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ON..... 7 June 2002 .....

.....  
by Sec. Research Graduate School Committee

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## ERRATA

p75 para 2, line 13: substitute "Ministers" for "Minsters"

p117 para2, line 1: substitute "My evaluation of the Grameen Bank has found that its microcredit system, which the OECF loan was used to support, enables most participating households to significantly improve their socio-economic position." for "My evaluation of the OECF loan to the Grameen Bank has found that this loan has been used in an efficient, effective and sustainable manner in enabling poor rural households to empower themselves."

p123 para 1, line 5: substitute "stationery" for "stationary"

p153, para 2: substitute "Using the framework developed in Chapter Two, the evaluation has examined whether Shapla Neer's core development interventions, partially funded with Japanese ODA, are successful in enabling participating households to achieve self-reliance." for "Using the empowerment framework developed in Chapter Two, the evaluation has examined whether Shapla Neer's core development interventions employ these funds in an efficient, effective and sustainable manner."

p233 para 1, lines 9-10: delete "Indeed, the OECF loan to the Grameen Bank has done exactly that"

p262: in the JICA (1996) reference, substitute "tokusanbutsu" for "tokusanbustu"

### Additions to Bibliography:

1. AMPO (1992). 'Special interview on the environment: a Pacific view', *AMPO: Japan-Asia quarterly review*, v23, n3, 33-6.

2. Goetz, A.M. and Gupta, R.S. (1996) 'Who takes the credit? Gender and power in rural credit programmes in Bangladesh', *World development*, v27, n1, 45-63.

3. Griffin, K. (2000) 'The death and rebirth of international economic cooperation', in Jim Freedman ed., *Transforming development: a future for aid*, Toronto: University of Toronto Press.

## ADDENDA

page7 para 2, line 3:

In response to the concerns of one examiner the following is added:

Due to lack of space an in-depth description of the administrative structures and mechanisms of how the Japanese government evaluates its own projects is not possible here. Information on these matters can readily be accessed through the web sites of Japan's official aid agencies, or through various government publications on ODA, some of which are listed in the bibliography. Following is a brief overview of the institutional set-up for evaluation, the types of evaluation undertaken and the extent of disclosure.

Although Japan began extending foreign aid in the 1950s, evaluation of aid projects did not begin until 1975, when the OECF undertook its first post-evaluation study. Japan was not a slow starter in this respect, however, as it was not until 1983 that the Expert Group on Aid Evaluation was established by the DAC. In 1981, a number of institutional reforms were undertaken by MoFA, OECF and JICA in order to centralise evaluation in their operations. The Economic Co-operation

Evaluation Committee was established within the Economic Co-operation Bureau of MoFA; the OECF established its Operations Evaluation Department; and JICA created an evaluation committee. Further institutional development followed. In 1985, the OECF created the Post-Monitoring Department and in 1993 the former Economic Analysis Department and the Operations Evaluation Department were reorganised to create the Research Institute of Development Assistance. The Post-Evaluation Group was established as a division of the institute, which was later integrated into the Research Institute for Development and Finance when JBIC took over from the OECF. In 1986, MoFA established an Aid Evaluation Study Group and in 1990 a separate evaluation division. In 1988, JICA created an Evaluation Office within its Planning Department, which was given greater independence in 1996 when it was restructured as the Evaluation and Post-Project Monitoring Section. In 2000, the Office of Evaluation and Post-Project Monitoring was combined with the Planning and Evaluation Division.

Paralleling the institutional developments in aid evaluation, the types of evaluation conducted by JBIC, JICA and MoFA have proliferated. JBIC now undertakes three types of post-evaluation, namely 'detailed evaluations', desk evaluations and representative office evaluations. Detailed evaluations involve the dispatch of evaluation teams that are usually composed of outside analysts and regular JBIC staff. Detailed evaluations include project evaluations, impact surveys of broad development issues arising from the evaluation of several projects, joint evaluations with other donors and third party evaluations, which are usually entrusted to quasi-governmental research organisations. Desk evaluations are far more limited involving the analysis of information gathered from the project executing agency and other sources at JBIC's head office. Representative office evaluations are also quite limited in that they are the collection of data by the in-country JBIC office. MoFA usually evaluates projects several years after completion. Six types of ex-post evaluations are carried out: country-wide evaluations; sector and theme specific evaluations; evaluation by embassy officials; joint evaluations with other donors and international organisations; third-party evaluations; and evaluation by officials of recipient countries. JICA undertakes both post and ex-post evaluations. The range of evaluations include country-specific project evaluations that investigate JICA's overall activities in a recipient country, thematic evaluations, project evaluations by 'experts', joint evaluations, evaluations by external organisations and overseas offices.

The most complete reporting of evaluations can be found in the OECF's annual publication 'Post-Evaluation Report for OECF Loan Projects'. To give an indication of the depth of detail provided, the 1997 report included an 86 page review of fertiliser factories in Bangladesh that had been recipients of Japanese loan aid. The Economic Co-operation Bureau of MoFA releases some of its evaluations in summary form, averaging about 12 pages in length per report, in its annual publication *Keizai Kyoryoku Hyoka Hokokusho* (Evaluation Report on Japan's Economic Co-operation). JICA provides a slightly shorter summary of some of its evaluations in its annual report *Jigyo Hyoka Hokokusho* (Report on Project Evaluation).

Improved reporting has been one outcome of the recommendations delivered by 'The Final Report of the Council on ODA Reform for the 21st Century' (discussed in Chapter Eight). In response to this report, an Evaluation Working Group comprising representatives of the evaluation divisions of JICA, MoFA and JBIC, as well outside individuals, was established. Its final report was released in March 2000 and its many recommendations included the need to expand and speed up information disclosure. The Group specifically advised the use of the Internet to increase public access to evaluation reports. Access to much of the information contained in the above reports is now possible through the web sites of the respective ODA organs.

That there has been improvement in the administration of evaluation, reporting and the scope of evaluations is clear. A tremendous amount of information is being gathered each year by JICA, JBIC and MoFA regarding Japan's aid projects and programs. But, for the reasons stressed in

# EVALUATING AID: THE DEVELOPMENTAL IMPACT OF JAPAN'S OFFICIAL DEVELOPMENT ASSISTANCE

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Chapter One, it would be short-sighted to rely on the reporting of Japan's aid organs for an unbiased picture of the impact of Japan's ODA. I do not, however, wish to suggest that the reporting on project evaluations is so biased that nothing of value can be found within the documents listed above. Nor do I wish to portray Japan as an exception with respect to providing information on its aid program. On the contrary, its reporting is far better than many other bilateral and multilateral aid donors. In 1997, a review by the DAC of member countries found that only half had established centralised evaluation in the manner that Japan has. The review also found that some of its members, including the United Kingdom and Belgium, did not provide even summary versions of evaluations to the public.<sup>1</sup>

Nevertheless, the fact remains that the lengthy OECF post-evaluation reports made available to the public are mainly descriptive project accounts with less attention paid to impact assessment, and that MoFA and JICA summaries appear typically worded in such a way as to avoid portraying the aid program in an unfavourable light. For example, Nakane Chie, a renowned Japanese sociologist was hired by MoFA to undertake an evaluation of selected aid projects in Fiji and Tonga. The full report was not made available to the public but a 'summary' was presented as part of MoFA's annual compilation of evaluation reports. MoFA states that in her report Nakane stressed the importance of 'striving to formulate and implement viable projects that incorporate an adequate understanding of cultural and social practices and traditions in the recipient country'.<sup>2</sup> Does this suggest that Nakane felt the projects she evaluated did not 'incorporate an adequate understanding of cultural and social practices'? The public will never know. Even when outside specialists are used, ostensibly to improve objectivity, neutrality cannot be expected given that final reporting remains in the hands of the aid organs.

<sup>1</sup> P86 para1

<sup>2</sup> In response to questions raised by one examiner add the following:

<sup>3</sup> The assessment conducted in Chapter Four was of Grameen Bank's microcredit program. The OECF loan was used to fund the expansion of a number of Grameen's existing financial products. Interviews with OECF officials and Grameen Bank staff, as well as a reading of project documents, suggest that the OECF was not interested in funding any of Grameen Bank's loan types in particular. All evidence suggests that Grameen decided the manner in which the loan would be allocated before approaching the OECF for financing. There is no evidence to suggest that Grameen treated the loan or the OECF as anything but part of a pool of funds used to fund existing programs.

In the evaluation I did not seek out borrowers who had received financial products that had been financed by the OECF loan. This may have been possible but it seemed a pointless exercise. If a borrower had received a leasing loan financed with the OECF two-step loan and her neighbour had received a leasing loan financed from another source within the Grameen Bank, should only the first borrower have been included in the assessment? Because the OECF played no role in the design of the financial products it was funding, and because the loan was merely contributing to a pool of funds Grameen draws upon, there was no merit in making such a distinction. Even in its own evaluation of housing loans, the OECF did not attempt to distinguish between houses funded with finance from its loan and those funded from other sources within Grameen.<sup>3</sup>

<sup>1</sup> MoFA (1997) 'Annual Evaluation Report on Japan's Economic Co-operation - Outline'. Accessed at <http://www.mofa.go.jp/policy/oda/evaluation/1997/index.html> on 23/04/2002.

<sup>2</sup> Ibid.

<sup>3</sup> Overseas Economic Cooperation Fund (1997) 'OECF's microcredit operations: the Grameen Bank project and impact survey', Tokyo: OECF.





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## **ABSTRACT**

In the early years after the Second World War, 'development' was established as a project of humanity. Great optimism existed that through the advent of international aid the former colonies of the European powers would, in a short period of time, be able to enjoy similar prosperity to that of the affluent, industrialised countries of the First World. Half a century later, however, much of the Third World remains mired in poverty and aid fatigue is evident in a gradual decline in annual aid flows. In this light, it is of utmost importance that aid practice be reconsidered in order that available resources are used to their fullest potential to promote development.

The impact of aid remains a hotly debated issue. For some, aid enables Third World countries to achieve their development objectives; for others, it is a device of exploitation used to deliver resources of poor countries to the First World. The aid debate has moved beyond these broad generalisations and a consensus has emerged amongst development practitioners that each intervention needs to be judged on the basis of its own merits. Aid agencies, however, are unlikely to report on their evaluation findings in a neutral fashion: in order to compete for government funding, they must portray a positive image of themselves. Independent analysis is thus required to gain a better understanding of the impacts of aid.

In this thesis I have examined the developmental impacts of several interventions supported by the world's largest donor of official development assistance (ODA) – Japan. Japan's aid program has attracted the attention of a number of independent analysts, but they have focused their attention on the politics and administration of aid at the expense of impact. Because I am concerned that aid be used as effectively as possible, I have not only examined the impact of Japan's aid but have also considered the issue of aid reform. I have thus sought to marry the study of impacts with that of aid politics to examine whether Japan's aid administration is likely to adopt the lessons that the interventions I evaluate have to offer.

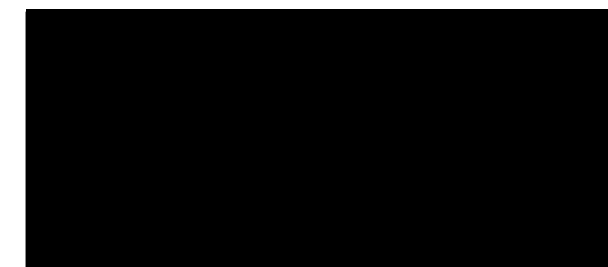
Four interventions were evaluated in this thesis. For Japan, they can be considered somewhat alternative approaches to development because they fall outside two traditional features of its aid program, namely the private-public sector nexus and the funding of large-scale infrastructure development. In order to evaluate these interventions from the perspective of their impact on poverty, I created an evaluation framework based on the concept of empowerment. Empowerment

correctly recognises the roots of poverty as multi-dimensional and not merely a consequence of scarcity.

Of the four interventions, two were judged as successful; one was found to at least have potential as a device of poverty reduction with further modification; and one was considered to have very few merits. I was able to draw several lessons from the evaluations to improve the effectiveness of Japan's aid. The aid program is going through a process of reform and in this light I examined whether these lessons were likely to be incorporated into future aid practice. Although some positive changes are under way, the findings were not so favourable. The structures and forces that have traditionally shaped Japan's aid remain largely unchallenged. Japan's aid program is still an arena in which contesting domestic interests that have little to do with the development concerns of Third World countries are negotiated and played out. The challenge for Japan's ODA remains how poverty can emerge from the periphery of this contest to take a central position in decision-making processes.

## **DECLARATION OF ORIGINALITY**

The thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other institution. To the best of my knowledge, the thesis contains no material published elsewhere without due reference having been made.



Henry Scheyvens

September 2001

## **ACKNOWLEDGMENTS**

I would like to take this opportunity to thank a number of people and institutions in Australia, Japan, Bangladesh and the Philippines who made this research project possible.

Dr. Susan Blackburn, Department of Politics, Monash University was responsible for overall supervision of the research project. I am extremely appreciative of her high professional standard and the personal support she provided throughout the duration of the thesis. In particular, I am grateful for the independence I was allowed to pursue a number of research interests. I am also grateful for her close reading and prompt return of drafts. This, and her support whenever I sought funding, was invaluable to the completion of the research project.

In Japan, I received considerable assistance from Mr. Nino Hiroshi (IFIC/JICA) whose endeavours on my behalf opened many doors. Knowing little about my research motives, he 'dared' to accept my letter requesting assistance as a foreign researcher of Japan's ODA. Despite his busy schedule, he readily set aside time to hear of my progress and arranged for interviews with staff in other government aid-related institutions. Mr. Nino also ensured I had access to the 'staff only section' of the IFIC library, provided photocopying free of charge and furnished many official documents. I am also grateful for the assistance of Mr. Tomimoto Ikufumi (IFIC/JICA) who provided valuable insights as an adviser during my period of study in Japan. Ms. Kondo Minako (IFIC/JICA) played a very important role behind the scenes. She always responded promptly to my requests for assistance and helped in organising the necessary logistics for my research in the Philippines.

While in Japan I had the opportunity to discuss Japan's ODA program with many development officials and specialists. I would especially like to thank Dr. Niki Hikaru who arranged for my study of the Model Village in Rural Development project in Bangladesh.

For the six months of fieldwork in Bangladesh I was based at the JICA office in Dhaka. I am grateful to Mr. Okazaki Yuji, Resident Representative, and Mr. Kimura Senichi, Additional Resident Representative, who were very generous in providing office space and facilities, access to unpublished documents, and who helped with logistics for my study of the Model Rural Development Project.

At the Grameen Bank, I was received warmly by Ms. Jannat Quanine, Deputy General Manager, International Program Department. Ms. Quanine kindly provided material, assisted with arrangements for fieldwork and helped organise interviews with other bank officials. The warmth of the staff of Kulnoga para Branch set the foundations for a very rewarding research experience. Mr. Mazibur Rahman, Branch Manager, provided accommodation without charge and made available branch documents. I am especially appreciative of the time given up by Grameen Bank members to tell of their valuable experiences.

I wish to thank Mr. Nagahata Makoto of the Shapla Neer Tokyo office who arranged for my fieldwork with Shapla Neer in Bangladesh and continued to share his knowledge after my return to Australia. Mr. Tsutsui Tetsuo, Director of the Shapla Neer office in Dhaka, was very generous with his time and knowledge, and helped organise logistics for fieldwork. I am grateful to the Shapla Neer staff based in the Poyla community development centre for sharing their experiences and arranging interviews with *samity* members. My thanks also go to *samity* members for their time and patience in answering my many questions.

I must also thank Dr. P. Subrahmanyam, Director, Pilot Projects Division, Centre for Integrated Rural Development in Asia and Pacific, for arranging my visit to the Bangladesh Academy for Rural Development (BARD) and study of the Model Village in Rural Development project. At BARD, I was welcomed by Mr. Mohammed Khairul Kabir (Director), Mr. Hasan Sarwar (Joint Director) and Mr. Mohammed Mir Kashem (Joint Director) who assisted with my study of this project and arranged for site visits to other BARD action research initiatives. Although I did not take the Model Village in Rural Development project as a case study for this thesis, my experiences at BARD provided important insight into rural development programs in Bangladesh. Another Japanese funded project I visited but have not included in this thesis was the Jamuna Bridge. Mr. K.M. Maqsoodul Mannan, Dhaka Office, the World Bank, furnished unpublished project reports and Mr. Shamsur Zohar, Jamuna Multi-purpose, Bridge Authority, assisted with my site visit.

My appreciation extends to the Japanese Overseas Cooperation Volunteers based in Daudkandi Thana, Comilla District for their warm hospitality during my study of the Model Rural Development Project. I am especially grateful to Mr. Imanishi Hiroaki for sharing his considerable knowledge of this project and helping to develop an appropriate research schedule.

I received assistance from many individuals during my study of the Training Services Enhancement Project in the Philippines. Amongst these, Ms. Tabe Hiroko, project Team Leader, offered office facilities at the Agricultural Training Institute in Manila and liberal access to project documents. Without the assistance of Ms. Oshima Ayumu, Project Coordinator, I could not have completed this case study. She helped organise interviews in Manila and organised my visit to Bohol Island. At the Farmers Training Centre on Bohol, Ms. Carolyn Daquio, Superintendent, provided office facilities, and Mr. Presioso Patindol helped arrange a suitable research schedule. I also wish to thank Dr. Tokida Kunihiko, Team Leader, BIAPP, for providing accommodation for the duration of my fieldwork.

Funding for my PhD program was supplied by Monash University in the form of a Monash Graduate Scholarship. Specific funding for travel and living expenses while studying in Japan and Bangladesh was kindly granted by the Monash Asia Institute and the Monash Research Initiative Fund.

Finally, I would like to thank my friends and family for their continuing support and humour. Special thanks are due to Dr. Regina Scheyvens, Massey University, New Zealand, for her insightful comments on some earlier drafts. Needless to say any failings in this thesis are entirely my own.

As is conventional, all Japanese names appear with the surname first.

## **GLOSSARY**

ADB	Asian Development Bank
<i>alinango</i>	crab
<i>amakudari</i>	post-retirement employment of bureaucrats in big-business and public corporations
ATI	Agricultural Training Institute (Philippines)
AusAID	Australian Agency for International Development
<i>babayon</i>	foreshore
<i>baishō</i>	war reparations
<i>barangay</i>	the smallest unit of government in the Philippines
<i>bittahin</i>	landless
BARD	Bangladesh Academy for Rural Development
BLAPP	Bohol Integrated Agriculture Promotion Project
BRAC	Bangladesh Rural Advancement Committee (a Bangladeshi NGO)
BRDB	Bangladesh Rural Development Board
CAA	Community Aid Abroad
CDC	Community Development Centre (Shapla Neer's village level offices)
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
DAC	Development Assistance Committee of the OECD
<i>dianmitiro</i>	dynamite
<i>enjo</i>	aid
FAITH	Food Always In The Home
FASID	Foundation for Advanced Studies on International Development
FDI	Foreign Direct Investment

GB	Grameen Bank
<i>giinrenmei</i>	parliamentary friendship leagues
<i>giri</i>	duty
HBC	Help Bangladesh Committee (the forerunner of Shapla Neer)
<i>honne</i>	true self, true intentions
IFIC	Institute for International Cooperation
<i>itakuhanbai</i>	selling on commission basis
J2C	Jubilee 2000 Coalition
JANIC	Japan NGO Centre for International Cooperation
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organisation
<i>jhar fooks</i>	healing by prayer
JICA	Japan International Cooperation Agency
JOCV	Japan Overseas Cooperation Volunteers
JSY	Japan Statistical Yearbook
<i>kaihatsu yunyū</i>	develop and import
<i>karōshi</i>	death from overwork
Keidanren	largest trade association in Japan
<i>keizai kyōryoku</i>	economic cooperation
<i>khas</i>	government-owned resources
<i>krishi samabaya samity</i>	primary cooperatives of small landholders
<i>lungi</i>	a piece of cloth worn around the waist by men in Bangladesh
MAFF	Ministry of Agriculture, Forestry and Fisheries
<i>mahajan</i>	informal moneylender
MITI	Ministry of International Trade and Industry (Japan)
MoFA	Ministry of Foreign Affairs (Japan)

MRDP	Model Rural Development Project (Bangladesh)
NGO	non-government organisation
<i>nihonjinron</i>	theory of Japaneseness
<i>ninjō</i>	affection
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund (Japan)
<i>on</i>	benevolence
<i>para</i>	neighbourhood
<i>pilot</i>	a type of fish
Proshika	a Bangladeshi NGO; full title, Proshika Manobik Unnayan Kendra
<i>rabi</i>	dry season
RDS	Rural Development Sub-sector
RPP	Rural Poor Program
<i>salish</i>	village court
SALT	Sloping Agricultural Land Technology
<i>samity</i>	informal group/society
SAPROF	Special Assistance for Project Formation
<i>Shufuren</i>	Housewives Association
<i>shukkō</i>	secondment
SN	Shapla Neer
<i>sōgo shōsha</i>	general trading companies
<i>tatemaie</i>	pretence, official explanation
<i>thana</i>	administrative unit in Bangladesh approximately equivalent to an English county
TSEP-RLI	Training Services Enhancement Project for Rural Life Improvement (Philippines)
UNCTAD	United Nations Conference on Trade and Development



UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
Union	the lowest administrative unit in Bangladesh
<i>utang na loob</i>	debts of gratitude
WID	Women In Development
WRC	Water Resources Centre (University of San Carlos)
<i>yonshōchō</i>	Japan's four 'ministry' aid administration structure comprising the Ministry of Finance, the Ministry of International Trade and Industry, the Ministry of Foreign Affairs and the Economic Planning Agency.
<i>zoku</i>	group of politicians formed around a specific policy area

## CHAPTER ONE

### **INTRODUCTION**

#### **BACKGROUND TO THE RESEARCH PROGRAM**

In the early years after World War Two 'development' was presented by the industrialised capitalist states as the only 'solution to the problems of humanity' (Rist, 1997:77). Development, as described in Point Four of US President Harry Truman's inaugural address, was 'to help the free peoples of the world . . . to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens' (Truman, 1949). Those to provide this help were the US and the industrialised and colonial powers of Western Europe. Those that were considered in need of assistance were the colonies of the European powers that were just beginning to win independence. The former were responsible for the emerging discourse on development and defined themselves collectively as the 'First World' and 'developed countries'. They labelled their former colonies the 'Third World' and 'developing countries'. In the early postwar years a simple dichotomy was thus created in which countries were classified as either economically advanced or economically backwards. The ostensible aim of development was to enable the 'underdeveloped', as described in Truman's speech, or backwards countries to achieve the economic success of the First World. Poverty eradication thus became synonymous with development.<sup>1</sup>

At the same time as the development paradigm was supplanting that of colonialism in perspectives of international relations, the aid regime was taking shape. In 1944, the International Bank for Reconstruction and Development (the World Bank) and the International Monetary Fund were established. Both were geared towards providing financial assistance to developing countries, the former to offer development finance and the latter to provide assistance during balance of payments crises. The United Nations Charter was drawn up in 1945 and in the same year the United Nations first specialised agency, the Food and Agricultural Organisation, was founded with

<sup>1</sup> Terms such as 'developing country', 'developed country', 'First World' and 'Third World' are heavily value loaded and misleading. They identify certain countries as inferior to others that are deemed to have achieved some ultimate state of existence. Such labels are rightly challenged by Escobar (1995) amongst others. However, because these labels are still part of the development terminology that aid theorists and practitioners are most familiar with, I have used them in this thesis, albeit with reluctance.

the aim of improving the livelihood and living conditions of rural populations in developing countries. The UN specialised agencies and other multilateral organisations were soon joined by bilateral aid agencies as major actors in the aid regime. In 1961, the Development Assistance Committee (DAC) of the OECD was established by donor states as a self-governing watchdog of their official development assistance (ODA).

With the successful reconstruction of Western Europe under the US funded Marshall Plan as a backdrop, expectations for the development project were high. Growth theory, popular at this time, insisted that the major obstacle hindering the economic progress of developing countries was the absence of surplus capital (Rosenstein-Rodan, 1961; Chenery and Strout, 1966). If this could be provided from external sources, and if developing countries mimicked the development strategies of the First World, they too would enjoy economic progress in a short period of time. 'Economic take-off' (Rostow, 1960) was presented as a certainty and as a sure-fire remedy for their poverty. In a period of much optimism the United Nations declared the 1960s its first decade of development setting two objectives. Firstly, it established a target of ODA and other capital flows into the Third World of one per cent of the combined national incomes of the First World countries. Secondly, it set a goal of five per cent annual growth rates by 1970 for developing countries.

Now, four decades later, it is clear how overly optimistic the expectations placed on the development project were. In its 'Poverty Report' for 2000 the United Nations Development Program (UNDP) described developing countries as 'weighed down by external debt, starved of private capital and technology, blocked from rich-country markets and faced with declining official development assistance' (UNDP, 2000). In stark contrast to the five per cent growth rates set for developing countries by the United Nations, the 1998 'Human Development Report' observed that over 100 countries had experienced economic decline in the past 30 years (UNDP, 1998a:37). Even in some of those countries that had experienced aggregate economic growth, poverty had continued to rise.<sup>2</sup> Presenting a human face to the poverty that remains prevalent in much of the Third World, the United Nations Children's Fund (UNICEF) (2000) estimated that 39 per cent of children in developing countries under the age of five suffer from stunting due to malnutrition. If development was intended to enable the Third World to catch up with the First World in terms of consumption or income, then it has been a dismal failure. In 1995, the 20 per cent of the world's population who live in the First World had an income on average 82 times

<sup>2</sup> Honduras, for example, enjoyed a two per cent GNP growth rate per capita between 1986 - 1989 but the number of its people living in poverty doubled (ibid).

higher than the poorest 20 per cent of the global population. In 1960, at the beginning of the first development decade, this figure was only 30 times (UNDP, 1998a:29).

Solutions to poverty have proven elusive. Development assistance was to provide the Third World with a key ingredient to the recipe for economic success. Was the expectation placed on aid too great or was aid simply not delivered in an effective manner? By the end of the first development decade a growing anti-aid body was claiming that ODA was not merely ineffective but was actually responsible for underdevelopment. Amongst dependency theorists, Mende (1973:4) described foreign aid as like an artichoke that 'when in flower it is fairly attractive in form and colour. With time it becomes a prickly plant with merely a small part of it edible'. In a similar vein, Hayter and Watson (1985:1) contended that 'much of this aid fails to alleviate poverty even in the immediate context in which it is provided; and its over-all purpose is the preservation of a system which damages the interests of the poor in the Third World'. Challenges to ODA proliferated throughout the succeeding decades. Riddell, in a comprehensive review of aid theory, observed that 'within the development literature, aid is under attack from both the left and right, and more recently from writers within the centre, because of its failure to achieve the objectives it was given' (Riddell, 1987:45). Riddell's 'left' included dependency and world systems theorists, many of whom saw foreign aid as yet another tool by which industrialised states maintained advantageous structural relations with their former colonies in order to extract economic surplus. On the 'right' Riddell identified the attack on aid with a neoclassical counter-revolution in development theory that perceived foreign aid as interfering with the workings of the free-market.

Despite the discouraging results of the development project and the emergence of new threats to human well-being, such as environmental degradation and the HIV/AIDS epidemic, there is reason to believe that poverty can be tackled successfully. At an aggregate level the UNDP points out that in three and a half decades the life expectancy in developing countries has expanded by 16 years (UNDP, 1998a:19). Moreover, infant mortality has been reduced by over 50 per cent since 1960 and malnutrition rates have declined by 30 per cent (ibid.). At a country level many examples of progress can be found. Bangladesh, a nation former US Secretary of State Henry Kissinger feared would become a 'basket case', has made remarkable progress in terms of increasing school enrolments, reducing population growth and working towards self-sufficiency in the country's staple, rice (UN, 1997).

Because of the mixed results of development aid, a consensus now exists amongst development practitioners that it is impossible to establish an *a priori* relationship between aid and development: instead, each intervention should be evaluated on its individual merits. However,

only a small percentage of total aid interventions would appear to be scrutinised in a rigorous manner using the array of evaluation tools that have evolved. Riddell (1987:185) estimated that about only 12 per cent of aid flows had been evaluated since the 1970s. Carlsson, Kohlin and Ekborn (1994) noted that the DAC had reached a similar conclusion in its estimate that only between 10 and 20 per cent of bilateral aid projects were being evaluated. Moreover, evaluation, when it does occur, is not always rigorous and systematic. Lipton and Toye (1990), who undertook an extensive survey of evaluations conducted in India by the US, the UK, the former West Germany, the Directorate-General of the European Community, and the World Bank, highlighted a paucity of rigorous analysis. The authors found that few points of comparison, either as control sites or baseline studies, from which to judge the merit of projects were included in evaluations. Moreover, few attempts were made to calculate economic rates of return and 'many evaluations read like laundry lists - seven objectives achieved, six not achieved, all to varying degrees, with no way of judging the net effectiveness of the resources used up by the project' (Lipton and Toye, 1990:147-8). The authors contended that despite explicit policy commitments by agencies to poverty alleviation and increased employment, few evaluations made a serious attempt to gauge the impact of the intervention on these issues.

### **RESEARCH QUESTION**

The broad question that I ask in this research project is, *what is the developmental impact of ODA?* I raise this question because poverty remains prevalent and severe in its intensity in the Third World, and because of fears that 'too much aid is still being squandered by governments on projects which have more to do with commercial and political advantage than poverty eradication' (Reality of Aid, 1996:3). Every research program must have clearly spelt out boundaries and I have chosen to focus on official development assistance, that is, aid from government sources.<sup>3</sup> In doing so I have purposefully excluded assistance from NGOs and multilateral organisations. This decision could be questioned on a number of grounds. It could, for instance, be pointed out that many aid donors have pared back their aid budgets over the last decade. In 1999, total net ODA flows stood at US\$51.3 billion, down from US\$58.3 billion seven years earlier (DAC, 2001a). To this could be added the argument that since the oil crises of the 1970s, ODA is no longer as significant as it once was in terms of total financial inflows into developing countries. While net ODA flows dropped between 1992-1997, net private flows into developing countries expanded from US\$80.1 billion to US\$159.2 billion (ibid.). Based on such observations Griffin (2000:111) concludes that 'the old system of economic cooperation has died'.

While not contesting these observations, I would counter them by arguing that the severity and extent of poverty requires that all aid resources are used in the most effective manner possible: that 'all aid should be justified on the basis of its impact on poverty' (Reality of Aid, 1996:5). If net flows of ODA have declined it would seem all the more important that the fewer resources that now exist are used in the most effective manner. Despite the decline in total aid disbursements, ODA continues to be a very important source of funding for the poorest countries which are less attractive to private investors. For example, in 1999 the Central African Republic received US\$105 million in ODA grants but only attracted US\$7 million in foreign direct investment (World Bank, 2001). Unlike private flows, ODA does not have to be directed on the basis of economic rationale that may or may not bring benefits to poor people. Foreign direct investment (FDI) cannot substitute for development assistance: 'It is highly selective - going mainly to China and a handful of other growth centres in Asia and Latin America - and, unlike aid, it is not possible to focus FDI on need' (Reality of Aid, 1996:xi).

Of the 23 DAC members I have chosen to focus on Japan's ODA program for the following reasons. Despite Griffin's portrayal of ODA as anachronistic, Japan's aid budget reached an all-time high of US\$15,323 billion in 1999 (DAC, 2001b). As the largest donor of ODA Japan accounts for almost one third of the total aid of DAC members. Because of the size of Japan's aid program, it has the potential to contribute significantly to poverty reduction, not on a global scale but certainly within local contexts. A second reason for examining Japan's aid program is that its impact is surrounded by much debate and there is a clear need for independent assessment.

To briefly present opposing views in this debate, in its annual reports on ODA Japan's Foreign Ministry explains aid practice as tailored to meet recipient needs and aid policy as reflecting development thinking in Japan and the broader international aid community (MoFA, 1997a). Some independent analysts agree: 'Japan's aid system is effective and efficient, although with its pragmatic approach and lack of central coordination it may seem a little unwieldy and confusing' (Hanabusa, 1991:92). Presenting a very different image, Baeanisia, Director of the Solomon Islands Development Trust, likened the manner in which Japan's aid agencies built infrastructure in the Solomons to 'giving birth to a child and giving it to somebody else to look after' (AMPO, 34:1992). Abe (1989:19), one of many Japanese critics of the aid program, used an equally vivid metaphor when he described Japan's foreign aid practices as similar to those of 'a person with a loan shark on his heels who continued running around giving useless gifts to other people'.

<sup>3</sup> Official development assistance is defined as international assistance that is provided by official agencies for the

In spite of this debate there has been little independent rigorous and systematic inquiry into the impacts of Japanese ODA on the well-being of the poor. Rix (1993:6) observed that 'the study of Japanese aid has largely been a study of the donor; perhaps too much so, for we know very little at all about the way in which Japanese aid impacts on recipient economies at the grass-roots level'. Independent analysis of Japan's aid has provided important insights into administration, policy formation and other aspects of political economy.<sup>4</sup> A number of studies in the mid-1990s helped fill a gap in the literature by examining how Japanese aid projects are negotiated in recipient countries.<sup>5</sup> However, independent assessment of the impact of Japanese aid interventions is rare and what little has been undertaken appears primarily in Japanese. Moreover, in those studies undertaken by Japanese nationals project selection has often been decided by an intention to discredit Japan's ODA or to highlight its weaknesses. While these assessments occasionally provide valuable information on structural weaknesses in the aid program, many cater to the desire of the Japanese public for sensationalism and could hardly be described as rigorous or systematic.<sup>6</sup>

The central question addressed by the thesis can be more closely defined as, *what are the developmental impacts of Japan's ODA?* An immediate response to this question might be, doesn't the Japanese government evaluate its foreign aid interventions and, if so, can we not rely on its findings? Yes, Japan's aid administration does evaluate many of its projects and programs, but it cannot always be depended upon to present an unbiased picture of ODA. An aid agency is but one of many government organs that must compete for a share of the national budget and therefore is compelled to present a favourable image of itself. Evaluations that shed a dim light on the interventions it has funded may not be welcomed. Moreover, the career prospects of aid staff depend, at least to some degree, on the performance of the agency and in this sense it is in their interests to present the agency as successfully performing the tasks it is set. This does not necessitate an ongoing cover-up operation by agency staff of interventions that failed to achieve their objectives. Instead, questions that are likely to highlight shortcomings of projects may be left out of the terms of reference for the evaluation (Eade and Williams, 1995:421). Independence may be compromised by having the institution responsible for implementing the project undertake its own evaluation. Alternatively, aid projects may be chosen that are relatively easy to implement and manage, although they may not be the most effective.

purpose of promoting the welfare of recipient countries and has a grant element of at least 25 per cent.

<sup>4</sup> These are too many to list here but will be discussed in the subsequent chapters.

<sup>5</sup> My intention is not to provide a literature review here. Some of the findings of these studies are discussed in Chapter Three.

<sup>6</sup> A recent example is the book *Hakai: Nippon ODA 40nen no tsumeato* [Destruction: the legacy of Japan's ODA after forty years] (Suwa, 1996).

Interviews that I undertook with aid officials in Japan further suggest that an unbiased appraisal of aid practice cannot be expected of Japan's aid administration. An official in the evaluation division of the Economic Cooperation Bureau of the Foreign Ministry described the writing up of evaluation findings as a 'give and take' affair in which the findings of the evaluation team do not always appear in the final report (interview, 07/98). On returning from the field the evaluation team normally gives an oral presentation to concerned parties. Next, a written report is sent to the ministry that is overseeing the project. Points of contention are then debated. The official observed that if the implementing agency is powerful its point of view, rather than that of the evaluation team, will most likely appear in the final report. Hence, even when a third party is contracted to undertake the evaluation, the implementing agency can influence the final report.

The public do not have access to final reports but summaries of these are made available. Evaluation summaries occasionally highlight project weaknesses and it would be incorrect to present these merely as a public relations device. However, an examination of one internal complete evaluation report and its released summary version reveals how project shortcomings can be glossed over. In 1997, Japan's Ministry of Foreign Affairs and a UNICEF team undertook a joint evaluation of multipurpose cyclone shelters in Bangladesh constructed with Japanese grant aid. Shortcomings of the project identified by the UNICEF team included the high cost of construction and a failure to encourage community participation in the project (MoFA, 1997b). The team also argued that Japan should consider other more effective alternatives to the construction of shelters, making the point that while shelters might save lives they would not help people rebuild their livelihoods. The half page summary of this report that Japan's Foreign Ministry made available to the public failed to mention these quite serious concerns. Instead, UNICEF's criticisms were watered down to 'the report noted that there was much that Japan could learn from UNICEF's experiences in involving local residents and recommended promoting stronger cooperative ties' (MoFA, 1998b:19).

Compounding the problem of donor reporting on project shortcomings is the fact that many evaluations do not give sufficient attention to impact assessment. In recent years, Japan's two aid agencies and the Foreign Ministry have collated lengthy summaries of evaluations of completed projects in separate annual reports.<sup>7</sup> These summaries are welcomed as they contain in-depth descriptive accounts of project implementation processes. However, impact analysis is generally

<sup>7</sup> These are 'Jigyō hyōka hōkokusho' ['Report of project evaluations'], 'Post-evaluation report for OECF loan projects' and 'Keizai kyōryoku hyōka hōkokusho' ['Report of evaluation of economic cooperation'] released, respectively, by the



quite limited. The most recent DAC peer review of Japan's aid program correctly observed that 'a serious weakness of these evaluations is that there is minimal reference to data on socio-economic impact of projects . . . . Attempts to link the cause and effect of how the projects have actually improved lives of targeted beneficiaries are notably absent' (DAC, 1999). Japanese aid officials whom I interviewed indicated that socio-economic impact assessments were considered troublesome, being both time consuming and costly. Moreover, a number of officials also revealed that their evaluation divisions were heavily understaffed and were operating on quite limited budgets (interviews, July/August, 1998).

One final point that should be considered relates to the manner in which the aid administration uses favourable comments of Japanese ODA made by officials and other residents in aid-receiving countries. An example of this can be found in the Foreign Ministry's 1996 annual report on ODA which reads,

Top leaders of recipient countries often attend ceremonies marking the completion of Japan's ODA projects to express their appreciation for the Japanese assistance and the Japanese people who support it. Volumes of thank-you words also have been received from villagers and small town residents in developing countries for small-scale support (MoFA, 1996:82).

Although there is no reason to doubt these claims, they say nothing about how Japan's assistance impacted on poverty, if it did at all. DAC rightly complains that there is too much reliance on 'how much beneficiaries have appreciated the projects' (DAC, 1999), something which cannot substitute for a rigorous analysis of cause and effect.

## **OVERVIEW OF RESEARCH DESIGN**

The inevitable conclusion of this discussion is that independent assessment and independent reporting are required to gain a true appreciation of the impact of ODA. Once this is acknowledged, the next question that must be tackled is how might an outside researcher arrange to evaluate the aid projects of a bilateral donor. One possibility would be to contact the aid agency funding the project and to organise logistics and permission through this organisation. A second strategy would be to contact the implementing agency in the recipient country, which might, for example, be a government agency or an NGO. I decided to adopt the first approach and contact Japan's aid agencies directly as this would allow first hand observation of the roles of the aid agencies, both in Japan and in aid-receiving countries. I travelled to Japan in July 1998 to conduct

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Japan International Cooperation Agency, the Overseas Economic Cooperation Fund (now incorporated into the Japan Bank for International Cooperation) and the Ministry of Foreign Affairs.

interviews, collect information on the interventions I would later evaluate and arrange logistics for fieldwork.

The next question to be addressed was what interventions should be assessed. Of the hundreds of projects/programs funded by Japan each year in over 150 countries it would be possible only to evaluate a few. Should a sample of interventions that are representative of Japan's aid practice be selected or should they be chosen according to some subjective criteria? Because of the variety of aid interventions that Japan supports in a diverse range of settings, taking a random sample was not feasible as the sample size would have to be impossibly large. When considering what interventions to select I was influenced by my concern that aid should be used to improve the position of the poor. One feature of the political economy of Japan's ODA is a tremendous increase in the number of calls for reform,<sup>8</sup> both from within government and from outside observers. At least one impetus behind these calls is an appreciation that Japan's aid practice is not shaped by developmental concerns alone and hence is not as effective in poverty reduction as it could be. Based on this awareness, I decided that I would not only address the issue of the impact of Japan's ODA but also of reform. Therefore, I determined to select aid interventions that might suggest new directions for Japan's aid program. In the process of addressing the question, *what is the impact of Japan's ODA?*, I could also ask, what ways are the interventions I am studying similar to and different from Japan's traditional aid interventions? Are they superior interventions in terms of poverty reduction and, if so, are they likely to supplant less effective forms of assistance?

As I chose to work through Japan's aid administration it would seem reasonable that I would be deterred from examining interventions that were considered an outright failure. Certainly, the projects/programs I have examined most probably shed a more favourable light on Japan's aid program than a representative sample of interventions would. However, this problem can be overcome to some degree by gauging the weight that should be attached to each intervention in terms of Japan's overall aid practice. Conducting research through Japan's aid administration also proved to be quite advantageous. By working from inside the aid institutions I was able to organise interviews and discussions with staff who did not simply 'sit at the front desk' but were actively involved in managing Japan's aid activities and conducting development research. By sharing their experiences and thoughts on Japan's aid program they revealed their keenness to discuss much more than the official face of Japanese ODA.

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<sup>8</sup> These are discussed in Chapter Eight.

Because of my interest in poverty I resolved to examine Japan's ODA in a particularly poor country. Bangladesh was initially selected because of its poverty and because I was already familiar with the political economy of the country, having first visited in 1989. It also seemed sensible to select projects that offered contrasts, both in terms of the type of aid, the types of implementing institutions and the type of intervention. Three interventions were selected for study in Bangladesh with this in mind and fieldwork took place between September 1998 - February 1999. While undertaking research in Japan I became aware of several projects with a strong emphasis on local participation that at least some Japanese aid officials considered to be very progressive. As these were evidence of the evolving nature of Japan's aid practice I arranged to assess one participatory project. After requests to offices of the Japan International Cooperation Agency in Nepal and Indonesia that were rejected on the basis of security concerns, I gained permission to study a participatory project in the Philippines. The assessment of this project was undertaken between December 1999 - January 2000. Combined with the three interventions in Bangladesh, this brings the total number of projects/programs evaluated to four.

Thus far I have explained why there is a need for independent assessment of Japan's ODA and the basis on which I selected several interventions for evaluation. To understand the relationship between poverty and aid, however, this alone is insufficient. An evaluation of the impacts of a project provides no insight beyond official explanations into why the project was funded in the first place and why it was designed the way it was, whether mistakes would be replicated, or whether lessons would be learnt. Such knowledge would only come from a study of the political economy of the aid program. Put simply, an impact assessment does not inform on the politics of aid, yet the relationship between aid practice and poverty clearly has a political dimension.

That the relationship between aid and poverty needs to be understood in terms of both impacts and politics poses a significant challenge. Independent analysts usually confine themselves to a study of donor politics or a study of impacts. In the case of Japan's ODA there is no independent study that seeks an understanding of aid politics, an understanding of impact and an understanding of the relationship between these. This is precisely because both areas of study are considered the domains of quite different specialists. The study of the donor is usually undertaken by political scientists, policy analysts, geographers and management specialists. Their analytical tools investigate what shapes the aid program. The study of impact, in contrast, requires an understanding of qualitative and quantitative indicators and how these can be measured; it is not an area of study that can be claimed by any one discipline but one in which the expertise required depends on the nature of the intervention and the circumstances in which it is set. It is thus quite

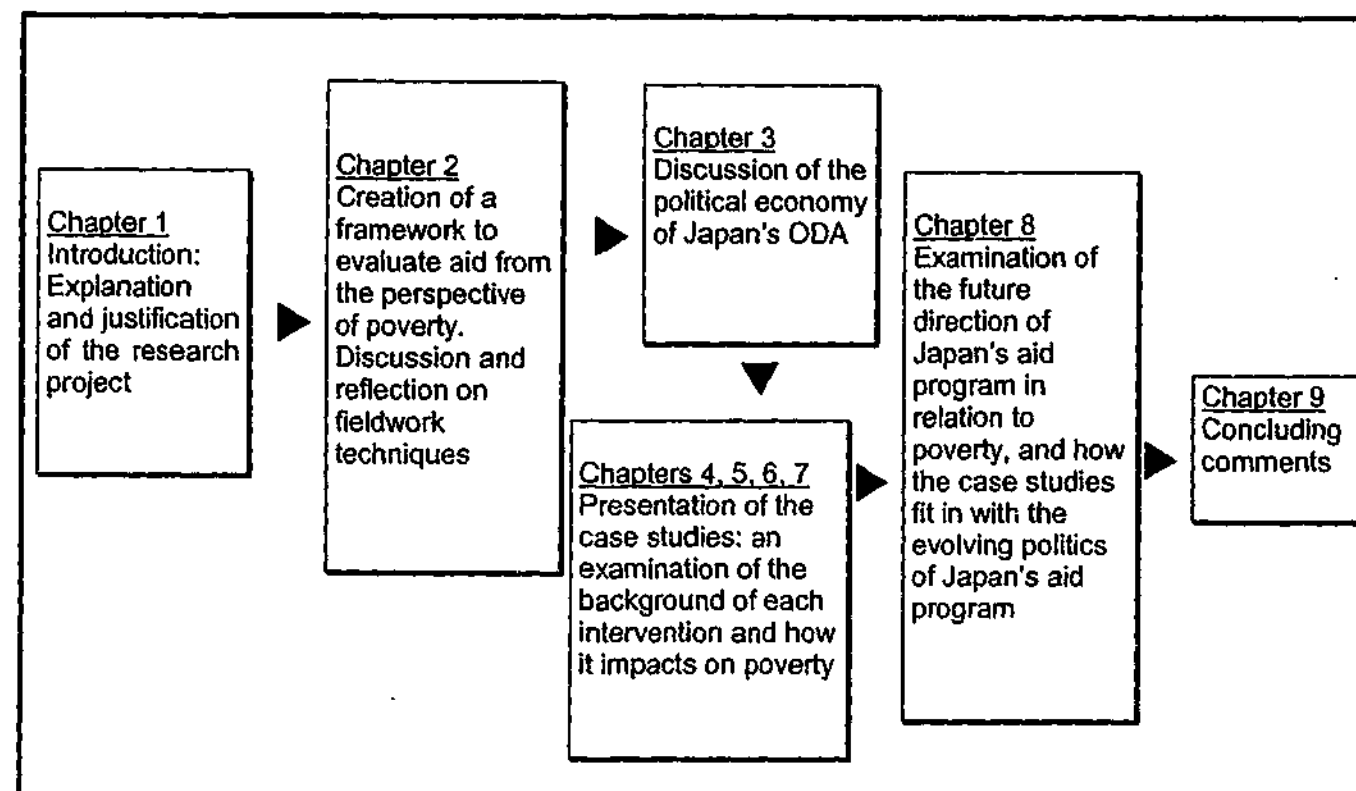
evident that the study of aid and poverty does not fit neatly into the conventional disciplinary divides of Western universities. A multi-disciplinary approach is required.

My approach to gaining a more complete understanding of the relationship between aid and poverty has been to examine the political economy of Japan's aid program, to evaluate impacts of selected projects/programs and then to consider the lessons these interventions offer in the light of the likely future direction of the aid program. For the reader this may present a challenge because the discussion must sift through a variety of concepts and information that are not normally brought together in one study. The thesis begins with the issue of how to evaluate aid, then shifts topics dramatically to seek a broad understanding of the political economy of Japan's aid program. The case studies that follow examine firstly, the background of each project, and secondly, their impacts. The discussion on impacts will at times have very little to do with the discussion on the politics of Japan's ODA, and vice versa. While such dramatic shifts in subject matter may not be appealing to specialists of political economy or experts in evaluation, a bridging of traditional academic disciplines is required for a more complete understanding of the relationship between aid and poverty.

### **STRUCTURE OF THE THESIS**

The research project is structured along the lines of the preceding discussion. Firstly, I discuss the issue of how poverty can be conceived and use this to produce a framework for evaluation. Secondly, I examine the forces and structures that shape Japan's aid program. Thirdly, I discuss the background to each project under study and assess their impacts. Finally, I examine the issue of reform of Japan's ODA in relation to poverty and how the interventions I have evaluated are placed within the reform process. The broad structure of the thesis is presented in Figure One (overleaf).

Figure 1: Thesis structure



In the first part of Chapter Two I establish a framework for evaluating aid interventions from the perspective of poverty reduction. Poverty is commonly associated with a lack of resources but I will argue that poverty is as much a reflection of unequal power relations. In order that the centrality of power to poverty is appreciated I have used the concept of empowerment to produce a list of questions that constitute a framework for evaluation. To complete the evaluation framework I have added the concepts of sustainability and efficiency. This is followed by an analysis of the roots of poverty in Bangladesh and the Philippines. In the second part of the chapter I discuss a number of practical issues that affect evaluation. Finally, I explain and reflect upon the methodology I have used to collect data and discuss the need to understand the setting in which information is given, the ethics of research in the Third World and the relationship between the researcher and the implementing institutions.

Chapter Three moves on to examine the broad political economy of Japan's ODA. The chapter is divided into two sections. In the first part of the chapter I describe the major features that have traditionally characterised Japan's ODA program. Thereafter, I attempt to interpret these features in terms of the forces and structures that shape the aid program. This understanding is necessary to place the projects/programs I later evaluate in the context of Japan's aid practice, to correctly interpret why these interventions are being funded and to consider whether reform to improve Japan's aid practice is likely.

Chapters Four to Seven report the results of the four case studies. Each case study is broken down into two sections. In the first section I describe the history and nature of the intervention, as well as the relationships that exist between the Japanese institutions and those in the recipient country responsible for implementing the project/program. The second section is dedicated to evaluation and is by far the largest of the two as the focus of my research program is to examine the impact of aid.

The first case study is of a loan from the Japan Bank for International Cooperation to the Grameen Bank in Bangladesh. The loan to the Grameen Bank is of particular interest as it perhaps represents the first time that a yen loan has been channelled to the poor, and to poor women in particular. The case study raises and seeks to answer the questions of whether the rural poor have been able to use these funds effectively and, if so, whether such loans are likely to challenge Japan's more usual practice of using yen loans to construct physical infrastructure.

The second case study investigates the impacts of development programs in Bangladesh implemented by the Japanese NGO Shapla Neer. Shapla Neer has received funding under two schemes designed by the aid administration to support the grassroots programs of NGOs. This case study contrasts with that of the loan to the Grameen Bank in a number of respects: whereas the Grameen Bank focuses on the delivery of microcredit to the rural poor, for Shapla Neer microcredit is but one of an array of services it provides; in the first case study ODA is extended in the form of a two-step loan, while in the second grants are provided by the Foreign Ministry; and the Grameen Bank is a quasi-governmental organisation whereas Shapla Neer is a Japanese NGO. The study of a Japanese NGO can be considered timely because the Ministry of Foreign Affairs has rapidly increased the funds it channels through these organisations. In addition, the aid administration has established several points of contact with Japanese NGOs that could allow them a say in policy making as well as providing them with avenues to participate in bilateral aid interventions. Because Shapla Neer has welcomed these opportunities to engage with Japan's aid program, the research project is able to consider the evolving relationship between Japanese ODA and Japan's NGOs in some detail.

In Chapter Six I evaluate the Model Rural Development Project, which is essentially an integrated rural development project. In terms of the institutions involved and project management this project was more typical of Japan's bilateral aid. The project was structured according to Japan's regular five year project cycle and the implementing agency was a government body in the recipient country. The Model Rural Development Project was peculiar in that it combined grant aid



provided by the Foreign Ministry with technical assistance provided by the Japan International Cooperation Agency. Technical assistance involved the dispatch of Japanese Overseas Cooperation Volunteers and I was able to assess their role in the aid program as part of the evaluation. The project also differed in that it did not target poor households directly but instead sought to strengthen the existing rural cooperative structure in the project area.

The final case study was of the Training Services Enhancement Project for Rural Life Improvement in the Philippines. This project was also implemented by a government agency and was designed to fit within the normal five year project cycle. However, the similarities with the previous case study ended here. The project was designed within the framework of project cycle management, a relatively new project tool introduced by Japan that ostensibly seeks the participation of all stakeholders throughout the project period. One task of the case study was to assess whether this tool enabled institutions on the recipient side to have a significant input into project design. The most distinctive feature of the Training Services Enhancement Project was a facilitation process that encouraged targeted communities to identify and implement community schemes based on local needs. Such community development models are not new but for the Japan International Cooperation Agency represented a dramatic departure from its regular model of technology transfer.

In Chapter Eight I return to the political economy of Japan's ODA by examining the reform of aid policy, practice and administration. I have dedicated an entire chapter to the issue of reform of the aid program because of my assertion that aid should be used in the most effective manner to enable the poor to empower themselves. Chapter Eight examines the place of poverty in Japan's aid program and whether this has been given greater emphasis because of reforms in administration and aid policy. In the last part of the chapter I consider the lessons that can be taken from the four case studies and whether Japan's aid administration is likely to adopt these in order to improve the effectiveness of its ODA.

### **LIMITATIONS OF THE RESEARCH PROJECT**

In addition to the small number of interventions that were chosen for study a number of other limitations should be mentioned. Firstly, the study does not include an evaluation of an economic infrastructure project, the type of aid that Japan is well-known for. Inclusion of an infrastructure project would have added another dimension to the research project because the techniques used for evaluation are quite different from those of community or target group interventions. Although I did consider assessing the impact of the Jamuna bridge in Bangladesh, partly funded with loan aid from Japan, an independent assessment of the costs and benefits would have been impossible

to realise in the time span of the research project. Costs-benefit analyses undertaken by the project consultants could have been used, but the question of how to translate this into economic impacts and poverty reduction would still have absorbed too much of the research effort.

I also chose to assess individual interventions at the expense of non-project aid, commonly referred to as program assistance. Program assistance includes balance-of-payments support, general budget support and commodity assistance, and has become an increasingly important component of bilateral aid. In 1985, program aid accounted for 13 per cent of the total bilateral aid flows of DAC members, a figure which had jumped to 22 per cent eight years later (White, 1996:5). Despite its increasing significance, it was not possible to consider an assessment of Japan's program aid as part of this study because of time constraints. The evaluation of program aid remains very contentious and poorly developed.<sup>9</sup>

Another limitation of the research project is that I have not addressed the issue of aid conditionality or debt. It could be argued that the amount of aid received by a country is far less significant than the macro-economic reforms that are a condition of this aid. Moreover, in many developing countries the repayment of foreign debt far outweighs the amount received as ODA. The seriousness of these issues is discussed in Chapter Two but I have not attempted to assess the debt and conditionality associated with Japan's aid.

### **SUMMARY**

In this introductory chapter I have noted that the relationship between aid and development remains hotly contested. Based on this understanding, the central question raised in this thesis is, *what is the impact of ODA?* Development practitioners now generally agree that each individual intervention must be assessed on the basis of its own merits. Although aid agencies undertake evaluations of their projects and programs, these cannot be relied upon to paint an unbiased picture of the impact of aid. Independent assessment is required.

The research program focuses on Japan's aid program because of its size and the debate which surrounds it. This study endeavours to contribute to the understanding of the developmental impact of Japan's aid through an assessment of three interventions in Bangladesh and one in the Philippines. As I am concerned to gain an understanding of how aid can be used most effectively

<sup>9</sup> White (1996:1) concluded of program aid that 'a review of the available evidence reveals that the objectives . . . are frequently unclear, or, if stated, the mechanisms by which they are to be achieved not spelt out. The state of affairs bodes poorly for evaluation - and indeed there is no agreed framework for evaluating programme aid'.

to reduce poverty, the research program also addresses the issue of reform of Japan's aid practice. To judge the reform measures that are already under way requires an understanding of the political economy of aid. Evaluation alone does not explain why a donor funds a particular intervention or whether it is likely to incorporate lessons the intervention has to offer into future aid practice. The thesis thus seeks to understand the relationship between aid and its effectiveness through marrying the study of impacts with that of politics.

Chapter two embarks on the path I have mapped out by asking how should aid be evaluated.

## CHAPTER TWO

### **EVALUATING AID INTERVENTIONS FROM THE PERSPECTIVE OF POVERTY**

#### **INTRODUCTION**

To assess the impact of development interventions requires a framework from which to conceptualise poverty. The first part of this chapter seeks to establish such a framework using the concept of empowerment and then combines this with a number of more general but nevertheless critical concerns as to how limited aid resources are utilised. Evaluation also requires a detailed understanding of the specific nature of poverty in each country. The second part of the chapter moves on to examine the roots of poverty in Bangladesh and the Philippines to set the scene for the later chapters which examine Japanese aid in these countries. I next address certain practical issues regarding evaluation before describing and reflecting upon the methodology applied in the case studies.

#### **CONCEPTUALISING POVERTY FROM THE PERSPECTIVE OF EMPOWERMENT**

A starting point for constructing a framework to conceptualise and analyse poverty is to ask *what is poverty?* or, alternatively, *what is a desirable life?* Cultural relativists are correct in pointing out that poverty differs according to values: development, when viewed broadly as desirable change, has different meanings according to different value systems. However, when poor people describe their poverty common themes emerge that cross cultural and geographic bounds. A background paper to inform the World Bank's *World Development Report 2000/1* found that,

As we moved deeper into analyses of poor people's experiences with poverty, we were struck over and over again by the paradox of the location and social group specificity of poverty and yet the commonality of the human experience of poverty across countries. From Georgia to Brazil, from Nigeria to Philippines, similar underlying themes emerged: hunger, deprivation, powerlessness, violation of dignity, social isolation . . . state corruption, rudeness of service providers and gender inequity (World Bank, 1999:6).

When poor people are asked to describe their experience of poverty a sense of powerlessness is often quite evident. This fact is revealed in the following descriptions by poor people cited in the same World Bank report.

Poverty is humiliation . . . of being forced to accept rudeness, insults, and indifferences when we seek help - Latvia 1998.

Poverty is lack of freedom, enslaved by crushing daily burden, by depression and fear of what the future will bring - Georgia 1997.

The forces of poverty and impoverishment are so powerful today. . . . So now we feel helpless. It is this feeling of helplessness that is so painful, more painful than poverty itself - Uganda 1998 (World Bank, 1999).

The common thread of powerlessness quite evident in these descriptions suggests that there are at least some fundamental values shared by poor people that transcend time and place. A mother's desire for her children to enjoy good health could be cited as an example. This assertion does not deny the fact that some values will be context-specific and not universal. Bidney (cited in Goulet, 1995:40) uses the terms 'cultural universals' and 'cultural absolutes' to differentiate between universal and specific values, respectively.

The assertion that cultural universals exist rests on the claim that there are universal human needs. Relativist arguments that all values are culturally specific are challenged by Rawls who presents a strong theoretical basis for accepting universalism with respect to a limited number of ethical issues (Rawls, 1972). Moreover, Friedmann (1992:12) rightly stresses that 'to bury alternative development in the language of cultural relativism . . . would be to silence all development discourse while giving free rein to the existing hegemonic system, which is fuelled by Western ideas and ideals and is wholly untroubled by questions of cultural relativism'. It is then better, as Goulet (1995:39) argues, to state one's values explicitly and encourage 'those from other cultures and value universes to respond'.

The existence of fundamental values is recognised by the Universal Declaration of Human Rights adopted by the General Assembly of the United Nations in 1948; which confirmed that 'every person, everywhere' is entitled to human rights and fundamental freedoms (UNDP, 2000b). Two sets of rights were outlined and later codified in two covenants in 1966. Both the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights confirmed that 'all peoples have the right of self-determination and that by virtue of that right they are free to determine their political status and to pursue their economic, social and cultural development' (ibid). Rawls concurs with this argument for universal human rights and

devises the concept of 'primary goods' as an index of well-being. For Rawls, primary goods would include 'liberty and opportunity, income and wealth, health and educated intelligence [and] self-respect' (Rawls, 1968: 158). Goulet (1995) reached a similar conclusion in identifying three basic components as constituting quality of life: sustenance, self-esteem and freedom. *Sustenance* refers to basic human needs such as food, shelter, health, and protection which are physical necessities to sustain life. Goulet describes *self-esteem* as the emotional or psychological component of a desirable quality of life which also embraces concepts such as authenticity, identity, dignity, respect, honour and recognition. Under the umbrella of *freedom* Goulet describes an expansion in the range of choices for societies with respect to freedom of expression, political participation and equality of opportunity. Friedmann (1992) backs Goulet's position, claiming on moral grounds that in addition to *human rights* all people in a modern democratic state should have *citizens' rights* that recognise citizens' relative autonomy through a state that is ultimately accountable to them, and that all people should have *social rights* allowing them to live up to their full capacity.

From the argument for universal human rights, poverty can be defined as a denial of fundamental rights or entitlements.<sup>1</sup> The UNDP states,

Poverty is the denial of various choices and opportunities basic for human development. These include the ability to lead a long, creative and healthy life, to acquire knowledge, to have freedom, dignity, self-respect and respect for others, and to have access to the resources needed for a decent standard of living (UNDP, 2000b).

Incorporating the sense of powerlessness commonly expressed by poor people, poverty can be seen as resulting from inadequate power to claim fundamental entitlements of the type described by Friedmann (1992), Goulet (1995), Rawls (1973) and Sen (1982), amongst others. If poverty is a state of disempowerment, then development must centre its attention on empowerment of the poor. The most comprehensive statement on empowerment is perhaps that of John Friedmann in *Empowerment: The Politics of an Alternative Development* (1992). I have elected to use the empowerment approach outlined in this document to construct a framework for evaluation.

Friedmann's empowerment approach presents a broad conceptual framework from which poverty can be understood. Development agencies, however, have generally not embraced empowerment in the same manner, perhaps because it may appear to lean towards confrontation. Instead, empowerment is now often treated as but one part of other less threatening frameworks for conceptualising poverty. For example, 'sustainable livelihoods', as presented by the UNDP (1999), is used to describe the 'means, activities, entitlements and assets' that people base their livelihoods

<sup>1</sup> The concept of entitlements was developed by Sen (1982).

on. Here, empowerment is but one of many social and physical 'assets'. As with other concepts in the mainstream development discourse, the sharpness of the original perspective that gave rise to empowerment may have been blunted by the agencies that use it (Batliwala, 1994:129).

### **WHAT IS EMPOWERMENT?**

Empowerment describes a *process* whereby impoverished people are better able to claim fundamental rights as well as meet those culturally specific needs that define for them a reasonable quality of life. Empowerment is also a *result*, a desirable state of being (Batliwala, 1994). According to Friedmann, empowerment defined in these terms can take place in three spheres, namely socio-economic empowerment, political empowerment and psychological empowerment. Rowlands (1997:15) describes empowerment in similar terms, arguing that empowerment can occur within personal, relational or collective dimensions. Friedmann's three spheres of empowerment are used below as headings to identify important issues that should be addressed when aid interventions are evaluated from the perspective of poverty reduction. Two additional issues are taken up under the heading of socio-economic empowerment. The empowerment of women is discussed because of their relative disadvantage and greater vulnerability to poverty in many developing countries. The empowerment of future generations is also addressed, as the actions of the present generation have serious consequences for those yet to come, linking poverty with the environment. For the purposes of evaluating aid interventions a number of more general concerns of project management must be added to empowerment and this is undertaken at the end of this section.

### **SOCIO-ECONOMIC EMPOWERMENT**

At the roots of poverty is a lack of what Friedmann terms *social power*, or the 'means available to a household economy in the production of its life and livelihood' (Friedmann, 1992:67). According to Friedmann, social power has eight bases: a territorial base or the physical space of the home and immediate neighbourhood where the household engages in transactions and social relations; surplus time over that required to fulfil basic subsistence needs; knowledge and skills; information; social organisation; social networks; instruments of work and livelihood; and financial resources. When social power is defined broadly, as in these terms, it embraces economic power. I have chosen to substitute Friedmann's social power with the more commonly used expression 'socio-economic' power (Singh and Titi, 1995:19).

The manner in which the UNDP (1999:1) explains sustainable livelihoods as 'the means, activities, entitlements and assets by which people make a living' is very similar to the concept of socio-economic power. Friedmann's territorial base, knowledge and skills, information, social

organisation, and social networks are the UNDP's social and physical 'assets' on which livelihoods are based. The instruments of work and livelihood and financial resources of Friedmann's empowerment approach are described by the UNDP as 'the means' by which people sustain themselves. Socio-economic power is also a useful concept as it can be used to distinguish between the internal and external (Batliwala, 1993). Here the internal refers to capabilities such as skills, knowledge and self-esteem, as raised by Friedmann (1992), as well as the cultural and spiritual issues discussed by Singh and Titi (1995). The external, on the other hand, refers to institutions, both social and formal that an individual can draw upon, and opportunities.

Before this understanding of socio-economic power is incorporated into aid evaluation, it is necessary to identify what unit this concept is being applied to. Neoclassical economics, which dominates much of contemporary thinking in the international aid regime, identifies the firm as its central unit of analysis. However, in the rural context of developing countries in which the four case studies are set the household is most often the primary unit of production (Wallerstein *et al.* 1982). With this understanding, an evaluation of an aid intervention from the perspective of poverty reduction must ask:

- *Has the intervention enhanced the bases on which the socio-economic power of the household lies?*

It must be acknowledged, however, that individuals within the household are not homogenous in terms of needs nor the levels of poverty they experience. In particular, girls/women in developing countries are often disadvantaged relative to boys/men. Sen (1997:2) points out that 'The causes and outcomes of poverty are heavily engendered and yet traditional conceptualisations consistently fail to delineate poverty's gender dimension, resulting in policies and programmes which fail to improve the lives of poor women'. When the needs of women were treated seriously for the first time in the development discourse, they were primarily conceptualised in terms of women's roles as home-makers and educators (Moser, 1989). Women in Development, as this discourse is known, failed to address the significance of unequal power relations between men and women within and outside the household. Even when women's roles as producers were acknowledged, development programs that targeted women were geared only towards meeting what Molyneux (1985) has termed their 'practical interests' or immediate physical needs. That women also have 'strategic interests', described by Molyneux (1985:232-3) as the need to challenge existing power relations that maintain women's subordination to men, is central to the Gender and Development discourse. Strategic interests include political representation, a stronger voice in decision-making within the household and equal access to opportunities for women to realise their capabilities. Molyneux's basic typology of practical and strategic interests is useful when assessing the impact of an aid



intervention from an 'engendered poverty perspective' (Sen, 1997). Applying Molyneux's typology to evaluation, the question that should be asked is:

- *Does the intervention enable women to empower themselves to better meet their practical and strategic needs?*<sup>2</sup>

The qualification that a Western perspective should not be used to identify the needs of Third World women needs to be made at this point. Mohanty (1988:61) highlights how using 'feminist interests as they have been articulated in the US and western Europe' as a point of reference leads to a misrepresentation of the interests of women in the Third World. Nevertheless, while what is considered appropriate behaviour for men and women depends on cultural setting, this does not deny women fundamental human rights confirmed by United Nations covenants or their own governments.<sup>3</sup>

An additional concern that has received much attention in the development discourse is that aid projects should not just be evaluated in terms of their impact on present generations but also on future generations. Unfortunately, economics as a discipline values present over future consumption: evidence of this can be seen in the discounting of future income flows in cost benefit analysis. Consumption of future generations is left as an issue to be dealt with in the future while economic models concentrate their attention towards solving present day problems of scarcity. However, the rapid depletion of many non-renewable resources and the environmental pollution of the present severely curtails the development prospects of the future, a point highlighted in the report of the World Commission on Environment and Development entitled *Our Common Future* (1987). Acknowledging the importance of 'sustainable development', defined in *Our Common Future* (1987) as development 'that meets the needs of the present without compromising the ability of future generations to meet their own needs', Friedmann (1992:124) recognises that if development is about empowerment,

all those who will inherit the world we have made must come into the public forum with us and state their claims. And their central claim is the right to inherit from us an environment in a condition at least no worse than that in which we received it. Their claim is for intergenerational equity.

Evaluation of an aid intervention from a poverty perspective should thus consider,

- *What are the environmental impacts of the intervention and were natural resources used in a sustainable manner?*

<sup>2</sup> This framework could be expanded to include other variables, such as age, for distinguishing how poverty affects different actors in the household. In order to keep the framework from becoming unwieldy, however, I have only discussed gender because it appears of greatest significance.

<sup>3</sup> By October 2000, 166 states had signed the Convention for the Elimination of All Forms of Discrimination against Women (CEDAW) adopted in 1979 by the UN General Assembly.

## POLITICAL EMPOWERMENT

Structural poverty is rooted in unequal power relations that place the interests of the powerful before the powerless. Existing power relations thus have to change if the poor are to move beyond just meeting basic survival needs. Friedmann (1992) and Rowlands (1997) argue that expanding the bases of socio-economic power of the poor alone is inadequate. The rights to adequate bases of socio-economic power must not just be recognised, they need to be institutionalised. Hence,

Reintegrating as many as half the population with an existing political community in which, at present, they exercise few rights cannot be done in any meaningful sense unless the systems in dominance - authoritarianism, peripheral capitalism, and patriarchy - are themselves fundamentally changed (Friedmann, 1992:73).

Authoritarianism characterises the politics of many Third World countries where power rests largely in the hands of the urban elite. Power is often maintained through a mix of patronage, misinformation, fear and force. Patronage requires that government funds be directed not according to national plans but into the hands of those on whom power of the incumbent regime rests. Development which prioritises the claims of the poor thus requires that they gain a political voice.<sup>4</sup> Aid evaluation from a poverty perspective should therefore ask,

- *Has the intervention assisted the poor in empowering themselves to exercise their political rights?*

Political reform can result from the poor exercising their political rights as well as from decisions to restructure or devolve power made, or forced upon, government. Development should thus pursue 'structural changes at the national level as well as local meliorative action' (Friedmann, 1992:164). As the case studies in this thesis are of projects/programs that operated at village level, politics at the local level are emphasised. This does not detract from the importance of direct efforts to create a more accountable state that supports and facilitates local development initiatives. Nor should unequal power relations at the transnational level be overlooked.<sup>5</sup>

The importance of political power extends beyond control of decision-making or access to resources. Political power is also power over information and ideology (Batliwala, 1994). For the poor to claim their inalienable rights requires recognition of these rights and understanding of the

<sup>4</sup> It is worth noting that the concept of political empowerment is similar to the discourse on participatory governance. According to Schneider (1999:6), a participatory approach to governance 'embodies elements such as accountability, rule of law in context of basic freedoms, and sharing of power'.

<sup>5</sup> In the World Trade Organisation agreements on global trade issues have been reached without full participation of its membership in a manner which favours powerful Northern states (Working Group on the WTO/MAI, 1999). An attempt to close down the United Nations Conference on Trade and Development organisation, the global forum that perhaps best

structures responsible for their poverty. Freire acknowledged the importance of ideas by promoting a process of 'conscientisation', meaning 'to understand reality critically in order to . . . challenge the powerful, and ultimately to transform that reality through conscious political struggles' (Craig and Mayo, 1995:6). Empowerment includes 'enabling people to understand the reality of their environment (social, political, economic, ecological and cultural), to reflect on the factors that shape their environment and to take steps to effect changes to improve their situation' (Singh and Titi, 1995:13). The control of information allows the elite to direct the poor to support their power base. Misinformation and superstition are but some of the devices used and need to be challenged through enabling poor people to undertake a more critical analysis of reality. Evaluation of development interventions should therefore consider,

- *Does the intervention raise the awareness of poor people to the structures and forces responsible for their poverty and motivate/mobilise the poor to challenge these?*

### **PSYCHOLOGICAL EMPOWERMENT**

Friedmann's final sphere of empowerment is psychological. In the descriptions by poor people given above the psychological dimension of poverty is apparent through the use of terms such as humiliation, depression, pain, fear and helplessness. The psychology of poverty is such that the poor often have insufficient self-esteem and confidence to act for their own development.<sup>6</sup> Hence, the psychological dimension of poverty is both an expression of poverty as well as a constraint to building self-reliance. Sen (1997:2) asserts that 'greater self-confidence and a process of inner transformation of one's consciousness, can enable one to overcome external barriers to accessing resources'. Without sufficient psychological power, poor people may not have the necessary 'resilience, motivation and awareness . . . leaving space open for others to wrest control' after a change in access to resources has taken place Friedmann (1992:33). The question this raises of aid interventions is,

- *Does the intervention lead to a greater feeling of self-worth amongst the poor and does the intervention motivate the poor to act for their own development?*

### **INTEGRATING EMPOWERMENT WITH MORE GENERAL CONCERNS OF EVALUATION**

Empowerment, on its own, does not provide a complete framework for undertaking evaluation. A number of important considerations based on lessons from past aid practice and evaluation need to be integrated into the analysis. These have been drawn together by DAC in its *Development Assistance Manual: DAC Principles for Effective Aid* (1992). For DAC, the aim of evaluation is

represents the mutual trade interests of developing countries, by the United States at the 1995 G7 summit is also indicative of this problem.

<sup>6</sup> The issue of motivation needs to be treated carefully as poor people are not inherently lazy, as often portrayed by the middle-class or elite (Yunus, 1998a). Rather, motivation can be low because of a sense of helplessness or a feeling that poverty is the will of higher gods and therefore a fate that the poor and their descendants are destined to endure.

'to determine the relevance and fulfilment of objectives, developmental efficiency, effectiveness, impact and sustainability' (OECD, 1992:133). The fulfilment of objectives is self-explanatory but significant only in terms of whether the project objectives will ultimately enable the poor to empower themselves. The concepts of relevance and effectiveness are easily incorporated into an empowerment framework for evaluation: relevance, or appropriateness, describes how significant the intervention is with regards to the needs of the poor, while effectiveness refers to the degree to which it has enabled the poor to meet these needs. The concepts of efficiency and sustainability require further elaboration.

Because aid resources are limited, a development intervention that targets the poor should use resources more efficiently than all other possible interventions. Another way of presenting this is to say that it is not just sufficient to evaluate an aid intervention in isolation; rather other ways in which resources could have been utilised need also be considered. Efficiency is an important concept when assessing development interventions because, while an individual project can be shown to be successful, it is just as important to ask whether the success is of a significant magnitude to justify the resources consumed. Aid evaluation must therefore consider,

- *Does the intervention use limited aid resources in an efficient manner?*

Sustainability was introduced earlier in terms of intergenerational equity. In evaluation sustainability is also used to discuss the long-term viability of a project or program. Sustainability is now a separate category in the evaluation frameworks of many development agencies because the history of development assistance is characterised by aid projects and programs that rapidly deteriorated after their completion (DAC, 1989a:5). Evaluation should thus ask,

- *Will the impacts of a project/program and its benefits be sustained into the future?*

Combining these general concerns with issues raised in the discussion on empowerment, a framework for evaluating aid interventions from a poverty perspective can be produced and is depicted in Figure 2.1 (overleaf). The questions raised by this framework are listed in Figure 2.2 (overleaf).

Figure 2.1: Evaluation from a poverty perspective

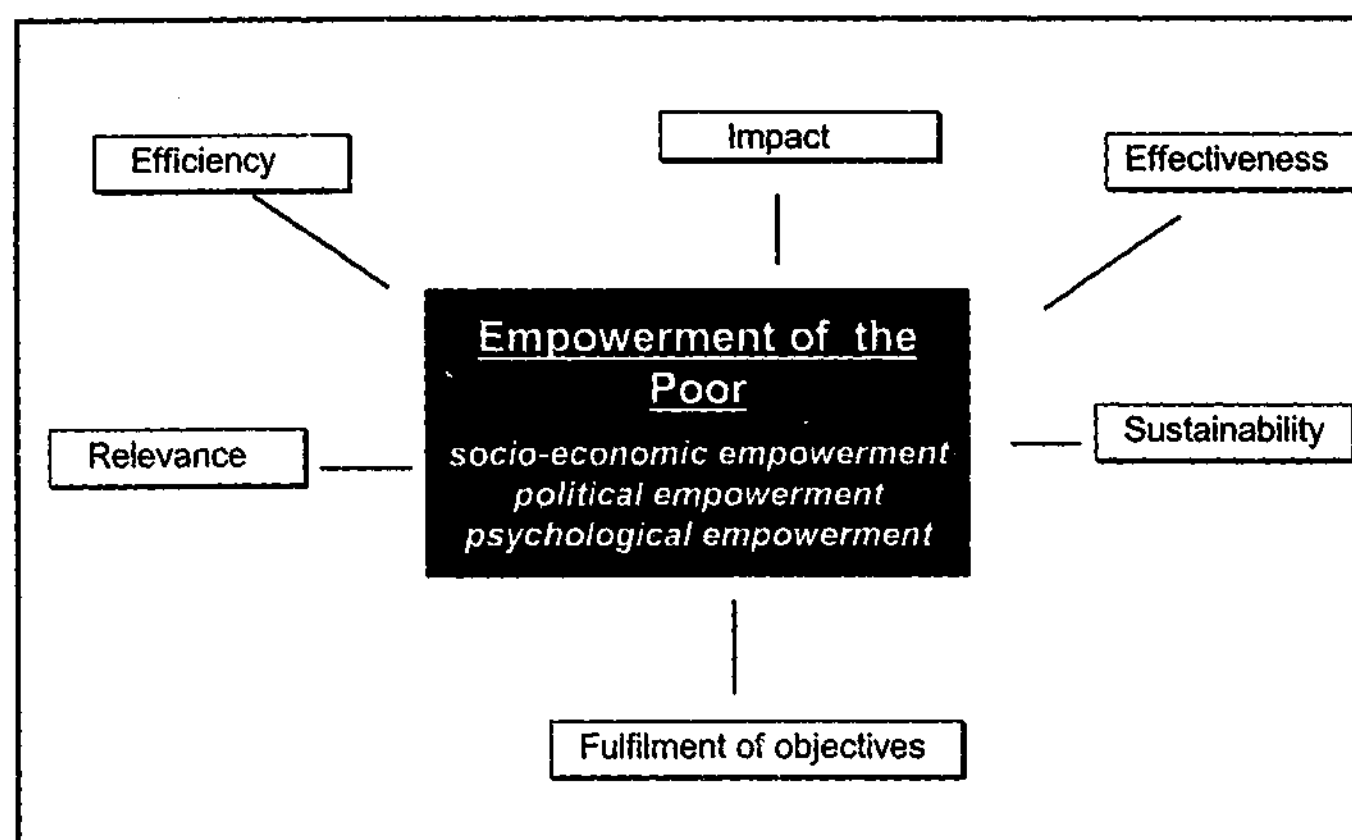


Figure 2.2: Questions raised when evaluating aid from a poverty perspective

- Has the intervention enhanced the bases on which the socio-economic power of the household lies?
- Does the intervention enable women to empower themselves to better meet their practical and strategic needs?
- What are the environmental impacts of the intervention and were natural resources used in a sustainable manner?
- Has the intervention assisted the poor in empowering themselves to exercise their political rights?
- Does the intervention raise the awareness of the poor to the structures and forces responsible for their poverty and motivate/mobilise poor people to challenge these?
- Does the intervention lead to a greater feeling of self-worth amongst the poor and does the intervention motivate the poor to act for their own development?
- Does the intervention use limited aid resources in an efficient manner?
- Will the impacts of a project/program and its benefits be sustained into the future?

## POVERTY AND POWER IN BANGLADESH AND THE PHILIPPINES

The empowerment framework provides a broad structure for evaluation but does not inform on the roots of poverty specific to each developing country. For this reason the discussion moves on to examine the relationship between power and poverty in Bangladesh and the Philippines, where the case studies are located. Bangladesh was selected for this research program as it is commonly recognised as one of the poorest countries in the world and at the same time is a major recipient of Japan's ODA. The Philippines was chosen because it is another of Japan's largest aid recipients and here the Japan International Cooperation Agency was trialing what for it was an innovative approach to community development. The discussion in this section is not a comprehensive examination of the roots of poverty in these two countries. Instead, I focus on why the poor lack socio-economic and political power, which is critical to understanding how poverty is created and reproduced. The relationship between gender and poverty is also described because two of the interventions in Bangladesh that are taken as case studies target women. Because the environmental impacts of the four interventions examined in the succeeding chapters are not so significant, I only touch briefly on the state of the natural environment in both countries. The psychological dimension of poverty requires no further elaboration and the discussion is confined to rural poverty as all the interventions evaluated were located in rural areas.

### LACK OF SOCIO-ECONOMIC POWER

Poverty is often thought of as resulting from a scarcity of resources. Sen (1982), however, has shown through a study of famines, including the 1974 famine in Bangladesh, that poverty arises not just because of insufficient resources but because poor people do not have the power to claim entitlements necessary for a reasonable quality of life. The argument that power is central to understanding rural poverty in Bangladesh is supported in a study commissioned by the Like-Minded Group<sup>7</sup> that concluded, 'Salient issues in the rural arena, important in determining the direction, flow, and utilisation of the rural resource base, include differential access, ownership and control of resources, the structure of rural power and privilege, linkages between local bureaucrats and village elites, and competition between vested rural and urban interests' (Ahmed *et al.*, 1990:4). In the Philippines, power and economic wealth are also closely interlinked; evidenced by the fact that 'out of the 228 elected senators and congressmen, all but a dozen are dollar-millionaires. Many are multi-millionaires, and their wealth, in many cases, is based on the ownership of land' (Pye-Smith, 1997:60). Reasons for why the rural poor in the Bangladesh and the Philippines lack socio-economic power are examined under the headings of landlessness, inadequate wage labour and inadequate government services.

<sup>7</sup> The Like-Minded Group consisted of Canada, Denmark, the Netherlands, Norway and Sweden.



### Landlessness

Access to, and control over, land is central to understanding rural poverty. As the principal means of production, land is used for growing crops or leasing out, and as security in times of distress. Land ownership is closely related to power and social status. Bertocci, in a study of two villages in the Comilla district of Bangladesh, found that even small differences in landownership were important determinants of class, status, lifestyle and power (cited in Wood, 1994). In the Philippines, Kerkvliet (1990:48) also noted a close correlation between the size of landholdings and the well-being of farming households.

The landholding patterns in the Bangladesh and the Philippines are quite different but both can be associated with widespread deprivation.<sup>8</sup> In Bangladesh, associated with land are three interrelated processes responsible for pauperisation, namely landlessness, fragmentation of farms and polarisation of ownership. Increasing landlessness is the result of rapid population growth and inadequate bases of household power for smaller landholders to draw upon in times of crisis.<sup>9</sup> In a country with the second highest population density in the world, pressure on resources is immense. Hye (1996:32) noted that 'even the most optimistic estimate of the growth rate in crop production can absorb only a quarter or half the increase in labour force', about 1.5 million people each year (UNDP, 1996:29). Accompanying rural population growth, the Islamic practice of multiple inheritance has resulted in increasing land fragmentation. The average size of landholdings decreased from 3.5 acres in 1960 to 2.0 acres in 1977 (Wood, 1994:118). Wood (1994:109) noted that by the end of the 1970s already over 30 per cent of rural households were landless and 48 per cent owned less than half an acre of land.<sup>10</sup> With a decline in productive capacity resulting from smaller landholdings, household vulnerability increases and, indeed, vulnerability is a feature of rural poverty. In the harsh physical environment that characterises Bangladesh misfortune is not uncommon. Comprised primarily of deltaic lowland through which some of the world's largest rivers flow over fragile soils, and situated in a monsoon belt that traverses the Bay of Bengal, Bangladesh is troubled by floods, droughts, frosts, cyclones and shifting river channels.<sup>11</sup> The destruction of productive assets and illness often forces small landholders, with little wealth or social networks to draw upon, to mortgage their land out (Ahmed et al., 1990:35). Surplus farmers,

<sup>8</sup> In Bangladesh, average farm size is very small and there are few very large landholdings, whereas in the Philippines a feature of the rural sector are *haciendas* or plantations, some of which cover more than 1,000 hectares.

<sup>9</sup> Although remarkable progress has been made in reducing the fertility rate, from 7.0 in 1970 to 3.3 in 1997, the population is expected to grow until around 2045 when it will be double its present number of just over 120 million (UNDP, 1997:6).

<sup>10</sup> It has been calculated that two acres of fertile land is necessary to sustain an average rural household of 5.5 people at a basic subsistence level (Wood, 1994:46).

<sup>11</sup> During my six months of fieldwork in Bangladesh, 60 per cent of the countryside was inundated by the most extensive floodwaters in recorded history, and a cyclonic storm on 22 November 1998 damaged large tracts of paddy.

on the other hand, are able to increase their surplus by extending credit to vulnerable neighbours who must put up their land as security. The *mahajan* (informal moneylender) is usually a surplus farmer (Wood, 1994: 46). When small landholders are unable to meet the high interest rates charged on informal loans, typically 10 per cent a month, they are forced to relinquish their land. Hand in hand with a fragmentation of holdings has thus been a polarisation of land in the hands of surplus farmers. By the end of the 1970s, 11 per cent of households owned 52 per cent of the land in Bangladesh (Wood, 1994:109).

Although the Philippines has only a third the population density of Bangladesh (*The Universal Almanac* 1997), the pattern of landholdings is far more skewed explaining why about 70 per cent of farmers are landless (David, 1991:41). Farms less than five acres in size comprise just over 50 per cent of the total agricultural land and are occupied by almost 3 million small farmers. In stark contrast, 11.5 per cent of the total farm land consists of farms ranging from 25 to over a thousand hectares and are typically the sugar and coconut plantations, formerly known as *haciendas* but now referred to as 'agribusiness corporations' (David, 1991).

In the Philippines the concept of freehold property rights was unknown before the period of Spanish colonisation and was first used by the church to acquire large holdings of the most fertile land. The process of dispossession of small landowners of their holdings has continued to the present day. In one village in central Luzon, Kerkvliet (1990:50) recorded that, whereas nearly all households owned land a generation ago, the number had dropped to one half by the late 1970s. Of the 86 households that had lost land, 31 had either been forcibly evicted by landlords or had accumulated such debt that they were forced to sell their plots (*ibid.*). New agricultural technologies have brought greater yields but also increased the vulnerability of poor households and have played a part in increasing landlessness. Tenant farmers have in some instances been pushed off the land by landlords and their labour replaced with mechanisation. For landlords, combining day labourers with mechanisation is cheaper than sharing the harvest with tenant farmers, with the added advantage that day labourers can more easily be dismissed (Kerkvliet, 1990:37). Small landholders and tenant farmers with no off-farm source of income or savings are in a particularly vulnerable position because at the beginning of each planting season they must borrow at high rates of interest to purchase the high-yielding varieties of seeds and requisite inputs that the government supports. In his study village, Kerkvliet (1990:48) recorded that many villagers drew parallels between farming and gambling, concluding that 'unless a farming family has additional income and several good harvests in a row, enabling it to stay ahead and avoid large debts, it is unlikely to live well'.

In Bangladesh, the average size of landholdings is already so small that redistribution would achieve little, whereas in the Philippines agrarian reform is widely recognised as necessary for a significant reduction in rural poverty to occur. Despite various land reform programs such as the Comprehensive Agrarian Reform Program launched in 1987, a concentration in landholdings occurred between 1960-1990 (Gerson, 1998). This should be of no surprise as the landed class are also the ruling class. David (1991:53) observed that during the Aquino regime some of the most influential advisers to the President made their fortunes through agribusiness.

### **Inadequate wage labour opportunities**

Because of growing landlessness in Bangladesh and the Philippines, and little prospect for significant land reform, wage labour has become an increasingly important means of livelihood. In Bangladesh, a stagnant rural economy combined with rapid population growth has meant the number of new jobs has not kept up with the increasing number of landless. The outcome is a decline in real wages. A study by Hossain and Hossain (cited in Hye, 1996:30) found that real wages, when expressed in terms of kilograms of rice per day, dropped from 3.60 to 3.29 between 1987-1990. As the number of effectively landless households has grown, off-farm employment as a source of livelihood has become increasingly important.<sup>12</sup> Both value added and effective demand are low, however, resulting in depressed incomes. During my fieldwork in Manikganj a male household head revealed that he was forced to peddle a rickshaw to maintain his household, an occupation recognised as detrimental to long-term health. His estimated average daily income was only 30-50 taka per day, the equivalent of about 2.0-3.3 kilograms of medium quality rice.<sup>13</sup>

The shortage of employment opportunities in Bangladesh is not simply a consequence of population growth but has been exacerbated through the unproductive use of capital by those farmers who are able to produce a surplus. Rather than invest in productive rural enterprises, wealthy farmers prefer to channel their surplus to leasing out land and trading which offer a higher return on capital. In this manner, surplus capital is employed in the sphere of exchange rather than production (Wood, 1994). Land leasing offers such a lucrative return because of the desperate position of the landless and their increasing number. Fierce competition for scarce land leads to interest rates of a magnitude that extract most of the surplus produced by those leasing in land. Consequently, tenants or share-croppers earn little more than if they were to sell their labour (Hye, 1996:28).

<sup>12</sup> Off-farm employment absorbs about 37 per cent of the rural work force and between 1990-1995 increased 14 per cent, compared with only five per cent for agricultural labour over the same period (UNDP, 1997:59).

<sup>13</sup> In August 2001, US\$1 = 57.4 Bangladeshi taka.

The Philippines has experienced a similar unproductive use of capital and the propensity of the ruling elite to spend profits on the conspicuous consumption of imported luxuries is well documented (Miranda, 1988:33). The massive drain on the Philippines economy because of debt servicing has also undoubtedly had a negative impact on job creation. In 1989, 44 per cent of the national budget was set aside for debt repayment (David, 1991:43). This drain on capital has continued to the present and helps explain why the unemployment rate of 13.9 per cent and underemployment rate of 25.1 per cent in April 2000 has not dropped significantly in the last decade (Bangla2000, 24/01/01).

### **Inadequate government services**

As the socio-economic bases of household power are weakened by high unemployment and increasing landlessness, government services become increasingly important to poor rural households. However, in both the Philippines and Bangladesh the rural poor can expect little assistance from government institutions. In Bangladesh, access to government services is determined by ability to pay, social status and political connections. Ability to pay refers to payment not of official fees but of bribes required for a minimum level of service. A UNICEF study (cited in Barkat, 1998:346-8) noted that to receive attention patients at state hospitals must pay bribes five to ten times that of official fees. Staff of government agencies have little incentive to improve the standard of service they provide. Instead, they have more to gain by providing poor service and seeking rent from those able to pay for better ministrations. Unequal access to government services is also a consequence of social status and kinship ties that underpin relationships between elites and government officials. Bureaucrats, prompted by a need to achieve distribution targets, prefer to work directly through rural elites, who are consequently able to appropriate resources disproportionate to their number (Hye, 1996:36). It should thus be of no surprise that in Bangladesh on average 20 per cent of villagers are unaware of any government services and that rural poor express 'an almost complete lack of confidence in local government' (UNDP, 1996:58). In the Philippines, rent-seeking by government agencies at the delivery stage of services may not be so rampant but the quality of services is hampered by widespread corruption in the higher ranks of the bureaucracy as well as fiscal stringency measures, both of which are discussed below.

### **POVERTY AND GENDER**

In any analysis of poverty in Bangladesh and the Philippines the vulnerable position of women must be recognised. In the discussion I focus on gender relations in Bangladesh because two of the interventions taken as case studies located in this country directly tackle the issue of women's

disadvantage. Nevertheless, it is necessary to acknowledge that women in the Philippines are also in a vulnerable position. The literature reveals: the vulnerable position of rural women that has led large numbers to migrate to cities and overseas; the vulnerable position of women involved in the sex industry, those working overseas as domestic help and 'mail order' brides; the low proportion of female parliamentarians; the poor working conditions experienced by women in the free trade zones; the impact that economic liberalisation will have on the livelihoods of poor rural women; as well as societies' unwillingness to acknowledge and address domestic violence (CEDAW, 1997; UNDP, 1998a).<sup>14</sup> Although the project evaluated in the Philippines did not target women, it was classified as 'gender specific' and this issue is pursued in the case study.

In Bangladesh, traditional gender roles differ greatly and the success of an individual is judged by their ability to fulfil these roles. Although there is no denying that traditional roles of women/girls have status associated with them, this does not prevent the widespread violation of women's basic rights. From a young age Bangladeshi girls learn that they are rewarded by working for others in the household, while boys are encouraged to engage in leisure activities during their free time. Thomson (1997:41) finds that 'while girls are often taught what they cannot do, boys are often free to explore what they can do'. Greater household expenditure is directed towards the well-being and future of boys explaining why the literacy rate for men is 37 per cent higher than that for women, why the mortality rate of girls between the ages 1-4 years is 12 per cent higher than that for boys, and why the life expectancy for women is shorter than that for men (UNDP, 1997:31). If a daughter falls ill she is less likely than a son to receive treatment by a medical practitioner (Kabeer, 1989:17-18).

The bounds to mobility set by purdah severely restrict the opportunities available to women in this Islamic country, but it is the practice of dowry that devalues them relative to men. Dowry is considered a form of compensation paid to the husband's family for accepting the bride who is seen as another mouth to feed (White, 1992). Payment of dowry by the bride's family places poorer households in a difficult position and often requires several years of saving or the sale of assets. A daughter leaving the family after her marriage not only takes family assets with her but is less able to provide for her parents in their old age. A son, on the other hand, will bring assets into the family through marriage, and will normally remain within his family's homestead. The payment of dowry also devalues girls who are considered less attractive. During fieldwork

<sup>14</sup> In other areas such as women's access to education (UNDP, 1998:134,152) and women's say in household decision-making, including budgeting decisions, women in the Philippines appear to fare better than those in many other developing countries (Cabaraban and Morales, 1998).

informants described a strong correlation between the dowry demanded and the looks of the bride-to-be: more dowry is required if a daughter has dark skin or a 'plain' appearance.

Marriage places Bangladeshi women in a similar position to that previously held in their natal family. The mother who once guided her daughters in appropriate behaviour is now replaced by the sharp eye of the mother-in-law. In addition to duties learnt from childhood, a wife must bear children to have any social status at all. If a wife is considered to fail in making the sacrifices associated with her role, her husband may feel entitled to beat her. Domestic violence against women is a widespread problem, recognised in the passing of legislation that seeks to protect them.<sup>15</sup> Dowry related deaths resulting from husbands beating their wives for bringing insufficient dowry to the marriage are frequently reported.<sup>16</sup> In addition to the violence they face, Bangladeshi women are more vulnerable to impoverishment than men. If a household suffers economic hardship, it is not so uncommon for the husband to abandon the family (Maloney, 1988:41).

Perceptions of appropriate modes of behaviour are changing, however, as more women are finding employment outside the home, particularly in the garment industry, and increased communications have resulted in an exchange of ideas originating from within and outside Bangladesh. The UNDP notes an increase in mobility for women, increased say in household decision-making and an increase in the mean marriage age (UNDP, 1997:32). Groups representing the advancement of women's interests are active in the capital city and elsewhere, while the broadsheets regularly run articles authored by local feminists. Government has pursued the rights of women through public policy by creating a Ministry of Women's Affairs and establishing 'Women in development focal points' in 33 ministries and departments (UNDP, 1997:32). For these reasons, there are no grounds for sustaining the argument that the subordination and victimisation of women in Bangladesh, even if seen as being part of culture, should be preserved.

#### **LACK OF POLITICAL POWER: DEPENDENCY RELATIONSHIPS AT LOCAL LEVEL**

Strong links exist between socio-economic power and access to political power in both countries. In Bangladesh, the patron-client nexus that has traditionally characterised relations of production is multifaceted, incorporating political as well as economic dimensions. Patrons, most commonly surplus farmers, provide employment and other benefits to those who are less well off and must sell their labour. During times of crises the patron may provide credit or assistance to clients and

<sup>15</sup> There is no need for sensationalism to prove this point. A study by Proshika (1995:33) found that out of 1790 households surveyed slightly above 10 per cent experience physical abuse against female members, and in over 95 per cent of cases abuse of the wife by the husband.

<sup>16</sup> Reported in *The Independent* (13/02/99), a husband tortured his wife in order to exact more dowry from his in-laws. When this failed he beat her to death.

during festivities clients will enjoy the benevolence of their patron. In return clients will commonly pledge loyalty to the politics of their patron and can be called on to support his endeavours.<sup>17</sup> Hence, 'a rich man's labourers are also his political retainers' (Wood, 1994:79).

Factions amass around more powerful patrons and form the basic political structure of a village. Village politics are thus characterised by vertical cleavages that cut across class, rather than horizontal cleavages based on class conflict. Consequently, class consciousness is not strong: the poor associate their interests with that of their faction rather than with those of other poor people. In a village there may be one or several contending factions which explains why 'Bangladeshi villages lack social cohesion' (Kockanek, 1993:18). Factions are normally led by wealthy landowners who gather the political support of the poor, themselves seeking benefits that association with the faction may bring. In a stagnant rural economy the faction becomes primarily concerned with ways to gain maximum access to limited resources, particularly the services of local government and development agencies. Means of doing so are for a faction member to gain an elected position on the Union Council,<sup>18</sup> through which government relief is usually distributed, or to foster direct links with local government officials. Poor people are encouraged/coerced to vote for a candidate who will represent the interest of their faction, rather than their class. Not only can elite villagers monopolise government services, they also control the *salish* or village court. Hence, 'it is rare for the courts to decide in favour of a poor peasant over a rich peasant, or for the weaker faction over the stronger' (Library of Congress, 1988). Perhaps most importantly, factionalism keeps the poor apart. As the majority in Bangladesh, the voice of the poor should be a major force in shaping national policy and development practice.

Social relations of production in the Philippines are not so different. The rural poor seek connections with surplus farmers, either patrons or wealthy kin, for employment, credit and assistance during periods of hardship. Wealthier villagers may readily provide some kinds of assistance to the poor but only do so in return for reciprocal support whenever it is required. Village factions or allegiances build up in this manner and are what shape local politics. During local elections the rural elite will direct the poor within their social networks to vote for those candidates most likely to advance their short-term interests. Rood (1998) notes that local elections

<sup>17</sup> Although a degree of compassion can be expected in patron-client relations, Wood (1994:25) advises against assuming this will outweigh pragmatic concerns of the patron as 'The participation of landlords and rich peasant moneylenders in the maintenance of rural order is a pragmatic, structural rather than ethical imperative'.

<sup>18</sup> The Union is the lowest administrative unit in Bangladesh. Members of the Union Council regularly use their position to advance the interests of their factions, a fact that is well recorded. Quite frequently reported in the broadsheets is the misappropriation of relief by Union Council members. One example is of a Union chairman accused of distributing part of the relief received on behalf of his village for victims of the 1998 floods 'among his supporters who helped him returning in the election' and keeping the remainder for himself (*The Independent*, 10/02/99).

are generally contested by the wealthiest families or their proxies securing votes through a combination of 'family ties, *utang na loob* (debts of gratitude), loyalty, and promises of jobs, payments, or other material benefits. If necessary they would also use threats and intimidation'. Development policy seems to matter little and Philippine politics tends to be very unstable with voters and politicians regularly changing parties or factions to improve their chance of gaining political power (ibid).

#### **LACK OF POLITICAL POWER: PATRONAGE AT NATIONAL LEVEL**

Strong links between local and national politics cannot be overlooked if the roots of poverty are to be correctly understood. In the national politics of Bangladesh patronage vies with policy in the allocation of resources. A flow of patronage exists from political parties and bureaucracy to the rural elite and onwards to their factions as power holders seek to maintain and expand their power base. This, rather than declarations of government to make poverty alleviation the country's number one priority, is what shapes the politics of Bangladesh, a fact summed up by neatly by Kockanek (1993:53):

In the absence of social cohesion, political consensus, strong ideological commitment or effective organisational structures, charisma, patrimonialism, and patronage have become the only mechanisms for building and sustaining political support.

The provision of credit is instructive. Government provides credit through nationalised banks at subsidised rates to its supporters and is prepared to overlook default. Quamrul Alam (1989:65) noted that in 1987 the government had been forced to free four of the worse defaulters as most large defaulters 'belong to a group of one hundred rich people [many of whom are] members of the ruling party'. The extent of such political patronage forces the UNDP to conclude:

At the top, political debate often reverts quickly into party confrontations - divisions that are mirrored in many other institutions, and can easily spill over into violence on the streets. While at the bottom, millions of people are marginalised by their poverty from genuine participation in national life (UNDP, 1997:35).

As in Bangladesh, when looking for the roots of poverty in the Philippines it is impossible to overlook corruption which remains prevalent, despite the past three regimes pledging to combat it by all means as part of their election platforms. Wolters (1991:68) neatly explains politics in the Philippines since World War Two as having 'revolved around the rent-seeking activities of the upper class, that is, the manipulation of the elections to get a public mandate for the pursuance of private economic activities yielding high rents'. In a similar vein, Hutchcroft (1997) describes the



political economy of the Philippines as one of 'booty capitalism', a view supported by the fact that 15 families own 55 per cent of the country's corporations (SGV News, July 2000). A World Bank estimate puts losses associated with corruption as equivalent to at least 20 per cent of the national budget, while the Ombudsman estimated that 100 million pesos<sup>19</sup> was lost daily (Batalla, 2000). Tax evasion is equally prevalent, estimated at US\$3 billion/year (Pye-Smith, 1997:60). The immediate impact of corruption on poverty is that resources are not delivered to where they can be used most effectively, or where they are most needed, but into the hands of wealthy families who have successfully curried favour with the incumbent regime.

### **THE INTERNATIONAL POLITICS OF POVERTY**

Because Bangladesh and the Philippines are countries that have little clout in international forums and burdensome foreign debts, it is impossible to ignore the nexus between their international relations and poverty. As countries also relying on the export of agricultural commodities that have faced declining terms of trade since the early 1970s,<sup>20</sup> it has been difficult for Bangladesh and the Philippines to produce a current account surplus; something that is desperately needed if they are to service their foreign debt. Although debt repayments in Bangladesh increased over six-fold between 1976-1993, total outstanding foreign debt also increased by the same magnitude (ADB, 1994:68-9). By 1998, Bangladesh's external debt had reached US\$16 billion, nearly four times greater than that in 1980 (J2C, 2001). The desperate position of the Philippines in having to service a foreign debt that absorbed almost 50 per cent of the budget by the end of the 1980s has already been mentioned. A decade later the situation had improved little: for every US\$1 received as ODA in the form of grants the government was paying out US\$28.08 in debt servicing (J2C, 2001).

Foreign debt and poverty are intertwined. In order to comply with IMF requirements to produce a budget surplus, governments in the Philippines have embarked on a plan to cut spending on social services across the board. In 1998, the government signed an agreement with the IMF pledging to turn the budget deficit into a surplus and later resolved to decrease non personnel government expenditure by one quarter. Oxfam (1994) found that government spending on health per capita was lower in 1992 than a decade earlier, and that for the period 1990-1993 the share of the budget allocated to health spending had declined from 3.4 to two per cent. By the end of the decade, the government was spending more on debt payments than on health and education combined (J2C,

18/01/01). The situation in Bangladesh is also chronic where the government spends the same amount on debt servicing as on public health (ibid.).

Perhaps of even greater significance for the poor than a reduction in public services have been the broader economic prescriptions of the structural adjustment programs designed by the World Bank and IMF. The solution to the Third World debt crisis of the early 1980s presented by the two Bretton Woods institutions was based on neoclassical economic tenets, which held that a policy of export-led growth combined with trade and financial liberalisation would be sufficient to produce current account surpluses. Bello (1999) concludes, however, that the outcome of these packages was much different than that intended: 'structural adjustment caused economies to "fall into a hole," wherein low investment, reduced social spending, reduced consumption, and low output interacted to create a vicious cycle of decline and stagnation, rather than a virtuous circle of growth, rising employment, and rising investment, as originally envisaged by World Bank-IMF theory'. Compelled to accept structural adjustment programs which they had little say in designing, and with little clout in the major global development forums, developing countries were forced to surrender protectionist measures at home but have not been rewarded with a significant reduction of tariff and non-tariff barriers in industrialised states. Poor Filipino farmers have found themselves unable to compete with the imports of multinational agribusiness corporations that have a huge technological advantage, while being uncompetitive in overseas markets where tariffs remain very high.<sup>21</sup> CAA/Oxfam (2000) estimated that the income for Philippine corn farmers would be 30 per cent lower than at present by 2004 because of the importation of heavily subsidised corn from the US. In these circumstances it is no wonder that the 1999 Trade and Development Report of UNCTAD concluded that 'The predicted gains to developing countries from the Uruguay Round have proved to be exaggerated... Poverty and unemployment are again on the rise in developing countries.... Income and welfare gaps between and within countries have widened further' (cited in Khor, 2000).

An additional concern with the prescriptions of structural adjustment is that the health of the natural environment in many developing countries has been forsaken in the endeavour to attract foreign direct investment. Those who suffer most tend to be the rural poor whose livelihoods are built on the sustained use of natural resources. This is readily apparent in the Philippines where many examples of mineral exploitation and large-scale infrastructure and industrial development

<sup>19</sup> In August 2001, US\$1 = 51 pesos.

<sup>20</sup> Taking Bangladesh as an example, from a base year of 100 in 1977, terms of trade had declined to 83 by 1993 (ADB, 1994:66-7). Between 1973-1983, the buying power of Bangladesh's exports almost halved (Wood, 1991:19).

<sup>21</sup> Khor (2000) explains that under the Agricultural Agreement of the Uruguay Round of GATT a reduction in tariffs on agricultural imports into industrialised countries of on average 36 per cent by the end of 2000 was agreed to, but because tariffs were already very high in many instances this did not make a significant difference. For example, the tariff on sugar in the US was 244 per cent, beef in the EU was 213 per cent, wheat in Japan was 353 per cent and butter in Canada was 360 per cent.

have served to further marginalise impoverished households. Because of fiscal stringency measures that are part of an agreement with the IMF, funding to the Department of Environment and Natural Resources has been reduced, marring its ability to police illegal logging. In order to increase foreign exchange reserves, one objective of structural adjustment, the government was considering a proposal to lift the ban on the export of logs but was persuaded not to by opposition groups. Illegal logging is considered to have played a key role in reducing the size of Philippine forests from 16 million to 700,000 hectares (Friends of the Earth, 2000). The IMF also pushed for the removal of restrictions on the participation of foreign corporations in mineral exploitation. The Philippine Mining Act was passed in 1995, allowing 100 per cent foreign ownership of corporations involved in the extraction of mineral resources, contravening the Philippines Constitution which in 1987 had limited foreign ownership to 40 per cent (ibid.). It is no coincidence that in the same year the new law was passed, the Mines and Geosciences Bureau received an 80 per cent increase in its budget. Hutchcroft (1997) describes the consequence of these policies as 'the ongoing marginalisation of indigenous peoples, tremendous concentration of land ownership, and environmental degradation'.

As Bangladesh has not proved so attractive to foreign investors environmental degradation has not been of the same magnitude. Nevertheless, of concern are rising global sea levels associated with the use of fertilisers and pesticides required by the high yielding seed varieties; with flood protection works that restrict the migration of fish and deposition of alluvium that enriches the soil each year; with irrigation responsible for lowering water tables; with unsustainable fishing and logging practices; and with desertification of north-western parts of the country because of water removed by India from the Jamuna River at Farakka Barrage (UNDP, 1997:23).<sup>22</sup> In seeking to explain the roots of poverty in Bangladesh and the Philippines it is impossible to ignore the nexus between poverty, environmental degradation, burdensome foreign debts and the lack of clout the two countries have in international forums.

### **EMPOWERMENT AND THE LIMITS TO BILATERAL AID**

Thus far in this section I have examined the forces and structures responsible for creating and reproducing poverty in the two countries in which fieldwork was undertaken. Ideally, foreign aid would be used in the most effective manner to tackle the array of problems I have identified.

<sup>22</sup> Examples of environmental degradation were often reported in the broadsheets during my term of fieldwork. *The Independent* (29/01/99) reported that chromium levels in the Buriganga River had reached a 'near danger level' because of the discharge of untreated effluent from nearby tanneries. Arsenic poisoning of groundwater has affected 16 districts and while disagreement exists over the cause, it appears most likely the result of oxidation of natural occurring arsenic as a consequence of lowering the water table (*The Independent*, 8/02/99). A study undertaken in 1991, quoted in the *Bangladesh Observer* (17/01/99), found the average level of lead in the blood of 93 randomly chosen rickshaw riders in Dhaka was 53 micrograms per decilitre, over twice the level considered safe by the World Health Organisation.

However, bilateral aid is constrained by the fact that, by definition, it is government to government aid. As I have attempted to show, poverty has economic, psychological, social and political dimensions. It is much easier for a bilateral donor to be involved in the first three of these dimensions than it is in the last. Aid donors are faced with the problem that power in the political sphere is a zero sum game: for someone to gain power, someone else must lose it. The same problem does not present itself in the economic sphere because the real income of a rich and a poor person can both expand if an economy is growing. Similarly, in the psychological sphere someone can feel they have greater control over their destiny, without taking away a sense of control from others. It is not so easy, however, to view decision-making processes as this kind of variable sum game. In Bangladesh, for example, for the rural poor to gain a greater voice in the village courts, the village elite must relinquish their control. Likewise, for the concerns of the poor to affect nation decision-making, the concerns of big business may have to give way. Any challenge to existing power structures is bound to face strong opposition and hostility.

A constraint facing bilateral aid donors is that their potential to challenge power structures in aid-receiving countries is very limited. Bilateral aid agencies must negotiate with existing regimes, even those that do not give high priority to the needs of the poor. Bilateral donors can of course channel aid funds through non-governmental organisations and, indeed, this is becoming more popular. Even in these instances, however, the diplomatic function of ODA deters donors from seeking out interventions likely to upset recipient governments. In the evaluation of aid interventions it is thus not only important to understand why poverty exists but also the constraints donors face in tackling poverty. I will raise this issue again in the case studies in those instances when the interventions being evaluated ignore the politics of poverty.

### **PRACTICAL ISSUES OF USING EMPOWERMENT IN EVALUATION**

The chapter thus far has created a framework for evaluation from the perspective of poverty reduction and has positioned this framework in the contexts of rural poverty in Bangladesh and the Philippines. In this section I wish to highlight a number of practical issues regarding how empowerment is used in evaluation.

I have argued that ultimately all development interventions should be assessed in terms of their impact on impoverished households and vulnerable individuals within the household. This does not mean, however, that household or individuals should always be used as the primary units of analysis in evaluation. In practice, this is often not possible or even appropriate because at the time of the evaluation the impact of the project may have yet to be felt at the household level. To take

the construction of a road bridge as an example, the immediate outcome of the project could be a reduction in travel times and fuel costs. If the evaluation of the bridge takes place soon after its construction and a change in the local economy is yet to occur, then there is no point in using the household as the primary unit of analysis. Instead, the immediate outcomes of reduced travel times and fuel consumption may be all that can be measured. Appropriate units of analysis in this instance might be transport companies and businesses relying on transport.

For the four interventions assessed in this research program the unit of analysis used is not always the household because at the time of the evaluation the outcomes of the intervention were not affecting the household. Moreover, some of the interventions were not targeting households directly but were seeking to build and strengthen institutions, such as cooperatives, that households could draw upon. In these instances it is the institutions that the project is targeting that are the most appropriate units of analysis. Nevertheless, impoverished households or individuals should always be the *primary points of reference* in gauging the impact of a project on poverty. This applies even in the example of the construction of a road bridge. The ultimate question that the evaluator must consider is whether the construction of the bridge is likely, and the most effective/efficient way, to contribute to the empowerment of the poor. A strong link between evaluation and development theory thus exists, for it is theory that must be called upon to predict impacts at the household level when these cannot be observed.

A distinction must be made here between *outcome* and *impact*. Outcome refers to the immediate effects of an intervention, whereas impact describes the long term effects of a project on development. To measure the process by which outcomes are translated into impacts the terms *first round*, *second round*, *third round* and so on are sometimes used. In the example of a cottage industry scheme, a first round effect might be greater disposal household income and second round effects might include improved diet and higher school enrolment rates. The evaluation of impacts becomes more difficult the higher the 'round' because it becomes harder to correlate changes in the livelihoods of the poor with the outcomes of the project.

A further consideration is that all evaluations will have to address issues specific to the intervention under study that cannot be included in a general framework for evaluation. In the case of the construction of physical infrastructure, a technical review may be deemed an important part of the evaluation. In the funding of a basic literacy program, such a review is obviously unnecessary. It is clear that a specific set of questions must be established for each intervention. The empowerment framework created in this chapter should thus be seen as *guiding* the

construction of these specific questions when the intervention is to be assessed from a poverty perspective.

To address all the questions listed in Figure 2.2 requires a wide range of information that often cannot be collected within the constraints the evaluator faces. Due to time and financial constraints, as well as human resource limitations, evaluations will always be less than what is most desirable. An important component of any evaluation is thus to point out the limitations of the evaluation itself, something which I have attempted to do as part of each case study. It must also be recognised that few interventions seek to address the range of issues raised in the empowerment framework. In the case of a road bridge, the objective of the intervention might be to improve the local economy and thereby increase employment. Other factors responsible for creating poverty, such as the exclusion of the poor from local politics, fall outside the projects scope. The task of evaluation should thus be seen as firstly to assess the degree to which the intervention has achieved its objectives and secondly, whether in doing so it is sufficient to lead to a sustainable reduction in poverty. If the scheme is found to use limited resources efficiently and in the most effective manner to enable poor households to empower themselves then it must be commended. Continuing with the example of the road bridge, the fact that households might still have insufficient say in local politics would be recognised as a limitation of the scheme but should not be a criticism of it. It is important to appreciate that aid resources are limited and will seldom be sufficient to tackle the full array of obstacles that poor people face.

## **METHODOLOGY USED IN THE CASE STUDIES**

Once these practical issues are understood it is possible to address the question of what methodology is most appropriate. The broad features of the methodology used during fieldwork are introduced here, though methodology is also discussed as part of each case study to highlight the specific sources of information drawn upon. Prior to fieldwork I undertook a broad review of evaluation techniques and decided to use semi-structured interviews of individuals and groups participating in the projects/programs, interviews of project staff and other interested parties, and to draw upon available secondary sources of information. Another option, especially for the first two case studies, was to undertake surveys based on statistical sampling. However, this was soon disregarded because it would have consumed too much time, thus limiting the number of case studies, and also because the approach was not so suited for someone in my position who was undertaking field investigations in localities visited for the first time. Using a questionnaire does not allow the flexibility that is required to incorporate new issues learnt by the researcher during interviews. Moreover, whereas open ended questions can be asked in semi-structured interviews



allowing participants to respond using their own words, surveys don't allow this because of the need to code responses. Adams and Megaw (1997:223) insist that 'The best questionnaire is the one you write when the questioning is done: until then, you are always learning, always poised to abandon your frail understanding'. This is not a rejection of surveys as a valid form of data collection. Rather, semi-structured interviews were considered a more useful technique because of the flexibility they permitted and that they allowed participants to respond as they felt fit, providing much richer information than coded responses.

Semi-structured interviews were conducted at a time of day that suited participants, usually in their homes and generally lasted between one and two hours. Follow-up interviews were conducted on occasions when clarification was sought of earlier statements. Prior to each interview I drew up checklists to ensure that the major issues I hoped to cover were not missed. However, participants were given room to speak at length on topics they wished to pursue. Answers were recorded on paper but the time this involved did not interfere with the natural flow of the interview as I often took notes while the next question was being translated. A male translator was employed for the first two case studies in Bangladesh and my initial concern was that he might choose to filter the responses of participants or mix his opinions in with these. Fortunately, my fears were allayed by the pride he took in providing literal translations. An additional concern was that women, particularly in Bangladesh where interaction with an unknown male is heavily guarded against, would be reluctant to speak with me. Although it would appear that local women are likely to discuss sensitive issues most openly with local female researchers, Scheyvens and Leslie (2000) present cases where local women in Third World communities have reacted very positively to outside male researchers. As an example, Lagisa (cited in Scheyvens and Leslie, 2000) found that women he interviewed in Lihir, Papua New Guinea 'responded a lot more openly' than he had thought they would, perhaps because they saw him 'as an authority figure, as someone with access to authorities, who could help to alleviate the problems they faced'. I too was initially surprised that the women I interviewed were generally very open and willing to discuss a wide range of issues. I can only speculate that this was because they were comfortable with the way the interviews were conducted, that they were used to discussing their development options with male staff of the development agencies being studied and that they may have thought I could influence these agencies.

The other sources of information drawn upon also contributed greatly to the case studies. Secondary data was provided by the implementing organisations, which were all very welcoming of the interest I showed in their activities. Other independent research of the interventions was called upon where this existed, allowing discussion on issues that could not always be addressed

with primary information. Interviews with academics and staff of other development organisations in Bangladesh and the Philippines, informal discussions with villagers who were not taking part in the projects/programs under study and direct observation of the interventions and how participants interacted with project staff were other important means of gaining an understanding of impacts.

#### **UNDERSTANDING THE SETTING IN WHICH INFORMATION IS GIVEN**

Regardless of the technique used in data gathering, constant reflection is required to assess the nature of the information that is provided. Having a broad understanding of the socio-economic context in which interviews take place is important to know whether information that is given can be taken at face value. For this study care had to be taken with information received both during interviews of staff of the implementing institutions as well as locals participating in their projects/programs. With regards to the former, staff may be concerned to portray a positive view of the projects/programs being studied and this was an issue I had to consider in all four case studies.

In the study of the Grameen Bank I was concerned that fieldwork would be of a showpiece branch office, that is, a branch selected for showing off to visitors from abroad, if indeed such branches did exist. This concern was somewhat misplaced as I was provided ample opportunity to have input into selecting a branch and I was also given the opportunity to extend my research to include other branches. At branch level there is also a high likelihood that staff will direct the attention of the researcher to 'success stories', that is, those borrowers who have used bank loans most productively. A number of studies have addressed the issue of less successful borrowers and their findings will be discussed to compensate for some bias that can be expected in the selection of borrowers as key informants in this study.

In the second case study of the Japanese NGO Shapla Neer, documentation revealed that the organisation has proven to be open to self-criticism. A survey commissioned by Shapla Neer in July 1998 that points out shortcomings in a number of the organisation's programs was made available to me, revealing the relative openness of the organisation. Japanese staff were generally very frank in answering questions, though some local field staff were more reserved, no doubt a consequence of staff unrest. The choice of which Shapla Neer societies I studied was partly in the hands of local staff who decided on a day-to-day basis which staff member it would be most convenient for me to accompany. The performance of these societies is in no way exceptional and there is thus no reason to believe that staff attempted to direct me towards more successful societies.

The principal informants for the study of the Model Rural Development Project were Japanese volunteers who presented a rich pool of information as they worked directly with villagers participating in the project and spoke the vernacular. The volunteers I interviewed proved to be very earnest in their desire to make a contribution to local development and thus were keen to discuss aspects of the project that others involved in managing Japan's ODA program may have considered too sensitive.<sup>23</sup>

In the final case study of the Training Services Enhancement Project in the Philippines, the Japanese experts interviewed were very open in giving their opinions and willing to express their frustrations. Their Philippine counterparts portrayed the project in more rosy terms, perhaps because they were concerned not to upset the Japan International Cooperation Agency which provided the bulk of funding. In all four case studies, being aware that the implementing institutions might wish to portray a favourable image of their activities was a starting point for examining the type of information given during interviews.

Information provided by those participating in the interventions also needs to be treated with a degree of circumspection. In Bangladesh and the Philippines, high social status is generally ascribed to foreigners of European descent who are assumed to be well-connected and to possess much wealth. In all four case studies the participants may have thought that because I was in regular contact with project staff I could influence the organisation being examined. During interviews attention had to be paid to the possibility of participants giving strategic responses designed to promote their own interests, rather than responses based on their actual perceptions or experiences. Using a variety of information sources to validate the kind of information that was provided was one way of identifying when this occurred.

Evaluation depends not only upon the quality of information that is gathered but also the ability of the researcher to correctly interpret this. When people of different cultures come together misunderstandings are to be expected, which raises the question of whether the First World researcher can truly understand, or claim to represent, the interests of those in the Third World. Taking as an example my interviews with poor rural women in Bangladesh, the potential for misunderstanding might even appear insurmountable. Affecting my world view is an upbringing as a white male from a middle class background in an urban, industrialised society, with a western education. In stark contrast, the women I interviewed were familiar with life in a subsistence rural economy, had seldom travelled beyond the bounds of their village, could not afford the luxury of a

<sup>23</sup> A booklet detailing the role of the Japan International Cooperation Agency office in Dhaka presents the project in a

formal education, and held values founded in religions and a cultural setting far different from my own.<sup>24</sup>

Although different life experiences and world views do not make cross-cultural or cross-gender research a worthless endeavour as some post-modernists might have one believe (Wolf, 1996), steps must be taken to overcome misinterpretation. A willingness to learn and to surrender one's assumptions is a strong basis from which to appreciate the value systems and life experiences of others. Being passionate about the issues being addressed can also help in providing the energy required to reconsider arguments and to pursue new leads as they arise. Scheyvens and Leslie (2000:129) rightly conclude that,

Genuine respect for local people and customs, flexibility in the research design, a sense of humour, and a willingness to share one's own experiences and knowledge with research participants, are all critical if cross-cultural and cross-gendered understanding is to be enhanced through the research process.

Here, an analogy can be drawn with a blank blackboard: the researcher writes his/her conclusions on the board but has a duster and chalk ready to wipe out previous conclusions and write new ones whenever necessary. By passing the chalk to those being interviewed representation becomes possible by allowing them a role in filling in the blackboard.

### **THE ETHICS OF RESEARCH IN THE THIRD WORLD**

The relationships between the researcher and impoverished peoples should not be romanticised, however, as they include a power dimension that usually favours the former (Adams and Megaw, 1997), especially in the study of impoverished communities (Wolf, 1996:2). Chambers (1997:94) explains that,

In questionnaire interviewing, power and initiative lie with the interviewer. . . . The status of the interviewer is shown by clipboard and paper, and often by clothing. . . . Respondents are sometimes intimidated, fearful and deferential.

Nevertheless, the study of Third World communities by First World researchers does not have to be a disempowering experience for the latter. Again, attitude and the manner in which researchers conduct themselves would appear to play a critical role. If the researcher is genuinely interested in the lives and well-being of participants and shows he/she values the information that is given then it is more likely the research experience will be rewarding for both participants and the researcher.

very positive light, avoiding various shortcomings that were described to me by the volunteers.

<sup>24</sup> As an example of the difference in experiences of myself and locals, while undertaking research in Bangladesh on the Japanese NGO Shapla Neer villagers inquired whether I was Japanese or not, despite my blond hair and European parentage.

Adding weight to this argument, at the end of interviews I apologised to participants for taking up so much of their time but quite commonly heard that they were happy that I had shown so much interest in hearing of their experiences. When poor people are aware that the researcher has travelled from afar specifically to talk with them it can add to their sense of self-esteem (Scheyvens and Leslie, 2000). Moreover, efforts can be made to reduce power imbalances such as living locally during the period of research, using local transportation, and eating at local stalls/eateries, all of which may place researchers in circumstances that may be awkward for them, but in which locals can feel in control or at least comfortable. In addition to adopting these strategies, at the end of interviews I asked participants if they had any questions they would like to ask me as a means of allowing them the opportunity to take the initiative. I found this to be quite unpredictable and was asked a range of questions from how I would use the information I had been given to what the roles of rural women were in my home country. Chambers (1997) suggests the strategy of 'handing over the stick' by asking participants to teach the researcher local skills as another means of showing appreciation of the knowledge of local residents.

Such techniques, however, should not be applied merely as a cosmetic to paint the research process as ethically correct; ultimately it will depend on how the information given is used as to whether it was worth participants giving this information. In rural settings in the Third World, the outside researcher asks locals to give up their valuable time for his/her interviews, records information for purposes that the interviewee may be unsure of, and may give nothing back in return while advancing his/her own career. The ethics of research in the Third World by young western researchers solely in pursuit of tertiary qualifications, described by Reinhartz (cited in Lather 1988:120) as 'rape research', has rightly been questioned. Adams and Megaw (1997:219-20) asks researchers to

consider the interests and needs of those we interview or work with, and the micro politics of the local situation. . . . Is the research going to help the rural poor against richer neighbours, or vice versa? Is it going to be useful to anyone at all, and if not are you willing to explain this to those you seek information from?

In some cases participants may be satisfied that the information they are giving will only be used for education purposes, but this is less likely for impoverished peoples who are desperately seeking to improve their living conditions. The poor may wish the researcher to take on the role of advocate. When poor villagers in Bangladesh asked how I would use the information they had given they were pleased when I answered I would bring their concerns to the attention of development agencies: they might have been less than impressed if my only intention was to write a thesis and to know that most likely this would be read only by a handful of people. In research programs which involve case studies of development programs, a concrete step that can be taken is

to send a report to the development agency involved and other interested parties. After completing fieldwork I wrote reports on the case studies for a number of organisations, especially the implementing institutions, and hope that in some small way this will mean that the time and information participants gave me was worth their while.

### **REMAINING THE PASSIONATE BUT INDEPENDENT OBSERVER**

Finally, it is important to consider how the relationship between the researcher and the institutions being studied might affect the presentation of research findings. If the implementing institution provides the researcher with a degree of insulation from the difficulties of living in a developing country it is possible that he/she will look upon the institution favourably which could then unwittingly affect the assessment. The local NGO or government agency might provide an air-conditioned office, computer facilities, comfortable transportation, lodgings and entertainment, or bias could arise simply because of the positive relationships that might develop between the researcher and staff who share similar interests, language and educational backgrounds. Of the two countries in which I undertook fieldwork, Bangladesh can present a particularly challenging environment to conduct research in because of the novelty for local residents of seeing a Caucasian, making it difficult to find private moments; the heavily spiced food; the very basic infrastructure; the high population density; severe air pollution in the capital city; and the heat and humidity. Although I arranged most of the logistics for fieldwork independently, I did receive some assistance from Japan's aid agencies and the local development organisations being studied while in Bangladesh and the Philippines. Periodic reflection on the nature of the relationship between the institutions involved and myself was thus necessary during the period of fieldwork in order that the assistance they provided was not allowed to affect the research findings.

### **CONCLUSION**

The objective of this chapter was to develop a framework and the understanding to assess the four interventions selected as case studies. Empowerment was chosen over other conceptual tools for constructing this framework because it immediately acknowledges that poverty is the result of the powerlessness, not just scarcity, described so clearly by poor people themselves in its economic, social, psychological and political dimensions. The concepts of efficiency and sustainability, important concerns for all aid interventions, were added to complete the framework. An examination of the relationship between power and poverty in Bangladesh and the Philippines followed as this was essential to understand the contexts in which the case studies are located. Thereafter, a number of practical issues were raised including the distinction between outcomes and impact, as well as how the units of analysis chosen will depend on when the evaluation is

undertaken and the nature of the intervention. Lastly, a description and retrospective view was provided of the methodology used in the case studies. The next chapter tackles a very different subject matter, the political economy of Japan's ODA program, before the thesis moves on to examine the four interventions funded by Japan that were evaluated.

## CHAPTER THREE

### **THE POLITICAL ECONOMY OF JAPAN'S ODA**

#### **INTRODUCTION**

One of the primary objectives of my research is to gain an understanding of the impact of foreign aid interventions on poverty. In Chapter Two I attempted to create a framework that could be used to evaluate aid interventions from the perspective of poverty reduction. As explained in the introduction, however, the central question of whether the form of aid an individual donor state advocates is appropriate to the needs of recipients should not be considered in isolation from the politics of aid. A rigorous assessment of any particular aid project or program must also ask why such aid was extended in the first place, a question which itself may explore a range of issues such as donor motives, the nature of the donor-recipient relationship, as well as development and aid philosophy in the donor state. If aid interventions are judged to be inappropriate or less effective than other forms of aid, it is only by understanding the multiple contexts in which aid programs are framed that the likelihood of aid reform can be fully appreciated.

In this chapter I firstly provide a brief description of the major features of Japan's aid practice, philosophy, policy and administration. The question of how Japan's aid program can be correctly interpreted is next addressed.

#### **TRADITIONAL CHARACTERISTICS OF JAPAN'S AID PROGRAM**

A necessary backdrop to this study is a description of the broad features of Japan's ODA. These are discussed below but for sake of brevity implementation procedures and a detailed description of the many separate aid types are not given as these can readily be found in official documents.

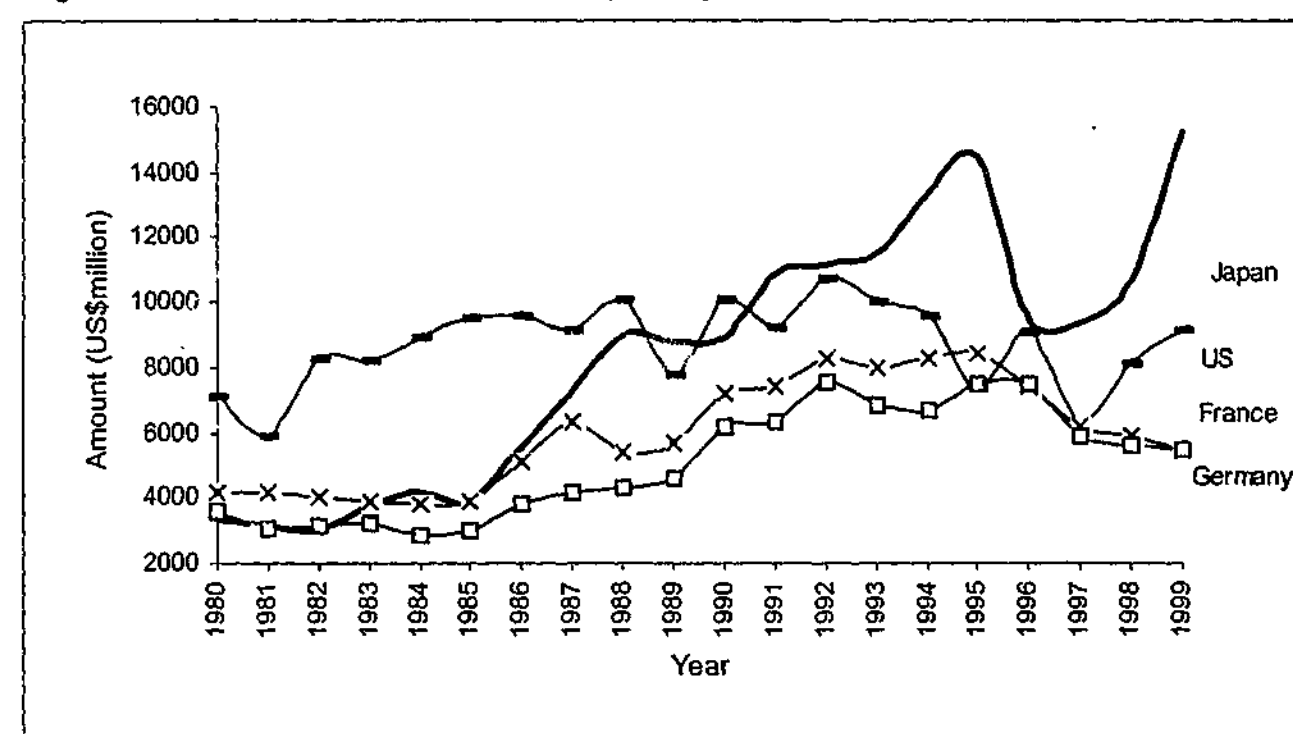
#### ***LARGE IN SIZE BUT LOW IN 'QUALITY'***

Japan's ODA program is distinguished by its massive size and reach. In 1989, Japan overtook the US to become the world's largest aid donor and has retained this position throughout the 1990s. In 1998, Japan disbursed US\$10.732 billion in ODA, contributing one fifth of the entire aid disbursed



by all 23 DAC members (MoFA, 1999a). By the mid-1990s Japan's on-going economic recession had led to a slight paring of the aid budget, but recent governments have reaffirmed their support of Japan's prominent position as the world's largest aid donor. Whereas a decline occurred in total ODA flows between 1991-1998 of all DAC members of almost 12 per cent, Japanese annual ODA disbursements decreased over the same period by a little under three per cent (see Figure 3.1.). The East Asian currency crisis gave a boost to the aid program and in 1999 annual disbursements were at an all-time high. The significance of Japanese aid flows relative to other bilateral donors can best be appreciated when broken down on a country by country basis. Revealing an increase in the significance of Japanese ODA, the list of countries to which Japan is the largest donor expanded from 28 in 1990 to 55 in 1997 (MoFA, 1999a). In the same year, Japan was the second largest donor to an additional 25 countries (ibid.). Figure 3.1 traces the aggregate flow of Japanese ODA and that of other major donors over the last two decades.

Figure 3.1: Trend in ODA disbursements for major donors



Source: Figures from MoFA 1993, 1997a, 1998a, 1999a, DAC Press Release 12/05/2000.

When aggregate ODA disbursements are compared with GNP the volume of Japanese aid flows are not as outstanding as they might first appear to be. The net annual flow of Japan's ODA as a percentage of GNP remains well below the OECD target of 0.7 per cent as does that of most other DAC members. In 1998, Japan's ratio of 0.28 per cent stood slightly above the DAC average, almost the same as it was 20 years earlier (MoFA, 1999a). When ranked against other DAC members according to this ratio, Japan's position improved from fifteenth in 1996 to twelfth in 1998 (MoFA, 1997; 1999a).

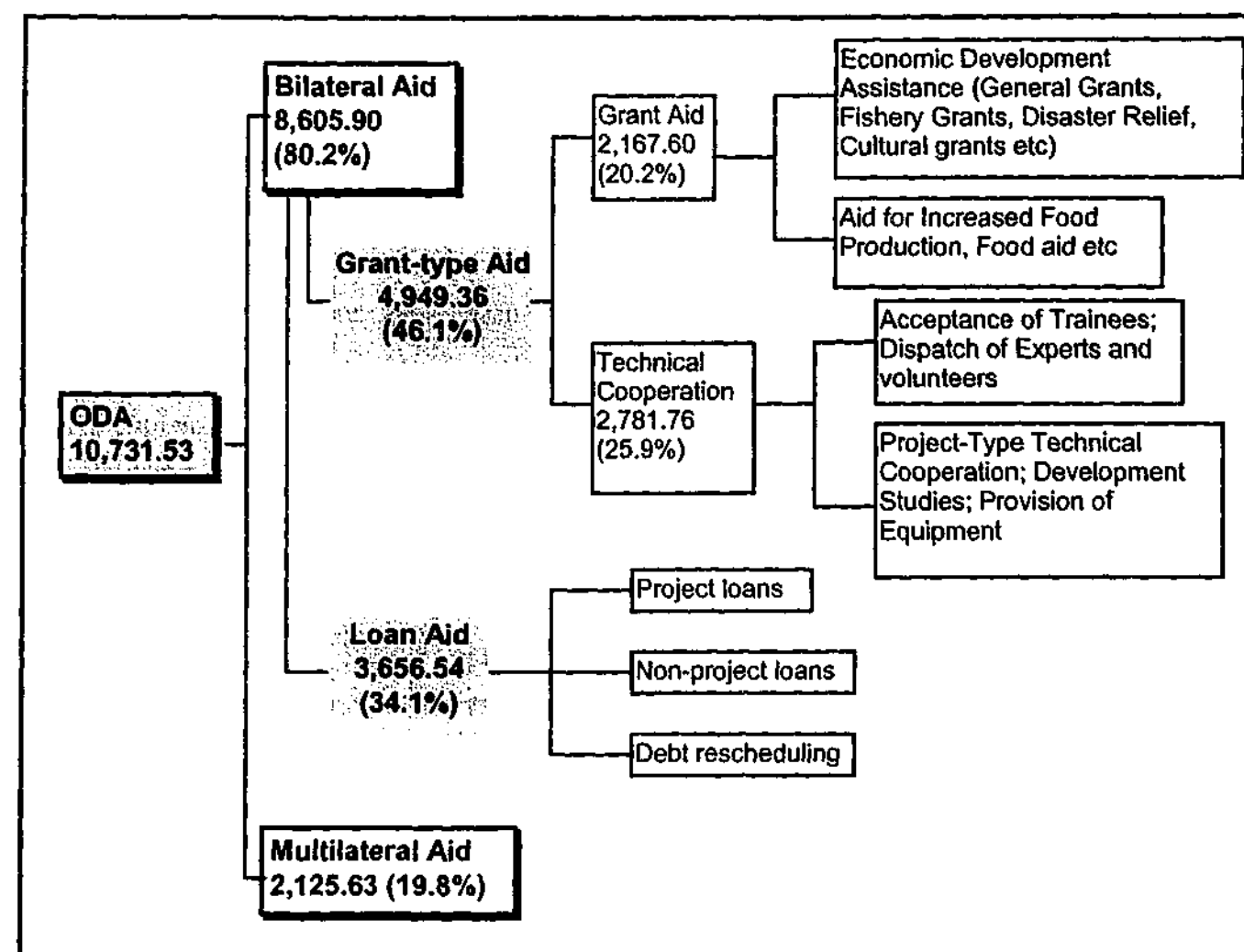
Although Japan's aid program is larger than that of other donor states, it would be erroneous to assume that it is carrying the greatest burden in providing development assistance. The term 'aid quality' is commonly used to describe the degree of economic sacrifice borne by the donor in extending a certain quantity of aid. The greater the concessionality of a specific volume of aid, and the less it is tied to the procurement of donor commodities, the greater its quality is said to be, regardless of impacts. When measured in these terms Japan's ODA has consistently lagged well behind that of other DAC members. Japanese ODA remains the least concessional of all bilateral donors. When ranked in terms of the two common aid quality indicators, grant share of total aid and grant element (a measure of the degree of overall concessionality), Japan has regularly been positioned at or near the bottom of DAC tables. In 1996, only 39.6 per cent of Japan's bilateral aid was extended in the form of grants which compared with a DAC average for that year of 77.8 per cent (MoFA, 1999a). For the same period Japan's grant element stood at 78.6 per cent, lower than any other country, compared with a DAC average of 91.9 per cent (ibid.). One other frequently cited indicator of aid quality is the degree to which aid is tied to the procurement of goods and services from the donor state. In contrast to other aid quality standards, Japan's record of tied aid has shown considerable improvement in official statistics since the late 1960s when all of Japan's aid was completely tied.<sup>1</sup> The share of procurement orders of Japanese ODA loans won by developing countries has been steadily increasing and was reported to be about 60 per cent in 1995 (MoFA, 1996). Not all commentators are convinced that Japan's ODA has been delinked from its corporate interests to the degree these figures suggest, however, and this issue will be taken up in the interpretation section of this chapter.

### THREE MAJOR BILATERAL PROGRAMS: TECHNICAL ASSISTANCE, GRANTS AND LOANS

The most common aid typologies are to distinguish between bilateral and multilateral aid, to separate bilateral aid into grants, loans and technical cooperation (the latter describing the dispatch of experts and acceptance of trainees), and to distinguish between program and project aid. Figure 3.2 (overleaf) depicts the major categories of Japan's ODA using this breakdown. Of the total amount of Japanese ODA dispersed in 1998 about 80 per cent was bilateral assistance directed through governments in developing countries and the remainder was multilateral aid extended to UN organisations and development banks. Until recently the amount Japan allocated to multilateral organisations was consistent with the DAC average of about 30 per cent, but by 1998 the proportion had dropped to just under 20 per cent (MoFA, 1999a).

<sup>1</sup> Recently, new forms of tied loans have been created and this issue will be discussed in Chapter Eight.

Figure 3.2: Japanese ODA by type (1998 figures)



Source: Figures from MoFA (1999a). All figures are in US\$ millions.

Japan's bilateral aid takes the form of financial grants, technical assistance and loan-type aid. As recipient countries are under no obligation to repay technical assistance it is classified with financial grants as grant-type aid. Over the past decade the proportion of aid funds allocated to grant-type assistance has increased significantly at the expense of loan aid. In 1998, grant-type aid accounted for 46.1 per cent of total aid, up from 19.8 per cent in 1990 (MoFA, 1991, 1999a). For the same years loan aid decreased from 56.5 to 34.1 per cent of total aid flows. Nevertheless, loans remain a distinct feature of Japan's aid program and no other donor state extends ODA in the form of loans to anywhere near the same volume as Japan. In 1996, 10 of DAC's then 21 members extended no loan aid at all and seven of the remainder allocated less than ten per cent of ODA to loans (MoFA, 1999a). Technical cooperation dropped slightly at the end of the 1990s but still accounted for about one quarter of the aid budget, a figure similar to the DAC average (DAC, 2000).

Within each of the broad categories of loans, grants and technical assistance numerous aid types have been established which can only be briefly introduced here. Grant aid is separated into aid for general economic development and aid specifically for increased food production or for the

procurement of food. Under the first category there are seven types of assistance including grant aid for fisheries, grants for NGO development activities, general aid for projects and programs, as well as emergency aid. One unique form of aid is 'grant aid for debt relief'. Japan does not practice debt forgiveness directly in its aid program but does so indirectly by providing heavily indebted developing countries grants to the tune of the principal and interest owed to the Japanese government each year. The case study of the Japanese NGO Shapla Neer (Chapter Five) investigates the nature of 'grant aid for grass roots projects', that is, aid to fund NGO development interventions.

Technical cooperation refers primarily to the dispatch of Japanese personnel overseas and the acceptance of trainees from developing countries. As an indication of the extensive size of the technical assistance program, figures for both forms of assistance in 1998 were 5,309 and 20,756 individuals, respectively (MoFA, 1999a). The final case study of the Training Services Enhancement Project (Chapter Seven) provides an opportunity to investigate the efficacy of dispatching Japanese experts. Technical assistance also covers the use of Japanese Overseas Cooperation Volunteers and their role in development assistance is discussed in the study of the Model Rural Development Project (Chapter Six).

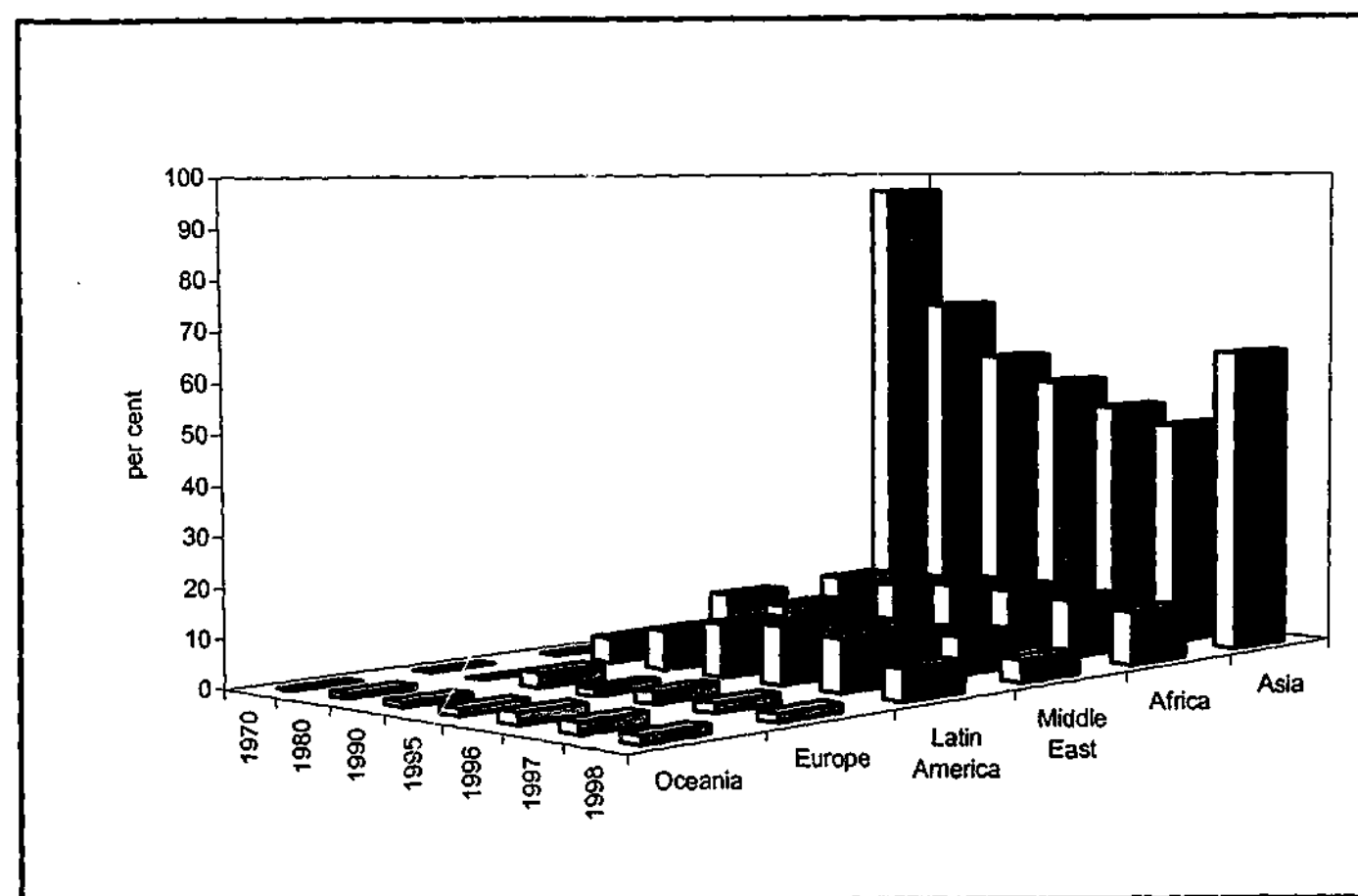
ODA loans, sometimes referred to as yen loans, are classified as project and non-project types. Under the former are general project loans, loans for engineering services and loans through intermediary institutions. The case study of the Grameen Bank (Chapter Four) examines the implementation of one intermediary loan. Non-project loans are either commodity loans, structural adjustment loans or sector program loans. Commodity loans are made available to developing countries facing foreign exchange shortages. Recipient governments are permitted to purchase an agreed upon array of imports which can then be sold to local producers and the counterpart funds that are generated used to fund social development programs. Structural adjustment loans are extended on the condition that recipient countries are undertaking structural adjustment measures under the direction of the World Bank. They too are used for the purchase of imports. Sectoral loans are of a similar nature but are designed to support adjustment policies only in one sector (JBIC, 2000).

#### GLOBAL IN REACH BUT A REGIONAL FOCUS ON ASIA

Reflecting economic and security interests, until the 1970s almost all Japanese aid was directed to countries in Asia and this regional concentration is another feature of the aid program. Many other OECD donor states also have a history of a regional concentration of ODA flows. In the early 1980s, the Ministry of Foreign Affairs (MoFA) established a 7:1:1:1 ratio for regional distribution

of Japanese ODA whereby 70 per cent of aid would be allocated within Asia and the remainder to be roughly equally distributed between Latin America, Africa and the Middle East. In the 1990s, the scope of Japan's aid became increasingly global, as shown in Figure 3.3, to include the transitional countries in central Europe. In 1994, the proportion of total aid inflows that was accounted for by Japanese ODA for the following geographically dispersed countries was recorded as: Western Samoa, 59.7%; Paraguay, 83.2%; India, 64.3%; Syria, 91.3%; and Ghana, 40.6% (MoFA, 1996). At a time when a large number of other bilateral donors, such as the UK, Germany, the Netherlands, Denmark, Canada, New Zealand, Australia, Finland, Austria, and Belgium are pursuing policies of greater geographical concentration of aid flows (AusAID, 1997), Japanese governments have stood out for their advocacy that Japanese aid maintain a global presence (MoFA, 1996:86-7).

**Figure 3.3: Trends in the distribution of Japanese ODA by region**



Source: MoFA 1996, 1997a, 1999a.

### **A FOCUS ON THE CONSTRUCTION OF LARGE-SCALE INFRASTRUCTURE**

The most striking difference in the types of aid interventions supported by Japan and other donors is Japan's preference for large-scale public works schemes. In aid circles it is commonly recognised that of all bilateral aid donors Japan is the only country that can be ranked alongside the multilateral financial institutions as a source of funding for large-scale infrastructure development (Beaudry-Somecynsky and Cook, 1999). It is difficult to place a figure on how much

of Japan's ODA is allocated to the construction of infrastructure as the sectoral breakdown of ODA given by MoFA in its annual reports gives no indication of this. That the figure is substantial is hinted at by the former Overseas Economic Cooperation Fund which estimated that in 1995 large-scale infrastructure absorbed 68.7% of loan aid (OECE, 1997:2). Grant assistance is also often used to fund public works projects, though it is not possible to produce an estimate of the amount from the breakdown of aid types in official reports.

In 1998, economic infrastructure projects accounted for 39 per cent of Japanese bilateral ODA, compared with a DAC average of 17.7 per cent (MoFA, 1999a; DAC, 2000). In its 1999 report on ODA, the Japan Bank for International Cooperation (JBIC) could boast that through yen loans 13 per cent of the national roads in the Philippines were built or repaired, half the microwave network in Indonesia was laid and 23 per cent of villages in Thailand supplied with electricity (JBIC, 2000). The production sectors, including primary products, industry, construction and tourism, have been another traditional sectoral focus of Japanese ODA accounting for 12.4 per cent of aid flows in 1998, about three per cent above the average for all DAC countries (MoFA, 1999a; DAC, 2000). In contrast, construction of social and administrative infrastructure was below the DAC average in 1998 of 30.4 per cent, absorbing about a fifth of Japan's bilateral aid disbursements (ibid.). As with economic infrastructure many social infrastructure interventions take the form of public works. The construction of sanitation and water supply facilities is particularly high accounting for about half of all social sector investments (MoFA, 1999a).

### **RECENT EFFORTS TO ARTICULATE AN AID PHILOSOPHY, PRINCIPLES AND POLICY**

According to Japan's aid administration, the features of Japanese ODA described above are supported by a strong philosophical base, guided by a set of recognised aid principles and prescribed by official aid policy. For many years, however, foreign observers lamented that they could find no clear statement of how Japan's aid administration perceived ODA. In response, in recent times the Foreign Ministry has released a number of publications to clarify its stance on ODA, the most important of these being the ODA Charter released in June 1992, the final report of the Council on ODA Reforms for the 21<sup>st</sup> Century (MoFA, 1998c) and Japan's Medium-Term Policy on Official Development Assistance (MoFA, 1999b).

According to the ODA charter, Japan's aid philosophy rests on the four concepts of humanitarian considerations, the recognition of interdependence among nations, environmental conservation and the support of the self-help efforts of recipient nations. A broad review of earlier Japanese ODA literature reveals that over the last two decades the first two concepts have been the pillars of Japan's aid defence. In answer to the question 'Why give ODA?' the Foreign Ministry's 1998

ODA annual report states that 'many people in the developing world today still suffer from conditions of malnutrition and extreme poverty. From a humanitarian vantage point, the international community cannot ignore their plight'. The concept of interdependence, on the other hand, is based on the assertion that Japan's prosperity is inextricably tied in with the prosperity and security of other nations. For many years interdependence was used as a euphemism for national interest but over the past decade MoFA has become less reluctant to use the latter term. Japan's Medium-Term Policy on Official Development Assistance (MoFA, 1999b) states that Japan's ODA program must be coordinated 'with its foreign policies and with other important policies pertaining to the national interest'.

The third concept of environmental considerations has more recently been grouped with a number of other concerns under the heading of 'tackling global issues' (MoFA, 1998a). Included amongst these are population growth, the spread of AIDS and other infectious diseases, drug abuses, crimes against international society and food security. The broad stance of MoFA is that as an affluent industrialised nation Japan has the obligation not only to work with the international community to tackle these issues but also, where possible, to play a leadership role (MoFA, 1999a).

Above all, it is the fourth concept spelt out in the ODA charter that has been the most distinctive philosophical element in Japan's ODA program. It is rare that a major policy statement on Japanese ODA will appear without reference to the self-help ethos. Although the concept of self-help is not unique to Japan's aid philosophy, it is perhaps emphasised more in Japan's aid rhetoric than that of any other donor state. The Council on ODA Reforms explained this philosophy as being based on Japan's own development experience after the second world war: 'Starting at the end of the last world war, Japan followed a development path that would eventually earn it status as an economic superpower. . . . the self-reliance of the Japanese people should be credited as the primary force behind that achievement'. More recently, the philosophy of self-help has been employed to interpret the theme of good governance with the Foreign Ministry emphasising the need for recipient governments to ensure 'proper implementation and transparency in aid projects' (MoFA, 1999a).

In addition to aid philosophy, Japan's ODA Charter presents four principles for aid practice:

- 1) Compatibility between preservation of the environment and development.
- 2) Avoidance of the use of ODA funds for military purposes and for purposes liable to inflame international conflicts.
- 3) Monitoring of military spending of developing countries, their activities of developing and producing weapons of mass destruction, and the export or import of weapons.

- 4) Monitoring of activities for the promotion of democratisation in developing countries, and their efforts to introduce a market-oriented economy and protect basic human rights and freedoms of their citizens.

Many of these precepts reflect international trends in the development debate and can be found in the rhetoric of other bilateral donors. The two non-military principles, however, have emerged from a strong domestic support base within Japan.<sup>2</sup> In addition to these principles there are a number of core aid policies that continually appear in government publications. In its 1994 ODA annual report MoFA summarised these under the headings of 'Three Approaches' and 'Carefully Tailored ODA Implementation'. The three approaches referred to are a 'differentiated approach' whereby projects are implemented according to the development stage and needs of recipients, a 'comprehensive approach' in which ODA is utilised in conjunction with private flows of resources to promote development, and a 'balanced approach' that ensures the combined flow of financial resources, technology and expertise in the aid transaction. The second of these approaches deserves particular attention as it reflects a strongly held belief that the private sector has an important role to play in development. This contention has invited much consternation from other DAC members, some of which have long viewed Japanese ODA administration as an arm of Japan Inc.<sup>3</sup> primarily devoting its energies towards export promotion. Japan's aid administration, however, has never swayed from its position that ODA is often best employed as a stimulus for trade and foreign investment in promoting the economic growth of developing countries. The third sub-heading of 'carefully tailored ODA' has commonly referred to a policy of choosing whether to extend aid as grants or loans on the basis of the recipient's ability to meet debt obligations. The government argues that loans are the preferred form of aid for developing countries achieving higher rates of economic growth, while grants are preferable for the heavily indebted least developed countries (MoFA, 1999a).

Other notable developments in Japan's aid policy have arisen in response to events such as a proliferation in refugee numbers with the rise in regional conflicts after the Cold War, the Asian currency and economic crisis, as well as the Third World debt crisis (MoFA, 1999a). Japan's aid organs have also articulated policies on what are referred to as cross cutting themes including conservation of the natural environment, support for the concerns of women, participation and sustainability. The second part of the chapter examines the origins of these policies.

<sup>2</sup> Popular support for a peace diplomacy is evident in resolutions adopted in 1978, 1980 and 1981 by the Foreign Affairs Committee of the Lower House to prohibit the use of aid for military purposes. More recently, Japan's Lower House passed two resolutions in 1988 that 'the Government should take effective measures to forestall any attempts to divert Japan's aid to military purposes or any purpose which would intensify international conflict' (cited in Block, 1991:76).

<sup>3</sup> The term Japan Inc. is used by those who perceive the Japanese government, bureaucracy and private enterprise to be acting in collusion as a mammoth corporation in order to promote Japanese exports and foreign investment.



### **A COMPLEX AND POORLY-DEFINED AID ADMINISTRATION STRUCTURE**

A number of aid administration structures have been established by DAC member states including the creation of aid agencies within foreign ministries, and in the UK, Germany, Sweden and the Netherlands, separate aid ministries. Japan, however, falls among those countries whose political structures for aid are less precisely defined. Japan's aid administration is noted for the centralisation of decision-making in Tokyo, for the decentralisation of responsibility amongst several ministries and for the large number of government bodies that have carved out their own slice of interest in utilising and managing Japan's massive aid budget.

At the core of Japan's aid administrative structure is the four ministry system, or *yonshōchō*, comprising the Ministry of Finance, the Ministry of International Trade and Industry (MITI), the Ministry of Foreign Affairs and the Economic Planning Agency. These four institutions meet regularly to decide on loan proposals presented by the Japan Bank for International Cooperation. Until recently, the *yonshōchō* was also responsible for formulating policy but this task has been placed in the hands of the Foreign Ministry. MoFA sees itself as the spokesperson for Japan's aid administration, with the Economic Cooperation Bureau of the ministry having primary responsibility for reporting on aid policy and relations with the international donor community. MoFA is also in control of grant aid for the provision of equipment and the construction of facilities/infrastructure. MITI somewhat counterbalances MoFA's efforts to internationalise Japan's ODA by seeking to promote the interests of Japan's private sector through the aid program. Underscoring its concern with the welfare of the private sector, numerous public-interest organisations representing this sector are affiliates of MITI.<sup>4</sup> Although less directly involved in aid implementation, the Ministry of Finance is one of the most powerful players in the aid system as it controls the size of the aid budget requested each year as well as how much is allocated to individual ministries. The part played by the Economic Planning Agency appears to be less significant. It maps out the role of ODA as part of the broad plans for Japan's economic development that it submits to government for approval. To complicate the process of aid administration, all other ministries have direct access to the aid budget and provide senior staff to the executing agencies.

The diffusion of responsibility for administration extends to aid implementation. Japan has two implementation agencies set up as public corporations by special laws. The Japan International Cooperation Agency (JICA) falls under the jurisdiction of MoFA and manages technical

<sup>4</sup> For example, the Metal Mining Agency of Japan and the Petroleum Development Corporation.

assistance. The second implementing arm, the Japan Bank for International Cooperation (JBIC), was formed in October 1999 as a merger of the Overseas Economic Cooperation Fund (OECF) and the Export-Import Bank. It has taken on the OECF's responsibility of managing Japan's ODA loans. In developing countries JICA and JBIC usually have separate local offices located in the capital city, while staff from MoFA's Economic Cooperation Bureau can be found in the Japanese embassies. To the list of important actors should be added many public-interest organisations established by the private sector. Amongst these the most prominent is the Keidanren, the most important trade association in Japan, whose standing committee on Economic Cooperation keeps regular contact with the aid-related ministries.

### **AN INTERPRETATION OF JAPAN'S AID PROGRAM**

To interpret why Japan's aid administration supports a particular development intervention in a particular locality at a particular period of time first of all requires an understanding of why the broad features of Japan's ODA described in the previous section exist. At first sight, the shape of Japan's ODA program appears readily comprehensible and many observers have been quick to draw conclusions. Political realists explain the ODA program by theorising that business and bureaucracy combine to form a super-corporate structure, Japan Inc., which calls upon ODA to promote the nation's economic interests.<sup>5</sup> Observers of a more liberal political persuasion, on the other hand, describe the philosophy, policy and practice of Japan's ODA by reciting official explanations.<sup>6</sup> The forces and structures that shape Japan's aid program are, however, more varied, complex and vague than either of these groups presuppose. Both underplay the significance of culture and Japan's own development experience in shaping aid policy. Inhibiting a clear understanding of Japanese ODA is the absence of well-defined decision-making structures: even staff of the aid administration are left wondering how decisions regarding aid policy and practice are reached (interviews, 1998). Foreign observers are likely to be left further in the dark because of mistaken assumptions of Japanese life and politics; what van Wolferen (1989:9) describes as 'confusing fictions'. Amongst these are the assumption that Japan must have a central government in which the organs or individuals ultimately responsible for making decisions can be readily identified. On an even more fundamental level, van Wolferen contends that what is considered reality in Japan is based not on objective observation but on an emotionally fabricated image of what things are supposed to be, further serving to confuse the outside observer. Reality is often malleable and contradictions tolerated, while universal truths have not gained the type of currency

<sup>5</sup> In his article 'Tourists, tuna and ODA' (*AMPO*, 1991, 22/4) Murai presents Japan's aid program precisely in this manner.

they have in Western cultures (van Wolferen, 1989:12,13). Adding another layer to the confusion, Japanese society is readily accepting of appearances for the sake of appearances, known as *tatema*, while knowing full well that *honne*, the true self, is something quite different.

While a deductive approach based on Western political science to explain the aid program would falsely assume that a clear-cut distinction between bureaucracy, business and politics exists, interpreting Japan's ODA merely from a reading of official sources of information would be equally misleading. The large public relations effort that serves the aid program falsely presents Japan's aid administration as well-coordinated, with its many players seeking goals common to all.<sup>7</sup> If the political economy of Japan's aid program cannot be deduced from Western theories of political science nor a reading of official statements, an inductive process that seeks to uncover the variables that shape the aid program would appear to provide a more promising course of investigation.

My intention in this part of the chapter is not to produce a comprehensive theory of the political economy of Japan's ODA which is well beyond the bounds of the research program. However, I am seeking to gain a broad understanding of the origins of the major features of the aid program. To gain such an understanding through an inductive approach requires some basic conceptual tools to make sense of the variety of forces and structures at play. The three levels of the international system, state and society, commonly identified in the study of political economy, appear as a useful framework from which to conceptualise the range of variables that influence Japan's aid program. At each level the forces and structures that shape Japan's ODA can be separated into a number of contexts. Within each context forces that result from human agency propel Japan's aid program in certain directions, whereas structures in the form of 'recurring frameworks' (Mori, 1995:4) enable the actors to discern appropriate courses for action. The conceptualisation of foreign aid programs is thus aided by the employment of levels of analysis, the identification of contexts in which aid philosophy, policy and practice are framed and the identification of agents and structures within each context which influence the processes that shape aid practice.

The following discussion is structured according to the three levels of society, the international system and the state. Rather than present a separate review of the arguments that have been put forward by other analysts to explain Japan's ODA, some of these are considered as part of my interpretation of the aid program.

<sup>6</sup> Castellano (*JEI*, 11/02/2000), for example, predicts change in Japan's aid practice merely through a reading of the most recent Medium-Term Policy on Official Development Assistance.

<sup>7</sup> MoFA cites 60 separate pamphlets, journals and publications in its 'List of ODA-related Publications' (MoFA, 1996).

### **FORCES FASHIONING AID AT THE LEVEL OF SOCIETY**

To correctly interpret Japan's aid program requires an understanding of the cultural norms and beliefs of Japan that set the boundaries that aid activities must operate within. Aspects of Japanese culture and ideology are significant in this respect and provide continuity to an aid program that has been criticised for inadequate philosophical underpinnings. When discussing the impact of culture on politics generalisation is required as even in Japan, a country often portrayed as more homogenous than most, a broad variety of views and opinions are held. Nevertheless, common cultural themes that impact on Japan's aid philosophy and subsequent practice can and have been traced. A review of the literature suggests that two aspects of culture may influence Japanese aid policy and practice, namely the manner in which gift giving is conceptualised in Japanese society, and the manner in which Japanese view their place in the world.

The significance of the manner in which society perceives gift giving to the study of foreign aid is derived from the notion that official aid involves economic sacrifice by government on behalf of the state. Through the work of missionaries, the societies of Western industrialised states have long been familiar with the concept of charity in relations between the First and Third Worlds. Japan, however, is unique amongst DAC members in that it does not have a history of missionary work and its contemporary value system is founded in Confucian rather than Judeo-Christian ethics. Critics of Japan's foreign aid program would lead one to believe that the low quality of Japan's ODA, described in the preceding section, is indicative of an absence of charitable values. An examination of the nature of gift giving in Japan, however, reveals that there are more cultural forces at play than this view suggests.

The exchange of gifts in Japan is commonly associated with the concepts of *on* (benevolence), *giri* (duty) and *ninjo* (affection). Gift-giving as an expression of *ninjo* is partly a reflection of the encroachment of Western norms into Japanese society and does not appear to have significance for the aid program. Of the other two concepts, *giri* appears to have the greatest impact on the manner in which decision-makers view ODA.<sup>8</sup> Asanuma (1991) has argued that for many Japanese politicians and bureaucrats foreign aid is perceived as a tax that rich countries must pay if they wish to derive their continued prosperity from the global capitalist system. This view of ODA can be seen in the language used by MoFA in its 1999 annual report which stated that Japan 'shoulders the important responsibility of contributing to sustainable social and economic development in

<sup>8</sup> The strong sense of *giri* that permeates Japanese social relations can be seen in the giving of gifts on Valentine's Day. The Japanese have adopted this foreign practice into their yearly calendar but given it a uniquely Japanese flavour. On

developing countries'. From this perspective, ODA is viewed as a *giri* that wealthy states have mutually agreed upon and bound themselves to. *On* may also have a place in the perception by politicians and bureaucrats of the donor-recipient relationship. Orr (1990:5) describes this perception as Japan being the big brother in a 'big brother-little brother' relationship, providing assistance to countries because it has the capacity to do so. The Council on ODA Reforms commissioned by MoFA observed that Japan enjoyed benevolence from the international community after World War Two in the form of World Bank loans and insists that 'this is something we must never forget' (MoFA, 1998c:2).

Underpinning both the *on* and *giri* perception of the donor-recipient relationship is the belief that the recipient is indebted to the donor for the extension of aid; a debt which is expected to be repaid. This can partly be understood in the context of Japanese social norms in which traditionally gift-giving was seldom viewed as a one way process to express *ninjō*. When the Japanese government first embarked on an official aid program the term aid, or *enjo*, was never used. Instead, *keizai kyōryoku*, or economic cooperation, was the favoured phrase for describing the view of Japan's aid-related ministries that ODA transactions should ultimately benefit both donor and recipient. This legacy continues today and it is *keizai kyōryoku*, rather than *enjo*, that remains the conceptual framework in which Japan's aid program operates (Rix, 1993; Arase, 1995; Beaudry-Somcynsky and Cook, 1999). It is partly in this context that the low quality of Japanese aid and a preference for loans must be understood.

The concept of hierarchy that permeates Japan's social relations also appears to have a significant impact on the manner in which ODA is viewed.<sup>9</sup> The concept of hierarchy when translated to a world view takes the form of a continuum on which countries are ranked according to their relative status. This system of ranking is founded in a sense of inferiority or superiority depending on the nation that Japan is being measured against and the criteria used. A feeling of inferiority in Japan's international relations has a long history. After two centuries of limited outside contact during the Tokugawa Era, the Japanese found themselves lagging so far behind the technological advances of the West that a fleet of warships was able to sail into Tokyo Bay unimpeded. Japan's defeat at the end of World War Two also heightened the Japanese sense of inferiority in the face of a victor, the US, whose outspoken self assured national character seemed so formidable to the more introverted Japanese. In contrast, a sense of superiority can be seen in the belief of Japan as the natural

Valentines Day, women often feel it is their duty to give their male colleagues chocolates. This practice has been dubbed *giri-choco*.

<sup>9</sup> It is hard to overstate the importance of hierarchy in Japan's system of social relations where identification of the relative status of individuals is a prerequisite to extended conversation. Nakane (1970:93) notes that 'The Japanese . . . will employ delicately graded criteria to distinguish the most minor relative differences between themselves and others'.

spiritual and moral leader of Asia; as was evident in the concept of the Greater East Asia Co-prosperity Sphere. Further evidence of a belief in Japanese cultural uniqueness and superiority can be seen in the *Nihonjinron* or 'studies of Japaneseness' writings, which enjoy a great deal of popularity.<sup>10</sup>

A number of scholars have argued that this hierarchical world view based on inferiority/superiority judgments has distinct implications for Japan's ODA practice. According to Hasegawa (1975), a desire to achieve 'international ascendancy' was an important motivation for Japanese aid. Olson concurs, noting that Japan's entry into the DAC in 1961 and the OECD three years later was, for the Japanese, of immense symbolic importance: 'it signified formal acceptance in the "club of rich nations"' (Olson, 1970:142). A desire for ascendancy also appears a partial explanation for the focus on quantity rather than quality targets by Japan's aid ministries. Just as when Japan's GNP overtook that of the major economic powers in Western Europe, Japanese media celebrated the growth of Japan's ODA program as it overtook that of other donors. In addition to quantitative expansion, there is some evidence to suggest that large-scale infrastructure projects account for such a large proportion of Japan's bilateral aid partly because of a desire to impress aid peers. In particular, in countries where it is considered difficult to extend useful aid, even if such infrastructure projects are not always appropriate at least they serve as visual testimony to Japan's aid presence (interview, OECF official, 1994). In recent years, Japanese leaders have been calling for a permanent seat to be created for Japan on the UN Security Council.<sup>11</sup> For Japan to sit as a permanent member on the Security Council alongside the World's most powerful nations would be a significant step in the nation's long path to global ascendancy and recognition.

In a similar manner to the way in which cultural beliefs bound and direct Japan's ODA, development ideology also shapes aid practice. Bloch stresses the point that Japan's development ideology should not necessarily be assumed as similar to that of other donor states: 'Japan, the only Asian member of DAC and the only major donor to have risen from the rank of the developing world may hold a view of development that differs from its Western DAC colleagues' (Bloch, 1991:76). Two aspects of Japan's development experience can be recognised as giving Japan's ODA a unique hue. Firstly, the cornerstone of Japan's rapid economic growth was a strong work ethic and willingness of the Japanese workforce to sacrifice their own quality of life for the betterment of their companies. During Japan's rapid industrialisation after World War Two deaths

<sup>10</sup> Van Wolferen (1989:263-7) notes that the *Nihonjinron* discourse has presented a number of original if not tenuous arguments which include the proposition that Japanese use the two halves of their brains in a unique and superior manner to non-Japanese.

<sup>11</sup> MoFA's website makes the case that Japan deserves to be a permanent member of the Security Council on the basis of its international contributions ([http://www.mofa.go.jp/j\\_info/japan/viewpoint/q10.html](http://www.mofa.go.jp/j_info/japan/viewpoint/q10.html); accessed in 1999).

from overwork became so numerous that a new term, *karōshi*, was invented to describe this phenomenon. Secondly, Japan's rulers in the postwar years could be described as having a strong sense of national purpose that the Japanese were quick to rally behind. Prime Minister Ikeda Hayato's plan to double national income in the 1960s caught the attention of a Japanese workforce eager to put their difficult past behind them.

With this backdrop it is of no surprise that many Japanese aid officials appear to believe that developing countries should pursue development through 'hard work, efficiency, frugality, self-reliance and private initiative' (Bloch, 1991:76). Hanabusa (1991:90) provides a summary of this view:

Japanese economic development in the years after the Meiji Restoration of 1868 and, later, in the postwar period depended relatively little on foreign capital and substantially on Japan's national will. So Japanese tend to feel that others should follow similar routes.

It appears that this development ideology emanating from Japan's modernisation experiences explains why the self-help ethic has been at the crux of Japan's foreign aid philosophy. Yanagihara and Emig argue that Japan's preference for loan type aid should also be seen from this perspective: 'While Tokyo has made significant progress in softening the terms of aid, it retains a philosophical preference for loans over grants, arguing that the former promote self-help and enforce discipline on the recipient country' (Yanagihara and Emig, 1991:51). It is important to recognise that this emphasis on self-help derives from Japan's development experience, not from a lack of charitable values as a reading of DAC statistics might, at first sight, suggest.

### **THE SHAPING OF JAPAN'S ODA IN THE INTERNATIONAL SYSTEM**

The aspects of Japan's cultural legacy described above form the bounds that Japan's ODA program must operate within, while development philosophy based on the nation's modernisation experiences continues to inform aid practice. At the international level a variety of forces have pulled and pushed Japan's foreign aid policy and practice in a number of directions that must also be understood to better interpret the aid program. The forces that shape Japan's ODA program in the international system fall into several contexts that may either be grouped as those that have emerged from within Japan in response to international opportunities and demands, and those external to Japan, such as the international aid regime and Third World governments. The following discussion investigates the shaping of Japan's contemporary aid program in these contexts.

### **National Interest**

National interest is commonly defined in economic and security terms, though individual states may have other peculiar interests; for example, Japan's desire for international recognition and ascendancy. The following analysis is restricted to the economic and security components of Japan's national interest which, while intimately related, are treated separately for sake of clarity. In the study of Japan's foreign relations doubt may exist about the degree to which national interest is a useful analytical concept. Below it will be shown that Japan's bureaucratic climate is characterised by ministerial rivalry and it may be questioned whether in this setting state organs are able to agree on aspects of national purpose. As Cerny (1980) argues, however, what is most important is that government institutions have a concept of what national interest is that can be expressed in national policies, not that they are always in agreement as to what this is.

Japan's ODA has more often been associated with national economic interests than that of most other donor states.<sup>12</sup> Throughout the evolution of Japan's aid program evidence abounds to support the conclusion that economic concerns have played an important role in shaping aid practice. Perhaps the most frequent criticism of Japan's foreign aid is based on a perception that ODA is being used first and foremost as a device for export promotion. Undeniable evidence supporting this claim can be found in the first two decades of Japan's experimentation with ODA, and even in Japan's contemporary aid program there is some suggestion that aid agreements are benefiting Japan's exporters.

The link between ODA and export promotion was forged during the payment of war reparations or *baishō* that were the seeds of Japan's modern aid program. Japan was bound by the Potsdam Declaration to extend reparations after the Pacific War and Japanese business concerns saw this as a means to initiate close ties with their potential trading partners in Asia. In 1953, both the Japanese Federation of Economic Organisations and the Japan Cotton Yarn and Textile Exporters' Association demanded a quick conclusion of reparations for this reason (Caldwell, 1972:25). The benefits to Japan, of what was intended as an expression of remorse, were immediate. Reparations re-opened doors to former markets in Asia that the belligerency of Japan's imperial forces had cemented shut. Reparations were paid in kind rather than in cash and all goods were tied to supply from Japanese firms. Yanaga (1968:204) recorded that the US\$800 million extended as reparations to the Philippines were perceived by Japanese business circles as 'seeds from which a great harvest can be expected in a few years'. The harvest was evidenced by the increasingly favourable terms

<sup>12</sup> See White (1964), Ensign (1992) and Arase (1994).



of trade Japan experienced with its Asian neighbours. Exports to the Philippines, for example, more than doubled between 1955 and 1962 (Statistics Bureau, 1966:294-5).

Yen loans were devised soon after the first reparations agreements were signed as another avenue by which Japanese corporations could make inroads into former Asian markets. Japan's first yen loan to India set the scene for what was to become Japan's preferred form of aid. Japan's decision to contribute to the World Bank's first donor consortium, formed in 1958 in response to recession in India, was driven by the potential for economic gain that closer bilateral ties offered. Prime Minister Ikeda Hayato viewed the yen loan as a means to 'expedite Japan's exports' while Japanese investors regarded the loans as an opportunity for 'a rapid increase in joint enterprises and technical tie-ups' (Caldwell, 1972:37). As with reparations payments, export promotion was foremost in the mind of Japanese decision makers who ensured all aid financed commodities were sourced entirely from Japanese companies.

An additional attraction for Japan's involvement in the World Bank's donor consortium to India were large iron ore deposits located in eastern parts of the country. Japanese leaders were keenly aware that Japan, as a resource-poor trading nation, needed to secure stable supplies of raw materials to support its rapidly expanding heavy industries. Resource security and export promotion emerged as the two centrepieces of Japan's national economic strategy. *Kaihatsu yunyū*, or the develop and import scheme, was created in the 1960s as the means by which these goals would be realised. *Kaihatsu yunyū* implied a peculiar form of economic cooperation in which Japan would extend assistance to other countries in Asia to develop their natural resources which would then be exported to Japan. Japanese aid to Indonesia during this period offers a pertinent example of how Japan's resource concerns had become manifest in aid practice. In 1972, Japan and Indonesia signed an agreement for a ¥62,000 million loan to be used for the purpose of petroleum development.<sup>13</sup> In return, Indonesia pledged to increase petroleum supplies to Japan over a ten year period by 58 million kilolitres (JETRO, 1973:57). Designed to kill three birds with one stone, in addition to export promotion and resource security, *kaihatsu yunyū* sought to relocate Japan's pollution prone industries in developing countries with less severe emission standards.<sup>14</sup> The Kawasaki steel plant operating in Chiba which relocated its worst pollution emitting processes

<sup>13</sup> In August 2001, US\$1 = ¥118.7.

<sup>14</sup> By the early 1960s, Minamata and *Itai Itai* diseases had made international news headlines. Residents of Minamata, a town on the island of Kyūshū, suffered illnesses from mercury poisoning, such as blindness and mental retardation, the source of which was traced to a local aluminium plant. The source of *Itai Itai byō* (ouch ouch disease) was also industrial waste that left the bones of sufferers so brittle they would break merely by being touched.

overseas to the Philippines presents one such example.<sup>15</sup> Examples of Japanese ODA being used to assist with such relocation were not rare (Kubota, 1985:142).

In the mid-1970s, the concept of resource diplomacy replaced *kaihatsu yunyū*, reflecting a heightened concern for resource security. The response of the Japanese government to the first oil shock in 1973 and subsequent attempts to diversify oil supplies cemented the nexus between aid and the acquisition of resources. In December of the same year, Deputy Prime Minister Miki Takeo was dispatched to the Middle East with the authorisation to extend whatever aid was necessary to bring an end to the oil embargo. Two hundred and eighty million dollars in credit was offered to Egypt to widen the Suez Canal and, in the following year, US\$2.5 billion in concessional loans were pledged to Iran and Iraq, mainly for the construction of jointly owned refineries (Yorke, 1983:53). Soon after, Japan's status was changed to that of 'friendly country' and the flow of oil restored.

The use of aid to secure supplies of energy and other raw materials continues in Japan's contemporary aid program and successive governments have made no attempt to conceal this. The newly independent countries that were created after the dissolution of the Soviet Union provided further opportunities to access supplies of mineral and energy resources. Japanese governments have been vocal advocates that these states be included in the DAC's list of aid recipients and do not deny the fact that 'Japan is also motivated by self-interest in securing rich mineral resources that these countries possess' (Japan Economic Almanac, 1994:46).

In comparison, the degree to which ODA remains a device for export promotion is not as clear. It has already been noted that Japan has pursued a policy of untying its aid since the early 1970s and procurement by non-Japanese contractors has been growing. Supporting this claim is the concern expressed by Japan's business circles that the rising yen is making them less competitive in international bidding on aid projects and their call for the government to relinquish its policy of aid untying (MoFA, 1998c). Nevertheless, Ensign (1992) found a positive correlation between Japanese aid to infrastructure projects and Japanese trade in infrastructure projects in Indonesia, Malaysia, the Philippines, Thailand, China and Korea. She also suggested that through joint ventures with local enterprises, the involvement of Japanese corporations in the construction of ODA funded projects may often go unreported. Murai likewise contends that aid is used to advance Japan's exports. He notes that project specifications often require Japanese standards:

<sup>15</sup> In 1975, over 400 people were officially acknowledged as suffering from diseases of pollution in Chiba and 200 local citizens filed suits in the district court for the suspension of the construction of Kawasaki's blast furnace (AMPO, 1992).



'even if local companies win bids, they have to purchase all the materials from Japan' (Murai, 1994:3). In this light, it would seem reasonable to conclude that Japan's exporters still benefit through procurement orders and project tenders, though far less so than they once did.

Japan's ODA disbursements are also linked to security concerns, though this has been fully appreciated by a only few analysts. Explanation for the myopic view of critics who have perceived Japanese ODA in solely mercantilist terms lies in the manner in which Japanese governments were able to subsume the nation's security interests beneath economic objectives at least until the mid-1970s. Article Nine of Japan's Constitution barred the state from maintaining sea, air and land forces, and Japanese governments were able to pursue an 'economistic' foreign policy that placed economic rewards before political objectives.<sup>16</sup> Japan's security requirements were met by the US which established military bases in Japan and whose formidable US Seventh Fleet roamed the Pacific.

As the US government sought to withdraw its forces from Vietnam, however, Japan was encouraged to play a greater role in regional stabilisation in line with the principles of the Guam Doctrine.<sup>17</sup> Thereafter, Japanese leaders perceived a 'gradual diminution of the world's banker and policeman and began to question the credibility of US defence commitments to Japan' (Yasutomo, 1986:26). Moreover, Japanese attention was drawn to broader security concerns by the Soviet invasion of Afghanistan, the Iranian hostage crisis and the Vietnam invasion of Cambodia. At a time of declining US hegemony and a growing awareness that Japan would have to accept greater responsibility in meeting its national security requirements, a sensitive defence debate emerged in Japan. To resolve this debate, the Study Group on Comprehensive National Security was formed by the Ohira government. 'Comprehensive Security' was established as national policy soon after with the intent to 'secure our national survival or protect our social order from various kinds of external threats . . . through the combination of diplomacy, national defence, economic and other policy measures' (MoFA, 1981:30). In practice, the phrase 'economic and other policy measures' has largely taken the form of economic cooperation. Comprehensive Security thus raised the status of ODA and presented it, alongside diplomacy and the Self Defence Forces, as one of the three pillars of Japan's security policy.

23/3:24-7). At the official hearing, the company admitted it was transferring some operations overseas because of tighter emission laws in Japan.

<sup>16</sup> The restrictions of Article Nine, however, have not stopped Japanese governments from building a sizeable military force (Japan's Self Defence Forces) insisting that all nations have the right to be able to defend themselves.

<sup>17</sup> The Guam doctrine, as it became known, was President Nixon's statement in 1969 that requested Asian nations to take greater responsibility in handling their security concerns.

Under the rubric of Comprehensive Security, ODA flows took on a global dimension and were increasingly directed towards strategic countries in the Middle East, Africa and Latin America. Examples of strategic aid are numerous. Orr (1990) explains a sudden increase in Japanese ODA to Latin America during the Reagan Administration as a response to US requests for aid to pro-Western governments. Concessional loans were extended to Jamaica after such a request when the pro-US Seaga administration ousted Michael Manley's socialist government in the 1980 elections (MoFA, 1987:206). In the Middle East, the US\$441.46 million in aid extended to Egypt between 1977 and 1980 was designed to show Japan's support for the 1978 Camp David Accords and for President Anwar Sadat's peace initiative towards Israel (Yasutomo, 1986:88). In northern Africa, US\$26 million in ODA loans were pledged to Sudan in 1982 in response to the destabilising threat posed by Libya (Brooks and Orr, 1985:334).

The globalisation of ODA was Japan's unique manner of responding to US demands for greater 'burden sharing' in promoting the interests of the Western security alliance. The concept of burden sharing describes an obligation by developed countries to accept a share in maintaining international peace and stability that is commensurate with their economic prowess. Due to constitutional restrictions Japan was not able to make any military contribution until the International Peace Co-operation Law was finally accepted in both Lower and Upper Houses in June 1992. The requirements of this legislation are such that troops dispatched abroad can only be lightly armed for self defence purposes, cannot be involved in military engagements and can only be sent once a peace-fire agreement is in place (MoFA, 1995). Consequently, ODA remains an important means for Japan to express its commitment to preserving the global trading system and the Western security alliance, both of which it has greatly benefited from.

Another economic motive for extending ODA arose in response to criticism of Japan's persistent bilateral trade surpluses. During anti-Japanese demonstrations in Thailand in 1972 the Japanese were portrayed as being 'callous and heartless, interested only in exploiting the resources and markets of South East Asia without giving back adequate benefits to the region' (Shibusawa, 1984:74). Despite the heated nature of this criticism, Japanese governments were reluctant to water down the formula that had brought Japan such great economic rewards by removing formal and informal import controls. Instead, Japan's leaders sought to justify the state's current account surplus on the basis that this was being recycled to developing countries, partly in the form of ODA. In 1986, the government presented the first of three formal programs to recycle Japan's current account surplus to developing countries. The three separate plans were incorporated into one comprehensive US\$65 billion recycling program of which the largest components were US\$29 billion in contributions and subscriptions to multilateral financial institutions, US\$23.5 billion in

Export-Import Bank loans, and US\$12.5 billion of more concessional loans by the OECF (Yanagihara and Emig, 1991:65,66). Japan's bilateral trade surplus with the US continued to expand, however, and the argument that Japan was recycling its surplus through ODA to developing countries became increasingly less tenable. In 1993, US President Bill Clinton imposed the Super 301 clause allowing sanctions to be placed on Japanese exports and insisted that the Japanese set numerical targets for the importation of US goods. Japanese governments responded by gradually reducing import tariffs and quotas, and pursuing deregulation in such areas as housing, land, communications, distribution, finance, securities and insurance, as a means of increasing market access for foreign competitors. ODA as an instrument for easing trade tensions had by then lost much of its punch.

### **Influence of the DAC and Third World governments**

The preceding discussion suggests that Japan's economic and security interests have played a central role in shaping the type and direction of Japan's economic cooperation. Japanese governments have not been able to give full rein to these interests in shaping the aid program, however, even if they had wished to do so. Japan's membership in the DAC has given a strong international flavour to Japan's aid policy.

Although Japan may have joined the DAC in 1961 as another step towards international ascendancy, a price was paid in allowing its aid performance to be measured against other donors. Japan was found not to measure up and faced criticism from the DAC regarding the unrepentant, self-serving nature of its ODA. At the first United Nations Conference for Trade and Development in 1964, Japan was criticised for the hard terms of its yen loans and calls for the government to increase aid flows were made. At subsequent DAC meetings criticism was directed at the tied nature of Japanese aid, forcing a reappraisal of Japan's aid policy and improvement in the terms of ODA. This criticism prompted Japan to untie some forms of assistance, to increase the proportion of grant aid and to improve the terms of its loans.

Through DAC membership and participation in international conferences, Japan's representatives have been introduced to new theories and concepts of development. Japan's aid program now includes policies on Women in Development (WID), the environment and poverty, amongst other popular development themes. It is doubtful that without DAC prodding Japan's aid administration would have incorporated some of these themes into its aid policy. Taking the example of poverty, during interviews in 1998 a number of MoFA and JICA staff stated that this was back on the agenda for Japan's aid administration. Poverty had not suddenly remerged in developing countries after a period of remission, rather it was a development theme that had begun to enjoy renewed

support from UN agencies and the DAC.<sup>18</sup> A JICA gender specialist whom I interviewed shed a similar light on the influence of international trends in development thinking on Japan's WID policy. The specialist stated that MoFA produced its 'WID Initiative' especially for the fourth World Conference on Women held in Beijing in 1995, but that JICA did not consider this its mandate, instead preferring to act on the basis of its own mid-term reviews. The main point to be made is that Japan's Foreign Ministry has proven very adept at absorbing new themes into its aid discourse but this does not always mean substantive changes in aid practice. Ensign (1992:191) cites one official who stated that it is easy to reclassify ODA by sector which suggests that Japan's aid administration can juggle the label it gives projects to suit the popular development theory of the day. Chapter Eight investigates the degree to which statements of aid reform are realised in practice at greater length.

Most study of Japan's ODA has focused on decision-making processes within Japan. Recipient governments clearly can influence how aid will be used but their role has received relatively little attention. Bilateral aid involves negotiation between the donor and recipient. In these negotiations the donor can be seen as having the upper hand because it has the power to decide whether or not to provide aid. Nevertheless, for aid interventions to be acceptable to recipient governments they must, at least in outward appearance, be in accordance with government policy. For example, if a Third World government has given high priority to achieving self-reliance in food staples, it may look favourably on a project to improve soil fertility. It may be less inclined to agree to a project that would alter land use patterns away from the production of staples.

Potter (1996) explored the donor-recipient relationship through a study of Japanese ODA to Thailand and the Philippines. He used the concept of 'accommodation' to describe how both donor and recipient states make allowances to accommodate the interests of the other party in the process of aid negotiation. In an edited work of case studies of Japanese projects in the Philippines, Indonesia, Thailand and China, Soderberg (1996) identified a range of actors in the recipient country that can influence project selection. Local protest movements, local NGOs, individual politicians and private firms were all found to have influenced the final shape of the Japanese funded Calaca coal-fired power plant in the Philippines. Potter (1996) and Soderberg (1996) both agree that not all projects funded by Japan can be described as 'Japanese' projects: the recipient government can play an important role in project selection and design.

<sup>18</sup> See Chapter Eight for further details.

## JAPANESE AID FORMULATION AND THE STATE

Above all, it is how power is distributed and negotiated that provides the most important key to understanding why Japan funds a particular project or program. Although other factors influencing the aid program are important, the most likely reason for misinterpreting Japan's ODA is a misunderstanding of the domestic politics of aid. The following discussion examines the domestic politics of Japanese ODA under the headings of aid bureaucracy, private sector - public sector collusion and other actors.

### Japan's Aid Bureaucracy

Most early studies of Japan's ODA program were based on the assumption that a strong consensus regarding matters of state existed which propelled Japan towards realising its national objectives.<sup>19</sup> An 'iron triangle' was said to exist between Japan's politicians, bureaucrats and private sector that enabled the nation to operate as one all-encompassing corporation which maximised Japan's international competitiveness. Subsequent analysis has found, however, that relations between Japan's public sector institutions are often tenuous and marked more by conflict than cooperation.<sup>20</sup> In the 1950s, several ministries etched out their own sphere of interest in the aid program and have guarded this closely ever since. Inter-ministerial rivalry has characterised an institutional setting in which each ministry holds a separate view of the role of ODA according to its particular mandate and vies against other ministries for a share of the aid budget. Orr (1990:20) aptly describes this system as one 'nobody would design and nobody did'.

The contrasting views of the utility of ODA held by members of the *yonshōchō* (the four ministry system) described earlier reflect their peculiar perception of Japan's national interest and how this is to be advanced. Compromise between ministries to accommodate their individual mandates, rather than beliefs regarding recipient needs, have been influential in forging much of Japan's aid effort. The formation of Japan's two aid implementing agencies stand testimony to this claim. The Overseas Economic Cooperation Fund was placed under the control of the relatively impotent Economic Planning Agency as a solution to arguments for control between MITI, the Finance Ministry and MoFA. Rix (1980) describes the formation of JICA as another compromise solution. According to Rix, in the early 1970s both the Ministry of Agriculture and Forestry and MITI requested large budgets to establish separate aid agencies within their respective administrative structures. The former's desire to establish its own agency was justified on the basis that it was important to establish overseas agricultural projects to stabilise Japan's food imports. MITI argued that it required its own aid agency to promote private Japanese investment in other Asian states for

<sup>19</sup> See, for example, Halliday and McCormack (1973) and Hasegawa (1975).

resource development. Opposition to these proposals was expressed by other institutions. The Economic Planning Agency feared that the establishment of other aid agencies would reduce its influence via the Overseas Economic Cooperation Fund, while MoFA argued that its own aid agency, the Overseas Technical Cooperation Agency, was already managing technical aid effectively, though it also feared its authority within the aid administration structure might be undermined (Rix, 1980:54-6). Rix (1980:49) describes the final shape of JICA as 'the result of a hurried ministerial attempt to resolve an impasse over rival budget proposals'.

Outside the institutions that comprise the *yonshōchō*, many other ministries have sought to pursue their separate interests through the aid program. They are able to do so by having representatives stationed in Japanese embassies who advise recipient country governments on the types of projects that are likely to receive funding. Using their own ODA budgets, the ministries can also commission the public-interest corporations under their sponsorship to undertake project finding missions. The Ministry of Agriculture, Fisheries and Forestry (MAFF) provides a pertinent example of why individual ministries fight so hard to maintain their territory in the aid program. According to a senior JICA specialist, the agricultural sector in Japan is saturated with technical advisers who can no longer find employment because it is difficult to raise the productivity of Japan's agricultural sector any further (interview, 1998). MAFF has looked to Japan's foreign aid program to prop up the demand for agricultural technicians. In 1995, 1,508 specialists in the sectors covered by MAFF were dispatched under technical cooperation to developing countries, most of whom would appear to have been sourced directly from the ministry (Beaudry-Somcynsky and Cook, 1999). Of the public corporations and government-affiliated organisations employed by MAFF to undertake economic development activities, in particular the Japan Agricultural Land Development Agency was struggling to employ many residual agricultural specialists. As opportunities to engage its staff in Japan declined, the agency had become involved in conducting development surveys in aid-receiving countries. Despite these efforts, the agency was recognised as too much of an anachronism and was closed down in 1999.

### Private Sector - Public Sector Collusion

Interwoven in this bureaucratic maze, the multifaceted role of the private sector adds further complexity to Japan's aid administration. The role of the private sector can be broadly divided into providing personnel for the implementing agencies and providing a vital link between the implementing agencies and the governments of recipient countries.

<sup>20</sup> See Rix (1980), Orr (1990) and Foerster (1995).

In order to implement Japan's massive aid program, JBIC and JICA must source outside expertise and manpower. The two common methods by which this is achieved are *amakudari* (literally, descent from heaven) and *shukkō*, or secondment from the private sector. Under *amakudari*, on retirement upper-level civil servants are able to find management positions in the private sector and in public corporations such as JICA or JBIC, bringing with them their personnel networks and many years of experience in Japan's public service. Under *shukkō*, firms second staff to JICA and JBIC offices and to the *yonshōchō* to provide expertise in such areas as feasibility studies, project selection and evaluation. The significance of *shukkō* stems from the fact that at any one time approximately a third of the permanent staff of JICA and the JBIC are replaced by imported personnel (Arase, 1995:185). Without *shukkō* to bring in private sector participation, Japan's aid program would fail to function at all. In 1987, 19 out of 21 staff in the OECF's technical appraisal division were on secondment (Arase, 1995:185). The systems of *amakudari* and *shukkō* are of mutual benefit to both private and public sectors. The public sector gains expertise and staff necessary for Japan's aid programme to function, while the private sector obtains insight into the operations of Japan's aid bureaucracy and future directions in aid policy.

Private sector interest groups also seek benefits from ODA by creating foundations and associations which are legally recognised as public-interest corporations once they have received ministerial sponsorship. In order to spend their aid budgets the ministries provide financing to the public-interest corporations for the purpose of project finding. MITI, for example, sponsors the Engineering Consulting Firms Association, which in turn encourages its members to identify potential aid projects. Rix (1980:207) estimates that about 10 per cent of surveys undertaken by the association between 1964 and 1974 were realised as aid projects. Public-interest corporations are also active participants in study groups and councils sponsored by members of the aid administration and can thus have an input into the formation of aid policy. Beaudry-Somcynsky and Cook (1999) point out that because of their extensive transnational networks general trading companies (*sōgo shōsha*) are particularly well placed to identify potential projects and to promote these to the governments of aid-receiving countries. A representative of a *sōgo shōsha* described the role of the private sector in the aid program as follows:

[Japanese] firms carry out a sectoral analysis, sometimes with their own financing, sometimes with ministry or JICA financing. Projects are identified and discussed with the relevant ministry in the developing country. The firms provide assistance to the ministry for the preparation of the project . . . . The firms also assist developing countries in mounting a financial package for the implementation of a project, identifying which components would be eligible for JICA or OECF financing, or both (Beaudry-Somcynsky and Cook, 1999).

Murai (1994:3) argues that by the time that Japan's aid agencies begin their feasibility studies 'the architectural plans have already been drawn up, and the construction and manufacturing firms have

already been contacted'. Therefore, it is not surprising that a survey conducted by the Engineering Consulting Firms Association found 98 per cent of aid officials sampled described Japanese firms as their primary source of project ideas (Foerster, 1995:42).

The private sector - public sector hand in glove relationship partially explains why large-scale infrastructure projects dominate Japan's aid practice. Such projects are most readily identified by Japan's consulting firms that excel in expertise associated with the construction, transport and mining industries, and such projects also promise the greatest financial rewards. Consulting firms and *sōgo shōsha* stand to benefit throughout the project cycle of infrastructure schemes by providing their services in project finding, feasibility studies, construction, follow-up and evaluation. In contrast, they have less to gain from grassroots interventions which generally absorb far less aid funds, nor do they possess the relevant expertise.

#### Other Actors

Other actors that can influence aid policy and practice have traditionally been more peripheral to the everyday decision making processes of the aid administration. Orr (1990:21) argued that 'foreign aid largely remains the preserve of the bureaucracy' and that Japanese politicians could not claim much knowledge on the topic. Although this situation changed somewhat in the latter half of the 1990s, other than Abe Motoo few in the Diet had ever scrutinised Japan's aid policy.<sup>21</sup> The interest of politicians in ODA has been sparked only periodically and usually in relation to scandal, rather than policy making. The ruling Liberal Democratic Party and the opposition parties are generally supportive of ODA without any significant aid faction or *zoku* having emerged within any of them (Orr, 1990). Municipal governments have a very minor role in the aid program providing personnel for dispatch under technical assistance and accepting foreign trainees. Parliamentary friendship leagues (*giinrenmei*) are another potential source of influence but other than exerting pressure to increase aid flows to particular countries their impact is insignificant (Orr, 1990:23). Prime Ministers in Japan have occasionally addressed issues of aid policy, but their ability to pursue policy reform is inhibited by their primary role of mediating between the conflicting interests of Japan's powerful political factions (van Wolferen, 1989). An exception to this was former Prime Minister Hashimoto Ryutaro who, realising that his term would be short-lived, raised the issue of ODA reform as part of his plan to restructure the bureaucracy. The politicisation of reform from Hashimoto's term in 1996 onwards is discussed further in Chapter Eight.

<sup>21</sup> See Abe (1989) for some of his views.



Public pressure groups have sought to influence aid policy but without a great deal of success. The example of the women's movement in Japan is given in an attempt to understand the nature of this pressure and why its impact has been limited. Many of the major women's organisations in Japan such as the *Shufuren* (Housewives Association) have tended to pursue women's interests in terms of their ability to fulfil traditional roles as mothers and housewives (Charlton, 2000). This also does not provide much reason to believe that strong domestic support would be found for gender to be incorporated as a perspective in the aid program. Encouraged by the women's liberation movement in Western countries, however, a number of women's organisations sprang up to lobby Japanese officials on a range of issues including equal employment opportunities and reproductive rights. Some women's groups developed an international perspective, being motivated by issues such as the 'comfort women' (a euphemism for women forced into prostitution by the Japanese army during the Pacific War), the bad press Japan's ODA has received and the mistreatment of foreign workers in Japan, especially Filipino and Thai women. These organisations have been further encouraged by the World Conferences on Women that have enabled them to build transnational networks.<sup>22</sup> Nevertheless, the degree to which women's groups have influenced government policy on aid appears to be at best marginal, despite their good intentions. For their voices to be heard in aid policy making would require personnel sympathetic to their cause within the ODA institutions. Charlton (2000:50) argues that '[in the early 1990s] nowhere in the Japanese bureaucracy was there . . . a group of women well-placed to play a leading role in setting policies that would reorient Japanese aid, however modestly, in the direction of more responsiveness to gender issues'. This is not to say that women's groups elsewhere have necessarily been able to effect change in their country's aid program. Rather, I simply wish to make the point that in Japan pressure groups outside the private sector have generally not had a significant impact on ODA practice. Pressure groups have often been coopted by those very government institutions they are lobbying against (van Wolferen, 1989; Charlton, 2000).<sup>23</sup> Moreover, the images painted by the media of pressure groups have tended to be unfavourable. Yumiko Jannsen, a prominent member of the International Women's Year Liaison Group, described the media portrayal of the Japanese feminist as 'an ugly and unloved woman who joins the movement out of desperation' (cited in Condon, 1985:72,73).

<sup>22</sup> A coalition of 52 women's NGOs in Japan, the International Women's Year Liaison Group, was formed to attend the first UN World Conference on Women held in Mexico in 1975 and to monitor government resolutions made in response to the conference. The coalition successfully lobbied the government to establish the Gender Equity Unit that now exists in the prime minister's office. A senior JICA specialist lamented, however, that the coalition as very conservative, speaking 'softly, softly into the government's ear' (interview, 08/98). A more assertive organisation is the Asia Pacific Women's Research Centre led by a former journalist Matsuri Yayori. While working for the social division of *Asahi Shimbun* she strongly criticised Japan's ODA from a gender perspective.

<sup>23</sup> Van Wolferen (1989:53) observed that the *Chifuren*, an umbrella organisation of local women's groups with a total membership of over six million housewives, is hardly ever heard of, despite the continuing inflated prices on domestic goods that they initially set out to fight against.

As potential pressure groups Japanese NGOs deserve particular attention in this discussion because of their development work. Until recently, the avenues for Japanese NGOs to engage with the aid program have been quite limited. Moreover, they are widely recognised as being understaffed, lacking in management skills,<sup>24</sup> and having limited finances.<sup>25</sup> Many also operate without legal status.<sup>26</sup> The cultural and social backdrop to their weak managerial, financial and legal position has been explained as a Buddhist tradition that does not encourage activism, the group-oriented nature of social relations in Japan which does not encourage assistance to outsiders, and a Confucian tradition that has led to heavy reliance on the government (JANIC, 2000). For these reasons the NGO movement in Japan does not have a long history, a fact highlighted by a survey in 1992 which reported that 87 per cent of NGOs were formed after 1975 (Ito, 1993:127). As part of the recent reform of ODA, NGOs are now receiving government support to build their capacity and their expertise is being enlisted by the implementing agencies. This issue is pursued at greater length in Chapter Eight.

## CONCLUSION

The question of why a particular donor state extends aid to selected countries in the form and the volume it does requires an appreciation of a wide range of variables. Not only are aid programs complex, they are also controversial. With regards to Japan's ODA, an interpretation of aid policy, practice and administration must overcome the cosmetic applied by Japan's public relations campaign and, conversely, the consternation of Japan's perennial aid critics.

While the cultural setting of Japan's ODA program forms the bounds within which it operates, collusion between Japan's private and public sectors makes possible its implementation. Combined with Japan's national interests outlined above, these factors go a long way to explaining the traditional features of the aid program such as its huge size, its global reach, a preference for loans and a focus on large-scale infrastructure projects. At the level of society Japan's norms and beliefs provide continuity to an aid program which many believe has little philosophical thread binding it together. At an international level, Japan's structural frailty as a resource poor industrialised nation producing highly value-added commodities for export markets has a significant impact on aid

<sup>24</sup> A survey by JANIC in March 1991 recorded that 203 NGOs employed only 394 full-time staff who earned on average 60 to 70 per cent the wage of private sector employees with similar qualifications (Ito, 1993:129,132).

<sup>25</sup> Yamakoshi (2000:4) points out that large NGOs in the US have annual budgets over 20 times that of their Japanese counterparts. JANIC reported that in 1990 more than half of the NGOs had budgets less than US\$1 million (Ito, 1993:128).



practice. At the same time, pressure from the DAC has acted as a countervailing force to the use of ODA as a device for advancing national interests. The governments of aid-receiving countries can also influence the types of interventions that are funded. At the level of the state, Japan's aid structures are shaped primarily by inter-ministerial rivalry and collusion between the private and public sectors. The outcome of this system in which ministries compete for a share in the aid budget and work hand in hand with various private sector interest groups is that no one is sure who is ultimately responsible for the aid program. A JICA specialist lamented that in the aid system 'we do not know who has power or who is ultimately responsible' (interview, 07/98).

If the discussion was left as it stands, Japan's ODA implementing agencies might appear as sponges that can be shaped by the private sector and ministries as they wish, and the setting of aid policy as almost entirely reactive to foreign pressure. However, Japan's aid program has evolved as the aid agencies have accumulated experience and knowledge over four decades of development practice. The impetus for reform, therefore, has not only come through pressure from DAC but also from within Japan's aid agencies and more recently from the Diet. It is left to Chapter Eight to analyse the nature of this movement for reform and the obstacles it faces.

A final point that needs to be emphasised is that the description of the political economy that I have presented in this chapter has necessarily involved a degree of generalisation and refers primarily to the traditional features of the aid program. Beaudry-Somcynsky and Cook (1999) correctly point out that 'many projects, especially under JICA, do not involve the private sector in their implementation, and many JICA projects are not part of the design of major infrastructure projects initiated by the private sector'. This is clear in the four interventions that I have taken as case studies in which Japan's private sector did not play a pivotal role. Nevertheless, an understanding of the forces and structures that have traditionally defined Japan's aid practice is necessary to place the projects examined in the broader context of Japan's ODA. The thesis now moves to the first case study.

<sup>26</sup> In 1996, about ninety per cent of NGOs were operating without legal status as Japan's Civil Law requires strict standards that many find hard to meet (Beaudry-Somcynsky and Cook, 1999). Without legal status NGOs are less able to attract donations as these are not tax deductible and consequently the financial position of many NGOs is very weak.

## CHAPTER FOUR

### **THE GRAMEEN BANK IN BANGLADESH: A RARE EXAMPLE OF A YEN LOAN CHanneled TO THE POOR**

#### **INTRODUCTION**

The Grameen Bank<sup>1</sup> is widely recognised as a pioneer organisation in developing microcredit for the poor. Established in 1983 under a government ordinance, the bank now claims over 2.3 million members and operates in over half of the 68,000 villages in Bangladesh (*Grameen Dialogue*, 01/2000). The Grameen model of microcredit delivery has been replicated by more than 750 NGOs in Bangladesh (Khandker, 1998:3) reaching some eight million clients in 1999 (Martin et al., 1999:19), and in over 50 countries. Its founder, Muhammad Yunus, has argued in international fora that credit should be regarded as a human right and he was a key figure behind the Microcredit Summit, held in February 1997 and attended by about 3000 people from 137 countries.

It is not the fame of the Grameen Bank, nor its considerable impact on what Martin, Hulme and Rutherford (1999:2) term the 'microcredit revolution', however, that explains why it was chosen as a case study for this research program. In 1995, Grameen received a loan from Japan's Overseas Economic Cooperation Fund (OECF) of approximately US\$24.8 million.<sup>2</sup> In this evaluation I am concerned with whether this loan was employed effectively, efficiently and in a sustainable manner to enable the rural poor to empower themselves.

There are a number of specific reasons for choosing to examine the OECF loan to Grameen. As noted in the previous chapter, the OECF, or its successor the Japan Bank for International Cooperation (JBIC), directs most of its development finance towards large-scale public works and other economic infrastructure projects. In contrast, the OECF loan to the Grameen Bank was uncharacteristic of Japanese loan aid as it was on-lent to poor rural households, raising the

<sup>1</sup> Hereafter, sometimes shortened to 'the bank' or Grameen, and GB in the case of references.

question of whether it could signal a new direction for the aid program. The type of loan extended to Grameen is known as a two-step loan whereby credit is transferred in a lump sum to a financial intermediary in the recipient country which then on-lends in smaller amounts. It is difficult to find other examples of such loans that have been channelled to the poorest segments of the recipient country's population.<sup>3</sup> The loan to Grameen also stands out as the first time the OECF had funded a development intervention that it could define as 'gender specific'. The OECF recognised the loan to the Grameen Bank as 'the first full-scale yen-loan assisted project supporting women in the developing nations' (*OECF Newsletter*, 11/95:6). The dual challenge for the OECF loan was thus to reach, and be of benefit to, the rural poor in general, and to poor rural women in particular.

A further reason for choosing Grameen as a case study was institutional. Although the Grameen Bank is officially a quasi-governmental organisation, it operates with little government input. JBIC is unable to lend directly to NGOs as it requires a government guarantee on all loans, but there has been a movement by MoFA and JICA to more actively involve Japanese and indigenous NGOs in the aid program.<sup>4</sup> If Grameen proves to have some comparative advantages in the delivery of aid over normal government channels, then it is worth considering whether JBIC is likely to recognise this advantage and seek to establish a mechanism for funding NGO programs.

To provide the necessary background to the evaluation the assessment firstly details the nature of the OECF loan before briefly describing the history, philosophy and operations of the Grameen Bank. The issues that are addressed in the evaluation, the methodology used and the limitations of the study are next described before the results of the evaluation are presented.

## **BACKGROUND TO THE EVALUATION**

Of all four interventions taken as case studies, the Grameen Bank credit program had the least involvement of Japanese actors. Other than providing funding, no Japanese organisations were involved in designing or implementing the intervention. In this instance, the OECF was simply providing financial assistance to expand existing programs. I discussed the important role played by Japan's private sector in project finding in Chapter Three, but neither Japanese corporations nor public-interest organisations played a part in formulating the request for assistance submitted by

<sup>2</sup> Currency conversion rates used are for May 2001 when US\$1 = 120 yen.

<sup>3</sup> The best known two-step loan scheme, involving 11 separate loan transfers between 1975 and 1991, was to the Bank for Agriculture and Agricultural Co-operatives in Thailand. To qualify for such loans farmers had to be under an annual income ceiling of US\$1,750 with the average loan falling between US\$1,400 and US\$1,750. In the case of a two-step OECF loan to the Agricultural Development Bank of Pakistan, sub-loans to farmers averaged US\$1,530 (*OECF Newsletter*, 11/95:10). By comparison, the average size of first loans of the Grameen Bank is about US\$100, while the poor must be effectively landless to become members of the bank.

the Grameen Bank. This should not be surprising as there was very little for Japanese private sector actors to gain from any relationship with Grameen because the programs being funded were already well developed. Grameen Bank representatives approached the OECF directly, though I could not clarify why they chose to request a loan from JBIC rather than from other possible financial backers. Undoubtedly, the OECF's sound financial reputation and the relaxed terms would have been attractive to them. Also, Grameen has been concerned to reduce its vulnerability to currency fluctuations by maintaining a broad currency portfolio (interview, GB management, 07/98). As it had not borrowed in yen before this may have been another reason why the OECF was approached.

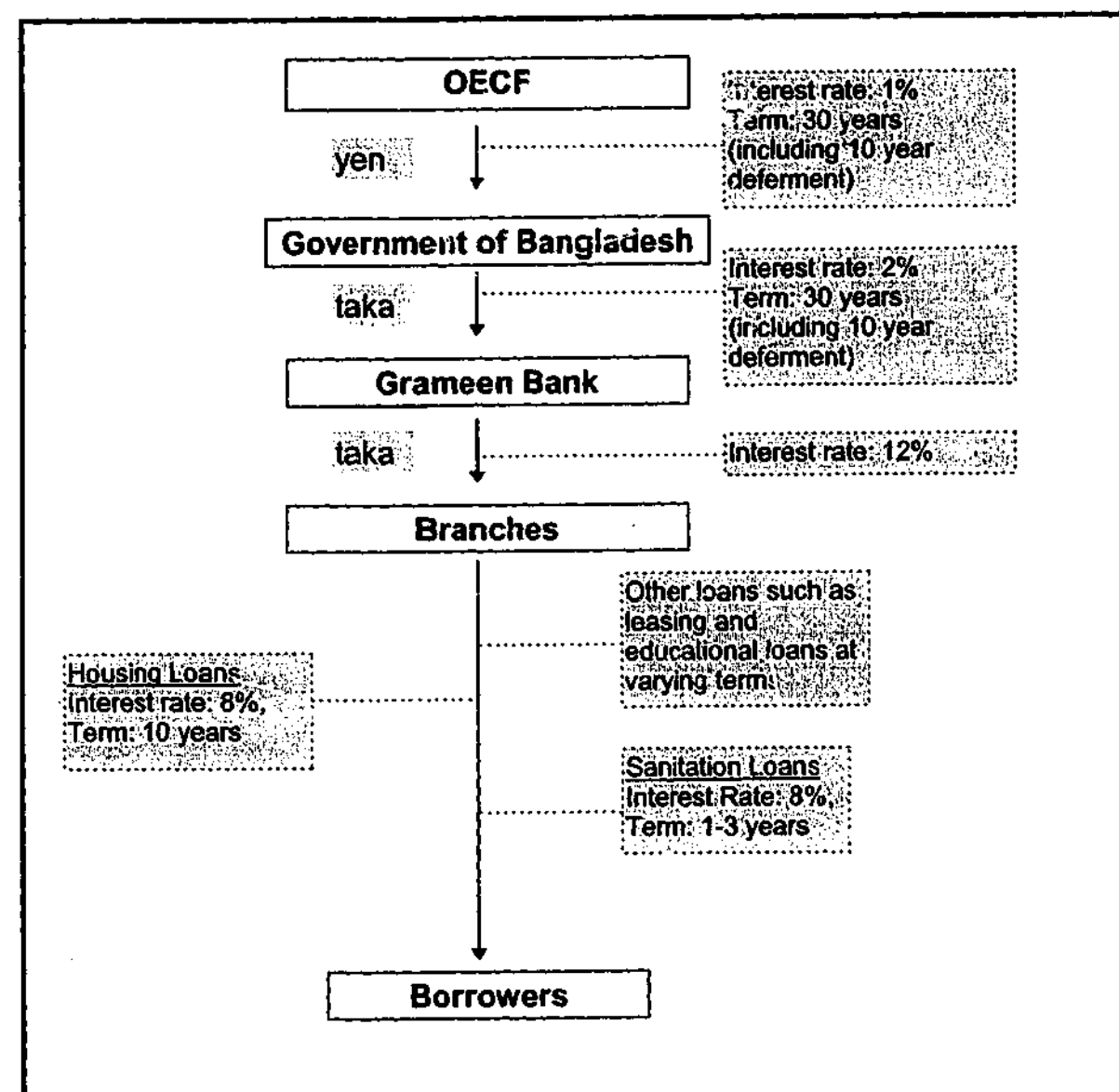
According to an OECF official (interview, 07/98), there were several reasons why the OECF accepted the request from Grameen. The performance of the bank was judged to be very good and the repayment rate of Grameen's borrowers of 98 per cent was cited in this regard. Grameen was also attractive because it was attempting to establish itself as a self-funding institution. The Bangladesh Rural Advancement Committee (BRAC), the largest local NGO in Bangladesh, by comparison, was not viewed by the OECF in such a positive light as it relied heavily on the subsidised funds of external donors. A trend towards increased financing of the social service sector was provided as another explanation for funding the bank's programs (OECF, 1997:2). The high profile of the Grameen Bank may also have been a reason for the OECF wanting to associate itself with this organisation. As part of its public relations the OECF, and later JBIC, highlighted their relationship with the bank in a number of documents intended for the public.<sup>5</sup>

The same official revealed that, while the request was generally well-received, some OECF officials were reluctant to support Grameen, arguing that the OECF had no experience in microcredit. Those who opposed the loan felt that this was more the kind of project that JICA or MoFA should be dealing with. According to the official, those opposing the loan argued that 'The target of this project is the poorest of the poor. That is not the OECF's task!'. Ultimately, the loan request was accepted for an amount of 2,986 million yen and was given the title 'Rural Development Credit Program in Bangladesh' (OECF, 1997:1). In 1997, this loan accounted for approximately 7.2 per cent of the bank's borrowing portfolio (GB, 1998:128). The achievements of Grameen have therefore not been dependent on the OECF loan, though it has undoubtedly facilitated the expansion of the bank's microcredit program. With a 30 year maturity, ten year grace period and an annual interest rate of one per cent, terms of the loan were extremely concessional. The government of Bangladesh secured the loan and delivered this to Grameen with

<sup>4</sup> See Chapter Eight for further details.

an additional one per cent in interest to protect itself against possible adverse fluctuations in exchange rates. The manner in which the OECF loan was channelled to the Grameen Bank and finally to its members is detailed in Figure 4.1.

Figure 4.1: OECF Loan to the Grameen Bank



Source: Modified from OECF Newsletter, 11/95.

### BRIEF HISTORY AND PHILOSOPHY OF THE GRAMEEN BANK

To tell the history of the Grameen Bank the story of Muhammad Yunus must also be told. After completing a doctorate in theoretical economics at Vanderbilt University, Yunus returned to Bangladesh soon after independence was declared in 1971 and was appointed Head of the Economics Department at Chittagong University. In 1974, Bangladesh was struck by a severe famine which caused Yunus to question the economic models he was teaching his students.

I used to get excited teaching my students how economics theories provided answers to economic problems of all types. I got carried away by the beauty and elegance of these theories.

<sup>5</sup> See, for example, OECF Newsletter (11/95) as well as OECF annual reports (1997/1999).

Now all of a sudden I started having an empty feeling. What good were all these elegant theories when people died of starvation on pavements and on doorsteps? (Yunus, 1998a:4).

Realisation of the inadequacy of mainstream economic models in explaining the suffering he observed led Yunus to search for solutions to rural poverty outside those based on theoretical prescriptions.

I now focused on the task of unlearning theory, and on learning instead from the real world. I did not have to travel miles to find the real world. It was just outside the doors of the classrooms. It was everywhere except inside the classroom (Yunus, 1998a:63).

With the assistance of some of his students Yunus began to visit nearby villages and question inhabitants about the nature of the problems they faced. Through daily interaction with the village poor he became aware of systems of exploitation in which the poor were unable to retain the surplus of their labour. In one such system a middleman provided raw materials used by impoverished villagers to make items for sale. Poor villagers were then forced to sell these products to the middleman at a price much lower than the market offered. The poor could not afford to buy the raw material they required and thus had to agree to terms set by the middleman. Other villagers were forced to borrow for survival from informal sources at usurious rates of interest (Hossain, 1988). From these simple observations Yunus concluded that if the poor had access to credit at reasonable interest rates they could invest in whatever activities they might choose and retain the entire surplus of their labour (Yunus, 1998a). These were the conceptual beginnings of the Grameen Bank.

Initially, Yunus provided credit from his own finances and was impressed with the results. Despite the popular myth in Bangladesh that poor people are untrustworthy, all of the money he lent was repaid (Yunus, 1998a). Recognising the limits of using his own funds, Yunus sought to convince existing banks that a viable model of credit delivery for the poor could be created. The Janata Bank agreed to trial a formal system of microcredit for the poor under his supervision. The microcredit experiment was later transferred to the Bangladesh Krishi Bank where a branch sub-office lending to the poor was established in 1978. This pilot project was judged successful and to facilitate replication over a broader area the 'Grameen Bank Project' was launched in June 1979. Within the first year of its operation, 24 branches specialising in credit for the poor were established and achieved a recovery rate of 98 per cent by due date (Hossain, 1988:23). In 1983, a government ordinance established the Grameen Bank as an independent bank and expansion thereafter has been rapid. By August 1999, 1,142 branches were operating in 39,501 villages; the cumulative amount disbursed stood at US\$2,878.76 million and membership had reached 2,360,279 (GB, 2000).

The early years were the experimental phase of Grameen during which what has become known as the Grameen model of microcredit delivery was established. How to secure loans without physical collateral, how to deliver credit in small sums while keeping transaction costs at a minimum, how to convince the rural poor, especially poor women, to join the bank, how to foster a dedicated, corruption-free workforce and how to respond to the hostility of the rural elite were some of the early issues that the bank sought to come to grips with (Yunus, 1998a). The philosophy of Grameen was established through a process of seeking practical solutions to these problems, rather than from drawing from a strong theoretical base. Fundamental to this philosophy is the belief that 'poverty has not been created by the poor, rather institutions and policies which create the economic environment of the world are responsible for poverty' (Yunus, cited in *OECF Newsletter*, 11/95). A core philosophy of the bank is thus that the poor do not require welfare but rather opportunities that challenge them to use their existing skills and knowledge (Yunus, 1997:10). The Grameen Bank values the survival skills and knowledge that the poor possess and seeks to engage these to create self-employment opportunities through microcredit that allow the poor to retain the surplus of their labour (*ibid.*:12). Yunus (1998a) states that Grameen positions women at the centre of development because of their greater vulnerability to impoverishment and because from the bank's experience they have proved better managers of scarce resources.

#### **HOW THE GRAMEEN BANK FUNCTIONS**

The Grameen model can best be explained from its most basic unit, the group, upwards to its highest level of management, the board of directors. When the bank seeks to establish a branch, a Branch Manager is sent to prepare a socio-economic report of the new area. On acceptance of the socio-economic report by the Head Office, a public meeting is held in the locality during which the nature of the bank and its intentions are described. Those who fall into Grameen's target group and show interest in joining are asked to form groups of five 'like-minded' people of similar economic standing whom they are familiar with and trust. The bank defines its target group as those households owning less than half an acre of land or the equivalent in total assets to the value of a medium quality acre of land (Hossain, 1988:25). Groups are divided along gender lines reflecting prevailing cultural norms. According to bank regulations, only one household member can join a group and blood relatives cannot belong to the same group.

In order to receive loans from the bank the newly formed group of five individuals approaches staff seeking membership. Bank staff visit the household of each prospective member and are expected to clear up any misunderstandings, to seek support of family members and to assess whether the household falls into the target group. Group members then undergo five days training

during which they are supposed to understand and remember the Grameen model of credit delivery as well as the social development agenda of the bank. At the end of the training period members are tested on these issues and on satisfactory assessment their group is formally recognised.

The group is the fundamental unit of the bank responsible for sanctioning loan proposals. Before the chairperson presents a loan proposal to bank staff, all group members must approve the loan. If an individual member defaults on repayment the group as a whole is obligated to meet that individual's repayment requirements. Additional loans are not extended until outstanding loans have been repaid. For these reasons, it is in the interest of the group to sanction only those loans that members are able to use productively. It is this system based on group liability that distinguishes the Grameen model of microcredit from the conventional banking practice of securing loans through collateral.

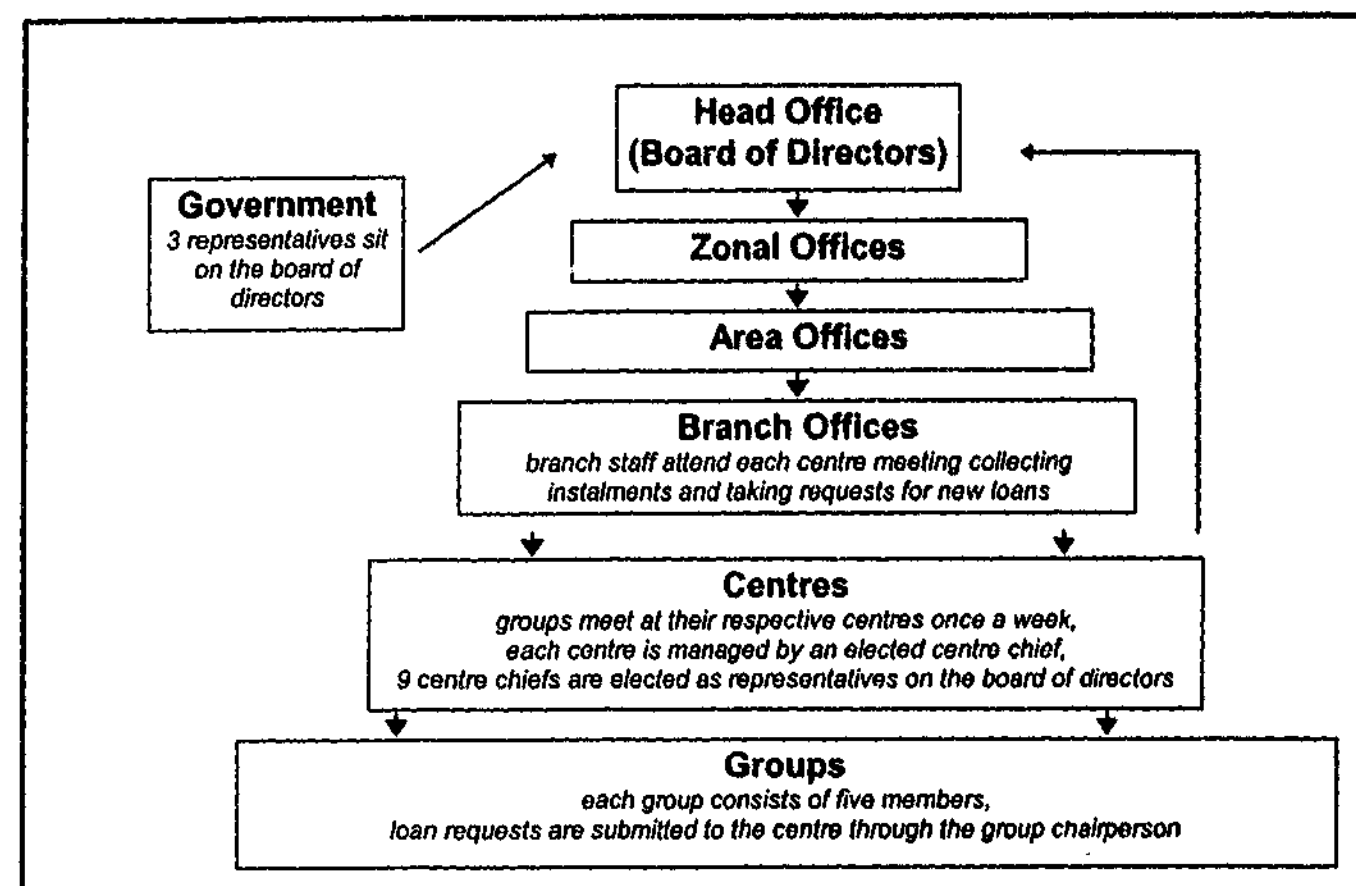
Groups are federated into centres which elect a centre chief and deputy centre chief. A bank worker is allocated to each centre and weekly meetings start on his or her arrival. At meetings loan installations and compulsory savings are collected, and new loan proposals are presented to the bank worker. Compulsory savings go towards a group fund which can be drawn upon in times of hardship or social ceremony. Five per cent of loans are also placed directly in the group fund while borrowers are obliged to pay the equivalent of 25 per cent of the interest paid on loans into an emergency fund that is expected to act as a form of insurance in case of misfortune (Fuglesang and Chandler, 1988:121).

At first only two group members receive loans, then another two members once five instalments have been paid, and finally the group chairperson. The first type of loan that new borrowers have access to is referred to as a 'general loan'. Repayments on general loans are made on a weekly basis and start one week after disbursement. Grameen supplies a range of other credit lines with varying terms including leasing loans, housing loans, seasonal loans, tubewell loans, family loans, educational loans and sanitary loans. These become available to borrowers with a proven repayment record and, at the same time, the size of general loans borrowers are eligible to access increases over time.

Branch offices report to an Area Office, Area Offices report to a Zonal Office, and Zonal Offices report to the Head Office located in the capital, Dhaka. At the highest level of management Grameen is controlled by a board of 13 directors comprising the Managing Director, three officers appointed by the government and nine bank members elected from among incumbent centre chiefs. The basic structure of the bank is depicted in Figure 4.2 (overleaf).



Figure 4.2: Structure of the Grameen Bank



#### FOCUS, METHODOLOGY AND LIMITATIONS OF THE EVALUATION

With an understanding of the origins, philosophy and operations of Grameen, it is now possible to address the impact of the OECF loan. The loan was to support the bank's housing, sanitary, tubewell and leasing loan schemes, though it was anticipated that the housing loan scheme would absorb most of the funds. As supporting these loan types would have freed up finance that Grameen could have employed for other loans, my evaluation examines all of the bank's major lending programs.

The Grameen Bank has attracted considerable attention from independent researchers who have addressed a wide range of development issues. By analysing their studies it is possible to address most of the questions listed in Figure 2.2 of Chapter Two considered crucial to evaluating interventions from an empowerment perspective. The only question which is not tackled in this evaluation relates to the environmental impact of the bank's interventions. Because the enterprises undertaken by borrowers are small in scale, their impact on the environment would be very marginal. Whether the bank should consider loans to encourage projects that are designed to be environmentally sound, such as organic farming, is a question that must be left for future research. The first question that I address is whether Grameen has been successful in reaching poor

households or whether, like many other rural development programs in Bangladesh, any benefits it brings are monopolised by those already well-off. The assessment next asks how successful the bank has been in improving the socio-economic situation of its members. First round impacts can be measured using a range of estimates including net return on investments and net worth of households. Second round benefits can be measured using socio-economic indicators such as school enrolment and morbidity. The assessment then turns to the impact of Grameen's programs on the strategic needs of women, particularly their status within their households. Finally, I examine whether Grameen has had any impact on the politics of its members before concluding with a discussion on sustainability and efficiency.

The primary means of data gathering for this assessment were semi-structured interviews of borrowers as well as staff at headquarters and branch level; a review of independent research on Grameen; and a study of branch records, annual reports and other bank material. To undertake interviews with borrowers, as well as field level staff, I spent approximately two weeks at the Kulnogapara, Boalkhali branch. An important reason for selecting this branch was that it is located in a flood free area; when I began fieldwork in mid-September 1998 flood waters covered 60 per cent of the country. I also requested a branch that was not near a large city as its performance might have been enhanced by access to a large external market.<sup>6</sup>

During the two weeks at Kulnogapara I accompanied staff during their daily work schedule to better understand their role in implementing the microcredit program. I also accompanied staff to weekly centre meetings and undertook group interviews at the end of these. During centre meetings I was able to identify several borrowers who agreed to more in-depth interviews of a one-to-one basis. Borrowers selected for interviewing were not chosen as a representative sample of branch members, but rather as informants on key issues I sought to address. While at Kulnogapara village I interviewed branch staff, as well as Area and Zonal Managers. In addition, I interviewed representatives of other development organisations in the locality and visited one further branch.

The limits of the evaluation relate primarily to methodology. With over 2.3 million bank members living in complex social and political settings, and given disparities in local economies and regional differences in cultural norms, care must be taken in drawing conclusions from limited sources of information. Borrowers who were interviewed are not a representative sample of the population of borrowers and there is peril in drawing broad conclusions from a small number of interviews. Nevertheless, broader structures that create and reproduce poverty in Bangladesh's



rural setting cut across regional differences. Grameen has sought to challenge some of these structures employing a standard model. These two facts allow for a degree of generalisation when information from fieldwork is combined with the results of other studies undertaken in different localities, as well as secondary data. Another limitation is that I have used a before-after approach, comparing details of the economic and social position of members before and after joining the bank. A danger of this approach is that variables leading to a change in the quality of life that are external to the intervention under study may not be fully appreciated. An attempt was made to address this deficiency by asking members what changes they had noted in the rural setting, and what had been responsible for changes in their own circumstances.

### **ABILITY TO REACH THE RURAL POOR**

It is appropriate to begin this assessment with an examination of how successful Grameen has been in reaching the rural poor. If the bank has not been successful in this endeavour then, from a poverty perspective, whether it empowers those it lends to is of little concern. I addressed the degree to which the bank is able to reach its target group by asking borrowers to describe their economic position before joining the bank. As direct observation of living conditions provides important insight into economic well-being I also considered it worthwhile interviewing a new member. Other than the size of landholdings, indicators that mark the economic position of a household include the size, location and construction materials of dwelling units (Kaboor, 1989:18); the frequency and composition of meals (ibid.); assets such as clothing, furniture, jewellery and farm equipment (Proshika, 1995); financial assets and debt (Hussain, 1998); morbidity; whether a family can afford modern medical treatment or resorts to traditional healers; and whether a person is invited to festive occasions (Yunus, 1982).

### **INTERVIEWS WITH MEMBERS**

The new member, Romeza,<sup>7</sup> who had joined Grameen four months prior to the interview, was not born into abject poverty and recalled her earlier life when she lived with her parents as relatively comfortable. Her father worked in a customs office, owned 1.5 acres of land and the family was able to eat three times a day. However, her economic condition deteriorated after marriage as her husband developed cerebral malaria and could not work for a year and a half. Her five and a half year old daughter had diarrhoea in earlier childhood, boils on her skin and a fever for the two

months prior to the interview. Only sometimes could the household afford medicine for the treatment of the daughter and Romeza's husband.

After marriage, Romeza moved into her in-laws' house where she remained for two to three years, then moved to her present residence nearer to where her husband works. Their house stands in a rear corner of a compound and is squeezed in between two larger houses and trees that mark the boundary between the compound and rice paddies. At about 12 feet long by eight feet wide the one room house is very small. A platform the family sleeps on takes up more than half of this space. The house is constructed of very thin walls that have a thatched frame with mud used as lining. The roof is of straw. Romeza's husband took a lease on the land where their house is built which they are paying off as they are able.

The family eats twice a day but takes tea instead of one meal as prices are high, Romeza explained. Meals consist of vegetables with rice, though Romeza claimed that the family eats meat or fish once a week. She also stated that she visits the market once a week. Sometimes she collects wild vegetables but justified this on the basis that they are good for health. At present Romeza educates her daughter at home but said she will send her to school when she is a little older. A summary of household assets is given in Figure 4.3 and estimated monthly income and expenditure are presented in Figure 4.4 (overleaf).

<sup>6</sup> Kulnoga para village is located about two hours drive over poorly maintained roads from Chittagong, the second largest city in Bangladesh

<sup>7</sup> To protect the identity of informants pseudonyms are used.

Figure 4.3: Asset List for Romeza's household

Description	Number
House	1
Land	small plot
Furniture	one bed
Cookware	10 pieces
Metal trunk	1
Rice container	1
Romeza's clothes:	3 saris
Husbands clothes: pants	2
lungis	2
shirts	2
Daughter's clothes:	
pants	2
other garments	2
Sandals	one pair each

Figure 4.4: Monthly Income and Expenditure for Romeza's household

Monthly Expenditure:	Amount in taka
1 kg rice consumed each day at 16 taka/kg	480
Oil, spices, vegetables (estimated at 10 taka/day)	300
Tea (estimated at 2 taka/day)	60
Extras including medicine	100
3 taka fixed donation every month to a local temple	3
Feeding of monks once a month	100
Sewing costs	100
	total 1,143
Monthly Income:	
Income from sewing	400
Husband's income	1,500
	total 1,900

Figures in taka.

Romeza's reluctance to reveal her poverty was apparent during the interview and should be noted before using this data to assess economic status. Bank workers questioned the figure given for the income of her husband as he is unable to work every day. It does not appear that he has fully recovered from his illness and during most of the interview, held in the early afternoon, he was resting in bed. As the husband's income is most likely much lower than indicated it is thus impossible to ascertain whether the family is able to meet monthly living costs. In addition, it is unlikely the family would eat fish or meat as often as Romeza indicated given that the family only eats twice a day. Collecting wild vegetables for meals and the inability to pay for medicine

further indicate the household's depressed economic condition. Romeza's statement that at present she was educating her daughter at home suggests that she cannot afford to send her to school.

Despite Romeza's desire to conceal the extent of her poverty, data provided in the interview indicates that the household falls clearly within Grameen's target group. As the household is still paying off the small plot of land on which the house sits, the only asset of significance is the house itself. However, even this is far smaller and of much poorer construction than most other houses in the village. Inside the house is spartan and without electricity. Moreover, there is no separate cooking area and Romeza is forced to cook under the eaves. The household is not only impoverished but also economically vulnerable as the on-going ill-health of the major income earner, Romeza's husband, could threaten the family's ability to sustain itself. The poor health of Romeza's daughter could also cause an additional drain on income.

Interviews of other members also revealed that their living conditions were fairly depressed at the time they joined Grameen. Sofia became a bank member in 1985 and suffered poverty from her youth, a fact compounded by serious illness in her family. Sofia recalled that when she lived with her father she was often only able to eat once or twice a day. Her father was employed as a construction worker and owned no agricultural land. During the afternoon the family would have rice with wild vegetables, though sometimes only with fried chillies and at worst a flour and water gruel. The family was only able to enjoy meat or fish one or two times a year during festivals. Sofia was able to remember her father's income as three taka per day, though he did not have work every day. As the household consumed 1.5 kilograms of rice during each meal, with the cost of low grade rice at one taka per kilogram, her father's income was insufficient to sustain the household. During her youth Sofia's three brothers had frequent bouts of diarrhoea and when she was 15 years old her father died of dysentery. Sofia recalled frequent attacks of diarrhoea, cholera, malaria (especially cerebral malaria) and whooping cough in her community, suggesting her family lived in a poorer part of the village. The family was not always able to buy medicine and resorted to quacks. Also reflecting the family's impoverishment, only Sofia's eldest brother received any formal education. During religious festivals her parents were unable to afford new clothes or special foods. Sofia recalled these as depressing times when they would only go to visit one temple, though it is common practice for Hindus to visit the temples of others as well.

After Sofia's father died her family's condition deteriorated further. Her two oldest brothers found work in shops but were paid in kind not in cash, receiving as payment two meals a day. Likewise, her mother worked as a maid but only for food. Those remaining in the house were able to generate a little income from poultry and making bed-mats. Two bed-mats would be sold a month,

each for ten taka, to a buyer who provided the material and thus had full control over the price. This was not sufficient to cover the food bill of the family and Sofia recalled having to go without food at times for several days on end.

Sofia was married at the age of 20 but her economic condition did not improve substantially. Her husband provided for the family by working at a tea-stall in the Hill Tracts, but returned to work in the village after she fell ill with a skin rash. Her husband took up work at a bakery-cum-tea stall in Kulnogapara village but their combined income was barely sufficient to support the family which by now included two daughters and one son. Times were particularly hard when her son was ill and during these periods they would sometimes go without food for the entire day.

Other members whom I interviewed had similar stories to tell. Rehana, who had recently purchased an expensive power tiller with a Grameen Bank loan, remembered difficulty in providing three meals a day, even if only vegetables and rice. When asked why she joined Grameen Rehana replied obliquely that her family owned no land and did not have access to clean water. Moti, who had stood for the previous Union Council election, recalled that seven to eight years ago it was not always possible to eat three times a day. At times she had to feed her family a flour and water gruel. 'Sometimes we would have nothing and my son would say to me "Our neighbours eat fish and meat. I want to eat these dishes too!"'. Her reply was, 'Pray to God and you will have these dishes one day'.

All the members interviewed struggled at times to support their families before joining Grameen. None owned assets of much worth and all were effectively landless, supporting a conclusion reached by other studies that the bank is effective in reaching the rural poor. Alam (1988:34), for example, found that 92 per cent of members belonged to target households owning an average of 0.2 acres of land, a figure well below the 0.5 acre limit that defines the target group. The bank's targeting also compares favourably with that of other rural development organisations in Bangladesh. A study by the NGO Shapla Neer covering one village found that whereas 84 per cent of Grameen members surveyed could be described as poor, only 41 per cent of its own members fell into the same category (Shapla Neer, 1998b).

It would appear that the reason for the Grameen Bank's success in reaching its target group comes from a commitment to the poor by the bank's founder that has been successfully institutionalised. It is from lessons learnt through the early experimentation phase of Grameen that Yunus concluded: 'If the poor and non-poor are combined within a single program, the non-poor will always drive out the poor. To be effective, the delivery system must be designed and operated

exclusively for the poor' (Yunus, 1998b:48). Grameen has thus developed a rigorous procedure for identifying whether villagers who express an interest in joining the organisation are within its target group. Before the five days of training begins for prospective members, the local Branch Manager visits their homes to gain an impression of economic status and to talk with family members. On the final day of training the Area Manager or program officer visits each household for discussion. The Boalkhali Area Manager stated it is rare for him to find any households that are outside the target group during these visits. The checking of economic status is thus particularly rigorous as it is not just the bank worker who visits the homes of prospective members, but also the Branch Manager and a representative from the Area Office.

### **SUCCESS IN REACHING TARGET GROUP BUT LESS ABLE TO REACH HARDCORE POOR**

Although Grameen is successful in reaching its target group, it does not reach all poor households within a village.<sup>8</sup> Households least likely to join appear to be those most impoverished, sometimes described as 'hardcore poor'.<sup>9</sup> Extremely poor households are less likely to seek membership as they may associate credit with consumption in times of distress, rather than with productive investment, and are more likely to believe that they don't possess skills to use microcredit (Hashemi, 1997:253). Moreover, when a prospective member seeks to form a group they may prefer to select other poor people who have at least some household assets that can be called upon if loans do not generate immediate and sufficient profits to cover repayments (Hashemi, 1997:254). Bank staff may also seek to recruit only those households that look most likely to meet repayment obligations, ignoring extremely destitute households that may be tempted to use loans for consumption.

The tendency of microcredit programs to exclude the hardcore poor does temper the potential of the bank to reduce rural poverty in Bangladesh. Nevertheless, interviews conducted at Kulnogapara and other independent studies reveal that members commonly experienced considerable poverty before they joined Grameen. Hence, while the systemic weakness of the Grameen model to exclude a proportion of the hardcore poor must be recognised, the success of the bank in reaching the rural poor deserves acclaim, especially as this has been achieved in a rural setting where targeting has proven difficult.

<sup>8</sup> In Kulnogapara village the Branch Manager estimated the bank reached 65 per cent of the target group, whereas a joint survey by the Bangladesh Institute of Development Studies and the World Bank found on average 44 per cent participation of the target group in villages in which Grameen operates (cited in Khandker, 1998:39).

<sup>9</sup> In Bangladesh, hardcore poor have been defined as those who subsist on a daily caloric intake of 1740 calories, less than three fifths of the 2112 calories per day commonly used to define the poverty line (Rahman, 1995).

## SOCIO-ECONOMIC IMPACT

Of the bases of household power identified by Friedmann (1992) listed in Chapter Two, the Grameen Bank focuses its efforts on providing 'financial resources' in the form of microcredit. The specific question that must be asked from an empowerment perspective is, are bank members able to use microcredit to significantly improve their economic position? The approach taken to address this issue was to calculate the net income for individual loans and resulting increase in net worth of the household. A before-after methodology was adopted which compared asset lists, food consumption, as well as daily income and expenditure of borrowers before joining Grameen and at the time of interviews. This relied on the ability of borrowers to recall and estimate figures for transactions sometimes more than ten years earlier which was not always possible. However, sufficient data was recorded on more recent micro-enterprises funded with bank loans to provide an understanding of their net worth to borrowers. Because of the small number of borrowers interviewed, information from fieldwork is supplemented with independent studies that have employed broader surveying techniques.

### ECONOMIC IMPACT ON ROMEZA'S HOUSEHOLD

Romeza received her first loan in May 1998, four months prior to the interview. As a general loan of 4,000 taka conditions were a repayment period of 46 weeks with 98 taka due each week, and two taka deducted for the group fund. Romeza stated she had no problems meeting these repayments and had 2,380 taka left to pay. The loan was used to purchase a milch cow, reported to be good condition, though giving less milk in the weeks before the interview because of reduced grazing. Earnings from the sale of milk were 300-400 taka/month and maintenance costs including food and medicine were 100 taka/month. Maintenance costs can be expected to decline during the period that the cow is dry. The cow is expected to give milk for six to eight months/year for about eight years, and to give birth once a year, with the first calf being due four months after the interview. Figure 4.5 (overleaf) shows that in the first year Romeza will make a financial loss of about 1,460 taka on this investment.<sup>10</sup> This loss will have to be met with income from other sources revealing that such an investment would be inappropriate for a household suffering extreme economic hardship or one without social support mechanisms to draw upon. Although Romeza stated she had no problems meeting loan repayments, she will have no income from milk sales over the four to six month period that the cow is dry. She will either have to borrow from elsewhere to meet repayments or further reduce household consumption.

<sup>10</sup> Throughout this discussion calculations on net income from micro-enterprises are based on the assumption that existing conditions that impact on the profitability of the investment will not change. Given that poor households are vulnerable to natural hazards, ill-health and other forms of misfortune, the significance of this assumption should not be

Figure 4.5: Net Income from Milch Cow Investment in First Year<sup>11</sup>

Income		Expenditure		Net Income	
Milk sales	2450	Food and medicine	900		
Calf	1500	loan repayment	4508		
Total	3950		5408		-1458

Figures in taka.

Net present value of the investment has been estimated in Figure 4.6 for the eight years the cow can be expected to give milk. At just over 11,700 taka, this is equivalent to the income from almost eight months agricultural labour. This could also be described as providing income equivalent to one month's employment a year. At 51 per cent, the internal rate of return reveals this is a very profitable enterprise, though this one investment will not improve the economic welfare of the household substantially. However, if repayment is completed on time, Romeza will become eligible for a larger loan 46 weeks after receiving her first, and further loans thereafter.

Figure 4.6: Net Present Value for Milch Cow<sup>12</sup>

Year	Expenditure	Income	Net Income	Present Value
0	Cost of cow	4,508	0	-4,508
1	Food and medicine	900	sale of milk and calf	3,950
2	Food and medicine	900	sale of milk and calf	3,950
3	Food and medicine	900	sale of milk and calf	3,950
4	Food and medicine	900	sale of milk and calf	3,950
5	Food and medicine	900	sale of milk and calf	3,950
6	Food and medicine	900	sale of milk and calf	3,950
7	Food and medicine	900	sale of milk and calf	3,950
8	Food and medicine	900	sale of milk and calf	3,950
Net Present Value =		11,764	Internal Rate of Return =	51%

Figures in taka.

### ECONOMIC IMPACT ON MONWARA'S HOUSEHOLD

Monwara's household presents an interesting case to examine as she is a widow. Female-headed households in Bangladesh are particularly vulnerable to exploitation. Because Monwara was unable to list chronologically all the loans she had taken, the interview concentrated on her recent investment in poultry. She recalled her first loan about ten years earlier for a calf of 2,500 taka that

forgotten. The Grameen Bank attempts to reduce the risk of investing in livestock by providing an animal insurance scheme (GB, 1998:130).

<sup>11</sup> It is assumed that milk prices will not change significantly. To avoid over supply of milk the bank limits the number of loans for milch cows provided to each centre.

<sup>12</sup> The value of a one year old calf was provided by another source in the village as one to two thousand taka and the average of this was used. The cow may have value as meat after eight years but this has not been included in calculations. A discount rate of 10 per cent was used and seems reasonable as the Grameen Bank offers 8.5 per cent annual interest on deposits.



she was able to repay regularly at 50 taka/week. Further loans were taken for the use of fertiliser, yearly land leasing and to buy additional cattle. In 1996, Monwara took a general loan for poultry of 10,000 taka followed by another general loan of 11,000 taka a year later for the same purpose. Five months before the interview she received a seasonal loan of 30,000 taka that was used to further expand her poultry farm. Poultry had become a major source from which Monwara's household derived its livelihood.

With an estimated net income of about 15,800 taka over a 50 day period (see Figure 4.7) Monwara's investment in poultry was very profitable, especially when compared with the average monthly income of an agricultural wage labourer in Kulnagapara of 1,500 taka. Even though the poultry farm requires the combined labour of Monwara, her youngest son and a labourer, net income is still far higher than income from wage labour.

Figure 4.7: Estimated Income and Expenditure for Poultry Venture over 50 days<sup>13</sup>

Income		Expenditure		Net Income
sale of chooks	67,500	Feeders and other equipment	2,000	
		Costs of chicks	18,750	
		Food	22,500	
		paper for lining floor and barley	200	
		Medicine and Vitamin tablets	2,250	
		Sawdust	600	
		Labour	1,333	
		Loan repayments	4,043	
total	67,500		51,676	15,824

Figures in taka.

Prior to joining Grameen, Monwara's household had some degree of economic security owning a small plot of land, a house, two cows and a small amount of gold jewellery. Her position became vulnerable after her husband died, however, and subsequently worsened as she was forced to give the two cows as dowry for the marriage of her two daughters. Through association with the bank Monwara has been able to secure a relatively high standard of living and provide employment for her son. She eats three times a day, can afford fish regularly, enjoys tea and biscuits twice daily and visits the bazaar each day. Her major assets include a two storey house, three tables, three

<sup>13</sup> Variable costs are generally calculated over the 40 days required to rear the chicks, though labour costs and loan repayments are calculated over 50 days as Monwara leaves 10 days before purchasing new chicks. Calculations are for the 750 chicks that Monwara was rearing at the time of the interview. At the point of sale chooks usually weigh on average 1.5 kilograms with 60 taka per kilogram being paid in the village markets. Although Monwara indicated the buyer paid her 75 taka per kilogram, the estimate of 60 taka was used to allow for the likelihood of some deaths of chicks. Monwara reported she had no problems in selling chooks, that she gave none away to acquaintances and did not consume any herself. No estimate for the maintenance of the shed the chicks are housed in was given but as this was of a basic construction it would not be so significant.

beds, two ceiling fans and one table fan, a television and a radio-cassette player. Her son wears a gold chain and ring, and she wears two gold bangles. 'Why count these small things!' Monwara exclaimed during the interview, further indicating the relative wealth of the household.

### ECONOMIC IMPACT ON SOFIA'S HOUSEHOLD

Sofia was unable to list chronologically the loans she had taken nor the income and expenditure associated with the micro-enterprises these were used to fund. Nevertheless, she was able to provide the following information. Sofia used her first loan of 1,500 taka to purchase a goat and puffed rice in bulk to be sold on in smaller quantities. The goat produced two kids every six months that were sold and its milk was given to her son. Sofia recalled this as quite a profitable venture. Subsequent general loans were used to purchase a milch cow and a tea stall, and more recently as capital to stock the tea stall. A housing loan was also taken to build her house and to purchase the land that it stands on. In addition, Sofia has taken seasonal loans to lease one or two acres of land a year for rice cultivation. Sofia stated she had no problems repaying these loans, though sometimes borrowed 50 or so taka from her group members to meet repayments, reimbursing them within a few days with income derived from the tea stall.

After 10 years Grameen returns the compulsory savings portion of borrowers' contribution to the group fund with interest. Sofia received over 6,000 taka through this scheme in 1995 and described the system as beneficial because, while compulsory savings are small, the amount returned after ten years is quite substantial.<sup>14</sup> She used this money to electrify her house and provided the rest as an interest free loan to a friend who was having difficulty finding a husband for her daughter.<sup>15</sup>

Monthly income and expenditure of the household are estimated in Figure 4.8 (overleaf). That expenditure is greater than income is most likely due to inaccuracy of some estimates provided by the borrower. Two important observations are that the household now derives its livelihood from a variety of micro-enterprises and that the monetary value of monthly consumption expenditure for the household is high. Sofia described the tea stall as the household's most profitable enterprise but supplements this with income from the sale of eggs and milk, as well as the sale of one calf each year. Land is also leased for rice cultivation which meets household demand for eleven months of the year. Including an estimate for the value of rice, but not for vegetables produced in

<sup>14</sup> Despite her positive comments, a much deeper analysis is required to judge on the merits of the group fund system. Although group funds are ostensibly collected to provide a financial pool which groups can call upon, they also play a role in establishing a revolving financial pool for the branch itself. Hulme and Mosley (1997:117) found that some members felt they were not allowed sufficient access to their group funds suggesting a degree of conflict between the financial interests of the group and the branch in the way group funds are used.

<sup>15</sup> The bank's impact on dowry is discussed below.



winter, nor milk and eggs consumed by the household, total household consumption of food per month is about 2,280 taka, a figure one and a half times higher than the average agricultural wage.<sup>16</sup>

**Figure 4.8: Estimated Monthly Income and Expenditure of Sofia's Household**

Income		Expenditure	
Tea Stall	3,250	Food and other household items	1,500
Eggs	200	Books and other items for children	1,000
Chicken	100	Expenditure associated with micro-enterprises	1,000
Cow's milk	368	Loan repayments	1,017
Calf	125		
<b>Total</b>	<b>4,043</b>		<b>4,517</b>

Figures in taka.

The relative wealth of Sofia's household is also evident in household assets. Her two storey house, constructed with a housing loan, has thick mud walls and a tin roof and. Moreover, she owns ten to fifteen saris and had clothes made for her children at a local tailor a week prior to the interview. After listing household assets Sofia exclaimed 'I could live for five years without the need to buy any other assets!'. It is thus reasonable to conclude that through productive use of bank loans over a period of 13 years Sofia has been able to raise the standard of living of her family to a much more comfortable level.

#### **ECONOMIC IMPACT ON REHANA'S HOUSEHOLD**

Rehana's household has also significantly improved its economic position through the effective use of Grameen Bank loans. The purchase of a power tiller has proven to be a particularly lucrative investment with an estimated net return of 19,705 taka in the first year of use (see Figure 4.9 overleaf). To calculate the increase in net worth of the household over the first year the repayment of principle (30,000 taka) is added to net return to give a figure of 49,705 taka.<sup>17</sup> This is equivalent to a monthly income of 4,142 taka which is more than twice the agricultural wage.

<sup>16</sup> Consumption of rice, estimated from figures provided by the borrower at the value of 24 taka per day, is, if anything, an underestimate given the cost of one kilogram of average quality rice is 16-20 taka.

<sup>17</sup> An estimate of depreciation should be subtracted from this to give a more exact figure.

**Figure 4.9: Net Income for the Power Tiller in First Year of Operation<sup>18</sup>**

Income		Expenditure		Net Income
Selling service of ploughing	150,000	Diesel	45,000	
		Oil	9,000	
		Gear Oil	2,175	
		Parts	6,000	
Savings from ploughing own land	3,500	Labour	38,000	
		Loan repayment	35,620	
<b>Total</b>	<b>153,500</b>	<b>Total</b>	<b>133,795</b>	<b>19,705</b>

Figures in taka.

As the power tiller is only used for about three months of the year this allows the household to engage in other enterprises. The household owns half an acre of land and leases another 6.5 acres to cultivate rice, maintains a vegetable garden and keeps one cow for milk. Successful use of loans has raised the expectation of Rehana who hopes to receive a housing loan and to use this to construct a costly brick house.

#### **MOST MEMBERS HAVE BEEN ABLE TO USE LOANS PROFITABLY**

Fatima and Moti, the other two members interviewed, had also used loans successfully to improve the economic position of their households.<sup>19</sup> It thus appears that all the borrowers I interviewed who had belonged to Grameen for over ten years had been able to significantly raise the level of household income. To overcome the shortcomings of the before-after approach I have taken, which does not examine whether other factors may have led to an improvement in household finances, I asked some of the borrowers how important bank loans had been for their households. Moti replied that the impact had been 'quite good, though not large', citing a fractured hand and the marriage of her daughters as limiting factors. Fatima's reply, which was more representative of responses from members, was that she believed the improvement in the economic position of her household was 80 per cent due to her association with Grameen and 20 per cent due to her husband's and children's income. She did not believe that external factors were responsible for the improvement in their standard of living.

<sup>18</sup> The length of the ploughing season is one month and the power tiller is used for three agricultural seasons. Two hundred acres are ploughed each season; on average an acre is ploughed twice for a fee of 250 taka. Two labourers are employed and paid 200 taka each per day.

<sup>19</sup> Fatima had used loans to purchase her family's house, milch cows and a tube well, and to invest in different enterprises including a grocery shop and fish drying. Her most recent loan of 200,000 taka, an experimental loan type designed for larger investments, was combined with 50,000 taka of her own savings to establish a shop that hires equipment for festivals and other social occasions. Moti had used loans in a variety of ways including the purchase of cane and goats, shares in a pond and to reconstruct her house. She had also taken seasonal loans to lease land for rice cultivation from which she had made a profit each year with the exception of 1997 when a cyclone hit the region. Her income from cane work and rice cultivation is greater than her husband's wage as a janitor.

The conclusion from interviews, that bank members have been able to significantly improve the economic well-being of their households through the profitable investment of microcredit, is supported by a number of independent studies. Hossain (1988:10) found that members in five project villages had incomes on average 43 per cent higher than the target group in two control villages. More recently, a joint study by the Bangladesh Institute of Development Studies and the World Bank concluded that about 21 per cent of member households had crossed over the poverty line within 4.2 years of membership (cited in Khandker, 1998:56). The same survey found that, of the 33 per cent of households that were defined as extremely poor before joining Grameen, over two thirds had significantly improved their economic position. The exact proportion of households that have benefited from Grameen Bank loans is unclear, though Counts (1996:320), from 'hundreds of frank discussions with Grameen staff and borrowers', believes about 60 per cent of borrowers are able to 'make rapid and sustained improvement in their life after joining the bank'.

In addition to increase in net income, the Grameen Bank appears to have two other important impacts on household economy. Firstly, most loans, about 72 per cent in 1997 (GB, 1998:44), are used in off-farm activities that can be sustained throughout the entire year. Bank loans can thus help smooth out the seasonality of household income in rural areas. Secondly, the existence of a Grameen Bank branch can have a positive impact on poor non-members by reducing the size of the wage labour force. Members commonly use loans in self-employment activities and their withdrawal from the wage labour force can lead to a rise in the rural wage. Rahman and Wahid (1992:312) observed that of the 49 local leaders they interviewed 43 complained that intervention by Grameen had reduced the supply of agricultural labourers in their locality. The authors observed that in the Rangpur area wages for the peak season had increased by 30 per cent in real terms and that 'patrons were most bitter on the Grameen Bank on this issue of wage hike and the greater strength of wage labourers' (Rahman and Wahid, 1992:313).

## SECOND ROUND IMPACTS

Several studies reveal that Grameen has had an important impact on the social development concerns of its members through flow-on effects of increased household income and consciousness raising. Consciousness raising efforts have been directed at both men and women with emphasis on the latter. At Kulnogapara branch two one-day workshops are held each year and five seven-day workshops had been held since the branch's formation. Topics covered included hygiene, sanitation, prevention of violence against women, midwifery, law and nutrition. In addition, bank workers are expected to discuss social issues with members at centre meetings. Whether through consciousness-raising efforts or whether resulting from the flow-on impacts of the bank's lending

activities, the impact of Grameen on some broader social development concerns of members appears to have been substantial.

Although Grameen does not provide literacy training to its members, it does seek to instil in them awareness of the importance of their children's education (Yunus, 1998a:225-9). Hossain (1988:69) recorded that in his study of six villages, 25 per cent more member households were spending on education than non-member households. At one centre meeting in Kulnogapara women members stated that they were all sending their daughters to school and some asserted they were placing more emphasis on their daughter's education than their sons. Although this last claim is unlikely, it does suggest that these women are concerned about their daughters' education. A broader survey reported that a one per cent increase in credit to a woman borrower increased the probability of school enrolment of girls by 1.9 per cent and boys by 2.4 per cent (Khandker, 1998:49). Thus, while increased school enrolment of children has resulted from bank membership, this may have favoured boys more than girls.

Bank membership also appears to have had an impact on family planning. Todd (1996:224) noted that 'across the board' contraceptive use is higher in villages in which Grameen operates than in other villages. In their survey of 1051 households Schuler and Hashemi (1995) found that 59 per cent of members were using contraceptives compared with 48 per cent for non-members of the target group. The authors posit greater mobility, greater autonomy and greater access to information as reasons that explain greater use of contraceptives among members (Schuler and Hashemi, 1994). Through workshops the Grameen Bank has also promoted treatment from qualified practitioners over that of local quacks. Rahman (1986:17) noted a definite trend towards allopathic treatment with only 2.4 per cent of respondents resorting to *Jhar fooks* or healing by prayer. To promote nutrition Grameen has encouraged borrowers to plant and eat more vegetables. A sister organisation, the Grameen Krishi Foundation, is responsible for producing seeds that are sold to members at a small cost. The significance of vegetable consumption to nutrition has not commonly been recognised in Bangladesh where meat has been regarded as a food type with much higher social status attached to it. The importance of clean drinking water is likewise recognised by Grameen which promotes the use of tubewells by providing loans specifically for this purpose. In 1997, 207 tubewell loans were extended at Kulnogapara branch (branch records) and Grameen claims that over 400,000 tubewells have been disbursed to members (*Daily Star*, 15/10/98).<sup>20</sup> The importance of sanitary latrines to family health is also acknowledged and one scheme to encourage

<sup>20</sup> Rehana had installed the tubewell she purchased with a bank loan inside her house to reduce the chance of it being stolen.

their use is a provision that housing loans will only be extended on the understanding that a sanitary latrine will be installed.

### ***LIMITATIONS OF THE GRAMEEN APPROACH***

The evidence presented above suggests that bank membership can have significant impacts on household finances as well as second round impacts on issues such as education, health and family planning. The Grameen approach to poverty reduction, however, is not without limitations. The bank does not offer training on income generation activities. Although it has clearly proven that the rural poor possess valuable survival skills they can use for investment purposes, relying on these skills does constrain how productively borrowers can invest their loans. A comparative study of members of the local NGO BRAC and the Grameen Bank found the average return on loans was slightly higher for the former because of training on income generation that it offers its members (Khandker, 1998).<sup>21</sup>

Not all members are able to improve the economic position of their households and one significant reason for this is illness. Morbidity and poverty go hand in hand in Bangladesh because of inadequate nutritional intake, substandard dwelling units that do not protect against the natural environment, lack of finances to pay for proper medical treatment and inadequate knowledge of diseases, diet and the significance of hygiene. Therefore, it is of no surprise that the members interviewed often spoke of sickness in their families and that this could be a severe drain on household finances. Todd (1996:220), in a detailed ethnographic study of 40 bank families, found six to be extremely poor because of 'chronic ill health of the male breadwinner coupled with a lack of activity by his wife, so that their capital is used for emergency consumption and medical treatment'. A study by Gibbons (cited in Counts, 1996:xiv) concluded that about 20 per cent of borrowers remained impoverished largely as a result of chronic illness of one or more of the household members. The bank's founder also acknowledges that '25 per cent of our borrowers cannot bring any change in their economic situation because of ill health' (Yunus, 1998a:244). Grameen has responded by trialing health centres in Dhaka and Tangail zones. At present, a systemic weakness of its approach is that the opportunities it provides cannot be used effectively by those households suffering chronic illness.

<sup>21</sup> Bank workers are expected to provide technical advice on micro-enterprises but their ability to do so is limited by a lack of technical training and their busy schedules. Workshops sometimes cover income generation but Shehnewaz and Ahmed (1998:4) claim that many who attend are not passing on what they have learnt to other members. The bank now acknowledges that formal training would improve the productivity of its loans (Yunus, 1998a:225-9) and, in collaboration with UNECSO, is trialing a 'Life Oriented Education Program' in one branch.

In the methodology section of Chapter Two I pointed out that a potential for bias to creep into this study existed because bank workers may try and shield outside researchers from borrowers who had not been able to use loans profitably. Ethnographic studies by Todd (1996) and Rahman (1999) have highlighted cases where the economic position of borrowers has worsened after they joined the bank. Reasons for this include the strict weekly repayment schedule of general loans, micro-enterprises that failed because of misfortune or inadequate capabilities of the borrower, and the pressure placed on borrowers to repay loans on failed enterprises. While credit is a resource for the household, Rahman (1999) points out that it is also involves risk. A loan does not directly translate into profitable investment and when enterprises fail borrowers must source funds for weekly repayments elsewhere. Cases of members selling productive assets or resorting to moneylenders who charge exorbitant interest rates to repay loans have been recorded (ibid). Grameen's rigid repayment system does not provide scope to reschedule loans on failed investments, nor is there always sufficient supervision of loan use. Rahman (1999) found that the social pressure on one borrower to find a good husband for her daughter led her to use loans to procure dowry. Many of these problems could be overcome if staff had sufficient time to assess each borrower's changing circumstances and to act accordingly. However, in its search for self-sufficiency, discussed in detail later, Grameen may have placed too heavy a workload on bank workers who spend most of their working hours collecting instalments and taking loan requests.<sup>22</sup>

### **THE IMPACT OF BANK MEMBERSHIP ON RURAL WOMEN**

That a large number of poor households have been able to employ microcredit to improve their economic standing is clear. As a result of access to credit most women borrowers have been able to better pursue their practical interests, when described in terms of basic needs, such as adequate nutrition. Whether women are able to empower themselves through membership from the perspective of strategic interests, however, is a separate issue that needs to be addressed because of the vulnerability of women to impoverishment and their lack of voice in the major decisions that determine their livelihood options. Certainly, the Grameen Bank deserves recognition for reaching over two million poor women with financial services, an achievement that could not have been entertained in the mid-1970s when Yunus was first experimenting with microcredit. Goetz and Gupta (1996:47) are correct in observing that 'the phenomenal membership reach of special credit programs is a success by any standards, and it is all the more remarkable given the tight socio-cultural constraints on women's market access and on their freedoms and capacities to shift significantly their rate of market engagement in Bangladesh'.

<sup>22</sup> In one branch Rahman (1999) found that because bank workers spent most of their time at meetings collecting

Having acknowledged the tremendous reach of Grameen, the question this assessment next seeks to answer is whether it has enabled poor women to better meet their strategic interests. Employing Friedmann's concept of bases of household power, bank membership has the potential to enable women to empower themselves in three ways: through access to financial services that focus on microcredit; through the creation of institutions; and through information and motivation. These bases of power are treated separately below, but it is acknowledged that impacts of membership are not so neatly separated along these lines.<sup>23</sup> Firstly, however, the question of why Grameen has focused on women must be answered as this is an issue not always correctly understood.

Hulme and Mosley (1997) and Rahman (1999) argue that microcredit programs focus on women to strengthen the financial position of the lending institution as women generally have higher repayment rates. They also argue that NGOs may lend to women in order to impress foreign donors concerned with gender issues. However, that Yunus was particularly concerned for the position of impoverished women during the experimental phase of the bank is evident in a book he commissioned, *Jorimon and Others* (1982). This book tells the life stories of a number of female borrowers as recorded by bank staff. In the sleeve Yunus writes, 'Women constitute the neglected, often heavily abused, half of society. Sometimes, for the sake of nicety of discussion, mentions are made about their physical existence, but very little in terms of concrete actions emerges from these discussions'.

Grameen's concern for the position of women emerged at an early stage of its development and its initial goal was to have at least as many female as male borrowers (Yunus, 1998a:87). As the bank expanded its operations, Yunus and his colleagues noted that response to microcredit differed along gender lines. Comments by the Branch Manager at Kulnoga para are indicative:

It is our experience that women are sincere to repay the money as well as to save, but the men are experts at spending. Even in their own business they are sometimes very undisciplined. They are unable to keep rules as a consequence.

Early bank experience revealed that women were also more likely to employ loans as intended and more likely to spend resultant income on their families than themselves. Recalling these 'discoveries' Yunus (1998a:88) wrote

instalments they had little time to raise broader issues of significance to the welfare of members.

<sup>23</sup> For example, the confidence of borrowers that was observed during fieldwork most likely results from a combination of their ability to employ loans successfully, the support they gain from their group and centre, their position as group or centre representatives and motivation by bank workers.

Money going through a women in a household brought more benefits to the family as a whole than money entering the household through a man. . . . a man has a different set of priorities which do not give the family top position. When a destitute father starts making extra income, he starts paying attention to himself. So why should Grameen approach the household through men? When a destitute mother starts making some income, her dreams invariably centre around her children.

### ACCESS TO FINANCIAL SERVICES

The first base of social power Grameen offers poor women is access to financial services. Useful indicators of women's empowerment in relation to their strategic interests resulting from this access include the degree to which women have a say in the activity the loan is used for, their degree of involvement in the income generating activity that is funded, their say in how profit from this activity is utilised and the nature of the activity itself (Goetz and Gupta, 1996; Hashemi et al., 1996). These four indicators were used in this study but with a degree of circumspection as every relationship between men and women within a household is in some way unique, something which is not always reflected in these indicators.<sup>24</sup>

When I interviewed Rehana her husband initially came forward while she looked on from a back room of the house. When she was asked to enter the room where the interview was to be held she stood behind her husband. Later, when I took photos of the power tiller Rehana had recently purchased with a loan, she was told to go inside by her husband and did so. These simple observations suggested that the husband dominated decision-making in the household. It was the husband's decision to buy a power tiller and he instructed Rehana to ask the bank manager for a leasing loan. Operating agricultural machinery is not generally considered appropriate employment for women and it is the husband who operates the power tiller. During the interview with Moti her husband was also present for a short period of time. He too took a position in front of his wife expecting that questions would be directed at him. After he left, Moti volunteered that their relationship had not always been so good but was improving. She had been beaten by her husband about four years ago and had suffered a fractured wrist. In spite of this, Moti appears to enjoy greater involvement in household decision-making than Rehana. According to her, household decisions are made jointly; sometimes 'a suggestion will be made by me and sometimes by my husband'.

Romeza, the new member, stated that her husband had supported her when she expressed a desire to join Grameen. Together they decided on the use of her first loan, though she acknowledged that

<sup>24</sup> For example, if a women hands a loan over to a male relative investigators generally conclude that this serves merely to reinforce unequal power relations based on patriarchy. However, a number of studies have observed that in some instances women who pass on their loans to men are valued more than previously because of their ability to gain credit for the household (Hashemi Schuler and Riley, 1996; Goetz and Gupta, 1996; Counts, 1996).



it is her husband who more frequently makes decisions on household expenditure. Romeza is responsible for rearing and milking the milch cow that was purchased with the bank loan. Sofia, on the other hand, said she had always made decisions on household expenditure, even before joining Grameen, while joint decisions would be made on other issues. Sofia indicated that she enjoyed good relations with her husband who did not beat her or use abusive language and expressed pride that her sons had developed the same good habits. A friend of hers who was present for part of the interview confirmed this. After joining the bank Sofia did not seek a loan until she had consulted with her husband and together they decided on taking a small loan to see what the outcome might be. Sofia has been involved in most of the activities loans have been used to fund such as goat rearing, puffed rice production, mat weaving and keeping milch cows. When her savings in the group fund were returned after ten years it was her decision as to how this would be used. However, the household's most profitable enterprise, the tea stall, provides employment only for her husband. The interview of Fatima, the board member, took place in her living room with her husband present. He sat at the back of room and did not at any stage seek to take part in the interview. Fatima was very frank in giving her opinions and of all borrowers interviewed she appeared to be in the strongest position within the household. Undoubtedly it is her personal strength and success in utilising microcredit that played a part in her popularity with other members which was necessary for her election to the board of directors. Monwara was similarly confident and at times assertive during the interview. In answer to one question she replied with conviction that she didn't give any chickens away or allow other people inside her poultry farm because no one had done anything to help her! It was her decision to join Grameen and later to invest in the poultry farm.

From interviews it is clear that because diverse relationships exist between men and women within the household, it is difficult to generalise as to what degree bank membership has resulted in the empowerment of women. Certainly, being a member of the bank does not necessarily lead to the end of male domination in household decision-making as is particularly evident for Rehana. I observed, however, that female members were generally confident during individual and group interviews, talked of their micro-enterprises with pride and presented a positive image of Grameen. During a chance encounter with members in Comilla district I also found them to be self-assured.<sup>25</sup> The confidence and internal strength of members has been noted elsewhere and a number of

explanations have been offered (Counts, 1996; Todd, 1996).<sup>26</sup> Yunus argues that the confidence of a woman borrower grows from successful use of loans in income generation.

When the first-time borrower pays back her first instalment, there is enormous excitement because she has proved to herself she can earn the money to pay it. . . . It is the excitement of discovering the worth of her own ability, and this excitement seizes her. . . . She discovers that she is more than what everybody said she was. She has something inside of her that she never knew she had (Yunus, 1998a:108).

This explanation does have merits as the low self-esteem of many girls/women from impoverished households stems from hearing at a young age that they are burdens to their families (Thomson, 1997).

Loan histories recorded during interviews reveal that most activities funded have provided employment for female borrowers and that in most instances a joint decision between husband and wife was made as to what activity would be selected for investment. Support for this finding can be found in a study covering three villages by Goetz and Gupta (1996) who surveyed five organisations, including the Grameen Bank, that offer microcredit to women. The Grameen sample of 53 borrowers were found to have performed best on this issue with 62 per cent of loan histories showing women retained 'full' or 'significant' loan use, while only 10 per cent of loans fell in the 'limited' or 'no involvement' group. Similar figures were reached by Hashemi et al.(1996) and Rahman (cited in Goetz and Gupta, 1996) while Todd's study of 40 Grameen households found that in nineteen cases 'wife and husband worked and made decisions in partnership' (Todd, 1996:61). Control over loan use has been found to be highest for women who are widowed, separated or divorced (Goetz and Gupta, 1996:50) and statements from Monwara, herself a widow, support this conclusion.

The fairly high degree of control exerted by women over loan use that most studies report would appear to result from encouragement provided by Grameen to women not to hand over loans to male relatives (Todd, 1996). Hashemi et al.(1996:649) have observed that at centre meetings the bank counsels women to stand up to their husbands in order to retain control over loans. Nevertheless, high involvement rates of women in income generation is not likely to equate with their empowerment if it does not lead to a greater voice for women in household affairs, including how income from their investments is spent. Interviews of borrowers at Kulnagarpara indicated there is considerable variation in the degree to which women borrowers have a say in household decision-making. Despite this diversity, broader surveys have noted a trend towards women

<sup>25</sup> Observations regarding levels of confidence must be treated cautiously as I have noted considerable regional variation in the way local women respond to the presence of a male outsider.

<sup>26</sup> One Japanese development specialist who had interviewed women borrowers described them as more assertive and confident (*jishin ga aru*) than non-members of the target group (interview, 08/98).



members exerting greater influence in household affairs. Hashemi et al. (1996:640) found that 59 per cent of the 284 Grameen women members they surveyed had a say in major household decisions, compared with only 17 per cent for a control group. Todd (1996:87-90) recorded that 84 per cent of her sample of women borrowers stated they made household decisions jointly with their husbands compared to only 47 per cent of her control group. Although Todd cautions against taking statements at face value, she observed that 68 per cent of the Grameen sample could be described as 'central' in their households concluding 'without doubt that women who have a decade of Grameen Bank loan use behind them exercise much more power in their families than do similar women without such access' (Todd, 1996:88,91).<sup>27</sup>

Not all studies of the bank find so favourably, however, and their arguments need to be addressed. From a study of one branch, Rahman (1999) concludes that in nearly all cases poor women are being forced to join the bank by their husbands so they can gain access to credit for their own purposes. Based on these findings Rahman posits that women are targeted by Grameen as they are more likely to attend meetings and are more easily disciplined by bank staff. According to this line of thinking, belonging to the bank makes women even more dependent on men as they are now reliant on their husbands giving them instalments on time and on male bank staff for future loans (Teare, 1996).

Presenting a very different image, during interviews I found no instances of women being forced to join the bank by their husbands and a recent joint study by the Norwegian Embassy and the Grameen Bank (1999) concluded that this was quite rare. Todd (1996) and Hashemi et al. (1996) also reject those arguments which present women merely as instruments that can be used by the Grameen Bank to improve loan recovery rates. To increase their power in household decision-making women are likely to use any means available. In those cases when women do channel loans to their male relatives, Todd (1996), Hashemi et al. (1996) and Goetz and Gupta (1996) have noted that women borrowers may now be valued more by other household members because of their access to credit. Cases of women using this access to force better behaviour from their husbands have also been recorded (Todd, 1996).

<sup>27</sup> The following statement of a female member is indicative of this process:

Don't you dare write that our husbands only love us because of Grameen Bank Taka! My husband loved me from before. But since I became a Grameen Bank member, because I am earning and taking the loans, the whole family treats me with more respect. I have more influence and when he sells my oil he gives me an account of his sales and puts the money back into my hand (quoted by Todd, 1996:207).

Another criticism of Grameen is that most micro-enterprises that loans are invested in fall into the sphere of production or exchange that women have traditionally been able to engage in, such as petty trading, livestock rearing and forms of home based production (Teare, 1996). This argument posits that as micro-enterprises with more lucrative returns fall into spheres that women are as yet unable to enter, the bank is not breaking new ground for women's engagement in the market. Two examples from interviews with borrowers at Kulnagarpara are the power tiller and the tea stall, both of which provide high returns but employment only for men. It appears as loan size increases over time and borrowers search for more lucrative returns, loans are invested in activities that male household members are engaged in, a conclusion also reached by Goetz and Gupta (1996:51). This has led some to conclude that the Grameen model of microcredit merely serves to reinforce the existing sexual division of labour and thus further disadvantages women relative to men (Thomson, 1997). Factually, this assertion is correct in that Grameen does not directly challenge social barriers that prevent women from engaging in forms of employment considered to fall within the domain of men. However, the argument becomes overly reductionist when it is conflated with the disempowerment of women. Women interviewed at Kulnagarpara indicated that they had purposefully chosen to invest in activities in order to provide employment for male family members and did not feel they had been disempowered as a result: Monwara was proud that she could provide employment for her son; Rehana was happy that her husband could work in the tea stall they owned and no longer had to travel to another district for employment; and Fatima is pleased that she can provide employment for two of her sons in the shop she purchased and stocked with a Grameen loan.

### **THE GROUP AND THE CENTRE**

The second base of social power that bank membership offers women is institutional. Grameen has played a pioneering role in creating space for women to meet outside the household in rural Bangladesh. Weekly centre meetings, intended primarily to discuss banking issues, provide an opportunity for women to discuss their broader development concerns. Attendance at meetings is compulsory and thus usually very high. Of the three centre meetings I attended, the total number of borrowers was 100 and attendance was 85 per cent.

The weekly centre meetings run across the grain of normal village politics described in Chapter Two by bringing together people with shared class interests who would normally be segregated by factional divisions, and by bringing together women with shared interests who would normally be separated by social constraints to their mobility. Moreover, through the group and the centre women develop an identity outside their family that enables some to develop networks outside their hamlets. Larance (1998:17) noted in one centre that because members were drawing support

from networks they have built through their centre the practice of women being sent back to their natal homes during periods of economic hardship had almost stopped. Rather than being troublesome for women to attend centre meetings, at Kulnoga para I observed that women made an effort to arrive at meetings early in order to interact with each other. While approaching one centre building I could hear boisterous discussion even though the meeting was not due to begin for another 15 minutes.

Confidence may also stem from the ritual of weekly meetings as borrowers at some stage must represent their group as chairperson and interact with bank staff, people who have graduated from high school and thus carry some prestige. Hashemi et al.(1996:648) recorded several borrowers stating that through the bank they had 'learned to talk'. Another outcome of the institutionalisation of weekly meeting of women borrowers has been a sense of solidarity. Solidarity amongst women borrowers with shared interests has resulted in instances of collective action to claim entitlements or protect their rights. Fuglesang and Chandler (1988:118,158) describe a number of such instances including one humorous response to dowry demanded of a member. The bridegroom had insisted on a bicycle as dowry but women borrowers tried to convince the mother to ignore this demand as the bank's 'Sixteen Decisions', discussed below, state that dowry should neither be accepted nor given. At the closing of a wedding ceremony the bridegroom's relatives cried out 'Where is our son's wife?' as is customary, and at this point bank members wheeled in a bicycle covered in bright saris exclaiming, 'Here it is! You wanted a bicycle not a wife!'. Hashemi et al.(1996:640) argue that such examples of solidarity are not isolated incidents. In their survey of six villages they found that 34 per cent of members had been involved in forms of political campaigning and protest compared with 15 per cent of non-members of the target group. However, Todd (1996:157-63) has found that stories of collective women's resistance are sometimes exaggerated and correctly warns against using these to paint a picture of an 'army of marching women'.

In addition to the group and the centre, the institution as a whole may serve as a base of power at least in terms of ownership and participation. Grameen is effectively owned by its borrowers who claim 93 per cent of all shares (*Impact*, Summer/98) and appears to have been inspired by cooperative ideology as only members can buy shares and each member can only own one share. As the bank is unable to pay dividends, ownership of a share offers borrowers not direct benefits but an indirect benefit in that it reduces the possibility of interference by external political forces. Reserving nine seats for centre chiefs on the board of directors would appear to ensure participation of representatives chosen by members in the highest levels of management. I interviewed Fatima to find out whether she had a say in board decisions or whether Grameen was

simply trying to impress outside observers with a participatory rhetoric. Fatima stated that she felt she was given ample opportunity to speak at board meetings and recalled on one occasion that she spoke out against a proposal to alter the number of loan instalments. Generally, however, Fatima indicated that she did not say so much as she has 'sufficient trust in Professor Yunus'. According to her, most proposals are put forward at board meetings by Yunus or the three government representatives, but she explained that the nine members were always encouraged to state whether they had any problems or suggestions. Fatima's statements reveal that Grameen's management system was not designed with the intention to be politically correct in terms of participatory development theory. Rather, the bank's architects have sought to keep all levels of management in regular and close contact with borrowers.<sup>28</sup>

### CONSCIOUSNESS RAISING AND MOTIVATION

Consciousness raising has already been discussed but not in regards to the practical and strategic interests of women. Workshops at Kulnoga para have addressed some of these issues such as pre- and post-natal health care and domestic violence. Overall, the results have been mixed, though the trend is certainly positive. A decrease in child mortality in Grameen households of about 34 per cent (*Grameen Dialogue* April 1998:7) suggests that the importance of pre-natal health care has registered with borrowers. Todd (1996:223) found that Grameen women in her sample took much better care of themselves during pregnancy and were more likely to visit a registered doctor than women in her control group. Sofia, a trained midwife, is qualified to comment on the bank's efforts in this area and described workshops she attended that discussed pre- and post-natal health care as 'valuable'. Consciousness raising, solidarity offered by the group and the centre, as well as access to credit, may also lie behind a recorded reduction in wife-beating in Grameen households.<sup>29</sup>

In comparison, the impact of bank membership on the elimination of dowry has been more mixed. Borrowers interviewed at Kulnoga para indicated that dowry was still being paid and is a social practice that is not so easily overcome. Child marriage is another practice which devalues women relative to men, as well as placing them in a vulnerable position and taking from them the right to have a say in selecting a marriage partner. The bank states its opposition to child marriage in its

<sup>28</sup> Researchers who have examined the bank's management system have been impressed with its transparency and openness (Holcombe, 1995:166-6; Hossain, 1988), ability to empower staff through decentralisation of decision-making (Holcombe, 1995:165-6), innovative staff training program that promotes self-learning (Hossain, 1988:30-1), and institutionalised regular exchange between upper and lower levels of management, as well as all levels of management with borrowers (Holcombe, 1995; Counts, 1996; Fuglesang and Chandler, 1988:141).

<sup>29</sup> In a sample of 1,300 married women Hashemi et al.(1996:640) found that nine per cent of Grameen borrowers had been beaten by their husbands in the past year compared with 13 per cent of BRAC members and 21 per cent for the target group that belonged to neither organisation.

Sixteen Decisions and this message appears to be clearly understood by members. Rahman (1986:45) found that 90 per cent of his sample of bank members recognised the dangers of child marriage and stated they would not allow their daughters to be married under the age of 15 years. For poor parents concerned about the future well-being of their daughters, however, child marriage will remain attractive (Todd, 1996) unless there is a considerable expansion in employment opportunities for women. Regardless of the medium used for consciousness raising, issues such as dowry and child marriage have emerged from the existing socio-economic reality that values men's labour more than women's. Therefore, it is difficult to see how these issues can be overcome without a fundamental change in the sexual division of labour.

Bank workers are expected not only to inform women on issues of concern to them but also to provide motivation. In carrying out this role, the importance of the borrower-bank worker relationship to the operations of the Bank cannot be overstated. For Grameen to provide a system of microcredit tailored to the needs of poor women, bank workers must tread a fine line in sympathising with borrowers who struggle to repay through no fault of their own while motivating others who fail to repay through lack of self-discipline. At Kulnagarpara, bank workers certainly appeared dedicated and hardworking,<sup>30</sup> sometimes remaining at the office until late in the evening and having to walk long distances each working day in trying conditions to attend centre meetings. Grameen appears to have been successful in fostering a dedicated work force (Hossain, 1988) and, combined with transparency in operations, has thus been successful in avoiding the corruption associated with rent seeking by staff that plagues many government agencies and other banks.<sup>31</sup>

Another motivational device used by the bank is its Sixteen Decisions statement (see Figure 4.10, overleaf). These are recited at every centre meeting and are expected to encourage women to work towards achieving a better quality of life. The impact of the recital of these decisions is unclear. The Sixteen Decisions are not a woman's charter and Todd (1996:223) is correct in pointing out that they say nothing about 'domestic violence, arbitrary divorce, claiming of inheritance rights, ownership of assets or the elimination of discrimination against girl children'. It appears that the bank recognises the importance of at least some strategic concerns of women but has sought to address these without placing them in a position of conflict with men.<sup>32</sup>

Figure 4.10: Grameen Bank's Sixteen Decisions

1. We shall follow and advance the four principles of the Grameen Bank - discipline, unity, courage and hard work - in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in a dilapidated house. We shall repair our houses and work towards constructing new houses at the earliest opportunity.
4. We shall grow vegetables all year round. We shall eat plenty of them and sell the surplus.
5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimise our expenditures. We shall look after our health.
7. We shall educate our children and ensure that we can earn to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tubewells. If it is not available, we shall boil water or use alum to purify.
11. We shall not take any dowry in our son's weddings, neither shall we give any dowry in our daughter's wedding. We shall keep the centre free from the curse of dowry. We shall not practice child marriage.
12. We shall not commit any injustice, and we will oppose anyone who tries to do so.
13. We shall collectively undertake larger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
16. We shall introduce physical exercises in all our centres. We shall take part in all social activities collectively.

Source: Yunus (1998a:115-6).

## POLITICAL EMPOWERMENT

The evaluation next turns to the issue of political empowerment, recognised in Chapter Two as necessary if the legitimate claims of the poor are to reach the ears of national planners. Although Grameen claims no political allegiances, it does appear to have had a limited impact on the politics of its members. The self-employment opportunities it provides help to release some of its borrowers from exploitative patron-client relations. In a survey of 49 patrons, Rahman and Wahid (1992) found that 25 sharecroppers had left their patrons soon after joining the bank. A number of borrowers have also withdrawn from broader political structures that maintain the dominance of village elite in local politics. The same study noted that of the 15 per cent of faction members who had joined Grameen in the study area, only five per cent remained with their factions and only for tactical reasons. Those members who have exited from these relationships are able to vote for candidates of their choice at election time, rather than those preferred by their former patrons. The influence of patrons has also declined as members are less likely to resort to moneylenders. Moreover, it appears that borrowers are not using the *salish* (village court), a major source of power for patrons, as much as previously, preferring to settle disputes between themselves (*ibid.*).

on which it stands also be placed under the legal ownership of the woman borrower. This is particularly significant as by 1998 450,000 houses had been constructed with such loans (Yunus, 1998a:242).

<sup>30</sup> Similar observations at other branches were made by Toyama (1996), Holcombe (1995) and Fuglesang and Chandler (1988).

<sup>31</sup> Holcombe (1995:104) states that to receive rural credit from normal banking sources a bribe equivalent to ten per cent of the loan usually has to be paid. In comparison, a Bangladesh Bank evaluation of the Grameen Bank in 1987 failed to find any evidence of rent seeking, while of 263 job terminations in early 1991 only two were for reasons of corruption, and in these cases involved new staff (Holcombe, 1995:105).

<sup>32</sup> To reduce the likelihood of wives being abandoned by their husbands Grameen insists that the ownership of all assets purchased with loans be placed in the hands of women. A prerequisite for a housing loan is that the house and the land

A more direct way in which Grameen has promoted political empowerment of its members is through mobilising borrowers to vote in national and Union Council elections. Grameen established a policy that all of its borrowers should vote in national elections and supported a voter education campaign organised by the government before the 1996 election. All borrowers I interviewed at Kulnoga para branch stated that they had voted at this election as well as the last Union Council election and, equally importantly, had made independent decisions, usually after consultation with others, on whom to vote for. After the 1996 general election it was reported that for the first time more women voted than men in Bangladesh (*Newsletter of Microcredit Summit Campaign*, 09/98) and the mobilisation of poor women by Grameen and local NGOs must have contributed to this.

The Grameen Bank and other development organisations working with the rural poor have been surprised by the number of their members deciding to stand for Union Council elections. In the 1997 elections, more than 4,000 Grameen members gained positions on the Union Councils, 38 as chairpersons (*ibid.*). Given that poverty and a low sense of self-esteem go hand in hand, it is pertinent to ask whether some members gained the confidence to put themselves forward as candidates as a result of their association with the bank. Moti, for instance, had organised her campaign before the Union Council election by speaking at public meetings, advertising herself using posters and going from door to door.<sup>33</sup> Explaining why she had the confidence to stand for elections Moti stated that this was something she always possessed. I asked whether she would have run for the election if she had not joined Grameen and she replied, 'Since I have joined the bank I have gained the confidence to take a bigger step. However, I can't say I would have run or not had I not joined'. It is not possible to draw conclusions from this one interview, though it appears that as Grameen brings together women with similar interests on a regular basis it may provide a supportive environment for those who choose to contest local elections. This belief is supported by evidence from the Union Council elections in 1997 where of the 700 women elected 38 per cent were members of NGOs (Hossain, 1998:7).

## **SUSTAINABILITY AND EFFICIENCY**

The final issues addressed in the evaluation are those of sustainability and efficiency. The sustainability of the Grameen Bank is now rarely questioned as it has survived almost two decades of unstable national politics, a depressed rural economy, localised threats from vested interest

groups and natural calamities of a scale rarely matched elsewhere. Challenges Grameen has successfully faced include: the 1987, 1988 and 1998 floods; the 1991 cyclone that claimed over 130,000 lives; the decision by the newly elected government in 1996 to write off all agricultural loans up to 5,000 taka and write off interest on loans up to 10,000 taka; a payment crisis in 1991 when the then newly elected government raised salaries of civil servants by 30 per cent;<sup>34</sup> and localised threats from leftist academics and Islamic fundamentalists (Counts, 1996). With the durability of Grameen established by its ability to deal with these threats, the question of sustainability has become more focused, no longer concerned with whether the bank will still exist in a year's time but whether it is sustainable as a self-funding institution.

The degree to which Grameen has succeeded in its endeavour to be financially sustainable can be assessed at branch level as well as for the organisation as a whole. It is instructive to observe the performance of Kulnoga para branch as each branch acts as an independent financial unit. Figure 4.11 records basic branch statistics for 1997.

**Figure 4.11: Branch Information at a Glance, Kulnoga para (1997)**

Total Loans Disbursed	110,300,855
Loan Repayment	97,917,073
Loan Outstanding	12,383,782
No. of Centres	53
No. of Groups	341
No. of Members	1,705
No. of Staff	10 (3 female)
No. and amount of Housing Loans	218/5,369,600
No. and amount of Family Loans	28/1,320,000
No. and amount of Leasing Loans	7/423,055
No. and amount of Tubewell Loans	207/945,000
No. and amount of Collective Loans	18/570,000
Net Profit	289,974
Rate of Loan Recovery	100%

Source: Branch Records, Kulnoga para. Figures in taka.

Figures show that Kulnoga para recorded a modest profit in 1997 and claimed a 100 per cent repayment rate. These figures are not exceptional for this part of Bangladesh. According to the Boalkhali Area Manager, the repayment rate for the nine branches under his supervision was 99 per cent in 1997, with six branches recording 100 per cent repayment and three branches, located in the costal area which is often hit by storms, achieving 97-98 per cent recovery. A World Bank

<sup>33</sup> Moti received 550 votes placing her second behind the successful candidate who won about 1200 votes.

<sup>34</sup> The bank had earlier promised staff that wages would not fall below those received by civil servants.



study of 118 branches confirmed that most branches are able to achieve a small profit, usually after about five years of operation (Khandker et al., 1995:xii).

When assessing whether Grameen as a whole is a sustainable financial institution, costs incurred by the Head Office in Dhaka must be factored into calculations. Bank records show a modest profit for most years and a loss in those years when major natural calamities or other crises have struck (Counts, 1996). However, profit recorded by the bank should not be taken at face value as its operations are effectively subsidised by loans, such as that from the OECF, at below market rates. The rate of subsidisation has been estimated by Khandker et al. (1995:6) at four per cent in 1994. Therefore, the bank has not yet achieved financial sustainability with every 100 taka lent costing 4 taka.

Before condemning Grameen for failing to achieve financial sustainability, it is important to ask whether this should be a central objective of the bank. Financial sustainability is attractive because Grameen would no longer have to rely on the future goodwill of funding agencies and could promote the argument that other banks should consider lending to the poor. However, a trade-off between financial viability and the poverty reduction agenda of Grameen may exist. In order to cut costs the bank has placed a heavy workload on bank workers, implements a microcredit model that does not incorporate a great deal of flexibility, cannot allocate extra resources to encourage the hardcore poor to join, and cannot engage in worthwhile activities such as literacy raising that do not produce a financial return. In this light it may be better for the bank to run at a small loss if this is necessary for it to maximise its potential to engage in poverty reduction.

Efforts to achieve financial sustainability have focused on efficiency and some simple observations indicate that results are impressive. At four per cent in 1994, down from 23 per cent in 1987, a rapid reduction in subsidisation has been achieved (Khandker et al., 1995:6). Successful attempts to keep overheads to a minimum explain why the bank has been able to reduce subsidisation without threatening financial viability. Indicating that Grameen is not spending large sums on physical assets, in 1997 buildings accounted for over 80 per cent of its tangible assets (GB, 1998:123), yet branch offices are very basic constructions. As an example of a typical branch, the Kulnoga para office is sparsely furnished with wooden chairs, desks, shelves and one filing cabinet. Accommodation for a small number of single male staff is available on the second floor but this is very spartan. Fuglesang and Chandler (1988:50) were also 'struck by an environment of modesty

and equity' when visiting Grameen Bank offices.<sup>35</sup> The bank's modest fleet of vehicles is another example of its efforts to keep overheads down. While other large development organisations operating in rural Bangladesh purchase bicycles and scooters for their field workers, Grameen only provides loans to workers to purchase vehicles. At Boalkhali, the Area Manager was responsible for overseeing about 16,300 borrowers in 1998 but even he must purchase his own form of transport. These simple observations attest to the high degree of efficiency that the bank has sought and its success in achieving this becomes evident when comparing its cost effectiveness to that of other credit programs. Khandker (1998:134) found that to disburse a loan of 100 taka, in 1991 Grameen spent 11.9 taka, BRAC spent 40.7 taka and the Bangladesh Krishi Bank spent 76.8 taka.

### **CONCLUSION**

My evaluation of the OECF loan to the Grameen Bank has found that this loan has been used in an efficient, effective and sustainable manner in enabling poor rural households to empower themselves. It appears that the majority of bank members have been able to improve the economic and social base of their households, a remarkable achievement given the tremendous pressure on resources in Bangladesh. Grameen was found to be successful in reaching the rural poor, which must be commended given that Bangladesh's development history is characterised by the control of development programs by those already well-off. Economic benefits to poor households were realised in terms of greater income and assets, and a more constant flow of income than that derived from agricultural wage labour. A flow-on benefit has been a withdrawal of members from the labour force, resulting in a higher agricultural wage in some localities. Significant second round benefits include improved nutrition, the adoption of family planning methods and higher school enrolment.

The Grameen Bank focuses on women because of their greater vulnerability to impoverishment and their ability to discipline themselves to meet the stringent rules and requirements of the bank. It appears that women have generally been able to retain a considerable amount of control over loan use and how income derived from their investments is spent. This is a remarkable achievement given that women are usually excluded from major household decisions. Successful investment of loans, combined with support from bank workers and fellow members, has raised the esteem and confidence of many female borrowers which in turn has encouraged them to seek greater influence in household affairs. Because of the bank's scale, the visibility of its members and the success of its women borrowers, it is playing an important role in changing how women

<sup>35</sup> Evidence of efforts to promote equity in the organisation can be found in the food served in the cafeteria at Head



are perceived in Bangladesh and the way women view themselves. When I asked Sofia why she thought Grameen gives loans to women, she replied assertively 'Things are changing for women in Bangladesh!'. The significance of this answer lies in the fact that it was given by an illiterate woman who had seldom ventured beyond the bounds of her village.

The impact of Grameen on the politics of its members, when defined in terms of the power relationships in which they are involved, appears to have been quite significant. Compared with other poor, bank members have a much higher rate of self-employment and are thus less dependent on patrons, are less likely to resort to moneylenders, and are less likely to seek recourse through the village court which usually decides in favour of the elite. Some members have left political factions and are now able to vote for candidates of their choice during elections. Grameen has encouraged all borrowers to exercise their rights to vote and some members have stood for Union Council elections.

Despite this overall positive assessment, the following shortcomings of the Grameen approach were pointed out. Grameen has not been so successful in reaching the hardcore poor. Moreover, it seems about 25 per cent of its members are unable to use microcredit productively because of chronic illness in their households. Those who are able to employ loans successfully are constrained by the fact that the bank does not offer vocational training. For women, access to microcredit does not always translate into greater input into household decision-making, nor does it necessarily lead to a reduction in wife beating. Bank staff with heavy workloads may have little time or energy to engage in discussions on these and other issues of concern with borrowers during their weekly meetings.

The shortcomings that I have identified can be explained by the limitations of microcredit as a strategy for poverty reduction and the high degree of cost-recovery that the bank seeks. On the other side of the equation, the impressive efficiency that has been achieved by the bank has meant that its future is relatively secure. However, at present Grameen finds itself in an awkward position where its efforts to attain financial sustainability may be limiting its ability to achieve its core objective of poverty reduction.

The task set out in Chapter One of this thesis was not only to assess the impact of a number of interventions supported with Japanese ODA but also to interpret these interventions within the political context of Japan's aid program. The OECF loan to the Grameen Bank was exceptional in

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Office which is the same type of basic food eaten by bank workers stationed in the branches.

that it represented the first time a yen loan had been channelled to poor women. Because bank members were generally able to use this loan very successfully this raises the question of whether such loans represent a better use of ODA than JBIC's regular funding of large-scale infrastructure development. If so, then it is pertinent to ask whether JBIC is likely to place greater emphasis on similar loans in the future. These questions are left to Chapter Eight. The research project now moves on to the second case study of the Japanese NGO Shapla Neer.

## CHAPTER FIVE

### **JAPANESE ODA AND JAPANESE NGOS: SHAPLA NEER AND RURAL POVERTY IN BANGLADESH**

#### **INTRODUCTION**

In Chapter Three, the forces and structures responsible for the traditional features of Japan's ODA were discussed. An actor in the aid program that has emerged more recently is the NGO sector in Japan. Since the late 1980s Japan's aid administration has sought greater involvement of NGOs in the design, implementation and evaluation of aid interventions. The most pressing questions that need to be answered from a poverty perspective are whether Japanese NGOs are able to employ ODA funds effectively, efficiently and in a sustainable fashion. This chapter attempts to shed light on these questions by examining the impact of the development programs of one Japanese NGO.

The NGO selected for this study has its roots in the rebuilding period immediately after the war of independence in Bangladesh in 1970. Shapla Neer is considered one of the pioneering NGOs in Japan because of its long history of working directly with the poor. Moreover, Shapla Neer is one of the few Japanese NGOs that is implementing its own development programs as most others work through local partner organisations in developing countries. Shapla Neer has received ODA from Japan's Foreign Ministry to fund its existing development programs. As one step towards gaining an understanding of the impact of Japan's ODA, the focus of this chapter is on investigating the impact of these programs.

#### **BACKGROUND TO THE EVALUATION**

Japan's aid administration has created two avenues to employ the expertise of Japanese NGOs. One avenue encourages the participation of NGO personnel in the assessment, design and evaluation of projects implemented by Japan's official aid agencies. The second avenue provides funding to support projects implemented by the NGOs themselves and includes several distinct schemes. A scheme to deliver grant aid for grassroots projects in developing countries, the 'Grant Aid for Grassroots Projects scheme', was inaugurated in 1989 and is implemented through

Japanese Embassies. Under this scheme, requests are accepted from local government, research institutes, hospitals as well as NGOs, and up to ¥10 million per project can be provided. Assistance is provided for projects that can be completed in one year, is intended for promoting basic human needs initiatives and both Japanese and local NGOs may apply. Shapla Neer received a grant through this scheme in 2000 for its credit program.

Another scheme initiated in 1989 was designed specifically with the intention of employing Japanese NGOs as a conduit for ODA. Known as the NGO project subsidy system, the scheme provides up to half the costs of projects supported by Japanese NGOs and is limited to a ceiling of ¥15 million per project. The types of projects that can be funded have gradually been expanded and since 1994 have included an international volunteer compensation scheme which provides insurance for NGO volunteers stationed abroad. Shapla Neer receives funding through this scheme on a yearly basis and in 1995 this represented five per cent of the organisation's total revenue (SN, 1996:10).

The grassroots assistance and subsidy schemes are managed by MoFA. JICA has only recently established a similar program which seeks to engage Japanese NGOs, local governments and academic institutes in the implementation of projects. Under the 'JICA Partnership Programme' JICA announces project requests from aid-receiving countries and solicits applications from NGOs and other bodies interested in implementing the projects. Alternatively, in a similar manner to the grassroots scheme of MoFA, NGOs can apply for funding for specific projects. Shapla Neer applied for this scheme in its first year of operation and its proposal was accepted. According to Nagahata (pers. comm., 05/00) Shapla Neer was hoping that the project would begin in the middle of FY2000.

Shapla Neer's involvement in these schemes indicates that it is a useful institution for investigating the evolving relationship between Japan's aid program and Japanese NGOs. The case study begins with a description of its history, philosophy, individual development programs and organisational structure. The methodology used and limitations of the assessment are then described before the assessment of Shapla Neer's development programs begins.

### **HISTORY AND PHILOSOPHY OF SHAPLA NEER**

The beginnings of Shapla Neer are to be found in the dispatch of 50 Japanese volunteers to Bangladesh in April 1972. The task of the volunteers was to demonstrate to farmers how to use and maintain 300 power tillers provided by the Japanese government as ODA. In September 1972, after their return to Japan, a number of volunteers formed the Help Bangladesh Committee (HBC),

the predecessor of Shapla Neer. HBC operated as a 'circle' or club that funded its activities using the savings members accumulated through part-time work (interview, Tsutsui, 10/98). Ikufumi, one of the volunteers, suggests in the following quotation that the motivation for forming HBC was not just a concern for the poor but a desire to foster the mutually rewarding relationships that volunteers had developed with Bangladeshi villagers.

When I was living with farmers in Bangladesh for four months as a volunteer . . . I found we shared many problems. Naturally we became good friends and my love of the country grew. On returning to Japan I couldn't help but think of the problems that my friends in Bangladesh faced and of how I might be able to assist them (SN, 1993).

HBC's first activity in 1972 was to call for donations to procure and send pencils and notebooks to children in Bangladesh. Each week members would draw pictures in chalk on the pavement in a pedestrian mall in Tokyo depicting the problems facing Bangladesh, before collecting donations and speaking to those who had gathered. After the pencils and notebooks were delivered, however, HBC members found children were selling the stationery in a local bazaar. This represented the organisation's first period of self-reflection in reaching the understanding that it was not possible to assess the needs of villagers in Bangladesh from the shores of Japan (interview, Tsutsui, 10/98). Consequently, it was decided that someone should be sent to monitor development initiatives in Bangladesh. Yoshida Yurino was given this task as HBC's first representative in Bangladesh and in the following months visited over 100 development organisations to study their activities and philosophy. This laid the foundation for many of Shapla Neer's contemporary development programs which are based on the programs of local NGOs in Bangladesh (SN, 1993).

Four volunteers were later dispatched to Bangladesh and were instructed to undertake surveys of several villages. Poyla village in Ghior Union, Manikjang, was chosen as the first site that activities would be undertaken in and the four volunteers took up residence here in September 1974. It was decided that cooperatives would be formed as the institutional base for HBC's development programs. These centred on literacy classes for adults and children as well as an income generation program for poor women.

Despite some successes, Shapla Neer (1993) records that HBC faced successive problems.<sup>1</sup> In April 1977, these came to a head when the HBC office in Poyla was attacked by ten miscreants

<sup>1</sup> Villagers were curious about Japan but were suspicious of the intentions of HBC. They wanted to know what they would receive from HBC and whether there would be financial gain for them. The heat and local diet also posed challenges to the HBC staff and because of mental and physical stresses it was not possible for members to stay for long periods in the villages as initially envisioned. Furthermore, a growing communication gap appeared between HBC staff in Bangladesh and in Japan. Those stationed in Bangladesh perceived the Tokyo office to be caught up in academic debate while they were struggling for their own survival in very trying circumstances. The Tokyo office, on the other

who stole cash and severely beat the two resident Japanese staff. The attack on the Poyla office saw the second period of self-reflection of the organisation (interview, Tsutsui, 10/98) and was explained as follows: a handicraft project that Shapla Neer supported benefited only a small number of women, not all villagers, and this may have upset the social structure of the village; and the projects decreased the reliance of cooperative members on the village elite who most probably incited the attack (SN, 1993).<sup>2</sup> As a result of this attack HBC ceased activities in Poyla and its development programs were handed over to the local NGO Proshika.<sup>3</sup> Thereafter, a decision was made to provide financial support and training to six small local NGOs, reflecting a growing recognition that it was more appropriate to use local staff than Japanese as fieldworkers. Through these NGOs HBC focused its attention towards supporting what became known as the '*samity*', or mutual assistance group, approach using the experience of Proshika as a reference. To avoid antagonising local elite, rather than directly forming cooperatives HBC would have villagers form their own *samities* which would not be supervised by Japanese staff but by staff of the local NGOs. *Samities* would be supported with income generation activities, literacy raising, education and vocational training. In addition, hand pumps and basic latrines would be disbursed to each *samity*. This diverse range of inputs remain in Shapla Neer's contemporary development strategy.

In 1982, the name of Help Bangladesh Committee was changed to Shapla Neer to stress the organisation's philosophy of promoting self-reliance, rather than merely providing assistance.<sup>4</sup> Shapla Neer's third period of reflection occurred over the next five years as dissatisfaction grew with the poor reporting and use of annual budgets by the local NGOs that were being funded (SN, 1993). It was decided that Shapla Neer would once again take charge of implementing its own development programs, however, this time only Bangladeshi staff would work in the villages. By March of 1992 Shapla Neer was employing two Japanese and 12 Bangladesh staff in its Dhaka office, about 50 local social workers in its four field offices and was supporting approximately 360 *samities* (ibid.). At this time Shapla Neer had 2,100 members in Japan, 10 part and full-time workers in the Tokyo office and nearly 100 volunteers assisting with its operations (ibid.). The reach of Shapla Neer had expanded gradually up to the time of fieldwork for this case study. By 1997, the number of *samities* had grown to 750 with a total of 12,951 participants (SN,

hand, was dissatisfied with the inadequate information being sent on what was actually happening in Bangladesh (SN, 1993).

<sup>2</sup> Tsutsui Tetsuo, Director of the Dhaka office, suggested that 'on reflection HBC could say that despite speaking the same language as villagers and living a similar life style, for two years HBC staff had not learnt everything about the workings of the village' (interview, 10/98).

<sup>3</sup> The complete name of this NGO is Proshika: A Centre for Human Development.

<sup>4</sup> The term 'help' in Help Bangladesh Committee was deemed inappropriate as the organisation was attempting to encourage self-reliance. The title Shapla Neer was chosen as this was the title given by local residents to the original building that HBC staff operated from in Dhaka. Shapla and Neer are both Bengali terms. The former is the national flower of Bangladesh, while Neer means house.

unpublished data) and membership in Japan had increased to 4,300 by mid-1998 (interview, Tsutsui, 10/98).

The development philosophy of Shapla Neer would appear to be grounded firmly in the three decades of rural development work summarised above. Shapla Neer describes its vision as 'socio-economic emancipation of the underprivileged through empowerment' and its mission as to 'enhance capacity building of the underprivileged . . . through skill training, sharing information, motivation and financial support along with mobilising and utilising local resources in order to assist the target people to stand on their own feet' (SN, 1998a:1). Two components of these statements are at the core of the organisation's philosophy. To build capacity of the rural poor in order to facilitate their empowerment is presented as Shapla Neer's primary objective. It is based on the experience that without enabling the poor to build their capabilities they will merely become dependent on Shapla Neer for the inputs it provides. The second core component of Shapla Neer's philosophy is that through building capacity members will ultimately become self-reliant. Shapla Neer's objective is that all *samities* will eventually become self-sustaining and that it will eventually be able to withdraw its support services. The terms empowerment and self-reliance are used interchangeably with both describing the poor gaining the capacity to 'manage their own problems independently through well organised groups' (SN, 1998a:1).

#### HOW SHAPLA NEER OPERATES

The formation and support of *samities* are the focus of Shapla Neer's rural development programs. Villagers interested in forming a *samity* and seeking support from Shapla Neer are instructed to invite a field worker, known as a field organiser, to discuss their plans. The field organiser provides basic advice on how to run a *samity* including the need to hold weekly meetings, the need for each member to deposit weekly savings in the *samity* and the need to build up the *samity* size to a suitable number of about 20 members (SN, 1993). The field organiser occasionally attends *samity* meetings over the next six months, and if the *samity* is considered to be functioning well it is formally reconsigned by Shapla Neer.

The programs offered can broadly be divided into those that seek to strengthen the cooperative structure and management capabilities of *samities*, those that seek to raise awareness of members to important issues that impact on their well-being and those that supplement inadequate services provided by government. Shapla Neer explains these programs according to its three core beliefs: that the capacity of the poor needs to be enhanced if they are to plan and act for their development; that the poor need access to basic services; and that the poor should have opportunities to become economically self-reliant (SN, 1998a:2). Corresponding to these beliefs, the three operational units

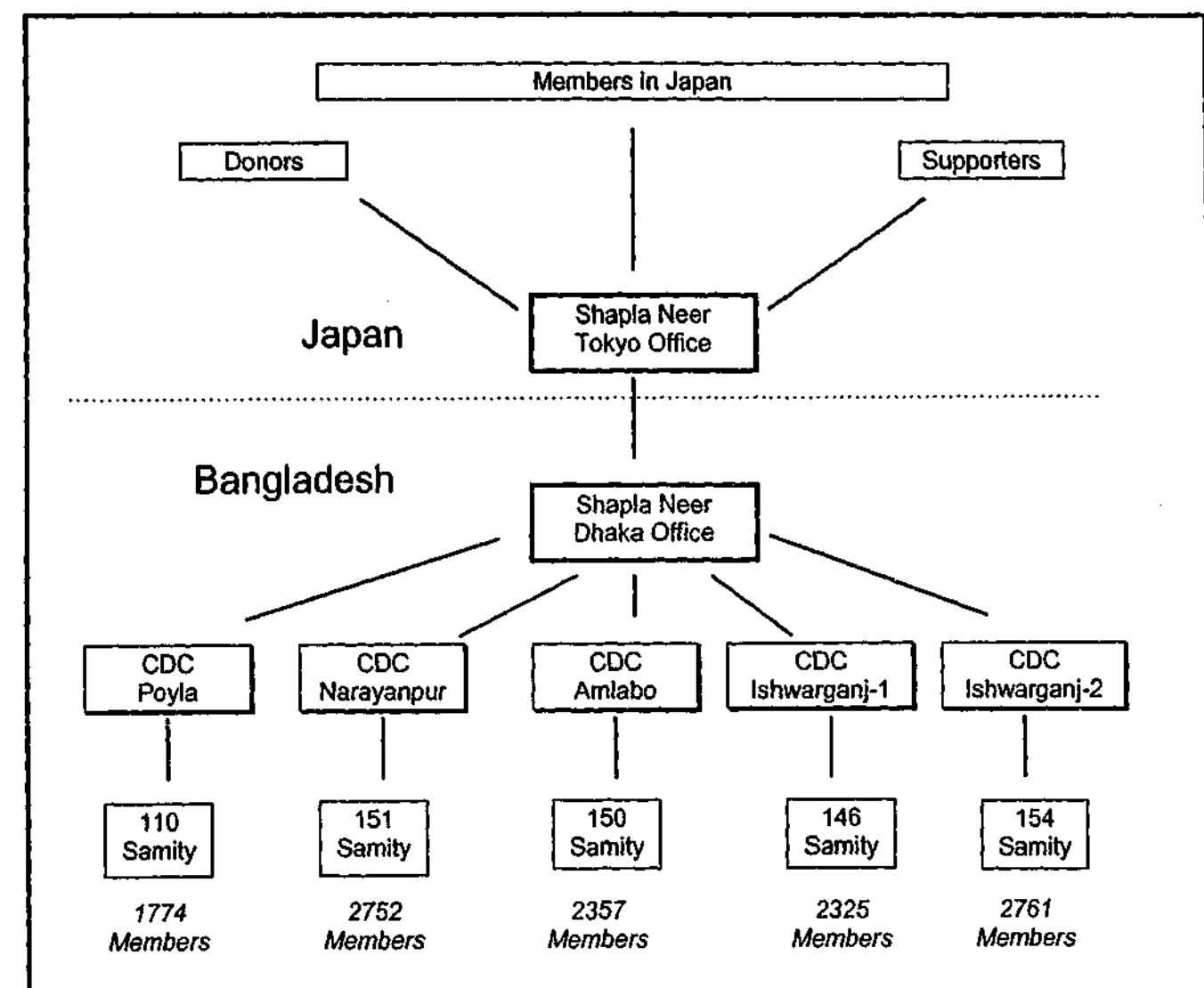
of Shapla Neer are the capacity building unit, the service providing unit and the economic development unit.

The capacity building unit is concerned primarily with motivation, consciousness raising and training which it provides through a variety of formats. At weekly meetings field organisers are responsible for motivating members, overseeing the keeping of *samity* records and providing information on life related matters such as health and sanitation (SN, 1997). In FY1997, these activities accounted for 56 per cent of the expenditure of the Dhaka office (SN, 1998a). At Shapla Neer's village level offices, known as community development centres (CDCs), instruction is provided to one or two members selected by each *samity* on the topics of group management, bookkeeping and social awareness. The health education program operates under a similar format providing training on primary health care to one representative of each women's *samity* over an eight day period. If *samities* are considered to be performing well, after one and a half years they are encouraged to take part in an adult literacy program, another of Shapla Neer's core development activities absorbing 7.8 per cent of the budget in FY1997 (SN, 1998a). Shapla Neer also supports popular dramas that are presented by its members and are open to the general public.

The second unit of Shapla Neer's programs, the service providing unit, is designed to supplement existing though inadequate government programs. The unit disburses tubewells and sanitary latrines at a subsidised rate, provides training to traditional birth assistants, undertakes growth monitoring of children and supports the treatment of leprosy. Another of its activities is a collaborative program with the government involving the establishment of education centres for drop-outs and unenrolled children at existing primary schools. A relatively minor program of the unit is the production and disbursement of tree seedlings at a subsidised rate and includes attempts to educate members on the merits of organic farming. Shapla Neer's third operational unit, the economic development unit, provides courses offered at CDCs on a range of income generating activities and loans for investment in micro-enterprises.

In terms of overall organisational structure Shapla Neer operates in a very similar manner to most local NGOs. It has established five CDCs in five Unions that each cover several villages and that serve as a base for its development interventions. The activities of each CDC are coordinated by the Dhaka office where the two resident Japanese staff, the Director and Fund Raising Coordinator, are located. The organisational structure of Shapla Neer is depicted in Figure 5.1 (overleaf).

Figure 5.1: Organisational Structure of Shapla Neer



Source: Figures from Shapla Neer (1998a).

#### FOCUS, METHODOLOGY AND LIMITATIONS OF THE ASSESSMENT

The following assessment focuses on the *samity* approach adopted by Shapla Neer. The evaluation is structured slightly differently to that of the Grameen Bank because of Shapla Neer's far more varied inputs. Also, because Shapla Neer ultimately hopes that *samities* will become self-sustaining institutions I considered the *samity*, and not just the household, an important unit of analysis. As in the previous case study the evaluation begins with an investigation of the socio-economic position of *samity* members when they joined the organisation. The assessment next addresses whether members have been able to improve the economic base of their households, and to what degree. Variation between members is also discussed as fieldwork revealed this to be quite an important issue. A separate section is dedicated to the social impact of Shapla Neer's programs and is broken down into two parts: firstly, *samities* are examined as institutional bases for collective action and conduits for awareness raising; secondly, a limited assessment of Shapla Neer's other programs that could contribute to household well-being is undertaken. The evaluation next examines how Shapla Neer's programs have impacted on women and the politics of its members. Finally, the sustainability and efficiency of Shapla Neer's interventions are assessed.



The methodology I adopted for this case study was to combine interviews, field observations and secondary data. Interviews were initially conducted with Japanese staff of Shapla Neer in Tokyo and in the Dhaka office. Secondary data was sourced from annual reports and other Shapla Neer documents that were made available. The CDC in Poyla was chosen as the site for fieldwork partly on the basis that the flood waters of 1998 were just receding from this area while other localities were still inundated. Moreover, because Poyla is less conservative than some of the other areas in which Shapla Neer operates it provided the opportunity to interview female members without creating suspicion of my intentions. However, the findings of this study regarding gender may not be of relevance to more conservative localities.

I undertook fieldwork over a period of two weeks at the Poyla CDC where I was able to observe the daily schedule of staff. I accompanied staff to *samity* meetings to observe how *samities* function as well as the nature of the relationship between staff and members. Both group interviews and a small number of in-depth one on one interviews with members were undertaken. Records of male and female *samities* also contributed greatly to the assessment. After returning to Dhaka I undertook lengthy interviews with the Director to clarify issues that had been raised during fieldwork.

There are a number of limitations to the approach taken to data gathering that need to be highlighted. The number of in-depth interviews I undertook and the number of *samity* records I examined were quite limited. I purposefully selected *samities* that were thought to be fairly representative of all *samities* in terms of their economic and institutional performance. Shapla Neer did not seek to direct my attention towards its best performing *samities*, nor did I seek out the approximate 10 per cent that had dropped out. Shapla Neer has not attracted the international attention that Grameen Bank has and this represents the first independent impact assessment of its rural development programs. Hence, few of the issues raised in the assessment can be discussed to the same depth as that of the previous case study. The study is also limited by the fact that I could not observe or analyse some programs as these were simply not under way during the period of fieldwork. As with the case study of the Grameen Bank, of the issues that I argued in Chapter Two should be addressed in the evaluation of aid interventions the only topic that is not touched upon is environmental impact. Shapla Neer does have an environmental program but this could not be observed during fieldwork. The case study is thus best described as a limited evaluation of Shapla Neer's core programs that were under way during the period of fieldwork.

### **THE EFFECTIVENESS OF SHAPLA NEER IN REACHING THE RURAL POOR**

Shapla Neer uses a definition of its target group which is broadly similar to that of many other NGOs in Bangladesh based on land ownership and income. Prospective members must own less than an acre of land, though this has been raised to 1.5 acres for the Poyla CDC because of lower fertility in the surrounding area, have an income of less than 15,000 taka a year, be physically fit, be between the age of 18 and 45 and should not belong to other NGOs, nor have received formal education above grade ten (interview, Field Coordinator, 10/98). Because Shapla Neer requires members to save regularly and bases its approach on the assumption that members will be able to engage in productive enterprises, like the Grameen Bank it must exclude those who do not fulfil these conditions including certain segments of the hardcore poor.

Shapla Neer's targeting was found to be not as effective as that of the Grameen Bank. Other than the advice given by field organisers to those interested in forming a *samity* not to allow better-off villagers to join (SN, 1993), there appears to be no system in place to ensure that the target group is reached. An evaluation commissioned by Shapla Neer in July 1998 of one *para*, or neighbourhood, under the Narayanpur CDC found that less than half of the resident Shapla Neer *samity* members could be described as poor compared with 84 per cent of Grameen Bank members (SN, 1998b).

There appear three systemic reasons why Shapla Neer's approach is likely to exclude poorer villagers. Firstly, Shapla Neer's requires that some members are capable of keeping accounts. Although training in account keeping is provided at the CDC, I observed that much of the duration of weekly *samity* meetings was taken up by field organisers assisting account keepers in updating records. Thus, it is not surprising that Shapla Neer (1998b:26) found that 'there is prevailing preference among *samities* to include literate villages who can keep *samity* documentation properly'. Secondly, a grading system is applied which rewards *samities*, through access to larger loans and other services, that are able to save rapidly and engage in productive investment. During one meeting, I observed the field organiser advising members to raise their weekly savings in order to raise the grade of the *samity*. Members of one women's *samity* revealed that they had refused others who had asked to join as they would have an adverse impact on *samity* grading. Some *samities* appear to have included better-off villages who will have no difficulty contributing to savings and excluded poorer ones for this reason. Thirdly, as the age of a *samity* grows, so too does the accumulative contribution of members to the *samity* fund. If the *samity* recruits a new member some years after its formation, it appears a common practice is to charge a high joining fee. Members of a male *samity* formed in 1990 stated that if someone wants to join the *samity* they

would have to pay a fee of 4,000 taka. Combined with the grading system and the need for competent book keepers, this also results in fewer hardcore poor joining.

The conclusion that Shapla Neer's targeting could be more effective must be tempered with the observation that a number of members are indeed very poor. A brief description of Comrades' Samity provides evidence of this.<sup>5</sup> Comrades' Samity is located 20 minutes' ride by motorcycle from the Poyla CDC in a less developed *para*. Meetings are held in the open air with kerosene lamps used for lighting. During the recent flood most members were only able to eat on odd days indicating that they did not have large reserves of food or cash. Ten of the members work as rickshaw pullers, nine work as day labourers and one is employed as a teacher at a Proshika school. None own any land that they could cultivate. In this *samity* there appears to be little variation in the socio-economic position of members. The average income is 1,200 taka per month, slightly lower than the agricultural wage, though one member who does not own the rickshaw he plies is only able to take home 600 taka a month. During the period of fieldwork there were few employment opportunities available to the wage labourers who were unwilling to disclose their income, most likely as they did not wish to reveal the state of their poverty. Rickshaw pulling is seen as an undesirable form of employment, while income from agricultural wage labour cannot be relied upon throughout the year. I interviewed members of Labourers' Samity, another male *samity*, who painted a similar scene of their socio-economic status. The members included one rickshaw puller and six day labourers, with an average monthly wage estimated by members at 800-1000 taka. Indicating the general poverty of members, none could afford the 60 taka a month to have electricity supplied to their homes. I undertook in-depth interviews of two brothers who belonged to this *samity*. Their low economic status was evident in the poor construction and size of their houses. Both lived in the same compound in houses approximately two and a half metres wide by four metres in length. The walls were of the poorest quality made of jute sticks and held together by bamboo frames. The dwelling where their mother lived was in an extremely decrepit state and it was possible to see the cane platform she slept on through the jute walls. These observations are sufficient to conclude that members of Comrades' Samity and Labourers' Samity are generally quite impoverished. Hence, although the targeting of Shapla Neer's does not appear as successful as that of the Grameen Bank, it must be acknowledged that a proportion of members are definitely poor.

Explanation should be sought as to why Shapla Neer has not put in place systems to increase the likelihood of the poorest villagers joining *samities*. Because Shapla Neer places such great

<sup>5</sup> To protect members their names and *samity* titles have been altered.

emphasis on self-reliance, a system of close supervision may not appeal to the organisation. Shapla Neer expects *samities* to become self-sustaining and sees its role as a facilitator in this process. A general belief of the organisation is that as far as possible Shapla Neer should support the initiatives of members, rather than direct or instruct *samities* (SN, 1993; interview, Tsutsui: 10/98). However, it is clear that with a closer check on the socio-economic position of prospective members, as well as policing of the criteria of membership, the organisation could reach more impoverished villagers.

### **ECONOMIC IMPACT**

Shapla Neer provides a number of inputs and support services that have the potential to increase the economic base of members' households. Employing Friedmann's concept of bases of household power, these are 'knowledge and skills', 'social organisation' and 'financial resources' (Friedmann, 1992): knowledge and skills are offered through Shapla Neer's various training programs, most obviously training on income generating activities; social organisations supported by Shapla Neer are *samities*; and financial resources include the *samity* fund as well as loans from the CDC. To shed light on the impact of *samity* membership on household economic status the records for both a male and female *samity* are examined. This is followed by a brief analysis of Shapla Neer's income generation training program and a discussion on why very impoverished male and female members have not benefited to the same degree as more affluent members.

### **ANALYSIS OF RECORDS: MOHILAS' SAMITY**

The first records examined are those of Mohilas' Samity, a women's *samity* with 19 members that was formed in 1992.<sup>6</sup> With attendance on average above 80 per cent, regular savings and no critical internal conflicts (interview, field organiser, 10/98) Mohilas' Samity could be described as a *samity* that is functioning, at least by these criteria, as Shapla Neer would hope.

The current cash book begins in May 1995 by which time the *samity* had built its net worth to 6,739 taka of which 2,789 taka was held in cash and 3,950 taka was as outstanding loans to members. On 10/10/1998, when the last entry was made, the cash book records that the net worth of the *samity* had grown to 31,109 taka of which 7,647 taka was held as cash and the remainder as outstanding loans.<sup>7</sup> These figures reveal that the net worth of Mohilas' Samity has grown steadily

<sup>6</sup> *Samity* records that were studied consisted of a record of meetings from 4/2/1995, a record of savings from 9/9/1995, a cash book from 30/9/1995 and a project book from 15/1/1994.

<sup>7</sup> The *samity* cash book records cumulative savings, repayment of outstanding loans by members, payment of interest on these loans, loans received from the CDC and other income in the credit ledger. The debit side of the cash book records loans extended to individual members, other expenditure and repayment of CDC loans. Information provided in the cash

over time. If net worth is divided between members, however, at 1,637 taka on 10/10/1998, about a third the amount required to purchase a milch cow, this would not be sufficient for each member to invest in a significant economic activity. Hence, net worth has grown steadily but at a slow pace. Further analysis of *samity* records provides an explanation for why this is so.

The primary sources of revenue for the *samity* are compulsory savings and the interest paid by members on personal loans taken directly from their *samity* fund. Savings were set by members at three taka per week and the savings register recorded the total savings of each member as ranging from 604 taka to 793 taka, with most being near the upper figure. These savings are pooled together and can be lent to individual members, providing another source of revenue for the *samity* through the interest charged. For most internal loans Mohilas' *Samity* set a surprisingly high interest rate of about 60 per cent when extrapolated over the entire year, and sometimes higher. For example, Fuljan received a loan of 1,500 taka on 1/03/1998 which she repaid fully with 150 taka interest approximately six weeks later. The interest rate charged by the *samity* on this loan, when calculated at a yearly rate, was 80 per cent. Alekha paid a similarly high interest rate of approximately 66 per cent for a loan of 375 taka she took in March 1998. An explanation for these high interest rates can be found in the desire of the *samity* to build its economic base. As a result, the contribution of the interest paid on loans to individual members to the *samity* fund has exceeded the contribution of compulsory savings. On 10/10/1998, the last entry of the records, aggregate interest and profit of 16,546 taka was greater than cumulative savings of 14,479 taka. Despite these high interest rates, however, as the loans themselves are quite small, being limited by the size of the *samity* fund, the *samity* is only able to expand its economic base at a slow rate.

Recognising that the capacity of the poor to save is limited, Shapla Neer supplements *samity* savings with loans from its CDCs that are sanctioned for *samity* projects which usually involve a number of members. By the middle of 1998 Mohilas' *Samity* had received just one CDC loan of 18,000 taka for the purpose of potato cultivation. When divided between the 11 members who took part in this project, at 1,600 taka per person the size of this loan is small relative to the first loans of about 4,000 taka received by members of the Grameen Bank. Moreover, whereas a Grameen Bank member may receive a first loan on average a few weeks after joining, the first CDC loan was not received by Mohilas' *Samity* until four years after being recognised by Shapla Neer. Therefore, although Shapla Neer supplements *samity* savings with loans, because these are small

and their disbursement infrequent the possibility of members engaging in significant income generating activities remains quite limited.

Another important point that should be considered is how loans are distributed among members. As noted in Chapter Two, social relations in Bangladesh are often of a patron-client type, hence it may be overly optimistic to assume that *samities* will always operate in a democratic fashion and that all members will have equal access to cumulative savings. An examination of *samity* loans indicates these have not been evenly disbursed amongst members of Mohilas' *Samity*. On the contrary, Figure 5.2 (overleaf) shows that there is a large variation in the total amount of loans received by each member. Two members, Jorimon and Alekha, have taken large loans, while the remainder have either taken no loans or very small loans. Undoubtedly, some members have more pressing economic needs than others and some are better equipped to engage in income generating activities. One member of Mohilas' *Samity* revealed that she would not take a loan from the *samity* as she feared male relatives would force her to turn it over to them. Nevertheless, it is difficult to argue that such a large variation in loans received by each member is solely a reflection of their differing economic needs or their capacity to engage in productive enterprises. Rather, within Mohilas' *Samity* it appears some members are more influential than others and are able to appropriate greater *samity* resources as a result. Both Jorimon and Alekha have held important elected positions and may have been able to use these to their advantage to receive large loans.<sup>8</sup> Supporting this contention, in its 1998 evaluation Shapla Neer found that 'activities of the groups are dominated by comparatively rich and privileged members' (Shapla Neer, 1998b:28). Why the organisation has not set in place more rigid systems to minimise the potential for domination by more influential members is not clear, though may have resulted from a hands-off approach being pursued to encourage self-reliance.

book thus allows the calculation of cash in hand (credit minus debit), and the amount of cumulative outstanding loans to members. Combining these provides a figure for the net value of the *samity* and comparing change in this figure over time provides information on the economic growth rate of the *samity*.

<sup>8</sup> It appears that if an office holder is absent from a meeting another member will sign *samity* records on their behalf. Therefore, care must be taken using *samity* records to determine office holders.

Figure 5.2: Distribution of Loans and Positions Held by Members in Mohilas' Samity

Name	Amount in taka	Positions Held
Sakhina	unclear	none
Tara	unclear	secretary
Jorimon	17,000	president, from 13/09/97 onwards
Alekha	12,000	reporter, secretary
Jamuna	1,575	reporter
Fuljan	1,500	president, 04/02/95 - 6/09/97
Maya	1,300	none
Moyna	900	none
Halima	500	none
Mamtaz	500	none
Musa	350	none
Asia	0	president, one week
Rabeya	0	reporter, secretary
Shumari	0	reporter
Taslima	0	reporter
Fehmin	0	none

Source: Samity records.

Whether members of Mohilas' Samity have been able to increase the net income of their households depends not only on the size of the loans they have received but also on the profitability of the enterprises they have invested in. Data in *samity* records does not provide information on the financial return to individual members from the investment of *samity* or CDC loans with two exceptions. In the project book a separate page is dedicated to the potato cultivation project with the profit of each member listed. The net return for each member is recorded as varying from 600-3,000 taka with an average of 1,610 taka. At 400 taka per month over the period of the loan, equivalent to ten days income from agricultural labouring, this would appear a reasonable return, especially as income earning opportunities for rural women are extremely limited. Two members have also rented land for cultivation using loans from the *samity*. In this arrangement members who use the land must give 50 per cent of their profits from the sale of crops to the *samity*. In one of these cases the member paid the *samity* 3,990 taka over a period of just under two years. This is equivalent to over one and a half month's income from agricultural wage labour for each year and thus could be considered important supplementary household income. Hence, from the limited data that was available it appears that most of the members of Mohilas' Samity have been able to engage in at least one micro-enterprise that yielded a positive net return.

#### ANALYSIS OF RECORDS: LABOURERS' SAMITY

I considered it worthwhile examining the records of a male *samity* to examine whether the performance of *samities* differed according to gender. Labourers' Samity was formed on

11/11/1990 with 17 members of whom two had dropped out just prior to fieldwork.<sup>9</sup> Since its formation, other than the flood of 1998 there had been little disruption to the weekly meetings and members had continued to save regularly. Moreover, members had generally repaid *samity* loans on time usually only missing instalments during crisis periods. In these terms, at least, the *samity* was performing well.

In a similar manner to Mohilas' Samity, Labourers' Samity has steadily been able to increase its net worth over time through a combination of weekly savings and interest charged on loans to members. By October 1998 the *samity* had built its cumulative fund to 61,007 taka of which 15,360 was *samity* savings.<sup>10</sup> When the cumulative fund is divided by the number of members this produces a figure of 4,067 taka which represents the average amount that each member would receive if the *samity* was to disband. In the local context this is equivalent to just under three and a half month's agricultural wage or the approximate amount required to buy a bullock for fattening. Hence, the *samity* has been able to build a solid economic base for members to draw upon, but, like Mohilas' Samity, has only been able to do so slowly taking a period of eight years.

Members were saving two taka per week until 31/03/1997 when they raised this figure to five taka. The Savings Book indicates that the total savings of each member averaged 1,025 taka at the date of the last entry, 12/10/1998, with all members being very close to this amount. As with Mohilas' Samity, the main contribution to the revenue of the *samity* has been from the fees paid by members on personal loans taken from the *samity* fund. Two schemes have been used to generate revenue through personal loans. The first of these has been to charge interest on *samity* loans and in most cases the terms are approximately 30 per cent interest with equal weekly instalment over a period of 50 weeks. This scheme has been used mainly to finance the purchase of rickshaws but has also funded a few other small investments. The second scheme is a 50/50 system whereby members return 50 per cent of their profits to the *samity*. This scheme is most often used for beef fattening and the cultivation of crops, with payment made to the *samity* after sale of the produce. Since its formation Labourers' Samity has also received two CDC loans, the first appearing in earlier records that were not examined and the second being used to fund the *samity* beef fattening project which four members took part in.

Figures 5.3 and 5.4 (overleaf) indicate that members who have taken loans either with interest charged or under the 50/50 system have generally been able to derive a reasonable net income and

<sup>9</sup> One of these had begun work in the Middle East and another was often away from the village working as a truck driver in Dhaka.



financial rate of return. In Figure 5.3 I have attempted to estimate the net income from the purchase of a rickshaw which is a common investment for *samity* members. Taking Jahangir as an example, on the assumption that he works seven days a week and on average earns 50 taka per day, an estimate given by members, he will earn 1,050 taka each month while repaying the 4,000 taka *samity* loan he took. After 50 weeks Jahangir would have repaid the loan completely and his monthly income would rise to 1,500 taka, a figure 300 taka above the average agricultural wage for this locality.<sup>11</sup> Caution in making future estimates of this sort is necessary because of the vulnerability of the rural poor to misfortunes. Nevertheless, the loan Jahangir has taken has placed him in a better position than another member of his *samity* who must pay rent on the rickshaw he uses which reduces his net monthly income to 600 taka. Figure 5.4 reveals that members who have taken loans under the 50/50 system have also generally enjoyed good rates of return averaging 35 per cent.

Figure 5.3: Estimated Net Return for Rickshaw Investment

income per week	weekly repayment of capital	weekly repayment of interest	weekly net income	monthly income	monthly income once loan is repaid
350	80	25	245	1050	1500

Figures in taka.

Figure 5.4: Profitability of Labourer's Samity 50/50 Investment System

Member	Loan Use	Date loan received	Amount	Capital repaid	50 % of the total return	Rate of return per annum to member
Hassan	not stated	11/09/95	2000	2000	1650	30.6
Khan	potato cultivation	9/02/96	100	?	?	?
Anisur	rice cultivation	4/03/96	1200	1200	1560	50.4
Imran	rice and potato cultivation	1/04/96	2000	2000	150	3.4
Mujib	potato cultivation	6/11/96	5000	5000	1610	17.0
Hossain	samity beef fattening project	20/01/97	4500	4500	3750	68.3
Imran	samity beef fattening project	20/01/97	4110	4110	2945	58.7
Mujib	samity beef fattening project	20/01/97	4030	4030	435	8.1
Moshar	samity beef fattening project	20/01/97	4665	4665	1250	29.6
Hassan	beef fattening	30/06/97	4320	4320	1640	48.8
Syed	beef fattening	31/03/98	3790	0	not yet sold	not yet sold

Figures in taka.<sup>12</sup>

<sup>10</sup> The records examined up to the last entry on 12/10/1998 were the Cash Book from 24/10/1994, the Project Book from 17/7/1995, Samity Records from 29/12/1997 and the Savings Book from 06/01/1997.

<sup>11</sup> No estimate for maintenance costs was made in these calculations.

<sup>12</sup> The figure given in the annual rate of return column is half the entire return as half is kept by the member and the other half paid to the samity. For cultivation projects the return is calculated on a four month season and then divided by three to give an annual rate of return. The rate of return for beef fattening is calculated by dividing that proportion of the sale price retained by the member by the period of ownership, and adjusting this figure for a 12 month period. Costs for feed and veterinary services are not included so the real return would be slightly lower than that estimated.

The distribution of loans between members was also examined and is detailed in Figure 5.5. A number of observations suggest that more influential *samity* members have not been able to monopolise resources to the degree that was observed with Mohilas' Samity. Firstly, people who have held elected positions have not monopolised *samity* loans, though it must be acknowledged that of the four members involved in the *samity* beef fattening project two had acted as reporters and two had held the position of president. Secondly, Syed, identified by the *samity* as their poorest member, had received two loans of average size. Members explained that because of his household's poverty Syed was purposefully selected for the *samity*'s most recent loan given for the purpose of beef fattening. Thirdly, Shahid, who is known as 'the landowner' as he possesses 100 decimals of land, far more than any other member, has not received any loans. Therefore, in terms of loan distribution Labourers' Samity appears to be operating more democratically, along the lines the Shapla Neer would hope, than Mohilas' Samity.

Figure 5.5: Loans Received and Positions Held by Members of Labourers' Samity

Name	Amount	Positions Held
Jahangir	11,000	reporter, secretary
Hossain	9,500	president
Mujib	9,030	reporter
Syed	7,290	
Asgar	7,000	
Hussan	6,320	secretary
Imran	6,110	reporter
Moshar	4,665	president
Ahmad	4,000	
Atiur	3,000	reporter
Farid	3,000	
Kamal	2,000	
Rehman	2,000	reporter, secretary
Nurul	2,000	
Anisur	1,200	reporter, secretary
Abu	1,000	reporter, secretary
Khan	100	secretary
Shahid	0	reporter, secretary

Source: Samity records.

In addition to increasing household income, a further economic impact of Shapla Neer's *samity* approach is the security the *samity* fund provides in times of misfortune. An examination of the manner in which Labourers' Samity responded to the 1998 floods is instructive. All members of Labourers' Samity had taken loans from their *samity* fund immediately after the floods for the purpose of planting crops. Some villagers described the period after the flood as more difficult than the flood period itself as they had no source of income, had depleted food and financial reserves, yet required capital to begin cultivation. Although records indicate that *samity* loans were

not taken for consumption during the flood, some members stated that they were able to borrow from other members for this purpose. It thus seems that through bringing together twenty or so villagers at weekly meetings, and through pooling individual savings, *samities* provide important networks that members can call upon in periods of hardship.

### **THE ROLE OF VOCATIONAL TRAINING IN INCREASING HOUSEHOLD REVENUE**

In contrast to the Grameen Bank, Shapla Neer provides training on income generation and it is pertinent to ask whether this has resulted in a more profitable use of loans. In 1997, the Poyla CDC offered courses on poultry and duck raising, vegetable cultivation, beef fattening and the keeping of milch cows. These subjects were taught at a time that they are expected to be of greatest benefit to participants. The course on beef fattening, for example, was offered three months before Eid celebrations when prices for beef were at their highest. Each course usually lasts for several days and is attended by one representative selected by their *samity*. Attendance alone cannot be used to gauge the value of training courses to participants as Shapla Neer pays each member 15 taka for each day of training to compensate for income they may have lost. Therefore, I asked members taking part in a training course on milch cows that I observed about the usefulness of the information they were receiving.

Of the four women who were present all had raised milch cows previously and expressed interest in learning about diseases and their prevention, and the optimum diet for cows. I inquired whether they had any problems keeping milch cows in the past and, while they were generally satisfied, they expressed two concerns: cows had not always produced the anticipated amount of milk, and when they came down with an illness the women were not sure whether to call the village herbalist or the veterinarian. Amongst participants there thus appeared a clear need for greater information on milch cows.

A comprehensive assessment of the usefulness of the training courses would examine whether training increased the profitability of enterprises and reduced risk. In lieu of a rigorous assessment I sought to examine how familiar participants were with the topics that they were introduced to. The course on milch cows covered five topics: the breed of cow to buy; diet; diseases and their prevention and treatment; how to take good care of cows; and the benefits of milch cows. Precise information on how to identify the state of health of a cow, the best age to buy, housing, diet and necessary vaccinations was also provided. Through the course it became apparent that participants were not aware of the significance of some of these issues. For example, some members were surprised to hear that three popular breeds of cows existed and were keen to learn how to recognise them. One member stated he had bought a cross-bred Friesian but was told by the instructor that

this could not be so because of its colour. Another was using a cow to plough his field but was advised against this because it would result in a reduction in milk supply. Other than these elementary observations which suggest training will be useful to participants, it was not possible to pursue the issue of utility or cost-effectiveness further. Shapla Neer's own assessments seems largely limited to comparing the number of members attending its courses with the number set by the annual plan for that year (SN annual reports). This provides no judgement of the quality of the courses nor the appropriateness of the information that is provided.

One issue of concern relates to Shapla Neer's reliance on those receiving training to disseminate what they have learnt to other *samity* members. Discussions with members suggest that those who are better-off are more likely to attend training courses than poorer members who are constrained by their need to earn a daily income and their low literacy. While the sole landowner of Labourers' Samity had been to several training courses, the two poorest *samity* members had been to none. A very impoverished female *samity* member stated that she had not attended any training courses nor had any desire to do so as she was too busy struggling to meet the needs of her household. This highlights the importance of a system that encourages participants in training programs to pass on their knowledge to other members. Shapla Neer is aware of this and repeatedly stresses to members that they should discuss the content of courses with the rest of their *samity*. A staff member providing training for the milch cow course advised participants that 'Today you must promise that after learning these things you will disseminate them to others. If you set a good example by applying these lessons and improving production others will follow'.

### **WHY MORE IMPOVERISHED MEMBERS HAVE BENEFITED LESS FROM THEIR SAMITY**

As the *samities* I investigated appeared fairly representative of most *samities*, the discussion thus far suggests that *samities* are generally able to gradually build their economic base, that some members are able to use the *samity* fund and CDC loans to engage in profitable enterprises and that training on income generation is likely to enhance the profitability of these enterprises. However, during fieldwork it became apparent that some members still remained quite impoverished. After becoming aware of this I decided to interview an impoverished female and male member to shed light on the impact of *samity* membership on the poorest members.

Jannat, identified by a female *samity* as their poorest member, had found herself in a very difficult situation because her husband was no longer able to undertake physical labour. Over time his back had become increasingly deformed and his ability to earn an income was restricted to tasks such as repairing agricultural implements that did not require a great deal of mobility. The family's livelihood centred on a monthly income of 100-200 taka derived from whatever work the husband

could find as well as the sale of bamboo, eggs and ducklings. As this is equivalent at most to 20 kilograms of rice and the member also has one son to feed, I asked how the household survived in these conditions. 'Sometimes we starve for a day or only take food once or twice a day' her husband replied.

According to Jannat, the *samity* did bring some benefits to the household. She had 625 taka as savings, she had received one loan and had also received a sanitary latrine. I asked Jannat if she had any suggestions for Shapla Neer and she replied, 'I have thousands of demands, I don't know which of these Shapla Neer could fulfil'. 'Don't start counting my problems, you will never finish', her husband added. However, later he requested that 'if it is possible, could Shapla Neer provide a source of income for us?'. Jannat repeated this request at the end of the interview.

Despite belonging to a *samity* for five years, Jannat's household was in a distressed state. The most pressing need of the household was a secure and sufficient source of livelihood. The only loan taken from the *samity* was of 100 taka during the 1998 flood for purposes of consumption. Indeed, Jannat only associated loans with consumption in times of distress stating she would not take another loan unless absolutely necessary. Belonging to a *samity* for five years had not persuaded her that loans could be employed successfully for the purpose of income generation.

Syed, recognised by Labourers' Samity as their poorest member, described a similar position where, despite belonging to a *samity* for about ten years, the economic condition of his household had not changed significantly. Syed had used *samity* loans for consumption during times of little employment, for treatment when one of his sons was ill and to buy a rickshaw. The rickshaw was purchased for 3,500 taka and would have improved the economic position of the household but Syed was forced to sell this to pay for treatment of his son. At present the household is raising one bullock to be sold for meat and Syed expects to earn a personal profit of 3,000 taka, excluding any costs. Thus far only two members of his *samity* had leased land for cultivation using *samity* loans and Syed stated that he too was interested in doing so. A list of Syed's assets is presented in Figure 5.6 (overleaf). Observable indicators that Syed's household remains impoverished include the small size of the house with walls made of jute sticks, the small amount of clothing and cookware, a lack of furniture and the absence of, and lack of access to, arable land.

Figure 5.6: Asset List of Syed's Household

Type	Amount
land	15 decimals of homestead land
bamboo grove	half share
pots for cooking	2
plates	3
shirt	1
lungi	1
shirts for two sons	1 each
lungi for two sons	1 each
saris for his wife	2
bed	1
water jar	1
mortar	1
house	1 room, walls made of jute sticks, roof made of tin sheets, approximately 4 by 2.5 metres in size
shelter for cow	1

Discussions with the most impoverished members reveal that an approach to empowerment which is centred on self-employment must provide adequate financial resources. Relying heavily on the resources of members limits their ability to engage in micro-enterprises that produce sufficient returns to sustain their households. Because *samities* have sought to build up their cumulative fund they have charged very high interest rates on internal loans which also constrains the returns enjoyed by individual members. Shapla Neer (1998b:13) noted that some members complained that *samity* funds were increasing as a result of joint investments but that 'individuals were not getting any benefits during the time of their suffering'. The broad conclusion of the discussion above is that Shapla Neer has succeeded in building an institutional base for members to enhance household income and reduce vulnerability to crises, and has supported this with training on income generation, but needs to provide more financial resources and to ensure that these are reaching poorer *samity* members.<sup>13</sup> Proshika, the local NGO on which Shapla Neer's *samity* approach is based, now provides credit to its members using a variant of the Grameen model, without surrendering its hope that *samities* will eventually become self-sustaining. Shapla Neer has also recently introduced CDC loans for individual members suggesting it too recognises the limits of its present model.

<sup>13</sup> In its 1998 evaluation, Shapla Neer recorded that three of nine *samities* surveyed stated that of the services provided microcredit was the least sufficient (SN, 1998b:8,9). Members of another *samity* were still resorting to moneylenders (SN, 1998b:28), despite Shapla Neer being well-aware of how, through high interest rates, this could lead to further impoverishment (SN, 1993).

## **SOCIAL IMPACT**

The social impact of Shapla Neer's interventions can broadly be divided into two areas when using Friedmann's concept of social bases of power. Firstly, *samities* can act as institutional bases for action and conduits for information. Secondly, Shapla Neer offers a number of separate programs that could contribute to the well-being of members' households. The analysis of social impact that follows is divided along these two lines.

### ***SAMITIES AS SOCIAL INSTITUTIONS***

Through weekly meetings and special programs to strengthen *samities*, Shapla Neer seeks to build an institutional base that enables poor people to plan and act for their development. Underlying the *samity* approach are two core beliefs: that the *samity* mechanism will encourage the poor to think pro-actively about their development options (interview, Field Coordinator, 10/98) and that *samities* will enable the poor to become self-reliant (SN, 1998a). This section considers whether these beliefs are reasonable and asks, are Shapla Neer's programs designed to strengthen *samities* necessary and effective?

Weekly *samity* meetings provide an opportunity for regular discussion amongst members. Through these meetings Shapla Neer hopes a fundamental change in the thinking of the rural poor will begin to take place. When a new *samity* is formed it is advised to hold regular meetings and to collect weekly savings from each member as a starting point from which they can build a more pro-active view of their development options. With the same intention, each *samity* has a resolution book in which they are expected to record at least one resolution during each meeting that members agree to work towards. Whether the resolution is carried out in full may be of less significance than it representing a decision to take action. How successful the *samity* approach has been in altering the psychology associated with poverty will vary from *samity* to *samity* and the present study is too limited to draw strong conclusions. However, attendance rates at *samity* meetings and the nature of topics discussed may help throw light on this issue.

According to attendance records, on average between 12 and 13 of the 15 members were present at the last 40 meetings of Labourers' Samity. A similar high attendance has been recorded for Mohilas' Samity with an average attendance at weekly meetings of 15 to 16 out of the total 19 members. Such high attendance suggests that meetings are valued by members, a conclusion supported by Shapla Neer (1998b:11) which recorded that members appreciated the weekly meetings because they 'meet together, make decisions and check their accounts regularly'. The discussion topics raised by members also provides indication of the significance of weekly

meetings to them. Shapla Neer has developed a particular structure for discussion at *samity* meetings in which the field organiser firstly calls for topics from members then presents one or two of his/her own. Observations of *samity* meetings suggests that these discussions have an important impact on how members seek to overcome their poverty. In response to the call by the field organiser for topics at a meeting of Comrades' Samity, two members indicated they wanted to discuss the literacy programs and ways to increase capital. Members explained that they planned to cultivate vegetables as well as potatoes and the second topic centred on the dispersal of potato seed by Shapla Neer. At a Sisters' Samity meeting the following day, four members expressed a desire to plant potato seeds and they questioned whether these could be purchased with CDC loans. During the discussion period of a meeting of Mohilas' Samity one member inquired about seeds for cucumber, another volunteered that the Diamond variety of seed was very good, before others joined in to discuss how they would transport the seeds to their homes. These observations suggest that *samity* members are acting to achieve their development goals and not just relying on Shapla Neer for support services as would be typical in a patron-client type relationship.

Figure 5.7 (overleaf) presents a list of topics discussed during meetings of Mohilas' Samity providing insight into the wide variety of issues that are raised. Field organisers are given an important role to play in awareness raising and it is likely that they are more capable than their Grameen Bank counterparts in discussing social issues as they receive specific training on these. Shapla Neer's commitment to staff training is evident in Figure 5.8 (overleaf) which presents the type and duration of training received by one field organiser. As noted in the previous case study, Grameen Bank staff are often too busy dealing with financial transactions to engage members in discussion on social issues, even though they are expected to do so. Proshika has also expressed concern that field staff spend most of their time with members collecting instalments and not enough on discussing social issues (Hedrick-Wong, Kramsjo and Sabri, 1997). Shapla Neer can be commended for setting time aside during weekly meetings for field organisers to discuss issues of concern with members and investing in the training of staff.



Figure 5.7: Topics Discussed at Mohilas' Samity Meetings and their Frequency.

Frequency	Topic
> 20 times	personal loans
15 - 19 times	savings/need for regular savings
10 - 14 times	group management training, repayment of personal loans, cash on hand, distribution of Shapla Neer's magazine, sanitary latrines, CDC loans
5 - 9 times	selling of paddy, account keeping training, samity logistics such as elections, samity accounts, land leasing/cultivation, opening of bank account, necessity of education, essay competition
4 times	health/selection of health volunteer
3 times	absence of members, flood relief, potato cultivation, sewing machines, instruction on use of library, mustard seeds, demand for plants, books from library, organic farming, income generation training
twice	necessity of samity, adult literacy program/attendance at, benefits of personal hygiene, income generating activities, signboard and exercise books, grading, fertiliser, beef fattening, donation by samity, samity IGA project
once	milk cows, diseases, clean drinking water, land purchase, benefit of trees, hand tube wells, registering children, communal income generation project, cancellation of membership, sports, poultry training, food and nutrition, AIDS, chemical insecticides, role of women in family and society, social awareness, purchase of wheat, samity savings, profit on loans

Source: Samity records.

Figure 5.8: Training Received by a Field Organiser.

Type of training	Duration (days)	Organisation	Year
Development Orientation	10	Integrated Village Development Centre (IVDC)	1990
Field Concept Training	10	Shapla Neer, BRAC	1991
Development and Popular Theatre (Basic)	21	IVDC	1991
Development and Popular Theatre (Refresher)	21	IVDC	1991
Training of Trainees	13	BRAC	1994
Training of Trainees	9	Shapla Neer	1995
Participatory Monitoring and On-going Evaluation	4	Shapla Neer	1995
Communication and Motivation	5	Shapla Neer	1995
Participatory Rural Appraisal	4	Shapla Neer (using outside experts)	1996
Training of Facilitators	5	Shapla Neer	1997
Adult Literacy Training	10	unnamed NGO	1997

Source: Interview.

Shapla Neer has designed several programs to foster *samities* recognising that its members have limited managerial capabilities. At weekly meetings field organisers provide motivation and instruction on the *samity* mechanism to members using a series of 12 lessons that have been developed under the group development and motivation program. This is supported by training offered at the CDC to members selected by their *samities* on topics such as leadership skills and participatory decision making. In addition, the adult literacy program is offered to all members with the intention that they will be able to read *samity* records, while the account keeping program is offered to one or two members in order that *samities* will be able to maintain their own accounts. An alternative leadership program seeks to build the leadership skills of several potential leaders in

each *samity* and thus make *samities* more robust. Other programs to strengthen *samities* include training in marketing and establishing a business plan, and social awareness training. The latter covers issues such as the importance of people's participation and how to identify and overcome barriers to local development (SN, 1998a).

The importance of these programs was highlighted in Shapla Neer's 1998 internal evaluation which found that members ranked them very highly in terms of necessity, sufficiency and effectiveness (SN, 1998b). One *samity* out of the nine sampled ranked the motivation and training provided by field organisers the highest of all Shapla Neer's programs in terms of sufficiency and effectiveness, and second highest with regards to necessity. Another major finding of the 1998 evaluation was that the motivation provided by field organisers had proven 'very effective' (SN, 1998b:25). The survey found that field organisers play an important supervisory role in some instances with two *samities* stating that to ensure funds were not misappropriated it was necessary for field organisers to regularly check accounts.

That members have rated programs to strengthen *samities* highly suggests that they are appropriate in relation to the needs of their *samities*. The proportion of *samities* that are now self-sustaining could also be used as an indicator of the success of these programs. If a *samity* does become self-sustaining, and if its members were poor when the *samity* was first formed, then, given the growing pressure on scarce resources and exploitative relationships that the rural poor in Bangladesh endure, this is a tremendous achievement. The proportion of *samities* which meet these conditions, however, appears to be quite small. According to a highly positioned staff member, if Shapla Neer were to cease operations only ten to twenty per cent of *samities* would survive (interview, 10/98). On the basis that most *samities* would not survive without external support, the effectiveness of programs designed to strengthen them could be questioned. The same staff member argued, however, that even though as institutions *samities* may not be sustainable, they are effective vehicles for the transmission of ideas and information (interview, 10/98). Shapla Neer (1998b) raises the interesting point that disbanded *samities* may choose to reform in the future and, if so, then members are likely to have gained important skills and experiences from having belonged to a Shapla Neer *samity*. Traditionally, *samities*, as informal organisations of villagers with mutual interests, have formed to pursue some type of joint investment and afterwards have disbanded dividing profits among members. In this light, that most *samities* are not yet self-sustaining would not be seen as so problematic.

### IMPACT OF SPECIFIC PROGRAMS ON THE SOCIAL BASE OF THE HOUSEHOLD

High attendance rates at weekly meetings and the discussion topics raised provide reason to believe that *samities* can contribute to the social base of members' households through encouraging them to act for their own development and by providing a conduit for information on social issues. In addition, Shapla Neer offers a variety of specific programs that tackle issues such as sanitation and hygiene, child education, adult literacy and health education. Information on their impact is extremely limited and I will only attempt to make a few elementary observations on two of these programs, namely, the adult literacy program and popular theatre.<sup>14</sup>

The adult literacy program seeks to teach all members functional numeracy and literacy and is one of Shapla Neer's core activities. Comments by members and a number of observations indicate that it is valued by at least some of them. Providing evidence of this, although the course places heavy demands on time, taking up two hours a day, six days a week over a seven month period, the attendance rate is high at 86 per cent in 1997 (SN, 1998a). In Shapla Neer's 1998 evaluation, three male *samities* ranked the adult literacy program as the most necessary of all Shapla Neer's programs and one female *samity* ranked it equal first alongside credit (SN, 1998b). Members of Sisters' Samity stated that because of the adult literacy program they could now sign their names, check accounts and read what their children are learning at school. When Comrades' Samity, who had not yet undertaken the adult literacy program, were discussing education with their field organiser one member stated that an advantage of literacy was to be able to sign his name, to read agreements and to read letters. Undoubtedly, a degree of literacy is likely to enhance the participation of all members in *samity* decision making. Shapla Neer (1993) noted one instance when illiterate members complained that leaders were recording as resolutions actions for their personal gain that had not been agreed to by the *samity*. Other members expressed concern that if they remained illiterate bank officials would take advantage of them by charging excessive fees.

Despite these encouraging observations, the adult literacy program is unlikely to have a direct impact on the income earning potential of most members. One member of Brother's Samity stated that the adult literacy program had not been of much use other than teaching him how to sign his name. Literacy is likely to be of less significance for women members who have little opportunity to apply their newly gained skills in their everyday village life (SN, 1998b). Therefore, it is of no surprise that members of Sisters' Samity, when asked by their field organiser whether they were interested in attending a follow-up program to the adult literacy program, expressed no desire to do so. Moreover, the Dhaka office annual report for FY1997 noted that of program drop-outs, 'a good

number' consist of 'female participants who were reluctant to sacrifice household work to attend classes' (SN, 1998a:7). Nevertheless, providing literacy classes to women shows that Shapla Neer values the education of girls just as much as boys. Anecdotal evidence suggests that Shapla Neer has been successful in encouraging members to enrol not only their sons but also daughters at school. Members of Labourers' Samity stated that they were all sending their daughters to school and, indeed, that there was so much motivation by Shapla Neer in this area that they had 'little choice'.

Shapla Neer's efforts to contribute to the knowledge base of households also include the use of popular theatre. With a long tradition in Bengal, theatre was developed as a medium for awareness raising by Proshika and was adopted from this local NGO by Shapla Neer. During fieldwork I was able to observe a recital of a Shapla Neer theatre group and through discussions with *samity* members gain some insight as to the success of popular theatre in awareness raising. The script and lyrics for the drama I attended were written especially for the performance by the actors with direction from the field organiser who specialised in theatre. The actors were all male Shapla Neer members as, according to the field organiser, villagers are too conservative to accept the participation of women.

The first performance of the drama took place under a large parasol in a compound of a well-off villager. It would later be held in three other locations. About three hundred villagers attended the performance constituting a wide age range, with similar numbers of men and women present. The plot of this drama begins with a poor man lamenting that in trying to have a son his wife had given birth to seven daughters. He falls into a state of depression being unable to provide for all of them and is scolded by his neighbour for having more than two children. 'Listen everyone, whether you have boys or girls, two children is enough! the neighbour advises the audience.

The poor villager further laments that he has been unable to find husbands for any of his daughters exclaiming 'If my youngest is 12 years old you can imagine the age of my eldest!'. An old man in the village who is not yet married makes advances towards the oldest daughter (Moyna) which she rejects. Instead, she agrees to marry her sweetheart. After their betrothal Moyna's husband travels abroad to work sending back frequent letters and money to her. However, the old man pays the postman a bribe to give these letters to him thus Moyna never receives them. Later Moyna is unjustly accused by her mother in law of seeing another man and the old man uses this opportunity and his connections with the village chairman to arrange a divorce. The poor father is quick to

<sup>14</sup> Annual reports of the Dhaka office compare the number of program participants with the planned figure for that year

agree to the divorce as the chairman offers 20 kilograms of rice as a bribe. When the husband returns from abroad the old man lies to him that Moyna is seeing another man but tells him not to worry as 'I'll find ten girls for you to marry'. The husband is furious but a friend advises him that some trickery may be involved and this is finally brought to light.

The drama took two hours to perform and the audience appeared attentive throughout. The large number of people who attended and their positive engagement with the performance suggests that popular theatre can have an important role to play in awareness raising. In this particular performance a number of issues were presented. Firstly, the distressing position of the poor man stemmed from having too many children and through this a strong message to practice family planning was delivered. A broader message on the importance of self-reliance was also given. Because of the distressed economic state of his household the poor man took a bribe of 20 kilograms of rice from the Union chairman and in return surrendered the future happiness of his daughter. Meetings of a Shapla Neer *samity* were depicted several times during the performance and offered a more pro-active means of building livelihoods. During these meetings members discussed how they would plant new crops and fruit trees after the flood.

Shapla Neer is able to select issues to raise through popular theatre that are of direct relevance to the well-being of poor people because of its long history of development work in Bangladesh. The dramas are made relevant to the lives of local people by basing them on recent events in the village. In the performance I observed the storyline included the refusal of a local Union chairman to distribute government supplied wheat equitably to Vulnerable Group Feeding card holders during the flood of 1998. While walking back to her home after the performance one woman commented that 'it is true, the rich are always trying to take advantage of the poor'.

During interviews *samity* members were able to recall the messages delivered at previous performances. Members of Sisters' Samity who attended one performance remembered that the audience was advised neither to pay or accept dowry. A member of a male *samity* recalled that at a performance he attended the actors advised against taking loans from money lenders and pointed out the evils of violence towards women. Shapla Neer sponsored performances thus appear an effective device for awareness raising because of their ability to engage the audience.

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but are unable to give any indication of quality.

## **THE IMPACT OF SHAPLA NEER'S INTERVENTIONS ON WOMEN**

Shapla Neer seeks to build the capacity of women, acknowledging their disadvantaged status relative to men in Bangladesh (SN, 1993). Unlike the Grameen Bank, Shapla Neer has not adopted a policy of preferring to target women over men, though, according to one official, it has sought a ratio of 60:40 female to male members (interview, 10/98). The organisation has not attempted to develop a sophisticated discourse to explain the position of women nor to justify its interventions on the basis of one. Rather, Shapla Neer has copied the strategies of other local NGOs and built upon these in an attempt to enable women to better meet a number of readily identifiable practical, and to a lesser degree strategic, needs. Little study has been undertaken by Shapla Neer on the impact of its programs on intra-household relations between men and women which limits the following discussion.

It is not any of Shapla Neer's specific programs but the *samity* mechanism that appears to offer the women the most likely means of improving their social position. *Samity* meetings create a space for women to gather and discuss their development problems on a regular basis. Given that the social and physical space considered appropriate for women to venture into is severely circumscribed by patriarchal norms, this represents a positive step towards increasing women's mobility and networking potential. Through the system of regular discussion with field organisers at weekly meetings it could be anticipated that the confidence of women, and their feeling of self worth, might also increase. At that training course on raising cows discussed earlier women members readily answered questions without showing deference to their male counterparts. It would be dangerous to read too much into this observation, however, as these women were selected by their *samities* and are thus most likely to be more confident than most. Moreover, the discussion period of *samity* meetings can be dominated by only a few women while others remain quiet throughout. During discussions with women I observed that some were very confident while others were very reserved; hence a system that encourages or requires all women to speak during meetings is highly desirable.

By encouraging savings and investment, as well as providing skills training and awareness raising, Shapla Neer seeks to build the capacity of women to engage in productive enterprises. Not only does this provide the potential for women to contribute directly to household finances but in doing so it can enhance their status within the household. However, the section on economic impact revealed that in some cases only a few members had participated in micro-enterprises through their *samities* and that the returns were constrained by the high interest rates charged. Greater funding from the CDC as well as a more equitable distribution of loans would appear necessary if the

status of most women members is to rise through their income earning capacity. Nevertheless, it should be recognised that a strength of Shapla Neer's approach is what was described by one member as a 'strict monitoring of CDC loan use'. The CDC loans examined in this study were not diverted into the hands of male relatives as a result, thus greatly enhancing the potential of women to use these loans as they deemed fit. On the other hand, the use of *samity* loans is not monitored by the CDC and records indicate that these are often taken by members for their male relatives.

During meetings field organisers have the opportunity to raise issues that are of particular concern to women. Shapla Neer can be commended for providing training on gender issues to a number of staff at all CDCs. Shapla Neer has also developed a motivational manual for field organisers to use at *samity* meetings which tackles various gender related issues. This offers an important opportunity for raising awareness of the practical needs of women, such as reproductive health care, nutrition and sanitation. Shapla Neer has also sought to address a strategic need of women by increasing men's recognition of the value of women's labour.<sup>15</sup> To change men's views of women which are integral to their socialisation is not easy, however, as the following dialogue recorded between a male field organiser and male *samity* members reveals.

Field organiser: Who helps your wife?

Members: Initial silence before some state they are not yet married.

Field organiser: Do you know how a woman walks 24 kilometres each day?

Members: No.

Field organiser: From the kitchen to the main room to the yard and back again. By doing this 100 times a day.

One Member: Well, if you put it that way, we walk much further. To the fields, to the schools . . .

Why don't you count up the distance for us!

Source. Field notes.

In addition to the *samity* mechanism, Shapla Neer supports several specific programs that could enable women to better meet some of their practical needs. Training is provided to health volunteers and traditional birth assistants, and popular theatre is used to raise issues related to gender.<sup>16</sup> Despite these endeavours, a limitation of Shapla Neer's strategy is that, like the Grameen Bank, it does not directly challenge the sexual division of labour. Therefore, activities with high returns on labour remain exclusively in the domain of men. Hence, it is not surprising that the increase in net worth of Mohilas' Samity has been much slower than that of Labourers' Samity. It

<sup>15</sup> Greater appreciation of women's labour could lead to more household resources directed towards the needs of women and ultimately a greater voice for women in household decision making.

<sup>16</sup> Because I was unable to observe the traditional birth assistant and health volunteer programs, I have omitted them from the evaluation. Limited insight into their impacts can be found in Shapla Neer (1998b).

could be postulated that Shapla Neer would not be so interested in challenging entrenched gender norms, as it is a Japanese NGO. Japan has not experienced a popular women's liberation movement. Regardless of how gender norms in Japan may have affected Shapla Neer's programs, it is important to recognise that because the social policing of gender can be fierce and involve violence, most indigenous NGOs in Bangladesh have adopted subtle strategies to support women.

## **POLITICAL EMPOWERMENT**

In Chapter Two, I noted that the rural poor are often forced to surrender their political voice to patrons in return for temporary employment and other favours. Furthermore, extremely impoverished households can be expected to assess candidates during local elections only on the basis of promises to meet their immediate survival needs. The use of such promises in garnering votes was aptly depicted in the performance discussed earlier. Two candidates were portrayed offering bribes to gain votes. One candidate stated that 'If you give us your votes we will build a bridge right up to your house', while his adversary sought to tempt the audience by promising to 'give each who suffered in the flood a 20,000 taka loan'.

Through its *samity* approach Shapla Neer's greatest potential to contribute to political empowerment of the poor is enabling them to meet their basic needs and thereby reduce their dependence on local elite. No study of relations between Shapla Neer members and village elite, or patrons in general, has been undertaken, but studies of the Grameen Bank reviewed in Chapter Four indicate that a strategy to promote economic self-reliance can lead to a more independent political voice. Moreover, the institutional support members receive from their *samity* may encourage some of them to stand in local level elections. A staff member suggested that evidence of this can be seen in the last Union elections when between ten and fifteen members stood as candidates. Several of these, including one woman, were elected. Shapla Neer has also supported the government's voter education campaigns encouraging all members to vote responsibly during election time.

A second means by which Shapla Neer could contribute to the political empowerment of the rural poor is through the collective action of *samities* in claiming rights of access or resolving disputes with more powerful villagers. It is reasonable to expect that *samities* have the potential for collective action to challenge asymmetric power structures, though I did not come across any examples of this. It is interesting that Proshika has at times strongly encouraged its *samities* to claim rights of access to *khas* (government-owned resources) and to act collectively when bargaining for wages or dealing with government officials and village elite (Hedrick-Wong,



Kramsjo and Sabri, 1997). In contrast, Shapla Neer has avoided direct conflict with existing power holders feeling that as an outside organisation it should not directly tackle this issue (interview, staff member, 10/98). Like Grameen Bank, Shapla Neer's impact on political empowerment is limited by its cautious approach, though this is not to deny that the *samity* strategy and emphasis on self-reliance is a concrete step towards a more independent political voice for members.

### **SUSTAINABILITY AND EFFICIENCY**

The issue of sustainability has already been discussed with regards to whether *samities* would survive as institutions after the withdrawal of assistance from Shapla Neer. Sustainability also needs to be analysed from the perspective of funding, as Shapla Neer's programs are not expected to achieve full-cost recovery. This study can only make a number of limited observations on Shapla Neer's financial position. Despite economic recession in Japan for over a decade, Shapla Neer has been able to maintain its principle of sourcing sixty per cent of its income from annual fees paid by members in Japan and general donations. Continued support from the general public can be expected as systems have been established to recruit new members and remind present members to continue paying their membership fees (interview, Tsutsui, 10/98). Also, efforts at development education, such as employing Bangladeshi staff to tour Japan giving presentations on Bengali culture, are likely to build further domestic support. Another important source of income is the sale of handicrafts that are purchased from 13 development organisations in Bangladesh and sold either through mail order, a system known as *itakuhanbai* or to fair trade outlets.<sup>17</sup> In 1997, total sales reached ¥85 million of which approximately 32 per cent was paid in purchase costs (ibid.). Shapla Neer can also rely on continued financial support in the form of ODA because of the government's desire to more actively engage Japanese NGOs in the aid program, an issue taken up in Chapter Eight. From these observations there is reason to believe that in the near future Shapla Neer will be able to procure the funding required to run its village level programs.

As has been seen in the case study of the Grameen Bank, a need to achieve a high degree of cost recovery can be a strong reason for promoting efficiency. Cost recovery is less significant for Shapla Neer but there is evidence to suggest that the organisation is strongly motivated to use funds efficiently. The efficiency of Shapla Neer's operations can be judged to a limited extent from a study of expenditure and assets. Evidence that Shapla Neer has attempted to keep its overheads low can be found by visiting the CDC compounds which are very similar to field offices of indigenous NGOs. With roofs and walls of unlined corrugated iron, buildings in the compound

are very basic structures. Meals are cooked over an open fire and water is retrieved from a hand pump. Local Shapla Neer staff do receive high wages relative to other people with similar qualifications though, as the passage below reveals, Shapla Neer has shown sensitivity to contesting demands in setting wages.

The principal of the local primary school receives 2,500 taka in wages whereas the CDC Coordinator receives nearly 4,000 taka. Although it can't be said that no one in the village would be jealous of this wage, from the perspective of the work that social workers have to do this is not too high either. . . . Moreover, staff carry the responsibilities of supporting their families. For example, Nuzumu, whose father has passed away, must support a younger brother and sister who are still at school (SN, 1993).

From these simple observations it appears that Shapla Neer has shown concern to use available resources judiciously to build the basic human and physical infrastructure that is necessary for its programs.

### **CONCLUSION**

Shapla Neer has become a regular conduit for Japanese ODA, having received funds from the grant aid for grassroots projects scheme administered by the Japanese Embassy in Dhaka, receiving yearly funding through the NGO project subsidy system administered by MoFA, and expecting to be granted funds supplied under a new NGO financing scheme developed by JICA. Using the empowerment framework developed in Chapter Two, the evaluation has examined whether Shapla Neer's core development interventions employ these funds in an efficient, effective and sustainable manner.

Overall, the findings of this assessment are very positive. Shapla Neer has displayed a long-term commitment to the welfare of the rural poor in Bangladesh and sought to use available resources effectively and efficiently in achieving its vision of capacity building for self-reliance. The *samity* approach has achieved success in encouraging members to plan and act for their own development and in doing so has most likely reduced their dependence on the village elite. The records for two *samities* were examined and revealed that the net worth of the *samities* had steadily increased over time and that a number of members had successfully invested in micro-enterprises using loans from the *samity* fund. Microcredit provided by Shapla Neer had also been used successfully to finance *samity* projects. Vocational training has most likely reduced the risk of such investments and increased profitability.

<sup>17</sup> Under *itakuhanbai* local clubs sell handicrafts during events such as festivals on behalf of Shapla Neer, keeping 20 per cent of the income from sales.

Through discussions at *samity* meetings, training provided at CDCs and popular theatre Shapla Neer has endeavoured to raise the awareness of members to important social issues. In addition, Shapla Neer has sought to improve the position of women by enabling them to better meet some of their practical and strategic needs. Greater mobility and solidarity amongst women are likely outcomes of regular *samity* meetings. Shapla Neer's interventions may also have a positive impact on the political empowerment of members. Greater income earning capacity as well as a reserve of funds that can be called upon in times of crisis has most likely reduced dependency on the rural elite.

Despite these positive observations, Shapla Neer's development strategy does have some shortcomings. In Chapter Two I emphasised the point that Bangladesh's social setting is characterised by patronage and dependency, hence it is naive to assume that *samities*, if left to their own devices, will always act in a democratic manner. The assessment has found that those likely to gain most economically from their *samity* are more powerful members. An approach based on the vision of self-reliance should not forego close supervision and monitoring if in doing so the participation of more impoverished villagers is diminished. Another shortcoming results from Shapla Neer's strategy of relying heavily on the accumulation of savings by members. This has limited their ability to take part in significant income earning activities.

The overall positive assessment of Shapla Neer's development interventions sheds a favourable light on Japan's ODA. To understand the significance of these findings requires an understanding of the role Japanese NGOs play in the aid program. Chapter Eight investigates this issue and Shapla Neer proves an interesting organisation to study because its links with the aid program prove to be more extensive than this evaluation alone suggests. The thesis now progresses to an assessment of the Model Rural Development Project, the final case study in Bangladesh.

## CHAPTER SIX

### **JAPAN'S ODA AND INTEGRATED RURAL DEVELOPMENT: THE MODEL RURAL DEVELOPMENT PROJECT, BANGLADESH**

#### **INTRODUCTION**

The model rural development project (MRDP) was a joint intervention by the governments of Japan and Bangladesh designed to promote agricultural development in two *thanas* in Comilla district.<sup>1</sup> The ultimate aims of MRDP were to reduce local poverty and increase agricultural production through strengthening the financial and managerial capabilities of the existing two-tier cooperative system. Earlier projects funded with Japanese ODA in this locality had led to an improvement in physical infrastructure, particularly transportation links, and it was hoped that MRDP could take advantage of these.<sup>2</sup>

The primary reason for choosing MRDP as a case study was to examine the impact of a development intervention funded with Japanese ODA and implemented by the government of Bangladesh. The previous two case studies looked at the impact of Japan's ODA when directed through channels outside of the recipient country's government. MRDP was more typical of Japanese bilateral ODA which is usually implemented or supervised by government agencies in the recipient country. A secondary reason for selecting MRDP is that it provided the opportunity to study the role and effectiveness of Japanese Overseas Cooperation Volunteers in Japan's ODA program.

The case study establishes the background to the evaluation with a discussion of the origins of MRDP and a description of the project. The focus, methodology and limitations of the evaluation are discussed next, followed by a brief introduction to the two-tier cooperative system which MRDP sought to strengthen. The evaluation which follows focuses on the second phase of MRDP and concludes with a discussion on the contribution of Japanese volunteers to the project.

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<sup>1</sup> Thana is an administrative unit in Bangladesh approximately equivalent to an English county (Wood, 1994:578).

## **THE BACKDROP TO MRDP**

The origins of MRDP are difficult to trace as the project was conceived over a decade ago. Early project documents were not available for this case study but the political forces behind MRDP can be read to some degree from the design of the project as well as the relationships between the Japanese and Bangladeshi institutions involved. Officially, the history of MRDP began in June 1986 when the government of Bangladesh requested that Japan undertake a study for a model rural development project in Comilla and Tangail districts. JICA responded by dispatching a project formulation team in July 1987 to undertake a preliminary study and of five proposed project sites decided that Daudkandi and Homna *thanas* were the most appropriate. In January 1988, agreement was reached for a fuller feasibility study which was undertaken over the next year, culminating in a proposal by the Japanese side for an 'integrated rural infrastructure development project' with the objectives of strengthening agricultural cooperatives, establishing irrigation systems and building rural infrastructure (JOCV, 1994). In July 1990, MoFA committed itself to funding the project and dispatched a team to undertake a basic design study.

The initial project was for the period 1992 - March 1995. Japan's contribution took the form of grant aid drawn from the general grant aid budget of MoFA for the construction of infrastructure and the supply of equipment. The two institutions responsible for implementing what became known as MRDP phase one were the Bangladesh Rural Development Board (BRDB) and the Local Government Engineering Department, both of which fall under the jurisdiction of the Ministry of Local Government, Rural Development and Cooperatives. In 1991, the Japanese Overseas Cooperation Volunteers association received a request from BRDB for technical assistance which led to the formulation of the second phase of MRDP. This phase extended from April 1995 - April 1999 and sought to build systems that would maximise the use of infrastructure and equipment provided in phase one. Eighteen volunteers were initially dispatched to the project for a duration of two years and were then replaced by a second group of volunteers for the remainder of the project period. JICA provided grant aid for schemes that the volunteers were involved in and dispatched one long-term expert.

From available information there is little evidence to suggest either Japanese ministries or corporations as the initial source of the project. No previous links appear to have existed between

<sup>2</sup> The location chosen for MRDP was probably influenced by its close proximity to the Meghna and Meghna-Gumti bridges which had been funded with grant aid from Japan. The Meghna-Gumti bridge, at the time of construction the longest bridge built with Japanese grant aid, lies at one corner of the project area.

the two Bangladeshi implementing institutions and those Japanese ministries which have a stake in Japan's foreign aid program. Grant aid in the first phase of the project was tied and two Japanese contracting firms played a major role in its implementation: Taiyo Consultants were responsible for consultancy and Nishimatsu Construction won the tender for the construction of infrastructure. However, project staff engaged in MRDP when fieldwork was undertaken believed that the concept of the project came primarily from the Bangladesh government and not Japan's private sector. Adding weight to this view, infrastructure built in the first phase included primary schools, growth centres, feeder roads, training centres and godowns (storage units or warehouses), all of which are regular projects supported by the two implementing institutions. The four major components of MRDP phase two, a marketing scheme, a low lift pump rental scheme, a training program and an extension program, also sought to support what were the major tasks assigned to BRDB as an agency for rural development. Therefore, it would appear safe to conclude that the major components of MRDP were proposed by the Bangladeshi agencies and were agreed to by JICA/MoFA after undertaking a feasibility study.

As Japanese ministries and corporations were not the original source of the project, Japan's motive for supporting MRDP must be found elsewhere. A country study by JICA in 1990 gave 'assistance for expansion of employment through integrated rural development' high priority for Japan's bilateral aid to Bangladesh (JICA, 1990). MRDP thus fitted in well with the priority Japan had given the rural sector in Bangladesh; the project was also formulated at a time when the concept of integrated rural development was enjoying popularity. Combined with the fact that Bangladesh has consistently been one of the ten major recipients of Japanese ODA, it is thus not surprising that MoFA reacted positively to the request for assistance. Another factor that may have played a part in MoFA's decision to support the project was that by the mid-1980s BRDB had become a focal point for donors seeking to fund rural development programs in Bangladesh. In 1996, foreign donors providing funding for BRDB were the European Community, the Asian Development Bank, the United Nations Population Fund, the United Nations Development Program and the Swedish, Norwegian and Canadian official development agencies. MRDP was the first time Japan's aid administration had implemented a grant aid project through BRDB and it may have been driven by thoughts that this would provide a favourable comparison with the programs of other foreign donors. Whether there were other motives for supporting the project is not clear.

## **OUTLINE OF MRDP**

MRDP is best conceptualised as an integrated rural development project in two *thanas* designed to promote rural development with special emphasis on the development of rural cooperatives. The project area encompassed Daudkandi and Homna *thanas* which are situated in Comilla district and

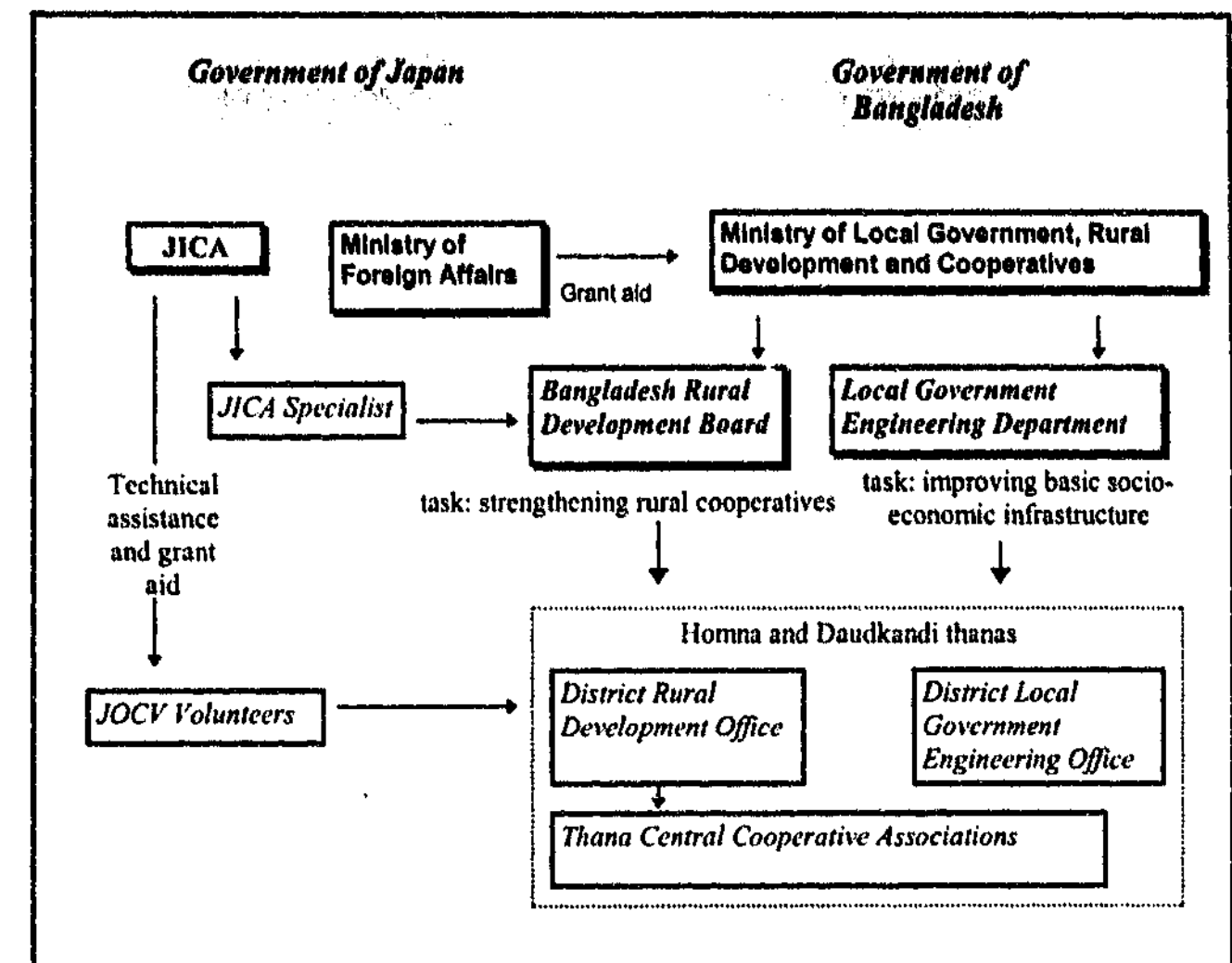
lie along the eastern bank of the Meghna River. As an indication of the reach of the project, 477 and 203 villages are located in Daudkandi and Homna *thanas*, respectively, with a combined population of about 770,000 in 1999 (JOCV, 1995:2). Situated alongside one of Bangladesh's three largest rivers, this low lying area is classified as flood-affected with two thirds commonly inundated during the annual monsoon. Extensive annual flooding has resulted in a more depressed agricultural economy than in other parts of Comilla, limiting cropping and the raising of livestock (ibid.:4,5).

In the first phase of MRDP the Local Government Engineering Department was responsible for supervising the construction/rehabilitation of basic infrastructure which centred on the repair and resurfacing of roads, the construction of four bridges, the re-excavation of 63.6km of water channels, the laying of irrigation pipes in two localities, the establishment of two 'growth centres' which primarily involved the construction of marketplaces, the construction of four primary schools and the provision of school equipment. BRDB's responsibilities pertained to that part of the project which affected the two-tier rural cooperative system. It oversaw the construction of facilities to be used by the cooperatives, namely a training centre and a storage shed for agricultural equipment in both *thanas*, as well as the construction of two godowns in Homna. BRDB was also responsible for supervising the use of equipment given to the cooperatives which included low lift pumps, power tillers, trucks and audiovisual equipment. Phase one of MRDP was thus very much the type of multi-sector approach that characterises integrated rural development models.<sup>3</sup>

The involvement of the Local Government Engineering Department came to an end with the first phase of the project. Grant aid from MoFA's general grant aid budget was replaced with technical assistance provided by JICA as MRDP moved into its second phase. Implemented by BRDB, the four components of MRDP phase two were a training program, a low lift pump rental scheme, a marketing scheme and an extension program. The training program supported the training of cooperative members and other villagers at the two training centres built with grant aid. The low lift pump rental scheme employed the pumps supplied in phase one which were rented to cooperatives, while the two godowns built in the first phase were used under the marketing scheme to store fertiliser and agricultural produce. The extension program sought to provide field-level advice to participants in the pump rental scheme and to support the normal services provided to

members through the two-tier cooperative system. The relationship between Japanese and Bangladeshi institutions that contributed to both phases of MRDP is presented in Figure 6.1.

Figure 6.1: Relationship between Japanese and Bangladeshi Institutions under MRDP



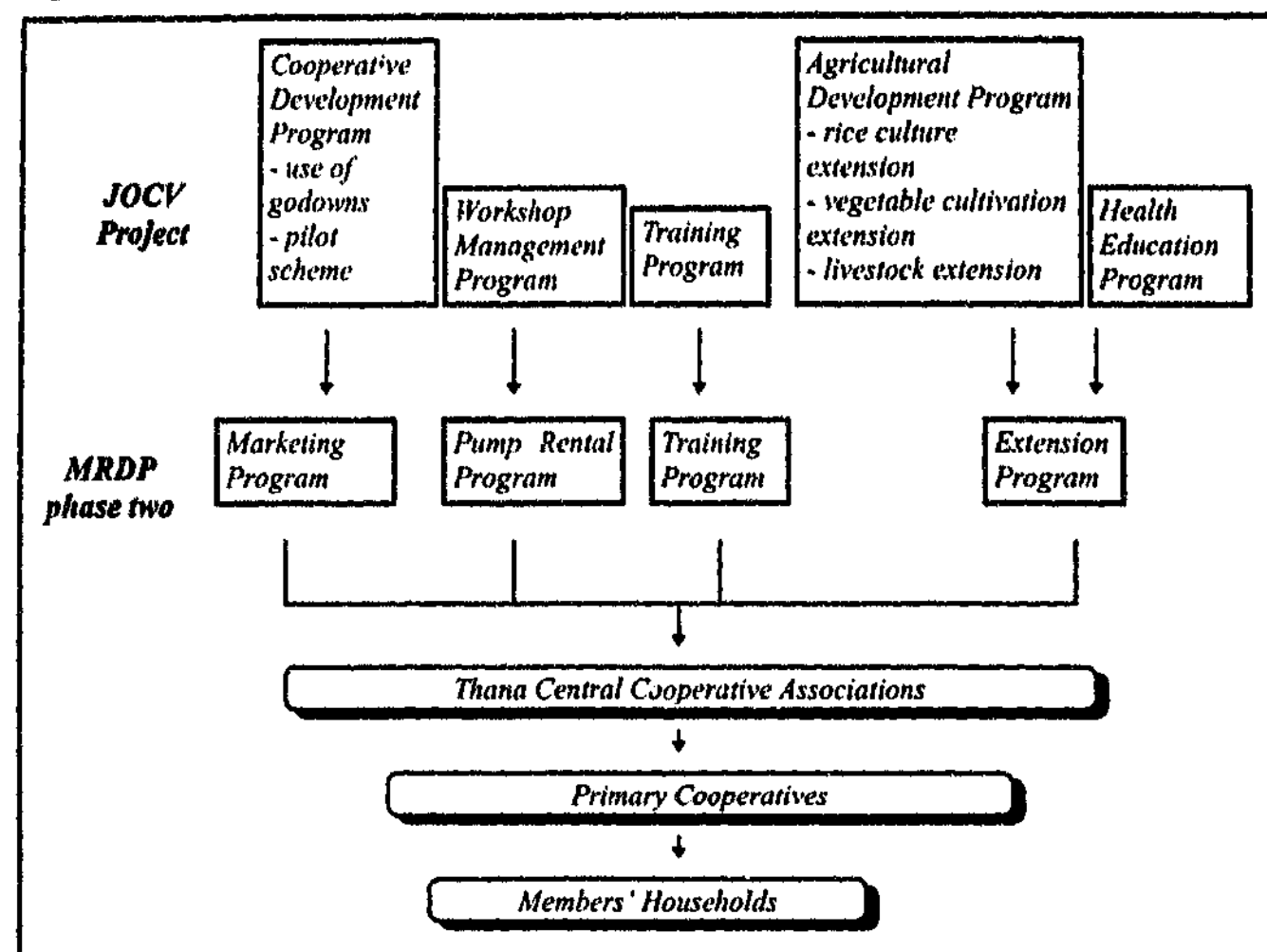
The Japan Overseas Cooperation Volunteers association (JOCV) was requested by BRDB to design its own independent project to complement phase two of the project which was given the title 'JOCV Cooperation under MRDP' (hereafter, shortened to 'JOCV project'). The JOCV project was divided into five parts designed on the basis of a 'comprehensive study for the project area's socio-economic development' (JICA, 1998a:20). In order to promote the development of cooperatives, in addition to supporting the marketing scheme of MRDP, JOCV constructed a union development centre, provided support for what were termed 'model societies' and promoted literacy and functional education. Under the label of agricultural development, volunteers were engaged in the extension services for vegetable growing, rice cultivation and domestic livestock. Extension activities of JOCV also included the training of health volunteers and the distribution of sanitary latrines and tubewells. JOCV supported the training component of MRDP by providing tutoring at the training centres and sought to develop a system to maintain agricultural equipment

<sup>3</sup> The integrated rural development approach had become popular in the mid-1970s, especially in Africa, when it was envisioned that rural development could best be achieved by simultaneously implementing programs in a range of sectors such as health, education, transport and agriculture, with special emphasis on the latter (DFID, 1999).



supplied under MRDP using the workshop that had been constructed in phase one. The relationship between the JOCV project and MRDP phase two is depicted in Figure 6.2.

Figure 6.2: Relationship Between JOCV and MRDP Programs.



Japanese volunteers and a project management team met weekly to coordinate the JOCV project and MRDP. Each volunteer was provided with a very rough work plan and assigned a counterpart to help implement this. BRDB was responsible for paying the salaries of MRDP project staff, providing necessary office equipment and accommodation for JOCV volunteers. JICA's budget was divided between the costs associated with implementing the different components of the project and administration. The total cost of both phases of MRDP was impossible to determine because no figures were available for the cost of dispatching Japanese volunteers. However, it is clear that the project was of significant size with the cost of Japan's contribution to MRDP phase one totalling US\$21 million and JICA's budget for phase two estimated at US\$440,000 (JOCV, 1995).

### FOCUS, METHODOLOGY AND LIMITATIONS OF THE ASSESSMENT

A comprehensive evaluation of MRDP would require investigation of both phases of the project. This was not possible as early project documents were not readily accessible and I did not have the opportunity to interview Japanese staff involved with the first phase. Phase two of MRDP and the JOCV project were still under way during fieldwork which was undertaken in January 1999, making it possible to observe their implementation and interview project staff as well as volunteers. The focus of the assessment is thus on the second phase of MRDP and the JOCV project. Due to the multiple objectives of MRDP in phase two and the variety of programs that were being implemented over a broad geographical area, it was impossible to attempt an assessment of all aspects of the project. Because fieldwork was limited to Daudkandi, direct observations were not made of those components of MRDP phase two that were located in Homna thana. In preliminary discussions JOCV members were generally very open in telling of their experiences and in giving their opinions of MRDP and the JOCV project. On this basis, I decided to focus the evaluation on those components of MRDP phase two that could be observed or were well documented and on the JOCV project.

In the previous two case studies the household was an important unit of analysis. However, this was not so appropriate for the evaluation of MRDP because the time needed for significant impacts to be felt at household level had not yet passed when fieldwork was undertaken. The major objective of MRDP phase two was to strengthen the cooperative system. During the project period the impact at household level of a stronger cooperative structure would be quite small unless the first-tier cooperatives could be transformed into democratic, self-reliant institutions in a very short period of time. Project documents revealed that this had not taken place and at the time of fieldwork there was little reason to expect that the conditions of members' households would have changed significantly. Undoubtedly, a small proportion of households would have benefited from participation in a range of schemes supported under MRDP, but it must be emphasised that this affected only households participating in these schemes and not cooperative members' households in general.

The most appropriate units of analysis, therefore, are the first-tier cooperatives, one of which existed in each *thana*, the primary cooperatives under these, and the households that have participated in schemes initiated under MRDP phase two. Although the household is not the primary unit of analysis, it will ultimately still be the most important unit of reference for gauging the success of the project. Because MRDP is described by BRDB (1997b) as an 'agricultural development project', and not a poverty alleviation programme, the use of an empowerment perspective in assessing the project could be questioned. However, as a stated objective of MRDP

was to 'alleviate poverty and develop living standard[s]' (RDS, 1998:7) there is ample justification for assessing MRDP and the JOCV project based on their impact on local poverty.

The primary sources of information for this assessment are interviews with JOCV members, BRDB personnel, JICA staff and villagers participating in the project, as well as project-related documents, particularly periodic reports submitted by volunteers to the JICA office in Dhaka. Fieldwork was conducted over a period of two weeks during which I resided at the project site and was able to observe many of the activities under MRDP and the activities of volunteers. As the household is not the primary unit of analysis, the assessment is not structured in the same manner as the previous two case studies. Instead, the evaluation is structured according to the major components of MRDP phase two and the JOCV project.

### RURAL COOPERATIVES UNDER THE TWO-TIER SYSTEM

As the immediate objective of MRDP phase two was to strengthen existing cooperatives, the two-tier cooperative system in Bangladesh needs to be described before the results of the evaluation are presented. In the 1960s, the Comilla Academy, now the Bangladesh Academy for Rural Development, developed an approach for comprehensive rural development known as the Comilla model. The creation of a two-tier cooperative system, where primary cooperatives were federated at *thana* level, was one of its four central components.<sup>4</sup> The objective of rural cooperatives under the Comilla model was to accelerate agricultural production beyond a subsistence level through the adoption and dispersion of new technologies by small-scale farmers. Cooperatives were seen as a useful vehicle for providing small landholders with access to credit, training and later a means of managing lumpy technology such as deep tubewells (Hye, 1993).

The two-tier cooperative system that emerged from the early experiments in the 1960s consisted of primary cooperatives of small landholders, known as *krishi samabaya samity*, that were federated at *thana* level into central cooperatives referred to as Thana Central Cooperative Associations (hereafter, shortened to 'central cooperatives'). The concept behind the two-tier structure was that it 'proposed a way out of the dilemma of the small village cooperative being economically weak and the multi-village cooperative lacking in social and psychological cohesion, by establishing a large number of primary groups based on single villages and federating them into a powerful Central Association' (Khan quoted in Hye, 1993:7). Under this system the primary cooperatives are expected to: hold weekly meetings; select one of their members as a group manager to attend

weekly training provided by their central cooperative association; keep proper accounts, make regular savings and purchase shares in the cooperative; prepare joint production plans; and act jointly to use irrigation technology and agricultural machinery (Hye, 1993). The responsibilities of the central cooperatives, on the other hand, are to provide savings and credit facilities, to supply agricultural inputs, to market the produce of cooperative members, to provide training and extension, and to link farmers with government line departments (BRDB, 1997a:10). Each central cooperative employs a number of inspectors whose responsibilities are to bring these services to the primary cooperatives and to motivate non-members to join the association. Their major operational costs are the wages paid to inspectors, while income can be derived from business ventures or from interest added to government loans when these are passed on to cooperative members. In order to promote decision-making in a democratic fashion central cooperatives are expected to hold elections for their managing committees every three years.

In 1981, BRDB was established as an autonomous agency with the major objective of promoting cooperatives as 'autonomous, self-managed and financially viable vehicles for increasing production, employment generation and rural development' (RPP Task Force, 1996:16). It was given the specific tasks of promoting irrigation, providing credit, organising training for members of the cooperative managing committees and model farmers, and for encouraging financially viable central cooperatives to diversify activities, especially in the marketing of agricultural inputs and produce (ibid.:17). By 1996, 449 central cooperatives had been formed (BRDB, 1997b:1) and three other types of second tier cooperatives had been established, namely women's cooperatives, landless women's cooperatives and landless men's cooperatives. Agricultural cooperatives in the project area of MRDP are the two central cooperatives and all types of primary cooperatives with the exception of women's cooperatives. Figure 6.3 presents the numbers of each primary cooperative as of June 1994.

Figure 6.3: Number's of Cooperatives under the Two-Tier System in the Project Area (1994)

	Number and membership of farmer's cooperatives	Number and membership of landless women's cooperatives	Number and membership of landless men's cooperatives	Total number of members
Homna	147 (6,826)	45 (1,487)	48 (2,221)	10,534
Daudkandi	204 (10,298)	35 (798)	53 (3,204)	14,300

Source: JOCV (1994)

Training and Development Centre as a locus for decentralised and coordinated rural administration as well as the development of human resources; and a *thana* level irrigation program (Sattar, 1996:108-111).

<sup>4</sup> The other three components of the Comilla model were: a rural works program to construct basic infrastructure and to provide employment to landless labourers during period of low demand associated with agricultural cycles; a *Thana*

## THE LOW LIFT PUMP RENTAL SCHEME

The first scheme that was assessed was the low lift pump rental scheme.<sup>5</sup> During MRDP phase one grant aid was used to procure low lift pumps as well as for the construction of a workshop in each *thana*. MRDP phase two sought to establish a viable and sustainable system of renting the pumps to members of the farmer's cooperatives. Under this scheme the central cooperatives collected irrigation plans from the farmers' cooperatives and from these selected who would take part. Pump operators and scheme managers were appointed by each selected cooperative and received training from BRDB on the use of the pumps and their maintenance. Ten local mechanics were also given training and employed on a seasonal basis, and two irrigation specialists were recruited to advise farmers. The ongoing costs of the scheme, such as wages, were covered with fees collected from irrigating farmers. At the end of each irrigation period the pumps were returned to the workshop and overhauled.

Project staff described the pump rental scheme as one of the most successful components of MRDP which generated enough profit to fund a small-scale microcredit initiative. Reasons cited for this positive assessment were increased yields, a reduction in the cost of irrigation, a system to maintain pumps and the education of farmers as to how to maximise their use. Figure 6.4 (overleaf) indicates increases in the area covered by each pump, a resulting decrease in operating costs and an increase in yield. The cost per acre for irrigation was considerably lower under this scheme than that available elsewhere, with one primary cooperative recording a savings of 700 taka per acre, or nearly 30 per cent after the introduction of MRDP (RDS, 1998). The pump rental scheme can thus claim success in enabling quite a large number of small and medium sized landholders to irrigate their land using modern technology, allowing the cultivation of rice and potato crops in the *rabi* (dry) season; a significant achievement in Homna and Daudkandi which are food deficit areas. Moreover, the scheme reflected progress in Japanese aid practice. The origins of Shapla Neer, discussed in the previous chapter, were volunteers sent to Bangladesh to mobilise power tillers supplied by the Japanese government as grant aid. These tillers lay idle in a warehouse because, unlike under MRDP, farmers were given no training on their use, nor was a management system created to maintain them.

<sup>5</sup> Low lift irrigation pumps are used for small-scale irrigation and are so titled because their capacity to raise water is quite limited. Nevertheless, they have proved very useful for dry season irrigation in Bangladesh as they are easily moved and can tap surface water bodies which are a feature of the country's deltaic landscape.

Figure 6.4: Impact of the Low Lift Pump Rental Scheme

Loan Number	Year	Number of pumps distributed	Number of acres irrigated	Number of irrigating farmers	Average coverage (acres)	Average cost per acre (taka)	Average yield per acre (kg's)
1	1994	52	1196	2860	23	1275	22.94
2	1995	135	3395	6950	25	1150	24.05
3	1996	134	3886	7300	29	1100	25.53

Source: RDS (1998:15)

Primary cooperatives also benefited from the pump rental scheme. Participating farmers' cooperatives establish a set fee that farmers have to pay for acres of land irrigated. The income generated is used to pay for pump hire and a small amount retained as profit by the cooperatives if the scheme is successful. A government review of MRDP revealed that most primary cooperatives have been able to derive a small income from irrigation schemes after paying for rental, fuel and oil as well as operators' wages. The average income for three cooperatives was 8,850 taka in 1996, increasing from 6,875 taka in the previous year (RDS, 1998).

While recognising these achievements, if an empowerment perspective is applied a number of concerns must also be raised. Because farmers' cooperatives were the only primary cooperatives that participated in the scheme, the immediate beneficiaries were landowners and not the rural poor. Benefits to tenant farmers who do not belong to the cooperative but wish to irrigate their land, and flow-on employment opportunities to landless villagers, can be expected to some degree. Nevertheless, it is apparent that the primary objectives of the rental program were to increase agricultural production and provide an income for farmer's cooperatives. If poverty eradication was the foremost consideration in project design, then efforts should have been made to include the rural poor in the delivery of irrigation services and not just landholders. Both Proshika and Grameen Bank have experimented with such programs, though these have involved deep tubewells rather than low lift pumps.<sup>6</sup> MRDP could have initiated a similar type of experiment but because central cooperatives are controlled, through their greater number of members, by landholders this might have proved quite difficult.

Another concern is that as the low lift pumps were sourced from Japan they would have been more expensive than the pumps farmers normally use which are a Chinese model, and would also be more costly to maintain. Although the purchase cost was borne by the Japanese government, this does not represent an efficient use of limited ODA funds. In practice, it seems Japan's grant aid

<sup>6</sup> See Wood and Palmer-Jones (1990) and Yunus (1998a) for further information.

remains effectively tied and studies have clearly shown that when aid is tied project costs are usually two to three times higher.<sup>7</sup> Japan's aid administration has learnt from previous difficulties when grant aid is tied by supplying spare parts that were expected to see the low lift pumps through three years of operation. More spare parts were required during phase two of MRDP and JICA responded by providing further funds for this purpose that are expected to see the scheme through to 2002. Although MoFA (1998) cites the provision of such 'follow up' assistance as an example of how Japan's ODA has progressed, it is clear that providing low lift pumps as a grant was not desirable from the perspectives of sustainability and replication of this scheme. As MRDP was a model project, the pump rental program should have been viewed as a type of action research with the intention of creating a system that was both profitable and sustainable, and thus could be replicated elsewhere. On the contrary, internal project reports do not calculate whether this program would be profitable if the initial purchase cost of the pumps and spare parts were included. According to a senior JOCV member, while the income from the scheme is quite high, it would not be sufficient to cover the cost of procuring spare parts.

Another shortcoming of the pump rental scheme is that even by the beginning of 1999 it was still being run by the MRDP management team and no effort had been made to hand it over to the central cooperatives. At the time of fieldwork BRDB was applying for a two year extension to the project and JOCV was planning on supporting this because no system had been established for the central cooperatives to take charge of the rental scheme. In a report to the JICA Bangladesh office, one JOCV member expressed the following reservations about handing the scheme over to the central cooperatives:

We have found ourselves in a situation where renting pumps can be affected by local power relations. For example, in 1996 after pumps used in one area were returned they were in a state of disrepair. The workshop notified farmers responsible that they would not receive further pumps but the central cooperative chairman intervened to overturn this decision. . . . The present chairman is a local influential and stood for the Homna elections. The chairman most likely has to do exactly what the farmers/cooperative members in his faction ask of him. If he does not, he will most likely not be elected to the position of chairman again and will lose some of his power base. This makes me think that running a pump rental in this setting of local politics is almost impossible. Even now the central cooperative does not appreciate the nature of this scheme and in the present situation I have reservations about handing it over to the cooperative (Tanaka, 1997).

Two important observations can be drawn from this report. Firstly, the interests of influential members can impact on the functioning of central cooperatives. Secondly, the MRDP management team had not been working as closely with the committees of the two central cooperatives as might

be expected given that an objective of the project is to strengthen the two-tier cooperative system. Both of these issues are expanded upon below.

### **THE MARKETING SCHEME**

The marketing scheme is more correctly described as a storage scheme in which fertiliser and crops were to be stored in two godowns built in Homna *thana* in phase one of MRDP. It was the intention of MRDP phase two to create a system using the two godowns that would reduce the cost of fertiliser for cooperative members and that would produce a regular income for the Homna central cooperative. By purchasing fertiliser in bulk and on-selling to cooperative members, costs would be reduced by cutting out middlemen, and by combining this with training on fertiliser use crop yields would increase (JOCV, 1995:20). Crops would then be purchased by the central cooperative from farmers during harvest when prices were low, stored for several months and then sold when prices were higher.

Project staff have not been able, however, to claim the same type of success in relation to income with this scheme as they have with the pump rental program. The godowns were never used as initially intended because the Homna central cooperative did not have the finance, and perhaps even the intention, to operate these. It appears that from the outset the central cooperative thought the godowns should be leased out. Since 1995, the fertiliser godown had been leased for an income of 25,000 taka a month, while the two trucks that were supplied under grant aid were hired out at a rate of 30,000 taka/month but were in poor mechanical condition as they had been roughly treated by users. Not only did the central cooperative not have the finances to run the godowns but the management committee did not want to take responsibility for any losses. JOCV became aware of this situation and chose 'not to invest funds in running the godowns to avoid the gamble of a large investment when the management capability of the Homna central cooperative was in doubt' (Tanaka, 1997).

A number of other constraints affected the use of the godowns. The 200 tonne crop godown could only ever be half filled because for six months of every year cultivation is impossible due to flooding, hence the godown was of limited use. The plan to store and distribute fertiliser to cooperative farmers also fell well short of expectations. An unforeseen difficulty arose in 1996 when the number of registered fertiliser dealers increased as a result of a government strategy to reduce the cost of fertiliser to farmers. Dealers who had controlled the price of fertiliser were forced into a price war with the new dealers and the advantage for the central cooperative in cutting out middlemen was lost. Although this was perhaps impossible to foresee, other constraints

<sup>7</sup> See, for example, Ensign (1992).



should have been recognised in the initial feasibility study. It appears that the JICA team which undertook the feasibility study did not seek out the perspective of the Homna central cooperative, nor did it examine in sufficient detail the state of local agriculture in relation to the use of godowns. That BRDB had supported godowns elsewhere with some degree of success (Hye, 1993:141) might have been sufficient for the JICA team to consider the marketing scheme a practical means of generating income for the Homna central cooperative. One JOCV member also believed that the team who undertook the feasibility study may have had an unrealistic view of the two-tier cooperative system. Agricultural cooperatives in Bangladesh have not enjoyed the same prosperity as they have in Japan.<sup>6</sup> Even if the godowns were used as intended, however, it should also be recognised that the marketing scheme could only be considered successful if profits were sufficient to cover the initial costs of building the two godowns and to purchase the trucks supplied through grant aid. No project studies ever attempted to undertake this analysis.

### **IMPACT OF THE TRAINING PROGRAM**

Earlier it was noted that one of the roles ascribed to BRDB was to organise the training of members of the managing committees of the primary and central cooperatives, as well as for model farmers. MRDP supported this role by constructing training centres in Daudkandi and Homna with grant aid. In phase two volunteers had sought to expand the number of courses and their content. Training offered can be divided into training to strengthen cooperatives and more general courses related to income generation, family planning, sanitation and health. In addition, a number of training courses were offered specifically to promote programs under MRDP such as the pump rental scheme.

To gauge the success of the training program most project documents simply compared the actual number of participants with targets that had been set for each year. Some judged the training to strengthen primary cooperatives as successful on the basis that a number of new primary cooperatives were formed during the project period. However, no assessment of the relevance of training and its impact had been undertaken by project staff by the start of fieldwork. A government evaluation reviewed the condition of five primary cooperatives and found in all cases that the income of members and the solidarity of the cooperatives had improved because of training. Statements made in this report were very vague, for example, 'it was observed that the training provided by MRDP had contributed enormously to make the KSS [farmer's cooperatives]

<sup>6</sup> The strength of Japanese rural cooperatives can be seen in their turn-over of almost US\$90 billion in 1993, 17 per cent larger than in 1987. Linked to these are Japanese consumer cooperatives with a membership of over 20 million (Cote and Carre, 1995).

members well aware of changing their lifestyle through self initiatives' (RDS, 1998). No convincing evidence was produced for reaching this conclusion.

Interviews of JOCV volunteers revealed that they were particularly concerned about the usefulness of training to strengthen the primary cooperatives. The managers of primary cooperatives are expected to attend training once a week and each receives 40 taka as an incentive, a sum equivalent to about 2.5 kilograms of medium quality rice. In practice, managers are able to receive this incentive without participating in the training courses. At Daudkandi, managers are expected to deposit group savings in the bank and bring a receipt of this to the training centre every Tuesday. On presentation of the receipt managers receive 40 taka but most do not stay to attend the training. According to one JOCV member, in December 1998 attendance at the Daudkandi training centre varied between 15 to 25 managers, figures that are very low given that 356 primary cooperatives existed in Daudkandi at this time. Another volunteer noted that on average only 30 managers from the 294 primary cooperatives under Homna attended the weekly training. The same volunteer suggested that managers did not see why they should attend the lectures because they are repeated many times. That BRDB has shown no concern or incentive to boost attendances, and that MRDP staff hand over 40 taka to managers without showing concern for their attendance at training, sheds a dim light on this program. One volunteer expressed concern that after the completion of MRDP there will be a decline in the number of training courses, as the central cooperatives will not pay managers the 40 taka to attend courses nor the 200 taka/day to hire tutors. The continuation of training courses would depend upon improved finances of the central cooperatives and, as will be explained below, there is little reason to believe that a significant improvement in these has taken place.

### **IMPACT OF THE EXTENSION PROGRAM**

The case study now turns to an evaluation of JOCV's endeavours in extension activities. JOCV volunteers played a role in implementing the training program, marketing scheme and pump rental scheme but it was their involvement in agricultural extension, the monitoring of a microcredit initiative, the creation of model societies and extension in the areas of health and sanitation that were most apparent during fieldwork.

### **VEGETABLE AND RICE CULTIVATION**

The objectives of JOCV in vegetable cultivation extension activities were to improve cultivation technology, to organise production groups and to provide a source of income for farmers (JOCV, 1995:31). In order to achieve these objectives the Master Plan of the JOCV project envisioned that

nurseries and demonstration farms would be established, and every year ten model farmers would be chosen to trial new technologies and techniques. In a similar vein, objectives in rice cultivation were to enhance production, improve technology in the cultivation, drying, husking and storing of rice, and increase household income. The activities outlined to achieve these objectives were the establishment of demonstration farms, extension to expand the use of agricultural machinery and the selection of farmers to optimise the use of irrigation (JOCV, 1995:32). All of these activities are characteristic of agricultural extension in Bangladesh. However, interviews with JOCV volunteers and farmers, combined with a number of observations, call into question how much of a contribution to agricultural extension in the project area could be expected of JOCV.

Most of the efforts of the two JOCV volunteers at Daudkandi responsible for promoting vegetable and rice cultivation were directed at supporting model farmers.<sup>9</sup> JOCV supplied model farmers with the necessary inputs and, in return, the farmers were expected to contribute a small plot of land and their labour. Model farmers retained the income from the sale of crops in return for following the directives of the volunteers.

The trial plots demonstrated that vegetable and rice cultivation using modern inputs could add to the livelihood of farming households. According to the volunteer who oversaw the vegetable schemes, one tomato plot was expected to produce an income of 4,000 taka over three months while multi-cropping of cauliflowers and cabbage in other trial plots had produced a return of 5,000 taka. Rough calculations indicate that an income of 6,600 taka per month for the three months of cultivation could be expected from the harvest of half an acre of land planted in tomatoes. At 4.4 times the average agricultural wage this figure is very high but does not include the cost of inputs provided by JOCV.

I interviewed the model farmer responsible for the tomato plot. He was 20 years of age and still single. His family owned two acres of land and leased out 1.1 acres, cultivating the remainder themselves. Of this, 0.1 acre comprised the trial plot. Observation of how this model farmer interacted with the JOCV volunteer raised concerns about his commitment to the trial plot and to farming in general. The model farmer paid little attention to the volunteer as she was giving advice about the tomatoes and it was a few older men and women who mostly interacted with her. The reason for this disinterest was that the young farmer had recently completed his Higher School

<sup>9</sup> It was noted earlier that a major role of BRDB is to provide training to model farmers and the role of JOCV in cultivation extension works should be seen in this light. The concept behind the model farmer is that limited resources are concentrated towards a small number of farmers who are encouraged to adopt new agricultural technologies and systems. Greater returns enjoyed by the model farmers are expected to serve as an incentive for other farmers to adopt modern practices leading to an increase in agricultural production.

Certificate but was unable to find work in Dhaka and had to reluctantly return to the farm. I asked the volunteer whether the model farmer listened to her suggestions and she replied obliquely that he was often distracted, perhaps by his recent exams or simply because he was not used to taking instructions.<sup>10</sup>

The apparent disinterest of this model farmer raises questions about the process by which participating farmers were selected. With the exception of two women farmers, model vegetable and rice farmers were members of farmers' cooperatives chosen by their cooperative managers. Underlying this selection process is the assumption that managers would choose cooperative members who were the most capable farmers, rather than those they had special ties with, whether familial or of a patron-client type. The discussion on social relations in rural Bangladesh presented in Chapter Two suggests that it would be extremely optimistic to make such an assumption. This assertion is supported by the observation of one JOCV member that most model farmers engaged under MRDP were not so interested in farming and had gone overseas in search of employment. Another volunteer made a similar dismal observation regarding model rice farmers:

Even if MRDP supplies material assistance, there are farmers who still complain about having to provide their labour and to cover expenses. This is especially the case for nine of the model farmers who each own three acres of land. They are obstructing more motivated farmers from taking part (Tanaka, 1997).

As with participants in the pump rental scheme, the model farmers were primarily selected from farmers' cooperatives which, by definition, are generally not so impoverished because they are all landowners. Hence, the success of this program when gauged from an empowerment perspective must be based on whether it promoted agricultural development and, if so, whether this had any impact on local poverty. The JOCV vegetable specialist could only state that she had seen a number of plots external to the JOCV program that 'may' have been based on the experiences of the model farmers. In other words, no system had been put in place to assess the contribution of the model farmers to raising agricultural production outside the trial plots. This raises the question, how serious was BRDB in using volunteers to promote the spread of vegetable cultivation in the project area? Under the JOCV project volunteers were given a broad work plan to provide them with direction but it appears no effort was made to monitor the dispersion effects of the vegetable cultivation program.

<sup>10</sup> The volunteer did not believe that farmers paid less attention to her because of her gender.

An examination of the rice and vegetable cultivation schemes also raises the issue of efficiency in using JOCV volunteers in extension work. The cost of dispatching volunteers to Bangladesh and living allowances were met by the Japanese government, while accommodation costs were paid by BRDB.<sup>11</sup> The only means of justifying these expenses is if JOCV members are able to contribute knowledge, expertise or systems that are not available locally. In reply to the question of what new technology had been introduced through the trial plots, the JOCV vegetable cultivation specialist stated that this had taken the form of new seeds, fertiliser and pesticides. She also explained that she had introduced the use of bamboo frames to support the tomato plants in the plot discussed above. Because all of this technology was sourced locally, no argument can be made that JOCV volunteers could promote its dispersion more efficiently or effectively than locals. Similarly, there was little reason to believe that volunteers were playing a role in transferring technology in rice extension. Their suggestions to the model farmers only related to very elementary aspects of rice growing such as the advantages of straight-line planting. A more serious attempt to develop agriculture on a broad scale would have examined the deficiencies in the existing extension system and how these could be overcome.

### **LIVESTOCK RAISING**

Although the vegetable and rice cultivation schemes could claim some success in increasing yields, the program to promote livestock suffered some unique problems and any benefits, at best, would be limited to a few participating households. The plan to promote livestock was based on the observation that compared with other areas the numbers of domestic cattle in Homna and Daudkandi thanas were very low. Extensive annual flooding, the difficulty of storing feed and the use of 80 per cent of land in rice cultivation were given as explanation for low numbers (JOCV, 1995:33). The activity plan of the livestock project described its goals as the implementation of a goat leasing program, guidance to farmers on livestock raising and the growing of fodder using demonstration plots along roadsides and around homesteads.

In January 1999, the JOCV volunteer at Daudkandi specialising in raising domestic livestock was primarily engaged in the goat leasing program. Under this scheme each recipient received two pregnant goats that were returned to MRDP after giving birth, reimpregnated and given to another household. The volunteer stated that he had spent the major part of his efforts making this scheme operational, whereas his predecessor had undertaken planning for a cow insemination program that had never been implemented. Describing his experiences in trying to implement the leasing

<sup>11</sup> For their first year of dispatch ¥100,000 (1999 figures) is deposited in the bank account of volunteers every month to assist them through a transition period on their return to Japan. This is very roughly equivalent to the monthly wages of 10 field workers of BRAC (using exchange rates as of 06/09/2000).

scheme as frustrating, the livestock specialist cited a number of reasons as to why his efforts ended in 'failure'. Firstly, in this area goats are not seen by villagers as a source of income but rather as an asset whose value can be realised through sale in times of hardship. Therefore, owners do not tend to their goats but leave them to fend for themselves. Mothers were not well looked after and unable to provide sufficient milk to their offspring. Because there is insufficient natural feed in the locality, goats are in poor condition and seven of the 80 goats that had been leased died soon after the 1998 floods. The volunteer pointed out that these conditions existed despite participants receiving three days training provided through MRDP at the training centre. Explaining why this training was unsuccessful, the volunteer believed that participating households were simply not so interested in raising goats. Participants occasionally asked why MRDP was offering them goats as they were more interested in raising milch-cows because these provide a source of daily income.

One commendable aspect of the goat rental scheme was that JOCV targeted members of landless primary cooperatives, at least some of whom were quite impoverished. One landless member I interviewed lived in a *para* consisting of houses in varying states of disrepair located on a narrow strip of land raised above the surrounding paddies. The *para* became an island during the wet season, had no electricity and could claim only three tubewells and four sanitary latrines for the 100 or so residents. It thus seems that in programs largely disassociated from the central cooperatives JOCV volunteers were able to design schemes that reached landless villagers. When the central cooperatives or BRDB played a greater role then the immediate beneficiaries were landholders.

### **THE COOPERATIVE DEVELOPMENT AND MICROCREDIT PROGRAMS**

The Master Plan for JOCV Cooperation under MRDP described the promotion of 'model societies' as one of several schemes that JOCV would implement to support the development of cooperatives.<sup>12</sup> According to the Master Plan, model societies were to be existing primary cooperatives that met certain 'performance' standards (JOCV, 1995:29).<sup>13</sup> JOCV supported the model societies by financing the construction of 25 meeting rooms and by dispatching two volunteers who specialised in rural cooperatives. After the JOCV project was well under way it was decided that credit would be extended to members of the societies and this was financed with 15 per cent of the net income derived from the pump rental scheme. A thorough evaluation of the promotion of model societies scheme would investigate the socio-economic position of members,

<sup>12</sup> Figure 6.2 shows that the cooperative development program of the JOCV project was designed to support the marketing program of MRDP phase two but in fact no such relationship existed. Another anomaly in the design of MRDP was that, while no plans were made for the formation of new cooperatives or reorganisation of non-functioning cooperatives, this was undertaken once the project had begun.

<sup>13</sup> Although not stated, these might include holding weekly meetings and depositing regular savings.

the impact of the scheme and the potential for its replication. In lieu of a rigorous assessment, some understanding of the model society scheme has been gained from interviewing a JOCV member whose primary role was to support this scheme in Daudkandi *thana* and from a report submitted by his predecessor.

The JOCV rural cooperative specialists spent much of their time on the selection of primary cooperatives as model societies, arranging the construction of meeting rooms, attending meetings, liaising with other JOCV volunteers and MRDP staff to organise training for society members, and implementing the microcredit initiative. In his report, the first volunteer dispatched to Daudkandi felt he had contributed to the model societies by providing advice to members at weekly meetings on participation and attendance, book keeping and on joint enterprises (Yamanouchi, 1996). Other potential benefits for participating societies were: that on providing a small plot of land a meeting room was constructed at the cost of approximately US\$849 that was handed over to them at the end of the project period; that some received a small amount of credit; and that they benefited from programs of MRDP such as the dispersion of sanitary latrines and tubewells, literacy and functional education, the support of health volunteers and the training of managers offered at the training centre.

When judged in terms of a number of criteria raised in the empowerment framework presented in Chapter Two, however, the scheme does not appear so meritorious. In terms of targeting it appears JOCV was concerned to some degree to reach poorer households by including landless men's and women's cooperatives as model societies. However, the first JOCV cooperative specialist noted that, despite its classification as a landless women's cooperative, the number of people in one model society who were poor was very low. 'Rather than a poor person's society' he explained, 'I feel this society is better described as a housewives' club. It seems that its members are undertaking the production of handicrafts more as a way of passing their free time than to produce an income' (Yamanouchi, 1996). Although the participating societies may have included some poor members, JOCV did not appear concerned to gauge their socio-economic position. If the impact of the scheme on poverty was given high priority, then the socio-economic condition of members' households before and after the scheme should have been measured.

Because the JOCV cooperative specialists attended some weekly meetings of the model societies they were able to monitor their status. An evaluation of the performance of the nine model societies at Daudkandi was presented by the first JOCV cooperative specialist in his final report. The volunteer considered four of the societies to be functioning above average, one to be average,

two to be below average and two to be well below average.<sup>14</sup> If this assessment is taken as it stands, an argument can be made that societies can be, rather than necessarily are, useful vehicles for rural development. However, it is impossible from this report to measure the contribution of JOCV activities to their performance and hence what the impact of MRDP has been. Frustration that arose because of this could be seen in the following passage from the volunteer's report.

The outputs of the activities of the cooperative specialist are not specified. According to the project plans the responsibility of the cooperative specialist is to strengthen the cooperatives but does this refer to the central cooperatives or the primary cooperative/society level? Moreover, what are the inputs and what are the outputs? Because this is not clarified failures have arisen repeatedly in the field level experiments (Yamanouchi, 1996).

As with a number of other of the JOCV schemes it is difficult to envisage the sustainability or broader impacts that would justify the expense of the cooperative development program. What JOCV expected through the construction of meeting places and the dispatch of volunteers who specialised in rural cooperatives is not clear. The Master Plan for the JOCV project never explained what role model societies were to play. Were the societies to act as models for other societies to aspire to or were they to act as models that BRDB could learn from and seek to replicate? It is particularly difficult to view the construction of village meeting rooms as more than a one-off program. Even if it is accepted that the meeting rooms are appreciated by villagers who have used them, there was no plan by either the central cooperative, the MRDP management team, JICA or BRDB to expand this initiative. JOCV constructed meeting rooms only for 25 societies, a small number given that 700 or so primary cooperatives existed in the project area. If these meeting rooms were considered so essential to local development then greater attention should have been paid to replicating this program. Because it was not, and because the scheme to promote model societies was not treated as a serious piece of action research, it is difficult to view these activities as having impacts beyond their immediate, and very limited, scope.

A microcredit scheme was also initiated by JOCV to support the model societies. Initially, 500,000 taka was allocated from the income of the pump rental scheme for this purpose and the conditions set were the same as those applied under BRDB's rural poor programs which are based on the Grameen model. An interview of a manager of a landless women's cooperative highlighted the huge demand for rural credit that exists amongst poor households. She had secured ten loans for

<sup>14</sup> He observed that the most successful societies were not reliant on outside assistance, were making decisions in a participatory manner, could overcome problems through discussion and were managing finances openly. The society deemed to be functioning below average was thought to be dependent on outside assistance and not motivated to start a joint enterprise. The two societies ranked lowest in terms of performance were no longer functioning; one because a joint enterprise to raise fish had failed and the other having disbanded for no stated reason.



women in her cooperative who had used these in a variety of income generating activities and expressed a strong desire to receive further loans. The manager had visited MRDP project staff to request more loans for her cooperative, feeling that they had proven they were creditworthy because, despite the 1998 flood, her fellow members did not miss an instalment on their first loan. At the time of the interview, four months after the loans had been repaid, the cooperative was still waiting for new loans. Not only is the impact of the microcredit scheme on the economic position of these households likely to be only marginal if they cannot access further loans, but the scheme was also extremely limited in scope. By February 1998, only 87 members of four societies had received loans. An internal evaluation recognised the limited impact of the scheme when it observed that 'Although MRDP has initiated some credit activities on experimental basis from its own income, . . . those are very limited and insignificant in respect of demand' (RDS, 1998:17). At the time of fieldwork plans had been established to extend microcredit to 16 additional cooperatives and to further expand coverage by placing instalments in a revolving fund. However, there is little reason to believe that the scheme would be expanded after the completion of MRDP under the management of BRDB. Nearly all of BRDB's programs that include microcredit to landless groups as a central component have been funded by foreign donors (BRDB, 1997b).

#### **HEALTH AND SANITATION EXTENSION**

Similar doubts must be raised about JOCV endeavours in the area of health and sanitation. These problems are particularly apparent in the distribution of tubewells and sanitary latrines. That farmers' cooperatives had been chosen as recipients under the JOCV scheme should not be surprising as selection was based on lists of candidates presented to MRDP by the central cooperatives. Volunteers were concerned that tubewells and sanitary latrines were not being distributed to poorer households. In response to a request by the Honma central cooperative to expand the scheme, JOCV agreed to distribute an additional 10 tubewells and 20 latrines per year but only to landless cooperatives. The scheme was very limited in scope and as of February 1998 only 115 tubewells and 200 water sealed latrines had been distributed. By comparison, in 1996 cooperative members bought 75,780 sanitary latrines under a joint BRDB/UNICEF program (BRDB, 1997b:11). Whereas under the UNICEF program cooperative members were charged a nominal fee of 500 taka for each latrine, these were given free of charge under the MRDP program, limiting the potential for expansion. Moreover, because the latrines were distributed without charge it was impossible to know whether recipients were truly interested in using them. The JOCV health care specialist noted that in some cases recipients did not attempt to repair latrines that had broken, suggesting that they did not place important value on these. Another volunteer had similar misgivings, recording that of 60 latrines that had been distributed 13 had yet to be installed, 18 were without roofs, eight were not in an enclosure and 14 had not been set on a

raised base, leaving only seven that had been installed in a satisfactory manner (Tanaka, 1997). The volunteer observed that BRDB showed little interest in the shortcomings of the scheme. When volunteers complained about these BDBD simply replied, 'There are no problems, the sanitary latrines and tubewells have all been disbursed' (ibid.).

#### **STATE OF THE CENTRAL COOPERATIVES**

In addition to assessing the impacts of the individual programs of MRDP, the overall impact of MRDP on the two central cooperatives should be evaluated as the major objective of MRDP phase two was to strengthen these institutions. Whether MRDP achieved this objective can be gauged to some degree by the total membership, the decision-making processes and the financial position of the central cooperatives.

Although the Master Plan of MRDP did not describe any activities designed to increase the number of primary cooperatives, once MRDP was under way inspectors were encouraged to reorganise non-functioning cooperatives and to motivate non-members to form new cooperatives. A mid-term evaluation report could claim that by the beginning of 1998 MRDP had succeeded in organising 42 new cooperatives, enrolling 1784 new members and reactivating 74 non-functioning cooperatives (RDS, 1998). The same report found that an additional 1,220,000 taka had been mobilised as shares and savings deposits, suggesting some improvement in the financial position of the central cooperatives had taken place (RDS, 1998). The low lift pump rental scheme was expected to generate 2,930,000 taka in revenue by the end of the project through user charges (RDS, 1998:ii) which would also enhance the finances of the two central cooperatives. Despite this progress, one volunteer reported that by late 1997 the books of the central cooperatives were still in the red every month. These circumstances are not exceptional as for the same year it was reported that of 449 central cooperatives 'only a handful' were relatively autonomous and financially viable (BRDB, 1997a:16).

Even if MRDP was able to realise some improvement of the accounts of the two central cooperatives, a review of the literature reveals that a fundamental change in decision-making processes is essential to the success of cooperatives as institutions of rural development. The discussion above suggests that cooperatives might be controlled by better-off farmers. Indeed, this is well-documented. A survey in 1969 of six primary cooperatives found the average landholdings of committee members was 3.05 acres compared with 2.37 acres for regular members (Hye, 1993:22). Wealthier farmers were able to secure a disproportionate amount of loans extended through cooperatives with committee members, in the same survey, accounting for 36 per cent of

outstanding loans but only comprising 15 per cent of membership. Because of the control of cooperatives by landholders a national change in the cooperative system made it compulsory for central cooperatives to include one member each of landless men's and women's cooperatives on their managing committees. Nevertheless, with only two such members out of a total of 12 who comprised the managing committee of the Daudkandi central cooperative association, the concerns of poorer members are still marginalised. Almost all loans extended by BRDB through the Daudkandi association were to landholders and very few to landless members.<sup>15</sup> Although the control of cooperatives by better-off farmers is well-known, the designers of MRDP did not consider seriously how to create a management structure which would give an effective voice in decision-making to landless members.

Insufficient funds alone do not explain why the two central cooperatives in the project area are unlikely to become self-reliant in the near future. Neither the management committees of the central cooperatives nor BRDB were interested in breaking the links that existed between them. It appears that the two central cooperatives were not concerned to become financially viable as MRDP envisioned, but were simply using the cooperative structure as a means to secure government resources for themselves (Tanaka, 1997). Wood (1994) explains that because of this situation members of primary cooperatives view their respective central cooperative associations as government sponsored development institutions, rather than institutions appointed by them and accountable to their needs. The cooperative system is not the popular, democratic system based on grass-roots participation as envisioned by its founders, but one that has become dependent on top-down decision-making.

The standpoint of BRDB has not aided the self-reliance of central cooperatives either. Fear of losing employment and influence explains why BRDB field staff do not want to withdraw from their supervisory positions allowing the central cooperatives to stand on their own feet. Hye (1993:92) concluded that BRDB staff serving the central cooperatives do not look to the managing committees for direction but upwards to the BRDB district office for 'approval and promotion'. That BRDB had established no mechanism to allow the central cooperatives to take over the pump rental scheme must be viewed in this light. The poor relations that existed between BRDB and the central cooperatives in the project area were another obstacle to the central cooperatives becoming self-reliant. As part of its election campaign in 1991 the Bangladesh National Party promised to wipe out all outstanding small loans to farmers. This pledge was not entirely fulfilled but it seems cooperative members used it as an excuse not to meet their repayment obligations. Consequently,

<sup>15</sup> The Assistant Rural Development Officer at Daudkandi recalled that only three short-term loans for crop production

BRDB began to distance itself from the very organisations it was supposed to be strengthening. To explain BRDB's position one volunteer asked rhetorically 'If the doctor says I have a cancer and will shortly die, will you want to be close to me?' (interview, 01/99).

### **THE ROLE OF JOCV: PROVIDING JAPANESE WITH AN INTERNATIONAL EXPERIENCE OR DEVELOPMENT ASSISTANCE?**

The potential for JOCV to contribute to local development was heavily restricted in this setting of strained relations between BRDB and the central cooperatives. A number of other broader concerns regarding the use of JOCV volunteers have been raised repeatedly. Although the assessment recognises that the JOCV project has had some positive impacts on local development, the use of volunteers must be questioned from the perspectives of efficiency as well as the sustainability and replicability of the schemes they initiated and supported. Suggesting that BRDB did not consider JOCV involvement as crucial to MRDP, a detailed plan specifying what form assistance from JOCV should take was never submitted. Because of this JOCV volunteers were somewhat perplexed about what BRDB expected of them, to the point where they wrote a joint letter to the JICA office in Dhaka requesting BRDB clarify its position. According to one volunteer, the answer provided by BRDB was very vague and of the nature 'to undertake activities that promote rural development and poverty alleviation' (interview, 01/99). Certainly, there is no evidence to suggest that BRDB was closely monitoring the activities of JOCV members involved in MRDP in order to learn from their successes and failures.

Despite studies by JOCV indicating that the central cooperatives, and the two-tier cooperative system in general, was troubled by financial mismanagement with control in the hands of better-off landholders (JOCV, 1994;1995), it decided to support MRDP. No clear explanation for how JOCV volunteers could be successful in assisting MRDP to overcome such obstacles was given. Instead, the two-tier cooperative system was merely presented as 'unique' and worth supporting (JOCV, 1995). This raises the question, did JOCV, like JICA, have too optimistic a view of the cooperative system or did the organisation have more important priorities than supporting ODA?

According to a senior volunteer, JOCV has two primary objectives; to promote *seinenikusei*, or fostering the youth of Japan, and to encourage development. Of these, discussions with volunteers reveal that JOCV may well be more concerned to expose young Japanese to positive overseas experiences than to reduce poverty in developing countries. One volunteer suggested that

were extended to landless women's cooperatives in 1998 (interview, 01/99).

sometimes what volunteers do during their period of dispatch, let alone the impact of their activities, is of no great concern to JOCV. A senior volunteer held the same view, stating that the main concern of the JOCV Head Office was to keep volunteers content. If JOCV is primarily concerned to give volunteers an educative overseas experience, it is not surprising that volunteers were not engaged in programs that were subjected to a rigorous investigation of impacts.

These concerns need to be balanced against the positive relationships between villagers and volunteers that I observed during fieldwork. Volunteers displayed a great deal of respect for local people and most appeared to be strongly motivated to make a worthwhile contribution to local development. Moreover, in a short period of time they had gained sufficient proficiency in the vernacular to work with villagers in implementing the JOCV project. A contradiction that arises is that while it seems JOCV may be more concerned to give volunteers positive overseas experiences than to promote local development, most volunteers will be dissatisfied if they feel they are not making a significant contribution.

## **CONCLUSION**

MRDP was typical of integrated rural development approaches that promote a multi-sector approach to rural development focusing on agriculture. Supported in two *thanas* by Japan with grant aid through MoFA and technical assistance coordinated by JICA, the primary intention of MRDP phase two was to strengthen the two-tier cooperative system using infrastructure and equipment provided in phase one. The evaluation has found that while MRDP did have certain benefits, if rural development is measured in terms of sustainable poverty reduction the value of the project must be questioned. This finding supports those of Ahmed *et. al* (1990:185-6) who conclude that 'the cooperative movement in Bangladesh has not been very effective in improving the position of the poor', adding that area programs, of which MRDP is one, 'produced little overall benefit for the rural poor'.

If MRDP had been successful in encouraging the central cooperatives to become self-reliant and to heed the voice of their landless second tier cooperatives, then it is reasonable to expect some positive changes for poorer households in the project area. However, it is clear from the assessment that, despite the considerable resources extended under the project, neither of these had taken place nor looked likely to occur in the foreseeable future. The financial position of the two central cooperatives had improved but it is doubtful that this will be sustained after the completion of the project. While the pump rental scheme proved to be quite profitable, it appears that income from the scheme will be insufficient to replace the pumps and spare parts provided by Japan. The

marketing scheme, on the other hand, could not claim to be profitable for a number of reasons, the most instructive of which was the fact that the Homna central cooperative was not willing to run the godowns. A major explanation of the shortcomings of MRDP is an implicit assumption that the central cooperatives could be adequately reformed through programs that did not directly tackle their politics. The separate programs under the project were not designed to address more fundamental problems of the poor relationships that have existed between central and primary cooperatives, nor the reluctance of management committees to undertake long-term planning.

In the assessment of the JOCV project to support MRDP, two themes arose repeatedly. Firstly, some of these schemes could claim to have produced localised benefits for primary cooperatives and participating households. Secondly, they could not be considered so successful when evaluated in terms of efficiency and sustainability. These shortcomings arose because, regardless of the strong motivation of JOCV volunteers and the positive relationships with locals that they had developed, it seems neither JOCV nor BRDB were sufficiently concerned to employ volunteers as effective agents of development.

Because ODA is usually delivered through government organs in the recipient country, it could be argued that the assessment I have undertaken fails to account for how this can constrain aid practice. In the case of MRDP, it may be posited that if BRDB is not particularly interested in reaching the poorest farmers, then Japan can do little about this. However, I dispute this position on the basis that more effective rural development programs can be found in Bangladesh and even BRDB is involved in a number of these.<sup>16</sup> Prior to their involvement in MRDP, JICA and MoFA could have more thoroughly investigated existing rural development programs and assessed the performance of the two-tier cooperative system against these.

A final point which was not taken up in the assessment is that the field-level experience gained by volunteers could contribute to Japan's ODA if they choose to seek employment with Japan's aid agencies. The volunteers dispatched to MRDP revealed a variety of intentions on their return to Japan. Most expressed a desire to become *shakaijin*, that is, to seek regular employment. In this regard, some were concerned that potential employers may not view their overseas dispatch positively.<sup>17</sup> A few were keen to remain in the field of development, though one volunteer described her experiences in Bangladesh as very trying and that her two year dispatch had been

<sup>16</sup> These are discussed in Chapter Eight.

<sup>17</sup> A social tradition that has emerged in Japan is that after completing tertiary education young Japanese are expected to immediately seek employment. The rigid criteria set by corporations seeking new recruits does not allow for graduates to pursue other interests for any length of time. Although some volunteers felt this system was becoming more flexible, they still feared that Japanese society did not recognise their time spent overseas.

'enough'. Still another volunteer indicated he would be interested in future dispatches but only in programs that enabled him to make use of his skills and knowledge.

The research project now turns to the final case study, the Training Services Enhancement Project in the Philippines.

## CHAPTER SEVEN

### **JAPAN'S ODA AND PARTICIPATORY DEVELOPMENT: THE TRAINING SERVICES ENHANCEMENT PROJECT, PHILIPPINES**

#### **INTRODUCTION**

Conventional approaches to rural development by aid donors have tended to be production-based and top-down: production-based in that the goal of projects has been to increase production with less regard to distribution, and top-down in that planning and design have been undertaken without consulting intended beneficiaries. Although this practice has on many occasions led to inappropriate or unsustainable projects, it remains the dominant approach to rural development in developing countries (Chambers, 1997). Japan's aid agencies have also traditionally supported a top-down approach, assuming that technology transferred from Japan will be superior to technologies available in the recipient country. In recent years, however, JICA has embarked on a number of aid interventions that give precedence to the participation of local residents in identifying community projects that best meet their needs. The final case study in this thesis examines one such intervention, the Training Services Enhancement Project for Rural Life Improvement, commonly referred to as TSEP-RLI, to see if the new participatory approaches JICA is trialing offer greater potential for the rural poor to empower themselves and, if so, whether such approaches are likely to supersede more top-down models of ODA practice in Japan's aid program.

In the case study I first examine how TSEP-RLI fits in with Japan's policy of participation and introduce the institutions behind the project. A description of TSEP-RLI is then given and is followed by a discussion on the scope, methodology and limitations of the evaluation. The evaluation itself is broadly structured according to the major components of the project and concludes with a discussion on efficiency, sustainability and replication of the model being tested. The final part of the case study considers whether the TSEP-RLI model could be modified to be a more effective strategy of empowerment.



## **THE BACKGROUND OF TSEP-RLI**

It is difficult to trace the history of the concept of participatory development in Japan's aid program, though it is certainly a short history. Japan's most fundamental statement outlining its position on ODA, the ODA Charter released in 1992, had nothing to say about encouraging the participation of local communities in development initiatives. Nor, for that matter, did the annual reports on ODA released by MoFA in the early 1990s. Until very recently, participation, as both a means and objective of development, could at most be equated with Japan's philosophy of self-help, that is, that recipient countries should participate in their economic development through their own self-help efforts.

Van Wolferen (1990:441-3) has shown that the widely held belief that decision-making in Japanese social life is based on a consensus reached through popular participation is a myth. Even in Japan's aid bureaucracy, staff interviewed for this research project in 1998 stated that they did not know who made the decisions regarding policy making. If the aid administration was to adopt participatory development as a basis for aid practice the impetus for this would seemingly have to come from outside Japan. In Chapter Three I noted that the main points of contact of Japan's aid bureaucracy with emerging themes in the debate on aid and development have been international forums such as the regular meetings of DAC and UN sponsored conferences. The first serious effort by DAC to promote participatory development to its member countries was the release of its 'Policy Statement on Development Cooperation in the 1990s' (DAC, 1989b). Sustainability, conservation of the environment and participation were presented as the three most important themes for development in the 1990s. Soon after, the concept of participation began to enter the annual reports of MoFA on ODA and in the latter half of the 1990s was established as a policy of the aid program.<sup>1</sup> The 'Final Report of the Council on ODA Reforms for the 21<sup>st</sup> Century' (1997) insisted that 'encouraging participation in the developing countries ranks as one of the important challenges for ODA reform'. In a similar tone, the Medium-Term Policy on ODA (August 1999) proclaimed that Japan would emphasise community-oriented and participatory approaches in order to reduce poverty and promote social development.

<sup>1</sup> Under the heading of Women in Development, the 1993 annual report asserted that 'an emphasis must be placed on the need to ensure women's participation in development and benefit from development' (MoFA, 1993:83) and on the topic of aid in the agricultural sector, the merits of having farmers participate in the 'maintenance and management of projects' (MoFA, 1993:152) were stressed. The 1997 report dedicated one page to 'assistance at the grassroots level and residents' participation' stating that 'it is also important that people who live in the affected area should themselves be actively involved in project implementation' (MoFA, 1997:45).

Despite these statements, during interviews with aid officials it became clear that Japan had only embarked on a handful of projects that were constructed around community participation models by the middle of 1998. None of these were located in Bangladesh but I was given the opportunity to study one such intervention in the Philippines. TSEP-RLI was chosen as the last case study for this research as the participatory model on which it is based was considered, by at least some JICA development specialists, to be more progressive than JICA's regular model of assistance. This provided another springboard from which to investigate the issue of reform in Japan's aid program, the topic of the following chapter.

An additional reason for selecting TSEP-RLI was that in terms of institutional relations it appeared more typical of Japanese ODA than the first two case studies. Furthermore, the nature of these relations could be observed more readily than in the previous case study of MRDP. The importance of government ministries in Japan in shaping the aid program was discussed in Chapter Three. The Ministry of Agriculture, Forestry and Fisheries was the major force behind TSEP-RLI in Japan, while a counterpart institution in the Philippines, the Agricultural Training Institute of the Department of Agriculture, was ultimately responsible for implementing the project. JICA was heavily involved in decision-making and played an intermediary role coordinating the project and providing financial support.

TSEP-RLI also presented an opportunity to examine JICA's new project management framework known as project cycle management. Project cycle management is of interest because it seeks to promote participation of intended beneficiaries and other project stakeholders throughout the project cycle (FASID, 1997). Whether such participation is sought to encourage greater input from the recipient side or merely to lubricate the implementation process (i.e., to gain support for projects that have been selected and designed by Japanese institutions) is an issue that needs attention.

## **THE ORIGINS OF TSEP-RLI**

TSEP-RLI had its beginnings in a request by the Agricultural Training Institute (ATI) in the Philippines for technical assistance to implement a program to support 'Location-Specific Production and Processing for Women in Development'. Specifically, this project was intended to promote the home-based production and processing of *ubi-kinampay* (purple yam) by women in one village on Bohol Island. The background to this request was a survey JICA had begun in 1991 on the 'Upgrading of Women's Technical Level for the Improvement of Rural Life' in a number of developing countries in order to promote technical cooperation programs targeting women. The

type of project proposed by the Philippines was most probably based on the belief that through this survey JICA was showing interest in funding such a project.

A study team dispatched by JICA in January 1995 to examine the request, however, expressed dissatisfaction with the proposed project. According to one JICA specialist, some members of the study team were strong advocates of participatory development and advised that, of all the possible schemes that could lead to an improvement in rural living conditions, a few should be selected after undertaking a participatory study involving local people (interview, 12/99). The study team may also have felt that the project should have been designed within the framework of project cycle management which had been introduced by JICA the previous year. In August 1995, a second study team was dispatched for a period of six weeks to work with ATI to design a new project using this tool.

To understand the origins of TSEP-RLI, a very different project to that initially requested, the nature of project cycle management and the manner in which it was applied must be understood. Project cycle management was developed by JICA as a standardised method for managing projects. The best known overarching project framework of this type is the logical framework developed in the United States in the 1960s. Project cycle management has the same intention as this approach of constructing a logical framework, known as a project design matrix, which links project objectives, activities, assumptions, inputs and outputs over the duration of the project. JICA (1997:28) explains that this tool was created in response to a shift in technical assistance towards institution building and participation. Through project cycle management, institution building in developing countries is sought by involving interested organisations in workshops from the very beginning of the project cycle.

The second study team dispatched in 1995 worked with staff of ATI to conduct separate workshops with: residents in the village on Bohol Island for which the initial project had been requested; agricultural staff of the municipal office under which this village is located; staff of the Bohol ATI field office; and staff of the ATI head office in Manila. The objective of this process was to uncover the limitations of ATI in achieving its mandate of providing effective training services to rural dwellers and extension agents, and determine how these could be overcome to better promote rural development. The application of project cycle management allowed the Philippines side to have considerable input into the project design matrix. All of the six intended project outputs listed in the draft project design matrix (see column one of Figure 7.1 overleaf) were identified by ATI staff during the workshop at the ATI field office on Bohol. The only major stipulation from the Japanese side was that a participatory approach should be employed.

After the results of the survey were submitted, representatives of the Agricultural Development Cooperation Department of JICA and Japan's Ministry of Agriculture, Forestry and Fisheries met on numerous occasions to discuss the project. JICA development specialists were also consulted and a revised project design matrix was drawn up. A comparison of the intended outputs of this and the initial design matrix (see Figure 7.1) reveals that some of the earlier outputs had been dropped. Furthermore, rather than place equal weight on those outputs that remained, the Japan side had focused the project towards developing a model training program at the Bohol training centre. Therefore, although project cycle management allowed the Philippines side to have considerable input into the initial design of the project, afterwards the Japanese side made significant adjustments to the design matrix as it saw fit. Whether ATI accepted the redrafted design matrix because of its merits or simply because it was pleased to secure whatever funding it could from Japan is unclear.

**Figure 7.1: Changes in the outputs listed in the project design matrix**

Project outputs listed in the draft project design matrix (09/1995)	Project outputs listed in the Consultative Group Report July 1996
1. linkages with NGOs and local government are strengthened	1. a prototype of rural life improvement that reflects local people's needs will be demonstrated
2. data bank on rural life is updated	2. a model training program will be formulated at the Model Centre based on output one.
3. research results acquired are disseminated and utilised	3. ATI head office will develop a systematised institutional set-up to replicate the outputs at the other ATI training centers
4. training effectiveness is enhanced	4. the cooperative relationship will be enhanced between ATI and other institutions which deal with agricultural training and extension
5. ATI manpower, knowledge, skills and attitude are enhanced	
6. facilities and equipment are developed and upgraded	

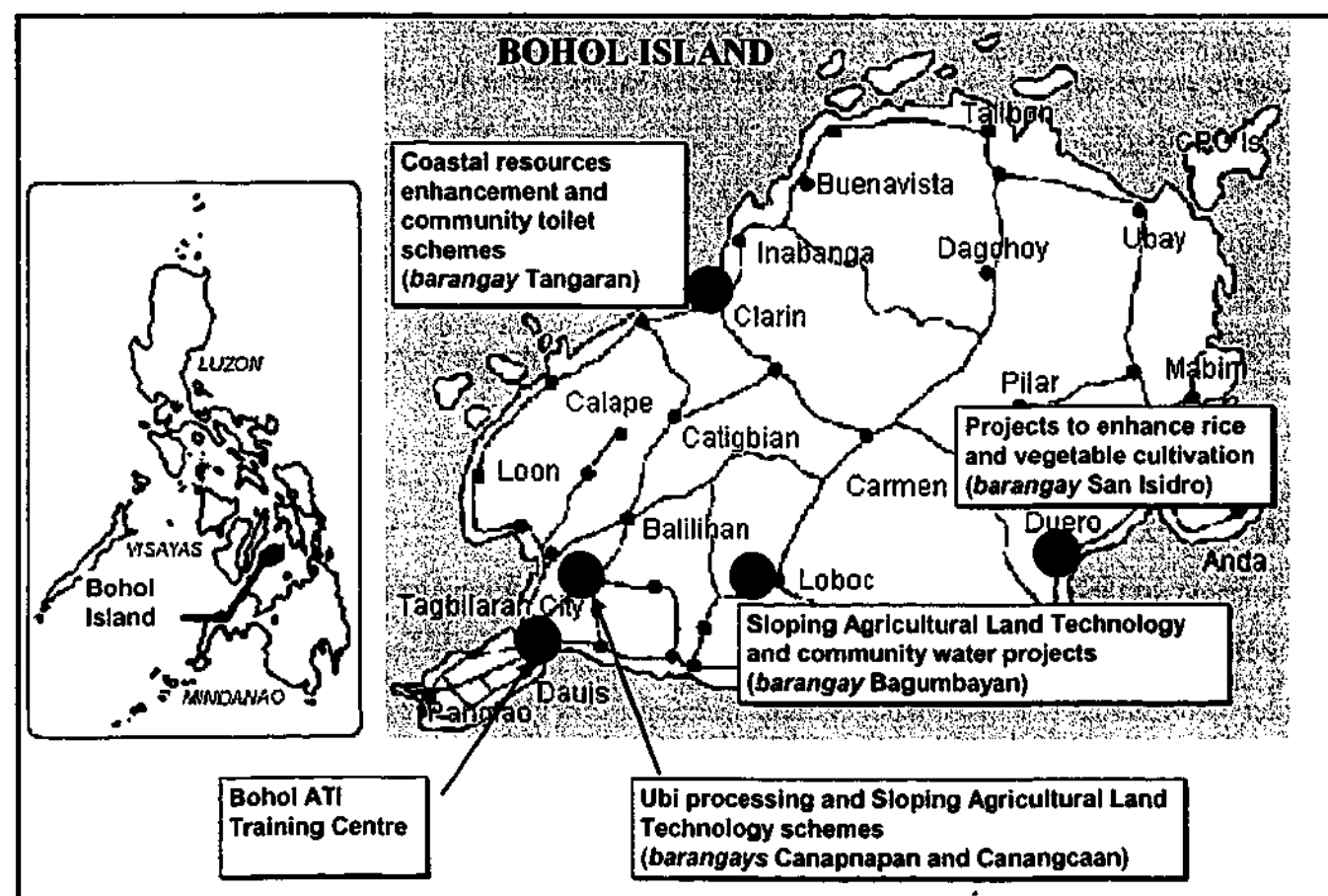
Source: ATI/JICA (1995), JICA (1996).

## OUTLINE OF THE PROJECT

By the time that the drafting of TSEP-RLI was finally completed its primary task was to 'formulate a model training program on rural life improvement and to establish an institutional model to conduct continuous effective and efficient training courses' (Maningding, 1999:12). The ATI training centre on Bohol Island was chosen as a model centre where the project would focus its activities in the first three years. Thereafter, the project would move into an expansion phase in which the model training program developed on Bohol would be expanded to three other ATI training centres.

The primary mechanism designed to improve the training services of ATI was to support development schemes in selected *barangays*<sup>2</sup> on Bohol. Figure 7.2 presents the location of project *barangays* and the pilot schemes. A decision was made that these should be in zones characterised by the production of different agricultural commodities so that the Bohol ATI training centre (referred to hereafter as ATI-Bohol) would have the opportunity to develop a variety of training programs. The pilot schemes themselves were selected on the basis of a series of facilitation workshops held with the intention that residents would work together in developing a vision for their *barangay* and then seek to promote projects that would enable them to realise this vision. New institutions were created or existing institutions drawn upon in each project *barangay* to manage the pilot schemes. The project anticipated that ATI's training capacity must ultimately improve because of new training programs that would be developed to build the capacity of these institutions (Maningding, 1999). An important component of TSEP-RLI was the development of a training manual based on the workshops and the training programs that could be used in other field offices of ATI. In April 1999, the project moved into its expansion stage and by the time of fieldwork, December 1999 - January 2000, pilot schemes were already under way in the three ATI expansion centres.

Figure 7.2: Location of Pilot Projects



Source: Map of Bohol sourced from <http://www.bohol.com.ph/island/map.shtml>.

<sup>2</sup> A *barangay* is the smallest unit of government in the Philippines and geographically describes a similar collective unit to that of 'village'.

TSEP-RLI was a form of 'project-type technical cooperation', defined by JICA as a 'comprehensive approach to promote technology transfer' combining the dispatch of experts, training in Japan and provision of equipment (JICA, 12/2000). As technical assistance, JICA provided six long-term and a number of short-term experts,<sup>3</sup> as well as paid for several ATI staff to receive training in Japan. Grant aid was supplied to procure office machinery and vehicles, and to fund the pilot schemes. ATI's initial input into TSEP-RLI was the allocation of 16 personnel from the head office and five from the Bohol centre as part-time counterparts to the Japanese experts, providing support staff such as drivers, supplying office space and equipment for the Japanese experts and allocating funding for a range of project-related expenses such as travel, stationary and workshops/seminars.

### FOCUS, METHODOLOGY AND LIMITATIONS OF THE ASSESSMENT

At first sight, TSEP-RLI is somewhat perplexing. As already stated, the objective of the project was to develop a model training centre through the development of new training programs and to expand this model to the other training centres. However, much, if not most, of the effort of the project team was devoted towards developing and implementing a participatory community development model and it is this model, rather than the training programs, that is the focus of my assessment. It may be argued that leading the assessment in this direction results from a misunderstanding of the project, but there are a number of sound reasons for choosing to do so. That TSEP-RLI's community development model was not simply thought of as a means to produce new training programs was clear through interviews with project staff. A number of Japanese members of the project team held strong opinions that the community development model should be replicated by local government. JICA supported the expansion of the pilot schemes in several *barangays* not included in the initial project plan, indicating it was strongly interested in the direct impact of these and not just how they would lead to new training programs. Secondly, if the model is allowed to be truly participatory, then the pilot schemes a community might decide upon could be entirely unrelated to agriculture and fall outside the mandate of ATI. One of the pilot projects, a piped water scheme, was of this nature and interviews revealed that some of the Japanese experts were more interested in participatory models than ATI's training capacity. Thirdly, the most important lessons TSEP-RLI has to offer JICA can be drawn from the project's participatory

<sup>3</sup> The term 'expert' is used by JICA to describe Japanese personnel dispatched to developing countries under technical cooperation. I use it in the same manner in this thesis but with reservation as it implies that they possess superior knowledge to locals.

approach to community planning. Finally, it was pointless attempting an assessment of the training program at the time of fieldwork when the project still had 18 months to run before completion.<sup>4</sup>

Determining appropriate units of analysis for the assessment depended on what social organisations the project was targeting and whether impacts would have been felt at the household level when fieldwork began in December 1999. In a similar manner to MRDP, TSEP-RLI did target some households but its principal goal was to build institutions that households could draw upon, namely the *barangay* and *barangay* institutions responsible for managing the pilot activities. These are important units of analysis in this evaluation. TSEP-RLI was expected to have a direct impact on those households participating in the pilot schemes but because of time constraints a rigorous assessment at the household level was not possible. During my three weeks of fieldwork on Bohol Island eight pilot projects were under way, and several workshops and training programs were held. Because of the complexity of the project, I decided to observe as many of its components as possible, but at the cost of gathering primary data at the household level. This deficiency is partially overcome by data available in the monthly reports of ATI-Bohol staff who monitored the pilot schemes, records of the participating village institutions, and interviews with members of a few participating households. ATI staff and JICA personnel made available a wide range of additional project-related material including documentation of workshops, training programs, surveys and communications. Other information sources which I drew upon were interviews with staff of ATI-Bohol and the head office in Manila, Japanese experts and JICA personnel assigned to the project, municipal officers and extension workers.

The assessment is structured according to the different phases of the TSEP-RLI. The empowerment framework developed in Chapter Two is used to identify questions that are pertinent to each phase. The assessment begins with an examination of the selection of pilot sites and several baseline surveys that were undertaken. An investigation of the facilitation workshops follows and is given particular emphasis as it is the workshops that made concrete the desire of TSEP-RLI to elicit the participation of *barangay* members. The selection and implementation process of the pilot projects are next examined, before the assessment tackles the issues of efficiency, sustainability and expansion. The assessment concludes with a discussion of whether a modified TSEP-RLI approach could be an effective empowerment strategy.

<sup>4</sup> As a mid-term evaluation report undertaken six months earlier acknowledged, because the training programs had only recently been developed it was difficult to estimate their likely impact (JICA, 04/1999).

## **THE SELECTION OF PILOT BARANGAYS**

Pilot *barangays* were selected on the basis that they represented different agricultural zones, not because they were especially in need of outside assistance. On the contrary, an ATI-Bohol counterpart described the participating *barangays* as better-off than average because of the criteria that they should have active local institutions and that they should be linked to Tagbilaran, the capital city of Bohol where the ATI centre is based, by roads of a reasonable standard. TSEP-RLI's designers could justify the absence of a poverty focus on the basis that the project's primary objective was to enhance ATI's training capabilities. Nevertheless, as they recognised that the pilot schemes should contribute to development in participating *barangays* (JICA, Jan. 1996) the potential to add a poverty alleviation dimension to TSEP-RLI did exist. The issue of poverty was discussed during project formulation and concern was expressed by the Philippines side that the pilot schemes should enable villagers to meet their most immediate and pressing need, which it perceived as income generation (ibid.). However, neither the Japanese nor the Philippines side suggested that the poorest households should be targeted.

What then was the economic status of those participating in the project? Taking *barangay* Bagumbayan as an example, the *barangay* head (usually referred to as the *barangay* captain) stated that there were no especially poor villagers in the *barangay* as almost all had access to land. According to the captain, even during the drought associated with El Nino in 1998 all villagers at Bagumbayan could eat three meals each day. Similar observations were made for all other *barangays* in a household survey conducted as part of TSEP-RLI, with the exception of Tangaran. In Tangaran, the only coastal pilot *barangay*, households spent just below 70 per cent of their income on food compared with an average of 50 per cent for the other pilot *barangays* (JICA, 05/1997). Overall, the poverty in the pilot *barangays* was perhaps more relative than absolute, where residents stated during interviews that they were poor but could still meet their basic living needs. For example, the Parent Teachers Association in Bagumbayan wanted to concrete a section of the road in front of the *barangay* school but couldn't afford to do so. Yet, indicating the *barangay* was not deeply impoverished, in 1997 80 per cent of residents' households had electricity, 92 per cent of the households had radios and about 35 per cent owned television sets (JICA, May 1997).

Given that one of the main pillars of Japan's official argument for defending its aid program is based on 'humanitarian considerations', I would argue that TSEP-RLI should have had a poverty focus. Because it did not, at the end of the assessment I address the question of whether the



participatory development model produced under TSEP-RLI could be used by JICA as an empowerment strategy for poverty reduction in future interventions.

### **BASELINE SURVEYS**

The selection of the pilot *barangays* was followed by three baseline surveys that were undertaken in each *barangay*. The reason for assessing these surveys is that they absorbed much time and money, and were an important part of the TSEP-RLI approach. Separate community, household and individual sampling surveys were undertaken in order to gather information on demographic, social and economic characteristics of the *barangays*, on how people derived their livelihoods, as well as municipal plans. Despite the value of such surveys in describing the setting in which projects will be implemented, I was concerned by their failure to address a number of issues crucial to the concept of participation in community development.

Participatory community development assumes people in the targeted communities can be motivated to work for their common interests. It thus assumes that divergent interest groups do not exist, or, if they do, that their differences can be worked out through having all these interest groups participate in a process of community planning. From an empowerment perspective a concern is that those with less power, for example the poor or women, will not be given precedence ahead of those of the power holders. Household, individual sampling and community surveys failed to address whether certain groups were more influential than others in the pilot *barangays*. The nature of the surveys indicates that from the outset the project team considered *barangays* to consist of groups of people whose living conditions could be understood without examining power structures. Attesting to this, the concept of 'rural life improvement' devised to guide the project was of an apolitical, non-threatening nature. The concept simply separated factors that affect quality of life under the headings of livelihood/production, community environment and rural living conditions, but failed to consider the significance of power structures in creating and reproducing poverty. In Chapter Two I noted that in the rural setting in the Philippines power relationships affect who controls and has access to resources. It is common for *barangays* to have at least two factions which compete to forge links with higher level political bodies that will gain for them preferential access to government resources. Poorer faction members swap their votes for pledges of future assistance from influential members but this process cannot be expected to offer them sustainable solutions to their development problems. Despite the importance of power in establishing control over resources, the surveys did not investigate the nature of politics in the pilot *barangays*. This issue is pursued further below as it has important implications for the replication of TSEP-RLI as a strategy for empowerment.

### **FACILITATION WORKSHOPS**

The facilitation workshops that followed the baseline surveys were employed as a mechanism for *barangay* members to identify and prioritise their needs, and to plan for their development.<sup>5</sup> JICA's intention was to provide funding for one or two projects identified in each pilot *barangay* based on this process in the hope that, not only would this contribute to local development, but that the *barangay* would work together to formulate and implement future projects in a similar participatory fashion. As ATI-Bohol staff were not familiar with workshop facilitation they were given training on this at the end of 1997. The training was provided by the Philippines Education Theatre Association, a highly regarded local NGO, which had developed a particular type of community workshop known as the Basic Integrated Theatre Arts Workshop, or BITAW. In broad terms, the BITAW approach is designed to integrate awareness raising with mobilisation. More concretely, awareness raising refers to having *barangay* residents 'review and assess their ways of life' and mobilisation refers to having them formulate and carry out an 'action plan' (ATI/JICA, 1998:3).

The facilitation workshop methodology used in TSEP-RLI was in essence the BITAW approach. It was structured into seven parts and each of these into a number of steps which are listed in Figure 7.3 (overleaf). A description of the visioning workshop at *barangay* Poblacion Norte is given to provide an understanding of how the facilitation workshops were actually carried out. The workshop, held on the 16-17 December 1999, was entitled 'Visioning Workshop for the Improvement of Community Environment of Poblacion Norte'. Prior to this workshop, Poblacion Norte had been classified as an expansion *barangay* of TSEP-RLI: that is, it was not one of the original five pilot *barangays* but was taken up by TSEP-RLI after the local mayor expressed a desire to replicate one pilot scheme here.<sup>6</sup> The workshop took place over two days and 23 residents

<sup>5</sup> Because the facilitation workshops were an alternative mechanism of decision-making to the existing planning structure it is important to know what this structure is. The average population of *barangay* in the target municipalities in 1996 was 621 (JICA, June 1997) and each was divided into seven or so *puroks* (neighbourhoods). Each *barangay* elects a council every three years which is the law making body of the *barangay* consisting of a *barangay* captain, seven councillors, a chairperson, a secretary and a treasurer. The *barangay* council holds monthly meetings and a twice-yearly general assembly at which all households are expected to be represented. The connection between the *barangay* and the municipal government is via the *barangay* captain who sits on the Municipal Development Council, which also consists of staff of the government line agencies, members of the Municipal Council, representatives of NGOs and other civic organisations. The Municipal Development Council has the responsibility of formulating the Annual Investment Plan which serves as a basis for the prioritisation of projects. The municipal budget that funds the Annual Investment Plan consists of the Internal Revenue Allotment, that is, funds allocated by central government, and revenue from taxes and services offered by the municipality.

<sup>6</sup> The pilot scheme was to rejuvenate coastal marine resources in *barangay* Tangaran which lies adjacent to Poblacion Norte.

elected from every *purok*<sup>7</sup> in the *barangay* took part on the first day. The number of participants increased slightly on the second day and for most of the duration about twice as many men as women were present. Three ATI-Bohol staff, two female and one male, acted as facilitators.

Figure 7.3: TSEP-RLI workshop structure

Part	Step
Part 1: Introduction	Step 1: Introduction of participants
	Step 2: Atmosphere setting
	Step 3: Leveling off of expectations
	Step 4: Orientation on Rural Life Improvement and its Three Spheres
	Step 5: Assignment of working groups
Part 2: Identification of Issues and Challenges	Step 1: Recapitulation of the opinions from the general assembly
	Step 2: Listing of the issues and challenges in the <i>barangay</i> in their respective spheres
	Step 3: Analysis of the causes of the problems the <i>barangay</i> is facing
	Step 4: Writing down of problems by the working groups
	Step 5: Sharing of the group outputs for comments from other groups
Part 3: Prioritisation of the issues	Step 1: Explain the reason why the trimming down of the number of issues and challenges is necessary
	Step 2: Prioritisation by all participants of the issues and challenges
Part 4: Visioning	Step 1: Statement of the desirable conditions in which the problem would be solved
	Step 2: Sharing of the group outputs for comments from other groups
Part 5: Action Planning	Step 1: Breakdown of the visions
	Step 2: Identification of persons who will be responsible for each activity
	Step 3: Identification of the place where each activity will take place
	Step 4: Identification of the time when each activity will be implemented
	Step 5: Sharing of the groups outputs for comments from other groups
Part 6: Presentation of the action plan	Step 1: Writing down all the outcomes into the action plan format
	Step 2: Presentation of the action plan to the entire group
Part 7: Selection of the contact persons	Step 1: Selection and listing of contact persons among the participants for each planned component

Source: Modified from (ATI/JICA, 1998?).

After the opening addresses a number of 'release exercises' were undertaken. A total of five exercises took place in a systematic progression designed to gradually release participants of some of their inhibitions and to make them aware of other participants in the workshop. It is perhaps worthwhile describing one of these exercises to provide an understanding of the tone of the workshop. The final exercise is known as 'blind contour' and involves each participant sketching

<sup>7</sup> *Purok* could be roughly translated as neighbourhood, though is also recognised by the *barangay* council for

the face of another participant without looking at their drawing or releasing the pencil from the paper, then interviewing the person and writing some basic information about them on their drawing. Each participant then introduced their partner to the group while standing behind them. This and other exercises based on visualisation, dramatisation and singing were a feature of the workshop and were immensely popular. Afterwards, the participants were asked to express their thoughts on this process and the following was recorded: 'happy', 'able to know more about others, to know their likes and dislikes, sources of livelihood . . .', 'sharing', 'inhibitions lost' and 'becoming closer to each other'.

The exercises were followed by an 'expectations check' designed to bring out participants' expectations of the workshop and have them consider how they might contribute. 'Yes' exercises intended to develop a positive attitude towards other participants in the workshop and to producing an action plan were next undertaken.<sup>8</sup> Immediately afterwards a facilitator described the importance of the community action plan, the need to have it validated at a general assembly and the need for the *barangay* to tap all financial and information sources. Next, a mime based on giving and receiving took place in order to promote cooperation and willingness to listen to the ideas of others during the construction of the action plan.<sup>9</sup> Then came a set of extremely well-received exercises designed to encourage participants to analyse the recent history of their *barangay*, which was used as a springboard to examine the depletion of local marine resources. The participants were divided into three groups to act out important issues regarding tidal flats, mangroves and the sea. Immediately afterwards the three groups were asked to summarise the problems of the ecological zone they were assigned and their comments are recorded in Figure 7.4 (overleaf).

administrative purposes.

<sup>8</sup> As part of the 'yes' exercises participants asked each other questions that had to be answered 'yes' but could be qualified with 'but' or 'and'. According to the Philippines Educational Theatre Association, 'when answering yes to a question not really answerable by yes, it forces a person to think how it feels not to say what he/she wants to say. Subliminally, the mind is acting' (ATI/JICA, Sept. 1999a). The yes exercises were also undertaken with the intention of encouraging participants to explore all the possibilities first rather than rejecting the ideas of others outright.

<sup>9</sup> In this exercise the participants were broken into two groups, one of which mimed the giving of a gift to the other. The receiving group acted out the use of the gift that they believe they have received. The giving group then mimed its correct use. The concept behind this exercise is that participants should be willing to offer an idea instead of waiting for others and that they should not be discouraged if their opinions are misunderstood (ATI/JICA, Sept. 1999a).

Figure 7.4: Problems of the three ecological zones identified by workshop participants

Ecological zone	Problem
tidal flats	shell cleaning on the tidal flats
	are no longer able to collect shells
	the sea grasses are of low quality
	the crabs have disappeared
mangroves	deforestation
the sea	the use of sodium cyanide to catch fish
	the use of dynamite to catch fish
	the destruction of coral

The participants were then divided into another three groups and asked to report what life was like before these problems: one group was asked to act out a happy occasion, another a sad occasion and the last a fearful occasion. The events portrayed were the annual *barangay* fiesta as a happy occasion, the death of a fisherman in 1968 associated with the use of dynamite in fishing as a sad event, and a typhoon that occurred in 1984 as a fearful event. The final exercise used for analysing the past was the drawing of 'life maps'. Paper and coloured pictures were used by the participants who drew a set of pictures to explain their life history in the village. Some of the participants were then invited to present their sketches to the entire group and explain what they had drawn. One woman used the opportunity to tell the other participants that her family was one of the first to settle in the area and that she had resided in the *barangay* for all 72 years of her life. She described many detrimental changes that had occurred such as the reduction in the number of trees in the locality and the number of shells and sea crabs that could be collected. A younger man explained that he had lived in the *barangay* for a much shorter period of time but that he had noted the decline in the size of mangroves.

At the end of the first day of the workshop the participants were asked to walk around the village listing its good and bad points. The second day of the workshop began with participants being divided into two groups and writing good and bad points of their *barangay* that they had thought of during this 'exposure trip'. A village map was then sketched and the cards attached to this. A problem list was drawn up and each participant was given three adhesive dots of paper and asked to attach these alongside the issues they considered of greatest importance. This prioritisation exercise represented part three of the workshop and its output was the following list of concerns and their order of significance.

Figure 7.5: Ranking of community problems by workshop participants

Issue	Number of dots
depletion of coastal resources including sea grasses, shells, crabs, fish species and coral	38
insufficient potable water.	9
inadequate toilet facilities	6
swampy ground	4
inadequate roads	3
poor quality of roads	3
improper disposal of garbage	2
poorly drained ground on which houses are located	1

After lunch a number of exercises were undertaken in order to produce a vision statement for the *barangay*. In one exercise the participants were divided into four groups given the titles of *alimango* (crab), *dianmitiro* (dynamite), *pilot* (a type of fish) and *babayon* (foreshore). A very popular exercise followed in which each group in turn shouted out and mimed the title of their group before singing a song they had composed based on their title. Having identified the coastal area as their primary concern the four groups were next asked to compose and sing a song about this and afterwards to form an ideal vision of their *barangay*. A facilitator drew out three key terms from these statements, working together, thriving and youthfulness, and based on these asked the participants to form a vision for the *barangay* that all members could agree on. The vision statement that was produced can be translated as:

***By the year 2005, barangay Poblacion Norte and the coastal area will have an abundance of all marine resources as a source of livelihood. We will be a responsible, disciplined and a united people for a progressive/improved society.***

The visioning exercises were followed by the construction of an action plan. An 'action plan matrix' was drawn up which linked the problems identified with their causes, and suggested activities to overcome these problems. Afterwards, the coastal resources rejuvenation project which the mayor had agreed to support was described by the facilitators. The creation of a shell garden was identified as the first activity the *barangay* would undertake and a facilitator guided the participants in selecting groups/individuals responsible for the steps necessary to implement this. Finally, the workshop finished with participants forming a circle, stating their pledges to the realisation of the *barangay* vision and miming the placement of these pledges in a basket.

## EVALUATING THE WORKSHOP PROCESS

The visioning workshop in Poblacion Norte was well received by participants. TSEP-RLI can be commended for employing a workshop structure that had been developed locally in the Philippines and had the greatest potential to engage participants. The ATI-Bohol staff who acted as facilitators appeared to enjoy their roles in the workshop and possessed the skills and talents required to motivate the participants. One JICA official noted that there was very strong support by ATI-Bohol staff for the workshops and an ATI counterpart explained that workshops were superior to the usual approach of ATI in identifying training needs.<sup>10</sup> Because the basic integrated theatre art workshop methodology employed seeks subliminal changes in the thinking and attitude of participants, it is difficult to judge the impact of the exercises undertaken. Nevertheless, it could be observed that the techniques employed brought people together from different parts of the village to share some of their concerns and to develop a plan that might enable the *barangay* to achieve the vision they had created for it.

The participatory approach to community development that is exemplified by the TSEP-RLI workshops has received much recent acclaim in the development literature. Chambers (1997:189) describes this approach as representing a paradigm shift from top-down blueprint approaches to bottom-up learning approaches. In rural development, top-down blueprint approaches have often taken the form of programs developed on trial plots and in laboratories for widespread application. ATI's role provides a good example of this. Its primary task has been to pass on the knowledge and systems developed by other agencies under the Department of Agriculture to farmers via extension agents. The community workshops developed under TSEP-RLI offer a distinct contrast. Under conventional blueprint approaches villagers are told what problems they face and are presented with the solution to these by an external agency. In a bottom-up approach villagers themselves are encouraged to identify the problems and their causes, and then to agree on solutions to these. The fundamental difference in posture regarding the two approaches is that in the former, government officials and development professionals present their knowledge as superior to local knowledge, while in the latter value is given to local knowledge, local capabilities and local experiences (ibid.). With this in mind, an important question that must be addressed is whether TSEP-RLI did employ a truly bottom-up participatory approach.

In most instances the pilot projects were clearly selected through the workshop process, as will be explained below. In some cases, however, selection did not take place in the participatory fashion

<sup>10</sup> ATI's normal method of identifying training needs is to conduct a needs-based survey in *barangays*. In practice, however, it is often the *barangay* captain who acts as the main informant and the counterpart felt that for this reason ATI could not always be sure of the actual training needs of each *barangay*.

that TSEP-RLI claimed to advocate. For Poblacion Norte the *barangay* project had already been decided upon by the mayor of Clarin and when participants were prioritising the needs of the *barangay* it is impossible to say that they were not influenced by the mayor's decision. JICA and the Municipal Council had already set aside funds for a shell garden and the visioning workshop was designed to guide participants through a process which would lead them to support this. The *ubi* production and processing scheme was also not selected in an entirely participatory manner. The initial project request from ATI was for this scheme, which appears why it was funded even though *barangay* Canapnapan ranked the need for an *ubi* project fifth in a prioritisation exercise (internal document). There is also some reason to believe that the community toilet constructed in Tangaran was based on a push by Japanese experts for such a project. A local marine resources specialist invited to speak on the second day of Tangaran's planning workshop recalled that a Japanese expert wanted the *barangay* to implement a project in the area of health and sanitation. The marine specialist was invited to give a talk on the second day of the workshop and found that this 'changed the whole atmosphere' of the workshop (interview, 12/99). Thereafter, coastal resources were identified as the number one priority of the *barangay*.

The significance of the process by which the pilot projects were selected is twofold. If the workshop participants select a *barangay* project based on their felt needs, it is more likely to benefit the *barangay* and be sustainable than if a project of similar magnitude is selected by an external agency. Secondly, if the process by which the project is selected is a participatory one, then the *barangay* has a mechanism for taking on future projects in a participatory fashion. If this does occur after the withdrawal of JICA support, then a strong argument may be made that TSEP-RLI's community development model could be a powerful mechanism to promote rural development. Nevertheless, if TSEP-RLI's workshop approach is evaluated from the perspective of empowerment of the poorest *barangay* members, it is also necessary that their interests are adequately represented at the workshops. TSEP-RLI's workshop approach did not consider the issue of representation beyond having members of each *purok* present. It is questionable that a geographically-based representation of this sort would necessarily lead to representation of the interests of the most vulnerable and impoverished villagers.

In most of the workshops participants were divided into working groups according to the three spheres of TSEP-RLI's concept of rural life improvement; a concept that is neutral in terms of class and gender. Despite JICA having designated TSEP-RLI as a gender sensitive project, the workshops were not purposefully structured to elicit the particular needs of women. Although women in the visioning workshop at Poblacion Norte were not shy to speak out, whether they would have raised sensitive issues such as domestic violence in front of men is not known.



Moreover, to attend the visioning workshop some participants mentioned that they had to forego the opportunity to work and for them this was a considerable sacrifice. During the expectations check one participant stated that he had given up time that otherwise would have been used to mend fishing nets; others stated that they had forfeited the opportunity to earn an income. Poorer *barangay* members would appear less likely to participate in workshops because of their heavy workloads. In this light, it must be recognised the potential of the TSEP-RLI community development model as a tool for empowerment would be quite limited without modification.

A final issue of concern regarding the manner in which the visioning workshop was conducted is that no time was allocated for the resolution of conflicts of interest. On the contrary, the workshop structure was quite rigid with one exercise following on from another in a manner that seemed to assume that cooperation and motivation must surely result from these exercises. Chambers (1997:220) states that the 'identification, expression and resolution of conflicts of interest is another frontier for participatory methods' but gives examples to suggest that this challenge need not be insurmountable. The concern with a facilitation workshop approach is, not that it would be unable to deal with conflicts of interest, but that TSEP-RLI's approach was so time-bound that conflicts of interest were likely to have been avoided rather than addressed. Mosse (1994) makes the important observation that when confronted by outsiders, even those whose intention is facilitation, villagers may pull together to present an image they believe others want to see. For workshops this means that the *barangays* may appear quite united in forming a common vision when below the surface this may not be the case at all. Hence, divisions within the *barangay* may appear after the pilot schemes are under way and pose problems that were not foreseen by the outside agency. As will be seen, this occurred in the piped water project in Bagumbayan.

### **THE PILOT SCHEMES**

Implementation of the pilot projects began in mid-1998. The following analysis focuses on three pilot projects that were well documented: these are the project to rejuvenate coastal marine resources in Tangaran, the implementation of Sloping Agricultural Land Technology in Bagumbayan and a community water scheme also in Bagumbayan.

#### ***THE PROJECT TO REJUVENATE COASTAL MARINE RESOURCES IN CLARIN***

The documentation of the planning workshop in Tangaran recorded that the primary concern expressed by the *barangay* was inadequate livelihoods. The project to rejuvenate coastal marine resources was identified on this basis and consisted of the construction of a marine sanctuary, a shell garden and an artificial reef within the sanctuary, the planting of mangroves and the

establishment of a system to manage the sanctuary. The marine sanctuary was designed to provide marine organisms with a protected area in which to reproduce and multiply. It was expected that once the population of a species of fish or other organism in the sanctuary reached a critical mass, the species would migrate outside the sanctuary. The project envisioned that fishing households would enjoy greater catches because of this migration and that larger catches would be enjoyed as long as the sanctuary remained in place. The total size of the sanctuary was 10 hectares with a nucleus of 7.5 hectares. Fishing was prohibited in the nucleus of the sanctuary and its boundary identified with bamboo poles set into the sea bed. Outside this nucleus a 25 metre zone was demarcated with floats in which fishing using a specified number of legal methods could be used. Within the nucleus of the sanctuary a two hectare zone was fenced off and shells scattered to form a shell bed. In order to protect the sanctuary a guard tower was constructed and the fishermen's cooperative in Tangaran revived to man the tower and manage other related affairs. At a later stage JICA decided to support the construction of a fish corral near the sanctuary that the cooperative could use to generate income for itself. In addition, 0.75 hectares of mangrove seedlings were planted in October 1998. JICA provided most of the funds for these activities while the *barangay* provided labour and a small amount of counterpart funds.

Behind what technically was an unsophisticated project was a long process to gain support from residents, to enlist the backing of the local government units and the Municipal Council, and to develop a system in which the *barangay* could take on the responsibility of managing the fish sanctuary. It is necessary to examine this process to understand the achievements of TSEP-RLI and the likelihood of the project's sustainability and replication. An initial workshop was held in December 1997 that identified the depletion of marine resources as a major threat to the *barangay*. This led to a second workshop in September 1998, specifically for fishing households. Prior to the second workshop TSEP-RLI staff visited the Coastal Resource Management Project in Cebu to gain an understanding of community managed activities to rejuvenate marine resources. In the third week of November 1998 *barangay* members visited successful community coastal resource management projects including a fish sanctuary, a mangrove reforestation program, and a shell garden. Documentation of the cross-visit reveals that it gave residents of Tangaran the opportunity to interact with members of the other *barangays* involved in the projects. Not only did this help clear up issues troubling the Tangaran residents, such as how to police the fish sanctuary, but on hearing of the benefits of the projects they were further motivated to establish their own schemes (internal documents).

One week later a public hearing during the *barangay* assembly took place in which the details of the planned project were described. An extract from the hearing that provides insight into the

manner in which TSEP-RLI sought participation in decision-making is presented in Figure 7.6 (overleaf). The extract also reveals that TSEP-RLI had achieved some success through workshops in encouraging *barangay* members to feel that they were the owners of the project and ultimately responsible for its success. Some of those members who had not taken part in the workshop still needed to be convinced that it would be of benefit to them; however, it was not JICA or ATI that sought to convince them but the workshop participants. After the public hearing TSEP-RLI turned its attention towards reactivating the existing fishermen's multipurpose cooperative and the construction of the fish sanctuary. Between March and August 1999 ATI-Bohol delivered three training sessions to the cooperative designed to strengthen its managerial capacity.

**Figure 7.6: Extract of the Public Hearing of the Proposed Fish Sanctuary at Tangaran**

Question from a <i>barangay</i> member: How big is the Fish Sanctuary and will it not disrupt the fishing activities in the area?
Answer from the marine specialist: With a little sacrifice the subject area will be soon full of fish and other aquatic products [and will] become the reproduction and multiplication area of the different edible organisms.
Question from a <i>barangay</i> member: Who will guard and protect the projects?
Answer from another member who stood up and loudly exclaimed: That concern is everybody's assignment!
Question from a <i>barangay</i> member: What about if the one being caught and apprehended is the relative or neighbour of the one assigned to guard on that particular day/time?
Answer (perhaps from the <i>barangay</i> captain): The policy is to be formulated by everybody who is involved in the project. It is therefore fitting and proper that application of the policy spells no exemption. However, if we are not sincere and serious in the implementation of the policies, the project no matter how big or small, will really collapse and ultimately die to its natural death. So, our generation will act as the starter, we will do it now and we will not allow this project to fail under our knees!
Question from the facilitator: Are you not hesitant or do you feel comfortable to give 10 hectares of coastal areas for the Fish Sanctuary?
Answer from the <i>barangay</i> members: We are very much willing to give up the 10 hectares for the proposed Fish Sanctuary. [Affirmation by those present that they agreed to the project was gained by a show of hands with all supporting the project].

Source: Proceedings of Tangaran *barangay* assembly held on 01/12/1998.

### Assessment of Impacts

In a resolution in 1998 the Tangaran *barangay* council acknowledged that the mangroves, seagrass and coral reefs located in the coastal habitat of Clarin were seriously damaged because of illegal fishing methods and the indiscriminate cutting of mangroves (Resolution No. 27, 1998). Overfishing and the use of destructive fishing methods had resulted in a steady decline in fish catches with average catches per day recorded at less than one kilogram in 1998 (monthly monitoring report). The community marine sanctuary was thus a highly appropriate project for the *barangay* to support with potential long-term benefits for all fishing households. In addition,

mangroves are known to play an important role in protecting the foreshore from erosion which in turn improves the water quality for marine life in the near-shore ecosystem by reducing the amount of soil particles carried in suspension. Moreover, certain marine species use mangroves as an area for reproduction. As the depletion of mangroves was identified by *barangay* Tangaran and the Municipal Council as a major problem facing the area (Tangaran Municipal Council, 1995?) the replanting project was also highly appropriate.

By the end of 1999 fishermen had observed a return of some species of fish and reported a twofold increase in daily catches (monthly monitoring reports). Sea grasses had also improved in quality and coverage according to *barangay* members (ibid.), though more time was required for a change in shell numbers to be noticed. Even just a few months after its completion the project was having an important demonstration effect with up to eight coastal villages expressing an interest in replicating the project. From March 1999 until the time of fieldwork nine months later, the fish sanctuary and shell garden appeared to have been successfully policed by the cooperative. Voluntary fish wardens were reactivated by the Municipal Council and assisted in patrolling the Tangaran fish sanctuary. A consultant stated that Clarin was now known by outside fishermen as a 'hard area to penetrate' (interview, 12/99). This achievement should not be under-estimated as some *barangay* members were considered by ATI-Bohol staff to be very 'hard-headed', that is, although the project had been validated at a general assembly, later they had proven reluctant to support the sanctuary (interviews, 12/99). The number of active members in the fishermen's cooperative rose from 28 in June 1999 to 37 four months later (monthly monitoring report). In October 1999, the average daily income from fish caught in the corral was between 100 and 200 pesos<sup>11</sup> and the cooperative had been able to build its financial base from 6,650 - 12,173 pesos between June-October 1999 (ibid.). ATI-Bohol staff, as well as participants in the visioning workshop, observed that prior to the project many fishing households were not strongly motivated to use their free time to improve their economic position. One counterpart I interviewed stated that it was the habit of fishermen to pass time gambling. Housewives, too, often gambled as they waited for their husbands to return with the catch in the early afternoon, explained another female counterpart (interview, 12/99). The *barangay* action plan stated abruptly that one reason for poverty was that some people were 'lazy' and ATI-Bohol staff contended that Tangaran was the most difficult project *barangay* because of 'attitudes' (interviews, 12/99). In this light it is impressive that through the TSEP-RLI approach the *barangay* has implemented a substantial project that has involved a degree of sacrifice for the *barangay*. According to one counterpart, 'hard-headed people' still remain but 'a change has taken place' (interview, 12/99).

<sup>11</sup> In August 2001, US\$1 = 51 pesos.

Another positive aspect of the project is that it has used easily repairable local technology. Simple materials were used to construct the borders of the marine sanctuary and shell garden, and disused car tyres were used to construct artificial reefs.<sup>12</sup> The sustainability of the systems and institutions created, however, was less clear. One ATI-Bohol counterpart indicated that close monitoring would be required after the completion of TSEP-RLI's involvement because there were still *barangay* members who used illegal fishing methods and would fish in the sanctuary if they could do so unnoticed. These comments indicate that the TSEP-RLI's approach was not completely successful in garnering the support of all *barangay* members for the project; nevertheless, the approach did achieve significant results.

### **THE COMMUNITY WATER SUPPLY PROJECT IN BAGUMBAYAN**

As in Tangaran, in Bagumbayan a planning workshop was followed by a visioning workshop to establish and gain commitment to implementing a *barangay* action plan. During the planning workshop a list of problems in the *barangay* and their causes was drawn up under the headings of community environment, production/livelihood and rural living conditions. Two themes that arose repeatedly were inadequate livelihoods ('low farm production', 'many are jobless', 'insufficient income') and inadequate water supply for domestic use (internal document). On the basis of the workshops two *barangay* projects were identified, namely a community water supply project and the introduction of sloping agricultural land technology.

Municipal Councils are responsible for supplying water for domestic purposes to all *barangay* but because of resource constraints many are unable to do so adequately. Bagumbayan had found itself in this position with some residents having to travel for 30 minutes to collect potable water. A community water supply system had been established but had fallen into a state of disrepair and no longer functioned satisfactorily. One villager explained that before the project the well his *purok* relied upon produced a yellow coloured water which took up to a week to clear. Because of low flow rates households were allocated a time when they would have sole use of the tubewell, yet still the well was busy from 6.00am until midnight (interview, 12/99). It appears the community water supply project has been selected through a participatory process and it is also apparent that it sought to meet an important need of the *barangay*.

<sup>12</sup> At the public hearing one member asked why JICA did not supply modern materials and an official replied 'We have to prepare ourselves for the event that the support will be phased out. . . Sustainability of the project is the key word for the success of the project. Most project[s] collapse after the project support has ended because the project beneficiaries were not preparing themselves for the phasing out of the support' (proceedings of Tangaran *barangay* assembly held on 01 Dec. 1998).

The project can be broken down into the construction of the piped water system and the creation of a *barangay* institution to manage the supply of water. TSEP-RLI supported the project through funds to purchase materials, the employment of a technical consultant and offering six training sessions each of which was conducted over a two day period in the *barangay*. *Barangay* Bagumbayan provided labour for the construction of the piped water system and a small amount of counterpart funding, as did the municipality of Loboc. In brief, the construction phase involved the rehabilitation and extension of existing pipes, the rehabilitation of two storage tanks and the construction of an additional tank, as well as the installation of a range of modern facilities including a chlorination unit. As ATI-Bohol had no experience in community water supply, the Water Resources Centre at the University of San Carlos, which provides an outreach service offering technical expertise to *barangay* water supply associations, was employed to design the water system and assist with training.

The second part of the project was concerned with its sustainability. The *barangay* water supply association created to manage the project was provided with training by ATI-Bohol and the Water Resources Centre covering technical and managerial aspects of community water supply systems. The water association consisted of 24 members representing all eight tap stands. The responsibilities of the association were to collect fees from the water users and to ensure the water system was kept in good order. A meter was attached to each tap stand to measure water use and the association was to collect fees on the basis of litres used. During December 1999, users were charged one peso for every 100 litres of water, a lower rate than that charged for municipal supply. The fees collected were to be used to pay for the services of a plumber, a fee collector and a book-keeper, and a sum set aside for the future expansion of the system.

### **Assessment of Impacts**

The newly constructed piped water system proved to be far more effective than its predecessor, being free of leaks and producing a substantial increase in flow from the two springs to which it was attached (WRC, 1999). All households in the *barangay* were using water delivered through the new system enjoying better quality water, higher pressure and conveniently located tap stands. At a training session on accounting systems and procedures for the piped water system I observed almost all 24 members of the water association were present, providing an indication of strong support for the project. Because the project had only recently been completed, however, the success of the *barangay* water association in managing the scheme could not be assessed.

Two points of conflict had arisen which suggested difficulties lay ahead that still needed to be overcome. Near the end of the training program on accounting and procedures a short but heated

discussion took place on the charging of fees. One member was dissatisfied with the decision to charge a set minimum fee of 70 pesos/month on the basis that some tap stands had more members than others. The captain explained that without the charging of fees the supply of water would deteriorate and the discussion ended on this note. Still others had argued that fees for those lower in the catchment area should be greater reflecting the higher cost of delivering water to them. The issue of minimal fees could cause problems in the future and will present a challenge to the participatory framework for decision-making that TSEP-RLI believes it has presented to the *barangay*.

The second point of conflict was of particular concern to TSEP-RLI staff as a decision had been made in what appeared a participatory fashion that some households later disregarded. After the results of the technical survey were presented to the *barangay* a decision was reached as to the placing of the tap stands. The water supply system draws water from two springs, from which two independent supply networks were created. The source with the greatest flow is located near the top of the catchment and is used to supply tap stands higher up the valley. The *barangay* itself had decided that priority should be given to the upper *puroks* as these were the furthest from a reliable source of water. The feasibility study of the project advised that water from the upper source should only be distributed to houses lower in the catchment after a six month period of observation to ensure this would be technically viable (WRC, 1999). Without the knowledge of ATI/JICA, however, the households of tap stand three, located in the lower part of the catchment, moved their connection point from the smallest to the largest source of water. A consultant of the Water Resources Centre feared that this could lead all households lower in the catchment to ask for their system to be connected with the upper system (interview, 12/99). Not only would this reduce the pressure at the up-valley tap stands but it could also lead to jealousy as two *puroks* in the lower catchment area had individual household connections and would gain at the expense of those using the communal faucets higher in the valley. One Japanese expert noted that households in the lower part of the *barangay* were generally more affluent than those located higher in the catchment (interview, 12/99).<sup>13</sup> He believed that more influential *barangay* members had been able to disregard decisions that had been reached through efforts to involve the entire *barangay*. The expert described this as an example of a challenge to participatory approaches to rural development. It also suggests how during workshops a community could unite to present a common view of the *barangay* to outsiders, as Mosse (1994) has described, leading the facilitating institution to overlook the existence of conflicting interest groups.

<sup>13</sup> Of the 31 households in the *purok* in which the *barangay* captain resided only five did not have television sets.

### THE SLOPING AGRICULTURAL LAND TECHNOLOGY PROJECT IN BAGUMBAYAN

The third pilot project I examined was the Sloping Agricultural Land Technology Two (SALT2) project implemented in Bagumbayan. This was directed at the second major need, to improve livelihoods, that was identified at the *barangay*'s facilitation workshop. SALT2 was developed by the Mindanao Baptist Rural Life Centre as a low-cost method of farming sloping land with the intention of generating income for resource poor farmers, increasing environmental awareness and reducing soil erosion (Laquihon and Pagbilao, 1999). Under SALT2 crops are grown in bands about four metres wide following the contour of the land and bounded by rows of nitrogen-fixing shrubs designed to stabilise the slope. Cuttings of these hedgerows are used as mulch or manure. Rows of perennial crops such as coffee, cacao and citrus are planted in every third band, and the remaining bands are planted in seasonal crops including a variety of cereals, vegetables and herbs. SALT2 differs from its predecessor SALT1 in that goats are raised by planting shrubs in the hedgerows that can be trimmed for fodder. Why SALT2 was selected as a livelihood project over other possibilities is unclear, though the scheme was most likely recommended to the *barangay* by ATI-Bohol because of its hilly topography.

TSEP-RLI's contribution to the SALT2 project took the form of planting materials, the initial stock of goats and finance for material to construct a goat barn. ATI-Bohol also designed two training sessions for the association on this technology. As ATI-Bohol staff had no former experience with SALT1, several received training at the Mindanao Baptist Rural Life Centre. The municipality of Lohoe provided some planting material for a demonstration farm and, through an agricultural technologist, provided technical guidance on farm management and periodic monitoring. An association of 23 farmers in Bagumbayan was formed under the project and asked to provide land near the centre of the *barangay* for the demonstration farm. The expected output of the project was that farmers would adopt the practices in the demonstration farm on their own land, that crop production and goat raising would provide farmers with a reasonable income and that farmers would become more environmentally conscious because of SALT1's concern to stabilise the soil and use natural manure (ATI/JICA, Sept. 1999b).

The demonstration farm consisted of six bands bordered by hedgerows. The farmers' association was divided into groups and assigned bands to plant crops using seeds provided by TSEP-RLI and the Municipal Agricultural Office. Mangoes and calamansi (Philippine lemon) were planted as perennials and on the lowest three bands vegetables were cultivated three times in 1999. Crop rotation was being practiced and one farmer explained that on the band he is assigned to he had successively planted peanuts, beans and *camote* (a variety of sweet potato). Seeds were supplied to each member of the association and by August 1999 22 of the initial 23 members had established



SALT plots on their own properties. Six members of the association were producing crops for income generation while the remainder were using crops for home consumption.

#### Assessment of Impacts

It proved difficult to estimate the net return and likely future return from the SALT2 project for individual farmers. ATI-Bohol staff did not know the degree to which SALT2 contributed to the diet or income of participating households. They also observed that the farmers did not bother calculating the net return of their investments, explaining that the farmers did not have a strong entrepreneurial spirit. Nevertheless, evidence that the project has value to the participating households could be seen in the fact that members of the association were not just content with the return from the demonstration plot but that almost all of them had planted their own SALT plots. Moreover, the number of farmers in the association had grown to 43 by November 1999 and those whom I spoke with felt quite positive about the project.

As with the water supply scheme, the SALT2 project in Bagumbayan also faced an unforeseen challenge. Farmers decided that they would raise goats for milk, which produces a higher net return than meat production, and constructed a shelter for this purpose. ATI-Bohol informed farmers that TSEP-RII would supply the association with pure bred Nubian goats which provide a relatively large quantity of milk per day with a high butterfat content. JICA, however, disagreed with this decision as the Nubian species is not as hardy as the common Filipino breed. The confusion over which goats should be supplied arose because of a lack of communication and perhaps because JICA was more concerned about the sustainability of the scheme than ATI-Bohol. If the mortality rate of the goats was high then JICA project staff would have to explain to their superiors why they had not chosen a more hardy breed. Whether JICA's decision to supply the local breed was in the best interests of the farmers is unclear and perhaps needed further consideration. According to a local veterinarian, on Bohol the Filipino breed is normally raised for domestic consumption during festivities, rather than to generate income (interview, 12/99). If the farmers simply raise the goats provided by JICA for home consumption it is difficult to identify the merits of the scheme.<sup>14</sup>

Despite this problem, members of Cambanse, a neighbouring *barangay*, decided to establish a one hectare SALT2 farm after hearing of the achievements in Bagumbayan, attesting to the potential of the scheme. An agricultural technician who had visited the demonstration farm in Bagumbayan suggested to the members of a multi-purpose cooperative in Cambanse that they too establish a

SALT2 farm. Just as the Municipal Council in Clarin had been impressed with the fish sanctuary, so too was its counterpart in Loboc with the SALT2 project in Bagumbayan. The Municipal Agricultural Office backed Cambanse and provided seeds for the planting of hedgerows, perennial trees and seasonal crops. The Agricultural Technologist provided technical advice and there was some suggestion that ATI-Bohol might organise training for the cooperative. Five thousand pesos to construct a goat barn was requested of JICA, while *barangay* Bagumbayan expressed a willingness to offer three goats to Cambanse.

By January 2000 the SALT2 plot in Cambanse had been in existence for one year. In addition to the hedgerows, ginger, *camote* and eggplant had been planted as well as nitrogen fixing crops. Of the seasonal crops members of the cooperative described both ginger and *camote* as having been very successful (interview, 12/99). Fifty kilograms of ginger were received as a crop starter from the Municipal Agricultural Office under a revolving scheme and, while ginger from the first harvest had to be returned to the scheme, the cooperative was anticipating selling the ginger from subsequent harvests. The adoption of SALT2 by the cooperative and their belief that there was much potential for the expansion of this type of farming in the *barangay* are further indicators that TSEP-RII's support of this technology was appropriate in relation to the needs of local residents.

#### OTHER PILOT PROJECTS

During the planning workshop conducted in *barangay* San Isidro participants were asked to prioritise the problems facing the *barangay*. Many of the problems listed were associated with inadequate livelihoods, though a high percentage of malnourished children was thought to result from a lack of knowledge on nutrition. In order to improve the economic position of households a project to enhance rice production was initiated, while a second project on home gardening was designed to improve levels of nutrition. Insufficient information was available to assess the impact of these projects in detail but a number of indicators suggest that they have achieved some success.

The project to enhance rice production centred on a revolving fund for the purchase of fertiliser. A number of observations suggest it had been well-received. Repayment to the revolving fund was generally quite good with about half of the farmers having repaid the fertiliser on time and only five having outstanding loans by December 1999 (monthly monitoring report). Moreover, the number of farmers participating in the scheme had increased from an initial 21 to 46 by the end of the year (*ibid.*). Attendance at the monthly meeting of the farmers' group had also increased from 52 per cent at the beginning of the year to 71 per cent in June 1999 (*ibid.*). As ATI-Bohol staff

<sup>14</sup> Inadequate nutritional intake on Bohol is associated with an insufficient consumption of vegetables rather than meat.

monitoring the scheme did not know to what degree the application of fertiliser had increased production, there was no way of gauging net return for participating households. Nevertheless, the project appeared appropriate in relation to the needs of *barangay* members. When I asked a few women members of the Rural Improvement Club what the main needs of the *barangay* were, they replied that some villagers could not produce sufficient rice to see them through the year.

The objectives of the home gardening project were to improve the nutritional intake of members' families and to provide a source of income. The home gardens were designed using 'Food Always In The Home' (FAITH) technology which, like SALT, had been developed at the Mindanao Baptist Rural Life Centre. As its title suggests, FAITH is a system of gardening that seeks to provide a household with all its vegetable needs throughout the year. Seminars on nutrition were conducted by ATI-Bohol in conjunction with the home gardening scheme which JICA supported by providing a revolving seed fund. The local Rural Improvement Club was reactivated to manage the scheme and by December 1999 the number of participating households had increased from 20 to 38. The home garden scheme also had a demonstration effect with four non-members planting their own gardens. Monthly monitoring of the gardens was undertaken by two ATI-Bohol staff and periodic meal surveys were also conducted. A meal survey in December 1999 found that 28 households had increased the variety of vegetables consumed and their frequency (monthly monitoring report). Women I interviewed stated that they were now eating vegetables with every meal and no longer had to buy vegetables. TSEP-RLI's hope that the home gardens could also provide a source of income for women, however, had not been realised by the end of 1999. I was informed by members of the Rural Improvement Club that only six had sold vegetables in the market because competition was too strong. Also, as San Isidro, the nearest town, is located several kilometres from the market the women had to pay for the transportation of vegetables, reducing their profit margin.

In Corella, the fourth project municipality of TSEP-RLI, two pilot schemes were undertaken. One of these was the application of SALT2 which I had already observed in Bagumbayan so did not pursue further. The second scheme was the production and processing of *ubi-kinampay* (commonly shortened to *ubi*), or purple yam, a speciality of Corella. Under TSEP-RLI seminars were held on the production, processing, storage and cooking of *ubi*, and on entrepreneurship. An *ubi* contest was held in February 1998 and a recipe book produced. A survey on *ubi* products and markets followed soon after and an '*ubi* festival' was to be held in the third week of January 2000. JICA established a revolving seed fund and provided finance for facilities including processing

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explaining why home gardens were promoted under TSEP-RLI in one project *barangay*.

equipment and the construction of a storage shed. The Corella municipality constructed a 'Rural Life Centre' to support the scheme consisting of a kitchen and seminar room. The two participating *barangay* contributed by providing counterpart funding.

The system established to implement the project was similar to that of the other pilot projects. Existing *barangay* organisations, specifically the Rural Improvement Clubs, were called upon to implement the *ubi* scheme. ATI-Bohol staff attended the monthly meetings of the clubs and completed monitoring reports on the status of the project. When fieldwork was undertaken the impact of the project at household level had yet to be realised as the first crop was to be harvested in January of the following year. Prior to the January harvest many orders for *ubi* powder had been received from buyers in Tagbilaran, the island's capital. Therefore, there was some reason to believe that the prospects for the project looked bright.

### **EFFICIENCY, SUSTAINABILITY AND EXPANSION**

All of the pilot projects discussed above had certain merits. When the process to identify these was of a participatory nature, TSEP-RLI may also have played an important role in institution building in the project *barangays*. If TSEP-RLI is examined from the viewpoint of efficiency, however, it is clear that the project cost far more to implement than was necessary because of the manner in which JICA's technical assistance is structured. In Chapter Three I noted that technical assistance primarily refers to the transfer of technology from Japan and most commonly takes the form of the dispatch of Japanese experts or the acceptance of trainees from developing countries. Even if local expertise exists and can be sourced at a much lower cost, in an overseas technical assistance project experts are almost always dispatched from Japan. A well positioned JICA official estimated that it cost approximately US\$160,000 to send a Japanese expert abroad for one year (interview, 07/98). When this figure is multiplied by the five year duration of TSEP-RLI and the six long-term experts assigned, a figure of US\$4.8 million is reached. This should not be viewed as an overestimate. A Japanese expert assigned to TSEP-RLI revealed that her accommodation bill alone for one year in Manila was US\$30,000. By the end of FY1998 short-term experts were assigned on 12 occasions and this must also be added to the overall inflated cost of the project. Other notable costs would be the personal driver and car assigned to some of the experts and the regular flights experts made between Bohol and Manila: between June 1996 - August 1997, 39 such trips were taken (JICA, 1998b:51). These figures are not brought up as a criticism of the Japanese experts who were generally recognised by ATI staff as hardworking and strongly motivated. Rather, it is weakness of Japan's aid program which insists that Japanese experts be employed even when the necessary expertise can be sourced far more cheaply locally. There are no

grounds for stating that the expertise required to implement TSEP-RLI is not readily available in the Philippines, a country in which participatory approaches to development span perhaps three decades (Constantino-David, 1995).

On a more positive note, Japanese members of the project team had made considerable efforts to promote the sustainability of the pilot projects. This is undoubtedly a critical issue. As Constantino-David (1995) points out, regardless of the stated objectives of external development agencies in the Philippines, they are often seen as patrons by the communities they are attempting to organise. If the relationship between the external agency and the community is of a patron-client type, then after assistance is withdrawn there is little reason to believe there will be further benefits to the community. Instead, the community will look for its next patron, rather than work towards its own self-reliance.

JICA staff and Japanese experts repeatedly stressed to their Philippine counterparts and the participating *barangays* that Japan was providing institutional support rather than large amounts of finance. From the middle of 1999 attempts were being made to wind down JICA's involvement in the pilot projects and a mid-term evaluation advised that their management be handed over either to local NGOs or local governments (JICA, 04/1999). It is difficult to foresee what state these projects will be in after several years, though JICA has made considerable efforts to instil in *barangay* members a feeling of ownership of the projects. While JICA set aside a large sum of 400,000 pesos to finance each pilot project, utmost importance was placed on the contribution of *barangays* to the projects, whether in the form of labour, material or cash. To give one example, JICA reacted positively to a request through ATI-Bohol for funding to construct an *ubi* storage shed but refused to supply the total amount requested, insisting that the *barangay* provide labour and supply materials that were available locally (internal communications). The local government was likewise drawn into this system of cost sharing in order to enhance the sustainability of the pilot projects; one of many examples were the seeds provided by the municipal office for the SALT2 plot in Cambanse. Project sustainability will also depend to a large degree on the sustainability of the institutions constructed to manage them. Project staff were well aware of this and can be commended for their efforts to build viable institutions in the participating *barangays*.

Whether TSEP-RLI is ultimately judged to be successful or not will depend on whether ATI replicates the TSEP-RLI approach in all its training centres. The little information that was available on ATI's attitude towards TSEP-RLI was quite mixed and whether the approach would be expanded was difficult to predict. An ATI counterpart explained that ATI planned to expand the TSEP-RLI approach to an additional three centres per year so that all 36 field centres would be

covered in the next 12 years. However, one Japanese expert felt that the ATI Head Office was not as enthusiastic about TSEP-RLI as ATI-Bohol staff were. He recalled important speeches by the ATI Director and Project coordinator in which neither mentioned TSEP-RLI. I asked a senior member of the Japanese team whether ATI would support the expansion of the TSEP-RLI approach. Her reply was '*muzukashii*' (interview, 12/99), which translated literally means 'difficult to answer', but in the context it was given most probably means 'no'. While not a stated objective of TSEP-RLI, some of the Japanese experts were of the opinion that the local government units should replicate the TSEP-RLI approach with ATI providing technical assistance. Unless JICA provides some form of financial incentive such as seed money, however, it would appear very unlikely the local governments would replicate the TSEP-RLI approach because of contending demands on their limited budgets.<sup>15</sup>

### **THE TSEP-RLI APPROACH AS A STRATEGY OF EMPOWERMENT**

Because TSEP-RLI was generally conducted in *barangays* that were better-off than average and had no apparent internal conflicts, its potential as a strategy of empowerment of the rural poor was never really tested. Nevertheless, in the evaluation I identified some likely shortcomings of the TSEP-RLI approach as an empowerment strategy. For the TSEP-RLI approach to be most successful in empowerment of the poor or other vulnerable groups it must give precedence to their needs. Reviewing the record of community-based development approaches, Narayan (1997) concludes that they 'do not automatically include marginalised groups, the poor, women or ethnic minorities unless their participation is specifically highlighted as a goal, both at the agency and community levels'. The difficulty of attempting to prioritise the needs of the poor through facilitation workshops is likely to arise not only because better-off residents may endeavour to dominate the process but also because the poor may not have the confidence to raise their concerns. Wellbourne (1991:16) stresses that a sense of inferiority may keep the poor away from such meetings. As I observed during the visioning workshop in Poblacion Norte, the poor may also be unable to attend community meetings because of heavy workloads.

Conflict within the community could pose another obstacle to the TSEP-RLI approach as a strategy of empowerment. An example of how this could happen was recalled by a Japanese expert assigned to the Agricultural Promotion Centre on Bohol. Staff of the Agricultural Promotion Centre received training on participatory approaches from ATI-Bohol in June 1999 and planned to

<sup>15</sup> The amount allocated in municipal budgets as direct assistance to *barangays* is generally very small. For example, in 1996 Corella municipality allocated 15,000 pesos to six *barangays* (JICA, May 1997), a figure that is very low compared with the 400,000 pesos set aside by JICA to fund each pilot project.

apply this in conducting a facilitation workshop with irrigator association members in November of the same year. The workshop was postponed, however, and the expert explained that there was not enough cooperation amongst the irrigators to run the workshop (interview, 12/99). An ATI-Bohol staff member stated that 'water can cause trouble' (interview, 12/99) suggesting that facilitation workshops with irrigators could be quite difficult to conduct. When resources are most scarce and access is controlled by a wealthy minority conflicts are likely to be greatest. This is where facilitation workshops targeting the entire community may struggle the most.

Despite these concerns, a modified form of the TSEP-RLI approach would appear a potentially powerful strategy for poverty reduction and a viable alternative to JICA's conventional practice of technology transfer. Mosse (1994:510) found that organising groups with shared interests such as women or the poorest members could be a useful tool for expressing different views and concerns that exist within a community. Time could be set aside during TSEP-RLI-type workshops for different interest groups to discuss their common interests or, alternatively, workshops could target only vulnerable or impoverished members of the community. However, it must also be recognised that existing power holders may oppose any interventions that seek to bypass them. Moreover, the TSEP-RLI approach is unlikely to enjoy much success if staff of the government agency responsible for workshop facilitation have close relationships with local power holders. The task for the aid donor is thus to investigate the nature of local power relations before it decides to support the implementation of a community development intervention.

## **CONCLUSION**

In the assessment of TSEP-RLI I chose to focus on the participatory community planning approach developed by the project team because it offers important lessons for Japan's aid agencies. TSEP-RLI represented a very different approach to Japan's traditional aid practice. Rather than designing an intervention based on technology transfer, for the most part JICA purposefully sought to uncover local needs and assisted villagers in the selection of appropriate community development projects on the basis of these. Because participatory community planning approaches have been trialed for some time in rural development, it would be false to portray TSEP-RLI as a new methodology. For JICA, however, it was a new, untested approach and much more challenging than the top-down blueprint model it was familiar with.

From an empowerment perspective, TSEP-RLI cannot be judged as successful because no effort was made to reach impoverished households. However, rather than condemn the project on this basis, I have presented TSEP-RLI as a learning opportunity for JICA and the question I have asked

is whether with modification the TSEP-RLI approach could be a useful empowerment strategy. From an early stage JICA emphasised to *barangay* residents and local government that it should not be seen as providing a large amount of funding, but rather as facilitating a participatory planning system. To garner understanding for this approach proved a difficult task because Japan's legacy has largely been to provide what is often termed 'hard aid', such as equipment and physical infrastructure, rather than 'soft aid' in the form of capacity and institution building.<sup>16</sup> In overcoming these challenges TSEP-RLI achieved significant results in developing and implementing a participatory approach to community planning.

The facilitation workshops were a highlight of the project, being well-received by participants and strongly supported by ATI-Bohol staff. TSEP-RLI can be commended for employing a workshop procedure that had been developed in the Philippines and was in tune with local culture. The pilot projects that emerged from the workshop process have achieved some success in the short time that they have been under way. Strong indicators that most of the projects are appropriate in relation to local needs are the manner in which workshop participants defended the project to rejuvenate marine resources at a public hearing in Tangaran; that farmers in Bagumbayan adopted SALT on their own land; that residents in Cambanse initiated their own SALT farm; and the increasing number of households adopting FAITH in San Isidro. One notable aspect of these projects is that they employed local technology. FAITH, SALT, community managed marine sanctuaries and community managed piped water systems are all examples of successful models developed in the Philippines. The pilot projects successfully using these technologies stand in contrast to Japan's more commonly funded aid projects, providing cause to question the assumption behind JICA's technology transfer model of the superiority of Japanese knowledge and systems.

Despite these strengths, I consider the project cost far more than necessary because of Japan's system of technical assistance that requires the dispatch of Japanese experts. No project documents questioned the cost associated with this, nor attempted to estimate the savings that could be had by employing local consultants. The time-bound nature of Japanese aid projects is also poorly suited to participatory development which can be a very unpredictable process. Furthermore, the redrafting of the original project design matrix by the Japanese side would suggest that the funding agency retains the upper hand in decision-making, even in so-called participatory projects.

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<sup>16</sup> A JICA officer noted that even teams sent from Japan to monitor the progress of TSEP-RLI had problems understanding the project (interview, 12/99).



In its present form, the community development model created under TSEP-RLI would not appear an effective empowerment strategy as it is unlikely that the voices of the most economically and socially disadvantaged would be heard through facilitation workshops. This does not, however, preclude a modified approach being trialed that gives precedence to the needs of the poor. Whether such an approach could ever reach the mainstream of Japan's aid practice is an issue taken up in the following chapter.

## CHAPTER EIGHT

### WHERE TO NOW? REFORM OF JAPAN'S ODA

#### INTRODUCTION

In the case studies undertaken in chapters four, five, six and seven I have examined the impact of four aid interventions funded with Japanese ODA. In Chapter One I explained that the interventions chosen for analysis were somewhat atypical of Japan's aid practice, which has more commonly taken the form of large-scale infrastructure development at the expense of grassroots interventions. Selecting four interventions that operate at the local levels of village and household enables the research project to seriously consider the issue of reform in Japan's ODA program.

In Chapter Three I described the overall political economy of Japan's ODA but set aside recent reform measures for the current chapter to deal with. By 1996 the issue of reforming Japan's aid program had reached the realms of higher politics with successive Prime Ministers participating in the debate. Whether the calls for reform might lead Japan's aid administration to give greater consideration to the needs and aspirations of the poor is of particular interest to this research project. The first part of this Chapter examines the forces behind the debate on reform in Japan's ODA before describing the reform measures that have already been introduced. The second part of the chapter investigates the place of poverty in Japan's aid program and the obstacles to making poverty a priority issue of ODA. Having established an understanding of how poverty sits in the overall politics of Japanese aid, the chapter lastly examines what lessons the four case studies offer and whether the aid program is likely to embrace or reject these.

#### PRESSURE TO REFORM

Although reform became a very topical issue for aid bureaucrats in Japan in the second half of the 1990s, the case studies show that reform in Japan's aid program can be traced back much further. The loan to the Grameen Bank was only possible because of the two-step loan system introduced by the OECF in the early 1970s, grant aid to Shapla Neer only became possible after the introduction of the grant aid for grass roots scheme by MoFA in the following decade, and the

design of TSEP-RLI was affected to at least a small degree by project cycle management, a participatory planning tool that had only been introduced by JICA in 1994. Ever since Japan joined the DAC in 1961 and opened its aid program to foreign scrutiny international pressure has been exerted to make Japan's aid program less mercantilist. Examples of reform resulting from this pressure that were noted in Chapter Three included an improvement in the terms of loans and a gradual process of untying aid. In addition to these exogenous forces, as Japan's aid agencies have accumulated experience in development practice they too have sought to modify their strategies to accommodate some of the lessons they have learnt. When developing countries began to suffer a shortage of foreign exchange in the mid-1980s as a result of the Third World debt crisis, the OECF recognised a need to approach ODA in a more flexible manner. Rehabilitation Loans, Special Assistance for Project Formulation, Special Assistance for Project Implementation, and Special Assistance for Project Sustainability were examples of new loan schemes created by the OECF at this time. JICA's inclusion of social analysis in project feasibility studies is another example of how the aid agencies have sought to improve the effectiveness of their development interventions.

For the most part, however, this earlier reform did not interfere with the major workings of Japan's mechanism of aid delivery that had been set in place during the payment of reparations and the first yen loans of the 1950s. The *yonshōchō*, or four ministry aid administration structure, remained intact and the aid budget continued to be hotly contested by Japan's ministries. JICA's formation in 1974 did not change matters as it was structured along sectoral lines which meant that ministries could manage aid projects independently and that inter-ministerial cooperation was largely not required. Japanese contractors retained a central stake in ODA and their role in identifying and implementing aid projects remained critical to the functioning of the aid program. The centralised decision-making process of the aid program also did not change, with the role of JICA/OECF offices in aid receiving countries being limited primarily to logistics and diplomacy. Since 1996, however, the calls for reform have come from as high up as the cabinet and the Prime Minister. This has led some commentators to believe that a significant reshaping of Japan's ODA may be taking place (Castellano, 2000).

To correctly interpret the nature of the recent reform in Japan's aid policy and administration requires a clear understanding of the forces behind it. These are not all complementary. Some actors seek greater effectiveness of Japan's aid, others seek greater public support for the aid program and still other groups seek to tie ODA more closely to Japan's economic interests. The domestic and international circumstances that Japan found itself in by the latter half of the 1990s were very different from the previous decade and these changes are primarily responsible for the heightened interest in ODA reform. The most significant impetus for reform has come from the

recession that hit Japan's economy in 1989 when the economic bubble, created by cheap credit and over-inflated asset prices, suddenly burst. Between 1990-1996 the response of government was to spend heavily on public works and reduce income tax, which succeeded in keeping the economy afloat but accentuated a spiralling and unsustainable public debt. In 1996, Prime Minister Hashimoto Ryutaro felt compelled to change tack and adopt fiscal stringency measures. A dramatic reduction in the budget for the following fiscal year was announced including a planned 10.4 per cent cut in the ODA allocation. Japan's decision-makers were willing, it seemed, to surrender their country's position as the world's largest aid donor.

The economic recession of the 1990s also played a part in reducing public support for the aid program which had consistently been very high. In a public opinion poll conducted in 1989, before the onset of the recession, 81.8 per cent of respondents supported either an increase in ODA or that the level be maintained (MoFA, 1997:111). A survey by the *Nihon Keizai Shimbun* (6/01/1998) conducted in 1997, however, found that 15 per cent of respondents supported a significant decrease in the aid budget compared with only eight per cent six years earlier. Japan's aid administration found itself under attack from critics asking why public funds were being given away freely abroad as ODA while many Japanese were suffering hardship at home. Several of the reform measures that will be discussed below have clearly been stimulated by a felt need to win back public confidence in the aid program.

Concomitant with this decline in public support has been a rise in the number of calls by private sector interest groups for aid to be linked more directly with Japan's economic interests. In 1997, the powerful Keidanren, Japan's most important trade association, called for 'a greater role of the private sector' as part of the fundamental reform it argued was required of the aid program (Keidanren, 1997). Moreover, in the same year the Industrial Structure Council of the Ministry of International Trade and Industry requested that ODA loans be once again tied to procurement from Japan (*Nikkei Weekly*, 20/06/97). Such calls from private sector interest groups are not new but for the first time Japan's aid administration felt compelled to respond, reflecting how hard Japanese corporations had been hit by the sluggishness of the domestic economy and the Asian financial crisis. The nature of this response is also discussed in the following section as it exemplifies how the aid program must continue to accommodate contesting demands regardless of its new reform agenda.

One other change in the broader setting of Japan's ODA that may have impacted on the reform process has been a decline in the strategic significance of ODA with the end of the Cold War. This led to some optimism in development circles that ODA would begin to focus more on social

issues. Indeed, the 1990s spurred a proliferation of partial development theories tackling a diverse range of social development concerns. Terms such as governance, sustainability, participation, human rights, the environment, gender and development, and social safety nets became popular in the development discourse and have been integrated into Japan's aid rhetoric. The major forces behind the recent reform process are thus the stagnation of Japan's domestic economy, growing popular support for new development approaches and a decline in the strategic motive for ODA. With this understanding it is now possible to examine the major statements on reform, the reform measures already set in place and whether they might have any significance for the poor in developing countries.

### **THE REFORM MEASURES**

Responding to the ongoing economic recession, in September 1996 Prime Minister Hashimoto called for reform in six major areas, namely public administration, fiscal structure, economic structure, the financial system, social welfare and education. Of these, the first two were to have particular significance for the reform of Japan's ODA resulting in the slashing of the ODA budget and the creation of the Japan Bank for International Cooperation. Previously, changes in aid policy or practice had largely been left for the aid bureaucrats to work out. ODA had seldom been a hotly contested issue in Diet debates. Now, however, the reform process attracted the attention of parliament and the Prime Minister, giving it a degree of propulsion greater than that during any other period in the history of the aid program.

The Foreign Ministry responded to the politicisation of ODA reform by commissioning a 'Council on ODA Reforms' to provide direction to the reform process. A consultative body to the Minister for Foreign Affairs, the Council comprised academics, private sector and NGO representatives, as well as members of the press. Its final report, released in January 1998, remains the most comprehensive statement on ODA reform yet to appear and has informed much of the subsequent debate. Significantly, the report presented poverty alleviation as a top priority of Japan's ODA, arguing for a heightened emphasis on development of the social sector, a greater focus on socially disadvantaged groups, the promotion of participatory development, and greater utilisation of grassroots assistance (MoFA, 1998c). The report acknowledged that Japan lacked specialists to implement such programs and advised systems be set in place to foster the development of human resources within Japan. Country-specific development programs were also called for and the restructuring of the aid administration along regional, rather than sectoral lines, was suggested as a means to facilitate this. On the topic of administrative reform, the Council argued that MoFA

should be placed in charge of the aid program to improve coordination between the different government actors and to present a more unified image to outside observers.

In July 1998, the question of reform returned to higher politics. Prime Minister Obuchi Keizo followed the lead taken by Hashimoto in calling at his first cabinet meeting for steps to improve the transparency and efficiency of ODA. In November 1998, the Ministerial Council on External Economic Cooperation took up Obuchi's call, proposing similar reforms to those of the Council on ODA Reforms. Other notable bodies such as the Liberal Democratic Party Special Committee on External Economic Cooperation and the Council on External Economic Cooperation, which is responsible for advising the Prime Minister, also contributed to the debate. In August 1999, the reform process was given another significant boost when the Lower House, in a 'Resolution on Official Development Assistance', requested government take steps to garner greater domestic and international understanding of the aid program, and to improve its transparency, efficiency and effectiveness. Steps that were proposed to achieve these goals were again the same as could be found in the final report of the Council on ODA Reforms. These included the formulation of country assistance programs, a focus on environmental issues, an expansion of assistance for the development of human resources, the employment of more aid specialists, greater engagement with NGOs, as well as improved evaluation systems, disclosure and publicity efforts.

Hashimoto's government needed a means of justifying the reduction in the aid budget and did so by explaining that as part of the reform process Japan's foreign aid was moving from a focus on *ryō* or quantity, to *shitsu*, or quality. The Foreign Ministry took up this refrain explaining the qualitative changes that were planned in its medium-term ODA policy statement released in August 1999. By the end of the decade the politicisation of reform had already resulted in the implementation of several reform measures which are now discussed.

### **REFORM IN ADMINISTRATION**

In the latter part of the 1990s three measures to reform the structure of aid administration were set in place. There is some reason to believe that a genuine concern to improve the effectiveness of ODA was behind at least part of this restructuring. The first reform measure stemmed from Hashimoto's decision to reduce public spending by halving the number of ministries and government agencies, and reducing the number of civil servants by 20 per cent. In line with this objective the Japan Bank for International Cooperation (JBIC) was established in October 1999 as a merger of the Overseas Economic Cooperation Fund and the Export-Import Bank of Japan. The official explanation for the merger was that combining the financial tools of both organisations in a coordinated manner would produce an 'optimised program of external official financial

cooperation' (*OECD Newsletter*, 8/9 1999:9). Combining the expertise of both organisations would also add to this synergism, according to official statements (*ibid.*).

The mandate established for JBIC was to implement both Japan's external economic policy and economic cooperation. Under one organisation this combined financial tools to promote Japanese exports and foreign direct investment, such as export and overseas investment loans, with ODA in the form of concessional loans. It is thus not surprising that in its most recent review of Japan's ODA program the DAC expressed doubts over how 'the integrity of ODA would be preserved' (DAC, 1999). It is too early to ascertain whether DAC's concerns are justified. However, it is clear that the creation of JBIC did not reduce the grip that influential ministries have on the aid administration. In contrast, the recent restructuring of JICA, especially the creation of four regional departments, can be seen as a genuine effort to place policy above ministerial interests in aid politics.

During interviews I undertook in 1998 with JICA development specialists it became clear that many of them were dissatisfied with the organisation of JICA along sectoral lines. One specialist explained that it was impossible for JICA to implement a truly integrated project because of the sectoral lines that had been drawn. Sectoral departments with titles such as the Forestry and Fisheries Development Cooperation Department and the Mining and Industrial Development Cooperation Department had been established, not because they were considered most conducive to extending effective aid, but because they enabled competing ministries to maintain a stake in the aid program. Cross-cutting issues such as poverty, gender and the environment were treated as separate from the objectives of the sectoral departments and placed lower down in organisational hierarchy under the Global Affairs division of the Planning Department. Because of its sectoral delineation, JICA had not thought to employ regional or country specialists and there was no effective means of consolidating experience and lessons that had been learnt on a country-by-country basis. Social sector specialists were also in short supply and during interviews aid officials frequently identified this as a major constraint to the type of interventions Japan's aid agencies could engage in.

Over time a number of efforts had been made by JICA staff to increase the quality of assistance within existing administrative bounds. Initiatives were undertaken to support country-specific and theme-based approaches, and to promote these to the sectoral departments. Country Study Groups had been initiated in 1986 in response to claims of the misuse of Japanese aid in the Philippines by the Marcos administration. By the mid-1990s JICA was undertaking several country studies each year and these were used to inform the High Level Missions for Economic and Technical

Cooperation dispatched by Japan to recipient countries (JICA, 1997:20). Theme-based study groups, including a gender studies group and a poverty studies group, were also established to provide direction for policy on cross-cutting issues. These groups produced a prolific amount of material to inform Japan's aid practice.

An outcome of these endeavours was the growing realisation within some parts of the aid administration that Japan needed to move towards a country-strategy approach in order to improve effectiveness of ODA and to bring the aid program more in line with that of other donors (interview, JICA development specialist, 07/98). JICA development specialists were dispatched overseas to study the ODA programs of other DAC members and their reports were used as a reference for the restructuring of JICA. Plans to restructure JICA were already well under way when the Diet Resolution of 1999, cited earlier, called for the aid administration to develop country-specific strategies. The proposed organisational changes appeared in an internal document which was circulating when I undertook fieldwork in Japan in 1998. The restructuring was implemented along the lines of this proposal in January 2000 and represented the most important reorganisation of JICA since its formation.

The most significant change was the creation of four regional departments. Previously, three regional divisions existed under the Planning Department but by adding a fourth and raising these to departmental level they had been ascribed equal status to the sectoral departments. The official explanation for the creation of these regional departments was that they would facilitate the establishment and implementation of finely tuned, country-specific strategies, that they would oversee the project cycle from project finding through to evaluation, and that they would collate information gathered and lessons learnt on a country-by-country or regional basis that could be used to improve the quality of future projects (JICA, 1999).

While the creation of the regional departments does appear to have stemmed from genuine concerns to improve the effectiveness of Japan's ODA, it appears unlikely that ministerial influence in the aid program will be reduced so easily. JICA explains that the responsibility for project implementation and JICA's development studies will remain in the hands of the other departments but that these would liaise closely with the regional divisions (*ibid.*). The sectoral departments will thus continue to play an important role in project selection and remain in a strong position to advance the interests of Japan's ministries. If, however, the four regional departments are able to gain some influence in project selection this could certainly improve the effectiveness of Japan's ODA. Examples of projects that have failed to achieve their expected outcomes because of a lack of awareness of local conditions and circumstances are not rare in the history of



development. Indeed, the Model Rural Development Project assessed in Chapter Six could be cited as one example. Here, Japanese agricultural specialists appeared to have had too optimistic a view of agricultural cooperatives in Bangladesh based on the experience of cooperatives in Japan. Perhaps if their knowledge of the shortcomings of cooperatives in Bangladesh was greater, or if they had been able to consult with JICA country specialists, then the project would not have been funded. What influence the regional departments will have remains one of politics rather than knowledge, however. Whether the sectoral departments will seek and accept the advice of the regional departments when this is contrary to the interests of Japan's powerful ministries is yet to be seen.

A number of other less significant changes were made as part of the restructuring of JICA. The planning and evaluation departments were merged as were the grant aid project management and study departments. The environment subdivision of the Global Issues Division was raised to departmental status by removing 'fisheries development' from the title of the Forestry and Fisheries Development Cooperation Department and replacing it with 'natural environment'. However, the other theme-based sections, namely gender, population, aids, poverty, education and the disabled, remain as sub-divisions of the Global Issues Division. Hence, in terms of JICA's organisational structure, poverty continues to remain a marginalised issue.

The third administrative change came from legislation passed by the Diet in 1999 which gave MoFA the *de jure* authority to coordinate ODA activities and sole responsibility to formulate aid policy. Previously, the responsibility for formulating aid policy was shared by MoFA, the Ministry of International Trade and Industry, the Ministry of Finance and the Economic Planning Agency. What this will mean for Japan's ODA is not yet apparent, though it is clear that there were two forces behind these changes. The need to garner public understanding of Japan's aid efforts was a common theme in the statements calling for aid reform cited earlier. With authority dispersed over so many ministries and agencies, Japan's aid administration is not easily understood. The reforms have placed MoFA in charge of informing the public on ODA with the intention of rebuilding public confidence in the aid program. The need to better coordinate Japan's aid types was also a recurring theme in policy statements, but it is unclear what the impact of MoFA's new coordinating role might be.

One other administrative change that was not specific to the aid program but deserves recognition was the decision to create new politically appointed positions, namely a state secretary and a parliamentary secretary, within each ministry. Indeed, of all the measures implemented as part of the central government reform on 6 January 2001 this could be seen as the most direct attempt to

curb the power of the ministries and establish a greater leadership role for Cabinet. Of significance is the fact that political appointees are of higher rank than the senior civil servants. These new positions were also created to increase transparency, a lack of which was seen as playing a significant part in Japan's economic decline. Theoretically, government appointees to ministries such as MoFA could influence ODA practice. At the time of writing, however, it appears unlikely that they would attempt to do so. In the first half of 2001 Prime Minister Mori Yoshio's Cabinet was primarily occupied with political survival and appeared to have displayed a lack of concern about appointing suitable candidates to the new positions (National Science Foundation, Tokyo Regional Office, 9/02/01; report memo. 01-02).

### **REFORM IN POLICY: FROM HARD TO SOFT AID, FROM ECONOMIC INFRASTRUCTURE TO SOCIAL DEVELOPMENT**

The motives for administrative reform are thus quite varied but among them is a genuine concern to improve the quality of Japan's ODA and to make the aid program more acceptable to the international donor regime. The discussion now turns to new policies that have been given impetus by the politicisation of reform. In the second half of the 1990s a number of commentators suggested that new aid policies had been set in place that indicated a fundamental change in priorities was occurring. The transitions most often talked about were from hard aid to soft aid and from economic infrastructure to social development. Castellano (2000), for example, concluded that 'instead of funding the construction of new dams, bridges and transportation networks, Tokyo will focus on building social safety nets, such as unemployment insurance, and will contribute to poverty-reduction programs'. This conclusion was drawn from a reading of Japan's most recent mid-term policy statement on ODA that listed 'support for poverty alleviation programs and social development' first amongst its priority issues and sectors, and asserted that 'henceforth Japan will place greater emphasis on poverty alleviation programs and various aspects of social development, human resources development, policy-related assistance and other "soft" types of aid' (MoFA, 1999b).

In support of these statements one can cite changes in the allocation of the ODA budget. For example, funds allocated for 'Environment and Social Development Programs' were a third larger in FY2000 than the previous year and the grant aid for grassroots assistance scheme had increased by 21.4 per cent (MoFA, 2000). Moreover, the amount of ODA allocated to MoFA had increased by about three per cent, despite an overall decline in the ODA budget of 0.2 per cent, which indicated an increase in grant assistance and a decrease in loan-type aid. Castellano (2000) also argued that the Asian currency crisis had caused some aid officials to question whether the high priority given to economic infrastructure development was still warranted. In the mid-term ODA

plan, policy makers stated that Japan's ODA would help rebuild the economies of Asian nations affected by the crisis by strengthening their financial structures, enhancing their legal and economic systems and constructing social safety nets (MoFA, 1999b). The construction of physical infrastructure was not mentioned.

These minor changes in the ODA budget and recent policy statements provide insufficient evidence to suggest a fundamental change in the priorities of Japan's ODA is taking place. When seen against the backdrop of the total ODA budget the shifts in allocations are in fact quite modest. For example, the 21.4 per cent increase in allocation to the grant aid for grassroots projects scheme brought the total for FY2000 to ¥8.5 billion (MoFA, 2000). To place this figure in the context of the overall aid budget, it is equivalent to about one third of a Japanese ODA loan extended to the Bangladesh government to construct a bridge over the Jamuna River; in other words the figure is quite insignificant. The increase in environmental projects and social development interventions should also not be taken as signalling a shift from hard to soft aid. About half of Japan's projects which are categorised as social sector development are related to water supply and sanitation. These most commonly involve the construction of large urban water supply and sewerage facilities (DAC, 1999). Japan's environmental projects, which absorbed 24.5 per cent of the aid budget in FY1998 (MoFA, 1999a), also regularly take the form of infrastructure projects. Examples include the construction of the Da Nhim hydro-electric power scheme in Vietnam and a project to improve water supply facilities in Phnom Penh, Cambodia. I also pointed out in Chapter Three that aid projects are easily relabelled by the aid administration to accommodate new development themes. It is possible for Japan's aid administration to declare a sewerage treatment facility economic infrastructure, social development or an environmental project depending on what suits its purpose. Regardless of the label applied, the sewerage treatment facility is physical infrastructure and in this respect remains characteristic of Japan's ODA.

The recent retying of some types of loan aid highlights how Japanese ODA is still heavily influenced by the private sector. According to DAC criteria yen loans could not be retied and still classified as ODA unless the interest rate was reduced. Hashimoto's government resolved to do exactly that and in one step both appeased some of Japan's aid critics by increasing the overall grant element of its ODA and appeased the private sector by creating new types of loans that could now be tied to procurement from Japanese corporations. The new loan types announced in September 1997 were for human resource development, environmental projects, cross-border infrastructure projects and for small and medium-sized enterprises. The new terms were an interest rate of 0.75 per cent and a repayment period of 40 years including a ten year grace period. In addition, in response to the Asian crisis a Special Yen Loan Facility with a limit of ¥600 billion

over a three year period was established for the purpose of infrastructure development. This too was tied to procurement from Japan. These new loan types indicate that Japan's aid program remains a hotly contested arena where contending interests are played out. Because the fundamental structure of the aid program has changed only marginally, contrary to the claims of recent policy statements I would argue that the changes in aid practice taking place are on the periphery of the ODA program and have little impact on the mechanism of aid delivery.

Will changes on the periphery be sufficient to restore the public's faith in ODA? The answer to this question most probably lies in the performance of Japan's domestic economy and the success of MoFA's public relations initiatives. One new program designed to win public support for ODA is the 'ODA citizen monitoring program' introduced in 1999. Under this program selected members of the public visit project sites with the intention of keeping the public informed on Japan's ODA (MoFA, 1999a). In 1999, 47 monitors, one from each prefecture in Japan, were sent to six countries. While the ODA citizen monitoring program may play a role in advertising Japan's ODA to a domestic audience, it is unlikely to lead to any significant change in Japan's aid policy or practice. The motivation behind the program is to build further public support for Japan's ODA, something which is not necessarily synonymous with improving public understanding of the aid program. A very selective presentation of what are deemed successful aid projects to the monitors can be expected. In Bangladesh, monitors visited the Model Rural Development Project which, as observed in Chapter Six, has been promoted by JICA as an example of how soft and hard forms of aid can be effectively combined. In a brief one day visit monitors are hardly likely to become aware of the shortcomings of this project that I highlighted in the case study. What can be expected is a type of 'development tourism' (Chambers, 1997) where monitors are taken to view only those Japanese projects that are considered successful and which are of greatest public appeal. Moreover, it is unlikely that the monitors will have any prior experience or training in development issues and may consequently be unaware of the multifarious structures responsible for creating poverty. MoFA states that it is hoped through this program that the Japanese public will become aware of the difficulties that aid personnel face when stationed in developing countries (MoFA, 1999a). The ODA citizen monitoring program should therefore be seen as a public relations effort primarily designed to present the Japanese public with a human face of the aid program; but here the face is more that of Japanese aid personnel than that of local people.

### **THE PLACE OF POVERTY IN JAPAN'S AID PROGRAM**

With an understanding of the political economy of Japan's ODA and the implications of recent reform measures it is now possible to examine the place of poverty in Japan's aid program.

Statements on aid reform claim that poverty alleviation is now a central priority for Japan's ODA. During fieldwork in Japan in 1998 I was also informed by several aid officials that poverty was 'back on the agenda'. The reason for the revival of poverty in the aid program was explained in Chapter Three as a growing consensus among international development institutions that poverty needed to be tackled more directly. Often cited in relation to this consensus were the United Nations conferences of the mid-1990s which focused on social development issues, such as the World Summit for Social Development, the fourth World Conference on Women and the Conference on Human Settlements. Further evidence of the renewed interest in poverty could be seen in the 1997 UNDP Human Development Report which was titled 'Human Development to Eradicate Poverty' and DAC's 'Shaping the 21<sup>st</sup> Century' (1996). In line with some of the UN conferences, 'Shaping the 21<sup>st</sup> Century' established concrete targets for poverty reduction within specific time frames. Because Japan claimed a leadership role in creating this document and wished to promote it to other DAC members, it was taken up enthusiastically by MoFA and purportedly used as a basis for creating Japan's new country strategies (DAC, 1999).

A reflex response to the statements by officials that poverty was now back on the agenda for Japan's ODA would be 'Where was it in the interim?' As pointed out in Chapter Three, the two official pillars of defence of the aid program have always been Japan's concepts of interdependence and humanitarian concerns. It would thus seem reasonable to assume that poverty, as a humanitarian concern, would always have been given high priority. To the contrary, when I was discussing with Japanese officials which countries would be suitable for fieldwork I was told that Japan had no 'poverty projects' in Bangladesh, a remarkable fact given that Bangladesh is one of the poorest countries in Asia. More precisely, the officials meant that JICA was not involved in designing any interventions that directly targeted the poor in Bangladesh. By using the term 'poverty project' these JICA officials were revealing that they viewed poverty as a separate entity within the aid program, rather than an overriding or cross-cutting issue that permeated all aspects of Japan's aid practice. A similar observation was made by Rix (1993:124-8) regarding the environment when he concluded that it seemed to be treated more as a separate sector for aid provision instead of an issue to be incorporated into all other sectors. When Japan's new aid policies are explained in policy statements in terms of minor shifts in budget allocations, as noted above, this too presents poverty as a distinct rather than a cross-cutting issue.

Even when treated as a separate sector, poverty has played a minor role in Japan's aid program. When speaking about JICA's response to poverty issues, officials I interviewed often referred to a handful of interventions which one aid specialist described as JICA's 'famous poverty projects' (interviews, 1998). In 2001, JICA's web site listed a total of 21 'projects' as directed at poverty

reduction, but some of these were surveys to collect data and not development interventions (JICA, 2001). In an edition of the *OECD Newsletter* dedicated to social development a number of poverty-related projects were described, but these are uncharacteristic of interventions funded with yen loans (*OECD Newsletter*, 06/98). The newsletter stated that the OECD was supporting microcredit as part of its social development efforts but the only case that existed at that time was the loan to the Grameen Bank discussed in Chapter Four. Of course, Japan has supported numerous poverty alleviation schemes by delivering ODA through NGOs and multilateral organisations. However, poverty alleviation has only occasionally been the immediate objective of projects designed and implemented by Japan's two aid agencies. The DAC (1999) has observed that 'neither the [ODA] Charter nor any other official document clearly defines poverty, poverty reduction, or who the poor are; nor do they elaborate on the options of targeting poverty directly versus "trickle-down" through support to economic infrastructure'.

In the description of the broad political economy of Japan's aid program given in Chapter Three the economic and strategic considerations in determining the direction, size and type of ODA were recognised. As long as ODA remains a tool to further Japan's economic and diplomatic interests poverty will not receive high priority. When a JICA official states that aid to Bangladesh can be expected to decline (interview, 08/98), and the mid-term ODA plan informs that more aid will be directed to East Asian countries, they are revealing how significant ODA remains to Japan's national interests. With the end of the Cold War Bangladesh has lost strategic significance and the JICA official explained that the reasons to extend ODA to this country were no longer so critical. On the other hand, the Asian financial crisis could be described as a lifeline for Japan's declining aid budget. The rescue package of US\$30 billion put together by Japan and dubbed the Miyazawa Plan included the Special Yen Loan Facility discussed earlier of approximately US\$5 billion. Technical assistance worth US\$20 million was also pledged as part of the plan and the total value of ODA committed in response to the crisis has been estimated at US\$10 billion (DAC, 1999). Japan's economic interests were arguably the most important reason for this apparently generous response. In 1998, East Asia absorbed 34.7 per cent of Japanese exports, in 1996 overseas Japanese affiliates recorded sales of almost US\$300 billion in the region and just prior to the crisis the total value of outstanding loans from Japanese banks to East Asia stood at US\$123.8 billion (*Japan Economic Institute Report*, 11/02/2000). A turnaround in Japan's economic performance thus depended heavily on a revival in the economies of its Asian neighbours.

When the administration of Japan's ODA is examined closely, other obstacles to the prioritising of poverty also become apparent. One JICA specialist pointed out that because none of the ministries can claim poverty as its jurisdiction they have shown little interest in pursuing poverty related

interventions (interview, 07/98). He recalled a request by JICA in the early 1990s for finance from the Treasury to undertake a poverty project. The request was accepted but personnel from JICA did not put themselves forward to participate in the project because their departments and related ministries had little to gain. This presents an obvious barrier to the mainstreaming of poverty through the separate departments of the aid agencies. It is thus left to a small number of individuals and relatively insignificant organisational units, such as the poverty section of the Global Issues Division of JICA, to promote interventions which directly target the poor to other departments. DAC's conclusion that 'Gender sensitivity still largely depends on individual interest of staff and departments' (DAC, 1999) could easily be applied to poverty.

Japan also suffers from a dearth of poverty specialists. A JICA development specialist suggested that this situation arose because in the early postwar period when the country lay in economic ruin, the government did not tackle Japan's poverty by providing assistance to those in need but instead adopted broader rural and urban development programs (interview, 12/99). Therefore, poverty specialists are rare in the public and private sectors which second personnel to the aid agencies. The system of *amakudari* places senior civil servants, who may have little understanding of poverty or other emerging development issues, in upper management positions in JICA and JBIC. One JICA officer lamented that he found himself often informing *amakudari* appointees of the most basic development issues (interview, 08/98). Further constraining the types of activities the aid agencies can engage in, experts assigned to various projects are often supplied by the ministries and most 'have no development experience or experience outside Japan . . . This may explain why the focus of technical cooperation has usually been on the transfer of technology to resolve specific problems' (Beaudry-Somcynsky and Cook, 1999). The same may be said for infrastructure projects where JBIC's role is largely reduced to data gathering and liaising between project actors. This explains why in 1998 the OECF office in Bangladesh could operate with only two permanent OECF officials, despite dispersing US\$93.3 million in loans in the same year (MoFA, 1999a).

Furthermore, the case studies reveal that for permanent staff of the aid agencies and those on secondment, to move from a top-down blueprint model to bottom-up participatory approaches may require a huge conceptual leap. Staff of the OECF expressed concern in extending a loan to the Grameen Bank as it did not fit into the infrastructure mould they were familiar with. On hearing from a project team member of TSEP-RLI, a JICA agricultural specialist responded 'you are trying to create a revolution in the Philippines!' (interview, 12/99). One JICA specialist who had been attempting to promote participatory community models within the agency found that 'It is very difficult for Japanese experts to understand participation' (interview, 08/98). In relation to one community development project she described specialists from JICA's forestry division as

suffering the 'forester's syndrome': above all else they wanted to 'grow tall, straight trees'. An anthropologist who had worked as a consultant for JICA expressed similar frustrations when he observed that the experts JICA hired for an irrigation scheme were only interested in large-scale developments using modern technology. They would not consider the merits of several small local schemes using technology that could be more easily maintained (interview, 08/98).

Despite poverty alleviation remaining a marginal issue for Japan's ODA, it must be acknowledged that some definite advances in Japan's treatment of poverty can be seen. Social surveys have become more common in feasibility studies which used to focus solely on the technical and financial aspects of infrastructure projects. In 1992, the International Development Centre of Japan produced guidelines for JICA on social analysis for development studies related to infrastructure projects. A comparison of two feasibility studies of irrigation projects reveals that efforts to mainstream social analysis are having an impact. The feasibility report on the Narayanganj-Narsingdi Irrigation Project in Bangladesh completed by JICA in 1978 is typical of older studies. The 200 plus page report includes no analysis whatsoever of social characteristics of the project area (JICA, February 1978). In comparison, the feasibility study on the Trishuli Irrigation Project in Nepal completed in August 1997 included a survey of 200 households, interviews with key informants and the use of participatory rural appraisal techniques in order to identify ethnic and caste divisions, existing village organisations, livelihoods and daily activities, as well as to build a sense of ownership of the project by farmers (JICA, August 1997).

New developments in the design and implementation of infrastructure projects by JBIC that could have positive implications for poor households and communities have also been set in place. NGOs are now more commonly involved in resettlement packages and in social surveys. Examples in Bangladesh are the employment of eight local NGOs to aid with resettlement of locals displaced by the construction of the Jamuna bridge and the use of Shapla Neer personnel in an assessment of the Grameen Bank. Another measure that could have significance for the poor is the revision of OECF environmental guidelines in 1995 making environmental impact assessments a requisite for most types of large-scale projects (OECF, 1995). These guidelines were applied to all projects after August 1997. An attempt to improve evaluation systems could also lead to a more effective use of ODA. MoFA's response to calls for improved evaluation was to establish an ODA Evaluation Reviewing Panel and Working Group which released a report titled 'Report on Reform of Japan's ODA Evaluation System' in March 2000. Highlighting the disunity across the aid administration, much of the report was concerned with clarifying the exact role of the aid-related institutions in evaluation and coordinating their evaluation activities. The report also sought to promote a system in which aid evaluation at policy, program/sector and project levels would be



undertaken in a systematic manner. The outcome of these changes is not yet apparent but given the uncoordinated nature of Japan's aid program it can only be positive. The same may be said for the creation of country strategies that are being tested in 11 of Japan's major recipient countries. The intention of the country strategies is to improve the coordination of the different elements of Japan's ODA system (DAC, 1999), though one JICA specialist pointed out that these mainly focus on upstream activities (interview, 07/98), that is, on macro-economic and policy analysis.

All of these reform measures could lead to an improvement in the effectiveness of Japan's ODA. They do not instil sufficient optimism, however, to believe that poverty will become a central concern of Japan's aid practice. In this light, it is now possible to examine the lessons that the four interventions taken as case studies offer Japan's aid program and whether these lessons are likely to be incorporated into future aid practice.

#### **THE OECF LOAN TO THE GRAMEEN BANK: A NEW DIRECTION FOR YEN LOANS?**

The evaluation of the OECF loan to the Grameen Bank in Chapter Four found that it has been used in an efficient, effective and sustainable manner to enable poor rural households to empower themselves. Lending to institutions that directly target the poor thus offers a viable alternative to loans for the construction of physical infrastructure that may or may not bring indirect benefits to the poor. A shortcoming of JBIC's lending portfolio is that it has placed considerable faith in large-scale infrastructure schemes at the expense of institutional development and grassroots programs. A number of JBIC personnel have argued that other donors with greater local expertise should provide 'soft' forms of assistance to build the capacity of public institutions, that JICA is the implementation arm of Japan's ODA that should deal with grassroots programs and that JBIC should be left to provide funding for 'hard' forms of assistance in the shape of economic infrastructure (interviews, 08/98). However, the case study indicates that loan aid can be applied successfully in microcredit schemes targeting the poor and, in this light, JBIC should consider channelling more loans in this direction.

Should JBIC develop its own microcredit schemes or should it seek to support existing programs? To answer this question it is important to understand exactly why the Grameen Bank has been successful in delivering microcredit to the rural poor. The development activities of the Grameen Bank were not based on a blueprint strategy designed in a place far removed from the lives of poor people, but rather evolved by seeking a solution to poverty through daily interaction with the rural poor. Starting small permitted the organisation the necessary flexibility to respond to problems as they arose so that the final model of microcredit reflected the economic, social and political

circumstances from which it emerged. Yunus (1998a:142) stresses the importance of proceeding slowly, 'Go as slow as you can! The slower the better', being willing to learn, to challenge convention and to make adjustments. Aid organisations have traditionally preferred more blueprint-type approaches that allow them to spend budgets within a designated period of time. Because of human resource and budgeting constraints, it would be difficult for a donor agency to initiate a grass-roots development program following the trial and error approach taken by the Grameen Bank. As successful locally designed and managed microcredit schemes are already in place it thus makes more sense for Japan's aid agencies to support these existing organisations with a proven record in terms of impacts, sustainability and efficiency. Indeed, the OECF loan to the Grameen Bank has done exactly that.

In Bangladesh alone there are several opportunities that JBIC could take advantage of to deliver credit services directly to the poor. One would be to approach NGOs and government agencies directly. Another would be to channel assistance through the Palli Karma-Sahayak Foundation which directs donor funds to the microcredit programs of about 160 local NGOs, some government programs and co-operatives. Cited as a rare 'success story' of a state-run organisation (*Bangladesh Observer*, 30/07/99) the Palli Karma-Sahayak Foundation was founded in 1990 and has on its board of directors a mix of government representatives, academics and heads of the major NGOs. Another possibility would be to provide funding to the Grameen Trust, a sister organisation of the Grameen Bank, which channels finance from donor agencies to institutions implementing microcredit programs in Bangladesh and abroad. However, Grameen Trust only accepts grants from donor agencies as it is unable to guarantee the repayment of loans passed on to other microcredit programs. Hence, funding from Japan would have to come from MoFA and not JBIC. JBIC could, however, consider providing further finance to the Grameen Bank. Whether the Grameen Bank is interested in further funding from Japan is a question I directed at senior management. A general manager answered this question indirectly by describing the problem for the Grameen Bank of foreign currency. The Grameen Bank lends taka to its members and therefore gains no advantage in receiving foreign currency. Over the 30 year repayment period of the JBIC loan it is highly likely that the taka will lose value against the stronger yen making repayment more difficult. The general manager stated that if the Grameen Bank has any problems repaying the loan then the Bangladesh government may step in and 'interfere' with the operations of the bank (interview, 12/98). The response from the general manager indicates that the bank would only accept further loans from JBIC if it would strengthen its funding portfolio from a long-term perspective.

This discussion indicates that a number of channels already exist that could be used by JBIC to direct assistance to the poor. Although this is highly desirable, there are a number of reasons why it appears that these may not be utilised. I pointed out at the beginning of Chapter Four that JBIC requires a government guarantee on all loans which presents a major obstacle to the funding of more grassroots programs. Although the government of Bangladesh does provide micro-finance services to the rural poor through the Bangladesh Rural Development Board, the vast majority of such services are provided by NGOs. Hence, while those NGOs that have achieved a high degree of cost recovery of their micro-finance programs could utilise cheap loans provided by JBIC, they are barred from doing so by the need for the government to act as a guarantor. Further exacerbating this problem, as already noted JBIC's office in Dhaka is only staffed by two Japanese officials and a small number of local personnel. Although the office now employs an NGO adviser on a part time basis, it has neither the capacity nor the authority to accept and assess requests for assistance from local NGOs. The OECF loan to the Grameen Bank would, therefore, appear to present an exceptional case of loan assistance from Japan being extended with the specific intention of reaching the poor, rather than signalling a possible new direction for yen loans.<sup>1</sup>

#### **THE CONTRIBUTION OF JAPAN'S ODA TO SHAPLA NEER'S RURAL DEVELOPMENT PROGRAM AND SHAPLA NEER'S CONTRIBUTION TO JAPAN'S ODA**

The case study of Shapla Neer found that it too has used Japanese ODA effectively and efficiently in enabling the rural poor to work towards their self-reliance. Like the Grameen Bank's microcredit program, Shapla Neer's *samity* approach and individual programs have emerged from local contexts. They stand in contrast to those programs that represent an attempt to impose foreign ideas or practices. Having initially been copied from local NGOs Shapla Neer's programs have been further modified to accommodate lessons learnt during their implementation. Indeed, a willingness to adopt a trial and error approach and to be open to self criticism are strengths of Shapla Neer that serve as a solid foundation from which further refinement of its strategy and programs can take place. As with the Grameen Bank, the most important lesson that Shapla Neer offers Japan's agencies is that they should actively seek to engage with existing local institutions that have displayed a long-term commitment to development and have a proven track record.

<sup>1</sup> This argument needs to be qualified by the recognition that it is not possible to predict exactly how Japan's aid program will behave in the future. The Governor of JBIC, Yasuda Hiroshi, travelled to Bangladesh for the first time in January 2001 and included a visit to Grameen Bank member households as part of his tour of JBIC funded projects. Such exposure of a top ranking JBIC official to the successful use of JBIC loans by poor households could result in a more serious appraisal of the utility of two-step loans in supporting poverty alleviation programs.

In recent years there has been an increase in the amount of Japanese ODA that has been channelled to NGOs, both Japanese organisations and those based in developing countries. In the light of the case study of Shapla Neer this must be recognised as very positive. The grant aid for grassroots projects scheme has proved very popular amongst NGOs and MoFA has responded by increasing the amount of ODA channelled through it. The scheme grew from an initial program budget of ¥300 million in 1989, which funded 95 projects, to ¥5.7 billion in 1998 for over a thousand projects (MoFA, 1999a). The NGO project subsidy system has also proved popular with coverage expanding from 23 projects implemented by 15 NGOs in FY1989 to 185 projects implemented by 111 NGOs in FY1998 (ibid.).

It appears that Japan's aid administration has sought greater involvement from NGOs to improve the image of the aid program as well as to improve the quality of ODA. Shizawa, quoted in Beaudry-Somecynsky and Cook (1999), suggests that Japan initially followed the lead of other bilateral and multilateral donors in seeking collaboration with NGOs. More recently, MoFA has begun to view Japanese NGOs as playing an important role in garnering support for ODA amongst the public, an issue that has already been identified as a concern at the highest level of politics (MoFA, 1999b). An additional concern may be to elicit support from Japanese NGOs themselves. Some representatives of Japanese NGOs have been outspoken critics of Japan's ODA (Ito, 1993:125). However, the evolving nature of the NGO - ODA relationship provides strong evidence to suggest that Japan's aid agencies are also seeking to utilise the expertise of NGOs to improve the effectiveness of ODA.

While concerned to preserve their independent views, many Japanese NGOs have welcomed approaches by government (Renato, 1993:146). Their expanding number, local expertise but poor legal and financial position as well as lack of management capacity (as described in Chapter Three), and a desire of government to collaborate with NGOs, sets the scene for the contemporary relationship between Japanese NGOs and the ODA administration. MoFA likes to portray this relationship as mutually supportive. MoFA provides Japanese NGOs with services and resources to build their capacity,<sup>2</sup> while NGOs offer expertise that can improve the quality of ODA, as well as channels to direct ODA to the local level (MoFA, 1999a). Underlying this relationship has been an attempt by JICA and MoFA to establish regular dialogue with representatives of Japanese NGOs. Quarterly meetings are held by a joint NGO-MoFA Committee which was established in 1996. Although early exchanges focused on NGO financing, MoFA reports that the scope of discussion was widened to include issues related to aid policy and practice (MoFA, 1997:121).

Occasional meetings between MoFA, JICA and Japanese NGO representatives have also been held in response to crises such as the Kosovo refugees. Joint seminars and workshops are other examples of recent collaboration. JBIC has a less systematic structure for collaborating with NGOs but has appointed NGO staff to separate advisory committees on social development and environmental issues.

The attempts by Japan's aid administration to employ the expertise and experience of NGOs are welcome. Despite its tremendous financial backing, Japan's ODA administration in Bangladesh cannot claim the close to two decades of experience in village level development programs that Shapla Neer possesses. Officials stationed in the overseas offices of JICA and JBIC in Dhaka are in most instances not development specialists and their roles are primarily bureaucratic. Most commonly, experts who are dispatched to work directly on Japanese funded aid projects are chosen because of their field of speciality not because they are experts in local affairs. A negative consequence of this approach to aid delivery is that it is difficult for Japan's aid agencies to fully or correctly appraise projects/programs that require local expertise.

Shapla Neer has responded positively to the desire of the aid administration to engage with NGOs by participating in discussion forums and providing technical expertise. The OECF and JBIC have drawn upon the expertise of Shapla Neer on a number of occasions. In 1996, the OECF contracted Shapla Neer to undertake a baseline survey of the Grameen Bank, recognising that Shapla Neer possessed 'profound experience of development assistance in Bangladesh' (*OECF Newsletter*, June/July 1999:7). In the same year the OECF dispatched a team that included two Shapla Neer staff to evaluate the Grameen Bank's housing loan scheme. In another study the OECF contracted a member of Shapla Neer's management committee to undertake a survey at the project formulation stage of a sericulture project in Madhya Pradesh, India. This survey was supplementary to the main appraisal by OECF and was intended to ensure the poorest class was not excluded from participating in the project.<sup>3</sup> In 2000, JBIC asked Shapla Neer to participate in a SAPROF (Special Assistance for Project Formation) mission that had been requested by the Bangladesh government to assist the planning of a rural infrastructure project. Nagahata Makoto, Director of the Overseas Project Division, was dispatched by Shapla Neer to take part and after the two week mission he recommended to JBIC that 'local NGOs in the area should be involved in [the] rural infrastructure project from the very beginning as an equal partner' (pers. comm.,

<sup>2</sup> MoFA has taken a specific interest in building the capacity of Japanese NGOs. In FY1999, the government introduced a 'consultant framework' under which specialists are employed to provide consulting services to NGOs.

<sup>3</sup> According to Izumi Ono of the OECF, the project was being implemented in a way that 'reflects the findings of this survey in relation to training and participation by local people' (*OECF Newsletter*, June/July 1999:5).

Nagahata, 05/2000).<sup>4</sup> Nagahata believes he was able to have an impact on the mission noting that 'JBIC have taken my advice and decided to include an NGO component which consists of a training program to local government institutions in order to facilitate participatory decision processes for rural infrastructure development' (ibid.).

MoFA and JICA have also called upon Shapla Neer to provide technical assistance in Bangladesh. In 1997, a six member team including three JICA staff and three NGO representatives, one of whom was a senior member of Shapla Neer, evaluated three projects in Bangladesh. A summary of this evaluation reports that 'the evaluation findings emphasised the importance of information-sharing as a means of fostering more effective aid implementation, and underscored the value of having NGOs with long-term local experience and solid track records take part in project activities from the implementation stage' (MoFA, 2000). In 1999, JICA initiated a 'Project Formulation Mission' to Bangladesh to examine the possibility of collaboration with local NGOs. JICA sought the assistance of Shapla Neer in this mission which agreed to dispatch a senior staff member. As this represented one of the first times JICA had sought the assistance of an NGO in project formulation (pers. comm., Nagahata, 5/2000), Shapla Neer again played an important role in forging new points of contact between NGOs and Japan's aid administration.

While concerned to retain an independent voice (ibid.), Shapla Neer has been willing to form relationships with Japan's ODA administration with the intention of improving the quality of ODA. These relationships represent, in practice, successful examples of the ODA administration's policy to draw upon the expertise of Japanese and local NGOs. However, it must be recognised that these are largely changes on the periphery of Japan's ODA. They do not challenge the power of Japan's ministries nor the central role played by the private sector in aid implementation.

### **COULD LESSONS OFFERED BY MRDP BE INCORPORATED IN FUTURE AID PRACTICE?**

In contrast to the first two case studies, the analysis of the Model Rural Development Project found that it could not be judged as successful when examined using the empowerment framework developed in Chapter Two. Although the intervention did have certain merits, it only contributed marginally to a strengthening of the two central cooperatives in the project area, which was its primary objective. Even if the project was able to significantly contribute to the financial and managerial base of the two cooperatives, it is now widely recognised that poorer farmers have had

<sup>4</sup> The fluency in the vernacular of the former and present resident Japanese staff in the Shapla Neer Dhaka office adds to

little say in the managing of rural cooperatives under the two-tier system and have benefited less than farmers with medium and large-sized landholdings. While the Japanese volunteers dispatched to the project did initiate several schemes targeting landless households, these were piecemeal and their sustainability was in doubt.

In this light, two interrelated questions arise: firstly, will Japan's aid administration reach a similar conclusion regarding the project and, secondly, in the light of the reform process will Japan's aid agencies continue to support such projects in the future? Recent evidence suggests that the official evaluation of the project to be undertaken on or after its completion will find more favourably than the assessment in this thesis. That members of the Japanese public have visited the project under the new ODA citizen monitoring program indicates that the local JICA office and the Japanese Embassy view the project in a favourable light. The Model Rural Development Project is seen as progressive because of the manner in which it combines soft with hard forms of assistance. It could be predicted that the final evaluation report may point to some shortcomings related to continuing problems in the central cooperatives, but that the project will not be scrutinised from a poverty perspective as it was never classified as a 'poverty project'. Hence, the failure of the Model Rural Development Project to contribute to welfare of poor households using resources in a sustainable, efficient and effective manner is unlikely to receive attention. Although the fact that the project was defined as a model project suggests that it should be replicated, project staff never seriously considered the replicability of such a costly project and there is little reason to believe the final evaluation will either. It is highly likely, however, that the implementing institution, the Bangladesh Rural Development Board, will continue to understate the shortcomings of the project. An evaluation report of the project by the Bangladesh government submitted in 1998 painted a very favourable image of its impacts (RDS, 1998). It appears that the evaluation team had a vested interest in presenting such an image as it included the project director, a permanent staff member of the Bangladesh Rural Development Board. Given that this institution must source about 70 per cent of the funding for development projects from overseas donors (BRDB, 1997b:145), it is not surprising that the first recommendation of the report was that further funding should be sourced from Japan for an extension of the project (RDS, 1998:24).

It is more difficult to answer the second question of whether the reform process that is presently under way will enable JICA to take on the important lessons this project has to offer. Even if the final evaluation presents the project as successful, because of the evolving nature of Japan's ODA this does not mean that projects attempting to strengthen central cooperative associations will be

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the potential of the organisation to play such a role in linking local NGOs with Japan's aid program

funded in the future. Project staff expressed frustration with the lack of desire of the central cooperative associations to achieve self-reliance and the lack of initiative shown by the Bangladesh Rural Development Board in promoting such self-reliance. This could deter further funding of the two-tier system but only if the experience of the project staff is collated and acted upon. The responsibility here lies with the newly formed regional departments of JICA. Whether they will develop systems to make use of lessons learnt during project implementation and whether they can influence the powerful ministries behind the aid program is yet to be seen.

If Japan's aid agencies wish to continue channelling assistance through the Bangladesh Rural Development Board they could consider supporting a variant of the central cooperative associations that include only landless members. To overcome the monopolisation of power by better-off farmers in the managing committees of the central cooperatives, the Canadian International Development Agency funded a project known as RD-12 that established separate federations for landless cooperatives in 139 *thanas*. Although it appears these Thana Bittahin (landless) Central Cooperative Associations have not been successful in achieving independence from the Bangladesh Rural Development Board, they are more likely to deliver greater services to the landless (BRDB, 1997a). In the last decade and a half, foreign donors have chosen to assist in designing and funding this and other 'rural poor programs' of the Board, rather than the two-tier cooperative system. Evaluated highly in terms of targeting and economic impact at household level (Khandker and Chowdhury, 1996) these programs suggests an alternative approach that could be supported with ODA from Japan.

#### **COULD PARTICIPATORY COMMUNITY DEVELOPMENT APPROACHES BECOME A FEATURE OF JAPAN'S ODA?**

My overall assessment of TSEP-RLI was more favourable even though it also lacked a poverty focus. The facilitation workshops at the heart of TSEP-RLI's community development model were well received by participants and facilitators alike. The workshops appear to have been fairly successful in bringing *barangay* members together to identify their needs, develop a common vision and to work towards realising this vision. In the short period that the pilot projects had been under way they too showed promise, reflecting the advantages of using local, low maintenance technology, and supporting projects attuned to local needs.

For JICA, TSEP-RLI represented a new, untested approach to aid delivery. Founded on a bottom-up, participatory approach to community development, TSEP-RLI stood in stark contrast to the usual top-down, technology transfer paradigm that JICA operates within. Under TSEP-RLI



Japanese experts were dispatched as is common in technology transfer projects but the technology used in the pilot projects was sourced from within the Philippines, not from Japan. TSEP-RLI was a bottom-up approach in-so-far as the pilot schemes were, for the most part, not decided upon at the beginning of TSEP-RLI. Instead, they were selected on the basis of local needs which were themselves identified once the project was under way. Compared with top-down, blueprint approaches TSEP-RLI was a far more unpredictable approach to rural development, yet one which was arguably in far closer touch with the aspirations of local people. Because of the merits of TSEP-RLI it is highly desirable that participatory community development approaches become more central to Japan's aid practice. Whether this is likely needs to be understood in terms of the reform process and politics of Japan's ODA.

Despite the strengths of TSEP-RLI, there are a number of obstacles that could keep participatory approaches on the margins of the aid program. Firstly, the concept of participation, like that of poverty, cannot be claimed by any of the ministries with a stake in the aid program as their particular jurisdiction. Therefore, there appears to be little political support from the ministries for participatory projects. Secondly, as noted earlier, the concept of participation may be very difficult to understand for Japanese experts who have been primarily involved in technology transfer. This is especially the case when uncertainty is embraced as part of participation because the blueprint paradigm that Japan's experts are familiar with seeks to control a predictable process, rather than facilitate an unpredictable one. A third obstacle stems from the fact that the ODA program is heavily tied up with Japan's national economic interests. These are best served by certain types of projects and not others. The kind of project that develops or extracts natural resources in Third World countries for export to Japan usually involves the construction of plant and physical infrastructure. Japanese contractors too stand to gain most by winning tenders for the construction of physical infrastructure. Consequently, Japan's consultancy industry, the foundations of which were built on ODA contracts, has mostly technical expertise related to infrastructure and only recently has begun to employ specialists from the social sciences. It is clear, therefore, that community development and target group approaches cannot contribute to the realisation of Japan's national economic interests as successfully as infrastructure projects, nor has Japan's conventional aid practice fostered the necessary expertise to implement such projects. When local technology, systems and resources are used, as in TSEP-RLI, Shapla Neer and Grameen Bank programs, there is less opportunity to tie aid to procurement from Japan, nor can these programs contribute directly to Japan's resource security. Furthermore, when Japan's aid agencies are directly involved in designing such projects, as in the case of TSEP-RLI, they require a large number of staff with local expertise which neither Japan's aid administration nor consultancy firms have. For these reasons, participatory community development approaches, like target group

approaches to poverty alleviation, will not supplant the construction of economic infrastructure as the central component of Japan's aid practice.

## **CONCLUSION**

The contemporary politics of Japan's ODA must be understood in terms of the traditional structures that have shaped Japan's aid practice as well as the forces promoting reform. Chapter Three explained these traditional structures using a political economy framework. In the present chapter I have investigated whether these structures have been challenged by the much talked about reform process that was initiated by the Hashimoto government in 1996. The conclusion drawn from this analysis is that most of the reform measures set in place either have only a minor impact on the central mechanism of Japanese ODA or are peripheral to this mechanism. The introduction of social surveys into project feasibility studies by JICA would be an example of the first type of reform. In this instance, an improvement in aid practice could be expected but it must be recognised that the political process behind project selection remains both unchallenged and the most significant obstacle to an improvement in the effectiveness of aid. An increase in the funding of grassroots initiatives would be an example of the second type of reform. This must be welcomed because of the failure of trickle-down economic approaches to challenge the asymmetrical power relations identified in Chapter Two as playing an important part in the reproduction of poverty. However, the funding of grassroots interventions is insignificant compared with the funding of economic infrastructure and in this respect remains marginalised in Japan's aid practice.

On the stage in which ODA is contested and shaped, poverty does not have strong support from the major actors. No institution can claim poverty as its own and projects that directly address poverty do not coincide well with Japan's economic interests. Although the case studies offer important lessons as to how the effectiveness of Japan's ODA can be improved, these lessons may be unattractive to those institutions that have claimed for themselves separate spheres of influence in the aid program.

The discussion now moves on to the concluding chapter which attempts to bring together the arguments presented on poverty and development, poverty in relation to the politics of Japanese aid, the impact of that aid on poverty and the future direction of Japan's aid program in relation to poverty.

## CHAPTER NINE

### **CONCLUDING ARGUMENT**

#### **INTRODUCTION**

The journey of inquiry that I mapped out in the introductory chapter of this thesis has ventured over a diverse terrain of subject matter. The concluding chapter begins with a brief review of this journey before drawing out two major arguments regarding how the effectiveness of Japan's ODA might be improved.

In Chapter One I described the backdrop to the research program as widespread poverty in the Third World and the impact of ODA as, at best, mixed. Based on these observations I have taken the position that aid resources must be used to their fullest potential to promote the reduction of poverty. To achieve this goal, aid evaluation needs to be given high priority. The history of development is replete with projects/programs that failed to achieve the objectives set for them. Evaluation provides a means to avoid repeating the failures of the past and to build upon successes for more effective aid.

With the understanding that an unbiased portrayal of aid from bilateral donors cannot be expected because of their need to promote a positive image of themselves, I have argued that independent assessment is required to correctly gauge and interpret the impact of aid. The research program focused on Japan's aid program because of its immense size and because its impacts have not been assessed in a systematic manner by outside observers. Independent analysts had focused on aid policy and administration at the expense of impact. A clear need for independent assessment was identified from interviews with Japanese aid personnel and reviews of evaluation reports, which revealed that reporting on evaluation findings was undertaken in a very selective manner.

A case study approach was adopted to better understand the impact of Japan's ODA. Four interventions were selected for evaluation that offered interesting contrasts in terms of aid type, nature of the intervention and the type of implementing institution. The evaluations themselves were directed by a framework that sought to bring together the concept of empowerment with the

issues of efficiency and sustainability. A general framework for evaluation such as this can best be applied with a detailed understanding of specific forces that create and reproduce poverty in the locality in which the intervention to be assessed is set. Therefore, after devising a framework for evaluation the research project investigated the peculiar nature of rural poverty in the two countries, Bangladesh and the Philippines, in which the four interventions were located.

The interventions selected for analysis were partly chosen on the basis that they had not been formulated through the collusion of Japan's private and public sectors, a structure that has traditionally influenced much of Japan's aid practice. An examination of these interventions served as a platform for investigating the issue of aid reform and whether a substantial improvement in aid practice could be expected. The question of reform could not be addressed without an understanding of the political economy of Japan's ODA. Nor, for that matter, could the interventions be correctly interpreted without an understanding of the broader forces and structures that shape Japan's ODA. The challenge set for the research project was to gain not only insight into the impact of Japan's aid, but to consider whether it could be reformed to give greater weight to the needs of the poor. Therefore, an attempt had to be made to marry the study of political economy with that of impacts.

### **WHAT IS THE IMPACT OF JAPAN'S ODA?**

Efforts continue to be made to generalise about the impact of aid. This is an attractive project because it would provide a direct answer to the often asked question of whether aid should be increased, decreased or halted altogether. However, as the case studies have shown, impacts clearly differ according to the nature of the project and the circumstances in which it is set. Therefore, I have made no attempt to answer the research question, *what is the impact of Japan's ODA?*, in an unequivocal manner. Rather, I have sought to evaluate each intervention on the basis of its own individual merits. This does not mean that the conclusions drawn from each evaluation are entirely limited to the intervention under study. Some degree of generalisation is possible. For example, the understanding gained of the Grameen Bank's microcredit program may assist in understanding similar programs run by other development organisations. However, such generalisation is limited by the degree to which the characteristics of different interventions and the circumstances in which they are set are similar.

The answer to the question, *what is the impact of Japan's ODA?*, will depend on the questions that are asked during evaluation. Evaluation is always a subjective exercise in which impacts are identified and weighed according to the evaluator's values or world view (Hoksbergen, 1986). To

construct a framework for evaluation I started from the premise that all human beings have fundamental universal rights. When these and other culturally specific rights are realised, poverty ceases to exist. This assertion makes possible the construction of a general evaluation framework which can be used to guide the questions set for individual evaluations. I used the concept of empowerment to build this framework as it directs attention towards the concerns of poor households/individuals. Moreover, empowerment matches the manner in which poor people often describe their life circumstances and it correctly recognises that the roots of poverty are multi-dimensional.

To summarise the evaluation findings very briefly, Japan's ODA can only be said to have had a significant positive impact on the poor in the first two case studies. The Grameen Bank was found to have used Japanese ODA successfully to provide financial services and institutional support for a large number of the rural poor, and poor women in particular. Many bank members had successfully expanded their sources of livelihood, displayed an increased sense of self worth and had gained a degree of political independence by breaking free from patron-client ties and by becoming active voters in local and national elections. However, the evaluation found that Grameen's ability to engage in poverty reduction was limited by its desire for financial sustainability. This had resulted in a fairly rigid microcredit program and barred the bank from undertaking worthwhile programs that did not produce a financial return.

Japan's ODA to Shapla Neer was also deemed to have been used successfully to create opportunities and build the capacity of the rural poor. In contrast to the Grameen Bank, Shapla Neer was not as successful in reaching its target group and the financial services it offered were not as well developed. However, Shapla Neer engaged in consciousness raising and sought to enhance the life skills of members through a variety of programs that, on the basis of available evidence, were judged as appropriate to the needs of its members. Both Shapla Neer and the Grameen Bank scored highly when assessed in terms of efficiency and sustainability. The two organisations have displayed a long-term commitment to the rural poor, have endeavoured to ensure their own financial viability and have created systems to use available resources in a cost-effective manner.

In contrast, the assessment of the Model Rural Development Project was far less favourable for two broad reasons. Firstly, very little effort had been made to disengage the institutions which the project sought to work through and strengthen from local power structures. The central cooperative associations were able to provide a variety of services to their members but these were skewed towards those who were better-off. Moreover, these services required heavy subsidisation and the

cooperatives had shown little initiative in securing their financial and administrative independence. Secondly, the cost of the project was higher than necessary because of the use of Japanese volunteers instead of local extension agents and because of the tying of grant aid to procurement from Japan. Japanese volunteers were found to be strongly motivated and hardworking. Unfortunately, however, they appeared to be treated by the Bangladesh Rural Development Board as a mere appendage to the project.

The Training Services Enhancement Project was also unlikely to bring significant benefits to the rural poor. No attempt was made to mobilise the most impoverished households/individuals or to discern their needs. Out of five project *barangays*, only Tangaran appeared to include a significant number of poor households. Furthermore, the costs of TSEP-RLI were clearly over-inflated due to the dispatch of a large number of Japanese experts when local consultants could have been employed at a much lower cost. With modification, however, the community development model that was trialed would appear to have considerable potential as a tool for sustainable poverty reduction. *Barangay* members were successfully mobilised to identify their shared concerns and plan on the basis of these. For JICA, this represented a new and unpredictable approach to development that fell outside its familiar blueprint model. Yet, evidence of the strengths of this approach could be seen in the enthusiastic response of *barangay* members to the facilitation workshops and their ongoing support of the pilot projects that were initiated.

In reviewing the four separate case studies, it is evident that the impact of Japan's ODA differs according to the nature of the intervention, the implementing institution and the economic, social and political circumstances in which it is set. Each of the interventions studied offer Japan's aid administration specific lessons as to how the effectiveness of ODA can be improved. Having already described some of these in the previous chapter, I wish to briefly outline two important lessons shared by the case studies.

### **THE BENEFITS OF EMPLOYING LOCAL KNOWLEDGE AND LOCAL TECHNOLOGY**

The delivery of ODA by Japan's aid agencies can very roughly be divided into two types. ODA can either be used to fund a new intervention using technology from Japan or it can be employed to support an existing program based on local technology. Behind the first strategy lies an assumption that the aid receiving country has failed to 'develop', not just because of a lack of financial resources, but also because of a lack of expertise and technology. The donor, by the very fact that it is 'developed' has these capabilities. The technology/new project paradigm that informs much of Japan's aid practice is based on this premise.

Several explanations can be posited for why technology transfer has such a central place in the aid program. Firstly, during the Meiji Restoration and the early decades after World War Two, Japan sought to modernise its economy by duplicating and improving on foreign technology. Because this strategy proved to be immensely successful, a strong belief has emerged that Third World countries can also modernise by adopting advanced technologies. Secondly, Japan has a comparative advantage in the production of highly-value added goods. The expertise it possesses is derived from this production; hence it is well positioned to offer advanced technology through its aid program. As has been already noted, Japan's experience in other areas such as social welfare is much more shallow and this partly explains the focus on 'hard', at the expense of 'soft', aid. Thirdly, as technology transfer is often associated with new projects, Japan itself stands to benefit or can at least reduce the economic sacrifice of ODA. When new projects involve the construction of facilities or infrastructure, informal means can be used to raise the likelihood of Japanese firms succeeding in the tendering process. In the case of 'project-type technical cooperation', technology transfer is accompanied by the provision of goods and their procurement can be tied to Japanese suppliers. In addition, Japanese nationals can be dispatched throughout the project cycle and money spent on their travel, accommodation and salaries recorded as ODA.

The second approach to aid delivery is far less common and offers a vivid contrast. When an existing program founded on local technology, expertise and systems is funded, there is much less need for involvement from Japan's aid agencies. The agency will play no role in program design, there is no need to develop a lengthy master plan, nor to dispatch a large number of experts to oversee implementation. Such programs offer little to Japan's private sector and because the technology and systems involved are foreign, they may be difficult for the aid administration to appreciate.

When the four interventions taken as case studies are examined using the distinctions of local and foreign technology, and new and existing programs, it becomes quite apparent that they are very atypical of Japanese aid. Most of the funding provided was to support existing programs that had been developed locally. The OECF loan to the Grameen Bank was used to fund an existing microcredit program created in Bangladesh. Shapla Neer's rural development programs centred on the *samity* mechanism which is a facet of traditional social organisation in Bangladesh villages. Phase Two of the Model Rural Development Project targeted the two-tier cooperative system which had evolved from experiments in Bangladesh dating back to the 1960s. Under TSEP-RLI, the Basic Integrated Theatre Arts Workshop technique developed by a local NGO, the Philippines Educational Theatre Association, was used to guide facilitation workshops.



My evaluation of these four interventions suggests that local knowledge, technology and systems may sometimes offer more cost-effective alternatives to Japan's more common forms of assistance. I am not suggesting that Japan should consider redirecting all of its ODA to such programs, but that a periodic survey of existing development alternatives is highly desirable. Certainly, there are existing government and NGO programs that have shortcomings and should not be funded. In Chapter Six, for example, I questioned the merit of Japan funding the two-tier cooperative system in Bangladesh with ODA. The other case studies have shown, however, that Japan's ODA does not have to take the form of technology transfer and new interventions to be effective in delivering services and institutional support to the poor.

In Chapter Four, I noted that the Grameen Bank had employed a trial and error approach to develop a microcredit program attuned to the specific needs of the rural poor in Bangladesh. This program evolved in a fashion that would be very difficult, if not impossible, for official aid agencies, with regimented budgeting and implementation systems, to replicate. To establish a system of microcredit, the bank's architects did not look to the First World for solutions. Instead, they found these by working closely with the rural poor over a long period of time. In this manner the Grameen Bank was able to construct a finely tuned microcredit program which provided an alternative avenue to poverty reduction that Japan's OECF could venture down with a degree of confidence.

The Japanese NGO Shapla Neer offers a similar lesson. The Japanese founders of the organisation did not look to Japan for solutions to poverty in Bangladesh. Instead, they reviewed the programs developed by local NGOs and sought to build upon those which they deemed to be most successful. At the heart of its programs, Shapla Neer's *samity* strategy employed a local mechanism that was familiar to villagers. The use of popular theatre was also successful in awareness raising, providing another example of how the organisation has drawn upon local practices.

The highlights of TSEP-RLI are likewise associated with local rather than imported technology. The Basic Integrated Theatre Arts Workshop technique was developed in the Philippines and therefore strongly reflected what might be termed its national character. The visualisation and dramatisation exercises were successful in capturing the attention of, and invoking response from, workshop participants. When examining the individual pilot projects, those that featured most were based on local technology. Food Always In The Garden (FAITH), Sloping Agricultural Land

Technology (SALT), community managed piped-water systems and community marine sanctuaries are all systems developed in the Philippines.

All of the case studies show that the form Japanese aid takes when employing local technology can be dramatically different from the large-scale infrastructure and modern facilities that it is more commonly associated with. The pilot projects under TSEP-RLI stand in strong relief when juxtaposed alongside Japan's familiar aid interventions. The construction of the marine sanctuary in Tangaran, for example, required little more than a quantity of used tyres and bamboo poles. Yet, it was these basic inputs that were deemed to be most appropriate and most easily maintained by the *barangay*. First loans of the Grameen Bank of approximately US\$100 may appear insignificant to those accustomed to Japanese ODA loans exceeding US\$100 million. Experience of the bank has shown, however, that for first time borrowers US\$100 is an appropriate amount.

The case studies indicate that there is a clear need for Japan's aid agencies to examine more closely existing programs that have been developed locally in Third World countries. This call for a valuing of local expertise and knowledge is in no way new. However, it is a call that needs to be addressed to Japan's aid agencies that are still largely operating from within a technology transfer/new project mentality.

### **THE VALUE OF BOTTOM-UP STRATEGIES**

The second shared lesson the case studies have to offer is closely related to the first. As noted in Chapter Eight, the DAC has expressed concern that Japan's aid agencies have made little effort to distinguish between trickle-down strategies and bottom-up approaches in statements on how poverty will be tackled. Clearly, Japan's assistance remains focused on the construction of physical infrastructure and is justified by trickle-down arguments. In the case of certain service provision schemes, such as the construction of a water treatment plant for domestic supply, the poor are expected to benefit directly with the rest of the local population. In most instances, however, the poor are primarily expected to benefit indirectly in a trickle-down fashion through the creation of additional employment that results from a more buoyant economy. In Chapters Three and Eight I have argued that this focus on infrastructure is largely a consequence of the interplay of domestic actors seeking to advance their interests through the aid program, though it is supported by a particular understanding of the reasons for Japan's own economic achievements. A question that must be addressed regarding impact is whether the development of infrastructure represents the most effective use of Japan's ODA.

When analysing aid evaluation in relation to trickle-down strategies and bottom-up or target group approaches a clear disjuncture can be found. In the case of target-group approaches immediate outcomes affect the poor; hence it may not be so difficult to gauge the impact of the intervention from an empowerment perspective. For trickle-down strategies, however, it may be extremely difficult to relate immediate outcomes to developmental impacts at the level of poor households or individuals. This is not to say that there will not be beneficial impacts, but that it can be very difficult to isolate changes in household welfare that are related to the project being examined. This disjuncture between the immediate outcomes of infrastructure projects and their developmental impacts results in considerable vagueness regarding the relationship between infrastructure interventions and empowerment. Consequently, Japan's aid administration can continue its focus on infrastructure development and in doing so claim to be engaged in poverty reduction, without producing conclusive evidence that there is a link between the two.

Japan's aid agencies have based their argument that infrastructure development is essential for poverty reduction on three claims. Firstly, Japan's rapid economic growth resulted from heavy public investment in infrastructure. Secondly, investment of Japanese ODA in infrastructure helped lay the foundations for the rapid growth of the Asian tiger economies. Thirdly, projects are usually funded on the basis that they have high expected rates of economic return. Even if these claims are accepted, and placing the difficulty of correlating investment in infrastructure with poverty reduction aside, the prospects for the poorest countries are not so bright. As pointed out in Chapter One, many have not been able to attract foreign direct investment, despite investment in economic infrastructure. Taking Bangladesh as an example, by 1997 only 76,000 jobs had been created in the two largest export processing zones (*The Independent*, 8/01/99), yet approximately 1.3 million people are estimated to enter the labour force each year (UNDP, 1997:59). Moreover, foreign direct investment in the six export processing zones dropped to US\$24 million in December 2000, down from US\$71 million dollar in FY1998 (*The Independent*, 7/05/01), serving to further dampen the country's prospects.

A defence that might be presented to account for the failure of infrastructure development to accelerate economic growth in the poorest countries is that there simply has not been enough of it. A point that is sometimes made by defenders of foreign aid is that ODA is very limited and by itself cannot be expected to bring about a significant upturn in the economies of aid receiving countries. However, this argument is overly simplistic and fails to give due weight to other factors constraining a country's development. The discussion of the causes of poverty in Bangladesh and the Philippines presented in Chapter Two highlighted the significance of unequal power relations at local, national and international levels that continually reproduce extreme inequalities in the

distribution of wealth. Of course, because ODA is usually channelled through government agencies in recipient countries it is difficult for donors to directly tackle power relationships and structures. Governments of Third World countries are unlikely to accept foreign aid that could undermine their power bases. Moreover, from the perspective of aid donors, foreign aid is an important diplomatic tool. They are therefore unlikely to propose interventions that might upset Third World governments. Is it then asking the impossible of donors to use ODA to support the socio-economic and political empowerment of the poor? The case studies undertaken in this thesis suggest that this is not so. In Third World countries many alternative approaches to development exist that seek to empower the poor without incurring the wrath of power holders. The Grameen Bank and Shapla Neer support subtle rather than confrontational approaches to development, yet both have been successful in building the self-reliance of the rural poor.

Growing recognition by donors of the significance of power structures to development has seen an increased in aid to NGOs in recent years, especially in countries in which governments are perceived to be authoritarian or corrupt. Japan's aid administration has also increased funding to NGOs. Concerns have been expressed, however, that too much funding of NGOs could lead to the creation of a 'franchise state' (Wood, 1994:541). Here the state is seen as failing to meet its responsibility of service provision, leaving NGOs to fulfil this role. Wood (1994:541) asks whether governments will lose effective control over policy (on the basis that practice is policy) and therefore will no longer be in a position to uphold the rights of citizens. To recommend a massive increase in funding to NGOs may be unwise, and certainly something that would not be supported by recipient governments. Nevertheless, the positive appraisal of the Grameen Bank and Shapla Neer suggests that some increase in the funding of NGO programs is desirable.

The main recommendation I wish to make here is that Japan should consider funding more bottom-up development initiatives, either through government agencies or NGOs. Although government agencies are unlikely to directly advocate political empowerment of the poor, programs to build greater economic self-reliance could result in a more independent political voice for participants. Even bottom-up approaches that do not directly seek to engage program participants in political action have a number of advantages over the infrastructure development favoured by Japan that deserve recognition.

Firstly, infrastructure projects may ultimately bring economic benefits but they do not build institutions, formal or informal, that poor households can draw upon for support. As observed in Bangladesh and the Philippines, the significance of support networks lies in the fact that poverty and vulnerability are intertwined. The examination of Grameen Bank 'centres' and Shapla Neer

*samities* showed that they were highly valued by many members because of the personal networks which they had been able to build. Secondly, investment in infrastructure may result in employment creation, but what of the conditions of work or the environmental degradation associated with industrialisation? Most Third World countries share similar broad economic strategies which seek to entice foreign investment and boost the export sector. In the competition for foreign investment governments have proven reluctant to enforce labour laws and environmental standards that would increase production costs. Many concrete examples show this has led to an increase in air and water pollution well beyond levels deemed safe, as well as a deterioration in working conditions to a level often described as sweatshop (OECD, 2001).

In contrast, through self employment the Grameen Bank and Shapla Neer have enabled many of their members to enhance their sources of livelihood without environmental degradation or damage to their long-term health. Although the evidence is not as conclusive, it appears that the marine sanctuary and sloping agricultural technology promoted under TSEP-RLI will help build livelihoods while retaining a strong environmental dimension. Projects that generate employment do not have to impact negatively on the environment. Here I am not trying to present self-employment as a superior form of work to wage labour: self-employment undoubtedly suffers from weak economies of scale. However, the case studies reveal self-employment through localised projects as a viable alternative to trickle-down strategies that deserves greater consideration than mainstream economic models, and Japan's aid program, allow.

A third point is that the construction of major public works schemes does not alter unequal gender relations that are often a feature of poverty in the Third World. A JBIC officer admitted as much when she explained that it was difficult for the organisation to incorporate a gender perspective into its activities because these were so heavily focused on infrastructure (interview, 07/98)). In contrast, approaches that support the formation of women's groups have achieved a degree of success in enabling them to improve their positions in their households. Greater control over assets and influence in decision making was stressed in the case studies. Additional evidence could be seen in the confidence displayed by female Grameen Bank members. The bank's centres and Shapla Neer's *samities* are not just a mechanism for delivering financial services: they provide women with a social space in which to discuss issues of concern to them and plan on the basis of this. What may be a significant outcome of such mobilisation strategies in Bangladesh is the high proportion of women voting at election time and the increasing number of women putting themselves forwards as candidates for local level elections.

Fourthly, significant second round benefits were also observed in the case studies including improved nutrition and school enrolment rates for both girls and boys as well as an increase in family planning. Improvements in these areas are not just a flow on consequence of greater disposable household income. Grassroots organisations are able to provide motivation and consciousness raising that encourage poor households to consider how they might achieve a better quality of life, rather than resigning themselves to a belief that poverty is their fate.

The argument that I am seeking to make is not that Japan should cease using foreign aid to fund the development of physical infrastructure, nor that this infrastructure has no role to play in fostering economic development. Rather, the case studies reveal that grassroots programs present an alternative and viable route to poverty reduction the Japan's aid administration should pay greater attention to.

## **CONCLUSION**

The approach adopted in this research project to understand the nature of Japan's ODA and its impacts has primarily been inductive. It has allowed for unique aspects of Japan's history, domestic politics and culture that have shaped the aid program to be acknowledged. The image that has emerged of the workings of Japan's ODA is complex.

Various forces and structures combine to shape Japan's aid practice. Japan's aid agencies can be seen as lying at a juncture between domestic players seeking to promote their individual agendas and foreign actors seeking reform of Japan's ODA. The administrative organs of the aid program should not be seen as mere sponges that only react to outside pressure, however. A process of reform in aid policy and practice, at least part of which has stemmed from a desire of aid personnel to improve the effectiveness of ODA, can be traced back several decades. More recently, Japan's ongoing economic downturn has provided propulsion to the reform process.

The case studies reflected this reform in that they were of interventions formulated outside the trickle-down, blueprint model more commonly associated with Japan's ODA. Three of these case studies presented strong evidence of successful alternate avenues to poverty reduction. However, for alternative approaches to move beyond the periphery of Japan's ODA requires much deeper structural reform of the broader workings of the aid program. Japan's aid program is still an arena in which contesting domestic interests that have little to do with the development concerns of Third World countries are negotiated and played out. The challenge for Japan's ODA remains how poverty can emerge from the periphery of this contest to take a central position in decision-making

processes. The continuing impoverishment of much of the Third World renders this a pressing issue.



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