

# The Reality of Aid

An Independent Review of Poverty Reduction and Development Assistance



## Reality Check on Security Agenda & Development Cooperation

# RealityCheck

OCTOBER 2004



Prepared by the ROA Asia-Pacific Network

# RealityCheck

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## about this issue

*With the security agenda in aid policy resonating in recently launched 2004 Reality of Aid report, this Reality Check looks into the various issues related to the current donor policies to address conflict, security and development. This can be gleaned from the contributions of two donor country perspectives on the current shift of donor policies in diverting from poverty eradication to contribute to the "war on terror" and how it has reflected in the case of Mindanao in the Philippines. This edition of the Reality Check is also prepared by the Asia-Pacific network of the Reality of Aid on the occasion of the 50 years of Japanese Official Development Assistance and the network's campaign to reform Japan ODA. As the global Reality of Aid network embarks on the next process leading up to the 2006 Report which will focus on issues related to security and development, humanitarian assistance and a rights-based approach to peace-building and development cooperation.*

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(Japan)



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IBON Foundation (Philippines)

## The Reality of Aid

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# Aid and Terrorism – What About the Poor?

By Shennia Spillane  
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October 2003

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## Introduction

Following the terrorist attacks in the USA on 11 September 2001, some said that the “world had changed forever”. While the truth of such an assessment is debatable, the anti-terrorism agenda has had a real effect on development aid in the Asia-Pacific. Combating terrorism has become the new growth sector for the expenditure of aid funds, under the banner of “good governance”. Australia’s approach to aid and terrorism in the region illustrates a largely ignored but very real threat posed by international terrorism: that for donors, the war on terror is distorting and displacing the all-important war on poverty.

## Counter-terrorism in Australian aid

The Australian aid program presents a good example of the influence of the terrorist agenda on aid programs in the region. Combating terrorism catapulted to the centre of Australia’s political and security agenda following September 11, 2001 and was further reinforced there in response to the deaths of 88 Australians in the Bali bombing of 12 October 2002. This shifting of Australian political priorities was quickly reflected in an increased use of aid for counter-terrorist activities. The Australian

Government’s development agency, AusAID, has explicitly taken up the counter-terrorism theme in its aid policy and budgeting over the last two years.

In the Australian aid budget for 2003-04, brought down in May 2003, counter-terrorism was highlighted as a key theme: *The Australian aid program is helping to build the capacity of developing countries in the region to respond effectively to potential terrorist threats*, including through strengthening police, banking and customs authorities, drafting and enacting new legislation, and improving law and justice systems.<sup>1</sup> AusAID has not published the total amount of aid resources now being spent on counter-terrorism activities, but has announced several new initiatives in this area while maintaining total aid at the historically low level of 0.25% of Australia’s GNI.

One key initiative announced in the budget was a new A\$7.5m Peace and Security Fund for post-conflict assistance and “initiatives to counter transnational crime and terrorism” in Pacific Island Countries. Another was an A\$10 million (over four years) counter-terrorism initiative in Indonesia, focused on policing, tracking terrorist financing, and a “travel security program”.

Subsequently, during a visit to the Philippines in July 2003, Australia's Prime Minister announced an A\$5m, three year package of counter-terrorism assistance to the Philippines, which will be funded from the AusAID budget.

Increased aid for various counter-terrorism activities fits under the cover-all and ill-defined heading of "good governance", which is the largest single sector in the Australian aid program. In 2003-2004, 21% of Australia's aid will be spent on "good governance" activities. At the same time, the proportion of Australian aid spent on basic rights remained largely static – including 12% for health, 5% for basic education and 3% for water and sanitation.<sup>2</sup> With relatively little to spend, the priority of the poverty reduction objective in Australian aid must be rigorously examined.

### What's wrong with aid for terrorism?

There have been various attempts by Governments, international organisations and civil society groups<sup>3</sup>, to articulate the links between poverty, aid and terrorism since the events of September 11. There is little doubt that conditions of poverty combined with perceptions of global injustice and alienation, contribute in some circumstances to the creation of environments which can breed instability and conflict, and at the extreme end, acts of terror.

Nevertheless, these are arguments for a greater commitment to *poverty-focused* assistance to provide greater economic and social equity to affected peoples, not aid focused on law enforcement, financial regulation and the like. As one NGO commentator has noted, if alleviating poverty reduces terrorism, there is no need to create a new counter-terrorism goal in aid programs. All that

such a link implies is the need to step up poverty-focused aid in order to eradicate poverty.<sup>4</sup>

It is difficult to argue with the proposition that many types of aid for counter-terrorism may ultimately improve poverty reduction outcomes – more stable and better-governed states can benefit from international trade and growth more easily, and under the right circumstances, that growth can lift the living standards of the poor. But where spending scarce aid funds is at stake, doing things that may possibly, eventually, make some contribution to reducing poverty is not good enough – regardless of the foreign policy or national security benefits for the donor. Aid donors must ensure that their programs are the best, most effective way to use their limited resources to eradicate poverty. Much of the present aid for counter-terrorism activities would fail the test.

The exclusive attention on "international terrorism" by donors is further compromising aid's mission to directly assist the poor and marginalised. The terrorist threats being countered by donors are almost always those directed towards rich countries and peoples, rather than threats to people in the countries of the terrorists' origin, or those they work through. For better or worse, attempts by some developing country governments to access ODA to counter domestic terrorism have received far less support.

While it is understandable that countries like Australia want to protect their citizens and their defence and security interests by combating international terrorism, it is questionable whether diverting scarce aid money to this end is the appropriate way to fund these policy pursuits. That is to say, strengthening money-laundering regulations and customs police in East Timor or

Cambodia may be in both governments' national interests, but is it an activity truly directed at reducing poverty?

In Australia's own backyard lies a prime example – that of aid relationships with Indonesia in 2003. As noted above, increased Australian aid for Indonesia in the 2003 budget was specifically linked to combating terrorism, through law enforcement, travel security, and education initiatives. This was very clearly, and understandably, a response to the publicly expressed need for Australia to do more about terrorism in Indonesia following the Bali bombing.



**Acehese woman flees fighting in Indonesia**

Meanwhile, within the territory of Indonesia, a military offensive has been launched in the province of Aceh, re-igniting a conflict in which hundreds have been killed and tens of thousands displaced and deprived since May 2003. In the brief period before independent journalism was totally excluded from Aceh, the region was horrified by images of over 500 schools burned to the ground. Such activity creates terror in the lives of vulnerable people, including children – whether it is caused by state military forces or by separatist militias. This terror is directly increasing poverty for the people of Aceh, but Australia has

announced no new initiative or new money in the aid budget to respond to it.

## Conclusion

Pursuit of the counter-terrorism agenda through aid, in Australia and elsewhere, warrants ongoing scrutiny. The present Australian Government has reduced aid to its lowest level ever, has retreated markedly from multilateralism and the international promotion of human rights, and conceptualises Australia's "national interest" in narrow, domestically-focused terms emphasising market-led economic growth and strong national security. Under these circumstances aid is increasingly funding a national security agenda, and it is the region's poor and marginalised who will miss out on the resources needed to fulfil their basic rights. Australian and international civil society has a role to play in keeping governments honest about aid and protecting its poverty focus as the "war on terror" goes on.

## Endnotes

- <sup>1</sup> *Australia's Overseas Aid Program 2003-04, Statement by the Hon Alexander Downer MP, Minister for Foreign Affairs, 13 May 2003, p11.*
- <sup>2</sup> *Aid Budget 2003-04: Overview and Analysis, Australian Council for Overseas Aid, May 2003, available at [www.acfoa.asn.au](http://www.acfoa.asn.au).*
- <sup>3</sup> *In the Australian context, examples include ACFOA's Submission to the 2003-04 Federal Budget, March 2003, at <http://www.acfoa.asn.au/publications&media/submissions/budgetsubmission2003.PDF>, and work by Oxfam Community Aid Abroad such as the Executive Director's statement at [http://www.caa.org.au/horizons/december\\_2002/from\\_excdir.html](http://www.caa.org.au/horizons/december_2002/from_excdir.html).*
- <sup>4</sup> *Gaughran, Audrey, Shifting Goalposts: Aid and Terrorism, British Overseas Network on Development (BOND), available at [www.bond.org.uk](http://www.bond.org.uk).*

# Militarization of Japan's ODA

By Koshida Kiyokazu  
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## 1. After the September 11

In May 2002, Japan's Prime Minister Koizumi Jun'ichiro announced that Japan would strengthen efforts for the "consolidation of peace" and nation building and make this a pillar of Japan's international cooperation. And Minister for Foreign Affairs Kawaguchi Yuriko also pointed out the importance of the "consolidation of peace" concept before her visit to Afghanistan. Japan's ODA related to the "consolidation of peace" has three components, 1) promotion of peace process, 2) securing of domestic stability and security, 3) humanitarian and reconstruction assistance. Using this new diplomatic tool, Japan has been trying to play an active role in providing humanitarian and reconstruction assistance to several countries such as Afghanistan, Sri Lanka, Aceh in Indonesia, Mindanao in the Philippines, East Timor, and at last Iraq.

Prior to these statements in 2002, however, right after the September 11 the government already moved to utilize ODA money for serving in the US led global "War on Terror". September 19 in 2001, Tokyo announced the Japan's measure responding to simultaneous terror attack to the US, in which financial assistance to Pakistan and India was included.



**Japan's Prime Minister Koizumi Jun'ichiro sends off troops abroad.**

In 1998, after Pakistan tested a nuclear weapon, Japan imposed sanctions of suspending new ODA (both grant and loan). But just eight days after September 11, Japan pledged to lift the sanctions, and provided 3 billion yen as emergency financial support and 1.7 billion yen for refugees support, also implemented 64.6 billion yen of official debt rescheduling. Three billion yen of emergency financial assistance is categorized as "Non-Project Grant Assistance" which can be used for pursuing any "goods" recipient government needs. But since obtained goods and expense has not reported, this money might be a "gift" for Musharraf regime who became one US's key allies in the War on Terror. Prime Minister Koizumi told

to special envoy of President Musharraf that he respected to the Pakistan's attitude to break off its ties with Taliban and to cooperate with the United States of America<sup>1</sup>

## 2. Militarization of Aid: Japan's New Trinity of ODA

This move can be described as “militarization of aid”. It is a global shift which has several significant points: 1) the adoption of a broader definition of terrorism and the introduction of major anti-terrorism legislation; 2) the redefinition of aid and ODA, within the framework of geopolitical interest; 3) ODA allocation becomes more based on selectivity and conditionality reflecting of donor interests, particularly under the rhetoric of “opposing terrorism”. Facing this strong reactive trend, Christian Aid, one of UK's leading development NGO, calls for a “strong and robust reaffirmation of the principle that poverty reduction should be aid's primary driving force”.<sup>2</sup>

In Japan, instead of using “opposing terrorism”, the government widely uses the beautiful term “consolidation of peace”. Since we have the Peace Constitution, “consolidation of peace” itself should be a crucial policy for initiating the Constitution. But what I want to argue is that in most of countries where Japan's ODA for “consolidation of peace” is allocated, Japan's Self Defense Forces (SDF) is also dispatched and engaged in “humanitarian assistance” or logistic support for the US military operation. The government plans to amalgamate ODA allocation and SDF operation in the name

of “International Peace Cooperation”, and the “Coordination between SDF and NGOs” is also proposed.

Japan's ODA has been described/criticized as trinity of ODA, Investment and Trade for more than 20 years. But a new trinity of ODA, NGO and the Military is emerging, as Japan becomes much more involved in peacekeeping and emergency operations linked to the “War on Terror”. As a loyal ally of USA, Japan is



**Japan's Self-Defense Forces**

contributing huge amounts of aid for “consolidation of peace” operations - and the Japanese government uses the term ‘All Japan’ to illustrate that Japanese involvement includes enterprises, NGOs and Self Defense Forces.

This shift of ODA towards a security agenda is not affecting Japan alone<sup>3</sup>. Ideas about a new definition of ODA have been discussed at the OECD's Development Assistance Committee (DAC). These discussions raise concerns about the inclusion of security measures, such as counter-terrorism activities, intelligence gathering and

military-training for ‘non-combat’ peace building operations within the definition of ODA.<sup>4</sup>

International NGOs are concerned that the discussion may be interpreted as opening the door for the re-direction of aid away from poverty reduction and towards a counter-terrorism and security agenda. The discussion emphasizes that strengthening governance is crucial, and emphasizes support for democratization and modernization, finance and security. But what the discussion does not sufficiently take into account is the fact that counter-terrorism operations are mainly implemented by the police and military, in particular foreign military forces.

Several donor countries such as Denmark and Australia, however, already announced that security would be their key criteria for deciding ODA allocation.<sup>5</sup> Japan also follows this way.

### 3. New ODA Charter: Whose ODA and Security

Japan’s 1992 ODA Charter laid out the basic themes of Japanese ODA. The charter had four major principles: 1) Environmental conservation and development, 2) Any use of ODA for military purposes or for aggravation of international conflicts should be avoided, 3) Full attention to trends in recipient countries’ military expenditures, their development and production of weapons of mass destruction and missiles, their export and import of arms, in order to maintain and strengthen international peace and stability, and 4) Full attention to efforts towards democratization and introduction of market-oriented economy.

Prior to the institution of the 1992 Charter, there was a hot discussion in Japan about the

country’s international contribution. When the Gulf War occurred, the government decided (in line with Japan’s Peace Constitution) not to dispatch Japan’s Self Defense Forces, but to provide huge amounts of financial support to the coalition forces and of ODA to “surrounding countries” such as Egypt, Jordan and Turkey, which cost US 2.04 billion dollar. Adding to this, the government provided US 11 billion dollar for supporting the Multinational Forces (in reality it is US Forces). But the US did not clearly show the attitude of appreciation for the support, which led Japan to enact a law for dispatching the SDF to abroad. Leading conservative politicians claimed that an international security regime based on UN’s Peace Keeping Operation should be established. They argued that Japan should join this regime. But behind this lay the US interest in utilizing the UN in order to fulfill US purposes.

Ten years later, in 2003, a shift in Japan’s ODA was accomplished, bringing it more directly in line with the US-led approach to global security policy. The new ODA Charter adds Japan’s own security and prosperity to its purpose, and “the prevention of terrorism” is also included in the principles of ODA implementation. This shows that Japan’s national interest (on security and prosperity) is to support the US led “War on Terror”. In the past Japanese ODA policy has been tacitly supporting the US interests. But this attitude has changed and become a positive policy.

A group of politicians and elite bureaucrats called ‘kantei’ (Prime Minister’s office), who coincide with THE US’s Neo Conservatives, leads this policy change. A bureaucrat in this group clearly mentioned that the ultimate *raison d’être* of the nation state is security, and since Japan faces multiple global threats, diplomacy should respond to this. This bureaucrat



**One of 'kantei's' Economic Policy Conference**

also mentioned that utilizing ODA is one of the important tools for such diplomacy, so Japan's ODA should be shifted more to peace consolidation or peace building. This idea implies that Japan's ODA has been not allowed to be used for military purpose, and that this prohibition should be withdrawn.<sup>6</sup>

The "Advisory Group on International Cooperation for Peace" (a group under the chief cabinet secretary), headed by former UN Under-Secretary-General Akashi Yasushi, also played crucial role to push this change forward and concrete. In December 2002, the group submitted their recommendation to Prime Minister. But this includes several points which might be against the Peace Constitution:

1) international cooperation should be ranked as main role of the Self Defense Forces and relevant law should be amended, 2) government should start the preparation for amendment to join the coalition forces based on UN resolution, 3) government should argue new budget mechanism to support the military in the consolidation of peace process, and 4) ODA should be actively used for conflict prevention, peace building, rehabilitation support, etc.

After these views had been put forward, the government reviewed the ODA Charter in August 2003. The new ODA Charter has several significant points from the viewpoint of security: 1) it makes clear that ODA implementation should consider the national interest, 2) it introduces a new concept of human security and peace building in order to make linkage between counter-terrorism war and ODA, 3) the terms terrorism and conflict are included, to open the way for Japanese ODA to be used for military purposes, 4) strategic use of ODA is strengthened.<sup>7</sup>

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

#### **4. Mindanao: Division of labor between US and Japan**

In December 2002, Japan announced a 'Support Package for Peace and Security' in Mindanao to consolidate peace, and gave ODA to three programs:

- 1) Loan aids for ARMM Social Fund (2.47 billion yen)
- 2) Sector Program grant aid (1.5 billion yen)
- 3) Other projects (40 billion yen) road, container terminal, Agusan River

In addition, in June 2003, Japan and the Philippines exchanged an official note on the project for Establishing of the Automated Fingerprint Identification System under the Mindanao Package to fight against terrorism, which costs 975 million yen and which directly supports for Philippine National Police.

Since the US troops have operated in Mindanao (called Balikpapan 02), Japan promised to support for recovering peace and order in Mindanao. In other words, Japan is willing to offer economic support for US led war on terror in Mindanao. So compared to other region in the Philippines, Mindanao might be the biggest recipient region.

### 5. Iraq: ODA and SDF for US War

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

For this huge Iraqi rehabilitation budget, US, Japan, UK, Australia, Spain, South Korea and EU pledged to contribute large amounts for five years(see table). These are the countries which dispatched many soldiers to Iraq.

Of US \$ 5 billion, Japan is planning to distribute US\$1.5 billion in grant aid in 2004. This represents almost 70% of Japan’s total bilateral grant aid and 40% of total grant aid including multilateral grant aid.

The government explains that grant fund is provided through four channels: 1) UN agencies such as UNDP Trust Fund (US\$ 846 million); 2) Trust Fund for Iraq Rehabilitation (US\$ 500 million: US\$ 450 million for UN, 90 million for World Bank, US\$ 10 million for IFC); 3) Direct

support to Iraq administrations (US\$ 227 million); and 4) Emergence assistance to International Organizations (US\$28.3 million).

Among direct support for Iraq administration, US\$ 51 million is allocated for the Rehabilitation of Main Hospitals in Southern Iraq includes Samawa where Japan’s SDF is operating. Under this program, medical equipment is distributing through SDF operation to Samawa General Hospital in which SDF medical team works. This shows how Japan’s ODA steps into security since Japan’s ODA Charter prohibited ODA from being used for military purposes, SDF’s “humanitarian operation” also should follow this.

The government allocated US\$ 29 million for heavy equipped police cars to Iraq State Department. This might not be a direct military support, but might be support for “War on Terror”.

Adding to this new aid money, Iraq holds huge amount of foreign debt. The total amount is still unidentified. Official loan debt (Paris Club debt) alone is estimated US\$ 21 billion. Aside from official debts, Iraq has unpaid war reparations to Kuwait and unpaid military related debts. The Washington based private think tank Center for Strategic and

country	pledged amount \$ billions	dispatched troops
US	20.3	130,000 soldiers
Japan	5	750 soldiers
UK	0.91	11,000 soldiers
Australia	0.83	850 soldiers
EU	0.236	
Spain	0.3	1300 soldiers
Italy	0.236	3000 soldiers
Korea	0.26	470 soldiers

International Studies (CSIS) estimates the total outstanding amount at US \$ 380 billion. Based on this amount, each person in Iraq shoulders a US \$ 16,000 debt burden. But the huge amount of money flowing into Iraq during Saddam Hussein's regime can be described as odious debt. Japan is the biggest creditor of official debt (US \$ 4.1 billion).

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

Japan's Defense Agency chief Shigeru Ishiba said that the Self-Defense Forces mission in Iraq will be a major test of Japan's efforts to play a larger role in helping to maintain global peace and stability.<sup>8</sup> The government had to enact a new law in 2003 in order to dispatch SDF troops to Iraq to assist in the reconstruction, since no U.N. framework for such activities has been established following the U.S.-led war. The GSDF troops stay at Samara at Southern Iraq since January to implement "humanitarian reconstruction assistance." The government explains that Samawa is not "battle

field" and the SDF will not use force but they are in fact carrying small arms for "defense".

But using military personnel to carry out humanitarian tasks is quite controversial, because "there had been consensus among military thinkers that armed forces are not best placed to provide aid". In fact, the UK Ministry of Defense's operational principles concerning humanitarian activities states: "If at all possible, do not get involved in humanitarian aid activities, and if UK forces must get involved, this should be in support of a civilian agency, where the military stays in the background".<sup>9</sup> Japan ignores this distinction between humanitarian aid and military, which made aid worker's activities more dangerous.

Since March 2004 many civilian workers are targeted in Iraq, and three young Japanese are also hostages. The captors declared that the hostages would be killed unless the Japanese government announced withdrawal of Japanese troops from Iraq within 72 hours. This shows how Japan's new trinity of ODA (ODA, NGO and SDF) strips neutrality of NGOs and aid workers, and creates vicious "coherence".

## 6. ODA to Realize Japan's Peace Constitution

In Japan, government leaders have indicated they will consider permanent legislation that will authorize the dispatch of the SDF overseas on postconflict reconstruction missions even without U.N. authorization. Behind this is to strengthen the Japan-U.S. security alliance by winning Washington's trust. But this is not the end. US high officials like U.S. Secretary of State Colin Powell and Deputy Secretary of State Richard Armitage give pressures Japan to amend the Article 9 of Peace Constitution.<sup>10</sup>

Within the official ODA budget, the funds allocated for peace building and conflict prevention have risen dramatically from 12 billion yen to 16.5 billion yen. Budget for emergency grant aid also jumped from 22 billion yen to 31.6 billion yen. Meanwhile Japan has cut its total ODA budget from 857.8 billion yen in 2003 to 816.9 billion yen in 2004 in which grant aid is most affected. The implication is clear. Security interests come to top priority than alleviating poverty.

Under the slogan of “War on Terror”, many donor countries have put security issues at the heart of their policies. This idea, however, presupposes that all the insecurity comes from poor and undemocratic countries in the South. And this logic brings the idea that to eliminate the root of this insecurity, a US led alliance for combating global terrorism is needed with “good governance” criteria should be strictly applied for allocating ODA.

The government often stresses the importance of “consolidation of peace” and “human security”. These become important pillars of Japan’s foreign policies. I give these policies cautious welcome. I do hope that it provides to be an important step in changing insecurity environments effectively at some of the poorest countries.

But I also warned that to be so, Japan’s Peace constitution, particularly its Preamble should be fully respected. It states “We recognize that all peoples of the world have the right to live in peace, free from fear and want”. The Constitution creates an affirmative political duty to promote the global peace and justice through assistance to peoples suffering from fear and want. Japan’s ODA should be used to take initiatives on arm controls, poverty

alleviation, human rights, refugees, environment degradation and other global issues, because Japan cannot play a military role in settling international disputes.

### Endnotes

- 1 On November 1, 2001, Finance Minister of Pakistan Shaukat Aziz made courtesy call on PM Koizumi and asked more economic assistance.
- 2 *Christian Aid* The Politics of Poverty: Aid in the new Cold War, 2004. see <http://www.christianaid.org.uk/indepth/404caweek/index.htm>
- 3 *Australian government has already included defense expenditure and Australian Federal Police activities in East Timor and the Pacific Rim.* see *The Reality of Aid 2002 (IBON Foundation, Manila, 2002) pp159-162*
- 4 *DAC published a paper entitled ‘A Development Co-operation Lens on Terrorism Prevention’ in 2003, and in February 2004 held a workshop on ‘ODA Eligibility issues for Conflict Prevention, Peace Building and Security’*
- 5 *Christian Aid, op.cit.*
- 6 *Yachi Shotaro ‘Tayoka suru Kokusaiteki Kyoi to Nihon no Taio ( Diverting international threats and Japan’s preparation’ in Atarashii Senso Jidai no Anzenhosyou (Security in New War Era), Toshi Shuppan 2002*
- 7 *whole text of new ODA charter can be obtained at <http://www.mofa.go.jp/policy/oda/reform/charter.html>*
- 8 *Japan Times, January 9, 2004*
- 9 *Christian Aid, op.cit.*
- 10 *“If Japan is going to play a full role on the world stage and become a full active participating member of the Security Council, and have the kind of obligations that it would pick up as a member of the Security Council, Article 9 would have to be examined in that light,” Colin Powell. Japan Times, August 14, 2004*

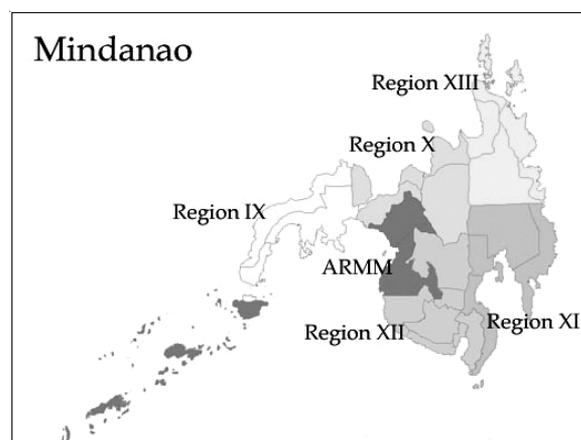
## Mini-Marshall Plan for Mindanao: Will Foreign Aid Help End the Moro War?

By Arnold Padilla  
IBON Foundation

**M**indanao is a land of contradictions. It is the poorest region in the Philippines in terms of socio-economic indicators. Yet it is also the richest in terms of natural resources. Government blames the decades-old armed conflict in Mindanao for its poverty and backwardness. Past and present governments tried to end the civil war through peace talks and all-out military campaign but failed.

Some donor countries like Canada have long recognized this and have placed Mindanao in their priority. But since 9/11, Mindanao has taken a new complexion as a hotbed of terrorism as the base of the Abu Sayyaf. Under the umbrella of war against terrorism, countries led by the US are pouring more foreign aid to Mindanao.

Taking advantage of the 'renewed interests' of foreign donors, the Arroyo administration is



trying to launch yet another mini-Marshall Plan for Mindanao. It includes the \$1.3 billion ODA-funded Mindanao National Initiative (Mindanao Natin); the \$50-million multi-donor 'peace fund' for Mindanao; and the \$356-million US economic and military package, of which bulk is intended to end the Mindanao conflict.

Many analysts have explained how the Arroyo government is using the war against terrorism to draw precious development aid to the country in the light of the budgetary crisis and diminishing foreign exchange receipts. Does this mean that the mini-Marshall Plan for Mindanao is yet another gimmick to draw more and more development aid for the Philippines? Or will mean a more effective economic-political-military combination in the war against terrorism in Mindanao? Or, in the end, will it be sorely needed shot in the arm to bring much-needed progress in Mindanao?

### Foreign Aid for Peace and Development

With a perennially bankrupt government, the Philippines is one of the most dependent countries on foreign aid. (See Box 1 for definition of foreign aid.) For example, in 2001, total ODA in the Philippines reached \$577 million. Such amount represents 9% of ODA from all donors in Far East Asia in 2001. The Philippines is the fourth largest ODA recipient in Far East Asia behind China, Indonesia, and Vietnam.

In spite of its backwardness and poverty, Mindanao is the most wanting in development assistance. But the trends changed since the terrorist attacks in New York and Washington (the so-called '9/11') more than two years ago.

### Poorest Provinces

Mindanao, the southernmost major island group of the Philippines, has a total land area of 102,000 square kilometers, or 34% of the national land area. It is composed of six regions with 25 provinces and 18 cities. As of 2000, the population of Mindanao is pegged at 19.4 million, or around 25% of the national total. (See Annex A)

### Box 1. Foreign Aid and the Marshall Plan

Foreign aid is commonly measured by official development assistance (ODA). It covers grants or loans that one government or multilateral organization gives to a poor country to promote economic development. Assistance under ODA must be granted on concessional terms. In the case of an ODA loan, at least 25 percent of it must be in the form of a grant. ODA also include technical cooperation or the transfer of know-how. Aside from ODA, foreign aid may also include military aid, political development programs, export promotion, debt forgiveness, and non-concessional lending. [1] The Marshall Plan refers to the program of financial aid and other initiatives the US sponsored after World War II for the reconstruction of Western Europe. It aimed to boost the economies of Western European countries to enable them to absorb US exports. Politically, the US initiated the Marshall Plan to counter the rapid spread of communism in Western Europe during the post-war period.

Mindanao has the highest population growth rate, the lowest literacy rate, and the highest poverty incidence. Mindanao workers also receive the lowest income compared with the region's actual cost of living. (See Table 1)

Sulu, a province in the Autonomous Region for Muslim Mindanao (ARMM) and a center of Muslim insurgency, is consistently the poorest province in the country. In addition, Tawi-Tawi, Lanao del Sur, and Maguindanao, all in the ARMM, belong to the 10 poorest provinces in government's latest poverty survey.

**Table 1. Comparative Socio-Economic Profile of Luzon, Visayas, and Mindanao, Various Periods (Figures in Percent)**

Major Island Group	Population Growth /a	Simple /b Literacy Rate	Functional Literacy Rate /b	Poverty Incidence /c	Minimum Wage as % of cost of Living /d
Luzon	12	95	86	24	43
Visayas	9	92	85	36	44
Mindanao	14	88	75	40	35

/a comparative figure between 1995 and 2000/b as of 1994/c as of 2001/d as of June 2003 (for non-agricultural areas only) Sources of Basic Data: Philippine Yearbook 2002, National Statistics Office; National Wages and Productivity Commission

Eighteen Mindanao provinces actually belong to the 25 poorest provinces in the Philippines. The World Bank also identified the ARMM, Caraga, and Central Mindanao as three of the five regions in the country lagging in poverty reduction.

### Worst Quality of Living

Compared with Luzon and Visayas, Mindanao has the worst quality of living. Of the 4.5 million Filipino families that could not meet food requirements, 1.4 million are in Mindanao. Furthermore, many families in Mindanao do not

have access to basic services, compared to Luzon and Visayas. (See Table 2)

According to the Mindanao Economic Development Council (MEDCO), Mindanao has an infant mortality rate of 63 per 1,000, the highest in the country. It also has an increasing maternal mortality rate of 320 per 100,000. [2]

The extreme poverty of Mindanao, particularly the Muslim areas, made it a host to different armed Moro (Muslim) groups. These are the Moro Islamic Liberation Front (MILF), the

**Table 2. Comparative Data of Provinces with the Highest and Lowest Percentage of Families with Access to Selected Basic Services in Luzon, Visayas, and Mindanao, As of 1998**

Major Island Group	Health Facilities		Safe Drinking Water		Sanitary Toilet	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
Luzon	78	22	100	27	100	45
Visayas	53	19	86	31	86	31
Mindanao	52	24	97	3	93	3

Source of Basic Data: The Countryside in Figures, 2001 Edition, National Statistical Coordination Board, December 2001

Moro National Liberation Front (MNLF), and the Abu Sayyaf. (See **Annex B** for a brief profile of these groups.)

### Important Role in Economy

In spite of its backwardness, Mindanao plays an important role in the country's agricultural and export-oriented economy. The region accounts for 40% of the national income, according to the Moro Human Rights Commission. Mindanao has the largest share in the production of corn, banana, coconut, and fish. It also has a significant contribution in the production of palay and mango. (See **Table 3**)

MEDCO also reported that Mindanao accounts for 33% of national cattle production; 56%, aquaculture; 89%, pineapple; and 100%, rubber. The so-called conflict areas make significant contribution to the economy of Mindanao and of the country. Western Mindanao, Central Mindanao, and the ARMM account for: 53% of Mindanao's palay production; 56%, corn; 41%, coconut; 77%, rubber; and 74%, fish.

But much of Mindanao's potential is yet to be maximized. Many areas are still largely under-exploited due to the armed conflicts. In fact, according to Roland Dy of the University of Asia

and the Pacific, if Mindanao were to be as productive as Taiwan, its annual exports could reach \$15 billion. At present, Mindanao exports hover below \$1 billion per year.



### Less Aid

While Mindanao is the poorest, it receives less foreign aid than Luzon and Visayas. In 2001, for example, Mindanao got P904.9 million in ODA loans commitments from multilateral and bilateral donors. Such amount accounts for only 7% of total ODA commitments in 2001. Per region, bulk of the foreign aid commitments went to Metro Manila and Luzon. (See **Table 4**)

Mindanao's ODA utilization rate is pegged at only 20%, compared with Luzon's 50% and Visayas' 40 percent. According to the National Economic Development Authority (NEDA), Mindanao has a low ODA absorptive capacity. This is due to lack of manpower and preparation to

**Table 3. Percentage Distribution in Production of Selected Agricultural Products by Major Island Group, 2000**

Major Island Group	Palay	Corn	Banana	Mango	Coconut	Fish
Luzon	57	32	16	74	25	38
Visayas	19	6	10	10	18	19
Mindanao	24	62	73	17	57	43

Figures may not add up to 100% due to rounding.

Source of Basic Data: *The Countryside in Figures*, 2001 Edition, National Statistical Coordination Board, December 2001

**Table 4. Distribution of Total ODA Loans Commitments by Major Region, As of December 31, 2001 (Commitments in Million Dollars; Share in Percent)**

Region	No. of Loans	Commitment	Share
Metro Manila	27	2,773.2	21
Luzon	39	2,557.9	19
Visayas	19	1,284.3	10
Mindanao	23	904.9	7
Multi-Regional	47	2,693.3	20
Nationwide	47	2,959.7	22
Total	202	13,174.4	100

Figures may not add up to total due to rounding.  
Source: ODA Portfolio Performance 2001, National Economic Development Authority, March 2002

handle funds. Many local government units (LGUs), for example, do not have the technical skills in making proposals to funders, NEDA said.

In addition, LGUs in Mindanao complain that they are having a hard time raising counterpart funds. Counterpart funds refer to the remaining cost of the project not covered by foreign aid. Donors usually require recipients to raise counterpart funds before they can access the financial assistance.

### On-and-Off Skirmishes

The flow of foreign aid in Mindanao is also hampered by the armed conflicts in the region. On and off skirmishes between government troops and armed Moro groups delay the implementation of certain projects.

The threat to the security of contractors involved in foreign-funded projects “drive away”

donors from conflict areas (e.g., stronghold of rebel groups). Thus, conflict areas, particularly Western and Central Mindanao, receive less foreign aid. (See Table 5)

### More Loans than Grants

Historically, foreign aid in the Philippines is mostly loans (must be repaid) and not grants (no need to repay). As of third quarter 2002, there are at least 46 ODA pipeline (or on-going) projects and programs in Mindanao. The Asian Development Bank (ADB) holds 14 of these programs and projects while Japan has 11. ODA pipeline in the form of grants also outnumbers ODA loans – 35 to 11.

But it does not necessarily mean that ODA grants are bigger than loans in monetary value. The amount of most of the ODA projects/programs in the pipeline is yet to be determined. Adding all ODA grants (nine) with identified value the total would be \$35.1 million. On the other hand, adding all ODA loans (five) with identified value the total would be \$209.1 million.

The same thing is true in terms of ODA commitments in Mindanao. As of third quarter



MNLF soldiers

**Table 5. Distribution of Total ODA Loans Commitments in Mindanao by Region, As of December 31, 2001 (Commitments in Million Dollars; Share in Percent)**

Region	No. of Loans	Commitment	Share to Total National	Share to Total Mindanao
Western Mindanao	2	25.1	0.2	3
Northern Mindanao	3	119.0	0.9	13
Southern Mindanao	3	101.9	0.8	11
Central Mindanao	2	85.1	0.6	9
ARMM	2	122.3	0.9	14
Caraga	3	144.1	1.1	16
Intra-Mindanao	8	307.3	2.3	34
Total Mindanao	23	904.9	7	100
Total National	202	13,174.4	100	

Figures may not add up to total due to rounding.

Source: ODA Portfolio Performance 2001, National Economic Development Authority, March 2002

2002, total ODA commitments in Mindanao is pegged at \$68.9 million, of which 69% are loans. Inter-regional ODA commitments that include Mindanao provinces posted \$108.1 million, all in loans.

On top of the principal and interest, some multilateral donors also charge 'commitment fees.' Commitment fees are slapped on recipients for

delayed availment of scheduled ODA loans. The World Bank, for instance, charges commitment fees of 0.75% to 0.85% of the undisbursed balance. The ADB also charges a commitment fee of 0.75 percent. Such policy further marginalizes poor recipients from availing foreign aid. Commitment fees also bloat the debt burden of recipients.

### Largest Donors

Japan and the US are traditionally the largest bilateral foreign donors in the country. Meanwhile, the ADB and the World Bank are the largest multilateral sources. It must be noted, further, that while the US is dominant in the World Bank, Japan is dominant in the ADB.

As of December 31, 2001, total ODA loans committed to the Philippines reached \$13.2 billion. The ADB accounts for 22% of this amount while the World Bank, 12 percent. The Japan Bank for International Cooperation (JBIC), which handles Japan's bilateral aid, holds the lion's share at 61 percent. Japan and the US are also the largest foreign donors in ODA projects and programs in Mindanao.

### US's Assistance for Sustainable Peace

Even before the latest mini-Marshall Plan for Mindanao, the US was already involved in providing aid in support of the 'peace process' in Mindanao. In fact, the current program for the Philippines of the US Agency for International Development (USAID), the main agency that administers US bilateral assistance, has a special focus on Mindanao.

The USAID played an important role in the Ramos administration's peace efforts with the MNLF in the 1990s. In 1995, it launched a project

to ‘strengthen the prospects of sustainable peace’ in Mindanao.

The whole program is supposed to be completed in 2004. (See Table 6) But after 9/11, the USAID is extending and improving its support package. The LEAP program, for example, is the improved version of the Emergency Livelihood Assistance Program (ELAP). ELAP is responsible for transforming 13,000 former MNLF guerillas to become ‘productive farmers.’

### Japan’s Package for Peace and Stability

For its part, Japan’s Ministry of Foreign Affairs (MOFA) introduced in December 2002 its Support Package for Peace and Stability in Mindanao. The objective of the package is to provide sustained support to contribute to poverty reduction and peace building in Mindanao.

Its particular target is the ARMM. Its priority areas include: (1) Support for policy formulation and implementation, (2) Support for improvement of basic human needs, and (3) Support toward peace building and the fight against terrorism.



**Ex-MNLF rebels become ‘productive farmers’**

Japan dispatched a team to formulate and design concrete projects for the package. Aside from the projects to be identified by this team, Japan also announced ¥4 billion in new commitments. It includes the ¥2.5 billion ARMM Social Fund for Peace and Development. It also includes ¥1.5 billion for the socio-economic development and peace building in ARMM areas.

Also part of the Japan package are ¥40 billion in past commitments in Mindanao like the Philippine-Japan Friendship Highway Mindanao Section Rehabilitation Project (I and II), Mindanao Container Terminal Project, and the Lower Agusan Development Project (Flood Control Component - Phase II).

### War on Terror, War on Poverty

If the Arroyo administration seriously wants to address poverty in the country, then it should start with Mindanao. Social indicators

**Table 6. Major USAID Projects/Programs in Support of the Mindanao Peace Process (Amounts are Actual 2002 Commitments, in Million Dollars)**

Project	Amount
Growth with Equity in Mindanao (GEM)	7.0
Livelihood Assistance Enhancement and Peace (LEAP) Program	7.2
Credit Union Empowerment and Strengthening (CUES) Program	1.0
Micro-Enterprise with Access to Banking Services (MABS) – Mindanao Program	1.2
Accelerating Growth and Investment Liberalization with Equity (AGILE)	9.7
Source: National Economic and Development Authority (NEDA)	

show that the country's poorest of the poor mostly live in Mindanao. Reducing poverty in Mindanao would have a tremendous impact on reducing poverty nationwide.

### Not by Tanks and Bombs Alone

Government correctly recognizes that the war on terror is not won by tanks and bombs alone. Its root cause, which is poverty, must be solved. The extreme poverty in Mindanao makes it a 'hotbed of terrorism', government argues.

According to the Center for the Study of Islam and Democracy (CSID), Muslim countries are failing because of less focus on Muslims' social well being. The Washington-based think tank said that people resort to terror due to hopelessness.



Thus the Arroyo administration declared that its war against terror is also a war against poverty. But for a government that just posted a record high budget deficit (P210 billion) in 2002, the problem is funding.

According to NEDA, government is formulating a 'catch-up' program for Mindanao to develop its absorptive capacity for foreign-assisted projects. The program is part of government's plan to increase allocation of foreign aid in Mindanao.

From 2002 to 2004, NEDA projected that total ODA funding in the Philippines would increase from P13.1 billion to P38.4 billion. Allocation to Mindanao would increase from P900 million to P2.6 billion, or an increase of 189 percent. Much of the foreign aid would be used to fund development projects in conflict areas in the region.

### Mindanao Natin

On April 25, 2003, Pres. Arroyo introduced the so-called Mindanao Natin during the First Muslim Summit held in Manila. Government allocated P5.5 billion for the implementation of the program in the next one and a half years. Aside from government funds, Mindanao Natin would also be financed through ODA amounting to \$1.3 billion in the next three to five years.

The socio-economic package would be carried out in over 5,000 Muslim villages (6.3 million people) in Mindanao's four regions. These are the ARMM, South Central Mindanao, Western Mindanao and Northern Mindanao. Mindanao Natin has a 10-point program to achieve peace and development in the region. (See Table 7)

### ODA-Funded Projects

Pres. Arroyo identified 23 ODA loans-funded projects under the Mindanao Natin involving eight multilateral and bilateral donors. The projects are distributed as follows: Six projects for infrastructure

**Table 7. Mindanao Natin's 10-Point Program and Estimated Budget (Figures in Million Pesos)**

Program	Budget
1. Implementation of the Tripoli Agreement	6.4
2. Local monitoring and rehabilitation of conflict affected areas (Pikit-Pagalungan- Pagagawan cluster in Cotabato and Maguindanao provinces and the Carmen-President Roxas-Damulog cluster in Cotabato)	41.5
3. Formation and deployment of Sala'am Soldiers and implementation of KALAH and KALAH-CIDSS projects	565.8
4. Financing and conduct of livelihood training programs for conflict-affected families	6,800.0
5. Implementation of a rebel returnees program	TBA
6. Creation of one-stop action centers for land documentation and titling	TBA
7. Conduct of a distance-learning program that will provide basic education and specialty training courses	33.0
8. Conduct of youth and culture-sensitive programs on sports and the arts	TBA
9. Implementation of community-scale, quick-gestation infrastructure projects	769.3
10. Prioritize and fast-track major strategic infrastructure projects	67,600.0/a
<b>Estimated Total</b>	<b>75,816.0+</b>
TBA - To be announced /a \$1.3 billion in ODA x P52 Source of Basic Data: <a href="http://www.kgma.org/init/mindanat.html">http://www.kgma.org/init/mindanat.html</a> (Pres. Arroyo's Homepage)	

support; three projects for water resources development; and 14 projects related to agriculture, land reform, and natural resources.

Per donor, the JBIC funds seven projects worth \$436.8 million. It also co-funds two projects with the ADB worth \$95.2 million. The World Bank, meanwhile, funds four projects worth \$279 million. Practically all of these projects are not new commitments but actually on-going projects or old commitments. In other words, the Mindanao Natin simply commits to complete past ODA-funded projects stalled by various reasons. (See Table 8)

The Arroyo administration repackaged these old projects under Mindanao Natin not only to ensure continued funding from donors. More importantly, it also serves as government



**President Arroyo with Mindanao officials**

propaganda to create the illusion that it has a 'new' comprehensive and well-funded development program for Mindanao. In this way, Moro rebels and their supporters would be easier to convince to uphold the Arroyo administration's peace and development efforts in the region.

**Table 8. ODA-Funded Projects under the Mindanao Natin (Amount in Million Dollars)**

Project	Type	Approved	Amount	Donor
<b>Infrastructure Support</b>				
National Roads Bridge Replacement	Loan	Nov 1999	81.2	UK
President Bridge Program II	Loan	Oct 1999	84.5	Austria
Second Mindanao Roads Improvement	Loan	Oct 1998	19.8	Kuwait
Nat'l Roads Improvement Management	Loan	Jul 2000	143.5	WB
Zamboanga-Pagadian Road Project	N/A	N/A	N/A	ADB/WB
Maritime Safety Improvement Project III	Loan	Mar 2000	43.6	JBIC
<b>Water Resources</b>				
Southern Phils. Irrigation Sector Project	Loan	Oct 1999	60.0	ADB
Water Resources Development Project	Loan	Mar 1997	58.0	WB
Malitubog-Maridagao Irrigation Project	Loan	May 1990	45.1	JBIC
<b>Agriculture, Agrarian Reform, Nat. Resources</b>				
Mindanao Rural Development Project	Loan	Mar 2000	27.5	WB
Fisheries Resource Management Project	Loan	Sep 1998	20.2	ADB/JBIC
Infra for Rural Productivity Enhancement	Loan	N/A	75.0	ADB/JBIC
Grains Sector Development Project	Loan	Aug 2000	75.0	ADB
Upland Dev't Program for S. Mindanao	N/A	N/A	N/A	N/A
Livelihood Enhancement and Peace Program	N/S	N/A	72.1	USAID
Agrarian Reform Communities Project	Loan	Jul 1999	93.2	ADB
Solar Power Technology Support to ARCs /a	Loan	N/A	N/A	Spain
Agrarian Reform Infra Support Project	Loan	Mar 2000	157.3	JBIC
Mindanao Sustainable Settlement Area Dev't	Loan	Sep 2001	60.3	JBIC
N. Mindanao Community Initiative & Resource Management	Loan	Jul 1998	50.0	WB
Western Mindanao Community Initiative	Loan	Mar 1999	14.8	JBIC
Forestry Sector Program	Loan	Dec 1993	86.1	JBIC
S. Mindanao Integrated Coastal Management	Loan	Jan 1999	29.6	JBIC
Partial Total			1,296.8	
N/A – Not available				
N/S – Not stated				
/a Commercial contract signed in March 2001 while Spain approved the project in May 2002.				
Sources of Basic Data: <a href="http://www.kgma.org/init/mindanat.html">http://www.kgma.org/init/mindanat.html</a> (Pres. Arroyo's Homepage); Public Investment Staff – Investment Programming Division, National Economic Development Authority; ODA Portfolio Performance 2001, National Economic Development Authority, March 2002				

## Mindanao Fund for Peace

Aside from the Mindanao Natin, Pres. Arroyo is also trying to establish a \$50-million multi-donor trust fund for Mindanao. The fund would be in the form of foreign grant to build 'soft and hard' infrastructure in Mindanao. But the 'peace fund' would only be available if government and the MILF reached a final peace agreement. The negotiations between the MILF and government will resume in November 2003 in Malaysia. The US expressed its intention to 'participate' in the peace negotiations.

The World Bank already committed \$2 million for the fund. It also agreed to manage and administer the fund aimed at developing war-torn Mindanao. On top of the \$50 million, the US pledged another \$50 million for the same initiative. The US package funds a five-year socio-economic program for the ARMM. Recently, US Ambassador to the Philippines Francis Ricciardone signed a memorandum of understanding (MOU) to release the initial \$30 million US contribution to the fund.

Government is also asking the ADB, Japan, Canada, Sweden, Australia, New Zealand, and the European Union (EU) to support the fund. It is also soliciting assistance from the Islamic Development Fund and Organization of Petroleum Exporting Countries (OPEC). Muslim countries like Bahrain, United Arab Emirates, Kuwait, and Saudi Arabia are also possible donors.

Using foreign development funds to entice Moro rebels to surrender is no longer new. The latest mini-Marshall Plan for Mindanao is similar

to the package of foreign aid used to woo the MNLF in signing a peace agreement with the Ramos administration in 1996. Supposedly, such fund would help in the 'transition' of the Moro rebels from guerilla fighters to productive and law-abiding citizens.

The peace agreement gave birth to the Southern Philippines Council for Peace and Development (SPCPD) to monitor, promote, and coordinate the development efforts in 14 provinces and nine cities in Mindanao. These areas belong to the Bangsa Moro as claimed by the MNLF.

In addition, the rebel returnees' funds (like the USAID's ELAP and LEAP) are the ones that directly attract surrender even if the rebels' demands are not substantially addressed.



## US Aid for Militarization: Escalating the Conflict?

Government's plan to launch a mini-Marshall Plan for Mindanao already surfaced even before 9/11. Vice President Teofisto Guingona proposed

the idea when he became Department of Foreign Affairs (DFA) secretary in February 2001. Government began drafting the plan in April 2001, which it called the Peace and Reconstruction Imperatives for Mindanao's Enhanced Development (Primed).

But the proposal did not make much headway until the US launched its war against terror. After 9/11, the US resolved to expand its presence and intervention in many parts of the world. It now gives more focus on Muslim countries since a Muslim terrorist network (Osama bin Laden's Al Qaeda) is supposedly the enemy.

Meanwhile, Pres. Arroyo became one of the first Asian leaders to declare absolute support to the US campaign. Such loyalty did not go unrewarded as the US promised more military and economic aid for the Philippines. Pres. Arroyo also used the anti-terror campaign to seek other donors' commitment to continue funding ODA projects in Mindanao and to seek new commitments. With US support, she is succeeding in getting donors' attention and confidence.



### All-out War

While the Arroyo administration is pushing for Mindanao rehabilitation through ODA, it did not abandon its war efforts against armed groups in the region. Since 9/11, government took a



militarist stand in dealing not only with the bandit Abu Sayyaf but also with rebel forces like the MILF and units of the communist New People's Army (NPA) in Mindanao. For example, it abandoned the peace negotiations with the NPA and intensified its military campaign against the communist group.

Government also sidelined the peace negotiations with the MILF. Early this year, government carried out a series of military attacks on MILF camps as well as propaganda campaign to discredit and politically isolate the Moro rebel group.

From January to June this year, the MILF and government troops engaged in at least 100 clashes claiming around 772 casualties. During the same period in 2002, their engagements registered only three clashes with three casualties based on newspaper reports.

Government also quickly pinned the MILF as the perpetrators of the bombings in Davao City early this year. The military is yet to prove its claim. But recently, disillusioned young soldiers of the Armed Forces of the Philippines (AFP) alleged that top military officials are behind the terrorist attacks in Davao City.

## Zones of Peace

The military plays an important role in Pres. Arroyo's Mindanao Natin. Under the Mindanao Natin, government aims to establish so-called 'zones of peace.' Areas classified as zones of peace are those most affected by armed clashes in Mindanao. The first zone of peace declared by government is the town of Pikit in Cotabato. Government is earmarking P41.5 million for the immediate rehabilitation and livelihood assistance needs of Pikit.

An important component of the zones of peace is the redeployment of government troops from inhabited areas. However, the Armed Forces of the Philippines (AFP) would still maintain an active defense at the perimeter. Community-based monitoring teams with Sala'am (peace) soldiers would also be formed and empowered.

## New Breed of Soldiers

Pres. Arroyo calls the Sala'am (Special Advocacy on Literacy/Livelihood Advancement for Muslims) Soldiers as a 'new breed of soldiers.' The Sala'am Soldiers would not only ensure peace and order in their area. They would supposedly also help government in implementing KALAHI-CIDSS projects. Sala'am Soldiers are also tasked to help provide 'psycho-social and medico-civic' services.

KALAHI-CIDSS (Kabalikat Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services) is an anti-poverty initiative of the Department of Social Welfare and Development (DSWD). It started in January 2003 and will last until 2008. The World Bank funds it to the tune of P5.1 billion, which is 55% of the total project cost.

Half of the composition of the Sala'am Soldiers would be Muslim regular soldiers and integrees (e.g., former rebels). According to the AFP, the Sala'am Soldiers are similar to the 'special operations teams' (SOTs) deployed in insurgency-infested areas in the early 1990s.

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

## Geared for Combat

Indeed, far from being 'peace soldiers,' the proposed special military unit under Mindanao Natin is geared for warfare than civic action. A look at the proposed deployment of Sala'am Soldiers and areas covered by the KALAHI-CIDSS projects clearly shows this.

Of the six provinces with Sala'am Soldiers, only Lanao del Norte has KALAHI-CIDSS projects (six projects). Most of the projects are in Zamboanga del Norte (seven projects), Misamis Occidental (one), and Sarangani (two) where the Sala'am Soldiers are not deployed.

Sala'am Soldiers are actually deployed in conflict areas held by the MILF, MNLF and the Abu Sayyaf. For example, government is deploying Sala'am Soldiers in four barangays in Lanao del Sur, 10 in Cotabato, six in Maguindanao, 16 in Sulu; and 23 in Basilan.

### Increased Military Assistance

The US government is funding the Arroyo administration's war efforts in Mindanao. Using 9/11 and the Abu Sayyaf as political justification, the US plays an increasing role in government's campaign to pacify Mindanao. In 2001, the US sent 1,000 soldiers, disguised as a military exercise (Balikatan 02-1), to help the AFP fight the Abu Sayyaf in Basilan. Government is planning to hold a similar large-scale military exercise with the US in Jolo, a stronghold of the Abu Sayyaf.



**Abu Sayyaf group**

A small number of US troops are still in Mindanao mainly helping local military in 'humanitarian work.' US soldiers are frequently seen in parts of Central Mindanao to 'evaluate' US funded projects. But their presence bolstered rumors that the area would be the next stage of war games with the US.

The drastic increase in US bilateral assistance to the Philippines since 2001 is due to increased

military assistance. From 2001 to 2002, US ODA for the country even fell by 19%—from \$30.3 million to \$24.5 million. In contrast, US foreign military financing (FMF) jumped by 900%—from \$1.9 million to \$19 million. Other military-related assistance also increased significantly. (See Table 9)

### More War Funds and Equipment

In May 2003, after a visit in Washington, Pres. Arroyo announced that Pres. Bush committed even more military funds for the Philippines. The package could reach a minimum of \$356 million for 2003 and 2004.

A substantial portion of it is intended to boost government's military campaign in Mindanao. It includes the funding of the first 45 days of the proposed Balikatan 03-1, military training, equipment, etc. It also includes US contribution to government's 'peace efforts' in Mindanao like the Mindanao peace fund and MILF rebel returnees program. (See Table 10)

### Conflict Serves US Military Agenda

By escalating the war, the US and the Arroyo administration made peace in Mindanao more elusive. This serves Washington's agenda well as it gives them justification to maintain their military presence in Mindanao.

The holding of war games in Mindanao and presence of US military advisers are consistent with US's strategic and tactical efforts after 9/11. The September 2001 Quadrennial Defense Review Report said that the US Department of Defense is reorienting its global military posture. The reorientation provides greater flexibility for US forces in 'critical' areas worldwide. With the absence of permanent military bases, it would 'seek

<b>Table 9. US Bilateral Assistance to the Philippines by Major Program, 2000-2002 (Figures in Million Dollars; Change in Percent)</b>				
Major US Aid Program	2000	2001	2002	Change 2001-02
Child Health and Survival	7.2	9.4	25.6	172
Official Development Assistance	22.5	30.3	24.5	(19)
Economic Support Fund	0	7.2	21.0	192
Foreign Military Financing	1.4	1.9	19.0	900
International Military Education and Training	2.0	1.4	2.0	43
Peace Corps.	1.7	2.0	2.6	30
Public Law 480	40.0	20.0	0	(100)
<b>Total</b>	<b>74.8</b>	<b>72.5</b>	<b>94.7</b>	<b>31</b>
2000 and 2001 figures are actual 2002 figures are estimates Figures may not add up to total due to rounding.				
Sources: US Department of State; US Agency for International Development; US Department of Agriculture				

<b>Table 10. New US Commitments for the Philippines (Amount in Million Dollars)</b>	
Purpose	Amount
Balikatan 03-1 (First 45 days)	47
Counter-terrorism security assistance	30
Sustenance of Huey helicopters, C-130 planes, M-35 trucks, 78-foot patrol vessels	37
Anti-Terrorist training and education, special logistics education, international military training	10
30,000 M-16 rifles and 500 armored vests (Under the MLSA)	10
Law enforcement assistance from the International Narcotics Control and Law Enforcement Fund	3
Training and equipping Philippine engineering units in performing civic actions and humanitarian projects in conflict zones	25
MILF Rebel Returnees	20
Program Civic action projects in Basilan	4
Rehabilitation of Sulu	2
Mindanao Fund for Peace	50
33 military helicopters and spare parts	41
New benefits to commonwealth army veterans and guerillas	77
<b>Total</b>	<b>356</b>
Source of Basic Data: Pres. Arroyo's speech during the 105th anniversary of the Philippine Navy, May 27, 2003	

temporary access to facilities in foreign countries through military training and exercises.’ [5]

The Philippines is long considered a crucial location in US long-term security in Asia. US forces need the Philippines for refueling and logistics support for their operations in the Arabian Gulf or Western Pacific. Mindanao, in particular, provides a strategic location for US ‘monitoring’ of developments in Muslim countries in Southeast Asia like Indonesia. The US claims there is a trend of ‘rising Islamic revivalism’ in the region.

### War for Foreign Corporations

But why would the Arroyo government allow the escalation of war if it would drive away foreign investors? The Arroyo government is actually using the war as an instrument of pacification to fast track the entry of investors in Mindanao. A glaring example is the Liguasan Marsh in Central Mindanao. **(See Box 2)** In addition, the mere presence of US soldiers already gives an illusion of ‘peace and stability.’ Investors feel ‘safe’ where there are US troops.

### The Human Cost of War

The militarization of aid, while it serves Washington’s militarist agenda, defeats the humanitarian purpose of giving foreign assistance. Early this year, the large-scale military campaign (that used US-donated military hardware) against the MILF displaced thousands of innocent civilians. Around 60 of them, mostly children, died in the evacuation centers.

Increased military campaign also led to more cases of human rights violations as it is not only directed to the Abu Sayyaf or even the MILF, MNLF, and NPA. In June 2001, the military

arrested, detained, and allegedly tortured more than 100 Muslim civilians, mostly farmers, in Basilan. They are all suspected members or sympathizers of the Abu Sayyaf. Later, the military released around 50 of them for lack of evidence. [6] In October 2003, government also released 15 suspected members of the Abu Sayyaf after two years of imprisonment due to lack of evidence.

Worse, members of legitimate people’s organizations suspected of supporting rebel groups are also not only harassed but killed. This is the case of four Anakbayan members reportedly abducted, tortured, and killed by the Military Intelligence Group (MIG) in Maco, Compostela Valley in September 2003. Anakbayan is a militant youth organization, which the military claims is a ‘front organization’ of the NPA.

### The Corporate Invasion of Mindanao

Historically, donors use foreign aid to advance certain political and economic goals. In the same way that Pres. Arroyo dangles the Mindanao fund for peace for the MILF to surrender, donors dangle aid to push certain interests. For example, donors use aid to require recipients to implement wide-scale economic reforms or to purchase the goods and services of corporations of the donor-country.

Foreign aid in Mindanao is no exception. Japan and the US are the leading donors in the region since their corporations lead other foreign businesses in exploiting Mindanao’s rich resources.

### Foreign Exploitation of Mindanao’s Resources

As early as the 1920s, Del Monte Corporation of the US already established a pineapple plantation in Bukidnon. BF Goodrich and Goodyear Tire Corporation, also US corporations, came in the

## Box 2. The Liguasan Marsh: War for Oil?

In February 2003, government sent 3,000 troops backed up by air force bombers, helicopter gunships, artillery and tanks to Liguasan Marsh to attack MILF camps. The 200,000-hectare Liguasan Marsh is the largest wetlands in the country and second largest in Southeast Asia. The five-day military campaign resulted in the displacement of 40,000 civilians and 200 casualties, mostly civilians. Government claims that the offensive is meant to neutralize the 'massing' of MILF fighters in the area and capture its late chairman Hashim Salamat. But after the campaign, no less than Pres. Arroyo came to Liguasan Marsh to 'convince' its people about the benefits of foreign investments. Weeks after the campaign, Malacañang announced that it forged a \$100-million palm oil production deal with Malaysian and Libyan investors in Liguasan Marsh. Indeed, the underlying objective of the military attack is to fast track the implementation of the Comprehensive Development Plan for the Liguasan Marsh. Liguasan Marsh is known to have extensive oil and natural gas deposits. Since 1992, the Philippine National Oil Company (PNOC) has been conducting gas prospecting in Liguasan Marsh. They found a sizeable oil reserve in the Maguindanao side of the marshland. The Arroyo administration is reviving oil and natural gas exploration in the country following the success of Shell's Malampaya Project in Palawan. Exploration permits in other areas in offshore Palawan and Sulu are recently released for bidding. At least four American exploration companies expressed interests to corner the exploration permits. Aside from oil, the Liguasan Marsh development plan also includes the construction of a large dam on the Pulangi River to provide electricity. It also includes the construction of a fish cannery, fish port, and even an international airport. But the MILF is opposed to the development plan, as it would displace many Moros whose livelihood depends on the marsh's natural resources.

Sources: Homepage of Inq7 ([http://www.inq7.net/reg/2003/mar/05/reg\\_5-1.htm](http://www.inq7.net/reg/2003/mar/05/reg_5-1.htm)); Homepage of MindaNews (<http://www.mindanews.com/2003/03/06nws-gma.html>); Homepage of Green Left Weekly (<http://www.greenleft.org.au/back/2003/528/528p19b.htm>); Homepage of Philippine Headline News Online (<http://www.newsflash.org/2003/03/pe/pe002523.htm>)

1950s and set up rubber plantations in Cotabato. In the 1960s, US corporation Castle and Cooke (through Dole Philippines) set up a pineapple plantation in South Cotabato. [7]

Through the years, more and more foreign corporations are coming to Mindanao setting up

factories, plantations, canneries, etc. From 1998 to 2002, foreign direct investment (FDI) in Mindanao (except ARMM and Caraga) registered in the Board of Investments is pegged at more than P1.2 billion. Around 74% of this amount are invested in the exploitation of Mindanao's natural resources. (See **Table 11**)

**Table 11. Foreign Direct Investment in Mindanao by Sector, Total from 1998-2002 (Figures in Thousand Pesos)**

Sector	Amount
Agricultural products and allied services	171,059
Chemical-based consumer products	986
Chemicals, textiles, and leather	26,201
Construction materials	165,600
Engineering products	1,380
Information technology services	253,106
Infrastructure and utilities	15,409
Mining and processing	159,950
Processed foods and beverages	181,565
Tourism	5,000
Trading and other services	44,788
Wood-based products and services	225,572
Toys, sporting goods, gifts, and houseware	500
<b>Total</b>	<b>1,251,116</b>

Source: Board of Investments

### Japanese and American Domination

Japanese and American owned or affiliated corporations dominate in Mindanao. As of 2003, there are more than 125 foreign owned or affiliated corporations in Mindanao registered in the BOI. Of this number, 26 are from the US and 29 are from Japan.

Most of them are involved in the exploitation of Mindanao's rich natural resources. It includes mineral exploration, fishing, processing of marine products, plantations for cash crops for exports, among others. Many of them are also among the biggest transnational corporations (TNCs) in the country. (See Table 12)

These foreign corporations also provide their expertise to help their government implement projects and programs in Mindanao. (See Box 3)

The operation of these corporations often results in the displacement of communities in Mindanao. For example, around 60 families left sitio Sigawet in Lake Sebu, South Cotabato due to fear stemming from harassments and intimidation inflicted by the coffee firm Consunji Holdings, Inc.

Elements of the 47th Infantry Battalion of the Philippine Army are reportedly behind the harassments. Consunji allegedly pay them between P4,000 to P5,000 monthly. The company operates a coffee plantation in sitio Sigawet where members of the Ubo tribe live. [8]

### Contractors and Consultants

Private contractors and consultants from the donor countries also rake in profits from ODA-funded projects. It is common practice that firms from the donor country end up cornering the contract to implement a particular ODA-funded project. (See Table 13)

These private contractors and consultants are often long-time partners of their governments in implementing different projects worldwide. The Louis Berger Group, for example, managed the construction of the US military base in Thailand, one of the largest in Southeast Asia.

Since 1953, the group planned, designed and managed the construction of over 100,000 miles of highway; 2,000 miles of railroad; 3,000 bridges; 100 airfields, seaports, dams, water supply systems; numerous environmental mitigation projects; and

diverse cultural preservation projects throughout the US and in 140 countries. [9]

Chemonics International, meanwhile, is currently involved in the post-war reconstruction of Afghanistan and Iraq. In particular, Chemonics is in charge of infrastructure and agriculture rehabilitation and restoration of irrigation and farms in Afghanistan. It also

provides its expertise in 'building democracy and governance' in Iraq. [10]

Japan ODA for Mindanao, on the other hand, tends to concentrate on infrastructure development like the construction of roads, bridges, dams, etc. This is because Japan's industrial structure has a very high rate of civil engineering and construction works.

### **Box 3. An American TNC Helps Implement a USAID Program for Mindanao**

US-based Cargill is not only an agribusiness TNC. One of its subsidiaries, Cargill Technical Services (CTS) is among USAID's main subcontractors for many of its projects. CTS provides technical assistance in agriculture management, agro-industrial development, investment promotion, and privatization. It is involved in 278 agribusiness projects in 98 countries worldwide. In the Philippines, CTS is involved in USAID's Growth with Equity in Mindanao (GEM) Project. It worked with 44 national, multinational and foreign corporations who are looking to expand their operations and investments on the island. CTS' contributions in the GEM include:

- The identification and elucidation of the main issues favoring or constraining agribusiness development;
- The development of an industry-based or sub-sector approach to tackling these problems and promoting sustainable investment;
- Contacts with a large number of individual enterprises, which were sensitized to the possibilities for investment in Mindanao; and direct assistance to some of these businesses to formulate deals.

GEM focuses on agriculture, fisheries, economic infrastructure, and business development of Mindanao, including special support for Muslim areas. It supports 'crop enhancement' programs and links producers and markets with foreign and local investors.

It is not incidental that Cargill's Philippine subsidiary – Cargill Philippines Inc. – operates in Mindanao. It maintains two integrated animal feeds plantations worth P612.5 million in General Santos City (Central Mindanao). The plants have a combined capacity of 296,000 metric tons per year.

Cargill is one of the world's biggest TNCs. It operates globally as a buyer, seller, investor, processor, storer and transporter of a wide range of agricultural and other bulk commodities. Cargill employs 80,600 people in more than 1,000 locations in 65 countries and has commercial operations in 130 more.

Sources: Home page of the ARD, Inc.- Rural and Agricultural Incomes in a Sustainable Environment (RAISE) Program <http://www.ard-raise.com/html/consortium/CTS.html>; Board of Investments

**Table 12. American and Japanese Owned or Affiliated Corporations in Mindanao by Business Type/Product and Region, As of October 2003**

Corporation	Business Type/Product	Location
<b>American</b>		
Benguet Corporation	Mining	Western Mindanao
JMH International Phils. Corp.	Cement	Western Mindanao
Miramar Fish Company	Canned tuna	Western Mindanao
Pdep Incorporated	Mining	Western Mindanao
Permex Producer & Exporter Corp	Canned tuna	Western Mindanao
Transtech Industries Incorporated	Cement	Western Mindanao
Bukidnon Resources Co., Inc.	Tomato paste	Northern Mindanao
Mcci Corporation	Acetylene black	Northern Mindanao
Mindanao Forge Co., Incorporated	Horseshoeing tools	Northern Mindanao
Purefoods Corporation	Livestock and poultry	Northern Mindanao
Amoy Development Corp.	Contract breeder	Northern Mindanao
Benguet Corporation	Mining	Northern Mindanao
Diamond Farms Incorporated	Cavendish and fresh banana	Northern Mindanao
Dole Philippines Incorporated	Fresh fruit, juice concentrate, Frozen shrimp, asparagus, Cutflower, papaya	Northern Mindanao, Central Mindanao
Franklin Baker Co. of the Phils.	Coconut water	Southern Mindanao
Golden Farms Incorporated	Cavendish banana	Southern Mindanao
Marsman Estate Plantation	Cavendish bananas	Southern Mindanao
Picop Resources Inc.	Industrial forest plantation	Southern Mindanao
Cargill Phils. Incorporated	Integrated animal feeds	Central Mindanao
Firestone Tire & Rubber Corp.	Natural rubber	Central Mindanao
Sarangani Aqua Resources	Fresh shrimp	Central Mindanao
Sarangani Packaging Products	Printing materials	Central Mindanao
Sarangani Seafood Inc.	Shrimp fry	Central Mindanao
Seatrade Dev Corporation	Canned tuna	Central Mindanao
T'Boli Agro-Industrial Dev Inc	Fruit cocktail, fruit juice	Central Mindanao
Agusan Power Corporation	Hydro power plant	Caraga
<b>Japanese</b>		
Basilan Lines Incorporated	Port cargo handling operations	Western Mindanao, ARMM
Han Wook Panel Phil. Corp.	Mining	Western Mindanao
Ishida Seafoods Corporation	Processed marine products	Western Mindanao
Natum Corporation	Carageenan powder	Western Mindanao
OR Crestyng Incorporated	Processed marine products	Western Mindanao
Pryce Gases, Inc.		Western Mindanao, Northern Mindanao,

Corporation	Business Type/Product	Location
		Southern Mindanao, Central Mindanao, Caraga
First Industrial Plastic Venture	Fiberglass reinforced plastic	Northern Mindanao
Marumesh Company, Inc.	Disposable wire nets/wire mesh	Northern Mindanao
Mindanao Ikoma Chiba Industrial	Furniture components	Northern Mindanao
Nine Four International Mfg.	Wood products	Northern Mindanao
Refractories Corp. of the Phils.	N/S	Northern Mindanao
Tanjay Industrial Corporation	Bamboo tiles, bamboo plantation	Northern Mindanao
Valencia Rubbertex Inc.	Rubber boots, working shoes	Northern Mindanao
Branco Mining Corp.	Mining	Southern Mindanao
Cebu Mitsumi Incorporated	Disk drives	Southern Mindanao
Celebes Japan Foods Corporation	Vacuum packed sashimi tuna	Southern Mindanao
Davao Central Chemical Corp.	Activated carbon	Southern Mindanao
Hamada Trading Corporation	Feed grass	Southern Mindanao
Mindanao Corrugated Fibreboard	Corrugated carton boxes	Southern Mindanao
Mikoyu Company Incorporated	Fresh frozen tuna fish	Southern Mindanao
Nakayama Technology Corp.	Engineering, plan design	Southern Mindanao
Nopa Foods Corporation	Processed ginger	Southern Mindanao
Norgate Apparel Mfg., Inc.	Garments, degummed ramie	Southern Mindanao
Phil-Japan Active Carbon Corp.	Active carbon	Southern Mindanao
Summit Ent. Int'l Agri'l Dev't	Cavendish banana	Southern Mindanao
Yashima Techno-Steel (Phils)	Agricultural farm equipment	Southern Mindanao
Pescarich Mfg. Corporation	Tuna fillet or tuna slice	Central Mindanao
Buenavista Resources & Industrial	Jointed falcatta board	Caraga
International Agro-Forestry Dev't	Commercial timber, pulp	Caraga
Source: Board of Investments		

## Flowing Back to its Source

The hiring of foreign consultants and contractors from the donor country allows a significant portion of aid to flow back to its source. In the case of grant aid, almost 50% of it goes back to its source country based on one estimate. In effect, foreign donors are simply giving their own corporations projects to profit from. Worse, since most foreign aid are loans, the recipient-country actually shoulders all the costs while the donor's own contractors and consultants earn immensely.

More importantly, the hiring of foreign consultants to design and implement ODA projects show one fundamental problem in foreign aid. In most cases, local communities or their organizations are not consulted in identifying, designing, and implementing ODA projects. As such, most ODA projects do not reflect the true development needs of communities but the interests of foreign corporations. No wonder why many ODA projects lead or are feared to lead to economic and physical displacement of communities.

One example is the construction of the Saug River Multi-Purpose Project (SRMP) in Davao del Norte. The project costs P3.8 billion, of which Japan shoulders P2.3 billion. Lumads, or non-Muslim indigenous groups in Mindanao, fear that the project would result in their physical and economic displacement. The project site covers the ancestral domains of some 8,000 Lumads belonging to the Mamanwas, Dibabawons, Mansakas, and Manguangans. [11]

SRMP has five components: a storage/reservoir dam, a diversion/regulation dam and its appurtenant structures, hydropower plant, irrigation

canal network and drainage system, domestic water supply and watershed reforestation.

### Creating a Favorable Environment for Corporations

With the effective control of aid in the hands of the donor, foreign aid is used to create a ‘favorable environment’ for donors’ own corporations. The present foreign aid-backed development program for Mindanao, for example, is simply the continuation of past efforts to transform Mindanao into a foreign investment-led and export-oriented agricultural economy.

**Table 13. Selected ODA Projects in Mindanao by Donor and Contractor**

Project	Donor	Contractor	Country
Growth with Equity in Mindanao (GEM)	USAID	The Louis Berger Group	New Jersey, USA
Livelihood Enhancement and Peace (LEAP) Program	USAID	The Louis Berger Group	New Jersey, USA
Micro-Enterprise with Access to Banking Services (MABS) – Mindanao Program	USAID	Chemonics International	Washington DC, USA
Support with Fast Transition (SWIFT) Program	USAID	Development Alternative Inc.	Washington DC, USA
Davao International Airport Development Project (Package II)	ADB	Hanjin Engineering and Construction Company, Ltd.	Japan
Philippine-Japan Friendship Highway Mindanao Section Rehabilitation Project (Phase II)	JBIC	Katahira and Engineers International	Japan
Mindanao Container Terminal Project (Phase I)	JBIC	Mitsubishi-Kawasaki-Toyo Joint Venture	Japan
Solar Power Technology Support to Agrarian Reform Communities Project (SPOTS)	Spanish	BP Solar España	Spain
Supply, Delivery, and Installation of Medical Equipment for the Zamboanga City Medical Center	Mixed Credit Spanish Loan	Eductrade, SA of Madrid España	Spain

Sources: Contracts under Review by the National Economic Development Authority; US Agency for International Development

Vast tracts of rich agricultural land in Mindanao are yet to be fully exploited by corporations because of the presence of armed groups. Some of these areas form part of rebel groups' camps. With help from foreign funders, government is transforming these camps into agro-industrial export complexes.

## From Rebel Camps to Export Zones

A case in point is the formation of the Special Zone of Peace and Development (SZOPAD) under the Ramos administration as part of its peace agreement with the MNLF. Government established SZOPAD through multi-donor ODA funding led by the USAID, ADB, and World Bank. It is projected to become a 'vibrant area of economic growth, social cohesion, and sustainable development.'

Consistent with the project, the ARMM government signed a law transforming the ARMM into an economic zone last August 2003. Foreign and local investors can now locate their capital in the ARMM and enjoy certain incentives.

Also in August 2003, the Arroyo administration converted Camp Abubakar, the former main base of the MILF, into an agro-industrial site. According to the Department of Agriculture (DA), the camp and the surrounding area would be an integrated sustainable development area for agricultural development.

## Consistent with Government Program

The interests of foreign corporations to fully exploit Mindanao's rich resources are consistent with the Arroyo administration's economic program for Mindanao. According to the Medium-Term Philippine Development Plan

(2001-2004), Mindanao shall be developed as food basket and exporter of high value agriculture and fishery products.

Government particularly focuses on the production of palm oil, coconut, rubber, cacao, banana, coffee, and cassava. It also identified integrated area development programs for Davao, Socsargen, Zamboanga, and Basilan.

Foreign donors come into the picture by providing infrastructure support facilities like irrigation; farm-to-market roads; arterial roads; airports; seaports; etc. to boost trade and development. They also help by providing their technical expertise in doing feasibility studies, policy formulation, and others.

## The Cycle of War and Poverty

'We have focused our full attention and exhausted all aid to alleviate the lives of people in Mindanao and give them gainful jobs other than become servants for terrorists... Peace in Mindanao is within our grasp...'

- Pres. Arroyo

Government is right in recognizing that the Mindanao conflict is not simply a military problem. But it is wrong in thinking that foreign aid within the framework of a pro-business program would help end the conflict.

Foreign aid is not necessarily wrong. But the Arroyo administration's mini-Marshall Plan for Mindanao is merely a program of pacification for corporate business development. It is essentially the economic component of government's military campaign in Mindanao. The objective is to facilitate the entry of more foreign investment in the region, not to attain

peace with justice for people's development that comes out of serious peace negotiations.

### In the Service of Corporate Interests

For a cash-strapped government, the construction of every bridge, road, port, etc. in a war-torn and extremely backward Mindanao through foreign aid is definitely welcome. But the picture changes drastically when the construction of these infrastructures is not meant to improve the people's quality of life. The whole picture changes drastically when roads and bridges are built merely to make life easier for corporations.

The overall framework with which the mini-Marshall Plan for Mindanao is pursued does not serve the long-term interests of the people and the region. It merely facilitates the entry of more foreign corporations to further exploit Mindanao's wealth.

Mindanao's farmers and fisherfolk are among the country's poorest in spite of the fact that the region has the most fertile lands and richest marine life. This poverty is largely due to the monopoly control of Mindanao's resources by foreign corporations and some local landlords.

The conversion, for example, of enormous tracts of lands into plantations for export crops transformed Mindanao farmers from self-sufficient producers to landless farm workers with meager pay. The operation of large, foreign-owned commercial fishing corporations deprived its small fisherfolk of a bountiful catch. All these translated to hunger and desolation - and eventually, to a firm resolve to fight back and survive.

### More Poverty, More War

Because the mini-Marshall Plan further pushes the people of Mindanao into poverty, it also makes lasting peace in the region more elusive. As more and more Muslims and Christians in the region resort to armed struggle, government answers with a US-funded all-out war thus bringing more poverty as people are displaced and their livelihoods destroyed. Meanwhile, government tries to shortcut the peace process by practically 'bribing' the Moro rebels with foreign aid to surrender.

The cycle of war and poverty would go on unless government appreciates the Mindanao problem in the right perspective. To do this, an understanding of the historical and socio-economic context of the Mindanao conflict is required. **(See Box 4)**

Apparently, the Arroyo administration does not appreciate this context. Worse, its mini-Marshall Plan for Mindanao is within the framework of the US-led war on terrorism. This deepens the war in Mindanao as it fans Moro-Christian animosity.

### Freedom from Poverty

Freedom from poverty is actually the aspiration not only of the people of Mindanao but of every Filipino. And such aspiration is obviously not consistent with the macroeconomic policy of government. Past and present peace and development efforts in Mindanao are designed to exploit its resources and people to serve the foreign investment, export-oriented economic program of the national government. The backwardness and poverty not only of Mindanao but also of the whole country tell that such program failed miserably and must be reconsidered.

## Box 4. Historical Context of the Mindanao Conflict

During the Spanish colonial period, relative prosperity characterized Mindanao. However, social classes (e.g., landlords and peasants) also deeply divided the region. Meanwhile, the US colonial land concentration policies heightened the marginalization of the Moros and hostility towards the Christians. Many displaced farmers from Visayas and Luzon moved to Mindanao and looked for lands to settle. The migration of settlers from the North transformed the landlord-peasant conflict into a Moro-Christian conflict. The entry of American corporations to build plantations in the early 1900s also contributed to the displacement of the Moros. Prior to colonization, the Moros owned all the land in Mindanao. Today, it is said that they only own less than 17 percent, most of it in remote and infertile mountain areas. In addition, over 80% of the Moros are now landless tenants. But it is also important to note that landlessness also affected even the non-Moros. The absence of genuine agrarian reform allowed corporations and landlords to amass and control lands in Mindanao. The widespread displacement plus lack of government support deepened poverty in the region fuelling social unrest. It is in this socio-economic context that various armed Moro groups mushroomed in Mindanao.

Source: Bangsamoro: A Nation Under Endless Tyranny by Salah Jubair, Third Edition Updated and Expanded, Kuala Lumpur: IQ Marin Sbn Bhd., 1999.

In its place, government should institute a program based on the true needs of its people, whether Muslims or not. This means addressing the fundamental issues that confront them – landlessness, unemployment, meager income, limited access to social services, etc.

Only within this pro-people framework can foreign aid help in bringing peace and development in Mindanao.

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Annex A			
Political Subdivision, Population, and Land Area of Mindanao, As of 2000 (Population in Million; Land Area in Thousand Hectares)			
Region	Provinces and Cities	Population	Area
Western Mindanao	Basilan, Zamboanga del Norte, Zamboanga del Sur, Dapitan City, Dipolog City, Pagadian City, Zamboanga City	3.1	1,599.7
Northern Mindanao	Bukidnon, Camiguin, Misamis Occidental, Misamis Oriental, Cagayan de Oro City, Gingoog City, Malaybalay City, Oroquieta City, Ozamis City, Tangub City	4.3	1,403.3
Southern Mindanao	Compostela Valley, Davao del Norte, Davao del Sur, Davao Oriental, Saranggani, South Cotabato, Davao City, General Santos City, Tagum City, Garden City of Samal	5.2	2,174.1
Central Mindanao	Lanao del Norte, North Cotabato, Sultan Kudarat	2.3	1,437.3
Caraga	Agusan del Norte, Agusan del Sur, Surigao del Norte, Surigao del Sur, Butuan City, Surigao City	2.1	1,884.7
ARMM	Lanao del Sur, Maguindanao, Sulu, Tawi-Tawi, Marawi City, Cotabato City	2.4	1,160.8

Note: Under Executive Order 36 issued on September 19, 2001, four of the six Mindanao regions underwent reorganization. Basilan became part of the ARMM. But Basilan's provincial capital of Isabela remains administratively under the ARMM. Zamboanga del Norte and Zamboanga del Sur are now administratively under the Zamboanga Peninsula Region together with newly created province of Zamboanga Sibugay and cities of Zamboanga, Dapitan, Dipolog, Isabela, and Pagadian. Lanao del Norte and Iligan City now forms part of Northern Mindanao. Saranggani and South Cotabato and the cities of General Santos and Koronadal now forms part of Central Mindanao.

Sources: National Statistics Office; National Mapping and Resource Information Authority-Department of Environment and Natural Resources

## Annex A

### Profile of Major Armed Moro Groups in Mindanao

**Moro National Liberation Front (MNLF):** Founded in 1969, the MNLF draws its members primarily, though not exclusively, from the Tausug, Samal, and Yakan ethnolinguistic groups. Its first members were youth recruited by the traditional Muslim leadership for military training in Malaysia. Like Nur Misuari, MNLF's chairman, these young men generally had a secular education, and some had briefly taken part in left-wing student politics. When the MNLF was founded, its objective was to create an independent Bangsamoro homeland. However, under pressure from the Islamic states, it has accepted autonomy within the Philippine state. MNLF leaders currently serve in the ARMM administration.

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

**Abu Sayyaf** ("Bearer of the Sword"): Founded in the mid-1980s, Abu Sayyaf aims to propagate Islam through jihad. Its founder and long-time leader, Abdurajak Abubakar Janjalani, was an Islamic scholar and previously a member of the MNLF. He was killed in an encounter with the military in December 1998. Since then the group has splintered into different factions, and its activities are driven more by banditry and kidnapping than political struggle. The group's main base is on the island of Basilan, and is headed there by the founder's brother, Khadafi Janjalani. Accurate data on the group's size is difficult to find. While the U.S. State Department estimates the number of Abu Sayyaf partisans at 200, the Philippine military has since upped official estimates to more than a thousand guerrillas and 2-5,000 members, many of whom have joined recently because of its success at obtaining ransoms from a round of kidnappings in August 2000. The extent of their popular support appears to be linked to their effectiveness in obtaining large ransoms from kidnapping as opposed to representing a broad-based demand for self-determination. The Philippine military and police are widely believed to have agents operating in the Abu Sayyaf for information-gathering purposes as well as for extortion activities. Philippine military officials say the Abu Sayyaf received material and financial aid as well as training from Osama Bin Laden's al-Qaeda network until 1995, and that the two groups have maintained contact since then.

Source: Separatism in Mindanao, Philippines by Alyson Slack, ICE Case Studies, No. 118, May 2003

# Reality Check

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The Reality Check is the official newsletter of the Reality of Aid. It is designed to highlight current issues in aid regime written from a regional perspective but with global significance, edited in rotation by the leading networks in the following regions:

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The Reality of Aid Project exists to promote national and international policies that will contribute to a new and effective strategy for poverty eradication, built on solidarity and equity.

Established in 1993, The Reality of Aid is a collaborative, not-for-profit initiative, involving non-governmental organisations from north and south.

The Reality of Aid publishes regular and reliable reports on international development cooperation and the extent to which governments in the north and south, address the extreme inequalities of income and the structural, social and political injustices that entrench people in poverty.

The Reality of Aid Management Committee is chaired by Antonio Tujan, Jr. of IBON Foundation. Inc.

The International Management Committee is composed of representatives from Ibon Foundation, Canadian Council for International Cooperation, Nepal Policy Institute, African Forum and Network on Debt and Development, Asocacion Latinoamericana de Organizaciones de Promocion and the British Overseas NGOs for Development.

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