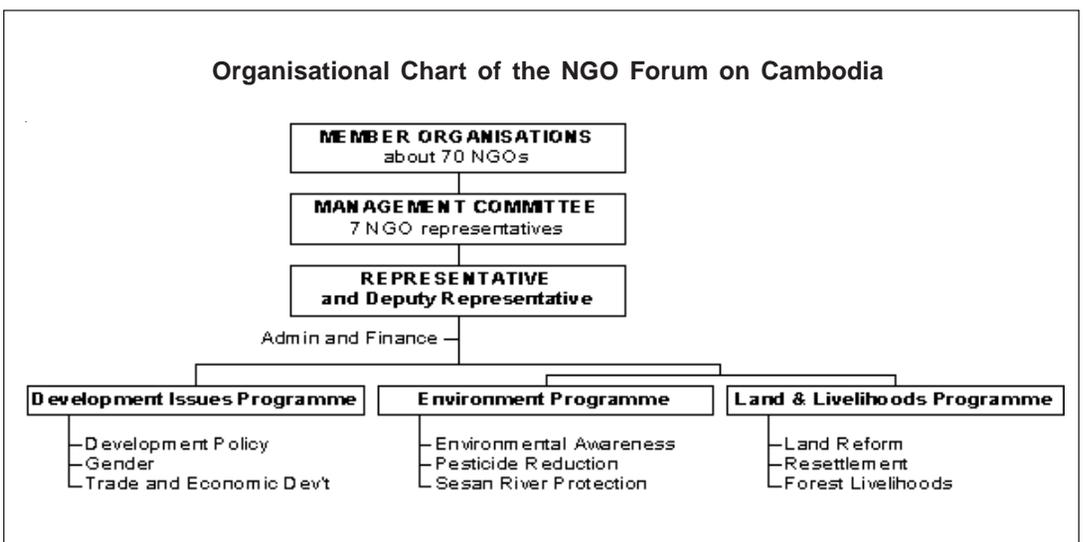
of humanitarian and development assistance to Cambodia. The NGO Forum exists for information sharing, debate and advocacy on priority issues affecting Cambodia's development. The NGO Forum has an important role to highlight the impact of development processes and economic, social and political changes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

Vision

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

Goal

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



government and donors, and by the wider community.

III- Background of Resettlement Project of NGO Forum:

Background

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

Problem Statement

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

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

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

There are many cases of land being acquired for

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

Purpose

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

Contributing factors include the following:

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

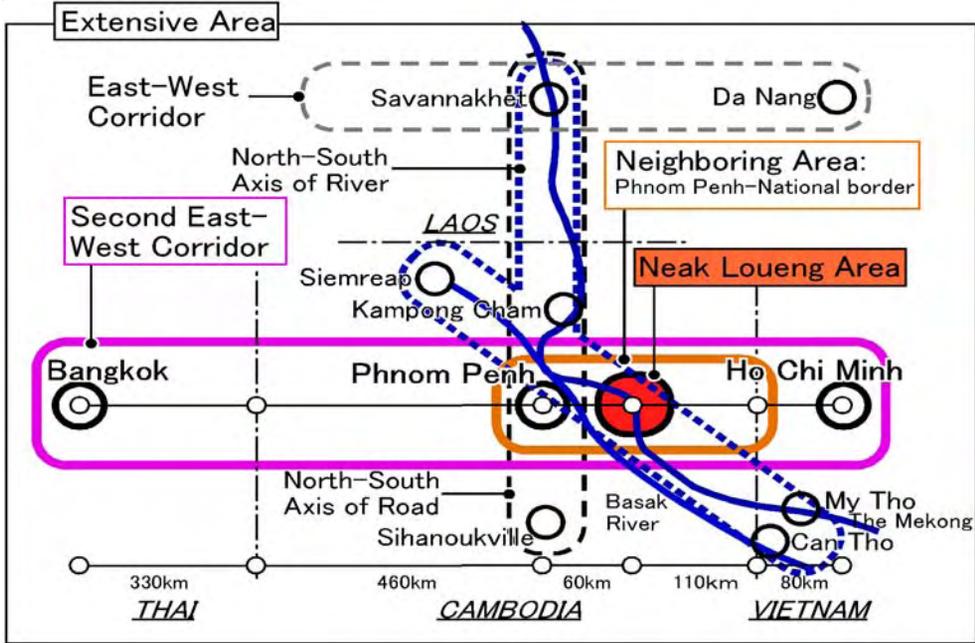
Japanese Aid to Cambodia

The Case of National Route 1 Rehabilitation Plan in Cambodia

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

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

National Route 1 (NR1) Rehabilitation Project



GMS Road Plans

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

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

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

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

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

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

for the loss of land was provided to these communities.

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

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

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

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

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

Lessons NOT learnt: Plan by JICA

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

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

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

Economic Growth: Questionable Economic Benefits and Needs

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

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

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

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

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

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

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

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

NGOs Advocacy towards Japanese government and JICA

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

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

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

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

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

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

Conclusion

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

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

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

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

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

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Japan-India Economic Cooperation:

Ambiguous Realities, Ambivalent Signals

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

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

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

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

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

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

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

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

The reasons were multiple. India sought

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

Japan and India

There was no baggage of history between Japan and India.

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

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

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

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

Economic Relations

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

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

Japan India Economic Relations

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

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

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

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

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

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

Annexure

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

(Source: Ministry of Finance)

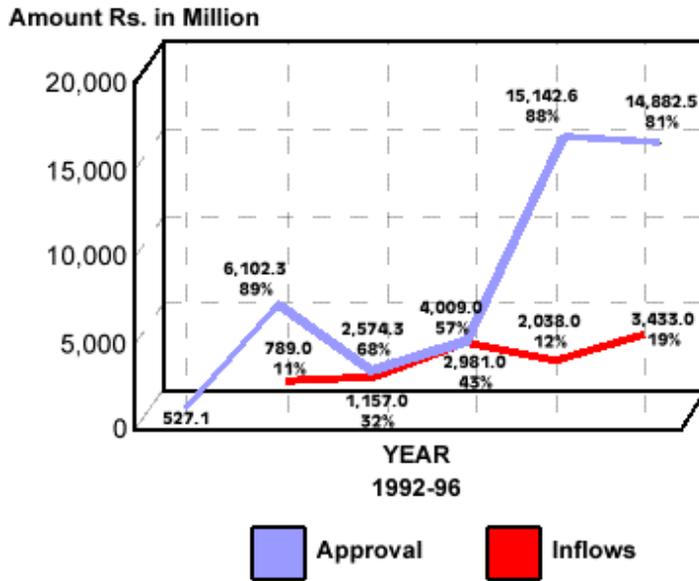
The trade between the two countries is also typical of trade relations between a developed and a developing country. India essentially exports low value added goods and imports high value added goods.

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

Loan Aid
Exchange of Notes in Fiscal Year 2003

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

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



Foreign Aid India

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

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

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

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

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

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

*Net Disbursement = Gross Disbursement - Repayment

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

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

Conclusion

1. Components of Economic

Cooperation between any two countries are

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

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

Aid as Grant

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

grant to the program to control diarrhea in children.

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

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

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

Aid as Loan

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

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

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

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

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

Trade

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

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

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

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

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

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

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

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

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

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

Investment

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

Investment can be of various types.

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

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

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

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

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

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

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

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

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

2. The Neo-liberal Paradigm

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

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

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

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

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

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

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

3. A Dream Situation

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

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

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

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

Impact of Japanese Aid in Nepal

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1. Introduction

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

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

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

A. Human resource development

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

B. Social sector activities such as health and education

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

C. Agriculture

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

D. Infrastructure development

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

E. Environment conservation and cultural activities

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

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

2. Japanese Aid Conditionality

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

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

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

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

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

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

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

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

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

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

3. Impacts and Observations

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

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

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

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

throng of awestruck Nepali bystanders."

4. Conclusions

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

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

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

5. Recommendations

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

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

Narrow Visions & Grim Outcomes

Aid from Tokyo to Islamabad via Washington and Manila

Who decides what happens to whom in Pakistan?

A. Ercelan*

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

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

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

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

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

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

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

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

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

influence on Pakistan’s development.³

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

1. Data on Japan ODA

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

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

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

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

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

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

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

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

2. Peoples Views from Pakistan

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

conceived projects since local oversight mechanisms become weaker.

Serious problems with projects may be grouped into three categories:

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

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

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

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

cost-effective implementation and subsequent sustainable operations

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

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

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

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

Illustrative Impacts of Japan ODA in Selected Projects

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

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

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

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

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

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

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

3. Official Perspectives in Japan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The ADB goes on to state that:

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

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

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

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

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

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

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

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

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

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

4. Improving ODA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendices

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

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

Selected Web Links

Embassy of Japan

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

Ministry of Foreign Affairs

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

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

JICA

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

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

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

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

JBIC

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

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

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

Asian Development Bank

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

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

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

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

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

World Bank

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

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

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

Government of Pakistan

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

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

Others

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

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

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

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

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

APPENDIX

Official Development Assistance to Pakistan Japan Embassy-JBIC-JICA

JAPAN, A TRUSTED DEVELOPMENT PARTNER TO PAKISTAN SINCE 1952

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

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

JAPAN ASSISTED PROJECTS IN PAKISTAN IN VARIOUS SECTORS

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

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

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

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

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

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

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

Water

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

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

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

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

Economic Infrastructure and Economic Development

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

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

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

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

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

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

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

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

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

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

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

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

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

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- (i) Table A4.1: Water Sector and Irrigation Development in Pakistan
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- (vii) Table A4.7: Decentralization Support Program
- (viii) Table A4.8: Border Area Rural Development (NWFP)
- (ix) Table A4.9: Energy Sector Development Fund
- (x) Table A4.10: Pension Reform
- (xi) Table A4.11: Balochistan Basic Urban Services
- (xii) Table A4.12: Provincial Road/Rural Access (Cluster TA II)

Endnotes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

²³ Emphasis added.

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

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

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

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

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

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

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

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

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

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

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

Japan ODA to the Philippines

Antonio Tujan Jr.

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

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

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



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

Achievements in infrastructure development

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

(1) Roads and Bridges

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

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

(2) Power and Energy

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

(3) Potable Water Supply

“Million Filipinos enjoy clean water”

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

(4) Airports

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

(5) Ports

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

(6) Flood Control

“No more Ormoc disaster”

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

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

(7) Agriculture

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

(8) Environment

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

(9) Health

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

(10) Education

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

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

Contributing to the debt burden

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



San Roque Dam constructed on Agno River in the Cordillera

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

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



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

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

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

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

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

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

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

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

Consultation or participation?

The Cebu South Reclamation Project was conceptualized under the Marcos

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

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

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

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

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

Reality of Aid recommendations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Aid in Situation of Conflict in Sri Lanka

by: Harsha Kumara Navaratne

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

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

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

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

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

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

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

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

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

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

Lanka and the following are our main sectors of intervention:

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

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

Sri Lanka:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Location: 03 DS Divisions in Trincomalee

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

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

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

Project Title: Rural Development

Project Location: 03 DS divisions in Trincomalee

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

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

Conclusion:

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

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

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

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

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

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

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

Farida Akhter, UBINIG, Bangladesh

Introduction

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

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

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

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

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

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

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

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

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

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

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

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

Source: OECD DAC Statistics (2000)

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

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

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

Debt Relief:

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

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

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

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

Trade, Infrastructure Development and Effective Demand

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

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

Jamuna Bridge: An Example

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

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



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

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

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

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

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

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

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

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

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

Now Padma Bridge?

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

Japan means cars and motor cycles

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

Conclusions

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

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

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

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

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

biodiversity and the overall effect on the economy of Bangladesh.

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

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

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

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Sharing Experiences about ODA Japan from a Human Rights Perspective

NGO Forum on Cambodia

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

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

I- History: Land of Cambodia

1- The Geography of Cambodia

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



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

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

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

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

2- People of Cambodia

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

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

3- Cambodian people and Land

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

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

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

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

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

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

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

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

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

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

4- Poverty and International Aid in Cambodia

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

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

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

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

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



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

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

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

II- About The NGO Forum on Cambodia:



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

Background

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

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

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

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

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

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

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

Mission

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

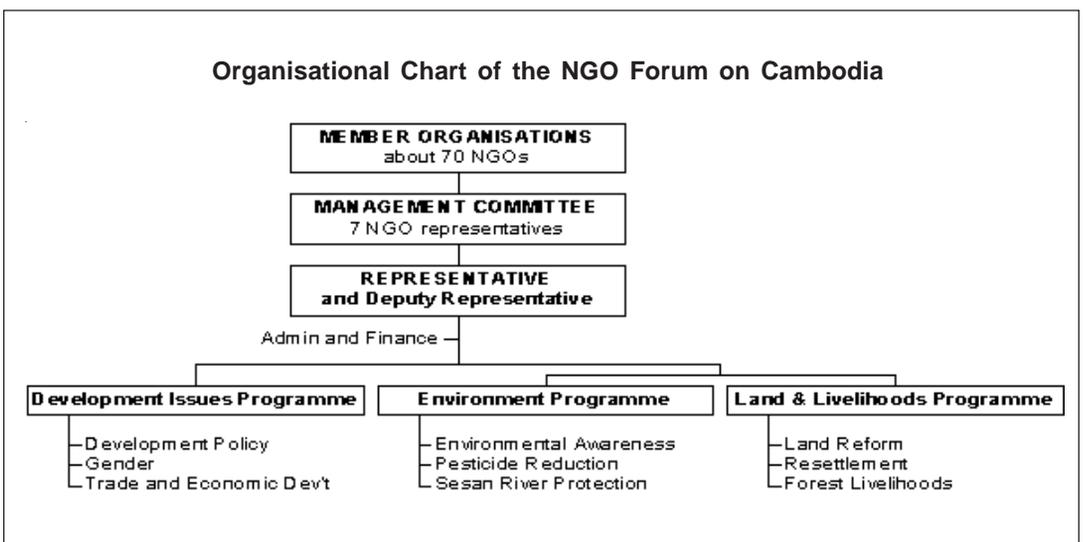
of humanitarian and development assistance to Cambodia. The NGO Forum exists for information sharing, debate and advocacy on priority issues affecting Cambodia's development. The NGO Forum has an important role to highlight the impact of development processes and economic, social and political changes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

Vision

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

Goal

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



government and donors, and by the wider community.

III- Background of Resettlement Project of NGO Forum:

Background

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

Problem Statement

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

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

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

There are many cases of land being acquired for

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

Purpose

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

Contributing factors include the following:

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

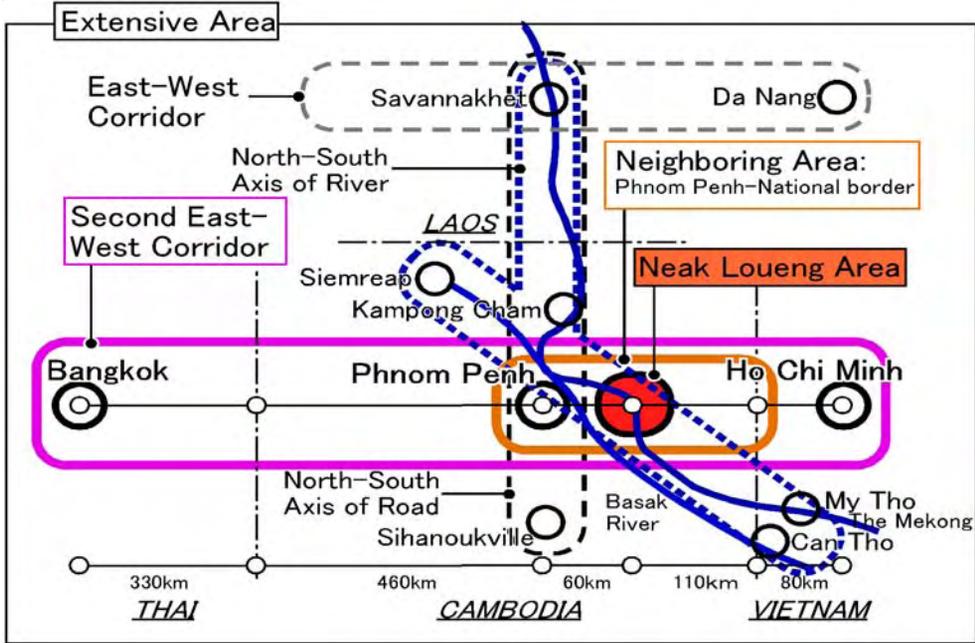
Japanese Aid to Cambodia

The Case of National Route 1 Rehabilitation Plan in Cambodia

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

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

National Route 1 (NR1) Rehabilitation Project



GMS Road Plans

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

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

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

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

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

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

for the loss of land was provided to these communities.

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

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

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

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

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

Lessons NOT learnt: Plan by JICA

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

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

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

Economic Growth: Questionable Economic Benefits and Needs

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

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

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

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

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

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

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

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

NGOs Advocacy towards Japanese government and JICA

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

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

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

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

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

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

Conclusion

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

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

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

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

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

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Japan-India Economic Cooperation:

Ambiguous Realities, Ambivalent Signals

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Vikas Adhyayan Kendra

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

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

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

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

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

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

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

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

The reasons were multiple. India sought

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

Japan and India

There was no baggage of history between Japan and India.

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

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

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

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

Economic Relations

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

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

Japan India Economic Relations

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

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

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

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

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

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

Annexure

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

(Source: Ministry of Finance)

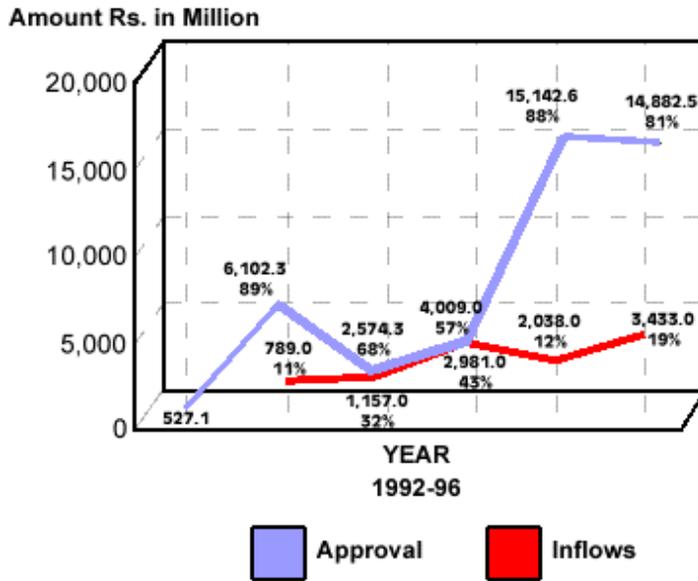
The trade between the two countries is also typical of trade relations between a developed and a developing country. India essentially exports low value added goods and imports high value added goods.

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

Loan Aid
Exchange of Notes in Fiscal Year 2003

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

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



Foreign Aid India

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

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

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

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

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

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

*Net Disbursement = Gross Disbursement - Repayment

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

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

Conclusion

1. Components of Economic

Cooperation between any two countries are

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

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

Aid as Grant

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

grant to the program to control diarrhea in children.

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

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

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

Aid as Loan

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

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

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

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

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

Trade

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

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

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

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

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

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

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

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

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

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

Investment

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

Investment can be of various types.

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

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

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

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

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

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

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

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

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

2. The Neo-liberal Paradigm

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

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

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

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

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

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

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

3. A Dream Situation

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

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

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

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

Impact of Japanese Aid in Nepal

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1. Introduction

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

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

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

A. Human resource development

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

B. Social sector activities such as health and education

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

C. Agriculture

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

D. Infrastructure development

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

E. Environment conservation and cultural activities

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

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

2. Japanese Aid Conditionality

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

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

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

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

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

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

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

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

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

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

3. Impacts and Observations

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

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

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

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

throng of awestruck Nepali bystanders."

4. Conclusions

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

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

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

5. Recommendations

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

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

Narrow Visions & Grim Outcomes

Aid from Tokyo to Islamabad via Washington and Manila

Who decides what happens to whom in Pakistan?

A. Ercelan*

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

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

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

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

In 1998, Japan suspended direct assistance when Pakistan publicly announced its nuclear capability in a tit-for-tat with India’s actions. Significantly, Japan placed no restrictions on its indirect but substantial support through the IFIs to either of the countries. Since 2001, other on-going projects were provided direct

assistance in both Pakistan and India as “*projects not covered by the sanctions.*” Additional levels of direct assistance were also provided to General Musharraf’s government after 9/11, apparently “*to promote the stability of Pakistan and support the country’s commitment to anti-terrorism.*”¹

A recent visit to Pakistan by its Foreign Minister confirms that the Japan government will return to a high level of direct assistance. In a dramatic reversal of long-standing public policy, Japan will apparently no longer require Pakistan to sign international agreements on nuclear controls (NPT and CTBT).² No doubt persuaded by the US, Japan apparently sees militant Islamic groups as a greater threat than nuclear weapons.

Both the Japan Embassy and senior officials at the Ministry of Foreign Affairs, JICA and JBIC in Tokyo confirm that a Country Assistance Program is currently in active preparation. However, little has been made public about specific plans, with Japan continuing its tradition of restricting serious consultations overseas to those between governments.

Japanese capital dominates direct foreign investment in Pakistan, with much of it in the transportation sector. It will grow because of the stress on private sector operations by the IFIs, and the integration of Japan industry into its policy making establishment. This paper does not, however, deal with this aspect of Japan’s

influence on Pakistan’s development.³

The paper begins with summary data on levels of Japan ODA to Pakistan.⁴ Specific case studies are then used to draw attention to problems in Japan ODA. The probable future course of Japan ODA is presented as official perspectives. The concluding section uses this opportunity to dwell, briefly, on both the need and possibility of influencing state actors in Pakistan and Japan by international alliances of civil society organisations.

1. Data on Japan ODA

Pakistan’s external (mostly public) debt plus foreign exchange liabilities are around \$36 billion – almost half of the GDP.⁵ Of the total outstanding bilateral debt (excluding that owed to ADB, WB and other multilateral institutions) of \$13 billion, Japan’s share was almost half at \$5.5 billion in 2003. The level of indebtedness to Japan is substantially increased once we recognise that multilateral debt is more than half of all external debt.

External debt servicing, which exceeded \$6 billion recently, claims a high share of exports – at over one-third-and is a substantial share of foreign exchange ‘earnings’ (including remittances at high levels from the US since 9/11). When private protection of capital is added (foreign exchange cover and the like), the burden on the poor (through mostly indirect taxation) is much higher. Recent debt servicing for Japan bilateral debt has been nearly \$200 million annually.

Through loans of over \$3 billion, grants and technical co-operation, Japan ODA totalled \$4.5 billion by end 2001. Annual aid rose from over \$100 million in 1991 to nearly \$500 million by 1998. Aid declined after the nuclear tests, but still exceeded \$600 million over the next three years.⁶ These figures appear to exclude contributions through the ADB and the WB.

Direct ODA from Japan has been a substantial proportion of total ODA to Pakistan. By 1998, Japan ODA was nearly one-half of all assistance, and dwarfed all other country donors. Even compared to the international organisations, Japan ODA (\$490m) exceeded the combined aid from the ADB (\$235m) and WB (\$170m) in 1998.

While the primary vehicle for 'policy reforms' remains the WB, the main conduit for Japan ODA (at least currently) is the ADB. According to its most recent news release, ADB support to Pakistan (at end 2003) has amounted to \$12.5 billion in loans, and \$115 million in (grants for?) technical assistance. The ADB Bank Country Strategy plans to lend nearly \$2 billion over 2005-2006.⁷

Presently [in 2002?], 53 public sector loans covering 38 projects are under implementation, of which 83% loans are rated satisfactory. In addition, 8 private sector loans for a total of \$152.5 million are under implementation. 57 TAs for a total of \$29.5 million are under implementation.

Data for ODA should also be viewed in the context of other inflows of foreign exchange, where exports and direct foreign investment are obviously other ways to assist development (e.g. fairer prices for exports tied to labour and environmental justice; private equity investment in provision of services to the poor and in labour intensive enterprises; production of buses rather than cars).

During 2003, exports came close to \$10 billion, and nearly \$4 billion arrived in remittances (much as possibly reverse capital flight from the US).⁸ Direct foreign investment was 0.8 billion, and project aid from donors was \$1 billion.

2. Peoples Views from Pakistan

Japan ODA comes both as direct aid to projects, and as indirect aid through the ADB and other IFIs. It is not only difficult but irrelevant to analyse these two channels of aid separately – Japan government is responsible for all projects regardless of the channels or nature of funding; and the issues are similar. We also see no point in distinguishing between 'software' (training or experts) — and 'hardware' assistance. Similarly, there is not much use in separating case studies of grants and loans. Even when grants are given, a project usually has other components that place future tax burdens on the poor. Furthermore, when a project is ill conceived, its adverse impacts occur independent of the specifics of financing. In fact, grant aid can lead to more ill

conceived projects since local oversight mechanisms become weaker.

Serious problems with projects may be grouped into three categories:

- Inappropriate and ill-conceived
- Directly adverse impacts upon peoples lives and livelihoods — that are especially harsh because excessive, and mitigation measures are absent, inadequate or delayed; inadequate or delayed compensation, rehabilitation and resettlement of displaced people.
- Excessive fiscal burdens – whether direct cost-recovery from beneficiaries, or general taxes, people suffer because of large-scale waste and corruption, including hardware that can neither be used efficiently nor maintained.

As citizens, our experience points us towards the main source of the problems.

Peoples Participation is the core issue. In the absence of meaningful public debate and discussion, adverse consequences are inevitable when ODA:

- identifies broad development needs correctly but responds with the wrong action priorities
- identifies a specific need but comes up with an inappropriate technical response
- places undue emphasis upon bricks and mortar, equipment and training rather than upon institutional arrangements for

cost-effective implementation and subsequent sustainable operations

- produces impacts and burdens that penalise large numbers of poor people.

These issues are illustrated below through specific projects. Some of which – such as the National Drainage Project or the Social Action Program – have (mis)used billions of dollars of public resources, including billions of yen from taxes of Japanese citizens. These are mostly projects which reflect the author's direct involvement in research or as an activist in solidarity with people affected adversely by the projects.⁹

Disregarding constitutional and international commitments, the Government of Pakistan rarely pays attention to the actual implementation of rights-based development. Hence most donor projects often violate one or more core labour rights defined by the ILO Declaration of Principles – most notably, child and forced labour are present directly or indirectly through procured materials and out-sourced contracts; collective bargaining is severely curtailed or not permitted; women are discriminated against in pay and in jobs. Like other donors, Japan has yet to publish a review of project compliance with core labour rights or environmental standards (or even local laws).¹⁰

Under pressure from the WB, the Government of Pakistan has prepared a *Poverty Reduction Strategy Paper* (PRSP). As for other countries, this paper is

Illustrative Impacts of Japan ODA in Selected Projects

Project	Direct Adverselmpacts	Excessive Fiscal Burdens	Response to Complaints
Chashma Irrigation (ADB)	Flood damage to crops and houses in some areas Loss of water in other areas Inadequate and delayed compensation for loss of land, crops and housing Destruction of fragile ecology	Poor design and construction Large private investment in water pumping	ADB Mgt denied complaints; ADB Board accepted Inspection Report; Pak Govt delaying Action Plan
Left Bank Outfall Drain/ National Drainage Plan (WB)	Drainage effluent and backwash salinity has inundated coast: destroying wetlands, forests, agriculture and fisheries; pollution of drinking water Special severity during cyclone	Poor design and construction Privatisation of Irrigation & Drainage	WB Mgt denied complaints; Affected have filed Complaint with Board
Chotiari Reservoir (WB)	Loss of crop land, grazing land and fisheries Destruction of fragile ecology Inadequate compensation to landowners for land and houses No compensation to landless, herders and fisherfolk	Widespread corruption	WB withdrew from project without solving any problems
Ghazi-Barotha Hydropower (WB)	Crops and drinking water suffering because of loss of water; no compensation	Delays in Compensation and Resettlement, leading to Penalties paid to Contractor	
Korangi Deep Sea Fisheries Harbour (ADB)	Foreign and Local Trawlers taking away large catch of prime species and wasting larger volume of by-catch	Underutilisation by local fisheries due to inappropriate location and lack of complementary infrastructure	
Korangi Wastewater Project (ADB; postponed)	Destruction of peoples investment in sewage system	Duplication of sewerage infrastructure Underutilisation	Submission to Inspection Committee rejected Provincial government finally refused loan

Project	Direct Adverse Impacts	Excessive Fiscal Burdens	Response to Complaints
Baldia Sewerage (ADB)		<i>Inappropriate design and hence severe underutilisation</i>	
Solid Waste Disposal Project (UNDP)		<i>Unusable hardware Complementary public investments not made</i>	
Lyari Expressway	<i>Massive displacement of people and enterprises without compensation</i>	<i>Core problem of transport not solved Improper design</i>	<i>ADB denies funding</i>
Social Action Programme (WB)		<i>Phantom infrastructure Unused infrastructure Low-quality service delivery</i>	
Privatisation of Karachi Water Services (WB & ADB; postponed)	<i>300% increase in tariffs for all Minimal increase in coverage of poor and low-income areas Small reduction in water loss Minimal expansion of safe waste water disposal No performance conditions Private monopoly over entire city for 20 years</i>	<i>Guaranteed profits Additional loans Outstanding loans remain public liability</i>	
Access to Justice Programme (ADB)		<i>No correspondence between public needs and programme actions Over half goes to Police; Judiciary gets more than one-third</i>	
Note: IFI in parenthesis is the lead donor in project/program. For evaluations, see references in footnotes. All projects/programs have large slush funds for consultants, which mostly serve to distract professionals from social obligations.			

supposed to provide the general framework for future assistance from all donors, including Japan. In the aid establishment of Japan there has been some public voicing of critical views about the *PRSP*, but the aid agencies seem to have generally accepted the approach of the WB.¹¹

The fact that *PRSP* is essentially an elaboration of the World Bank's (neo-liberal) approach to development should surprise no one. It is equally unsurprising that the *PRSP* has been produced with little substantive consultation from civil society in Pakistan. Despite contrary claims, there is little domestic ownership — even among state elites — since the government has not attempted to get formal endorsement of the National Assembly or Senate or even of the new National Security Council installed by the President General.¹² To obtain funds directly from donors, provinces have 'prepared' their own strategies within the overall framework.¹³

There is no doubt that the current ODA system (of all donors) is far from being an effective instrument for development — benefits are narrowly distributed while burdens are imposed widely on the poor. In fact ODA often increases poverty.¹⁴ Aid projects may provide large but only temporary increases in jobs, hence creating a short-lived impact upon poverty. The temporary reduction in poverty for some just does not offset the permanent increase in the poverty of many others currently and in the future, aside from the fact that redistributing poverty is

unacceptable. International bidding, and tied aid in particular raises costs dramatically. Donor countries get back ODA loans twice over once the principal is repaid, and often high rates of interest over and above this. The simple macroeconomics of loans also casts serious doubt about ODA loans. The economy can hardly grow more than 4 percent annually, but interest rates usually exceed this rate of growth. ODA enhances patronage funds for government, thus deflecting calls for good, democratic governance.

Specially through IFIs, Japan ODA has promoted market-based provision of public needs. Pakistan has been straitjacketed by Structural Adjustment Loans with the goal of reducing public spending and privatizing public enterprises. As has happened elsewhere, the poor have suffered from increasingly inequitable access to quality education and health care, and even to clean drinking water. Even as the number of unemployed and the poor has risen, livelihoods of labour have become insecure, and increasingly fewer people realise core labour rights.

3. Official Perspectives in Japan

We know that Japan ODA has serious problems in conceptualisation, implementation and operations. In view of substantial and increasing ODA levels, it is important to ask if the system of Japan ODA is likely to change appreciably so that such problems are minimised in the future?

What is the view of development needed for people in Pakistan? Of consultative processes that privilege people rather than client government? Of improving projects and programmes to help rather than hurt people? It may well be useful to recall (in more ways than one) that ‘the road to hell is paved with good intentions.’ For an indicative answer to such queries, we look at some recent government documents. Since the ODA system is poorly equipped for public consultations, and it is expensive to interview top aid officials in Islamabad (even were they to be available), the paper does lack a frank perspective from those Japan officials who actually implement Japan ODA in Pakistan.¹⁵

JBIC published an ex-post evaluation of projects in February 2004.¹⁶

Unfortunately, the study of Pakistan ODA is restricted to a relatively minor project of water supply. The *Annual Report* for 2003 merely lauds its road projects in Pakistan. JBIC has a narrow view of using aid for development (rather than growth) – an illustration of which is the recent *Special Term for Economic Partnership (STEP)*. More favourable terms for loans are offered when recipients commit themselves to a higher ratio of tying procurement to “*excellent Japan technology and know-how.*”

JICA last published its *Annual Report* in September 2003.¹⁷ Impervious to peoples evaluation (as contrasted to evaluation by experts and governments) of its *Technical Co-operation*, the Report states blandly that

“*JICA deems that an expansion of bilateral grants mainly involving technical co-operation is an essential requirement for increasing the grant ratio of Japan’s ODA [which is one of] two of the main indices of the quality of aid.*” Since Japanese expertise and training are usually requested for mega projects which are wholly anti-poor — or for unsustainable state-of-the-art equipment peddled by Japan industry which are blatantly cost-ineffective – should this mean that Japan ODA will primarily support such boondoggle projects, in a business-as-usual approach?

In this regard, it is instructive to examine some of the terms used by JICA (in its *Annual Report*).

Accountability [is the] responsibility to furnish adequate and accurate explanations to citizens and the people of a recipient country regarding content, financial affairs, and reasons behind decisions when proceeding with development aid and international cooperation activities and programs.

Core support for important policies [is] direct support for pivotal institutions within governments responsible for formulation of important policies such as financial and monetary policy, industrial policy, and regional policy concerned with transition to a market economy.

It is refreshing to find that accountability will be to citizens and people (rather than just

public representatives and government), but note that it is only to the extent of information rather than consent. In any case, one would be hard pressed to find evidence of systematic implementation of even such limited accountability. Note also that accountability does not seem to extend to sharing lessons learnt from (multiple, repeated and obvious) failures of programs.

Promotion of economic development through markets is understandably important to Japan's economy and the Pakistani state. But why are other pressing issues of the Pakistani people such as poverty and environment not (genuinely) central to goals of Japan ODA. If Japan's economy decides the character of Japan ODA, then is there much that ODA can really do for Pakistan's (just and sustainable) development beyond (inequitable) growth? We all know that market-based growth in an inequitable economy will do little to reduce poverty specially when it is rapid growth; existing institutional mal-governance will also do little for poverty through the expansion of public investment made feasible through rapid growth.

A review of *ODA to Pakistan [Review]* was prepared for JICA in 2003. The aid agency expected the *Review*¹⁸ to accomplish two major goals.

One is to get to the bottom of the challenges facing Pakistan from a socio - structural perspective, while paying

attention to new developments in and around the country so that analyses of sustainability of present economic recovery and development process become possible. The other is to explore both desirable directions for the development of Pakistan and the optimal approach for Japan's ODA to the country from the medium - and long - term perspectives based on the factors and paths to make present development sustainable.

The reference to the present economic recovery is, to say the least, curious in view of increasing mass poverty and entrenched inequality (acknowledged by donors but denied by government).

From the JICA web summary and the introduction to the JICA study, the Japanese government apparently considers President General Musharraf to be on the right track for development. Furthermore, in its view Pakistan has not been "*able to overcome structural problems [of growth] due mainly to frequent regime changes and incoherent policies. The present government still faces many challenges including rampant terrorism, high poverty rate, Kashmir conflict with India and contraband traffic from Afghanistan.*"¹⁹

Since the *Review* may be influential in both government and the larger policy community of Japan, its analysis and recommendations require comments. We find a host of issues for which the *Review* can be taken to task.

There are at least three necessary conditions for sustainable development: maintenance of law [whose?] and order [for whom?] and the consistency and continuation of policy directions [which are?]; ensuring equality of opportunities [through what structural changes?]; and strengthening social monitoring capacity...as the framework of the interaction between the ruling structure and the countervailing forces [?] of society... It is this weak social monitoring capacity that has failed to check the rent-seeking behavior of the ruling elites and [who has?] invited military intervention at times of civilian government failure.

The military action of the US against terrorists in Afghanistan has highlighted the significance of imbalanced regional development (ignoring the role of US and Pakistan military in creating the Taliban!). The redirection of public investment seems urgent [implying support to dubious mega infrastructure projects?]...

Sustainability can be assured through the rapid growth of social monitoring capacity, a healthy market economy [for people or capital?] and balanced regional development [without strengthening fiscal federalism?]...

We have identified three directions for development efforts. The first is the direction of human development, in

which the main objectives are to eliminate gender bias and to accelerate the growth of the middle class, and to ensure equality in medical and health services and human security [meaning what and how?]. The second is the direction of economic development, in which the main emphasis is placed on agricultural growth to enhance employment absorption [how?], control the 'black economy,' and ensure industrial growth and the development of a pro-poor infrastructure [meaning what and how?]. The third is the direction of regional development ...public investment for the purpose of equalizing socio-economic opportunities and to support the rapid development of regional capitals [including Karachi and Lahore!] as economic centers...

The most effective means of modifying the power structure would be, as has been frequently asserted by the international agencies, the introduction of radical land reforms...Given the social character of political forces in Pakistan, it would be unrealistic to draft a strategy incorporating the 'required land reform' for the achievement of sustainable development. Alternatively, we presume that ... rapid human development and the pro-poor growth of a market economy could create an environment in which the capability, leadership and resources of the rent-seeking power

elites could be mobilized for development [how and by whom?].

Given limitations and problems [with PRSP], Japan's ODA should stress consistency with the PRSP and at the same time have medium- and long-term perspectives...

Japan is committed to helping Pakistan to improve its debt servicing capacity and achieve high economic growth, and for this purpose will resume assistance for high-quality infrastructure development with yen loans [rather than grants because infrastructure for the middle class?].

For the authors of the *Review*, and for JICA, development is seen essentially as economic and service delivery. Claims to the contrary, the political economy analysis is then naturally quite narrow in scope. Sustainability considerations pay no real attention to the environment, especially to peoples control over natural resources. We should then not be surprised that the recommended strategies for ODA are unlikely to promote basic rights of people, and may even do the reverse under conditions of neo-colonial imperialism masquerading as globalisation and 'war against terror'.

Among the serious questions not raised by the *Review* are those that relate to militarisation of the polity and economy in general and the expanding economic control by the armed forces, directly and

through their foundations.²⁰ The human rights consequences are severe, as exemplified by the repression of peasants in Panjab who have challenged the continued role of the military as landlords over government land.²¹

When properly framed, donor guidelines for projects can help to mitigate adverse impacts. The ADB and WB have (relatively) comprehensive guidelines for their staff (though being gradually weakened and repeatedly violated). How does Japan ODA fare? JBIC last published its guidelines in 2002. A JICA document revised this year also sets out a basic framework.²² It would seem that these guidelines apply only to directly aided projects, i.e. that complaints against IFI projects will not be taken up formally by either of these agencies.

The *JBIC Guidelines* apparently extend to all *future* projects of direct assistance. They provide a welcome, broad determination of adverse impacts, and one can only wish that they would actually be applied to Japan ODA and reduced the immense suffering of people.

However, extracts from guidelines provide little optimism for reversing serious problems in Japan ODA. The *JICA Guidelines* seem to apply to projects where the *client government requests* JICA assistance for dealing with social and environmental problems. It is not obvious why an undemocratic client government will so request JICA; it is not clear that JICA can then be asked to do this task by the

Japan government; and whether the client is then bound by recommendations of a report that it did not ask for. As further reading reveals, one should also have reservations about the seriousness of agency intentions for genuine compliance.

Since there is not much difference between the JICA and JBIC *Guidelines*, we quote extracts together.²³

In its confirmation of environmental and social considerations, JBIC places importance on dialogue with the host country [but not its people?] regarding environmental and social considerations, while respecting the sovereignty of the host country [regardless of international commitments? Of the Japan constitution?].

When third parties [from Japan only?] point out in concrete terms that environmental and social considerations are not being fully undertaken, JBIC forwards such claims to the borrowers and, if necessary, encourages them to request the project proponents to take appropriate action.

If JBIC judges that there is a need for improvement in the situation with respect to environmental and social considerations, it may ask the project proponent, through the borrower, to take appropriate action in accordance with the loan agreement [and if that is incomplete?]. If the response of the project proponent is inappropriate,

JBIC may consider ... suspension of the disbursement [and let people suffer without remedial actions?].

The guidelines outline JICA 's responsibility and procedures, and requirements for the recipient governments to facilitate [but not compel?] achievement of the objectives.

Various documents prepared through the EIA process and reports (EIA documents) must be written in official languages or in languages familiar to people within the host countries. Documents written in understandable languages and forms for local people must be prepared and explained to them. It is requested [but not mandated] that EIA documents be made open to local stakeholders including local people. In addition, EIA documents should be available for public reading at all times, and the making of copies of these for the local stakeholders should be permitted. [what is the responsibility of Japan if recipients fail to do any or all of these?]

'Environmental impact assessment' means evaluating environmental and social, analyzing alternative plans and preparing adequate mitigation measures and monitoring plans in accordance with laws or guidelines of the recipient governments [and what if they are weak as compared to international standards?].

JICA makes a decision to stop cooperation projects and recommends MOFA to do the same when JICA concludes that it is impossible to ensure environmental and social considerations even if the above measures are taken. [how then is MOFA made accountable to affectees?]

Revised in 2003, the *ODA Charter* represents the official framework for international assistance – to be certainly followed by Japanese government agencies, and likely to be also a consensus of State elites.²⁴ Excerpts are illuminating — as inconsistent goals, as well as for deviance between precept and practice (as the case studies illustrate).

Among *Basic Policies*, and *Priority Issues* the *Charter* includes “*Perspective of human security; Poverty reduction; Sustainable growth.*” The *Principle of ODA Implementation* makes clear that this requires “*Environmental conservation and development should be pursued in tandem.*” Further, “*Any use of ODA for military purposes should be avoided; Full attention should be paid to military expenditure, their development and production of weapons of mass destruction, and export and import of arms.*”

So how will additional ODA to Pakistan be justified when it is widely felt that nuclear capability was attained and nuclear development pursued by covert transfers of public resources, including ODA? ²⁵ Presumably Japan’s establishment sleeps

comfortably by ignoring this *Principle*, and being quite confused about the implications of another *Principle* (which has its own inconsistencies) – “*Full attention to promoting democratisation, introduction of a market economy, protection of basic human rights and freedom.*”

And how will policy be formulated and implemented? Mostly by Japan and international bureaucrats in the donor community, with a token reference to domestic and international NGOs. Explicit consultations with citizens are restricted to Japan.

Donors meet annually with government in Islamabad at the *Pakistan Development Forum* to make public their consensual perspectives in a spirit of ‘harmony’. At the 2004 Forum, it is notable that the Japan delegation chaired a single session, and that too on Water Resources Development.²⁶ For Pakistan this usually means mega projects that rob the many to enrich the few, i.e. whose history is both contestable from the view of efficiency and equity, and evidently depriving many poor people from secure life and livelihood.

Being considerably more influential in Manila than in Washington, the most important conduit for Japan ODA (and state interests) remains the ADB. What is it that the ADB says should be done for Pakistan and why?

Towards the end of September 2004, the Bank issued a significant press release

after a Board update of the *Country Assistance Strategy*. It welcomed the improvement in GDP growth, exports and remittances – all macroeconomic indicators. Notably missing was any reference to poverty and unemployment, conveniently since both the incidence and intensity of poverty have been increasing. The data on remittances is self-serving since neither government nor donors can claim credit for increased remittances — except perversely, since remittances are coming at high levels in consequence of the ‘war on terror.’

The ADB goes on to state that:

The program in Pakistan will put new emphasis on assisting infrastructure projects with greatest impact for growth and poverty reduction over the next two years. ADB supports the Government’s shift in emphasis toward higher sustained growth to ensure that the benefits of structural reforms that are taking place reach the poor. Priority will be on rehabilitating existing infrastructure in irrigation, roads, and urban centres, as well as addressing critical gaps in the power sector. ADB will also promote public-private partnerships for infrastructure development through a combination of loan and risk mitigation products.

Additional details from the *Country Assistance Strategy* are revealing in ADB’s vision of development strategies for Pakistan (extracts in the Appendix).²⁷

These are no doubt shared by the Japan aid establishment. ADB expects (supplementary?) contributions from Japan to include:

Potential support to improvement in electric power distribution. JBIC [is] currently providing financing for Ghazi-Barotha for transmission lines. JBIC will also support public-private partnerships [privatization?] and promote effective electricity distribution and tariff collection, and provide financial assistance for hydropower [mega dams?] and rural electrification.

SME enterprise development program, investment promotion, and information technology promotion [pro-poor?]. JBIC to also support SME development.

Support for Irrigation and drainage improvement program [ignoring downstream impacts?]. Flood control assistance [diversionary boondoggles or Chashma-type disasters?]. Support for water resources development program [mega projects?]. JBIC support for sustainable irrigation development [corporatization?].

Support for urban water supply schemes, environmental monitoring systems, solid waste management and sewage disposal [more Korangi and Baldia boondoggles?]. JBIC’s support for organizational reforms in urban water supply [privatization?].

On the other hand, this is what the ADB Country Director has to say:²⁸

ADB has endorsed the Government's reform program and has provided an assistance of \$3.2 billion during 1999-2002 in support of the reform effort and investments for poverty reduction and economic growth. Over the last decade, the ADB's development policy in Pakistan ... shifting from an emphasis on infrastructure projects to a more defined focus on poverty reduction

Are these real conflicts between Manila and Islamabad, or just the usual double-speak of IFIs?

4. Improving ODA

From the *perspective of peoples both in Japan and Pakistan*, all ODA problems point to the *core issue of conceptualisation of projects and programmes*. What can we do to push for a *rights-based development agenda, so that ODA no longer remains an "Odious Debt Alliance?"*²⁹ What can we do to ensure that aid institutions – in Japan and in IFIs, as well as in Pakistan – acknowledge and accomplish a more significant role of people and communities in the selection, design and implementation of projects?

Japan aid agencies have serious outstanding obligations towards poor people substantially hurt by its funded projects – directly and through IFIs. Restitution as compensation for damages

and restoration of livelihoods must be comprehensive and prompt. There are two ways in which this can be done. One is to cancel debts with the condition that debt servicing saved is applied for this purpose. Another route is allocating additional funds in new projects for the purpose (and conditionality). There is a precedent for this in the Ghazi-Barotha Hydropower Project, where funds for the new project were made conditional on adequate compensation to affectees of Tarbela Dam. As long as Japan aid agencies deny their obligations to redressal, what can be done to halt additional projects?

We may be able to reform only future ODA. How then could Japan ODA agencies such as JICA and JBIC be persuaded to evaluate compliance with guidelines in a participatory manner with affectees and then stop funding projects if their guidelines are not being implemented?

These (limited) issues have, in fact, been raised repeatedly even within the Japan aid agencies themselves. Almost a decade ago, a JICA Aid Study Committee posed the issues as follows:³⁰

Why is it necessary to incorporate the concepts of participatory development and good governance into the implementation of Japan's aid to developing countries? How should they be incorporated?

What should be taken into account in the actual process of aid planning and

implementation? What specific types of aid will promote participatory development and good governance in developing countries?

What are the relevant challenges and points to be borne in mind when implementing aid?

In its recent Annual Report, JICA includes in its “Pillars of Aid – Eradication of Poverty,” the need for “approaches to structural issues by examining reasons why the [Southwest Asia] region has so many poor people, and why the number of poor people does not decrease despite economic development.” How do we hold JICA accountable for actions consistent with its pronouncements?

However one phrases the responses, the outcomes of the answers largely depend on what Japanese civil society organisations want to and can do. Within Japan, it is a question of the scope of greater political action – lobbying with public representatives as well as with government representatives in IFIs (such as the Executive Directors in ADB and WB).

More meaningful accountability is also needed from ODA organisations such as JICA and JBIC, including the participation of Japan NGOs in post-project evaluations. Stronger complaint mechanisms need to be established, which not only cover directly aided projects but also require a public response from government agencies when a complaint is filed with IFIs supported by Japan ODA.

These are difficult tasks since the Japan government acts (as do most governments) as if its primary accountability is to other client governments rather than to people – e.g. as late as 2003, the MOFA-led Workshop on ODA Evaluation was confined to participants from other governments.³¹

Some advocacy NGOs of Japan (such as JACSES) have recently begun active collaboration with organisations in Pakistan.³² This needs to become both more extensive and intensive. Exchange of information is useful but cannot replace more frequent and extended visits to Pakistan by Japan NGOs. When the visits are in genuine solidarity there can be no fear of critical interactions between comrades who deny cultural and geographic borders constructed by state elites. Capital is unified in the new global order: labour has no choice but to seek universal solidarity for social justice.

It is evident that serious problems in Japan ODA are shared by most recipient countries. Hence the need for fundamental reforms in all ODA, including that from Japan. The direction of reforms – ‘harmonised’ across donors — can be summarised through a recent statement by the Reality of Aid network (*Focus on Governance & Rights in International Co-operation*).³³

- *Development co-operation programs to reflect binding obligations under human rights law and the rights based approach, including the right to development*

- *Any terms must be fairly and transparently negotiated with participation of and accountability to people living in poverty*
- *Efforts to achieve MDGs must be founded on strategies that empower and recognise the rights of all people, including the poor no matter where they live*
- *Aid should support governments, representative institutions and legislatures in formulating national poverty reduction strategies; aid should not determine the process; IFIs must not remain the monopoly providers of policy advice or the gatekeepers on resource transfers*
- *Aid should be treated as money held in trust for the poor*

Appendices

Extracts from *Official Development Assistance to Pakistan*, Japan Embassy-JICA-JBIC

Extracts from *Country Strategy and Program Update 2004-22006*, Asian Development Bank, Manila: July 2003

Selected Web Links

Embassy of Japan

www.pk.emb-japan.go.jp/ECONOMIC/ODA%20Pamphlet/ODA%20toppage.htm
(*Official Development Assistance to Pakistan published by Japan Embassy*)

Ministry of Foreign Affairs

www.mofa.go.jp/policy/oda/white/2001/contents.pdf (*Japan's Official Development Assistance White Paper 2001*)

www.mofa.go.jp/policy/oda/reform/revision0308.pdf (*ODA Charter 2003*)

JICA

www.jica.go.jp/english/publication/studyreport/country/pak/pdf/pak_01.pdf
(*Country Study for ODA to Pakistan 2003*)

www.jica.go.jp/english/publication/studyreport/country/part/part_03.html
(*Participatory development and good governance report of the Aid Study Committee 1995*).

www.jica.go.jp/environment/guideline/pdf/guideline_eng.pdf (*JICA Guidelines for Environmental & Social Considerations*)

www.jcif.or.jp/e/about/ (*Japan Center for International Finance*)

JBIC

www.jbic.go.jp/english/environ/guide/finance/eguide/pdf/guide.pdf (*JBIC Guidelines For Confirmation Of Environmental And Social Considerations*)

www.jbic.go.jp/english/oec/environ/hand/index.php (*JBIC Handbook on Social Dimensions for ODA Projects*)

www.jbic.go.jp/english/base/achieve/annual/2000/pdf/2000.pdf (*Japan Bank for International Cooperation, Annual Report*)

Asian Development Bank

www.adb.org/Documents/CSPs/PAK/2003/default.asp (ADB Country Assistance Strategy 2004-2006)

adb.org/Inspection/Projects/Chasma/appendix01.pdf;

adb.org/Inspection/Projects/Chasma/appendix03.pdf (Complaint on Chashma filed with the ADB in 2002)

www.adb.org/Media/Articles/2004/5674_pakistan_inspection_committee/default.asp?RegistrationID=6684 (ADB Board Response to Complain on Chashma)

www.adb.org/Inspection/Projects/korangi_wastewater_creed.asp (ADB version of complaint filed for Korangi Wastewater Management Project)

World Bank

textsearch.worldbank.org/servlet/ SiteSearchServlet?q=japan+assistance+to+pakistan (World Bank survey of Japan ODA)
[wbln0018.worldbank.org/IPN/IPNWeb.nsf/\(attachmentweb\)/PAKNoticeofRegistration/](http://wbln0018.worldbank.org/IPN/IPNWeb.nsf/(attachmentweb)/PAKNoticeofRegistration/)

[\\$FILE/PAKNoticeofRegistration.pdf](#)

(Complaint on National Drainage Plan filed with the World Bank in 2004)

Government of Pakistan

www.finance.gov.pk/survey/home.htm (Annual Economic Survey)

www.sbp.org.pk/reports (Annual Report by the State Bank)

Others

www.chashma-struggles.net/ (Activist website on Chashma Irrigation Project)

www.bicusa.org/bicusa/issues/ (Aid-watch website of the Bank Information Centre)

www.forum-adb.org/policies (Aid-watch website of the NGO Forum on the ADB)

www.focusweb.org/main/html/index.php (Development website of Focus on the Global South)

www.realityofaid.org/Asia/ (Aid-watch website of the Reality of Aid Network)

APPENDIX

Official Development Assistance to Pakistan Japan Embassy-JBIC-JICA

JAPAN, A TRUSTED DEVELOPMENT PARTNER TO PAKISTAN SINCE 1952

Japan and Pakistan in April 2002 commemorated the 50th anniversary of diplomatic relations between the two countries. Japan opened its Embassy in Karachi on 28th of April 1952, and initiated its economic assistance with provision of technical assistance in 1954; ODA loan in 1961 and grant aid in 1970 and has continuously played an important role in Pakistan's development.

Both the countries have been enjoying very cordial and friendly relationship for the last five decades. Japan through its Official Development Assistance (ODA) has long been supporting Pakistan in a wide range of fields including development of large-scale infrastructure, social sector projects as well as human resource development. The commitment of Japan being a development partner to Pakistan is unchanged and Japan will continue to assist the country in its efforts to reduce poverty by addressing the prioritized areas of assistance.

JAPAN ASSISTED PROJECTS IN PAKISTAN IN VARIOUS SECTORS

In 2003, Study Committee on Japanese ODA to Pakistan, comprised of Japanese academics, Embassy of Japan, JBIC, and JICA, completed its study on Japanese long term assistance strategy to Pakistan. The Committee concluded that Japan should assist Pakistan's efforts for sustainable development.

In order to achieve such a goal, Japan is actively supporting the efforts of the Government of Pakistan to revive its economy and to reduce poverty through series of reforms and Poverty Reduction Strategy Paper (PRSP). In doing so, seven areas were identified as being crucial: 'Health', 'Education', 'Water', 'Economic Infrastructure and Development', 'Governance and Economic Reform', 'Agriculture', and 'Environment'.

HEALTH The Japanese government is supporting Pakistan's efforts to reduce infant mortality rate. Since 1996, under Expanded Programme of Immunization (EPI) of the Pakistani government, continuous support for procurement of oral polio vaccine has been provided that constitutes almost half of the total vaccine requirements to eradicate polio among Pakistani children. Similarly, grant is also being extended for immunization against Neonatal Tetanus, since 2000. Technical cooperation is also expected to begin on TB control for the DOTS implementation in Punjab.

Pakistan Institute of Medical Sciences (PIMS) is one of the prominent examples, where the Government of Japan has supported the improvement of health services and human resources development. Japan continues to provide its support to health sector through programs such as In-country training “Safe Management of Newborn Infants” which has been conducted since 2001 in Children’s Hospital, a set up with in PIMS. Another In-country Training “Safe Motherhood” will be carried out starting from this year in Mother and Child Health Care Center (MCHC) which is also a part of PIMS.

In addition, Japan has started a study on Improvement of Management Information Systems in Health Sector since January 2004. The major objective of this study is to formulate a national action plan for the improvement of health information system, which will respond to the information needs at each level of public health service delivery.

Education Balochistan Middle Level Education Project is an ongoing ODA loan project that aims to improve access and quality of middle level education and reduce gender disparity in the province of Balochistan. Japan supports upgrading of 200 primary schools to middle schools, construction of science rooms and technical workshops, together with the provision of necessary equipment. The project scope also includes recruitment and training of general and technical teachers.

Government of Japan has also assisted for strengthening literacy programs in Pakistan. Japanese experts were dispatched to EFA Wing, Ministry of Education in order to strengthen the function of policy formulation and coordination capacity of EFA Wing. A 3-year project for improving the District Literacy Programs will also be starting to establish Literacy Management Information System (LitMIS) in 4 districts of Punjab

Water

Irrigation In this sector, the Japanese Government has been the prime bilateral donor along with multilateral donors as the World Bank, and has provided assistance through ODA loans, grant assistance and technical assistance. Under On-farm Management Project, which is an ODA Loan project, watercourses at the on-farm level were improved, training centers were established, and farmers and government officials received trainings. Japan is also assisting a project such as National Drainage Program, which is co-financed by the World Bank and Asian Development Bank.

Water Supply and Sanitation Unsafe water and insufficient sanitation lead to high mortality and water borne diseases, and Pakistan, along with other developing

countries greatly suffers from such problems. In this sector, the Japanese Government has assisted through ODA loans, grants and technical assistance.

Metropolitan Water Projects (Khanpur I and Simly), which were completed in 1997 and 2000, are ODA Loan projects aimed at building water supply system in Islamabad and Rawalpindi. Karachi Water supply Project is another project, which is currently being implemented to strengthen water supply capacity at Hub and Pipri treatment plants.

Economic Infrastructure and Economic Development

Transportation Kohat Tunnel Construction Project is an ODA Loan project that was completed in 2003. The project was a first major tunnel project in Pakistan, aiming to remove the impediments in Indus Highway (N55), which the Japanese Government has been assisting for many years. There is another on going project for rural road development, which is administered by Federal Ministry and implemented by Provincial Governments. Japan is also extending various technical assistance and trainings, such as dispatching advisor to NHA.

Power Ghazi-Barotha Hydropower Project is one of such ODA Loan projects co-financed by various donors including the World Bank, the Asian Development Bank, and the Islamic Development Bank. The project is expected to cover the estimated increase in power demand in Pakistan and change its dependency from thermal power to hydropower. Japanese Government has also provided assistance for ODA loan projects such as rural electrification, national grid line strengthening, and power generation such as Bin Qasim and Jamshoro.

Private Sector and Investment Japan has cooperated in projects designed to promote the development of Pakistan's industries. In 1977, Japan extended the first ODA loan for the establishment of two cement plants and provided grant assistance for the establishment of "National College of Textile Engineering in Faisalabad".

'Establishment of Geo-science Laboratory Project' was carried out in 1989 and 1990 through grant aid support to the Geological Survey of Pakistan for the establishment of a modern research laboratory, furnished with high degree analytical equipment for exploration of the very rich natural resources of Pakistan.

Japan is also providing support for 'Pakistan Industrial Technical Assistance Center (PITAC)', Lahore in the field of 'Plastic Molding Technology' by means of Project-Type Technical Cooperation for a period of four years. The project which was started in September 2002 currently has 4 Japanese experts who are training the local manpower in this new technology.

GOVERNANCE Japan will continue the training programme on “Local Administration” for 30 young officials from key fields, selected each year from various federal/provincial government departments, thus contributing to Pakistan’s future development. Also, in order to enhance administrative capacity of local government, a technical cooperation project will be carried out in three selected districts of Punjab. Support will also be provided to develop an effective monitoring mechanism under PRSP.

AGRICULTURE A grant was provided in 1993 to the National Agricultural Research Center, Islamabad for establishment of “Plant Genetic Resource Preservation Laboratory” to conduct research for development of high-yield plants. A five-year Project Type Technical Cooperation was implemented in 1993 through 1998. Numerous Japanese experts were dispatched and provided their expertise in enhancing the capacity of the local scientists through transfer of technology and skills in areas of genetic resources preservation.

Environment Japan is focusing mainly on Urban Environmental Protection in the areas of Air & Water Pollution and Solid Waste Management

Currently, two Japanese experts are working with the Pakistan Environmental Protection Agency (Pak-EPA). One expert deals with Urban Environmental Protection which includes: Air Pollution Control, Water Pollution Control and another expert is working in the area of Solid Waste Management on a project called “Integrated Management of Solid Waste”.

In addition to dispatching experts, studies for two projects will be carried out in near future: A Basic Design Study for “Establishment of Environmental Monitoring System in Pakistan” and “Master Plan Study on Karachi Industrial Wastewater Management”.

APPENDIX**COUNTRY STRATEGY AND PROGRAM UPDATE 2004–2006 PAKISTAN
ASIAN DEVELOPMENT BANK
July 2003****LENDING PRODUCTS**

- (i) Table A3.1: Sustainable Livelihoods in Barani Areas Project (Punjab)
- (ii) Table A3.2: Agriculture Diversification and Agribusiness Development
- (iii) Table A3.3: Cleaner Fuel
- (iv) Table A3.4: Balochistan Public Resource Management Program
- (v) Table A3.5: Southern Punjab Basic Urban Services
- (vi) Table A3.6: Decentralized Social Services
(Balochistan, North-West Frontier Province, Punjab, and Sindh)
- (vii) Table A3.7: Restructuring of Technical Education and Vocational Training System
- (viii) Table A3.8: Rawalpindi Environment Improvement
- (ix) Table A3.9: North-West Road Development Sector and Subregional Connectivity
- (x) Table A3.10: Balochistan Rural Development and Drought Mitigation
- (xi) Table A3.11: Sindh Coastal and Inland Community Development Project
- (xii) Table A3.12: Renewable Energy Development
- (xiii) Table A3.13: Punjab Resource Management Program—Subprogram 2 and 3
- (xiv) Table A3.14: Federally Administered Tribal Areas (FATA) Governance
- (xv) Table A3.15: Public-Private Infrastructure Financing Facility
- (xvi) Table A3.16: Family Protection Project
- (xvii) Table A3.17: Sindh Basic Urban Services
- (xviii) Table A3.18: Water Sector Development

- (xix) Table A3.19: Sindh Forestry Sector Development II
- (xx) Table A3.20: Microfinance Sector Development Program II
- (xxi) Table A3.21: Punjab Local Justice Support Program
- (xxii) Table A3.22: Social Health Insurance
- (xxiii) Table A3.23: Subregional Connectivity I
- (xxiv) Table A3.24: Power Transmission and Distribution Enhancement
- (xxv) Table A3.25: Trade, Export Promotion, and Industry Program (TEPI) II

NONLENDING PRODUCTS

- (i) Table A4.1: Water Sector and Irrigation Development in Pakistan
- (ii) Table A4.2: Strengthening NGO Engagement in ADB Policy and Operations
(Balochistan and Punjab)
- (iii) Table A4.3: Punjab Resource Management Program
- (iv) Table A4.4: Strengthening Alignment of ADB Operations to Devolution
- (v) Table A4.5: Enhancing Pakistan's International Competitiveness
- (vi) Table A4.6: Private Sector Infrastructure Financing
- (vii) Table A4.7: Decentralization Support Program
- (viii) Table A4.8: Border Area Rural Development (NWFP)
- (ix) Table A4.9: Energy Sector Development Fund
- (x) Table A4.10: Pension Reform
- (xi) Table A4.11: Balochistan Basic Urban Services
- (xii) Table A4.12: Provincial Road/Rural Access (Cluster TA II)

Endnotes

- * Taking note of discussions at the Conference and the Symposium at Sophia University, this is a revised version of the Country paper delivered at the Conference. The author works for the South Asian labour movement as Senior Fellow at PILER, and joins broader activist solidarity in Pakistan as a Co-ordinator of the creed alliance. However, neither PILER nor creed assumes agreement or responsibility for all of the views expressed in the paper.
- ¹ www.jbic.go.jp/autocontents/english/news/2003/000006/ There is a general impression that only low levels of aid were provided since 2001; this is mistaken, as evident from the information given by the Japan Embassy: "a grant of \$300 million was pledged in November 2001;" see *Official Development Assistance to Pakistan*, Embassy of Japan: Islamabad [www.pk.emb-japan.go.jp/ECONOMIC/ODA%20Pamphlet/Overview.htm].
- ² Following debt cancellation of around a billion dollars, the US has begun to implement large-scale economic and military *grant* aid to Pakistan. It would be surprising if Pakistan's nuclear weapons program did not obtain additional financial resources without visible allocations from the public budget. President General Musharraf has repeatedly stated that Pakistan 'joined' the 'war on terror' because its nuclear assets came under threat (from whom?).
- ³ Japan NGOs may want to focus additional attention on DFI from Japan — since the division between private and public sectors should be seen more as a division of who manages resources rather than who owns resources. General and specific subsidies given to Japan industry by Japan and Pakistan are a specific intervention. A dubious impact on Pakistan development is evident from the coincident expansion of Japan auto industry and decline of public investment in mass transit. Is it any wonder that Japan ODA supports road projects in infrastructure assistance?
- ⁴ The paper would have but could not benefit from the requested sharing of information from IFIs and Japan agencies resident in Islamabad. Country offices of WB and ADB were similarly unresponsive. The knowledge of power among the few clearly excludes many from the power of knowledge.
- ⁵ Official data sources of the Pakistan government are the *Economic Survey* by the Ministry of Finance [www.finance.gov.pk/] and the *Annual Report* by the State Bank [www.sbp.org.pk/reports/]; the latter is considered less propagandist though both are largely social abstractions. It is not clear if this includes contingent liabilities on account of private external debt.
- ⁶ *Official Development Assistance to Pakistan*, Japan Embassy: Islamabad [www.pk.emb-japan.go.jp/ECONOMIC/ODA%20Pamphlet/Overview.htm]. A list of projects is provided in www.pk.emb-japan.go.jp/ECONOMIC/ODA%20Pamphlet/ODA%20projects.htm. See also *Japan as Top Donor*, Japan Embassy: Islamabad [www.pk.emb-japan.go.jp/Booklet/Economic%20Relations/Japan%20Top%20Donor.htm].
- ⁷ *News Release*, ADB: Manila, September 27, 2004 [www.adb.org/Documents/News/2004/nr2004124.asp] and *Country Strategy And Program 2004–2006*, ADB: Manila, July 2003 [www.adb.org/Documents/CSPs/PAK/2003/default.asp]. The strategy and program are discussed in a later section.
- ⁸ As things go, overseas labour has little official recognition of its major contribution to the Pakistan economy.
- ⁹ *National Drainage Program: A Curse for Coastal Communities*, ActionAid: Islamabad, September 2004; see also submission to Inspection Panel of the World Bank. *Displacement, Dislocation and Adverse Impact of Chashma Right Bank Irrigation Project*, NIPA: Karachi, June 2003 [www.nipa-khi.edu.pk/Perils-june2003.pdf]; *NGO Visit to the Asian Development Bank's Chashma Right Bank*

Irrigation Project (CRBIP) in Pakistan: Trip Report, Bank Information Centre: Washington DC, March 2004 [www.bicusa.org/bicusa/issues/Chashma_Trip_Report_final_March_15.pdf]; *Chashma Right Bank Irrigation Project*, NGO Forum on the ADB: Manila [www.forum-adb.org/projects]; see also submission to the Inspection Committee of the ADB. *Market Friendly Rights: The ADB Access to Justice Programme*, PILER: Karachi, Social Watch [www.epw.org.in/]. *Poverty Reduction in Sindh: Donor Strategy in Search for Country Vision*, PILER: Karachi, Social Watch. *ADB Korangi Wastewater Project: Ill-Conceived Boondoggle*, creed: Karachi; *Dirty Business* Newline June 1999. *ADB-Funded KWSB Sewage Plan for Baldia*, Urban Resource Centre: Karachi [www.urckarachi.org/iswm.htm]. *Pakistan's Karachi Water and Sewerage Board – World Bank's Guinea Pig on Water Privatization in South Asia*, NGO-Forum on the ADB: Manila, August 1998 [www.forum-adb.org/RESOURCES/Briefers/0124.pdf]; *Urban Water Reforms: Whose Water? Whose City?* in *The Politics of Managing Water*, Oxford Univ Press: Karachi. *Securing Fisherfolk Rights in Environmental Law and Policy*, Shirkat Gah & PILER: Karachi._

¹⁰ For example, construction involves bonded adult and child labour in brick kilns. See *Forced Labour in Pakistan, Asia Pacific Research Network Journal, Manila, December 2003* [www.aprnet.org/journals/9/v9-2.htm] or *Unfree Labour in South Asia*, Economic & Political Weekly, May 29, 2004 [www.epw.org.in/].

¹¹ For critical views disseminated by JICA through its journal, see e.g. *Approach to Poverty Reduction in Developing Countries and Japan's Contribution*, Technology and Development, No.16, January 2003; and, *On the Effectiveness of the PRSP Regime*, Technology and Development, No.17, January 2004 [www.jica.go.jp/english/publication/studyreport/topical/articles/]. The former article is more sensitive to the political economy of aid and development.

¹² A key political problem in all aid to Pakistan is that the government of Pakistan has always made even the most far-reaching agreements with

donors without any endorsement or subsequent review by the National Assembly. Provinces are now following suit for direct agreements with donors without discussion by the provincial legislature. Even projects for enhancing municipal services are approved by the federal or provincial government without substantive consultation with public representatives in local government.

¹³ For e.g., a provincial government (Sindh) invited NGOs to join in framing the provincial poverty strategy paper. Naturally the NGOs refused to be constrained by the framework of the draft PRSP produced by consultants for the federal government: e.g. *Poverty Reduction in Sindh: Donor Strategy in Search for Country Vision*, PILER: Karachi, Social Watch. The government's reaction to NGO suggestions was to simply hand over the work to a 'development professional', who dutifully produced the standard, technocratic, report required by IFIs. His task was made easier by the fact of being a former World Bank staffer.

¹⁴ See e.g. various publications by the Reality of Aid network, and by Focus on the Global South.

¹⁵ Perhaps frankness is impossible with bureaucrats anywhere – not much was in evidence at the Tokyo-based meetings with senior officials of JICA, JBIC and MoFA.

¹⁶ *Ex-post Evaluation on ODA Loan Projects 2003*, JBIC: Tokyo, February 2004 [www.jbic.go.jp/english/oec/post/2003/index.php].

¹⁷ *Annual Report*, JICA: Tokyo, September 2003.

¹⁸ *Country Study for Japan's Official Development Assistance to the Islamic Republic of Pakistan: Development Towards a Sustainable Society – Medium and Long-term Perspectives*, JICA: Tokyo, November 2003 [www.jica.go.jp/english/publication/studyreport/country/pak/pdf/pak_01.pdf]; emphasis added. The web summary is at www.jica.go.jp/english/publication/studyreport/country/pak/index.html. The study team was led by Professor Shigemochi Hirashima (of Meiji Gakuin University), a respected academic in Pakistan since his fieldwork for Ph.D. at Cornell University.

- ¹⁹ A comparison of the review summary posted on the JICA website with the full Review is illuminating. Taking the web summary as closer to official thinking, it is apparent that the official view will not admit of being seriously influenced by the study, perhaps because negotiations within the Japanese establishment on the new ODA Charter had already been completed before the JICA study was completed.
- ²⁰ See *Militarization of Globalization: Impacts upon Economic & Social Rights of Labour*, APRN Conference on **War and Terror: People's Rights & the Militarization of Globalization, Beirut: November 2003**, in PILER: Social Watch; *South Asian Labour for Peace & Development*, Conference on Peace in South Asia, University of Texas: Austin, April 2004, in PILER: Social Watch.
- ²¹ See www.satribune.com/archives/oct19_25_03/P1_grab.htm, and a fuller expose in *Soiled Hands*:
- Pakistan Army's Repression of the Punjab Farmers' Movement*, Human Rights Watch [hrw.org/reports/2004/pakistan0704/].
- ²² *Guidelines For Confirmation Of Environmental And Social Considerations*, JBIC: Tokyo, April 2002 [www.jbic.go.jp/english/environ/guide/finance/eguide/pdf/guide.pdf]; *Guidelines for Environmental & Social Considerations*, JICA: Tokyo, April 2004 [www.jica.go.jp/environment/guideline/pdf/guideline_eng.pdf].
- ²³ Emphasis added.
- ²⁴ *Revision of Japan's Official Development Assistance Charter*, Ministry of Foreign Affairs: Tokyo www.mofa.go.jp/policy/oda/reform/revision0308.pdf. We cite the summary given by JICA in its *Annual Report 2003*.
- ²⁵ Under Pakistan's political system, the military budget is not open for debate by the National Assembly. According to General Musharraf, oversight of the entire nuclear program development was restricted to the President, Chief of Army, and the Prime Minister. Most Prime Ministers would deny serious consultation.
- ²⁶ www.worldbank.org/PAKISTANEXTN/Resources/Pakistan-Development-Forum-2004/PDF2004-Agenda.pdf.
- ²⁷ www.adb.org/Documents/CSPs/PAK/2003/default.asp
- ²⁸ Country Director Pakistan Resident Mission, speaking at a National Seminar on Child Labour organised by Ministry of Labour, Manpower and Overseas, Government of Pakistan in collaboration with the Social Policy and Development Centre (SPDC) on 15 October at Islamabad [www.adb.org/Documents/Speeches/2003/ms2003077.asp].
- ²⁹ This is not the place for discussion on a development agenda. These perspectives are available in a note written at PILER for the Five-Year Plan (2005-10) Working Group on Poverty Reduction, Social Protection, Nutrition and Income Distribution.
- ³⁰ *Participatory Development And Good Governance Report Of The Aid Study Committee*, JICA: Tokyo, March 1995 [www.jica.go.jp/english/publication/studyreport/country/part/part_03.html].
- ³¹ *The Third Tokyo Workshop on ODA Evaluation*, MOFA: Tokyo, November 2003 [www.mofa.go.jp/policy/oda/evaluation/2003/workshop.pdf].
- ³² JICA has a NGO Partnership program for Japan NGOs but which is focused on service delivery, and hence unlikely to be suited to NGOs that advocate critical engagement with government, i.e. debate ODA perspectives and dispute project impacts.
- ³³ *Annual Report* for 2004, published by Ibon: Manila, and Zed Books: London.

Japan ODA to the Philippines

Antonio Tujan Jr.

Commemorating the 50th anniversary of Japanese official development aid is important in the light of its significant impact on development and economy of various countries around Asia and the world. The Philippines itself is the third largest recipient of Japan ODA after China and Indonesia. [See Table 3 Annex] Thus Japan ODA has been the main source of support for Philippine development projects and needs since it started 45 years ago in 1960.

The Philippines has received a total of \$9.991 billion in net disbursements, equivalent to 43% of all development assistance received since 1960 to 2002. Annually, Japan ODA has generally

occupied the dominant share of all development assistance to the Philippines. While the trend has been somewhat erratic, net disbursements of Japan ODA comprised 55% of total DAC assistance starting in 1960 amounting to \$37.85 M, already outstripping USAID. In 2002 (latest data available), it has comprised 62% of total DAC assistance and amounted to \$318.02 M. [See Table 1 Annex]



San Roque Dam, a \$1.19 billion project funded by JBIC, is implemented by a consortium of foreign corporations led by Marubeni

Achievements in infrastructure development

Such substantial amounts of ODA translate to major accomplishments especially in infrastructure development since 1969. The Japan embassy in the Philippines reports the following sectoral accomplishments, to wit:¹

(1) Roads and Bridges

“13% of all National Highways were improved through Japan ODA”

A total of 260 billion yen (PhP113 billion) have been allocated to national highway projects. Thirteen percent (13%) of all national highways, including the 2,100-km Philippines-Japan Friendship Highway (Pan Philippines Highway stretching from Aparri in Cagayan Province to Davao), have been constructed and rehabilitated through Yen loans. Two hundred (200) new bridges, including the Second Mandaue-Mactan Bridge and the San Juanico Bridge, were built while another 200 bridges are under construction or repair.

(2) Power and Energy

“Japan assisted 8% of energy generation”

A total of 286.6 billion yen (PhP124.6 billion) was extended for the construction of power plants, which generate 8% of the country electricity (including electrification of poor and rural areas). Japan supported the development of geothermal power generation as well as the development and interconnection of power grids.

(3) Potable Water Supply

“Million Filipinos enjoy clean water”

Water facilities built by Japanese ODA provide drinking water to an estimated 13 million Filipinos. Two-thirds of all grants to the sector come from Japan. Japan is also supporting rural water supply and water quality improvement.

(4) Airports

A total of 110 billion yen (PhP 47.8 billion) have been channeled to the construction of major airports, which include the NAIA 2 and Cebu-Mactan international airports. These facilities cater to about 13 million passengers taking domestic flights and about 8.3 million passengers taking international flights. Three more international airports are being built.

(5) Ports

“62 major and small ports were built”

Japan supported the construction, expansion and the improvement of major ports such as the ones in Subic, Cagayan de Oro and Batangas. Fifty-nine (59) small-scale ports were also built or rehabilitated to provide greater access to various areas and facilitate industrial development.

(6) Flood Control

“No more Ormoc disaster”

All over the country 22 major flood control projects were assisted by Japan. For instance, in response to the flash floods that killed an estimated 8,000 people in

Ormoc in 1991, the Ormoc City Flood Mitigation Project was completed in 2001. Just after the project completion, Ormoc was hit by another massive typhoon which had the same intensity as 1991 storm, but the Flood Mitigation Project prevented the recurrence of similar devastation.

(7) Agriculture

“129,000 has. were irrigated in 10 years”
In the last ten years, more than 50% of all irrigation projects in the Philippines has been funded by Japan, irrigating an estimated 129,000 has. of farmland Japan.

(8) Environment

Japan supports the Philippine Government in various environment management projects such as reforestation, solid waste management and Metro Manila Air Quality Improvement.

(9) Health

Japan has extended grants and technical assistance amounting to a total of Yen 20 billion (PhP 8.8 billion) for the Philippine health sector. The most noteworthy projects include upgrading and expansion of major hospitals and research institutes, including the Philippine General Hospital, Vicente Sotto Hospital, Davao Medical Center, and Benguet Hospital. Services at other regional hospitals were improved through the provision of medical equipment. Japan has also extended its support on research center for infectious diseases.

(10) Education

“More than 65,000 classrooms are built”
Japan extends grants and loans for the expansion of school buildings. So far, 1,557 classrooms and 156 science laboratories, have been constructed at a cost of P4.4 billion under grant-aid while the construction of 64,000 classrooms is ongoing funded by loan schemes. Japan also focuses on improving science and mathematics education and teachers' capabilities.

While there is no doubt that Japan development assistance has provided invaluable support to the development of the Philippines, there are also significant problems resulting from the nature of Japan aid and supported projects. A prominent issue is that the bulk of Japan aid to the Philippines comes in the form of loans which contribute to the country's debt burden. Another significant issue refers to the character and process of determination of projects which has resulted in various negative impacts to the people.

Contributing to the debt burden

While the scale and results of Japan development assistance is remarkable, the impressiveness of the performance disappears when it is noted that this was not free assistance, but was provided mainly in the form of loans. Net ODA loans disbursed since 1969 amounted to \$6,230.45 million and constitute two thirds or 63.84% of total aid amounting to \$9,760.14 million from 1964 to 2002.

[See Table 2 Annex] This constitute the bulk of \$16.895 billion outstanding bilateral debt as of 2003 and is a significant share of total outstanding foreign debt of the Philippines at \$57.395 billion as of 2003.

In the context of a prudent fiscal policy, these ODA loans, while arguably contributing to development, may not be necessary or could even be deemed to be inappropriate in the light of the Philippines problematic fiscal position. Philippine public debt is equivalent to 70% of abovementioned foreign debt and total public debt has reached serious proportions at PhP4.1 trillion. The Philippine government faces a fiscal crisis as revenues decline to 12.3% of GDP in 2003 from 16.9% of GDP in 1996 and the tax effort of the Bureau of Internal Revenue and Bureau of Customs continue to decline to 9.6% from 12% and 2.4% from 4.8% in the same period respectively. As the Philippines has an automatic debt payment law, the budget deficit continues to balloon to levels of P200B in 2004.

It may be said that much of visible development in the Philippines in the form of infrastructure would not be present without Japan ODA. It may further be argued that the Philippines is able to avail of development projects it would not have been able to afford presently because ODA loans were provided. In this way, development is hastened or even ensured.

But on the other hand, it could also be argued that Japan is able to secure its

investments for Philippine development projects by providing ODA loans, many of which are tied, or even if untied, often naturally result in awarding of contracts to Japanese companies due to various reasons.

In the process of bilateral negotiations, the Philippines accepts projects and loans which are not appropriate in the light of its fiscal situation while not being necessarily urgent. In this sense, these ODA loans provide a negative factor for development, endangering the recipient country's macroeconomic viability. In the absence of funds for economic services and investment, the Philippine government is keen on receiving bilateral aid, even in the form of loans that enhance its debt burden, because such project loans constitute infusion of needed investment and contributes to economic pump-priming. This is oftentimes inadvisable for fiscal management, and is useless in the context of microeconomic poverty reduction programs.

One aspect which must be considered in the interest of immediate financial relief to the Philippines is the fact that the Philippines continues to pay odious debt of the Marcos dictatorship amounting to \$1.2B as of end 2003. Much of this debt went to behest loans and projects with terrible consequences for the people and the nation. This burden was imposed on our country by the dictatorship without any form of consultation whatsoever, while the

dictator and his clique routinely pocketed ten per cent or more of disbursements.

A substantial amount of the Marcos debt is bilateral loans by Japan which the Philippines is still paying. According to the Philippines Bureau of Treasury Debt Monitoring Division, outstanding Marcos debt to Japan includes \$280 million outstanding principal and interest of direct loans by the Marcos government and another amount equivalent to \$355 million outstanding principal and interest of relending. This amount (\$635 million) constitutes more than one half of total Marcos debt still pending. Cancellation of this debt would result in substantial relief for the Philippines at this point.

Growth strategy – promoting people’s development or foreign investments?

As a country that continues to suffer from a combination of structural and governance problems including mismanagement of public finances and economic priorities, economic dislocation and marginalization of weaker sectors of the economy and resulting widespread poverty, the Philippines cannot just accept any form of aid on the premise that foreign currency infused in whatever form is positive.

Development assistance can help mitigate or even reduce poverty if properly selected and implemented. Generally such assistance should be in the form of grants provided to social and economic development programs that were designed

mainly through the participation of recipient communities and sectors and implemented transparently and with their participation.

On the other hand, focusing development assistance on big ticket infrastructure development not only simply creates the illusion of development, but more importantly is meant to attract foreign investment as the expected engine of development. As economic planners project massive influx of foreign investment in their best case scenarios, then the necessary infrastructure to provide power and other utilities, transport and communications and other support systems take on an urgency as a development imperative that is dictated only by their desire to realize their own dreams of maximum development scenarios.

However, the urgency is not real or evidenced by the level of economic development. On the other hand, the financial burden and social, economic and environmental dislocation from such projects can hardly be compensated by whatever benefits are forthcoming from expected foreign investments.

This process of donor dialogue with government officials, sector programs and poverty reduction strategies often reflect what Sogge terms “the politics of the mirror” – addressing potential aid donors “in the language that is most congenial, and crucially, most easily reinforces the belief that they (outsiders) understand what [the recipient] needs.”² In such processes, aid

programs are shaped in favor of donor interests where development project approaches, such as privatization or public/private partnerships, result in greater opportunities for investment and trade for donor country corporations while reducing access of the poor to services.

A graphic example of this is the San Roque dam constructed on Agno river in the Cordillera in the Philippines. Built at a projected cost of \$1.19 billion, the San Roque dam is meant to provide 345MW of hydroelectric power besides later add-ons like irrigation for 87,000 hectares, flood control and water quality improvement. The project is implemented and run by a consortium of foreign corporations led by Marubeni. The assumption of the project is the massive influx of foreign investments especially to Central Luzon, and the expected shortfall in power based on this assumption.

The construction of San Roque dam has negatively affected thousands of people, mostly indigenous Ibaloi people who lost gold panning livelihood on the river, 4,400 individuals were resettled because their communities and farms would be inundated, and even more upstream who will be affected by sedimentation of the river as a result of the dam. The Ibaloi people and their organizations mostly affiliated with the Cordillera People's Alliance fought the dam in a long peaceful struggle.



San Roque Dam constructed on Agno River in the Cordillera

Many of those who were resettled eked out a living as gold panners in the river while others were subsistence farmers planting rice, vegetables and fruits in Pangasinan province. While JBIC and the San Roque Power Corporation promised that the affected people would be resettled in conditions that would be the same or better than their original standard of living, many have no land or source of income in the cramped resettlement sites that were provided.

In 2002, gold panning was banned by the San Roque Power Corporation along Agno river resulting in further economic dislocation to the Ibaloi residents. In the light of the negative impact of the dam, the Ibaloi people as well as farmers and other affected residents in Pangasinan are demanding that the project be stopped and proper compensation be paid to the affected people.



The CSCRP envisions to create 330.9 ha. of additional land for industrial and export processing use.

Another example of such problematic infrastructure projects being implemented in the Philippines is the ongoing South Cebu Reclamation Project. The Cebu South Reclamation Project (CSR) and the Cebu South Coastal Road Project (CSCR) are two final phase components of the Metro Cebu Development Plan Phase III (MCDP-III). The reclamation project envisions to create 330.9 hectares of additional land for industrial and export processing use, including modern container and fish ports that can spur economic growth in Cebu as the trading center for central Philippines. Projected to have a value of P18 billion, the reclamation project is envisioned to become a Special Economic Zone, an industrial enclave like the Mactan Export Processing Zone (MEPZ), and an international port.

The CSCRP will create a modern road that include viaduct, subway and causeway sections avoiding heavily congested residential and commercial areas on the southern coast of Cebu City. It will provide uninterrupted access from the southern Metro Cebu such as Pardo district, Talisay City and other southern towns in the province to the Central Business District, seaports and the international airport of Lapu-lapu City. A major component of the road network in Metro

Cebu, the coastal road will provide access to the development of the reclamation area into an industrial district.

Both projects are being implemented in sections by several Japanese construction corporations with the objective of economic growth through increased investment and trade through development of transport infrastructure and industrial estate development. However, the development benefits for the tens of thousands of poor residents along the southern coast of Cebu City remains unclear. Starting from Barangay Ermita after the Carbon Market at the central portion of the coast of Cebu City, the southern coast is studded with large slum communities carved out of the coastline reclaimed by the settlers themselves. Coming from around the various islands in the Visayas, as well as

from Mindanao in the south, these fisherfolk/farming families have been uprooted economically or by the insurgency. They have been attracted by the prosperity of urban Metro Cebu but have found no decent form of employment except ekeing out a living in subsistence forms of fishing such as beachcombing, hook and line fishing and fishing using unmotorized outrigger canoes or bancas. Others are lucky to find odd jobs and trades typical of the urban poor who are worst hit by unemployment.

Many have been negatively affected by the project as many houses and even communities have been demolished to give way to the project. Others were spared the demolition but construction work has prevented them from continuing with subsistence fishing. Only those with bancas can continue to fish by paddling beyond the construction area, but are challenged by the deeper waters.

Economic planners may say that these unemployed residents may be expected to benefit from the trickle down effects such as employment and livelihood opportunities, but these may only be forthcoming after the special economic zone becomes fully operational which depends on several other factors. Even then, they may still be bypassed by employment opportunities due to lack of training and capacity.

Consultation or participation?

The Cebu South Reclamation Project was conceptualized under the Marcos

dictatorship in 1974 as part of a grand modernization plan of Cebu and suburbs that included the North reclamation and reclamation and development of Lapulapu City and Cordoba town in Mactan island. Consultation with the poor residents in MetroCebu's coastal communities were never conducted under the Marcos dictatorship.

But if the residents were consulted or were provided participation in the determination of the project, it would be clear that priorities would be quite different. In interviews conducted during the study made by the Solidarity and People's Advocacy Network based in Cebu City, it was very clear that employment, health, nutrition, education and social services were the immediate concerns of the residents.

While the issue of tied aid, as well as the focus on infrastructure development as the contribution to producing economic growth constitute important questions and issues regarding Japan ODA, the ultimate question that Japan ODA must address is development and poverty reduction. The experience and record of Japanese assistance must be measured in how much it has influenced the development of the majority of the population in recipient countries and how it has reduced their poverty.

The nature of the majority of supported projects and programs attest to the focus on technical assistance and project loans

as against social investment and economic support for the poor. Even more important, grants that help strengthen the capacity of the poor for participation in development are rare.

Reality of Aid recommendations

On the occasion of the 50th anniversary of Japan ODA, we would like to take note of a number of Reality of Aid recommendations in its 2004 Report which may be relevant towards strengthening and developing effectiveness of Japan ODA in contributing to development and poverty reduction in countries of the South.

- The unconditional untying of aid, including food aid and technical assistance, is an acknowledged precondition for the contribution of aid to strengthening local productive capacities and livelihoods of poor people through small and medium scale enterprises. The Reality of Aid notes the donor commitment made at the LCD III Conference to “enhance the value of their development assistance by increasing the proportion of goods and services sourced in the recipient LDC or from other LDCs or developing countries to help boost poor-poor economic growth.”³
- Japan must take up the challenge of the Millennium Declaration to focus on reducing poverty and increasing assistance. It must establish and be accountable to a realistic timetable to achieve long-standing commitment to

reach 0.7% of their GNI for Official Development Assistance principally as grants. Global aid increased by 7.2% in real terms between 2001 and 2002 – marginally up to reach 0.23% of donor GNI and has actually surpassed in 2003 the highest amount achieved in 2000. But while this may indicate a reversal in the decline of global aid, the increases fall far short of the additional \$50 billion estimated by the World Bank as required each year to reach the Millennium Development Goals. The WHO Commission on Macroeconomics and Health estimate that a donor investment of \$27 billion a year, on TB, HIV/AIDS, malaria, and other infectious diseases and nutritional deficiencies, could save up to 8 million lives a year. The UNDP estimate the additional cost of providing basic education for all is only \$6 billion a year.⁴ Even a modest rate of increase towards achieving 0.7% of GNI while immediately reducing loans share to less than 10% of total would result in a tremendous impact in terms of contributing to development. Furthermore, selective debt cancellation for financially threatened countries like the Philippines would result in substantial financial and development relief.

- Japan must strengthen ownership and local accountability by reducing their reliance on donor country technical assistance. Despite the rhetoric on ownership, reliance on technical assistance to increase the capacity of sectoral ministries in developing

countries to manage donor project relationships, has not diminished. In 2002, \$15 billion or 38% of bilateral ODA worth \$39 billion, was in the form of technical cooperation. From a rights perspective, technical assistance might make a positive contribution, if it were to be provided on request to build the capacities of governments and other constituencies of the poor to achieve rights commitments and engage in policy dialogue on rights obligations. On the other hand, the Philippines has a relatively high level of human and technical resources making it unnecessary to have to source technical assistance from donor countries.

- Increase direct support for civil society organizations as important partners in poverty reduction programs, as well as instruments for putting in place “social accountability mechanisms” to monitor government action as well as in leading significant anti-corruption campaigns.

Ending poverty is inherently a political process specific to local economic, social, cultural, ecological and gender equality circumstances in each country. As the work of Amartya Sen demonstrates, people-centered development for poverty eradication is ultimately about recognizing the rights of the vulnerable, and transforming the power relations, and cultural and social interests that sustain inequality. Development is therefore a political process that engages people, particularly the poor and the powerless, in

negotiating with each other, with their governments, and with the world community for policies and rights that advance their livelihood and secure their future in their world.

The poor are not the subjects to be acted upon by development action, but rather are central actors in sometimes conflictual politics seeking pro-poor development strategies. Consequently, finding avenues to address unequal power, capacity, and access to resources for the poor and the marginalized is a fundamental challenge to development actors wanting to link poverty reduction to democratic governance and participation. The rights framework is a dynamic one that continues to evolve through intense national and multilateral political processes. It has been the result of many decades of struggles by peoples' organizations – women's movement, indigenous nations, gay and lesbian networks, workers and labour organizations, fishers and farmers organizations, human rights defenders. Human rights are essentially active and should not merely be 'promoted' or 'protected', but are to be practiced and experienced. They have implications for the actions of all donors, governments, and non-state actors in development.

In the words of John Foster, “participation is central to a human rights approach to development as a right, an entitlement guaranteed by international law, rather than an optional extra or tool for the delivery of aid”. Nevertheless the challenge for

development practitioners, civil society and official aid agencies alike, is to make the language and analysis of rights accessible to citizens and organizations working to overcome the conditions of poverty from community to national levels.⁵

In the light of the 50th anniversary of Japan ODA, the most important challenge is to adopt the rights based approach to development, shifting the focus of assistance to empowerment, social and economic development and basic services.

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Endnotes

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- ⁵ John Foster (North South Institute, Canada), "Crisis time: Repossessing Democratic Space, Governance and the Promotion of Rights in International Cooperation and Aid, A Discussion Paper for The Reality of Aid", April 2003, accessed from the Reality of Aid website, www.realityofaid.org, p. 8.

Annex
Table 1. Net Disbursement of ODA for Philippines from Japan and DAC countries
1960-2003

US\$ Million				In percent		
Year	Japan	DAC	DAC minus Japan	Year	Japan	DAC
1960	27.85	50.93	23.08	1960	55%	45%
1961	8.54	19.06	10.52	1961	45%	55%
1962	7.02	30.34	23.32	1962	23%	77%
1963	10.75	21.61	10.86	1963	50%	50%
1964	21.35	72.34	50.99	1964	30%	70%
1965	35.3	90.87	55.57	1965	39%	61%
1966	30.5	42.41	11.91	1966	72%	28%
1967	61.54	83.35	21.81	1967	74%	26%
1968	27.76	62.15	34.39	1968	45%	55%
1969	49.21	76.03	26.82	1969	65%	35%
1970	19.23	41.3	22.07	1970	47%	53%
1971	29.63	63.66	34.03	1971	47%	53%
1972	103.49	156.66	53.17	1972	66%	34%
1973	141.58	213.67	72.09	1973	66%	34%
1974	73.32	132.93	59.61	1974	55%	45%
1975	70.33	160.06	89.73	1975	44%	56%
1976	75.54	161.01	85.47	1976	47%	53%
1977	30.61	143.94	113.33	1977	21%	79%
1978	66.47	164.66	98.19	1978	40%	60%
1979	89.16	170.44	81.28	1979	52%	48%
1980	94.4	205.44	111.04	1980	46%	54%
1981	210.05	330.98	120.93	1981	63%	37%
1982	136.38	276.35	139.97	1982	49%	51%
1983	147.02	358.5	211.48	1983	41%	59%
1984	160.07	355.78	195.71	1984	45%	55%
1985	240	437.55	197.55	1985	55%	45%
1986	437.95	886.82	448.87	1986	49%	51%
1987	379.38	703.14	323.76	1987	54%	46%
1988	534.72	790.1	255.38	1988	68%	32%
1989	403.75	757.69	353.94	1989	53%	47%
1990	647.45	1102.1	454.65	1990	59%	41%
1991	458.92	857.17	398.25	1991	54%	46%
1992	1030.67	1535.55	504.88	1992	67%	33%
1993	758.39	1327.16	568.77	1993	57%	43%
1994	591.6	939.62	348.02	1994	63%	37%
1995	416.13	764.5	348.37	1995	54%	46%
1996	414.45	749.34	334.89	1996	55%	45%
1997	318.99	560.68	241.69	1997	57%	43%
1998	297.55	513.29	215.74	1998	58%	42%
1999	412.98	609.71	196.73	1999	68%	32%
2000	304.48	502.08	197.6	2000	61%	39%
2001	298.22	501.78	203.56	2001	59%	41%
2002	318.02	509.14	191.12	2002	62%	38%
	9990.75	17531.89	7541.14			

Year	Loan	Grant	Total
1960	0	27.85	27.85
1961	0	8.54	8.54
1962	0	7.02	7.02
1963	0	10.75	10.75
1964	0	21.35	21.35
1965	0	35.3	35.3
1966	0	30.5	30.5
1967	0	61.54	61.54
1968	0	27.76	27.76
1969	13.28	35.93	49.21
1970	3.49	15.74	19.23
1971	5.33	24.3	29.63
1972	65.24	38.25	103.49
1973	71.2	70.38	141.58
1974	40.3	33.02	73.32
1975	34.08	36.25	70.33
1976	48.92	26.62	75.54
1977	16.83	13.78	30.61
1978	41.28	25.19	66.47
1979	57.25	31.91	89.16
1980	58.69	35.71	94.4
1981	165.08	44.97	210.05
1982	91.29	45.09	136.38
1983	85.05	61.97	147.02
1984	102.39	57.68	160.07
1985	170.29	69.71	240
1986	357.58	80.37	437.95
1987	267.59	111.79	379.38
1988	403.62	131.1	534.72
1989	227.69	176.06	403.75
1990	494.31	153.14	647.45
1991	285.3	173.62	458.92
1992	845.01	185.66	1030.67
1993	512.97	245.42	758.39
1994	342.78	248.82	591.6
1995	180.62	235.51	416.13
1996	228.96	185.49	414.45
1997	161.52	157.47	318.99
1998	138.54	159.01	297.55
1999	238.68	174.3	412.98
2000	147.39	157.09	304.48
2001	146.77	151.45	298.22
2002	181.13	136.89	318.02
	6230.45	3529.69	

Aid in Situation of Conflict in Sri Lanka

by: Harsha Kumara Navaratne

Prior to start sharing our experience with Japan Overseas Development Assistance (ODA) programme in Sri Lanka, I wish to say a couple of things pertaining to the genesis of the organization I represent. In fact, Sewa Lanka came into existence in 1992 with an agenda of promoting sustainable development by adopting participatory development approaches. Subsequently, it was registered under the Companies Act of the Government of Socialist Republic of Sri Lanka in February 1993.

In view of the massive displacements in the north-east & boarder districts, increasing loss of human lives, sufferings of the internally displaced families including infants & children, growing suspicion among multi-ethnic communities, our Board of Directors decided to serve the poor/poorest in the south and also the families directly affected by the protracted war.

In fact, my organization made this decision during the time when there was no national NGOs to serve Internally Displaced

Families in the north-east including the areas controlled by the Liberation Tigers of Tamil Eelam (LTTE) and also the 04 districts adjoining to the north-east. I am very happy to say that we received a very positive response from the Government of the Federal Republic of Germany & the United Nations High Commissioner for Refugees to provide humanitarian assistance to the IDP families in the North-East. Though it was too risky (possibility of getting caught into cross fire, landmines and aerial bombing, etc.) to work in the LTTE controlled areas, a large number of our staff served such areas over the past years. I have always been grateful both to the Sri Lankan Security Forces and the LTTE as they recognized Sewa Lanka as neutral which has really provided our staff with courage to serve the affected families faster than any other organizations (government and international NGOs). Prior to the signing of the cease fire agreement between the Government of Sri Lanka and the LTTE, Sewa Lanka was the only national NGO accepted by the above

parties to work in the LTTE controlled areas in Vanni as Sewa Lanka has been very transparent in the way it works, demonstrated good accountability, maintained very good working relationships with all concerned stakeholders, professional approach, multi-ethnic staff cadres and so on.

From our perspective relief, rehabilitation and development are strongly related aspects. We have therefore always advocated that all organizations should try to the extent possible to promote the principles of "Participatory Development" in all stages (relief, rehabilitation & development). For Example, during relief stage we have organized people and given them the tasks of unloading food items and the responsibilities relating to the distribution of food, keeping welfare centre environment clean, etc. I am sure, you would agree with me that people become fully relief oriented/dependent if they are required to stay at welfare centres for an unexpectedly longer period. It also entails a very difficult and time-consuming process to re-orient their attitudes/behaviours required to bring them back into the long-term development process during the transition period and/or post conflict situation. Since planning & implementation of long-term development programmes requires stable security situation & stabilized communities, we have implemented, over the past years, a considerable numbers of humanitarian assistance & rehabilitation projects in the

LTTE controlled areas in the districts of Mullaitivu, Kilinochchi, Mannar, Vavuniya & Trincomalee while long-term development programmes have been carried out in the government controlled areas of Vavuniya, Trincomalee, Ampara and southern districts.

Though the situation in the north-east still remains fragile, we have also undertaken a couple of small & medium size initiatives with assistance from the European Union/German Agro Action, Danish Refugee Council, the World Bank, NECORD of the ADB, Embassy of Japan, UNDP, Terres des Homes, OXFAM (UK), Helvetas and so on to assist some of the affected families in the north-east since mid 2002.

Frankly speaking, our main strength has been the multi-ethnic/multi-lingual staff trained in participatory development methodologies, conflict resolution/Do No Harm and so on. These staff members are also guided by a multi-disciplinary team of experts drawn from the Universities of Jaffna, Peradeniya, Batticaloa, Colombo & Kelaniya. During this period we have been able to gain trust of the government agencies, bi- & multi-lateral donor agencies, provincial councils, the LTTE, national & international NGOs, community based organizations, which we consider as the most important success factor of our activities.

Today, Sewa Lanka Foundation has become one of the largest NGOs in Sri

Lanka and the following are our main sectors of intervention:

- Socio-economic Studies, Social Research & Community Empowerment,
- Agriculture & Aquatic Resource Development,
- Women Empowerment/Gender & Development,
- Peace Promotion involving civil society organisations,
- Environmental/Wild Life Conservation,
- Enterprise Promotion & Micro-Finance.

Since most of our district offices are manned with professionals, adequately trained & highly experienced staff (nearly 360) and also equipped with adequate IT facilities & other logistics, Sewa Lanka national headquarters has brought a significant shift into its planning & project management approaches by decentralizing planning & project management responsibilities to the respective district offices since 1989. These districts have also been given liberty to negotiate projects with donor agencies represented at the field level. The national headquarters now plays a coordination/liaison role with some of the major multi- & bi-lateral donor agencies including the Embassy of Japan in Colombo, national level stakeholders and so on. The national level team of experts provide their specific services at the request of the respective districts.

Sri Lanka:

I am sure, most of you are well aware that Sri Lanka is a middle-income country, where 45.5% of the population have a per capita consumption of less than \$2/day (World Development Report 2002), yet life expectancy at birth (73 yrs) is almost as high as the average for high income countries, under 5 mortality is half the average for middle income countries and adult literacy is lower than the average for East Asia or Latin America. The main reason as to why Sri Lanka has been able to achieve the above is that it was one of the first developing nations to understand the importance of investing in human resources and promoting gender equality. As a result, it has achieved health & education outcomes more consistent with those of high income countries. In 1977, Sri Lanka began the transformation from an inward-looking socialist system towards a market economy based on liberalized trade, foreign exchange and investment arrangements which helped the country to increase its GDP from 4 to 6% per year. However, our country experienced a negative growth in 2001 which was due to the global economic recession, drought, political instability, slowed down economic reform, drastically reduced number of tourist arrival and so on. However, it gradually recovered and the present growth rate is more than 5% per annum.

Even though Sri Lanka has made significant advances over the past several

decades in regard to quality of life, efforts to reduce 'poverty' have recorded less than satisfactory results due to the government's inability to dedicate its resources, energy & time in the socio-economic development of the country as it had to incur massive expenditures for the war. The Northeast war during the period from 1983 to 2002 has not only affected the north-east, it has badly affected the whole country as it has slowed down the socio-economic growth of the country. This conflict is also responsible for the chronic budgetary deficit of the country. As a Sri Lankan, I strongly feel that Sri Lanka would have achieved a stronger economy if the country was not subjected to the armed conflict over the past years.

The conflict in the north-east compelled nearly 800,000 people to leave their native places and take refuge within/outside the country. It has also caused severe harassment of civilians & injuries to the people; damaged/destroyed physical, economic and social infrastructures; severely affected livelihoods of people and social networks; produced traumatized children & women, etc. As far as the official sources are concerned, this war has claimed nearly 60,000/70,000 human (men, women, children and infants) lives. The economy of the north-east was paralyzed due to the economic embargo, restrictions on civilians' movements to/from the LTTE controlled areas, transportation of essential items, etc. imposed by the government. However, the actual social & economic costs of the war are yet to be determined.

Since the whole country was subjected to severe hardships for a longer period, Sri Lanka missed significant social & economic development opportunities.

The Cease fire agreement signed between the Government & the LTTE in February 2002 brought a hope of relief to the civil society throughout the country especially in the north-east. Subsequently, a total of 47% of the total of 730,000 (UNHCR Report) displaced people have returned to their homes hoping that in addition to the establishment of a peaceful political environment, the government would provide them with opportunities to reduce most of the pressing needs pertaining to their livelihoods, etc. Unfortunately, those expectations proved overly optimistic as the initiative to start political dialogue has come to a standstill situation which has already started making the ground situation more fragile. On the other hand, most of the returned families continue to experience extreme difficulties as no systematic support schemes has been planned for such families by the authorities. There are still many areas where immediate resettlement is not possible as almost everything has been destroyed due to direct confrontations between the warring parties. There are also areas termed either by the Security Forces or the LTTE as "HIGH SECURITY ZONES". Since most of the rural families have returned after a long time, their native places have become inhabitable – area full of jungles, no dwellings, unavailability of safe drinking

water & sanitation facilities. Immediate cultivation is also not possible as the preparation of their farm lands require substantial financial investment on their part for clearing dense jungles, preparing lands, purchasing agricultural tools & agricultural inputs; capital to restart non-farm activities and so on. The above situation has started creating unhappiness among the returnee families as it has been extremely difficult for them to restart their livelihoods. Further, they also do not foresee any possibilities of getting immediate assistance from any sources. As a result, some returnee families have indicated that "We were better in welfare centres as we had, at least, shelters and access to dry rations". Some also say that "the ceasefire gave us the opportunity to use the A9 road without fear and also to receive a considerable numbers of (local & international) officials coming to interview us".

In view of the above, I would like to state that perhaps most of the balance 55% of the displaced persons would not be prepared for immediate return as they may be afraid of being subjected to the same situation like the others. Further, very little thought has been given to 92,062 people who are still in welfare camps situated within the country and 140,000 people still remain in South India (UNHCR Report). Therefore, there is a greater need for all of us to be serious about the issues relating to the displaced families as smooth resettlement no doubt requires greater

efforts & investments to ensure that the ground situations in return areas are conducive in terms of their safety and adequate support are required for them to restart earn a living, send their children to schools, access to health facilities.

Despite the present government's genuine intention & strong efforts to start the political negotiations with the LTTE, it has not commenced as yet due to some unavoidable circumstances. However, there are signs that both parties are taking some positive initiatives to commence it soonest. We therefore strongly feel that there is a greater need for the international community including the Government of Japan to assist the affected families to restore their livelihoods while efforts are being made at the macro level to bring the two parties into the negotiation table.

Helping these families to stabilize in their places of origin would no doubt encourage the balance families to return on their own. From our previous experience, we know that the people of Japan are very generous and the Government of Japan has been helpful to our nation. The reason behind our request is that a great majority of the people affected by the conflict may start losing hope in the present "Stage of Transition" as they are still experiencing hardships even though they have returned to their native places. It is sad to say that though the ceasefire has been effective for nearly two & half years, there are areas where people have not received productive

assistance from any sources. Their expectations to restore houses, safe drinking water & sanitation facilities, sending their children again to schools, etc. have not materialized as yet.

We are aware of the fact that Japan's official development assistance is governed by the ODA Charter adopted by the government in 1992. This Charter declared the following guiding principles for ODA:

- The pursuit of environmental conservation and development,
- Avoidance of the use of assistance for military purposes or for aggravation of the international conflict.
- Monitoring of the recipient countries' military expenditures, their production of weapons of mass destruction;
- Monitoring of their efforts for promoting democratization, market oriented economy and their human rights situation.

In addition to the above, very recent policy guidelines for ODA includes support for poverty alleviation, social development, economic and social infrastructures, human resource development and responding to debt relief and global issues. The global issues include environment, population, AIDS, food, energy and drug abuse.

It is interesting to note that a substantial portion of the Japanese aid has gone to the Asian countries. Data for 1999 reveals that 63% of Japanese bilateral assistance went

to Asia, 9.05% to Africa, 7.8% to South America and 5.02% to the Middle East. Another feature of Japanese loan is that it is soft loan with low interest rate & long repayment period. In 2004, the GOJ announced that the interest rate would be 1.5% per year and repayment period would be 30 years, including a grace period of 10 years. Since Japan has recently declared that interest rate would be 0.75% if the particular project is directed towards addressing environment issues, human resource development & peace building.

In fact, Sri Lanka has traditionally been a friend & strong supporter of Japan due to historical reasons. There is also a consensus in Sri Lanka that the Japanese economic cooperation programme has made a productive contribution towards Sri Lanka's achieving strong social indicators through projects for improving economic infrastructures, human resources development and technical cooperation.

Though we have not been engaged in the planning & implementation of large scale projects over the past years, we are happy to note that the Japanese missions visited Sri Lanka during the course of 2002-2004 have increasingly encouraged the government counterparts to involve the non-governmental organizations in the planning and implementation of such projects. We had also the opportunity to accompany a number of Japanese missions to various project locations situated in the north-east and organizing meetings with various stakeholders in the north-east. In fact,

Foreign Grants Assistance Received (RS.)			
	2000	2001	2002
Total Grant	5145	5500	7079
Contribution of Japan	2826	2135	2287

(Source: Central Bank, Socio-Economic Data 2003)

Project Title	Year	Beneficiary Family	Approved/ Expected Funds	Status
Rural Livelihood Development Project.	2000-2001	878	70,898	Completed
Revitalizing Rural Economy by Using Locally Available Resources in Trincomalee	2002-2003	407	55,939	Completed
Project for Livelihood Enhancement of Poor Families in Batticaloa.	2004-2005	850	74,147	Being Implemented
Restoration of Basic Facilities affected by Flood & Landslides in Matara District.	2004-2004	5,000	72,745	Being Implemented
Emergency Rehabilitation for Returnee Communities in the Vanni & the East. Japanese Counterpart Fund project through the Dept. of External Resources & Ministry of RRR.	2004-2005	422 families	225,698	Being Implemented
Employment Creation for Youth through Skills Development Training	2004-2005	1,500 unemployed youth	Approx. 33,0240	Hard Pipeline

various missions had carried out thorough consultative process including participatory development methodologies to ensure getting voices of the poor/poorest and stakeholders at various level during their project formulation missions. Since the implementation rates of some of the on-going foreign funded projects have been very slow, they have also done assessments to ascertain institutional capacities of the government departments and NGOs, and proposed appropriate implementation mechanisms to ensure the completion of projects in time. The two recent hard pipeline initiatives are as follows:

- Pro Poor Economic & Community Enhancement Project Phase I,
- Pro Poor Economic & Community Enhancement Project Phase II

The Central Bank Reports 2003 reconfirms the fact that the Government of Japan is the largest development partner of the Government of the Socialist Republic of Sri Lanka:

Apart from the above, another category of Japanese assistance to Sri Lanka is **Grant Assistance for Grass Root Human Security Projects (GGP)**, which places considerable importance on reconstruction, rehabilitation and socio-economic development of the disadvantaged population. The fund provides the NGOs and grassroots level organizations with opportunities to apply for resources

required to address their needs relating to rural development, livelihood enhancement, de-mining, environment conservation, peace building, promotion of agriculture and so on. During the past three years (2001-2003), the Japanese government has contributed about \$ 3 million to 35 projects in Sri Lanka. Sewa Lanka Foundation has been provided with the following projects:

I also wish to take this opportunity to share with you some of the positive aspects of the following project supported by Japanese Grassroots Human Security Project fund:

Project Title: Revitalization of Rural Economy Using Locally Available Resources in Trincomalee.

Location: 03 DS Divisions in Trincomalee

Like other districts in the north-east, the district of Trincomalee has also been directly affected by the recently paused armed conflicts. This district is situated in a very strategic location as it is nearly in the middle of the north-east. The uniqueness of this district is that it comprises equal proportions (33%) of families belonging to three major ethnic groups (Tamils, Sinhalese and Muslims). Unfortunately, the above conflict compelled a large number of families to take refuge within and outside the district. As a result, irrigation tanks, roads, drinking water facilities, etc. have been damaged due to lack of regular maintenance. Since rural economy largely depends on irrigation based agriculture, farmers returned to their native villages experienced difficulties to earn income

required for their survival. Since the project locations were not served by other NGOs/ donor agencies, Sewa Lanka staff in consultation with the Government staff (Divisional Secretariat, departments of Agrarian Development & Agriculture) organized participatory needs assessment exercises in October 2001. The list of prioritized needs prepared by the villagers highlighted the immediate need to rehabilitate the minor tanks to enable the small farmers to cultivate their paddy lands. The proposal to assist the farmers was approved by the Embassy of Japan on 15 March 2002.

This project was planning & implemented by the Farmers' Organizations. The rehabilitation works done have enabled a total of 407 resettled farmer families to restart their agricultural cultivation in both Yala and Maha seasons. They have also brought 150 additional acres of paddy lands under cultivation. The Farmer Organizations have also prepared Operational and Maintenance plans with assistance from the Department of Agrarian Services.

Project Title: Rural Development

Project Location: 03 DS divisions in Trincomalee

In early 1999, a considerable number of families have returned to their own villages in the DS divisions of Morawewa, Thambalagama and Kinniya. However, these villages became jungles, villagers were afraid to allow their small children to move. Some of the locations were not

easily accessible. In case of sickness there was no way to call in an ambulance or transport patients in vehicles. Incidents of water borne diseases were prevalent. At the request of the Government Agent & Divisional Secretaries, Sewa Lanka staff based at Trincomalee district office carried out needs assessment exercises in June 1999 when villagers identified access roads and drinking water as their priority problems. The proposal was approved by the Embassy of Japan approved the project on 21 February 2000. Under this project, we have assisted villagers belonging to the mixed communities (Sinhalese, Tamils & Muslims) to re-active their village societies, plan & implement project activities. Under this project, a total of 17 km of rural gravels roads were restored and 17 drinking water wells were constructed. The village societies also established "Water Users' Groups" who are responsible for maintaining these wells. The villages societies with help from the Divisional Secretariats & Mosque/Temple /Kovil Committees are responsible for ensuring maintenance of the roads rehabilitated under this project. This project also has strengthened the social ties among multi-ethnic beneficiary families, provided the beneficiary families with easy access to safe drinking water, reduced incidents of water borne diseases. Increased vehicular movement within the project villages enabling villagers to sell their produces without difficulty. The beneficiaries including children also obtained easy access to the schools, market places & nearby cities.

Conclusion:

Nearly 31 months have passed since the "Cease fire" agreement was signed. However, nothing has happened and/or is happening on the ground and therefore families affected by the protracted war in our country continues to experience extreme difficulties to re-establishing normalcy in their lives. Though a large number of the displaced families have been allowed to return to their native places, barricades on roads/security check points have been removed, people have been allowed to travel along A9 road, economic embargo has been withdrawn, physical harassments have been stopped, restrictions on the transportation of essential items is no longer effective after signing of the above agreement, the war affected families still continues to struggle for their survival. Further, there are also still a considerable number of families living at welfare centres and/or with friends/relatives as these families are unable to return to their villages due to security reasons (landmines/villages situated close to militarily strategic locations). Since neither the government nor the LTTE has been able to support the affected and returning population to recover from the social & economic shocks as yet, there is a potential threat that these people may lose their confidence & trust on the "Ceasefire Agreement" and the "Peace Process". There are also signs that people both in the northern & southern parts of the country have started getting worried and

afraid of the present situation. Since the present government has not been able to re-start the political negotiation due to some unavoidable reasons, there are also evidences that a couple of extremist groups have started making efforts to make use of this opportunity to sabotage the reviving social fabrics and the hopes for re-establishing peace in the country.

The present state of affairs in Sri Lanka is that every single thing seems to be left to the government and the LTTE while this should be a joint task of the government, the LTTE, international development partners, international & national private sector entities, non-government organizations, civil societies and so on. I, on behalf of Sewa Lanka Foundation, wish to request the Japanese Tax Payers, Japanese NGOs and the Government of Japan to consider initiating programmes that would allow Japanese NGOs work together with National NGOs in Sri Lanka to Promote Sustainable Peace and Development through active involvement of civil societies. Such programmes should be designed to directly engage civil societies as they are the actual victims of the conflict- who have lost breadwinners and/or relations, who have lost permanent assets & livelihoods, who have been subjected to hardships, harassments and so on. Therefore, there is a greater need for all of us to enable the civil societies to enhance their knowledge-base on their roles in negotiated settlement, accept the reality of war, re-invigorate their livelihoods, re-establish social linkages, and empowering

them to play a proactive role during the transition & post reconstruction periods of the country.

We all are living in a unique planet where everything is inter-connected & inter-dependant. We believe that AID plays a pivotal role to help countries affected by temporary setbacks /unexpected situation to overcome such situation, strengthen national capacity & become self-reliant. Our country is presently experiencing massive challenges while the country economy is not strong enough to meet the challenges, Sri Lanka would therefore require development assistance from its international partners. Since large scale development assistance does not immediately reach the civil society, I would request attentions of all stakeholders on the following:

- Consideration of development interventions at micro (civil society) level while waiting for the restoration of peace at macro level as sustainable peace would certainly require simultaneous interventions both at micro (civil society) and macro levels.
- Establishing close links between the Sri Lankan NGOs & the Japanese NGOs for developing joint programmes aiming at empowering civil societies that would ensure local capacity building & sustainability.
- Promoting productive linkages between the private sector & corporate sector agencies in Sri Lanka & Japan.
- Encourage establishing linkages between the Sri Lankan Civil Societies with the Civil Societies here in Japan.

Part III

Towards Japan ODA Reform

Preamble to Japan's Constitution

We, the Japanese people, acting through our duly elected representatives in the National Diet, determined that we shall secure for ourselves and our posterity that fruits of peaceful cooperation with all nations and the blessings of liberty throughout this land, and resolve that never again shall we be visited with the horrors of war through the action of government, do proclaim that sovereign power resides with the people and do firmly establish this Constitution.

Government is a sacred trust of the people, the authority for which is derived from the people, the powers of which are exercised by the representatives of the people, and the benefits of which are enjoyed by the people.

This is a universal principle of mankind upon which this Constitution is founded.

We reject and revoke all constitutions, laws, ordinances and rescripts in conflict herewith.

We, the Japanese people, desire peace for all the time and are deeply conscious of the high ideals controlling human relationship, and we have determined to preserve our security and existence, trusting in the justice and faith of the peace-loving people of the world.

We desire to occupy an honored place in an international society striving for the preservation of peace, and the banishment of tyranny and slavery, oppression and intolerance for all time from the earth.

We recognize that all the people of the world have the right to live in peace, free from fear and want.

We believe that no nation is responsible to itself alone, but that laws of political morality are universal and that obedience to such laws is incumbent upon all nations who would sustain their own sovereignty and justify their sovereign relationship with other nations.

We, the Japanese people, pledge our national honor to accomplish these high ideals and purposes with all our resources.

Japan's Official Development Assistance Charter

June 30, 1992

In order to garner broader support for Japan's Official Development Assistance (ODA) through better understanding both at home and abroad and to implement it more effectively and efficiently, the government of Japan has established the following Charter for its ODA.

1. Basic Philosophy

Many people are still suffering from famine and poverty in the developing countries, which constitute a great majority among countries in the world. From a humanitarian viewpoint, the international community can ill afford to ignore this fact.

The world is now striving to build a society where freedom, human rights, democracy and other values are ensured in peace and prosperity. We must recognize the fact of interdependence among nations of the international community that stability and the further development of the developing world is indispensable to the peace and prosperity of the entire world.

Environmental conservation is also a task for all humankind, which all countries, developed and developing alike, must work together to tackle.

It is an important mission for Japan, as a peace-loving nation, to play a role commensurate with its position in the world to maintain world peace and ensure global prosperity.

Bearing this points in mind, Japan attaches central importance to the support for the self-help efforts of developing countries towards economic take-off. It will therefore implement its ODA to help ensure the efficient and fair distribution of resources and "good governance" in developing countries through developing a wide range of human resources and socioeconomic infrastructure, including domestic systems, and through meeting the basic human needs (BHN), thereby promoting the sound economic development of the recipient countries. In so doing, Japan will work for globally sustainable development while

meeting the requirements of environmental conservation.

Such assistance is expected to further promote the existing friendly relations between Japan and all other countries, especially those in the developing world.

2. Principles

Taking into account comprehensively each recipient country's request, its socioeconomic conditions, and Japan's bilateral relations with the recipient country, Japan's ODA will be provided in accordance with the principles of the United Nations Charter (especially those of sovereign equality and non-intervention in domestic matters), as well as the following four principles.

- (1) Environmental conservation and development should be pursued in tandem.
- (2) Any use of ODA for military purposes or for aggravation of international conflicts should be avoided.
- (3) Full attention should be paid to trends in recipient countries' military expenditures, their development and production of mass destruction weapons and missiles, their export and import of arms, etc., so as to maintain and strengthen international peace and stability, and from the viewpoint that developing countries should place appropriate priorities in the allocation of their resources in their own economic and social development.

- (4) Full attention should be paid to efforts for promoting democratization and introduction of a market-oriented economy, and the situation regarding the securing of basic human rights and freedoms in the recipient country.

3. Priority

(1) Regions

Historically, geographically, politically and economically, Asia is a region close to Japan. East Asian countries, especially member countries of the Association of the Southeast Asian Nations (ASEAN), constitute one of the most economically dynamic regions in the world, and it is important for the world economy as a whole to sustain and promote the economic development of these countries. There are, however, some Asian countries where large segments of the population still suffer from poverty. Asia, therefore, will continue to be a priority region for Japan's ODA.

It is also necessary to be mindful of the poverty and the economic difficulties in the world as a whole. Japan will therefore extend cooperation, befitting its position in the world, to Africa, the Middle East, Latin America, Eastern Europe, and Oceania. Due consideration will be paid in particular to Least among Less Developed Countries (LLDCs).

(2) Issues

(a) Approach to Global Problems

Recognizing that this is important for

developed and developing countries to cooperate in tackling global problems such as the environment and population, Japan will support efforts being made by developing countries to overcome the problems.

(b) Basic Human Needs

To help people suffering from famine and poverty, refugees, and others, Japan will provide assistance to BHN sector and emergency humanitarian aid.

(c) Human Resources Development, Research and Other Cooperation for Improvement and Dissemination of Technologies

A priority of Japan's ODA will be placed on assistance to human resources development which, in the long-term, is the most significant element of self-help efforts towards socioeconomic development and is a basic factor for the nation-building of developing countries. Japan will also promote cooperation for the improvement and dissemination of technologies, such as research cooperation that will add to research and development as well as adaptive capabilities of developing countries.

(d) Infrastructure Improvement

Priority will be placed on assisting infrastructure improvement, which is a prerequisite to socioeconomic development.

(e) Structural Adjustment

Japan will provide support to structural adjustment, so that the entrepreneurship and the vitality of the private sector in recipient countries can be fully exerted in the market mechanisms, and to their efforts for a solution to the accumulated debt problem.

4. Measures for the Effective Implementation of Official Development Assistance

- (1) Japan will promote intensive policy dialogues with the recipient countries, with a view to collecting and analyzing relevant information on these countries, and sharing with them basic perceptions on their development policies, taking into account their requests and ideas.
- (2) To respond to the various needs of developing countries in different stages of development, Japan's ODA will take advantage, to the maximum extent possible, of the merits of loans, grants, technical cooperation and other forms of assistance. All of these forms of assistance will be organically linked together and coordinated.
- (3) When called for, there will be appropriate communication and cooperation with aid agencies of other donor countries, United Nation agencies and international financial institutions, as well as Japanese local governments and private organizations such as labor and business organizations. In particular

- efforts will be made to ensure that Japan's perspective on the ODA is adequately reflected in the cooperation through international organizations, while taking full advantage of the expertise and political neutrality of these organization. There will also be cooperation with and appropriate support to non-governmental organizations (NGOs), while respecting their independence.
- (4) Japan's own development policies and experiences, as well as those of countries in East and Southeast Asia which have succeeded in economic take-off, will be put to practical use.
 - (5) In implementing environmental ODA, Japan will make the best use of its technology and know how, which it has acquired in the process of successfully making environmental conservation and economic development compatible.
 - (6) In order to contribute to the transfer of technology suitable for the level of development of the recipient countries, Japan will promote the development of relevant technologies possessed by other developing countries
 - (7) In transferring technology and know-how, Japan will make use of those possessed by the Japanese private sector as well as by the government, and provide support for technical cooperation by the private sector.
 - (8) In order to cope with transnational regional problems, Japan will cooperate more closely with international organizations and other frameworks for regional cooperation such as the Asia-Pacific Economic Cooperation (APEC).
 - (9) A close relationship will be maintained between ODA, direct investment and trade, so that those three can promote the development of developing countries organically. For this purpose, ODA will be more closely linked to and be supportive of economic cooperation in the private sector through trade insurance and such organizations as the Export-Import Bank of Japan.
 - (10) Cooperation and research to find and formulate adequate development projects will be enhanced. For the future improvement of its ODA, project evaluations, including third party evaluations and joint evaluations with recipients and other donors and organizations, will also be strengthened.
 - (11) Regional studies of developing countries, studies of development policy, and comprehensive evaluation of ODA will be further promoted.
 - (12) Full consideration will be given to the active participation of women in development, and to their obtaining benefits from development.
 - (13) Full consideration will be given to the socially weak, such as the

disadvantaged, children and the elderly.

(14) Consideration will be given to redressing the gap between the rich and the poor and the gap among various regions in developing countries.

(15) Japan's ODA activities will be conducted with full care to see that they do not lead to injustice or corruption in the recipient countries.

5. Measures to Promote Understanding and Support at Home and Abroad

The following measures will be adopted to ensure that ODA is implemented with public understanding both at home and abroad and to secure the participation of Japanese people.

(1) Making ODA Information Public

While taking into account such matters as diplomatic relations with recipient countries, more information regarding the ODA activities will be made available to Diet and to the public.

(2) Enhancement of Public Relations and Development Education

Organized public relations activities and educational programs on development assistance will be promoted.

6. ODA Implementation System

(1) Recruitment, Training and Utilization of Competent Aid Personnel

In order to recruit, train and utilize fully the talents of competent ODA personnel, training institutes of aid experts will be enhanced to foster more development experts, private enterprise consultants and others.

(2) Ensuring Effective and Efficient Mechanisms to Implement ODA

Communication and consultation between relevant ministries and agencies will be promoted for the effective and efficient implementation of ODA. In addition, cooperation between the two aid-implementing organizations, the Japan International Cooperation Agency (JICA) and the Overseas Economic Cooperation Fund (OECF) will be intensified. At the same time, the ODA implementation functions of these two organizations will be improved. In order to obtain further cooperation from the private sector, efforts will be made to extend such support to this sector as will appropriately cover the related expenses.

(3) Ensuring the Safety of ODA Personnel Dispatched Overseas

Continued efforts will be made to safeguard the lives and personal safety of ODA personnel dispatched to developing areas, and to provide necessary assistance in the event of unexpected incidents.

Japan's Official Development Assistance Charter

(Revised, August 2003)

(Unofficial translation)

Japan's Official Development Assistance (ODA) Charter, approved by the Cabinet in 1992, has been the foundation of Japan's aid policy for more than 10 years. The world has changed dramatically since the Charter was first approved, and today there is an urgent need for the international community, including Japan, to address new development challenges such as peace building. Faced with these new challenges, many developed countries are strengthening their ODA policy, to deal with the serious problems that developing countries face. At the same time, not only governments and international stakeholders engaged in development assistance are strengthening their mutual collaboration.

In line with the spirit of the Japanese Constitution, Japan will vigorously address these new challenges to fulfill its responsibilities commensurate with its national strength and its standing in the international community. In this regard, it is important to have public support for ODA. It is essential to effectively implement ODA, fully taking into account the domestic economic and fiscal situation as well as the views of the Japanese people.

Against this background, the Government of Japan has revised the ODA Charter, with the aim of enhancing the strategic value, flexibility, transparency, and efficiency of ODA. The revision also has the aim of encouraging wide public participation and of deepening the understanding of Japan's ODA policies both within Japan and abroad.

I. Philosophy: Objectives, Policies and Priorities

1. Objectives

The objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity.

Taking advantage of Japan's experience as the first nation in Asia to become a developed country, Japan has utilized its ODA to actively support economic and social infrastructure development, human resource development, and institution building. Consequently, Japan has significantly contributed to the economic and social development of developing countries, especially in East Asia.

Amid the post-Cold War advancement of globalization, the international community presently finds itself in a new environment, grappling with a multiplicity of problems such as the gap between the rich and the poor; ethnic and religious conflicts; armed conflicts; terrorism; suppression of freedom, human rights, and democracy; environmental problems; infectious diseases and gender issues.

In particular, humanitarian problems, such as extreme poverty, famine, refugee crises, and natural disasters, as well as global issues such as those related to the environment and water, are important issues that need to be addressed in order

for the international community as a whole to achieve sustainable development. These problems are cross border issues that present a grave threat to each and every human being.

Furthermore, conflicts and terrorism are occurring more frequently and they are becoming even more serious issues. Preventing conflicts and terrorism, and efforts to build peace, as well as efforts to foster democratization, and to protect human rights and the dignity of individuals have become major issues inherent to the stability and development of the international community.

Japan, as one of the world's leading nations, is determined to make best use of ODA to take the initiative in addressing these issues. Such efforts will in turn benefit Japan itself in a number of ways, including by promoting friendly relations and people-to-people exchanges with other countries, and by strengthening Japan's standing in the international arena.

In addition, as nations deepen their interdependence, Japan, which enjoys the benefits of international trade and is heavily dependent on the outside world for resources, energy and food, will proactively contribute to the stability and development of developing countries through its ODA. This correlates closely with assuring Japan's security and prosperity and enhance economic partnership and vitalize exchange with other Asian countries with which it has particularly close relations.

Japan aspires for world peace. Actively promoting the aforementioned efforts with ODA and manifesting this posture both at home and abroad is the most suitable policy for gaining sympathy and support from the international community for Japan's position. Therefore, Japan's ODA will continue to play an important role in the years to come.

2. Basic Policies

In order to achieve the objectives outlined above, Japan will carry out ODA even more strategically, in accordance with the following basic policies.

(1) Supporting self-help efforts of developing countries

The most important philosophy of Japan's ODA is to support the self-help efforts of developing countries based on good governance, by extending cooperation for their human resource development, institution building including development of legal systems, and economic social infrastructure building, which constitute the basis for these countries' development. Accordingly, Japan respects the ownership by developing countries, and places priorities on their own development strategies.

In carrying out the above policy, Japan will give priority to assisting developing countries that make active efforts to pursue peace, democratization, and the protection of human rights, as well as structural reform in the economic and social spheres.

(2) Perspective of "Human Security"

In order to address direct threats to individuals such as conflicts, disasters, infectious diseases, it is important not only to consider the global, regional and national perspectives, but also to consider the perspective of human security, which focuses on individual. Accordingly, Japan will implement ODA to strengthen the capacity of local communities through human resource development. To ensure that human dignity is maintained at all stages, from the conflict stage to the reconstruction and development stages, Japan will extend assistance for the protection and empowerment of individuals.

(3) Assurance of fairness

In formulating and implementing assistance policies, Japan will take steps to assure fairness. This should be achieved by giving consideration to the condition of the socially vulnerable, and the gap between the rich and the poor as well as the gap among various regions in developing countries. Furthermore, great attention will be paid with respect to factors such as environmental and social impact on developing countries of the implementation of ODA.

In particular, the perspective of gender equality is important. Japan will make further efforts to improve the status of women, giving full consideration to the active participation of women in development, and to ensuring that women reap benefits from development.

(4) Utilization of Japan's experience and expertise

Japan will utilize its own experience in economic and social development as well as in economic cooperation when assisting the development of developing countries, fully taking into account the development policies and assistance needs of developing countries. Japan will also utilize its advanced technologies, expertise, human resource and institutions.

Implementation of ODA will be coordinated with key Japanese policies to ensure policy coherence, taking into consideration implications for Japan's economy and society.

(5) Partnership and collaboration with the international community

Mainly with the initiative of international organizations, the international community is sharing more common development goals and strategies and various stakeholders are increasingly coordinating their aid activities. Japan will participate in this process, and endeavor to play a leading role. In parallel with such efforts, Japan will pursue collaboration with international organizations that possess expertise and political neutrality, and will endeavor to ensure that Japan's policies are reflected appropriately in the management of those organizations.

In addition, Japan will actively promote South-South cooperation in partnership with more advanced developing countries in Asia

and other regions. Japan will also strengthen collaboration with regional cooperation frameworks, and will support region-wide cooperation that encompasses several countries.

3. Priority Issues

In accordance with the objectives and basic policies set out above, the following are Japan's priority issues.

(1) Poverty reduction

Poverty reduction is a key development goal shared by the international community, and is also essential for eliminating terrorism and other causes of instability in the world. Therefore, Japan will give high priorities to providing assistance to such sectors as education, health care and welfare, water and sanitation and agriculture, and will support human and social development in the developing countries. At the same time, sustainable economic growth, increase in employment, and improvement in the quality of life are indispensable for realizing poverty reduction and Japan places importance on providing assistance for these accordingly.

(2) Sustainable growth

In order to invigorate developing countries' trade and investment, as well as people-to-people exchanges, and to support sustainable growth, Japan will place importance on providing assistance for the development of the socioeconomic infrastructure – a key factor for economic

activity, and also for policy-making, the development institutions, and human resource development. This will include (i) cooperation in the field of trade and investment including the appropriate protection of intellectual property rights and standardization, (ii) cooperation in the field of information and communications technology (ICT), (iii) the acceptance on exchange students, and (iv) cooperation for research.

In addition, Japan will endeavor to ensure that is ODA, and its trade and investment, which exert a substantial influence on the development of recipient countries, are carried out in close coordination, so that they have the overall effect of promoting growth in developing countries. To that end, Japan will make efforts to enhance coordination between Japan's ODA and other official flows such as trade insurance and import and export finance. At the same time, private-sector economic cooperation will be promoted, making full use of private-sector vitality and funds.

(3) Addressing global issues

As for global issues such as global warming and other environmental problems, infectious diseases, population, food, energy, natural disaster, terrorism, drugs, and international organized crimes, further efforts must be given immediately and in a coordinated manner by the international community. Japan will address these issues through ODA and will play an active role in the creation of international norms.

(4) Peace-Building

In order to prevent conflicts from arising in developing regions, it is important to comprehensively address various factors that cause conflicts. As part of such undertakings, Japan will carry out ODA to achieve poverty reduction and the correction of disparities, as referred to above. In addition to assistance for preventing conflict and emergency humanitarian assistance in conflict situations, Japan will extend bilateral and multilateral assistance flexibly and continuously for peace-building in accordance with the changing situation, ranging from assistance to expedite the ending of conflicts to assistance for the consolidation of peace and nation-building in post-conflict situations.

For example, ODA will be used for: assistance to facilitate the peace processes; humanitarian and rehabilitation assistance for displaced persons and for the restoration of basic infrastructure; assistance for assuring domestic stability and security, including disarmament, demobilization, and reintegration of excombatants (DDR), and the collection and disposal of weapons, including demining; and assistance for reconstruction, including social and economic development and the enhancement of the administrative capabilities of governments.

4. Priority Regions

In light of the objectives stated above, Asia,

a region with close relationship to Japan and which can have a major impact on Japan's stability and prosperity, is a property region for Japan. However, Japan will strategically prioritize assistance to Asian countries, fully taking into account the diversity of the Asian countries' socioeconomic conditions and changes in their respective assistance needs. In particular, the East Asian region which includes ASEAN is expanding and deepening economic interdependency and has been making efforts to enhance its regional competitiveness by maintaining economic growth and strengthening integration in recent years. ODA will be utilized to forge stronger relations with this region and to rectify disparities in the region, fully considering such factors as the strengthening of economic partnership with East Asian countries.

Also, Japan will give due consideration to the large population of impoverished people in South Asia. With respect to Central Asia and the Caucasus region, assistance will be provided to promote democratization and transition to market economies.

Japan will prioritize its assistance for other regions on the basis of the objectives, basic policies, and priority issues set out in this Charter, giving consideration to the needs for assistance and the state of development in each region.

Africa has a large number of least developed countries, and is affected by conflicts and serious development assistance for these efforts.

The Middle East is an important region for energy supply and for the peace and stability of the international community, but it has destabilizing factors including the situation of Middle East peace process. Japan will provide assistance towards social stability and the consolidation of peace.

Latin America includes countries that are relatively well developed, but also island nations with fragile economies. Taking into consideration the disparities arising within the region as well as within countries, Japan will extend the necessary cooperation.

With respect to Oceania, assistance will be provided, as there are numerous vulnerable island nations.

II. Principle of ODA Implementation

In line with the philosophy set out above, Japan's ODA will be provided by comprehensively taking into account developing countries need for assistance, socio-economic conditions, and Japan's bilateral relations with the recipient country, and ODA will be provided in accordance with the principles of the United Nations (especially sovereign equality and non-intervention in domestic matters) as well as the following points:

- (1) Environmental conservation and development should be pursued in tandem
- (2) Any use of ODA for military purposes or

for aggravation of international conflicts should be avoided.

- (3) Full attention should be paid to trends in recipient countries' military expenditures, their development and production of weapons of mass destruction and missiles, their export and import arms, etc., so as to maintain and strengthen international peace and stability, including the prevention of terrorism and the proliferation of weapons of mass destruction, and from the viewpoint that developing countries should place appropriate priorities in the allocation of their resources on their own economic and social development.
- (4) Full attention should be paid to efforts for promoting democratization and the introduction of a market-oriented economy, and the situation regarding the protection of basic human rights and freedoms in the recipient country.

III. Formulation in the Implementation of ODA Policy

1. System of Formulation and Implementation of ODA Policy

(1) Coherent formulation of ODA policy

In order to ensure that the government in its entirety implements ODA efficiently and effectively in a unified and coherent manner pursuant to this Charter, medium-term ODA policies and country assistance programs will be formulated, taking into account the partnership and collaboration with the

international community referred to in the Basic Policies and ODA policies will be formulated and implemented in accordance with them. Country assistance programs will be drawn up for major recipient countries, and will set out explicitly the points to which priority is to be given, based on Japan's aid policy, and reflecting the recipient countries' true assistance needs.

In accordance with these medium-term ODA policies and country assistance programs, various methods of assistance – financial cooperation in the form of loans and grants and technical cooperation – will be linked together effectively so as to take full advantage of the characteristics of each method. At the same time, Japan will be mindful of the balance between hardware type cooperation such as construction and provision of equipment and software type cooperation such as technical cooperation and institution building. Each method will be reviewed appropriately.

(2) Collaboration among related government ministries and agencies

In order to ensure that the government as a whole formulates and implements policies in a unified and coherent manner, under the auspices of the Council of Overseas Economic Cooperation-Related Ministers, the Ministry of Foreign Affairs will play the central coordinating role in strengthening broad collaboration between the ODA-related government ministries and agencies, including by means of personnel

exchanges and by utilizing the expertise of those related ministries and agencies. For this purpose, the government ministries and agencies will actively use consultation for a such as the Inter-Ministerial Meeting on ODA.

(3) Collaboration between government and implementing agencies

While making clear the roles of the government and agencies (the Japan International Cooperation Agency* and the Japan Bank for International Cooperation) and the appointment of responsibilities among them, collaboration will be strengthened, including by means of personnel exchanges to ensure an organic linkage between the government and the implementing agencies. In addition, implementing agencies will strengthen their mutual collaboration.

(4) strengthening of policy consultation

In formulating and implementing assistance policies, it is essential to fully grasp the development policies and assistance needs of developing countries by engaging actively in policy consultation before requests are made by developing countries. At the same time, Japan will set out its assistance policies to the developing countries through dialogue, and the development policies of developing countries and Japan's assistance policy will be reconciled in order to maximize the effect of Japan's aid within those developing countries' development strategies. Furthermore, Japan will support

efforts by developing countries to improve their policies and systems, including the ability to formulate and implement assistance projects. Japan will also take into consideration whether such efforts by the developing countries are sufficient in the formulation and implementation of ODA.

(5) Strengthening of the functions of field missions in policy-making process in implementation

The functions of field missions (primarily overseas diplomatic missions and offices of implementing agencies) will be strengthened, so that they will be able to play a leading role in the policy-making process and in the implementation. In particular, steps will be taken to develop a framework for strengthening the system, including through the use of outside personnel. Japan will also make efforts to make comprehensive and accurate assessments of developing countries' development policies and assistance needs, primarily at the local level. Japan will comprehensively identify local socioeconomic conditions and other aspects through local interested parties.

(6) Collaboration with aid-related entities

Collaboration with Japanese NGOs, universities, local government, economic organizations, labor organizations, and other related stakeholders will be strengthened to facilitate their participation in ODA and to utilize their technologies and expertise. Japan will also seek to

collaborate with similar entities overseas, particularly in developing countries. In addition, in the implementation of ODA, appropriate use will be made of the technologies and expertise of Japanese private companies.

2. Increasing public participation

(1) Broad participation by Japanese citizens from all walks of life

The government will take measures to foster participation in assistance activities by Japanese citizens from all walks of life, and to promote these citizens' interaction with developing countries. Such measures will include providing sufficient information, listening to public opinion, soliciting proposals for ODA activities, and extending cooperation to volunteer activities.

(2) Human resource development and development research

The government will make efforts to foster aid personnel with the necessary expertise and to increase the opportunities for aid personnel to be active both within Japan and overseas. In parallel with these efforts, high-quality personnel, such as persons with considerable overseas experience and extensive knowledge, will be widely sought and be encouraged to participate in ODA activities.

In addition, the government will encourage regional studies relating to developing countries and research on development policy, to promote accumulation of Japan's

intellectual assets in the development sphere.

(3) Development education

Development education is important for promoting public understanding with respect to international cooperation including ODA, and for fostering people that will be engaged in international cooperation in the future. In this perspective, the government will take measures in schools and on other occasions to carry out more widespread education on development issues, such as the problems that face developing countries, relations between Japan and developing countries and the role that development assistance should play. Necessary educational materials will be distributed and teachers will be trained.

(4) Information disclosure and public relations

It is important for information on ODA policy, implementation, and evaluation to be disclosed widely and promptly to ensure the sufficient transparency, and for it to be publicized actively. Therefore the government will use a variety of means to provide information in easy-to-understand formats, and to create opportunities for Japanese citizens to come into contact with ODA activities that Japan is undertaking.

In addition, the government will make enhanced efforts to disseminate information regarding Japan's ODA to

developing countries as well as other donors.

3. Matters Essential to Effective Implementation

(1) Enhancement of evaluation

The government will carry out consecutive evaluations at all stages, i.e. ex-ante, mid-term, and ex-post, and evaluations at each level, i.e. policy, program, and project.

Furthermore, in order to measure, analyze and objectively evaluate the outcome of ODA, third-party evaluations conducted by experts will be enhanced while the government undertakes policy evaluations. The evaluation results will be reflected in subsequent ODA policy-making and efficient and effective implementation.

(2) Ensuring appropriate procedures

The government will adopt procedures to ensure that full consideration is given to the environmental and social impact of implementation of ODA. The government will make efforts to conduct appropriate and efficient procurement with regard to quality and price. At the same time, while ensuring these aspects, the procedures will be simplified and accelerated.

(3) Prevention of fraud and corruption

The government will implement appropriate measures to ensure the transparency of the activity-selection and implementation process, and to prevent fraud, corruption, and improper diversion of aid. In addition, the government will make efforts to assure the appropriate use of funds by enhancing auditing, including through the introduction of external audits.

(4) Ensuring the safety of ODA personnel

Safeguarding the lives and personal safety of ODA personnel is a prerequisite for the implementation of ODA. The government will fully obtain security-related information and will take appropriate measures.

IV. Reporting on the Status of Implementation of the Official Development Assistance Charter

The government will report the status of the implementation of the Official Development Assistance (ODA)," which is reported annually to the Cabinet.

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- ☒ On October 1, 2003, the Japan International Cooperation Agency is due to be reorganized as an independent administrative institution, changing its status from that of a special public institution.

August 29, 2003

Review on Japanese ODA Needed

Joint Statement by ELSAM, INFID, Reality of Aid, WALHI
Jakarta, 28 September 2004

Indonesia has been one of the largest recipient of Japan's ODA Since 1967 – around three quarters of Indonesia's external loans comes from Japan. As of March 2002, Japan ODA loan to Indonesia has the cumulative total of 606 projects amounting to 959.5 billion yen. These loans had covered infrastructure projects, agriculture/forestry/fisheries, manufacturing and mining and social services. But 70% of the loans were used for electric power/gas sector, irrigation/flood control and transportation.

As a bilateral donor, Japan also sits as a key member in the CGI (Consultative Group for Indonesia). Therefore the Japanese government plays a great role for Indonesia's economy.

Based on the ODA charter, ODA will be provided in accordance with the principles of the United Nations (especially sovereign equality and non-intervention in domestic matters) as well as the following points:

(1) Environmental conservation and development should be pursued in tandem. (2) Any use of ODA for military purposes or for aggravation of international conflicts should be avoided. (3) Full attention should be paid to trends in recipient countries' military expenditures, their development and production of weapons of mass destruction and missiles, their import and export of arms, etc. so as to maintain and strengthen international peace and stability, including the prevention of terrorism and the proliferation of weapons of mass destruction, and from the viewpoint that developing countries should place appropriate priorities in the allocation of their resource on their own economic and social development. (4) Full attention should be paid to efforts for promoting democratization and the introduction of a market-oriented economy, and the situation regarding the protection of basic human rights and freedoms in the recipient country.

Many of ODA loans for Indonesia have been characterized by high level of tied-aid. Those loans must utilize Japanese expertise, human resource, technology and corporation. This means that 'aid' given to Indonesia only benefited the Japanese. Large portions of loans go to Japanese consultants and contractors, and Japanese companies dominate the construction of infrastructure projects – profiting from low interest rates. The Japanese government economic policy that benefit elites rather than the common people (in Indonesia) has placed an unsustainable debt burden on the peoples of Indonesia.

Moreover, after the 1997 economic crisis, ODA loans have to follow the IMF programs which have not helped Indonesia to recover economically and reduce poverty. Although in theory, Japanese bilateral aid is composed on tied and untied, in reality, both of them are not necessarily benefiting the peoples in recipient countries. The ODA /Yen loan is significantly tied to the procurement of Japan goods and services, while the 'untied' aid is conditional upon policy reforms laid out in IMF's Letter of Intent.

Therefore Japan's ODA loans are merely an instrument of Japanese economic and foreign policy interests, because it has not answered the development need of Indonesia.

Despite these facts, JBIC's Country review report for Indonesia, July 2003 revealed that "The 143 Indonesian projects evaluated thus far have achieved nearly satisfactory results overall." The review, using 5 primary check criteria (relevance, efficiency, effectiveness, impact and sustainability)

***In terms of relevance**, it is stated that the Indonesian projects were in line with the series of Repelita. **In terms of efficiency**, it is said that over 90% of the total number of projects were completed with output as planned. **In terms of effectiveness**, the review stated that the effect of yen loans to Indonesia has been large because 70% of the project output was adequately utilized and project goals were sufficiently realized. **In terms of impact**, it was noted that a large number of projects have a positive socio-economic impact (industrial development, job creation, income improvement, and lifestyle improvement). Also, there were only a few*

projects that reported concern about negative impact on the environment, but none of it was seriously adverse impacts. Resettlement process had been carried out smoothly.

We are questioning the conclusion on the report. Testimony of these three cases of Japanese ODA projects in Indonesia, namely Kotopanjang, Renun and Bili Bili projects, by the local community revealed that these projects have adverse environmental impacts, involved forced displacement, denying people from access to their livelihood and offered no compensation for the loss of the community.

We further question the bases of the findings, who decide the indicators, whose perspectives were used, was the beneficiaries and the victims were invited to participate in the evaluation?

We are calling for a fundamental change in the governance and effectiveness of the Japanese ODA. Furthermore, we urge the Japanese and the Indonesian government to evaluate and have an independent assessment on the result and achievements of ODA loans in Indonesia's economy.

If the Japanese Government is to make a more positive contribution, its loans need to address several key issues. This include the quality and conditionality, as well as ownership.

We therefore call that Japanese ODA should be based on the following principles:

- *Negotiation for resources transfers based on shared value and commitment to direct the resources for the benefit of those who are socially excluded*
- *Equality in aid decision-making process*
- *Untied aid*
- *Transparency and accountability*
- *Japan ODA should line up to binding obligations under international human rights law and implement the support for democratic governance within a rights-based approach.*

MAKE JAPAN ODA WORTHY OF PUBLIC TRUST AND SUPPORT

(A statement of the 3rd Reality of Aid Asia-Pacific Conference on
the occasion of the 50th anniversary of Japanese
Official Development Assistance held in Tokyo, Japan)

October 8, 2004

October 2004 marks the fiftieth anniversary of Japan's Official Development Assistance. After making a modest start as war reparations half a century ago, Japan's ODA has swollen in step with the surge of the country economic standing in global society. In the intervening years, the North-South gap has enlarged; absolute poverty aggravated in various ways, and desperation as well as indignations has spread to the various regions of the world. In addition, concerns over the global/local environment and public health have deepened and peoples are finding it increasingly difficult to entertain hopes and dreams for a better future. What has made things worse is that the IMF/WTO led global economic integration based singlemindedly on the free-market doctrine, which has come to confer the world's wealth and resources in the hands of the powerful few at the expense of others including that of future generations and of the environment.

Japan's ODA faces serious challenges despite some improvements in the areas of information disclosure and social/environmental considerations. In Indonesia, the case of Kotopanjang, Renun and Bili Bili reverberates as local community revealed that these projects have adverse environmental impacts, involved forced displacement, depriving people of their livelihoods and offered inadequate compensation for the affected communities. In Bangladesh, the environmental and displacement effects of Jamuna Bridge have caused havoc and more destruction is expected in the future. These concerns are echoed in many other Asian country-recipients of Japan

ODA. In Pakistan and India, the Government of Japan, after suspending ODA for three years, resumed its ODA in 2001 despite continued development of nuclear weapons, subsequent to the US “war on terror.”

Philippine organizations decry the displacement of various communities as a result of the San Roque Dam and the Cebu South Reclamation Project. Such problem is similar to the case of the National Route One Rehabilitation Project in Cambodia. In Sri Lanka at the national level, development NGOs has proposed consideration of development intervention at the micro level while waiting for the restoration of peace. In Nepal and Pakistan, civil society has called on the Japanese government to review its ODA towards addressing the question whether the Japanese ODA has been provided according to the needs and the priorities of its people. These concerns along with others have been raised by civil society from Bangladesh, Sri Lanka, and India.

The revised ODA charter that has a stronger economic and national interest orientation has also drawn further concerns from NGOs and peoples of recipient countries as well as from OECD’s Development Assistance Committee (as expressed in the Committee’s most recent peer review of Japan’s ODA). Development NGOs from Asia are proposing the immediate reform of Japan’s ODA to effectively respond to the needs of poverty eradication and assure a secure path towards sustainable development.

Whereas the ultimate goal of ODA should be to bring about a just, equal world that no longer requires development assistance from one part to another, the global society on the occasion of the fiftieth anniversary of Japan’s ODA is, in fact, in dire need of increased assistance. Faced with this situation, we appeal to the Japanese governments and their counterparts in recipient countries for a thorough review of Japan’s 50 years of ODA history to transform it into a global public trust. Civil society in both global south and Japan have started its independent review and as part of this on-going process, we would like to present to the Government of Japan and to the Japanese public the following visions, principles and measures as a minimum agenda to be acted upon immediately.

Visions

Japan's ODA is but a part of an overall effort of development cooperation that brings together all societies in the world in a global family. This cooperation is based on a shared vision of peace and prosperity for all realized through just and democratic societies around the world. The Preamble of Japan's Constitution states: "We recognize that all peoples of the world have the right to live in peace, free from fear and want."

We hereby propose that Japan embark on development cooperation and provide ODA in pursuance of the following visions:

1. Peace and Harmony - All living things, including human beings and nature, coexist sustainably in peace and harmony on Earth. This is expressed in Article 9 of the constitution renouncing war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes, thus representing the most progressive declaration in the world and truly forming, we believe, the solid foundation for ensuring the right to live in peace.

2. Prosperity for All - The world's wealth is shared equitably, poverty eradicated, the poorest empowered, gender equality realized and the right to live ensured for everyone.

3. Just and Democratic Society - Fair and just society is realized through ensuring basic human rights and in particular, the right of access to resources for those who have been further deprived and marginalized by the very process of globalization as well as by environmental destruction and resource exploitation. For most recipient countries, this can be attributed to Japan's excessive dependence on Asia-Pacific and other regions of the South for its economic activities.

Principles

Japan's participation in development cooperation multilaterally and bilaterally, including Japan's ODA, must abide by principles of equality, reciprocity, peaceful coexistence and justice that emanate from our shared vision and guide all areas of international relations and cooperation. We

submit that Japan's ODA abide by these as well as specific principles completely in development cooperation, to wit:

- 1. Equality** – This is essential guide in international relations and particularly in development cooperation since inequality in the world is very clearly expressed in the relationship of donors and recipients.
- 2. Reciprocity** – Development cooperation is premised on mutuality, that the relationship is based on shared interest, values, and goals or mutual understanding, sharing of resources and actions in cooperation and sharing of clear advantages or benefits gained through such cooperation.
- 3. Peaceful coexistence** – Peace is not simply a vision or a goal, but also permeates the efforts and processes of development cooperation as a principle just as the Japan Constitution renounces threats and the use of force in settling international disputes.
- 4. Justice and Human rights** – The vision for justice translates into a principle of upholding and realizing human rights as a means to achieve development and poverty eradication. This means that development and development cooperation must promote human rights-based approaches that ensure the people, whether in the recipient or donor countries, fully realize their human rights in the context of development cooperation. The human rights-based approach must be firmly established and abided by at all levels and steps including project conceptualization, planning, implementation and evaluation, and ensure prior, informed decision making by the people. The peoples of donor countries like Japan must also be well-informed and participate fully in development cooperation and ODA process.

Furthermore, we propose the following specific principles to guide Japan's development cooperation and ODA:

- 1. People-centeredness** - People must be the center of any development agenda. This principle must be supported by ODA and upheld by recipient governments. Their needs and interests must take precedence over other interests and concerns such as of the private sector whether in recipient and donor countries.

2. Focus on the poorest - Instead of allowing existing disparities between and within countries to enlarge, Japan's ODA must accord the highest priority to the poorest and the most disadvantaged politically, socially and economically of the poorest countries and territories so as to fill in the gaps. In so doing, it must be extra careful not to create aid dependencies.

3. Addressing universal human concerns and issues - ODA of Japan, irrespective of boundaries and interests of nation-states, must be provided to address and help solve such global issues as poverty, displacement, environmental degradation, gender inequalities, human rights violations, and conflicts of various kinds and causes, and under no circumstances must it exacerbate them.

4. Preventing injustice – ODA must promote social justice and peace and not worsen global injustice by reinforcing trade and investment liberalization policies that have caused widening North-South inequalities and have necessitated more remedial ODA.

5. Aid as an entitlement of the poor — Aid is an entitlement of the poor and must not be treated as an instrument of foreign policy or for advancing national and commercial interests.

Measures

1. Democratization

a. Ownership and conditionality

Japan must recognize the ownership of recipient countries, remove conditionalities and reduce recipient countries' reliance on donor technical assistance. The technical assistance should be transformed to build local capacity and transfer technology for the recipient countries.

b. Participation

Agencies in-charge of ODA should undertake effective consultation and ensure full participation of all those affected in project determination, design, decision-making, implementation, and evaluation processes

involving the project.

c. Increased support to NGOs

Increase direct support for civil society organizations as important partners in poverty reduction programs, and in putting in place “social accountability mechanisms” for monitoring government action as well as in leading significant anti-corruption campaigns.

d. Decentralization

With a view to improve the ODA implementation system, ODA frontline offices should be given more authority and local staff increased and empowered. With the local capacity built up, collaboration with local NGOs and people in project determination, implementation and policy planning should be actively sought.

2. Transparency and Accountability

Japan must have a policy and law that allows all stakeholders of Japan’s ODA to have full access to information and documents before and after ODA projects are implemented. Particular emphasis should be placed on disclosure of information in local languages, at least in local official language(s), from a very initial stage so that people of recipient countries may be well aware of ODA provided by Japan.

3. Demurrals mechanisms

a. Administrative mechanism

The government of Japan should set up administrative mechanisms to accept complaints and demurrals on Japan ODA funded projects and activities and must provide for adequate compensation and appropriate remedies for affected peoples.

b. Parliamentary mechanism

The Parliaments of Japan and recipient countries in the South should have a standing committee for receiving and deliberating on demurrals or objections to ODA. The committee in Japan should initiate the review of

Japan's ODA projects and to oblige the Ministries/Agencies in charge of ODA to submit detailed reports when it deliberates on aid budget and accounting so that the Japanese public may have a better grasp of ODA.

c. Judiciary mechanisms

Japan must develop effective complaint procedures and mechanisms and adequate compensation and appropriate remedies for the people who claim to be negatively affected by the Japan ODA funded projects and activities, including access to Japan's courts with clear jurisdiction over these claims.

4. Focusing on poverty eradication and increasing assistance

Japan must take up the challenge of the Millennium Declaration to focus on eradicating poverty and increasing assistance, with special attention to LDCs. It must also establish and be accountable to realistic timetable to achieve long-standing commitment to reach 0.7% of GNI for official development assistance principally as grants.

5. Untying ODA

Japan ODA, including food aid and technical assistance should be untied and help strengthen local productive capacities and livelihoods of poor people through small and medium scale enterprises.

6. Improving grant share

Dramatically increase grant share of Japan ODA, especially for direct social and economic services for the elimination of poverty. Foreign exchange gain or loss and losses from failed projects should be shared in a fair manner between donor and recipient countries.

7. Relieving official debt

Drastic debt relief measures should be taken not only to the HIPCs but to other countries that are unable to break out of the debt burden imposed by the official yen loan. Government of Japan should forego repayments to all its odious and illegitimate debts (for example outstanding Marcos and Suharto debt).

8. Enacting basic law on ODA

A basic law on ODA, that is binding unlike the ODA Charter and articulates visions, principles for implementation and budget allocation, policy-making process, gender equality, transparency and accountability mechanisms, agencies in charge and others, should be enacted without delay.

9. Consolidating ODA agencies

With the twin aim of eliminating the hazards associated with compartmentalization of Japan's ODA involving a dozen of Ministries and Agencies for one, and of preventing ODA from being used as a diplomacy tool for another, an independent Ministry of Development Assistance should be created and allowed to undertake ODA, in a unified manner, and free from narrow national-interest considerations.

10. Promoting development education/global citizenship education

In order that Japanese citizens should better understand how their daily lives are related to global issues, recognize the need for international cooperation in tackling and solving those issues, and critically review their life styles, development education or, better still, global citizenship education should be promoted at formal school education, social education, life-time learning and at all other educational opportunities.

11. Strengthening people-to-people development cooperation

Establish close links between Japanese and recipient country people's organizations and NGOs for developing joint programmes aimed at empowering civil societies that would ensure local capacity building (including lobby efforts) and sustainability.

We further propose that governments of Japan and recipient countries should conduct a country review of all Japan ODA policies and mechanisms in the light of the abovementioned visions, principles and measures and that in such review, the full participation of civil societies in both countries must be sought.

We respectfully submit these visions, principles and measures to guide the reform of Japan ODA including Japan's contribution to multilateral agencies.

Preamble to Japan's Constitution

We, the Japanese people, acting through our duly elected representatives in the National Diet, determined that we shall secure for ourselves and our posterity that fruits of peaceful cooperation with all nations and the blessings of liberty throughout this land, and resolve that never again shall we be visited with the horrors of war through the action of government, do proclaim that sovereign power resides with the people and do firmly establish this Constitution.

Government is a sacred trust of the people, the authority for which is derived from the people, the powers of which are exercised by the representatives of the people, and the benefits of which are enjoyed by the people.

This is a universal principle of mankind upon which this Constitution is founded.

We reject and revoke all constitutions, laws, ordinances and rescripts in conflict herewith.

We, the Japanese people, desire peace for all the time and are deeply conscious of the high ideals controlling human relationship, and we have determined to preserve our security and existence, trusting in the justice and faith of the peace-loving people of the world.

We desire to occupy an honored place in an international society striving for the preservation of peace, and the banishment of tyranny and slavery, oppression and intolerance for all time from the earth.

We recognize that all the people of the world have the right to live in peace, free from fear and want.

We believe that no nation is responsible to itself alone, but that laws of political morality are universal and that obedience to such laws is incumbent upon all nations who would sustain their own sovereignty and justify their sovereign relationship with other nations.

We, the Japanese people, pledge our national honor to accomplish these high ideals and purposes with all our resources.

Japan's Official Development Assistance Charter

June 30, 1992

In order to garner broader support for Japan's Official Development Assistance (ODA) through better understanding both at home and abroad and to implement it more effectively and efficiently, the government of Japan has established the following Charter for its ODA.

1. Basic Philosophy

Many people are still suffering from famine and poverty in the developing countries, which constitute a great majority among countries in the world. From a humanitarian viewpoint, the international community can ill afford to ignore this fact.

The world is now striving to build a society where freedom, human rights, democracy and other values are ensured in peace and prosperity. We must recognize the fact of interdependence among nations of the international community that stability and the further development of the developing world is indispensable to the peace and prosperity of the entire world.

Environmental conservation is also a task for all humankind, which all countries, developed and developing alike, must work together to tackle.

It is an important mission for Japan, as a peace-loving nation, to play a role commensurate with its position in the world to maintain world peace and ensure global prosperity.

Bearing this points in mind, Japan attaches central importance to the support for the self-help efforts of developing countries towards economic take-off. It will therefore implement its ODA to help ensure the efficient and fair distribution of resources and "good governance" in developing countries through developing a wide range of human resources and socioeconomic infrastructure, including domestic systems, and through meeting the basic human needs (BHN), thereby promoting the sound economic development of the recipient countries. In so doing, Japan will work for globally sustainable development while

meeting the requirements of environmental conservation.

Such assistance is expected to further promote the existing friendly relations between Japan and all other countries, especially those in the developing world.

2. Principles

Taking into account comprehensively each recipient country's request, its socioeconomic conditions, and Japan's bilateral relations with the recipient country, Japan's ODA will be provided in accordance with the principles of the United Nations Charter (especially those of sovereign equality and non-intervention in domestic matters), as well as the following four principles.

- (1) Environmental conservation and development should be pursued in tandem.
- (2) Any use of ODA for military purposes or for aggravation of international conflicts should be avoided.
- (3) Full attention should be paid to trends in recipient countries' military expenditures, their development and production of mass destruction weapons and missiles, their export and import of arms, etc., so as to maintain and strengthen international peace and stability, and from the viewpoint that developing countries should place appropriate priorities in the allocation of their resources in their own economic and social development.

- (4) Full attention should be paid to efforts for promoting democratization and introduction of a market-oriented economy, and the situation regarding the securing of basic human rights and freedoms in the recipient country.

3. Priority

(1) Regions

Historically, geographically, politically and economically, Asia is a region close to Japan. East Asian countries, especially member countries of the Association of the Southeast Asian Nations (ASEAN), constitute one of the most economically dynamic regions in the world, and it is important for the world economy as a whole to sustain and promote the economic development of these countries. There are, however, some Asian countries where large segments of the population still suffer from poverty. Asia, therefore, will continue to be a priority region for Japan's ODA.

It is also necessary to be mindful of the poverty and the economic difficulties in the world as a whole. Japan will therefore extend cooperation, befitting its position in the world, to Africa, the Middle East, Latin America, Eastern Europe, and Oceania. Due consideration will be paid in particular to Least among Less Developed Countries (LLDCs).

(2) Issues

(a) Approach to Global Problems

Recognizing that this is important for

developed and developing countries to cooperate in tackling global problems such as the environment and population, Japan will support efforts being made by developing countries to overcome the problems.

(b) Basic Human Needs

To help people suffering from famine and poverty, refugees, and others, Japan will provide assistance to BHN sector and emergency humanitarian aid.

(c) Human Resources Development, Research and Other Cooperation for Improvement and Dissemination of Technologies

A priority of Japan's ODA will be placed on assistance to human resources development which, in the long-term, is the most significant element of self-help efforts towards socioeconomic development and is a basic factor for the nation-building of developing countries. Japan will also promote cooperation for the improvement and dissemination of technologies, such as research cooperation that will add to research and development as well as adaptive capabilities of developing countries.

(d) Infrastructure Improvement

Priority will be placed on assisting infrastructure improvement, which is a prerequisite to socioeconomic development.

(e) Structural Adjustment

Japan will provide support to structural adjustment, so that the entrepreneurship and the vitality of the private sector in recipient countries can be fully exerted in the market mechanisms, and to their efforts for a solution to the accumulated debt problem.

4. Measures for the Effective Implementation of Official Development Assistance

- (1) Japan will promote intensive policy dialogues with the recipient countries, with a view to collecting and analyzing relevant information on these countries, and sharing with them basic perceptions on their development policies, taking into account their requests and ideas.
- (2) To respond to the various needs of developing countries in different stages of development, Japan's ODA will take advantage, to the maximum extent possible, of the merits of loans, grants, technical cooperation and other forms of assistance. All of these forms of assistance will be organically linked together and coordinated.
- (3) When called for, there will be appropriate communication and cooperation with aid agencies of other donor countries, United Nation agencies and international financial institutions, as well as Japanese local governments and private organizations such as labor and business organizations. In particular

- efforts will be made to ensure that Japan's perspective on the ODA is adequately reflected in the cooperation through international organizations, while taking full advantage of the expertise and political neutrality of these organization. There will also be cooperation with and appropriate support to non-governmental organizations (NGOs), while respecting their independence.
- (4) Japan's own development policies and experiences, as well as those of countries in East and Southeast Asia which have succeeded in economic take-off, will be put to practical use.
 - (5) In implementing environmental ODA, Japan will make the best use of its technology and know how, which it has acquired in the process of successfully making environmental conservation and economic development compatible.
 - (6) In order to contribute to the transfer of technology suitable for the level of development of the recipient countries, Japan will promote the development of relevant technologies possessed by other developing countries
 - (7) In transferring technology and know-how, Japan will make use of those possessed by the Japanese private sector as well as by the government, and provide support for technical cooperation by the private sector.
 - (8) In order to cope with transnational regional problems, Japan will cooperate more closely with international organizations and other frameworks for regional cooperation such as the Asia-Pacific Economic Cooperation (APEC).
 - (9) A close relationship will be maintained between ODA, direct investment and trade, so that those three can promote the development of developing countries organically. For this purpose, ODA will be more closely linked to and be supportive of economic cooperation in the private sector through trade insurance and such organizations as the Export-Import Bank of Japan.
 - (10) Cooperation and research to find and formulate adequate development projects will be enhanced. For the future improvement of its ODA, project evaluations, including third party evaluations and joint evaluations with recipients and other donors and organizations, will also be strengthened.
 - (11) Regional studies of developing countries, studies of development policy, and comprehensive evaluation of ODA will be further promoted.
 - (12) Full consideration will be given to the active participation of women in development, and to their obtaining benefits from development.
 - (13) Full consideration will be given to the socially weak, such as the

disadvantaged, children and the elderly.

(14) Consideration will be given to redressing the gap between the rich and the poor and the gap among various regions in developing countries.

(15) Japan's ODA activities will be conducted with full care to see that they do not lead to injustice or corruption in the recipient countries.

5. Measures to Promote Understanding and Support at Home and Abroad

The following measures will be adopted to ensure that ODA is implemented with public understanding both at home and abroad and to secure the participation of Japanese people.

(1) Making ODA Information Public

While taking into account such matters as diplomatic relations with recipient countries, more information regarding the ODA activities will be made available to Diet and to the public.

(2) Enhancement of Public Relations and Development Education

Organized public relations activities and educational programs on development assistance will be promoted.

6. ODA Implementation System

(1) Recruitment, Training and Utilization of Competent Aid Personnel

In order to recruit, train and utilize fully the talents of competent ODA personnel, training institutes of aid experts will be enhanced to foster more development experts, private enterprise consultants and others.

(2) Ensuring Effective and Efficient Mechanisms to Implement ODA

Communication and consultation between relevant ministries and agencies will be promoted for the effective and efficient implementation of ODA. In addition, cooperation between the two aid-implementing organizations, the Japan International Cooperation Agency (JICA) and the Overseas Economic Cooperation Fund (OECF) will be intensified. At the same time, the ODA implementation functions of these two organizations will be improved. In order to obtain further cooperation from the private sector, efforts will be made to extend such support to this sector as will appropriately cover the related expenses.

(3) Ensuring the Safety of ODA Personnel Dispatched Overseas

Continued efforts will be made to safeguard the lives and personal safety of ODA personnel dispatched to developing areas, and to provide necessary assistance in the event of unexpected incidents.

Japan's Official Development Assistance Charter

(Revised, August 2003)

(Unofficial translation)

Japan's Official Development Assistance (ODA) Charter, approved by the Cabinet in 1992, has been the foundation of Japan's aid policy for more than 10 years. The world has changed dramatically since the Charter was first approved, and today there is an urgent need for the international community, including Japan, to address new development challenges such as peace building. Faced with these new challenges, many developed countries are strengthening their ODA policy, to deal with the serious problems that developing countries face. At the same time, not only governments and international stakeholders engaged in development assistance are strengthening their mutual collaboration.

In line with the spirit of the Japanese Constitution, Japan will vigorously address these new challenges to fulfill its responsibilities commensurate with its national strength and its standing in the international community. In this regard, it is important to have public support for ODA. It is essential to effectively implement ODA, fully taking into account the domestic economic and fiscal situation as well as the views of the Japanese people.

Against this background, the Government of Japan has revised the ODA Charter, with the aim of enhancing the strategic value, flexibility, transparency, and efficiency of ODA. The revision also has the aim of encouraging wide public participation and of deepening the understanding of Japan's ODA policies both within Japan and abroad.

I. Philosophy: Objectives, Policies and Priorities

1. Objectives

The objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity.

Taking advantage of Japan's experience as the first nation in Asia to become a developed country, Japan has utilized its ODA to actively support economic and social infrastructure development, human resource development, and institution building. Consequently, Japan has significantly contributed to the economic and social development of developing countries, especially in East Asia.

Amid the post-Cold War advancement of globalization, the international community presently finds itself in a new environment, grappling with a multiplicity of problems such as the gap between the rich and the poor; ethnic and religious conflicts; armed conflicts; terrorism; suppression of freedom, human rights, and democracy; environmental problems; infectious diseases and gender issues.

In particular, humanitarian problems, such as extreme poverty, famine, refugee crises, and natural disasters, as well as global issues such as those related to the environment and water, are important issues that need to be addressed in order

for the international community as a whole to achieve sustainable development. These problems are cross border issues that present a grave threat to each and every human being.

Furthermore, conflicts and terrorism are occurring more frequently and they are becoming even more serious issues. Preventing conflicts and terrorism, and efforts to build peace, as well as efforts to foster democratization, and to protect human rights and the dignity of individuals have become major issues inherent to the stability and development of the international community.

Japan, as one of the world's leading nations, is determined to make best use of ODA to take the initiative in addressing these issues. Such efforts will in turn benefit Japan itself in a number of ways, including by promoting friendly relations and people-to-people exchanges with other countries, and by strengthening Japan's standing in the international arena.

In addition, as nations deepen their interdependence, Japan, which enjoys the benefits of international trade and is heavily dependent on the outside world for resources, energy and food, will proactively contribute to the stability and development of developing countries through its ODA. This correlates closely with assuring Japan's security and prosperity and enhance economic partnership and vitalize exchange with other Asian countries with which it has particularly close relations.

Japan aspires for world peace. Actively promoting the aforementioned efforts with ODA and manifesting this posture both at home and abroad is the most suitable policy for gaining sympathy and support from the international community for Japan's position. Therefore, Japan's ODA will continue to play an important role in the years to come.

2. Basic Policies

In order to achieve the objectives outlined above, Japan will carry out ODA even more strategically, in accordance with the following basic policies.

(1) Supporting self-help efforts of developing countries

The most important philosophy of Japan's ODA is to support the self-help efforts of developing countries based on good governance, by extending cooperation for their human resource development, institution building including development of legal systems, and economic social infrastructure building, which constitute the basis for these countries' development. Accordingly, Japan respects the ownership by developing countries, and places priorities on their own development strategies.

In carrying out the above policy, Japan will give priority to assisting developing countries that make active efforts to pursue peace, democratization, and the protection of human rights, as well as structural reform in the economic and social spheres.

(2) Perspective of "Human Security"

In order to address direct threats to individuals such as conflicts, disasters, infectious diseases, it is important not only to consider the global, regional and national perspectives, but also to consider the perspective of human security, which focuses on individual. Accordingly, Japan will implement ODA to strengthen the capacity of local communities through human resource development. To ensure that human dignity is maintained at all stages, from the conflict stage to the reconstruction and development stages, Japan will extend assistance for the protection and empowerment of individuals.

(3) Assurance of fairness

In formulating and implementing assistance policies, Japan will take steps to assure fairness. This should be achieved by giving consideration to the condition of the socially vulnerable, and the gap between the rich and the poor as well as the gap among various regions in developing countries. Furthermore, great attention will be paid with respect to factors such as environmental and social impact on developing countries of the implementation of ODA.

In particular, the perspective of gender equality is important. Japan will make further efforts to improve the status of women, giving full consideration to the active participation of women in development, and to ensuring that women reap benefits from development.

(4) Utilization of Japan's experience and expertise

Japan will utilize its own experience in economic and social development as well as in economic cooperation when assisting the development of developing countries, fully taking into account the development policies and assistance needs of developing countries. Japan will also utilize its advanced technologies, expertise, human resource and institutions.

Implementation of ODA will be coordinated with key Japanese policies to ensure policy coherence, taking into consideration implications for Japan's economy and society.

(5) Partnership and collaboration with the international community

Mainly with the initiative of international organizations, the international community is sharing more common development goals and strategies and various stakeholders are increasingly coordinating their aid activities. Japan will participate in this process, and endeavor to play a leading role. In parallel with such efforts, Japan will pursue collaboration with international organizations that possess expertise and political neutrality, and will endeavor to ensure that Japan's policies are reflected appropriately in the management of those organizations.

In addition, Japan will actively promote South-South cooperation in partnership with more advanced developing countries in Asia

and other regions. Japan will also strengthen collaboration with regional cooperation frameworks, and will support region-wide cooperation that encompasses several countries.

3. Priority Issues

In accordance with the objectives and basic policies set out above, the following are Japan's priority issues.

(1) Poverty reduction

Poverty reduction is a key development goal shared by the international community, and is also essential for eliminating terrorism and other causes of instability in the world. Therefore, Japan will give high priorities to providing assistance to such sectors as education, health care and welfare, water and sanitation and agriculture, and will support human and social development in the developing countries. At the same time, sustainable economic growth, increase in employment, and improvement in the quality of life are indispensable for realizing poverty reduction and Japan places importance on providing assistance for these accordingly.

(2) Sustainable growth

In order to invigorate developing countries' trade and investment, as well as people-to-people exchanges, and to support sustainable growth, Japan will place importance on providing assistance for the development of the socioeconomic infrastructure – a key factor for economic

activity, and also for policy-making, the development institutions, and human resource development. This will include (i) cooperation in the field of trade and investment including the appropriate protection of intellectual property rights and standardization, (ii) cooperation in the field of information and communications technology (ICT), (iii) the acceptance on exchange students, and (iv) cooperation for research.

In addition, Japan will endeavor to ensure that is ODA, and its trade and investment, which exert a substantial influence on the development of recipient countries, are carried out in close coordination, so that they have the overall effect of promoting growth in developing countries. To that end, Japan will make efforts to enhance coordination between Japan's ODA and other official flows such as trade insurance and import and export finance. At the same time, private-sector economic cooperation will be promoted, making full use of private-sector vitality and funds.

(3) Addressing global issues

As for global issues such as global warming and other environmental problems, infectious diseases, population, food, energy, natural disaster, terrorism, drugs, and international organized crimes, further efforts must be given immediately and in a coordinated manner by the international community. Japan will address these issues through ODA and will play an active role in the creation of international norms.

(4) Peace-Building

In order to prevent conflicts from arising in developing regions, it is important to comprehensively address various factors that cause conflicts. As part of such undertakings, Japan will carry out ODA to achieve poverty reduction and the correction of disparities, as referred to above. In addition to assistance for preventing conflict and emergency humanitarian assistance in conflict situations, Japan will extend bilateral and multilateral assistance flexibly and continuously for peace-building in accordance with the changing situation, ranging from assistance to expedite the ending of conflicts to assistance for the consolidation of peace and nation-building in post-conflict situations.

For example, ODA will be used for: assistance to facilitate the peace processes; humanitarian and rehabilitation assistance for displaced persons and for the restoration of basic infrastructure; assistance for assuring domestic stability and security, including disarmament, demobilization, and reintegration of excombatants (DDR), and the collection and disposal of weapons, including demining; and assistance for reconstruction, including social and economic development and the enhancement of the administrative capabilities of governments.

4. Priority Regions

In light of the objectives stated above, Asia,

a region with close relationship to Japan and which can have a major impact on Japan's stability and prosperity, is a property region for Japan. However, Japan will strategically prioritize assistance to Asian countries, fully taking into account the diversity of the Asian countries' socioeconomic conditions and changes in their respective assistance needs. In particular, the East Asian region which includes ASEAN is expanding and deepening economic interdependency and has been making efforts to enhance its regional competitiveness by maintaining economic growth and strengthening integration in recent years. ODA will be utilized to forge stronger relations with this region and to rectify disparities in the region, fully considering such factors as the strengthening of economic partnership with East Asian countries.

Also, Japan will give due consideration to the large population of impoverished people in South Asia. With respect to Central Asia and the Caucasus region, assistance will be provided to promote democratization and transition to market economies.

Japan will prioritize its assistance for other regions on the basis of the objectives, basic policies, and priority issues set out in this Charter, giving consideration to the needs for assistance and the state of development in each region.

Africa has a large number of least developed countries, and is affected by conflicts and serious development assistance for these efforts.

The Middle East is an important region for energy supply and for the peace and stability of the international community, but it has destabilizing factors including the situation of Middle East peace process. Japan will provide assistance towards social stability and the consolidation of peace.

Latin America includes countries that are relatively well developed, but also island nations with fragile economies. Taking into consideration the disparities arising within the region as well as within countries, Japan will extend the necessary cooperation.

With respect to Oceania, assistance will be provided, as there are numerous vulnerable island nations.

II. Principle of ODA Implementation

In line with the philosophy set out above, Japan's ODA will be provided by comprehensively taking into account developing countries need for assistance, socio-economic conditions, and Japan's bilateral relations with the recipient country, and ODA will be provided in accordance with the principles of the United Nations (especially sovereign equality and non-intervention in domestic matters) as well as the following points:

- (1) Environmental conservation and development should be pursued in tandem
- (2) Any use of ODA for military purposes or

for aggravation of international conflicts should be avoided.

- (3) Full attention should be paid to trends in recipient countries' military expenditures, their development and production of weapons of mass destruction and missiles, their export and import arms, etc., so as to maintain and strengthen international peace and stability, including the prevention of terrorism and the proliferation of weapons of mass destruction, and from the viewpoint that developing countries should place appropriate priorities in the allocation of their resources on their own economic and social development.
- (4) Full attention should be paid to efforts for promoting democratization and the introduction of a market-oriented economy, and the situation regarding the protection of basic human rights and freedoms in the recipient country.

III. Formulation in the Implementation of ODA Policy

1. System of Formulation and Implementation of ODA Policy

(1) Coherent formulation of ODA policy

In order to ensure that the government in its entirety implements ODA efficiently and effectively in a unified and coherent manner pursuant to this Charter, medium-term ODA policies and country assistance programs will be formulated, taking into account the partnership and collaboration with the

international community referred to in the Basic Policies and ODA policies will be formulated and implemented in accordance with them. Country assistance programs will be drawn up for major recipient countries, and will set out explicitly the points to which priority is to be given, based on Japan's aid policy, and reflecting the recipient countries' true assistance needs.

In accordance with these medium-term ODA policies and country assistance programs, various methods of assistance – financial cooperation in the form of loans and grants and technical cooperation – will be linked together effectively so as to take full advantage of the characteristics of each method. At the same time, Japan will be mindful of the balance between hardware type cooperation such as construction and provision of equipment and software type cooperation such as technical cooperation and institution building. Each method will be reviewed appropriately.

(2) Collaboration among related government ministries and agencies

In order to ensure that the government as a whole formulates and implements policies in a unified and coherent manner, under the auspices of the Council of Overseas Economic Cooperation-Related Ministers, the Ministry of Foreign Affairs will play the central coordinating role in strengthening broad collaboration between the ODA-related government ministries and agencies, including by means of personnel

exchanges and by utilizing the expertise of those related ministries and agencies. For this purpose, the government ministries and agencies will actively use consultation for a such as the Inter-Ministerial Meeting on ODA.

(3) Collaboration between government and implementing agencies

While making clear the roles of the government and agencies (the Japan International Cooperation Agency* and the Japan Bank for International Cooperation) and the appointment of responsibilities among them, collaboration will be strengthened, including by means of personnel exchanges to ensure an organic linkage between the government and the implementing agencies. In addition, implementing agencies will strengthen their mutual collaboration.

(4) strengthening of policy consultation

In formulating and implementing assistance policies, it is essential to fully grasp the development policies and assistance needs of developing countries by engaging actively in policy consultation before requests are made by developing countries. At the same time, Japan will set out its assistance policies to the developing countries through dialogue, and the development policies of developing countries and Japan's assistance policy will be reconciled in order to maximize the effect of Japan's aid within those developing countries' development strategies. Furthermore, Japan will support

efforts by developing countries to improve their policies and systems, including the ability to formulate and implement assistance projects. Japan will also take into consideration whether such efforts by the developing countries are sufficient in the formulation and implementation of ODA.

(5) Strengthening of the functions of field missions in policy-making process in implementation

The functions of field missions (primarily overseas diplomatic missions and offices of implementing agencies) will be strengthened, so that they will be able to play a leading role in the policy-making process and in the implementation. In particular, steps will be taken to develop a framework for strengthening the system, including through the use of outside personnel. Japan will also make efforts to make comprehensive and accurate assessments of developing countries' development policies and assistance needs, primarily at the local level. Japan will comprehensively identify local socioeconomic conditions and other aspects through local interested parties.

(6) Collaboration with aid-related entities

Collaboration with Japanese NGOs, universities, local government, economic organizations, labor organizations, and other related stakeholders will be strengthened to facilitate their participation in ODA and to utilize their technologies and expertise. Japan will also seek to

collaborate with similar entities overseas, particularly in developing countries. In addition, in the implementation of ODA, appropriate use will be made of the technologies and expertise of Japanese private companies.

2. Increasing public participation

(1) Broad participation by Japanese citizens from all walks of life

The government will take measures to foster participation in assistance activities by Japanese citizens from all walks of life, and to promote these citizens' interaction with developing countries. Such measures will include providing sufficient information, listening to public opinion, soliciting proposals for ODA activities, and extending cooperation to volunteer activities.

(2) Human resource development and development research

The government will make efforts to foster aid personnel with the necessary expertise and to increase the opportunities for aid personnel to be active both within Japan and overseas. In parallel with these efforts, high-quality personnel, such as persons with considerable overseas experience and extensive knowledge, will be widely sought and be encouraged to participate in ODA activities.

In addition, the government will encourage regional studies relating to developing countries and research on development policy, to promote accumulation of Japan's

intellectual assets in the development sphere.

(3) Development education

Development education is important for promoting public understanding with respect to international cooperation including ODA, and for fostering people that will be engaged in international cooperation in the future. In this perspective, the government will take measures in schools and on other occasions to carry out more widespread education on development issues, such as the problems that face developing countries, relations between Japan and developing countries and the role that development assistance should play. Necessary educational materials will be distributed and teachers will be trained.

(4) Information disclosure and public relations

It is important for information on ODA policy, implementation, and evaluation to be disclosed widely and promptly to ensure the sufficient transparency, and for it to be publicized actively. Therefore the government will use a variety of means to provide information in easy-to-understand formats, and to create opportunities for Japanese citizens to come into contact with ODA activities that Japan is undertaking.

In addition, the government will make enhanced efforts to disseminate information regarding Japan's ODA to

developing countries as well as other donors.

3. Matters Essential to Effective Implementation

(1) Enhancement of evaluation

The government will carry out consecutive evaluations at all stages, i.e. ex-ante, mid-term, and ex-post, and evaluations at each level, i.e. policy, program, and project.

Furthermore, in order to measure, analyze and objectively evaluate the outcome of ODA, third-party evaluations conducted by experts will be enhanced while the government undertakes policy evaluations. The evaluation results will be reflected in subsequent ODA policy-making and efficient and effective implementation.

(2) Ensuring appropriate procedures

The government will adopt procedures to ensure that full consideration is given to the environmental and social impact of implementation of ODA. The government will make efforts to conduct appropriate and efficient procurement with regard to quality and price. At the same time, while ensuring these aspects, the procedures will be simplified and accelerated.

(3) Prevention of fraud and corruption

The government will implement appropriate measures to ensure the transparency of the activity-selection and implementation process, and to prevent fraud, corruption, and improper diversion of aid. In addition, the government will make efforts to assure the appropriate use of funds by enhancing auditing, including through the introduction of external audits.

(4) Ensuring the safety of ODA personnel

Safeguarding the lives and personal safety of ODA personnel is a prerequisite for the implementation of ODA. The government will fully obtain security-related information and will take appropriate measures.

IV. Reporting on the Status of Implementation of the Official Development Assistance Charter

The government will report the status of the implementation of the Official Development Assistance (ODA)," which is reported annually to the Cabinet.

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- ☒ On October 1, 2003, the Japan International Cooperation Agency is due to be reorganized as an independent administrative institution, changing its status from that of a special public institution.

August 29, 2003

Review on Japanese ODA Needed

Joint Statement by ELSAM, INFID, Reality of Aid, WALHI
Jakarta, 28 September 2004

Indonesia has been one of the largest recipient of Japan's ODA Since 1967 – around three quarters of Indonesia's external loans comes from Japan. As of March 2002, Japan ODA loan to Indonesia has the cumulative total of 606 projects amounting to 959.5 billion yen. These loans had covered infrastructure projects, agriculture/forestry/fisheries, manufacturing and mining and social services. But 70% of the loans were used for electric power/gas sector, irrigation/flood control and transportation.

As a bilateral donor, Japan also sits as a key member in the CGI (Consultative Group for Indonesia). Therefore the Japanese government plays a great role for Indonesia's economy.

Based on the ODA charter, ODA will be provided in accordance with the principles of the United Nations (especially sovereign equality and non-intervention in domestic matters) as well as the following points:

(1) Environmental conservation and development should be pursued in tandem. (2) Any use of ODA for military purposes or for aggravation of international conflicts should be avoided. (3) Full attention should be paid to trends in recipient countries' military expenditures, their development and production of weapons of mass destruction and missiles, their import and export of arms, etc. so as to maintain and strengthen international peace and stability, including the prevention of terrorism and the proliferation of weapons of mass destruction, and from the viewpoint that developing countries should place appropriate priorities in the allocation of their resource on their own economic and social development. (4) Full attention should be paid to efforts for promoting democratization and the introduction of a market-oriented economy, and the situation regarding the protection of basic human rights and freedoms in the recipient country.

Many of ODA loans for Indonesia have been characterized by high level of tied-aid. Those loans must utilize Japanese expertise, human resource, technology and corporation. This means that 'aid' given to Indonesia only benefited the Japanese. Large portions of loans go to Japanese consultants and contractors, and Japanese companies dominate the construction of infrastructure projects – profiting from low interest rates. The Japanese government economic policy that benefit elites rather than the common people (in Indonesia) has placed an unsustainable debt burden on the peoples of Indonesia.

Moreover, after the 1997 economic crisis, ODA loans have to follow the IMF programs which have not helped Indonesia to recover economically and reduce poverty. Although in theory, Japanese bilateral aid is composed on tied and untied, in reality, both of them are not necessarily benefiting the peoples in recipient countries. The ODA /Yen loan is significantly tied to the procurement of Japan goods and services, while the 'untied' aid is conditional upon policy reforms laid out in IMF's Letter of Intent.

Therefore Japan's ODA loans are merely an instrument of Japanese economic and foreign policy interests, because it has not answered the development need of Indonesia.

Despite these facts, JBIC's Country review report for Indonesia, July 2003 revealed that " The 143 Indonesian projects evaluated thus far have achieved nearly satisfactory results overall." The review, using 5 primary check criteria (relevance, efficiency, effectiveness, impact and sustainability)

***In terms of relevance**, it is stated that the Indonesian projects were in line with the series of Repelita. **In terms of efficiency**, it is said that over 90% of the total number of projects were completed with output as planned. **In terms of effectiveness**, the review stated that the effect of yen loans to Indonesia has been large because 70% of the project output was adequately utilized and project goals were sufficiently realized. **In terms of impact**, it was noted that a large number of projects have a positive socio-economic impact (industrial development, job creation, income improvement, and lifestyle improvement). Also, there were only a few*

projects that reported concern about negative impact on the environment, but none of it was seriously adverse impacts. Resettlement process had been carried out smoothly.

We are questioning the conclusion on the report. Testimony of these three cases of Japanese ODA projects in Indonesia, namely Kotopanjang, Renun and Bili Bili projects, by the local community revealed that these projects have adverse environmental impacts, involved forced displacement, denying people from access to their livelihood and offered no compensation for the loss of the community.

We further question the bases of the findings, who decide the indicators, whose perspectives were used, was the beneficiaries and the victims were invited to participate in the evaluation?

We are calling for a fundamental change in the governance and effectiveness of the Japanese ODA. Furthermore, we urge the Japanese and the Indonesian government to evaluate and have an independent assessment on the result and achievements of ODA loans in Indonesia's economy.

If the Japanese Government is to make a more positive contribution, its loans need to address several key issues. This include the quality and conditionality, as well as ownership.

We therefore call that Japanese ODA should be based on the following principles:

- *Negotiation for resources transfers based on shared value and commitment to direct the resources for the benefit of those who are socially excluded*
- *Equality in aid decision-making process*
- *Untied aid*
- *Transparency and accountability*
- *Japan ODA should line up to binding obligations under international human rights law and implement the support for democratic governance within a rights-based approach.*

MAKE JAPAN ODA WORTHY OF PUBLIC TRUST AND SUPPORT

(A statement of the 3rd Reality of Aid Asia-Pacific Conference on
the occasion of the 50th anniversary of Japanese
Official Development Assistance held in Tokyo, Japan)

October 8, 2004

October 2004 marks the fiftieth anniversary of Japan's Official Development Assistance. After making a modest start as war reparations half a century ago, Japan's ODA has swollen in step with the surge of the country economic standing in global society. In the intervening years, the North-South gap has enlarged; absolute poverty aggravated in various ways, and desperation as well as indignations has spread to the various regions of the world. In addition, concerns over the global/local environment and public health have deepened and peoples are finding it increasingly difficult to entertain hopes and dreams for a better future. What has made things worse is that the IMF/WTO led global economic integration based singlemindedly on the free-market doctrine, which has come to confer the world's wealth and resources in the hands of the powerful few at the expense of others including that of future generations and of the environment.

Japan's ODA faces serious challenges despite some improvements in the areas of information disclosure and social/environmental considerations. In Indonesia, the case of Kotopanjang, Renun and Bili Bili reverberates as local community revealed that these projects have adverse environmental impacts, involved forced displacement, depriving people of their livelihoods and offered inadequate compensation for the affected communities. In Bangladesh, the environmental and displacement effects of Jamuna Bridge have caused havoc and more destruction is expected in the future. These concerns are echoed in many other Asian country-recipients of Japan

ODA. In Pakistan and India, the Government of Japan, after suspending ODA for three years, resumed its ODA in 2001 despite continued development of nuclear weapons, subsequent to the US “war on terror.”

Philippine organizations decry the displacement of various communities as a result of the San Roque Dam and the Cebu South Reclamation Project. Such problem is similar to the case of the National Route One Rehabilitation Project in Cambodia. In Sri Lanka at the national level, development NGOs has proposed consideration of development intervention at the micro level while waiting for the restoration of peace. In Nepal and Pakistan, civil society has called on the Japanese government to review its ODA towards addressing the question whether the Japanese ODA has been provided according to the needs and the priorities of its people. These concerns along with others have been raised by civil society from Bangladesh, Sri Lanka, and India.

The revised ODA charter that has a stronger economic and national interest orientation has also drawn further concerns from NGOs and peoples of recipient countries as well as from OECD’s Development Assistance Committee (as expressed in the Committee’s most recent peer review of Japan’s ODA). Development NGOs from Asia are proposing the immediate reform of Japan’s ODA to effectively respond to the needs of poverty eradication and assure a secure path towards sustainable development.

Whereas the ultimate goal of ODA should be to bring about a just, equal world that no longer requires development assistance from one part to another, the global society on the occasion of the fiftieth anniversary of Japan’s ODA is, in fact, in dire need of increased assistance. Faced with this situation, we appeal to the Japanese governments and their counterparts in recipient countries for a thorough review of Japan’s 50 years of ODA history to transform it into a global public trust. Civil society in both global south and Japan have started its independent review and as part of this on-going process, we would like to present to the Government of Japan and to the Japanese public the following visions, principles and measures as a minimum agenda to be acted upon immediately.

Visions

Japan's ODA is but a part of an overall effort of development cooperation that brings together all societies in the world in a global family. This cooperation is based on a shared vision of peace and prosperity for all realized through just and democratic societies around the world. The Preamble of Japan's Constitution states: "We recognize that all peoples of the world have the right to live in peace, free from fear and want."

We hereby propose that Japan embark on development cooperation and provide ODA in pursuance of the following visions:

1. Peace and Harmony - All living things, including human beings and nature, coexist sustainably in peace and harmony on Earth. This is expressed in Article 9 of the constitution renouncing war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes, thus representing the most progressive declaration in the world and truly forming, we believe, the solid foundation for ensuring the right to live in peace.

2. Prosperity for All - The world's wealth is shared equitably, poverty eradicated, the poorest empowered, gender equality realized and the right to live ensured for everyone.

3. Just and Democratic Society - Fair and just society is realized through ensuring basic human rights and in particular, the right of access to resources for those who have been further deprived and marginalized by the very process of globalization as well as by environmental destruction and resource exploitation. For most recipient countries, this can be attributed to Japan's excessive dependence on Asia-Pacific and other regions of the South for its economic activities.

Principles

Japan's participation in development cooperation multilaterally and bilaterally, including Japan's ODA, must abide by principles of equality, reciprocity, peaceful coexistence and justice that emanate from our shared vision and guide all areas of international relations and cooperation. We

submit that Japan's ODA abide by these as well as specific principles completely in development cooperation, to wit:

- 1. Equality** – This is essential guide in international relations and particularly in development cooperation since inequality in the world is very clearly expressed in the relationship of donors and recipients.
- 2. Reciprocity** – Development cooperation is premised on mutuality, that the relationship is based on shared interest, values, and goals or mutual understanding, sharing of resources and actions in cooperation and sharing of clear advantages or benefits gained through such cooperation.
- 3. Peaceful coexistence** – Peace is not simply a vision or a goal, but also permeates the efforts and processes of development cooperation as a principle just as the Japan Constitution renounces threats and the use of force in settling international disputes.
- 4. Justice and Human rights** – The vision for justice translates into a principle of upholding and realizing human rights as a means to achieve development and poverty eradication. This means that development and development cooperation must promote human rights-based approaches that ensure the people, whether in the recipient or donor countries, fully realize their human rights in the context of development cooperation. The human rights-based approach must be firmly established and abided by at all levels and steps including project conceptualization, planning, implementation and evaluation, and ensure prior, informed decision making by the people. The peoples of donor countries like Japan must also be well-informed and participate fully in development cooperation and ODA process.

Furthermore, we propose the following specific principles to guide Japan's development cooperation and ODA:

- 1. People-centeredness** - People must be the center of any development agenda. This principle must be supported by ODA and upheld by recipient governments. Their needs and interests must take precedence over other interests and concerns such as of the private sector whether in recipient and donor countries.

2. Focus on the poorest - Instead of allowing existing disparities between and within countries to enlarge, Japan's ODA must accord the highest priority to the poorest and the most disadvantaged politically, socially and economically of the poorest countries and territories so as to fill in the gaps. In so doing, it must be extra careful not to create aid dependencies.

3. Addressing universal human concerns and issues - ODA of Japan, irrespective of boundaries and interests of nation-states, must be provided to address and help solve such global issues as poverty, displacement, environmental degradation, gender inequalities, human rights violations, and conflicts of various kinds and causes, and under no circumstances must it exacerbate them.

4. Preventing injustice – ODA must promote social justice and peace and not worsen global injustice by reinforcing trade and investment liberalization policies that have caused widening North-South inequalities and have necessitated more remedial ODA.

5. Aid as an entitlement of the poor — Aid is an entitlement of the poor and must not be treated as an instrument of foreign policy or for advancing national and commercial interests.

Measures

1. Democratization

a. Ownership and conditionality

Japan must recognize the ownership of recipient countries, remove conditionalities and reduce recipient countries' reliance on donor technical assistance. The technical assistance should be transformed to build local capacity and transfer technology for the recipient countries.

b. Participation

Agencies in-charge of ODA should undertake effective consultation and ensure full participation of all those affected in project determination, design, decision-making, implementation, and evaluation processes

involving the project.

c. Increased support to NGOs

Increase direct support for civil society organizations as important partners in poverty reduction programs, and in putting in place “social accountability mechanisms” for monitoring government action as well as in leading significant anti-corruption campaigns.

d. Decentralization

With a view to improve the ODA implementation system, ODA frontline offices should be given more authority and local staff increased and empowered. With the local capacity built up, collaboration with local NGOs and people in project determination, implementation and policy planning should be actively sought.

2. Transparency and Accountability

Japan must have a policy and law that allows all stakeholders of Japan’s ODA to have full access to information and documents before and after ODA projects are implemented. Particular emphasis should be placed on disclosure of information in local languages, at least in local official language(s), from a very initial stage so that people of recipient countries may be well aware of ODA provided by Japan.

3. Demurral mechanisms

a. Administrative mechanism

The government of Japan should set up administrative mechanisms to accept complaints and demurral on Japan ODA funded projects and activities and must provide for adequate compensation and appropriate remedies for affected-peoples.

b. Parliamentary mechanism

The Parliaments of Japan and recipient countries in the South should have a standing committee for receiving and deliberating on demurral or objections to ODA. The committee in Japan should initiate the review of

Japan's ODA projects and to oblige the Ministries/Agencies in charge of ODA to submit detailed reports when it deliberates on aid budget and accounting so that the Japanese public may have a better grasp of ODA.

c. Judiciary mechanisms

Japan must develop effective complaint procedures and mechanisms and adequate compensation and appropriate remedies for the people who claim to be negatively affected by the Japan ODA funded projects and activities, including access to Japan's courts with clear jurisdiction over these claims.

4. Focusing on poverty eradication and increasing assistance

Japan must take up the challenge of the Millennium Declaration to focus on eradicating poverty and increasing assistance, with special attention to LDCs. It must also establish and be accountable to realistic timetable to achieve long-standing commitment to reach 0.7% of GNI for official development assistance principally as grants.

5. Untying ODA

Japan ODA, including food aid and technical assistance should be untied and help strengthen local productive capacities and livelihoods of poor people through small and medium scale enterprises.

6. Improving grant share

Dramatically increase grant share of Japan ODA, especially for direct social and economic services for the elimination of poverty. Foreign exchange gain or loss and losses from failed projects should be shared in a fair manner between donor and recipient countries.

7. Relieving official debt

Drastic debt relief measures should be taken not only to the HIPCs but to other countries that are unable to break out of the debt burden imposed by the official yen loan. Government of Japan should forego repayments to all its odious and illegitimate debts (for example outstanding Marcos and Suharto debt).

8. Enacting basic law on ODA

A basic law on ODA, that is binding unlike the ODA Charter and articulates visions, principles for implementation and budget allocation, policy-making process, gender equality, transparency and accountability mechanisms, agencies in charge and others, should be enacted without delay.

9. Consolidating ODA agencies

With the twin aim of eliminating the hazards associated with compartmentalization of Japan's ODA involving a dozen of Ministries and Agencies for one, and of preventing ODA from being used as a diplomacy tool for another, an independent Ministry of Development Assistance should be created and allowed to undertake ODA, in a unified manner, and free from narrow national-interest considerations.

10. Promoting development education/global citizenship education

In order that Japanese citizens should better understand how their daily lives are related to global issues, recognize the need for international cooperation in tackling and solving those issues, and critically review their life styles, development education or, better still, global citizenship education should be promoted at formal school education, social education, life-time learning and at all other educational opportunities.

11. Strengthening people-to-people development cooperation

Establish close links between Japanese and recipient country people's organizations and NGOs for developing joint programmes aimed at empowering civil societies that would ensure local capacity building (including lobby efforts) and sustainability.

We further propose that governments of Japan and recipient countries should conduct a country review of all Japan ODA policies and mechanisms in the light of the abovementioned visions, principles and measures and that in such review, the full participation of civil societies in both countries must be sought.

We respectfully submit these visions, principles and measures to guide the reform of Japan ODA including Japan's contribution to multilateral agencies.