

# The Reality of Aid

An Independent Review of Poverty Reduction and Development Assistance

## Post-Tsunami Issues and Challenges

# RealityCheck

JUNE 2005



Prepared by the Reality of Aid Asia-Pacific Network

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## about this issue

*This edition of the Reality Check tackles pressing issues in the two countries hardest hit by the tsunami - Sri Lanka and Indonesia. The papers outline concrete proposals for concerned national governments, foreign aid donors, and non-government organizations and civil society groups involved in post-tsunami relief operations on how they can ensure that assistance really benefit the victims of recent history's worst tragedy.*

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## The Reality of Aid

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# Post-Tsunami Issues and Challenges

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## Introduction

The Dec. 26 tsunami that hit Indonesia, Sri Lanka, India, Thailand, Maldives, Malaysia, Burma, Seychelles, and Somalia left 176,260 people dead; 12,773 missing; and more than 1 million displaced.

Two weeks after the disaster, governments around the world pledged US\$1.2 billion to assist the nine countries worst hit by tsunami. A week later, the amount committed for tsunami relief jumped to almost US\$4 billion. By April, according to various news reports, donors had pledged US\$6.4 billion.

Meanwhile, the Office for the Coordination of Humanitarian Affairs (OCHA) of the United Nations (UN) reported that as of 8 June 2005, private and official donors have already pledged a total of US\$4.2 billion for the tsunami victims. But of this amount, 33% or US\$1.4 billion is still considered “uncommitted pledges,” which represent the balance of donors’ original pledges not yet committed.

The bulk of total pledges are comprised of private donors with 34%, followed by the world’s traditional leading bilateral donors – Japan (18%) and the US (5%). Note, however, that while Japan has already committed or contributed all of its original pledge (US\$502.6 million), the US still has 59% of its original pledge (US\$352.5 million) uncommitted.



While described as one of the world’s largest relief operations ever, the total amount pledged for the tsunami victims still falls way below of the estimated total cost of reconstruction, which is pegged at around US\$12.5 billion. (The total economic losses, meanwhile, is estimated at US\$15 billion for India, Sri, Lanka, Indonesia, and Thailand).

**Table 1. Tsunami Impact at a Glance**

Country	Dead	Missing	Displaced	Economic losses
Indonesia	128,515	-	513,278	\$2.6 billion
Sri Lanka	31,299	4,100	516,130	\$0.5 billion
India	10,672	5,711	-	\$6.5 billion
Thailand	5,413	2,932	58,550	\$5.4 billion
Others	361	30	37,868	-
Total	176,260	12,773	1,125,826	\$15 billion

Others include Burma, Malaysia, Maldives, Seychelles, and Somalia  
 Hyphen (-) means no data available  
 Sources: United Nations, Citigroup

But more than falling short of the actual needed amount for relief and rehabilitation, aid donors are also well known for falling short of their commitment. Critics cite the case of Iran, where an earthquake killed 30,000 people in 2003. Of the US\$1.1 billion in aid pledged by donors, only a paltry US\$17 million in assistance (or 1.6% of the total pledge) was actually released. Another recent example is Afghanistan, where donors pledged US\$2 billion in 2002 to rebuild the war torn country but actual assistance only reached 4% (US\$90 million) of the said amount, according to Afghan officials.

Aside from fulfilling aid donors' monetary promises, a number of equally important issues confront the global relief effort to help the tsunami-affected countries. One is the type of assistance that donors bring to the victims. In Sri Lanka, for example, the Time magazine reported that thousands of thick, insulated, windowless tents designed for cold weather were distributed by some international aid agencies. In its statement for the Donor Forum organized by the Sri Lankan government last 16-17 May 2005, MONLAR said

that "relief is being dumped hurriedly, without proper consideration of the people's needs and desires or of the problems of poverty and, in some cases, conflict in which they were living even before the tsunami."

Corporate and political interests have taken over the humanitarian agenda of the tsunami relief campaign, thus bringing in assistance that disaster victims do not really need, and in some cases, even diverting funds away from them. Sydney-based Aid-watch noted that Prime Minister John Howard is using the Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) for political expedience. While



government implies that the US\$1 billion funds for AIPRD is for tsunami relief, particularly in Aceh, Aidwatch observed that less than half the money is actually allocated for tsunami relief. Many of the areas to be funded through the AIPRD have already been identified by the Foreign Ministry even before the tsunami disaster. Aidwatch argued that this indicates “Australia’s response was not geared particularly toward the tsunami” and it is using the bilateral agreement with Australia “to achieve a number of strategic aims it had already developed

and was implementing long before the tsunami struck.”

On the other hand, in Sri Lanka, MONLAR claimed that decision-making for the tsunami relief operation is dominated by the extra-governmental body TAFREN, which is composed of leaders from the business sector that have interests in the tourism and construction industries. Not surprisingly, reconstruction in Sri Lanka has focused on building superhighways, large ports, and modern townships,

**Table 2. Tsunami Donors (As of 8 June 2005)**  
Amount in thousand dollars

Donor	Total pledges	Commitments/ Contributions	Uncommitted pledges	Uncommitted as % of total pledges
Private	1,036,050.7	982,950.7	53,100.0	5%
Japan	502,579.9	502,579.9	0	0%
US	352,520.0	142,873.9	209,646.1	59%
UK	148,114.1	135,883.0	12,231.1	8%
Germany	107,858.0	105,174.3	2,683.7	2%
EC	168,017.2	87,842.9	80,174.3	48%
Norway	79,289.4	79,289.4	0	0%
Canada	216,480.0	68,134.6	148,345.4	69%
Italy	67,688.3	66,592.9	1,095.4	2%
China	64,273.8	62,673.8	1,600.0	2%
France	87,977.0	59,698.7	28,278.3	2%
Netherlands	44,906.6	44,906.6	0	0%
Denmark	43,689.6	43,689.6	0	0%
UAE	41,659.8	41,379.8	280.0	1%
Sweden	41,176.7	34,710.6	6,466.1	16%
Greece	32,283.4	32,283.4	0	0%
Australia	43,592.5	31,164.2	12,428.3	29%
Finland	29,273.6	29,123.7	149.9	1%
Qatar	25,000.0	25,000.0	0	0%
Switzerland	24,419.4	24,419.4	0	0%
Others	1,092,275.3	252,245.6	840,029.7	77%
Total	4,249,125.3	2,852,617.0	1,396,508.3	33%

Source: United Nations (UN) - Office for the Coordination of Humanitarian Affairs (OCHA)

as well as old infrastructure projects like dams and power plants.



Another issue hampering global relief and rehabilitation efforts for tsunami-hit countries is corruption. With 34% of total amount committed/contributed for tsunami victims coming from private contributors and considering the magnitude of the tragedy, it becomes all the more important to ensure that aid money and other forms of assistance go to the victims. Time magazine noted that of the major donors, only Japan and Saudi Arabia have delivered cash directly to governments while others, especially private relief groups, have deliberately bypassed local and national governments out of distrust. This is because the countries hardest hit by the tsunami, namely Indonesia and Sri Lanka, are not exactly role models of transparency and good governance. Indonesia, for instance, is the world's fifth most corrupt country based on a Transparency International survey.

In Aceh, it was reported that all building contracts have been awarded to state companies without public tendering. Jakarta officials justify it by arguing that tendering the projects would slow down the process of rehabilitation, which the people could not afford under a time of disaster. But critics fear that the bureaucracy may abuse the process. It

also does not help that many of the state-owned companies which have cornered the contracts are heavily indebted and badly managed.

Complicating the situation is the on-going conflict in some of the countries affected by the tsunami, in particular Sri Lanka and Aceh in Indonesia. In Sri Lanka, reconstruction and rehabilitation are being slowed down as some parties in the government oppose plans to sign an agreement with Tamil rebels on post-tsunami aid distribution. Just last 7 June 2005, the People's Liberation Front, in a statement to Parliament, warned that the proposed mechanism for aid distribution in areas controlled by the Liberation Tigers of Tamil Eelam (LTTE) would lead to the recognition of separate states for the rebels.



This edition of the Reality Check tackles these pressing issues in the two countries hardest hit by the tsunami and where these issues are most pronounced—Sri Lanka and Indonesia. The papers outline concrete proposals for concerned national governments, foreign aid donors, and non-government organizations and civil society groups involved in post-tsunami relief operations on how they can ensure that assistance really benefit the victims of recent history's worst tragedy.

SRI LANKA

## Role of Aid in Post-Tsunami Sri Lanka

By Ajith Tennakoon  
Sewa Lanka Foundation



Even though Sri Lanka has made significant advances over the past several decades in regard to quality of life, efforts to reduce 'poverty' have recorded less than satisfactory results. This is due to the government's inability to dedicate its resources, energy and time in the socio-economic development of the country as it had to incur massive expenditures for the war. The Northeast war during the period from 1983 to 2002 has not only affected the northeast, but has also badly affected the whole country, as it slowed down Sri Lanka's socio-economic growth. This conflict is also

responsible for the chronic budgetary deficit of the country. Sri Lanka would have achieved a stronger economy if the country was not subjected to the armed conflict over the past years.

The conflict in the northeast compelled nearly 800,000 people to leave their native places and take refuge within/outside the country. It has also caused severe harassment of civilians and injuries to the people; damaged/destroyed physical, economic and social infrastructures; severely affected livelihoods of people and social networks; produced traumatized children and women, etc. As far as the official sources are concerned, this war has claimed nearly 60,000-70,000 human lives, including those of infants and children. The economy of the northeast was paralyzed due to the economic embargo, restrictions on civilians' movements to/from LTTE controlled areas, transportation of essential items, etc. imposed by the government. However, the actual social and economic costs of the war are yet to be determined. Since the whole country was subjected to severe hardships for a longer period, Sri Lanka missed significant social and economic development opportunities.

### Ceasefire and Returning Population

The ceasefire agreement signed between the Government and the LTTE in February 2002

brought a hope of relief to the civil society throughout the country especially in the northeast. Subsequently, a total of 47% of the total of 730,000 (UNHCR Report) displaced people have returned to their homes hoping that in addition to the establishment of a peaceful political environment, the government would provide them with opportunities to reduce most of the pressing needs pertaining to their livelihoods, etc. Unfortunately, those expectations proved overly optimistic as the initiative to start political dialogue has come to a standstill. This has already started making the situation on the ground more fragile.

On the other hand, most of the families who returned continue to experience extreme difficulties as authorities have not made systematic support schemes. There are still many areas where immediate resettlement is not possible as almost everything has been destroyed due to direct confrontations between the warring parties. There are also areas termed either by the Security Forces or the LTTE as “high security zones”. Since most of the rural families have returned after a long time, their native places have become uninhabitable— areas have been surrounded by jungles, no dwellings, unavailability of safe drinking water and sanitation facilities. Immediate cultivation is also not possible as the preparation of their farm lands require substantial financial investment on their part for clearing dense jungles, preparing lands, purchasing agricultural tools and agricultural inputs; capital to restart non-farm activities and so on.



The above situation has started creating discontent among the returnee families as it has become extremely difficult for them to restart their livelihoods. Furthermore, they also do not foresee any possibility of getting immediate assistance from any sources. As a result, some returnee families have indicated that “We were better in welfare centres as we had, at least, shelters and access to dry rations”. Some also say that “the ceasefire gave us the opportunity to use the A9 road without fear and

also to receive a considerable numbers of (local and international) officials coming to interview us”.

In view of the above, perhaps most of the 55% of the displaced persons would not be prepared for immediate return as they may be afraid of being subjected to the same situation like the others. Further, very little thought has been given to 92,062 people who are still in welfare camps situated within the country and 140,000 people still remaining in South India (UNHCR Report). Therefore, there is a greater need for all of us to be serious about the issues relating to the displaced families as smooth resettlement no doubt requires greater efforts and investments to ensure that the ground situations in return areas are conducive in terms of their safety and adequate support are required for them to restart earn a living, send their children to schools, access to health facilities.

### Aggravated by the Tsunami

While the country was struggling to minimize the damages (social, economic, environmental,

psychological....) by the armed struggle in the Northeast Sri Lanka and the negative impact of natural calamities (floods and drought), Sri Lanka has been extremely hard-hit by Tsunami on 26 December 2004 in terms of loss of life, infrastructure, livelihood and economic assets. The 2004 tsunami is widely acknowledged as the largest, most devastating natural catastrophe in the history of the country.

The tsunami waves struck more than 1,000 km, or two-thirds of the coastline- coastal area of Sri Lanka across thirteen districts. The waves penetrated inland areas up to 500 meters in many places, leaving behind few intact structures and killing or injuring tens of thousands of people. Vulnerable groups, such as poor fishermen living close to the shore in simple houses and shelters, have borne the brunt of the negative impact. The tsunami has compounded previously existing vulnerabilities since the coastal communities are comparatively poorer in the Sri Lankan context..

Coastal infrastructure systems, including roads and railways, power, communications, water supply and sanitation facilities, and fishing ports have all been severely damaged. Sources from the Government of Sri Lanka (GOSL) indicate that this devastation killed over 31,000 people, destroyed over 99,000 homes, compelled more than 123,298 individuals including children take refuge in school buildings, temple/church premises, public building; destroyed/damaged more than 108,606 houses, damaged/destroyed social & economic infrastructures, damaged natural ecosystems, and coastal infrastructure. Nearly, 226,000 individuals are still staying with their friends & relatives.

Besides the above, the Tsunami devastations have also caused considerable damages to the following:

- flora and biodiversity
- freshwater bodies and fishery breeding grounds
- Coral reefs and the marine ecosystem.
- Mangrove areas.

In addition, the number of women and children among the dead seems to be excessively high. Official sources confirmed that more than 900 children have become orphans or separated from their parents. These children, along with widows, single-headed households, elderly, and disabled people comprise especially vulnerable groups in terms of psycho-social distress, restoration of livelihoods, and legal and protection rights.

## Aid for Relief and Rehabilitation

The negative impact of the two decades of war coupled with the social, economic, psychological & environmental damages done by the Tsunami has put the GOSL in an extremely difficult situation as it did not have funds to start emergency relief activities immediately after the incident. In a statement made by the Central Bank of Sri Lanka in March 2005, the country received approximately LKR 4 billion during the first three months from various donors, of which nearly LKR



3 billion have been channeled through various national & international NGOs. Perhaps a larger amount has been channeled through NGOs as they are quicker than the government agencies in addressing emergency humanitarian needs of the affected communities.

Over the past months, a joint mission fielded by the World Bank, Asian Development Bank & Japan Bank for International Cooperation concluded their assessment indicating that the country would require US\$ 2.3 billion for post tsunami recovery programme. In view of the Sri Lanka's national economic conditions and the hardships being experienced by the affected families throughout the country including the north-east, international donor agencies expressed their willingness to support such programme provided the GOSL establishes a joint mechanism with the LTTE to ensure effective coordination & management post tsunami recovery programme in the north-east.

Despite protests from various political entities, the present government has agreed to the above proposal as there is no other alternative to meaningfully assist the communities being affected by the tsunami devastation both in the northern & southern parts of the country. As a result, international donor community, on 16 & 17 May 2005, has pledged more than US\$ 3 billion for the post tsunami recovery programme to be implemented in Sri Lanka.

In fact, there is a consensus in Sri Lanka that the foreign aid has made a productive contribution towards Sri Lanka's achieving strong social indicators through projects for improving economic infrastructures, human resources development and technical cooperation.



Though we have not been engaged in the planning & implementation of the large scale national projects over the past years, we are happy to note that the foreign missions assigned by multilateral & bilateral donor agencies have started adopting consultative process with NGOs & private

sector agencies prior to finalizing large scale programmes and also encouraging the GOSL to involve the non-governmental organizations in the planning and implementation of such projects.

We believe that aid plays a pivotal role to help countries affected by temporary setbacks / unexpected situation to overcome such situation, strengthen national capacity & become self-reliant. Our country is presently experiencing massive challenges while the country economy is not strong enough to meet the challenges, Sri Lanka would therefore require development assistance from its international partners. However, large scale development assistance should also facilitate the following:

- effectively manage development aid.
- Increased involvement of national NGOs in large scale reconstruction & development interventions.
- Assist national NGOs to strengthen institutional capacities to undertake increased responsibilities.
- Promoting productive linkages between the private sector & corporate sector agencies in Sri Lanka & donor countries.

## Statement of Sri Lankan civil society organizations on the occasion of the donor forum on 16-17 May 2005

On 16th and 17th May 2005, the Government of Sri Lanka has convened a Donor Forum in Kandy to discuss the 'Rebuilding Sri Lanka: Post-Tsunami Action Plan' that is expected to be published on 15th May 2005. The World Bank, IMF, Asian Development Bank and UN Agencies, as well as the Japanese, American, British and many other Bilateral Donors, will be present. From the non-governmental sector, it is understood that the Consortium of Humanitarian Agencies, World Vision, Oxfam GB, Sewalanka and Sarvodaya have been invited to attend.

The civil society organisations endorsing this statement represent fish worker organisations, farmer organisations, women's groups, trade unions, plantation worker organisations, local NGOs, human rights organisations, lawyers' groups, academics, scientists, clergy and others from across the country. While we have not been invited to provide input to the Donor Forum, we take this opportunity to present our collective position in the hope that this may open avenues for further dialogue. However, it must be recognised that the current climate of repression of dissenting voices does not bode well.

We welcome the Government's decision to take responsibility for the elaboration of an action plan for post-tsunami rebuilding and for the coordination of the different agencies involved in this work. We also strongly support the guiding principles declared in the action plan of responding to local needs and priorities, without discrimination, in a transparent and accountable manner, through consultation and the empowerment of communities and their organisations. However, we see that in practice almost the complete opposite is happening.

After nearly 5 months, hundreds of thousands of people affected by the tsunami are still living in the most desperate circumstances amidst complete uncertainty about their future. Relief is being dumped hurriedly, without proper consideration of their needs and desires or of the problems of poverty and in some cases conflict in which they were living even before the disaster. The affected people are being pushed into positions of passive, subservient receivers, who begin to compete with each other to get whatever possible, while the supposedly unaffected people, are given nothing, despite in some cases suffering equal distress, such as those who have been living in temporary camps for up to 15 years having been displaced by the conflict.

Rebuilding policies are being imposed without dialogue. Decisions are being made by an extra-governmental body TAFREN composed entirely of big business leaders with vested interests

in the tourist and construction industries, who are completely unable to represent the interests of the affected communities and who have no professional experience of dealing with disasters. Policies and plans developed by this body are not known even by many local government officials, certainly not by the affected communities.

The action plan is hugely biased towards infrastructure construction, including superhighways, large ports and modern townships, under the banner of 'fulfilling the dreams of a modern society'. Officials have also announced that they will be including their previous plans for infrastructure development in the country, including the Upper Kotmale Dam and the Norochcholai Power Plant.

These old neo-liberal strategies for transforming the country into a haven for export-oriented business using the people's money to build infrastructure for the businesses to use have been tried in Sri Lanka for three decades and have only served to further marginalise people by pushing them off their land and out of their livelihoods. The only export businesses that have survived here have been the tea plantations and the garment factories, both built on the basis of very poorly paid and badly treated, mostly women workers.

The plan is also being used to push through structural reforms in the economy, including attempts to reduce labour protection, privatise electricity and water, and sell off other national resources such as the Eppawela Phosphate Deposit. These policies have been strongly resisted by people in Sri Lanka for years and they were summarily rejected in the last election.

Given our very serious concerns, we ask that the Government take action to ensure that mechanisms are immediately established to put into practice the guiding principles. First, the big business taskforce TAFREN must be disbanded and replaced with a people's planning commission with representatives of the affected communities and their organisations, and with appropriate experts with experience of social and environmental as well as physical rehabilitation. The bill formally establishing TAFREN as an Authority to coordinate the development and implementation of rebuilding plans over the next 3 to 5 years, which it is reported is being discussed in Cabinet this week, must not be passed until these essential changes are made.

Secondly, the Government must make available in Sinhala and Tamil in all central and local government offices full information on the resources received and pledged for rebuilding, and on the plans developed. This must include full disclosure of the texts of all agreements between Government and donors and between Government and private contractors. The Government must ensure that all officials are fully aware and able to respond to inquiries from the affected communities. The Government must also establish an appropriate complaints procedure to address possible grievances in the process.

Thirdly, the Government must abandon all attempts to restrict people's rights of access to land. The Government should commission a survey by independent scientists to present proposals for the protection of people from possible future disasters. The Government's decision to allow tourist hotels to remain on the beaches demonstrates that the solution need not be to move people away from the coast. Where resettlement is necessary, this must only be done after full consultation with the affected communities on the basis of full information about the real threats and the options available. The coast belongs to the fishing communities. Buffer Zones, Tourism Zones and High Security Zones that restrict their rights to access their lands and to pursue their livelihoods must be removed.

We remind the Donors that the whole world is watching them. First, the Donors must take responsibility for ensuring that the principles of participation that they espouse are actually put into practice in this process. They should support the Government in engaging in dialogue with the affected people and in establishing mechanisms for bringing the people into the planning and implementation of rebuilding work. They must take the initiative to disseminate the full details of the resources they are providing and the conditions under which they provide them, in Sinhala and Tamil.

Secondly, where the Donors are responsible for infrastructure projects, they must pay heed to their previous experiences in Sri Lanka and the social and environmental problems that have emerged from poorly planned projects. Thirdly, the Donors should reconsider offering loans in a situation where the Government and the people of Sri Lanka are already labouring under a huge debt burden, and where there are very few possibilities for generating the resources for paying these loans back, other than by taking yet more loans or by cutting back on essential social services.

We ask international NGOs to set an example for Government and Donors to follow. First, INGOs should start an intensive programme of education of their supporters who have so generously contributed resources for the affected people, to help them to understand that short-term time targets for disbursing money, and tying aid to tsunami-affected areas while leaving out communities living in some cases only metres away in equally dire conditions, is totally counterproductive.

Thirdly, INGOs must remember that their role is not simply to implement Government or Donor policy, but to hold Government and Donors accountable. INGOs must take the responsibility to strengthen people and their organisations and to bring them and their unique knowledge and abilities into policy debates. INGOs must establish mechanisms for ensuring that they are accountable to the affected communities as well as to their supporters.

In conclusion, we reaffirm our belief that the very serious problems that remain to be solved must and can only be addressed through a people's process that recognises that all resources pledged in the name of the affected people genuinely belong to them and must be used in the way that they see fit. We urge all parties to contact us for further discussions on how this could be implemented.

INDONESIA

# Debt Cancellation for Post-Tsunami Indonesia

By Ivan Hadar, INFID

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Hitting the international headlines at the end of December 2004, a huge earthquake and the gigantic tsunami that followed killed thousands, injured many more and wrought havoc in this northern province of Sumatra, Indonesia called Aceh. As at May 2005, the clean up operation is

underway, with international aid having poured in and international forces, health and aid teams working alongside Acehnese and Indonesian teams. However, much remains to be done. The number of dead in Aceh is estimated to be over 300,000, yet the real number who lost their lives will probably



never be known. Whole communities have been decimated, livelihoods destroyed and more than 600.000 thousand displaced.

What is not so well known is that before the tsunami hit Aceh, the province was in the midst of a violent conflict that has killed 20,000 civilians since 1976. The conflict is between the Indonesian security forces and the Gerakan Aceh Merdeka (GAM, the Free Aceh Movement). Martial law was declared in Aceh in May 2003 and the province was closed to the outside world. This conflict has benefited the Indonesian military and police, who have run a large number of businesses – including illegal logging, gun running and drug operations – in Aceh. The military and police have also been responsible for numerous violations of human rights in the province and seem to have acted with virtual impunity.

The military and police have also undermined the justice system, with the use of torture to exact confessions, and demanding bribes or sexual favors from those arrested or from their families in exchange for a more lenient sentence. Such profiteering has inflamed the conflict and hindered prospects for peace. The tsunami has opened Aceh up to outside involvement and scrutiny. Many political hardliners and others in the Indonesian military did not want foreign involvement in the



aftermath of the disaster; however, on 28 December 2004, three days after the tsunami, the Indonesian government finally requested that the United Nations and others help with the relief effort. The province that had remained closed for so long was finally opened.

This could represent an opportunity for change in Aceh, with regards to the police and military's violations of human rights and, possibly, an opportunity for progress towards an end to the conflict.

Many international donors have been uneasy at reports of the military and police's record in Aceh but few have done little to encourage change. Many of the military or police-run businesses were destroyed in the disaster, and with the influx of foreign forces, the Indonesian police and military have been able to observe the way in which other military forces have operated in the clean up and relief efforts in Aceh. Yet Indonesia remains one of the most corrupt nations in the world. Many international actors are recognizing that Indonesia's security forces need encouragement to develop a culture of professionalism and respect for human rights. The international community needs to turn its attention to the Indonesian military and police's activities in Aceh, which have been a disincentive for peace in the province. Aceh and all of its peoples desperately need assistance in the relief and reconstruction work for the short and longer term. Its peoples also need help to ensure that the abuses and violations of the

past are not allowed to take root in the present and future.

### Reconstruction

Main activities:

- Settlement and houses: returning IDPs.
- Construction of water and sanitation
- Capacity building for local organizations: trainings
- Strengthening local economy: farmers and fisherfolk
- Training in all aspects of livelihood supports.
- Establishment of workshops for supporting farmers and fisherfolk.
- Developing food sovereignty system
- Developing community joint activities:
- Children's activities: Setting up of play grounds for children; Alternative curriculum for children: creative play and drawing; Religious Study Group
- Men and Women's activities: Praying group; Peer group Support; Developing community coffee shop (Warung Kopi).
- Rehabilitation of local economy.



- Agrarian reform issues: certainty in the property rights on land, water, and seeds.
- Developing policy framework for disaster responses: research and study on the local knowledge of disaster responses.

- Training in disaster management
- Strengthening local community institutions



### Some Problems Identified

The problems identified by the assessment team are: health issues that are directly related to disaster; health issues caused by living conditions in camps (possible diseases: dengue fever, malaria, diarrhea, tetanus, TBC, cholera); the loss of economic capitals: working tools for fisherfolk, farms at coastal areas, and the time spent for production and agricultural and fishing labor; the increase of burdens of women, especially the single parents' households; the education problem: big number of school teachers died, damage of school buildings, displacement of people without being accompanied by teachers, etc; water and sanitation problem in the new settlement areas; the weakness of capacities of local organizations: management, coordination, information and in strategic perspectives; and the fragmentation of communities.

### Strategy

The main strategy of the emergency program is to strengthen local organizations, both NGOs

and Community-based Organizations (CBOs), through:

- Providing technical assistance in developing management system.
- Providing technical assistance in developing technical skills for the local organizations or institutions.
- Providing necessary personnel to help the local organizations.

It has been assessed that all organizations are lacking in managerial capacity and technical skills needed for reconstructing the communities both in terms of physical and social-economic senses. Therefore the initial step is to support the local organizations with management and technical personnel.

When the physical reconstruction activities are under ways, the psycho-social rehabilitation activities are also conducted. Community organizing process is central in strengthening social ties among the community members and activities targeting to children and women. Besides Aceh is a special case in terms of psycho-social conditions since the local communities have been torn by the repressive regime and never-ending conflicts. In our field assessment of the impacts of the tsunami, in several places people said that “the people are more traumatized by the conflicts rather than by the tsunami”. Tsunami devastated the physical properties and human beings, it cannot be avoided, and it took place only once; but the conflicts have been lasting everyday

and nobody can predict whether he/she is still alive or safe when she/he gets up in the morning or goes home in the afternoon. The identity of Aceh is being ruined because of the conflict.

## Special Programs

Aceh is still under civilian rule, but characterized by military and police oppression, human rights violation (killings, harassments etc.) and community destruction as well as social, economic and cultural destruction. Aceh communities are torn in parts since before tsunami. There is no certainty

nor assurance for protecting the civil and political rights of the people as well as their economic, social and cultural rights. Most of the people interviewed in the assessment said that trauma caused by tsunami is not as

strong as that caused by military conflicts and oppression. A simple example of this is that hours after the tsunami, the people were worried about and struggling very hard to find their ID card. People in Aceh have special ID card that is not expensive, but very difficult to get. Without the ID card, the people in Aceh cannot survive even though everything else is available. This ID Card is the whole life for Acehnese.

Despite the richness in natural resources and the advance in civilization, people in Aceh are increasingly living in deprivation. Success in economic efforts does not guarantee stable



livelihood. On the contrary, it can become the cause for destitution for the person or family. Along the road in the eastern coast from Langsa to Banda Aceh, there are so many big and nice houses that have been burnt during the military and civil emergency. The houses of the successful people were burnt by what the local people have been indoctrinated to say as “OTK” (Orang Tak di Kenal – the unknown people); whether they are military and police or the GAM (Gerakan Aceh Merdeka —Free Aceh Movement) members.

When the tsunami struck Aceh, there was a big scandal among the top leaders of the Province, a case of corruption. Corruption has become an inherent characteristic of the government in Aceh. Conflicts have been used by the government officials to manipulate public funds. Big projects implemented in Aceh mostly end up in corruption scandals, even including the big projects in oil and gas. The construction of Ladiagalaska highway, connecting the eastern coast to the western coast, has been reported as one of the biggest cases of corruption in Aceh.

Reconstruction and development in post-tsunami Aceh, cannot work well if, on one hand, there is no clear and firm actions in fighting corruption and violations of human rights and on

the other hand, addressing the debt burden that is weakening the capacity of the state.

Therefore INFID and networks in the Coalition agreed to pay proactive attention to these three issues.

- The campaign for peace
- The campaign against corruption
- The campaign on the debt relief and cancellation.

### Need for Debt Cancellation

Ten days after the earthquake and tsunami hit, Indonesia's media drew attention to the discrepancy between the \$2 billion aid committed by the international community, and the \$4 billion committed at the Special ASEAN meeting on January 6th.

Yet the international commitment of Rp 18,6 trillion (given an exchange rate of Rp 9,300/ US\$) could, in theory, erase the entire budget deficit of Rp 76 trillion projected for 2005. But not only is it allocated solely for Aceh and the other affected areas of North Sumatra, it must be remembered that all financial projections for the year were made before the quake and tsunami hit, with all their attendant costs.



Additionally, the expenditure needed in the disaster zone will need to span three key phases: emergency assistance, rehabilitation, and reconstruction. Funds needed for emergency assistance may have to come from social welfare pots and other allocation sources that can, with the assistance of the international community, be accountable.

The need to restore the physical damage wrought by the disaster is only one element however. Rehabilitation is a considerably broader and longer-term necessity. Social and economic activities for the people must be included in restoration and recovery activities and this is neither easy nor inexpensive.



Vice President Yusuf Kalla and the Coordinating Minister for the Economy, Aburizal Bakrie, laid out a figure of around Rp 20 - 40 trillion for Aceh's rehabilitation and reconstruction. This amount will certainly be met in part by aid donations or loans, as well as from the national budget itself. But if Indonesia tries to rely on its budget alone, we will inevitably run into serious financial difficulties.

## Alternatives

Prior to the disaster in Aceh and North Sumatra the government was already looking at alternative ways to reduce the deficit. An option under consideration was the reallocation of expenditure items from foreign debt repayments in order to minimise outgoings.

The amount of the 2005 budget committed to the debt burden is as big as Rp 71 trillion. Payment of core instalments comprise Rp 36 trillion, and interest payments comprise a further Rp 25 trillion. The DPR (Lower House) has already been advocating the use of diplomatic pressure in the push for debt relief, as well as pushing policies that will preclude any new debt being incurred.



This strategy had gathered sufficient momentum that, at the time the disaster hit Indonesia, donor countries were engaged in negotiations on a debt moratorium. The efforts for a moratorium were led by German Chancellor Gerhard Schroder and

supported by countries such as Canada, France, Japan, and the US.

A number of stumbling blocks had emerged, such as the provision in Japan's constitution that doesn't permit a moratorium, and negative attitudes from the IMF and World Bank in the context of the Paris Club interests. Yet if Canada alone offered full debt relief it would save us almost US \$ 488 million.

Yet debt relief schemes are not easy to achieve. When the opportunities debt relief offers are also impeded by the likes of the Paris Club, the type of moratorium negotiated can take a number of forms. Debt rescheduling, interest waivers, easing core repayments, or wholesale debt cancellation are all options. If a postponement is the sole outcome this

only saves enough to cover the budget deficit for the year - while passing on the core burden to the next generation.

We have been told by the Paris Club that some of Indonesia's payments can be eased and that consequently we can save US \$4.8 billion. This is some Rp 44,6 trillion (63%) that would have gone to servicing the foreign debt that can now go into the budget for 2005. The rest is due to go to donor institutions that may yet allow a moratorium, given that bilateral debt has greater potential for negotiation given the needs of Aceh in the wake of the disaster.

### Financing the Burden

We have yet to see a single credible calculation estimating the scope of the funding needed for a comprehensive rehabilitation and reconstruction framework in Aceh. The earthquake and tsunami on December 26 has already claimed 132,172 missing, and a further 93,482 souls whose remains had been buried as at January 22nd.

A damage and loss assessment has already been undertaken by BAPPENAS (The National Planning Board, NM) and the World Bank, with data gathered from departments and institutions holding field survey data. They estimate the volume of the damage and loss suffered in Aceh at approximately US \$ 4-4.5 billion (Rp 37.2 - 41.8 trillion). This amount alone is two and a half times the 2005 budget deficit. This money has to be found if Aceh is to be restored to its former condition.

Simultaneously, the value of the early foreign commitments received by the UN has recently reached US \$ 371 million. This amount could yet



increase or fall. This means that the government has to ensure another US \$ 3.6 - 4.1 billion is found.

The rehabilitation of Aceh must, moreover, incorporate a range of aspects including emergency practicalities, peoples' spiritual needs, rehabilitation prioritising the recovery of a minimum standard in basic services, and a reconstruction process that redevelops the entire system. All this is estimated to need, at the very least, five years.

At a bare minimum, the short term needs of the Acehnese must be met. These include the provision of suitable housing, the development of roads and other public infrastructure facilities including education and health services.

In addition to the strategy prepared by the NPB, the redevelopment of Aceh and Sumut must be founded on:

- A development strategy for the people that must include: basic nutritional needs being met, revitalization of social and religious life, aid for sufferers of trauma and illness, orphans, the disabled, and widows
- A development strategy targeting the economy that includes: job creation, start-

up capital to create work, small to medium enterprise development, industrial development, farming and services

- Infrastructure development including: transport networks, telecommunications, electricity, irrigation, clear water, and markets
- Redevelopment of government including: staffing, organizational structure, networks and physical infrastructure.

While government could mobilize funds for Aceh's development from within the other areas of the budget the amount they could take without negative consequences would not be large, probably around Rp 10 billion, or 0.02%, of the total funding requirements. This means that within the long term framework (two years of rehabilitation and five years of reconstruction) the government will require considerably more funds. What is certain is that no more than one third of this year's budget deficit can be taken up by Aceh's needs.

The concern that must be prioritized in the arrangement of the 2005 budget deficit revisions is the critical need to avoid accumulating any fresh international debt.

## Debt Negotiation

Unfortunately, the government had already taken out a new loan from the Consultative Group on Indonesia (CGI). CGI poured in aid worth US \$3.4 billion, including a US \$1.9 billion loan and a \$900 million technical assistance donation, as well as other elements. In addition, Indonesia got an additional special commitment for reconstruction costs of some US \$1.7 billion, including \$1.2 billion in the form of donations and \$500 million of repayable debt.

The new debt adds up to \$2.8 billion (Rp26,040 billion at an exchange rate of Rp 9,300/\$) and is supposed to be used to reduce the debt burden in the 2005 budget. But it will not be enough. In other words, the strategy of 'opening one hole in order to close another' that has been taken by the government will result in a negative transfer. The size of the loan borrowed from CGI is only enough to pay debt installments up to a value of Rp 25 trillion in 2005.

I think the government does not need to ask for any new loans. It would be better to go down the bilateral or multilateral road. The difficulties experienced in Thailand and Malaysia can be a lesson for our government. The two neighbouring countries have been brave enough to refuse new debts. Their economic position is, however, far stronger than Indonesia's. Their stance of 'gifts yes, loans no' is a viable one.

In order to control the government's temptation to run up more debt they must be urged to pass a law that controls foreign aid. As things stand the only constraint of note is contained in Section 23, Article 1 of Law #17 2003 on Indonesia's finances. The section states that "central





government can make donations or loans or receive donations or loans from foreign governments or institutions with the agreement of the DPR (Lower House)".

While waiting for calculations reflecting the full extent of damage and destruction in Aceh, the government should have been activating bilateral lobbies, particularly with donor governments such as Japan who, as noted, is one of our biggest debt creditors. The government can't just rely on multilateral institutions such as the Paris Club, World Bank or IMF that repeatedly render the government impotent when they try to negotiate.

In the context of Aceh's reconstruction, the government doesn't need to rush. The costs of reconstruction, US \$4-4.5 billion, outlined by the NPB are still fairly provisional. This estimate could yet change dramatically as the departments involved have not yet submitted complete reports about the level of damage and destruction in their sectors to the NPB.

A further issue that must be addressed is whether the government really needs to channel all

the costs for Aceh's reconstruction through the NPB. There must be a distinction made between the private and the public sectors. For example, banking buildings that were destroyed are not the responsibility of the government. As private sector enterprises they are profit making entities with a duty to fix their own damaged infrastructure.



The relationship between the reconstruction of Aceh and the patching up of the 2005 budget can be thought of as reprofiling of our debt. Moreover, the Paris Club has already given Indonesia a three month moratorium. This period should be used as an opportunity to prepare an improved negotiation strategy for the next Paris Club meeting. The government has to go with

clear strategies, unlike at the last. It is hoped that a request for debt relief will be a realistic one in light of the damage suffered in Aceh. This mechanism would reduce the burden of payments due each year.

Requesting a moratorium means simply that the burden of debt repayments will just be rescheduled, which doesn't seem appropriate. The January 12th Paris Club meeting only yielded a three month postponement which, as demonstrated, will have little impact on the deficit. Even if a further moratorium is issued repayments will still, in all likelihood, fall within the five years that conservative estimates suggest is the minimum period needed for the reconstruction of Aceh.

## Questioning Australia's Generosity

By Shaini Chan  
Australia Aidwatch

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

The Australian Government was slower to respond, pledging \$10 million the day after the event and an additional \$15 million on the 29 December 2004. While the extent of the disaster was still largely unknown, particularly in the war

torn and off limits area of Aceh, it was clear that the Australian Government was under pressure to meet the expectation of the many Australians who had given so generously.

On the 5 January 2005, Australian Prime Minister John Howard did just that, pledging \$ 1 billion in addition to the emergency assistance that Australia was already engaged in. This generous donation took the international community by surprise as they gathered in Jakarta to discuss what the world could do. Despite an alliance that had been quickly formed, known as 'the Core group'



between India, Australia, Japan and led by the USA<sup>1</sup>, Australia took the unprecedented step of establishing a unique bilateral partnership with the Indonesian Government. The Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) was borne to oversee the

dissemination of the billion dollar funds. The response from the Australian media, politicians of all parties and the Australian public, was one of unanimous support. Australia, that had long had a delicate relationship with many of its near neighbours, was seen to be reaching out to a people that were in great need.



The AIPRD was to be overseen directly by PM Howard in conjunction with Indonesian President Susilo Bambang Yudhuyono and to operate as a 'unique bilateral partnership'<sup>2</sup> to be delivered over five years.

The Australian PM Howard noted that the AIPRD funding would be in addition to the funding already allocated to Indonesia; hence over the full five-year period, the total Australian aid funding to Indonesia would amount to \$1.8 billion. Thus the current funding to Indonesia was to remain stagnant at \$160 million per year (as it was budgeted for in the 2004/05 financial year) over the following five years. This stagnant figure of \$160 million did not account for an increase in funding of 32% for Indonesia from Australia over the previous two years, largely because of the increased strategic importance Australia was placing on Indonesia. Financial analysts may suggest that for aid funding to increase by 1/3 over the previous two years and not continue to

increase over the following years was unlikely. Hence it could be surmised that the Australian Government was deflecting proposed aid funds from Indonesia due to its generous tsunami commitment. This began to raise concerns about the political nature in which this package could be used.

On the announcement of the package Howard stated:

"It is the single largest aid contribution ever made by Australia"<sup>3</sup>.

This statement is blatantly untrue.

In 2004, the Australian Government announced an \$800 million Enhanced Cooperation Program with PNG (see above) in addition to the \$330 million per year Australia also gives to PNG in aid<sup>4</sup>. This will amount to a figure of \$2.3 billion over the 5 year period - \$500 million more than will be dedicated to Indonesia. This suggests that the Australian Government was using the AIPRD tsunami response as a tool of political expedience.

Such concerns warranted further investigation

– and upon such investigation the actual generosity of the Australian Government in relation to the victims of the tsunami, must be called into question.

Firstly, the common perception amongst Australians,



largely perpetuated by the Australian media through the misinterpretation of carefully worded Government statements, was that this \$1 billion package was solely about tsunami relief.

PM Howard stated in his January 5 announcement of the package that:

“...all areas of Indonesia will be eligible for assistance under the partnership”<sup>5</sup>.

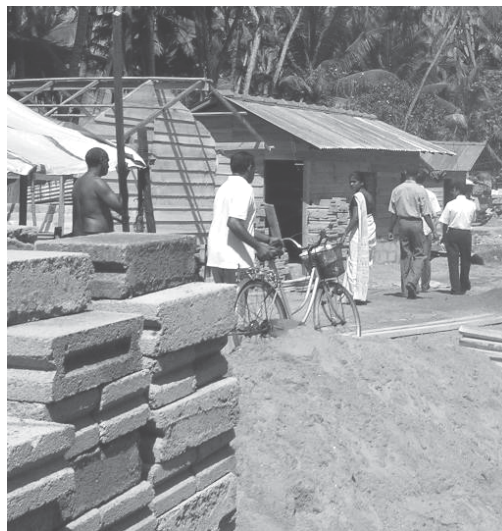
This clearly indicates that this \$1 billion was not just about those devastated in the tsunami-hit area of Aceh. This focus on ‘all areas of Indonesia’ was borne out in the joint ministerial meeting between the two countries when the specifics of the AIPRD were first officially discussed. Following this meeting, projects to be funded totaled well in excess of \$115 million – with only \$50 million dedicated to Aceh. \$30 million of this was nominated to go towards rebuilding the main hospital in Banda Aceh. The remainder of this \$50 million would be used to “restore health and education services and to restore local government services”<sup>6</sup> in Aceh.

The remaining funding was directed towards:

- \$5m under the Partnership to provide urgent rehabilitation assistance to other areas of Indonesia
- \$10m dedicated to programs to further develop Indonesia’s own systems for managing and responding to the impact of natural disasters

- \$50m over five years under a new Government Partnership Fund to support the exchange of skills, knowledge and expertise between Australian Government agencies and their Indonesian Government counterparts.

Thus although the \$1 billion was ostensibly for the relief of tsunami victims in Aceh, less than half the money dedicated so far has gone towards the area that was so badly affected.



In addition to this point, it is worth noting that one of the main reasons Australia pushed for the AIPRD, was to promote the efficient delivery of funds. Currently very little of the Australian Governments’ \$1 billion has got through to tsunami affected areas. The joint ministerial meeting between Indonesia and Australia did not occur until 17-18 March – almost 3

months after the tsunami struck. The projects that were agreed upon are now delayed, as the Indonesian Government needs to pass them through the budgetary process, which will not occur until September. Thus, considering the time that is required to begin work on the ground on a project, it is foreseeable that many of these projects will not begin until one year after the tsunamis hit. Meanwhile NGOs, the UN and other governments are delivering funding and projects right now. So much for efficiency!

Secondly, half the AIPRD will be delivered as grants in the traditional method in which Australian aid is delivered. The other \$500 million

will be delivered to Indonesia as loans. This is a significant departure from the traditional Australian practice of aid delivery. The Simons review, mentioned earlier, found that giving aid in the form of loans was an inefficient and ineffective manner in which to deliver aid. In response to the reports findings, Australia stopped giving loans as aid in 1997.



Of course the loans will be concessional; according to PM Howard the terms of the loans will be:

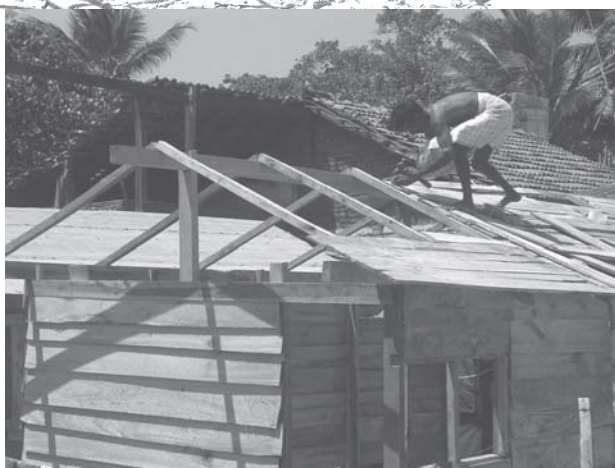
“40 years, no interest and no repayment of principal in the first 10 years.”<sup>7</sup>

These terms were corroborated in the first joint ministerial of the AIPRD held in Canberra March 2005<sup>8</sup>.

Indonesia currently suffers from significant foreign debt. In addition, the province of Aceh,

currently under Indonesian control, has suffered one of the greatest humanitarian disasters of our lifetime. It is questionable whether increasing the sovereign debt of an already indebted nation is providing assistance or just adding to the burden of generations to come.

Thirdly, the areas Australia is set to fund through the AIPRD were very similar to the areas that Foreign Minister Downer had outlined in his budget statement of May 2004 – 7 months before the tsunami struck. While many in Australia are aware of our Foreign Minister’s perceived omnipotence, it is unlikely that even he saw looming, the devastating tsunamis that swept away so much life and caused so much grief.



Again, this evidence offers an indication that Australia’s response was not geared particularly toward the tsunami, but that this catastrophic incident enabled Australia to achieve a number of

strategic aims it had already developed and was implementing, long before the tsunamis struck.

Finally, Australia has refused to call for a ceasefire in the province of Aceh that has been racked by various simmering and raging conflicts

for 30 years. Undoubtedly, the ongoing conflict in Aceh has complicated the delivery of aid. The Indonesian military, well known for their corrupt practices<sup>9</sup> are one of the key players in the initial emergency response and likely to maintain a key role through the reconstruction phase. Human rights abuses have been alleged on both sides of the conflict and the many innocent people in Aceh who have suffered so badly, continue to be caught in the middle of this bloody sandwich.

The Australian Government, again for strategic reasons of 'national interest', has continued to insist that the civil war in Aceh is an 'internal matter' and make no comment about the human rights abuses that are ongoing there. If Australia was serious about the interests of the people of Aceh, ensuring a cease fire would have been one way to ease their suffering and ensure that the aid

effort was not constrained by machinations of the conflict.

What this plainly suggests is that the people of Aceh have been forgotten by Australia. Instead of concerning our aid effort with considerations of poverty alleviation and human security, Australia has again put its own strategic interests at the forefront of our aid program.

## Footnotes

<sup>1</sup> ABC (2004) Bush dismisses stingy nation claims, AM program, Radio National, 30 December.

<sup>2</sup> Howard, J. (2005) TRANSCRIPT OF THE PRIME MINISTER PRESS CONFERENCE, MULIA HOTEL, JAKARTA, INDONESIA, January 5<sup>th</sup>

<sup>3</sup> Howard, J. (2005) AUSTRALIA-INDONESIA PARTNERSHIP FOR RECONSTRUCTION AND DEVELOPMENT, Media release, Jan 5<sup>th</sup>.

<sup>4</sup> Downer, A. (2004) Opening statement at Signing Ceremony of the Joint Agreement on Enhanced Cooperation between Australia and Papua New Guinea, 27 July.

<sup>5</sup> Howard, J. (2005) AUSTRALIA-INDONESIA PARTNERSHIP FOR RECONSTRUCTION AND DEVELOPMENT, Media release, Jan 5<sup>th</sup>

<sup>6</sup> Downer, A. (2005) Australia Indonesia Partnership for Reconstruction and Development - Joint Ministerial Statement, March 17.

<sup>7</sup> Howard, J. (2005) TRANSCRIPT OF THE PRIME MINISTER PRESS CONFERENCE, MULIA HOTEL, JAKARTA, INDONESIA, January 5<sup>th</sup>, May 18<sup>th</sup> 2005)

<sup>8</sup> Downer, A. (2005) Australia Indonesia Partnership for Reconstruction and Development - Joint Ministerial Statement, March 17.

<sup>9</sup> McCulloch, L. (2000) Trifungsi: the role of the Indonesian Military in Business, October



# Reality Check

June 2005

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 Latinoamericano de Organizaciones de Promocion and the British Overseas NGOs for Development.

[www.realityofaid.org](http://www.realityofaid.org)

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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