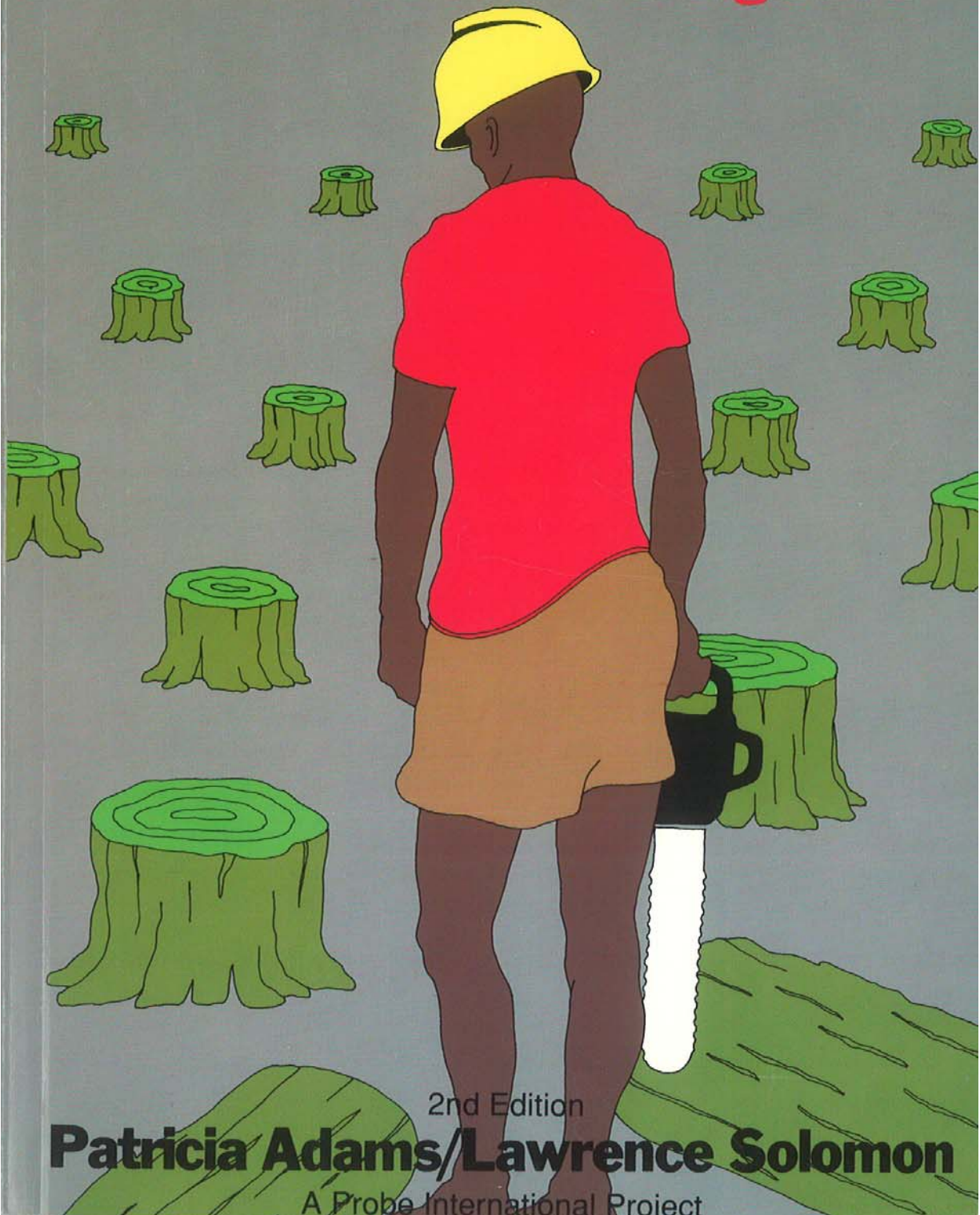


IN THE NAME OF PROGRESS

The Underside of Foreign Aid



2nd Edition

Patricia Adams/Lawrence Solomon

A Probe International Project

EVERYONE HAS HEARD of the failures of foreign aid — machinery rusting in the field, corrupt Third World leaders lining their pockets, food relief coming too late because of bureaucratic snafus.

But a chilling, almost unbelievable story remains untold, one which shows an underside to foreign aid that is far more damning than the long and sorry list of failed but well intentioned attempts to relieve human suffering.

Not only can foreign aid dismally fail to help, all too often it becomes an instrument of harm that plunders the environment, increases human suffering, and even violates the human rights of those whom we, here at home, think we are helping.

At first glance, the villains in this piece are the huge energy projects, especially the hydro dams, that flood thousands of people off their land to uncertain and usually unhappy fates, in the process robbing them of their livelihood, destroying their culture, and trampling on their religious rights.

But the perpetrators are not the individuals that okay these devastating projects but the process that permits these atrocities to occur — a process that is tainted at every step of the way, from the role of our own governments to that of the governments in the Third World.

In clear, uncompromising language, *In The Name Of Progress* spells out the damage that our foreign aid has wrought, explains where the process went wrong, and then prescribes the remedies needed to prevent foreign aid from doing more of the same in future.

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IN THE NAME OF PROGRESS

The Underside of Foreign Aid

Patricia Adams and Lawrence Solomon

A Probe International Project

2ND EDITION
1991

Energy Probe Research Foundation
Toronto, Canada

This book is dedicated to
Joan, and to Mary

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Contents

Foreword	viii
Foreword to the 1991 Edition	2
Preface: <i>The Myth Makers</i>	10
Introduction: <i>In the Name of Progress</i>	16
Part I: <i>Dispossessing the Disenfranchised: The Foreign Aid Myths</i>	
1. Foreign aid is humanitarian and does not violate human rights	27
2. Eventually, the billions we're spending on our energy aid will pay off for the Third World's poor	37
3. Whatever else happens, developing renewable resources, such as hydroelectricity, means that our gift will last forever	45
4. We can kill two birds with one stone by giving the Third World our products, boosting our own economy and helping the needy abroad	50
Part II: <i>The Dispossession Rationalized: Myths About Population and Resources</i>	
5. The Third World, with its billions of people, is straining the world's resources	61
6. No wonder they're running out of food and fuel. Until they control their population it's a losing battle	68
7. The tragedy of deforestation is the tragedy of the commons	76
8. The Third World can't afford to worry about protecting its environment when it has more important things to worry about – like feeding its billions	83
9. Floods are an act of God	91
10. Development experts have learned a lot from the mistakes they have made in the past	96
Part III: <i>Technological Fixes: Myths About What the Third World Needs</i>	
11. We need to switch to nuclear power to save the world's scarce resources for the Third World	111
12. The Third World needs nuclear power because it can't afford oil	116

13.	Rural electrification will transform the depressed and stagnant rural areas of the Third World into healthy economic centers; it will increase agricultural output, promote rural industries, create rural employment, lower birth rates, and improve the quality of rural life	122
14.	We should export our solar technology to the Third World	129
15.	The Third World should skip the oil era and get directly onto renewable energy	135
16.	Third World people don't know what is in their own self-interest. Look at the way they squander woodfuel, for example	139
Conclusions: <i>Toward Empowerment</i>		
17.	These Are No Myths	151
Acknowledgements		167
Notes		168
Appendix: <i>Citizens' Groups and Other Sources</i>		215
<i>National and International Organizations</i>		219
Index		223
About Probe International		232

IN THE NAME OF PROGRESS

Foreword

“Unto the Third and Fourth Generation”

THIS BOOK IS AUTHORED by courageous spirits. It challenges commonly held myths about energy and progress in today's world. It poses questions about collective presuppositions and assumptions we hold about foreign aid, popula-

tion, resources, and the needs of the Third World. It slaughters sacred cows. It punctures inflated myths. It proposes alternate ways for the future. But more importantly, it raises the question of what it means to be fully human in a technological, industrial age.

I found one of the exciting assumptions underpinning the book to be the understanding that ecology and care of the earth and its resources is a collective human right. That collective human right to a future, which is as old as the Bible's *unto the third and fourth generation*, is as fundamental and basic as the personal and individual rights also enshrined in the *International Bill of Human Rights*.

What we need to recover is a bold renewed vision of the calling of humans to be partners to each other, and gardeners of the earth. Nothing short of the partner/gardener combination will do. Both require the basic orientation of humankind to be that of caring, a quality which requires a continuous relation to the future. To the extent that we care responsibly for each other, and for the earth and its resources, we are fully human.

To think in these terms is to plummet us into the center of the spiritual struggle of the 20th century — the struggle to find a future where we do not abdicate responsibility, command pretentious mastery or massive plundering of the earth. Rather, in this future we are invited to care together for the earth, its peoples and life-forms in just, responsible and merciful ways.

It is not reassuring reading, calculated to make us feel more at ease with ourselves or with our assumptions and practices. Yet it is full of hope because it looks to alternatives in the present and the future. I commend it to your reflection.

Lois Wilson
President, World Council of Churches

Foreword

Foreword to the 1991 Edition

WHEN WE FIRST BEGAN to investigate the workings of the international aid agencies in the early 1980s, few members of the public had heard of the World Bank or its sister multilateral development banks, and of those

that had fewer still had any inkling that they might be contributing to the Third World's plight. The press, likewise, was in almost total ignorance. ("How does the World Bank work?" one producer at the Canadian Broadcasting Corporation asked us. "Can I open an account there?") So too were most politicians and bureaucrats not directly involved with the aid establishment. The environmental groups we worked with on other matters were similarly preoccupied with their own priorities.

Though we didn't know it, the isolation we felt in Canada was being experienced in other countries, by colleagues as yet unknown to us. Citizen groups in Third World countries were just starting to realize that their problems – which were increasing in magnitude – lay not just with the ambitious plans of their national leaders but also with Western lenders that were enabling those leaders' plans to proceed. Organizations concerned with the rights of indigenous peoples – often staffed by anthropologists who had spent years working with besieged tribal communities – began to recognize that the Third World community they were championing was but one of many under siege, and that the siege was laid by a curious type of progress, one marked by corruption, illegal expropriation of lands, and other perverse forces antithetical to their well-being. A scattering of environmental groups from the developed world – in Europe, in the U.S., in Japan and Australia – had, like us, begun to track down the financiers of this global destruction, and to assemble an understanding of their methods.

It didn't take long for these groups to lose their sense of isolation. With increasing frequency, meetings among them began to occur all over the globe, and while the meetings often focussed on different issues, they all

had a common thread – the destructive role of the World Bank and its sister international aid agencies. In 1984, groups fighting the damming of the world's river valleys found each other at a conference sponsored by the Environmental Policy Institute of Washington; and in 1987 in Malaysia, at a conference sponsored by the Consumers Association of Penang, groups fighting the destruction of rainforests found each other and formed the World Rainforest Movement.

The result of these meetings, and the consequent ability to compare notes, to learn from one another's experiences and methods, and to draw upon one another's staff, materials, and other resources was explosive: literally thousands of citizen groups from most countries of the world are now joined in a variety of networks and coalitions, swapping information about development bank activities and working together on campaigns to reform them. The World Bank and its sister development banks are no longer anonymous organizations, free to carry out their activities unnoticed by all but those directly affected. They have become organizations under increasing scrutiny, being watched and called to account by congressional bodies and citizen groups alike. The World Bank is increasingly identified as an agent of undesirable change. In India, 60,000 people demonstrated against local officials and the World Bank in 1989 at the site of the Sardar Sarovar dam project, which threatens to flood 90,000 people off their land. The protest was the largest against a development project the sub-continent had ever seen.

In response to this pressure, the multilateral banks began to acknowledge their culpability. The first *mea*

culpa came in 1987, when World Bank President Barber Conable admitted that the Bank had been "part of the problem in the past" and promised sweeping changes. The Bank's environmental staff soon increased tenfold, with some 60 new positions created, followed by a green tide of issue papers, action plans, and other measures designed to protect the world's environment. The Inter-American Development Bank followed suit and reversed its opposition to creating an environmental department, giving in to the long-held demands of many environmentalists.*

By 1989, the World Bank's president reported that one-third of Bank projects had "significant environmental components" designed to mitigate environmental damage. As the Bank reasoned in an environmental report to the Bank/IMF Development Committee, "If the project is potentially very damaging to the environment, and if Bank participation could do much to reduce the damage but would not eliminate it entirely, the net gains from participation must be the deciding factor."

But closer scrutiny of those projects revealed many environmental disasters in the making, with the Bank's "environmental components" amounting to window dressing: the same destructive projects as before could be funded, the *New York Times* reported, but they might now be adorned with a row of trees around the project perimeter. In fact, the rationale in the World Bank's environmental report was not new – it has been repeatedly used over the years to justify reckless lending. In the opinion of one U.S. Treasury official: "There is no project too destructive, and too costly, that the World Bank

* For an excellent and detailed analysis of the World Bank's failure to reform, see *The Emperor's New Clothes* by Bruce Rich in *World Policy Journal* (Spring 1990). Mr. Rich is a senior attorney at the Environmental Defense Fund and the individual to whom those concerned about reforming the multilateral development banks are perhaps most indebted.

will not throw hundreds of millions of dollars at to try to make it better. In fact, the worse the project, the more urgent the justification for the bank's involvement." Without the Bank's involvement, however, these environmentally destructive projects would rarely proceed at all, removing any need to make them less distasteful.

Beneath the Bank's environmental facade, it can't help doing what it was designed to do: move large amounts of money to the Third World. The requirement to scrutinize the environmental implications of its lending can only slow down the movement of money, making the additional environmental staff, and environmental budget, an irritant. Bank staff advance their careers by building up large loan portfolios and keeping them moving, not by slowing down the project pipeline to ensure environmental and social quality. Little wonder, then, that the environmental staff is kept away from the mainstream of decision-making, or that in 1989 only five of the Bank's 45 structural adjustment loans – large loans tied to economic reforms instead of to projects – explicitly addressed environmental concerns.

Reform at the World Bank has proven illusory; meanwhile, the Bank's destructive ability has been magnified by a \$75 billion increase in its capital, which will allow it to nearly double its lending capacity. The only way to move more mountains of money will be through building more roads, hydro dams, and other large capital-intensive infrastructure projects, especially if the Bank follows through on its plan to reduce its structural adjustment lending.

AS THE FIRST EDITION of this book went to press in late 1984, the world learned to its horror that thousands

and perhaps millions of Ethiopians were starving to death. The largest aid relief effort in history ensued, as people around the globe opened their hearts and their pocketbooks to help save the African nation from its dual disasters of drought and famine. Though too late for our first edition, we nevertheless decided to investigate the roots of the famine, and discovered that the world was helping to rescue victims of earlier aid efforts.

In the 1960s, the United Nations Food and Agriculture Organization proposed converting large tracts of central Ethiopia's Awash River Valley to sugar cane, cotton, and banana plantations. The project called for a series of dams on the river to provide both water for the crops and electric power for the capital city, Addis Ababa. Because the plan was so ambitious, the World Bank and the African Development Bank were brought in to help finance it.

Before the construction of the dams, the valley's rich floodplains – a mixture of savannas, swamps, and riparian forests nurtured by the semiannual floods of the Awash river – had supported 150,000 people. But with the damming of the river, flooding decreased dramatically. As the valley's bottomlands became arid, the land could no longer support its inhabitants. To the Afar, one of several tribes in the region, the misery wrought by the dams was so severe, so much worse than the droughts and the other hardships of the past, that it was explained as a punishment from God.

To make way for the plantations, lands traditionally held by the 20,000 people were expropriated, mostly without compensation. Forced to leave, the people and their livestock crowded onto lands near the newly irrigated plantations. One by one, the displaced tribes began to

spill onto the lands of their neighbors. Normal migration routes were blocked, and tribal warfare intensified as the region's land base eroded. When the rains failed in the early 1970s and again in the early 1980s, the people, bereft of their former resources, became wards of famine relief stations.

Until a few years ago, a Third World community faced with the flooding of its farmland by a state hydro-electric project or the removal of its forests for pulp production was all but helpless. Generally it was given no say in the decision, let alone compensation for the loss of its property, and Westerners would learn of the project too late to intervene, even though the project was typically built by Western engineers using Western tax dollars.

Today, that community is as likely as not to have a fax machine or to be able to reach local environmentalists who – via fax, phone, or electronic mail – can reach a global network of environmental, human rights, and native rights activists. Within days, the project's developers can be identified, environmentalists in the donor country can be enlisted, and an international campaign mounted. Though most projects nevertheless proceed to completion, through this process literally dozens of ill-conceived projects are being stopped, and many more slowed or improved. As the ease of communication rises and as information flows improve, the rejection rate for bad projects can only increase.

The World Bank and the other multilateral institutions may not be any closer to real reform today than when this book was first published – if anything, they may be closer to obsolescence as those advocating reform begin to ponder whether their efforts might be better directed at closing the Bank down. The Bank has ana-

lyzed its environmental problem as a public relations problem, and has become expert at green rhetoric, lulling donor countries into thinking that it is benefiting the environment while carrying out business as usual.

But whatever happens to the Bank, thanks to better communication among groups around the world, the lot of the Third World's poor and the environment upon which they depend is looking up. The contagion of democracy sweeping the globe has yet to reach every corner of Eastern Europe, of Asia, or of Latin America – but where it has taken hold the people have begun to be empowered, and with empowerment comes protection of their environment and of their right to make the choices that affect their lives.

Preface

The Myth Makers

"... nuclear energy is a natural force offering immense present and potential benefits to mankind, we would be unethical not to be promoting its use. Furthermore ... those opposing nuclear energy must accept ethical responsibility for causing deaths, human suffering, and environmental damage."
— J.A.L. (Archie) Robertson of Atomic Energy of Canada Limited, in a brief submitted to the Interfaith Hearings on Nuclear Issues, September 24, 1984.

NO ONE WANTS to feel that he is living at the expense of others or that he is advocating policies that discriminate against others, especially when those others are the poor in the Third World.

Yet that is what Energy Probe found itself accused of in the late 1970s by advocates of nuclear power who were arguing that it was immoral of us to want to deny either the West or the Third World this technology.

On the face of it, there seemed to be merit to their arguments. The world's store of non-renewable resources was diminishing, and it was diminishing largely to feed the appetites of the affluent countries of the world: a switch by the West to nuclear power promised to conserve fuel for the Third World. And what if the Third World did need nuclear technology to develop its industries? How could the West consign it to technological backwardness and a low standard of living if nuclear power was the only energy source that could eventually meet the needs of its massive population?

We began to investigate the effect on the Third World of the policies that we were advocating at home and that took us beyond the nuclear issue and beyond our own borders. Our information came from international agencies like the United Nations and the World Bank, from the national agencies of Western countries and Third World countries, and from our counterparts in the Third World — other citizens' groups like Energy Probe.

The information from the national and international agencies was consistent with all that we had heard about the Third World's problems. The energy situation was desperate: oil bills were bankrupting countries and the forests that provide fuelwood — the main energy source for the Third World's poor — were being cut down at an alarming rate. The world's deserts were inching forward relentlessly, and massive infusions of Western aid were essential if the fuelwood crisis in these poverty-stricken areas was to be alleviated.

But the information from the citizens' groups in these

countries clashed with much of what we had heard, not so much about the nature of the energy crisis, but about its causes. Where governments and official agencies point the finger at the peasants who chop down their forests for fuelwood, the citizens' groups point the finger at state and multinational logging companies, and at the foreign aid agencies that fund them, for leaving the peasants so little to live on that they have no choice but to overcut their own forests; where the agencies point to the benefits of major development projects such as hydroelectric dams and fast-growing tree plantations, the citizens' groups point out that these projects have hurt those who need help the most, ultimately setting development in their countries a step backward rather than forward. We soon came to realize that the groups' explanations of the origin of their woes — which came to us from different cultures, countries, and continents — formed a consistent argument at odds with those of the official agencies.

All these revelations, but particularly those about the underside of foreign aid, clashed uncomfortably with our sensibilities. Foreign aid projects, we had grown up to believe, were supposed to help the lot of the poor, but case after case involved the poor fighting these projects, especially the hydroelectric projects which flood vast numbers off their land.

We wrote letters to senior officials in the Canadian government, which was helping to fund several dams that were being fought, to see if we could confirm the very serious charges that had been made. In other letters we also asked for examples of hydroelectric projects which had been successful in helping the Third World's poor, in order to balance the overwhelmingly negative information we had been receiving.

The President of the Canadian International Development Agency and others replied, but to our dismay the officials denied responsibility for some projects because Canada's funding had been indirect, through multinational aid consortiums like the World Bank. The officials likewise denied responsibility for another project — even though a CIDA press release had trumpeted Canada's financing — because Canada had not been the sole funder. And instead of answering our questions about specific projects, the officials evaded some, answered others incompletely, and would speak only theoretically and in generalities about the overall benefits of hydroelectric aid projects.¹

It became clear to us that the government officials were unable to refute the claims of the citizens' groups. More surprisingly, the government, despite repeated requests, had failed to provide us with details of a single example of a model hydroelectric project.

No doubt such projects exist, but because the responsibility of our foreign aid officials generally ends with the disbursement of funds, because they do not need to live with the consequences of their projects, they do not need to know, and so do not know, of their effect on the region. The people in the regions to be flooded do not have the same sense of detachment: they are intimately aware of what the projects will mean for them because they intimately understand the environment they live in.

The groups in the Third World that these citizens have formed have a remedy for their woes, the same kind of remedy that citizens' groups in the West advocate for their own countries — opening up the development process to the public to give everyone affected a stronger voice.

The big difference between the citizenry here and there

is that people in the West generally have more power. We have access to the press when our industry or government spokesmen present untenable plans based on unsupportable statements, such as the claim that nuclear power will be too cheap to meter or the assertion that promoting energy conservation is tantamount to advocating a return to the caves. Ultimately, we have a vote at the ballot box if the issue becomes prominent enough.

In the Third World there is often no ballot, and the press is often controlled. Because the multinational corporations, international aid agencies, and agencies of our own governments that operate in Third World countries do so in secrecy,² the people in the Third World find it all but insurmountable to counter official plans, which can so profoundly affect their lives.

In this respect, Third World citizens are not alone. Citizens in the West also have difficulty obtaining information to counter these plans: all that we generally hear of the foreign activities of these institutions, which nominally act on our behalf, is what they, their consultants, and the Third World governments — all having vested interests — want us to hear.

Because most people in the Third World are voiceless, and because those with a vested interest have a near monopoly on information that comes from the Third World, our society has grown up with a distorted view of life in Third World countries. We don't all believe all the myths described in this book, but most of us believe most of them and know people who believe the rest. Consciously and subconsciously, these myths dominate our perception of how the Third World works, and until there is an unfettered flow of unfiltered information between the people of the rich and poor

countries, the existing myths will remain and new myths will be created.

Patricia Adams
Lawrence Solomon

Introduction

In the Name of Progress

"Is the meaning of 'progress' for native peoples inevitably genocide?"
— Question posed by two dozen indigenous people from countries around the world at a Washington, D.C. Conference, Oct. 12, 1982.

BECAUSE WESTERN GOVERNMENTS are more or less representative of their citizens, and because gross abuses of state power — such as persecution of minority groups or the invocation of martial law — are rare occurrences in the

West, we tend to equate a country's policies with its people. When a government representative of West Germany, or France, or Japan is quoted in the press, we assume he is speaking with the weight of public opinion behind him and, for good reason, do not ordinarily bother to distinguish between the views of the government of the country and those of its citizens.

We extend this logic to undemocratic regimes at our peril. When a government is as unrepresentative of its people as is the case in much of the Third World, or when a charismatic leader acquires power over a country's legislature and other institutions, as occurred in the Philippines under Ferdinand Marcos, and in Tanzania under Julius Nyerere, what furthers the plans of the national government may bear no fruit, or a bitter fruit, for its people.

When President Marcos came to power in 1965, the Philippines had one of the fastest growing economies in South-East Asia. It now has the only severely contracting economy in the region, 50 percent inflation, and the second-largest foreign debt in the continent. According to a study by the University of the Philippines, the country's economic reversal can be traced to the concentration of government power that allowed privileged individuals and groups to use the government to promote their private interests through a variety of instruments, including government guarantees for their foreign loans. The government itself embarked on ambitious projects to bring about the economic future Marcos wanted, building grandiose roads, bridges, and dams without concern for the economic future that the common people were independently pursuing.¹

President Nyerere had a different ambition for Tanzania's economy, but it was not his people's ambition, despite his personal popularity with them: to create his "socialist

villages" required forced collectivization and wholesale relocation of 15 percent of Tanzania's population.² As with Marcos's plans, the citizenry who were expected to carry out Nyerere's plans could not fully trust, or understand, the role his government had in mind for them. Because the populace played no part in formulating the state's plans, and in shaping them to personal goals, the national plans for the national economy collapsed.

In the remote rural areas of Tanzania, the good times can come when the national economy is depressed, the national debt is growing, international commodity prices are low, and foreign exchange is unavailable. It is then that transport vehicles cannot be repaired for lack of spare parts, roads cannot be repaired for lack of material, and the support services believed to be crucial to agricultural development stop. The people in the villages can neither get their food to market nor want to because prices are too low. "When villagers cannot get their produce to market, it stays in the villages — they eat it themselves," explains Urban Jonsson, the United Nation's Children's Fund representative in Tanzania.³ Standing conventional theories of national economic development on their head, Jonsson explains "their families eat better because of the national economic crisis. We must distinguish therefore between the state economy, which is in extreme crisis, and the village economies, many of which are doing quite well — and over 80 percent of the people in Tanzania live in the villages."

Another effect of the national crisis which has become apparent in some parts of Tanzania is a switch from cash crops like coffee beans, which are of little use in the village, to crops like maize, which means more food for families. According to the editor of *International Agricultural Devel-*

opment, local self-sufficiency improves when national policies go awry.⁴

The national policies themselves, though often conceived in the Third World, could not be brought to term without the backing of Western financial institutions — foreign aid agencies the most prominent among them⁵ — which have spent billions building elaborate transportation systems, communications systems, and other infrastructures which they consider necessary building blocks of a successful economy. But these imported systems persistently break down because the skills required to maintain and renew them cannot be as easily imported, and the motivation to learn them cannot be manufactured. Since the demand for these systems did not come from the people but from their rulers, who had a vision of how the ruled should be organized, the billions lent by the international financial institutions have done little but feed the dreams of a ruling elite.

These "have-money-must-lend" institutions, as they are called by Manuel Ayau, the President of Universidad Francisco Marroquin in Guatemala, have been "one of the main causes of the sad state of economic affairs in Latin America." Because they are in league with spendthrift politicians, "a continent rich in natural and human resources is now regressing to a standard of living of pre-debt days, having mortgaged its own — and its children's — future."⁶

International financing that is given to unrepresentative governments may harm more than the national economy; it may harm large numbers of people, particularly when targeted to major capital projects, because large projects invariably affect the environment and those who directly depend on the environment.

In the last three decades, no capital projects have re-

ceived more funding, or caused more grief, than energy projects.⁷ Most prominent among them are hydroelectric dams, which generally flood large numbers of rural people off their land to uncertain, and usually unhappy, fates. Because the river valleys which are flooded tend to be fertile, these people are almost always agriculturally successful (even if monetarily poor),⁸ and they are often tribal minorities with cultures and traditions irreplaceably tied to their land. The electric power that the dams produce almost never benefits the local people but is transported to the industrial centers, where the national government resides, primarily for the benefit of the state industries or multinational corporations that are situated there.

The misery these projects produce for the local population is justified by their presumed benefit to the greater economy; they are seen as economic imperatives in much the same way the slave trade a century or more ago was deemed necessary for the economic progress of Western nations.

This latter-day moral equivalent of the slave trade stops short of selling the men, women, and children it has claimed mastery over; today's slave traders are not rogues in sailing garb but often well meaning politicians and bureaucrats in pinstriped suits. Nevertheless, the effect of this human trade — the forcible removal of peoples from their homeland to satisfy commercial interests elsewhere — is in many ways the same. As explained by the Anti-Slavery Society, a London-based organization which dates back to the emancipation movement of British slaves in the 1800s and today still works to fight abuses outlawed by the United Nations as "practices similar to slavery",

Threats commonly faced by indigenous peoples throughout the world include dispossession of

land, flooding of land through hydroelectric schemes, deforestation and the consequent damage to traditional agriculture, armed forces carrying out the policies of distant central governments, desecration of places of worship and ethnocide, the destruction of a culture. The enemies, wittingly or not, of indigenous peoples are multinational companies, international funding agencies and governments bent on 'development' at all costs.⁹

The West was able to finance its slave trade itself, but most Third World governments have no such means. As a result, they have turned to the West's international financiers to see their projects through: foreign aid agencies like the World Bank, the United States Agency for International Development, and the Canadian International Development Agency; national commercial banks like Chase Manhattan and the Canadian Imperial Bank of Commerce; export promotion bodies like the Export-Import Bank in the U.S. and the Export Development Corporation in Canada.¹⁰ In effect, these international bodies are financing national governments against local populations.

THERE IS A SCHOOL of thought that people in the Third World cannot handle democracy, and that there is no alternative to relieving their poverty other than for the West to provide whatever help it can to the Third World governments, in the hope that some of it will reach the masses of people. This approach has few adherents among the populations of the Third World, who consider themselves able to look after their own affairs.

Westerners think "democracy is too good for us," said Mario Vargas Llosa, the noted Peruvian novelist.¹¹ Western-

ers "cultivate a good conscience for themselves," they never notice "the millions of men and women who are able and yearning to live in a democracy....what I want for my country and Latin America is the kind of civilization and well-being that brought liberty to the West."

Llosa complains that the West's "stereotypes [which] show only generals who are rich or revolutionaries who are angelic" rule out democratic government by a politically empowered population, and he is joined by other critics around the world who want political power to be shared. Chadli Klibi, the Tunisian head of the Arab League, believes that Arabs must learn that development can't be bought, that it won't work without political progress.¹² Luis Burstin, a former Costa Rican Secretary of Information, blames foreign aid for helping to foster revolution. It isn't poverty and social injustice that provoke Latin revolutions, he says, but the freezing of political power which blocks access to emerging groups. Without political reform, no amount of foreign aid can break the vicious circle: "None of the countries of the region have the means to distribute this money....as a result, most of our wealth is left in the hands of a very small part of the population."¹³ For this reason, the Kissinger Commission's plan to give \$8.4 billion in economic aid to Central America over the next five years is doomed to fail, he says, pointing to the previous three years, during which almost twice that amount was funneled out of Central America to buy foreign real estate or to be deposited in foreign banks.

El Salvador's Planning Minister, Manuel Antonio Robles, acknowledges that the foreign aid dollars go to a few wealthy people, as did El Salvador's former Economy Minister, who admitted that aid has obviously had "very little effect on poverty."¹⁴ The recent history of foreign aid to this mostly undemocratic corner of the world has been a sorry one, with

aid, especially from the U.S., increasing rapidly while the economies of these countries has been deteriorating.

Where the population is left to its own devices, either because the central government is more democratic or because it does not have the means to control the outlying areas, the economy seems to fare better. Undemocratic Tanzania, which receives the most foreign aid of any African country — an amount greater than its tax revenues and one-and-a-half times its export earnings — has had well meaning but highly centralized policies that have devastated production, helped to spread famine, and forcibly uprooted millions. More democratic India, which receives aid equal to 16.8 percent of tax revenues and 31.2 percent of export earnings, has a far more vibrant economy.¹⁵

Democracy, which means no more than citizens having a meaningful say in the affairs of their society, need not be equated with Western systems of democracy: societies around the world, including tribal societies governed by chiefs or village elders, have historically shared power to a great extent, with decisions being made in public meetings, and with local leaders granted their authority by the people they governed. The creation of artificial national borders by the Third World's colonial rulers produced supra-governments that often resulted in less democratic societies ruled by more distant and aloof leaders. But these recent disruptions are no indication that people in the Third World don't desire a say in the affairs of their society, or that democracy is not embedded in them as a deeply held value.

Delivering democracy in a CARE package may not be possible, but neither should it be possible for the Western governments and their agencies, in the name of progress, to so routinely and so counter-productively deliver foreign aid that makes the destruction of democratic processes possible.

PART I

Dispossessing the Disenfranchised: The Foreign Aid Myths

*Foreign aid is humanitarian and does not violate
human rights*

"There is a greater good to be derived from the setting up of the dam and each group has to be willing to make some sacrifice for the benefit of the entire society."

— Dr. Placido Mapa, Philippine Minister of National Planning and Development, in a film interview, 1982.

"The government says dams are for development. Development for what? To us development is for people. But in constructing the dams, development is going to be achieved at our expense."

— A Kalinga spokesman, quoted in *Invasions: Tribal Peoples and the Struggle for Their Land*, 1984.

WHILE FOREIGN AID may be provided for humanitarian reasons, it often has an effect that we least expect and that we least intend. Major development projects, and in this energy projects are among the worst offenders, almost invari-

ably involve the forced relocation of communities, relocations that literally deprive people of their physical and social environment and, in all too many cases, of their human rights as enshrined in the International Bill of Human Rights. Although not as popularly known as the human right to be free from arbitrary arrest, torture, and execution, which Amnesty International and others have championed so well, the rights of ethnic minorities to their own culture and religion and the rights of all peoples to their own means of subsistence and to their natural wealth and resources are equally protected in the International Bill of Human Rights.¹

Article 1

All peoples may, for their own ends, freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic cooperation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence.²

Article 25

Nothing in the present Covenant shall be interpreted as impairing the inherent right of all peoples to enjoy and utilize fully and freely their natural wealth and resources.³

Article 27

In those States in which ethnic, religious or linguis-

tic minorities exist, persons belonging to such minorities shall not be denied the right, in community with other members of their group, to enjoy their own culture, to profess and practise their own religion, or to use their own language.⁴

Despite this protection, thousands of development projects have arbitrarily deprived millions of people in the Third World of their right to the physical and social environment on which they have depended for their subsistence, causing great suffering and even death.

The most clear-cut examples of such human rights violations involve tribal societies whose particular economic, social, political, and religious systems have evolved to suit their specific habitats. Transferring these systems intact to another piece of land is, in practice, impossible.

Agricultural techniques that have been adapted over generations for one region may wreak environmental havoc when applied to another region. Social relationships tied to a particular region are more likely to be dissolved than transferred when relocation takes place. Religious rights are similarly non-transferable: flooding the ancestral lands of indigenous peoples in the name of development is as unthinkable to them as flooding Salt Lake City would be to Mormons, flooding the Vatican would be to Catholics, flooding Mecca would be to Moslems, and flooding Jerusalem would be to Christians, Moslems or Jews.

Unthinkable or not, human rights violations such as these are often unavoidable byproducts of the grandiose energy development schemes of Third World governments, many of which are backed by financing from the Western foreign aid agencies.⁵ The Ten-Year Energy Program of the Philippine Government, under which 31 hydroelectric dams

are scheduled to be built in lands presently occupied by tribal minorities, provides a disturbing example of the extent to which foreign aid projects can be disruptive, and the extraordinary measures that can be required to complete them.

Major foreign aid donors participating in this program include the United States Agency for International Development, the World Bank, and the Asian Development Bank although, according to the Anti-Slavery Society, this program "threatens the mountain homes of many minorities and a total of one-and-a-half to two million people."⁶

To carry out the program, the Philippine government felt it necessary to enact legislation giving what amounts to police powers to the country's electric utility: it has been granted the authority to restrict or prohibit farming within the watershed of a proposed dam and the authority to relocate residents to areas outside the watershed.

One part of the electrification megaproject, the Chico River Basin Development Project in the northern province of Luzon, fomented a long and destructive struggle between the Philippine government and the 85,000 members of the Kalinga and Bontoc tribes, and became the *cause célèbre* of a worldwide movement to defend indigenous rights. Originally financed by loans from the World Bank and West Germany, the government utility began surveying four proposed dam sites on the Chico River in 1974. When the numerous appeals of the Bontoc and Kalingas to stop the flooding of their 7,000 acres were dismissed by the Philippine government, these tribal people resorted to attacks on the survey crews and to dismantling their campsites and equipment. The survey work eventually had to be completed from the air.

As the resistance to these projects escalated so too did the government's military activity: early on, check points

were established along access roads and by 1981 full-scale military operations were launched with troops backed by air support. Since 1981, a 700-man battalion has been stationed in the area to reinforce a 150-man provincial force.

Ambushes by the local people and retaliation by the government troops, which has escalated to bombing, have become common. Deaths have been rising on both sides and innocent villagers have been terrorized by military atrocities. Violence aside, the villagers have suffered from restrictions on their farming activities: they are allowed to tend their fields for only six hours a day and only if they secure permits. The livelihood of these once-prosperous people has been so seriously disrupted that they face severe food shortages. This war of attrition being waged for the sake of these dams is calculated to break these "people of the mountains," according to Charles Drucker, an American anthropologist who lived in the Chico River Valley.⁷

For generations the Bontocs and Kalingas have successfully maintained their distinctive communities because they had retained control over their lands. Gone with their right to their land will be their model form of agriculture which, despite centuries of highly intensive farming in terraces carved into mountains, shows no signs of exhausting the soil. "For generation after generation of highland farmers, they have produced consistently abundant harvests without chemical fertilizers, herbicides, insecticides, or elaborate farm machinery," said Drucker. "Impeccable maintenance and the complex ecology of the pondfield combined to make the Bontoc and Kalinga subsistence system stable, self-perpetuating, inherently conservative, and nearly indestructible."⁸

The government insists that the Kalingas and Bontocs rebuild their terraces in relocation sites further up the moun-

tains, but these plans hold no hope of success for these tribal peoples. As explained by one Bontoc:

if we thought those sites were all right, we would have started colonies there ourselves a long time ago. Some of us did try, actually, but with no success. Building rice terraces is not simply a matter of putting up stone walls. The paddies have to be watered, nursed along, coaxed into bloom, but this takes years, generations even, before they start producing well.⁹

Equally important to the physical well-being and the social order of these people has been the spiritual role of the land:

Now we are asked to allow our dead to be covered over by the waters of Chico. This is an impossible request. Separated from our dead, we will die. We may as well remain here and drown in the same waters that will wipe them out forever. The government assures us it will spare no effort nor expense to disinter the dead, to remove their remains to new and better sites. It does not understand. The very soil we tread on — this is the dust of our fathers.¹⁰

Even if the physical and spiritual value of the land were negotiable, any faith the people might have in the government's promise to relocate them has been poisoned by previous dislocations of other Filipino peoples by other hydro dams.

Two hundred Ibaloi families who were displaced by the

nearby Ambuklao dam in the 1950s were promised \$100 per acre for their flooded lands. Few received it. Relocation sites proposed by the government turned out to be occupied, or on the ancestral lands of other tribes, or on a remote, malaria-infested island at the other end of the Philippine archipelago. Twenty years later, the Ibaloi were still to be relocated.¹¹

Nine thousand Ilongot people displaced in the early 1970s by the Pantabangan dam, which was jointly financed by the Philippine government, the U.S. Agency for International Development, and the World Bank, were moved from a highly productive lowland area to an ecologically degraded upland region. To make matters worse, these people have no title to their new land, only "squatting permits" issued by the government on an annual basis. With no incentive to make permanent improvements to their surroundings, the resettled villagers are producing less than one third their previous yields of rice. Those who could not feed their families were forced to seek employment either as farm laborers or by collecting and selling firewood.¹²

Such treatment did not escape the Kalingas and Bontocs who "have of our own accord quietly gone to check on the government's performance at Pantabangan, Binga, and Ambuklao regarding the promises made to the former inhabitants of those places. At Pantabangan, we saw a people without a will to live. They were still crying over the loss of their land. At Ambuklao we spoke with the householders who, up till now, are still waiting for promised compensation for destroyed property. How can we deal with a government that promises everything but whose word cannot be trusted?"¹³

The effects of mass relocation are rarely documented in a systematic way by official sources — usually the only

records available are the anecdotal ones of the Bontocs and Kalingas and other affected peoples.

But in the case of the Kariba Dam in Zimbabwe (then Southern Rhodesia), which was funded by the World Bank in 1956, two independent researchers, Elizabeth Colson and Thayer Scudder, monitored the effects of mass relocation over a 17-year period. Their study, probably the most extensive one of its kind ever undertaken, concluded that "for the large majority of any population, compulsory relocation is a traumatic experience which causes multi-dimensional stress it is hard to imagine a more dramatic way to illustrate impotence than to forcibly eject people from a preferred habitat against their will."¹⁴

At first, the researchers discovered, the Tonga and Batonka tribes who lived on both sides of the Zambezi River tried to resist the relocation. After people were killed by the resettlement authorities the resistance abated, and the relocation began. But to the surprise of the officials in charge of the resettlement, when the time came to fill the reservoir that would form Lake Kariba they realized that they had not set aside enough land to relocate the 56,000 people who were being displaced. What ensued, according to Scudder, was "a crash and tension-ridden program to move the people before inundation."¹⁵

When the move appeared imminent, the resettlement authorities told the Tonga and Batonka not to plant crops that could not be harvested before the move. But the authorities were unable to meet their deadlines, and the move had to be postponed several times, leaving the population without its crops, underfed, and dependent on food relief.

When the Tonga and Batonka, who had once taken the water they needed freely from the river, arrived at their resettlement site they found that they had been given land

short on water, especially clean drinking water. The result was numerous deaths from dysentery and other diseases spread by contaminated water that particularly strike populations suffering from protein deficiencies. A decade later, the diseases were still rampant¹⁶ and two decades later the Tonga were still dependent on outside sources for food.¹⁷

The human rights abuses that occurred in the name of foreign aid to the 56,000 Tonga and Batonka at the Kariba Dam and to the 85,000 Bontocs and Kalingas in the Philippines are not isolated incidents — they occur over and over again in many parts of the world, with only the names and numbers changing.¹⁸ Neither are they unique to countries with poor human rights records — they have occurred on a comparable scale in Third World countries like Ghana and Sri Lanka, which have had relatively good human rights records, and on a smaller scale in Western countries like Canada and the U.S., which are among the most democratic of countries.¹⁹

In most cases, the affected populations have endured hardships far beyond what their national governments imagined because the resettlement plans did not proceed according to schedule; yet the sheer enormity of the projects and the speed with which they were implemented guaranteed that the schedules would not be met. In most cases, because a shroud of secrecy hangs over these projects, the affected populations have been denied the right to public hearings that would question so much as how they would be moved, or how much compensation they were entitled to, let alone the rationale justifying these human rights abuses.

But in all cases, the human rights abuses occurred because of the predominant view that it is acceptable for a few to suffer for the sake of national economic development.

Because Third World governments, and their Western

financiers, do not recognize the rights of peoples to their means of subsistence, to their natural wealth, and to their culture, they will continue to be besieged with pleas like those of the T'Boli people of the Philippines to the Asian Development Bank:

The proposed dam will flood our most precious land and destroy our food and source of livelihood In all this, we have never been directly approached, advised or informed regarding the planning of the dam. Do we not have rights? Are we not also Filipino citizens capable of planning for our future? We do think that real development has to be realized with the free participation of the common people no matter how poor they are.²⁰

In the name of progress, the human rights of people around the world are violated. Some say there is no choice — that some people must inevitably be sacrificed so that development projects which will better the lot of the majority of the poor may proceed. In the long run, they claim, it will all be for the good.

2

Eventually, the billions we're spending on our energy aid will pay off for the Third World's poor

"Indians of our Country, beneath your bare feet Panamanian copper is waiting to be converted into thousands of millions of dollars for the country, its children, for you and yours."

— From a 1979 series of government ads published in Panama's national press, exhorting Indians to give up their opposition to the hydro dam and roads required to develop the country's copper mines.

"The consequences have been that there is more electricity for the industries of the country, but for the Kunas and the Chocoas there is less land, less agricultural produce, lower income, and further marginalization."

— The Guaymí Indians of Panama are skeptical that their lot will be any better. From the Guaymí Presiding Committee, Panama, 1980.

THAT FOREIGN AID can bring hardship to the Third World's poor becomes explicable when its function is understood: foreign aid is not necessarily designed to reach the Third World's poor directly — it is not considered an end

in itself but merely a means to an end. And whether the means justify the ends is a matter that has always been in dispute.

In the energy area, almost all foreign aid is used to fund business ventures for governments, not products for people. Unlike the television portrayal of foreign aid, in which a Third World family might receive temporary help in the form of powdered milk or wheat, energy aid is not designed to provide a family with comparable commodities like firewood or oil. Instead, most energy aid is intended to provide lasting benefits by helping Third World governments explore for oil or, more often, build electrical facilities. The oil that the government finds or the electricity that it produces is then used to further whatever ends the government has planned. In the worst of cases, the ends are ridden with corruption and very few benefit. In the best of cases, the ends are noble — spurring industries and providing jobs — and more may benefit.

International aid agencies usually fund these energy projects not through outright grant but by low-interest loans. For the multilateral aid agencies like the World Bank, these loans are taken very seriously, because they need to be repaid for the agencies to remain in business. They generally are repaid.¹ For example, the World Bank, which lends more money than any other aid agency, has made loans totalling over \$100 billion without any defaults.²

This impressive record has not come about by accident. Like any commercial bank, the World Bank wants to be sure that its debtors (those who receive its aid loans) have the means to repay the loans before they are extended for any business venture. By definition, this excludes loans to the poor. This also tends to exclude loans for risky business ventures such as those that would provide products of use to the poor, because in the absence of a market with purchas-

ing power the venture could collapse, leaving the loan unpaid. But business ventures that have a guaranteed source of revenue, such as electrical stations that will supply mining or manufacturing operations, are good credit risks and therefore good candidates to receive foreign aid. As a result, energy aid funds are generally used to satisfy commercial interests which in turn receive an almost assured profit through the favorable terms they are able to negotiate. Companies such as Kaiser and Reynolds in Ghana, Amax in Zimbabwe, and Alcan in Guinea have obtained contracts for electricity at rates as low as one-tenth world rates.³ They have structured their deals to insure a rate of return satisfactory to their shareholders, and they have had the comfort of knowing the contracts will be enforced by the foreign aid agencies, which are themselves determined to have their loans repaid.

Sometimes, rates charged for electricity can be renegotiated only with the agreement of the aid agency that finances the electricity project. Under the terms of the World Bank's agreement with Ghana, the bank, which is a major financier, is entitled to demand immediate repayment of loans if Ghana unilaterally changes the terms of its contract with Kaiser and Reynolds⁴ — a power that insures the stability they need.

The poor have no such insurance policy from foreign aid agencies, nor any prospects that the foreign aid project will pay off for them. They do not share in the cheap electricity being made available to attract industry, only in the hardship that is its byproduct. As put by Philippine President Marcos in a candid *Fortune* magazine advertisement designed to attract foreign investment, "to attract companies like yours we have felled mountains, razed jungles, filled swamps, moved rivers, relocated towns, and in their place built power plants, dams, roads All to make it easier for you and your business to do business here."⁵

Marcos's attempt to rapidly industrialize his country through major energy development projects failed to benefit the poor, as did other attempts in other parts of the world.

Jane Jacobs, in her landmark book, *Cities and the Wealth of Nations*, describes unsuccessful attempts to stimulate development in poor or stagnant regions, such as the Tennessee River Valley in the United States, Southern Italy, and Ghana's Volta River Valley.⁶ Each region, aided by either national or international subsidies, built major facilities to lure distant industries. For the Tennessee and Volta River valleys, cheap electricity was their greatest asset, but although the cheap electricity benefitted the transplanted industries, the regions themselves did not prosper but remained stagnant. Jacobs, and numerous others, conclude that the poor are not ultimately served by these foreign aid gifts.

The futility of expecting progress to flow from these energy projects is verified by one of the few detailed, after-the-fact evaluations ever conducted of one of these forced industrialization projects — David Hart's renowned study of the same Volta River Project that Jacobs had examined.⁷ The hopes of the Ghanaian government in the 1950s were high: "With this hydroelectric power in our country," they exulted, "many factories will be established and we shall be in a position to manufacture most of our commodities. The project will help to solve so many problems, such as unemployment, for men and women will get enough work to do."⁸ But Hart's assessment 20 years later shows "a zero or negligible influence from the Volta River Project on Ghana's industrialization."

"Undoubtedly," Hart says, "the production and distribution of electricity is efficiently carried out," in particular, to Kaiser Aluminum and Reynolds Metals. "But to look

beyond the provision of electricity: the government's aim in setting up the project was to achieve a significant measure of industrialization. This does not seem to have occurred."

Promises by Third World governments, or by Western aid agencies, that major energy aid projects will spur a thriving industrial economy whose benefits will trickle down to the poor are hollow. Yet the myth that these projects contribute to the general welfare continues to be asserted in the First World as confidently as in the Third.

In an unqualified defense of hydroelectric dams in 1984, Allan MacEachen, as Canadian Secretary of State for External Affairs, unequivocally claimed that hydro dams relieve unemployment:

Industries in the Third World are major employers just as they are elsewhere. The Third World has problems of unemployment often exacerbated by severe underemployment. The situation is often chronic in the cities and, without the energy provided to support industries, it would be considerably worse.⁹

He then proceeded to further claim that hydro dams provide numerous other side benefits "on a huge scale: river navigation; fishing industries; flood control; opportunities for a tourism industry; a transport link across the dam; water regulation for irrigation; agriculture on the newly stabilized riverbanks; reduction of crippling oil import bills; and so on." This catalog of riches more resembles the fantasies of the Minister than the history of these projects, because evaluations of how they have worked out five or ten years after their completion are rarely undertaken by either Third World governments or foreign aid agencies: all that these official

bodies do is prepare reports listing the intended benefits of the dams, and it is these intended benefits that MacEachen was reciting.

When independently scrutinized, with frightening regularity the expected benefits of these giant hydro schemes turn out to have been greatly exaggerated, and their costs — most often their social and environmental costs — turn out to have been either underestimated or ignored altogether. Drawbacks, such as the number of livelihoods lost because of a project, are not weighed against the number of jobs which are expected to be created.¹⁰

In Ghana, no one knows what happened to most of the 80,000 people who lost their livelihood when they were thrown off their land to make way for the hydro dam. Some of them, and some in other parts of the country, obtained jobs they would otherwise not have had: 2,000 people were employed at the Kaiser and Reynolds aluminum smelter and 10,000 additional people were able to fish for their livelihoods in Lake Volta, which the dam created.

The fishing industry was an unexpected success; the side benefits expected in agriculture, navigation, transportation, and elsewhere, according to Hart, were unexpected disasters.

The Volta River Project's main purpose — to produce electricity for profit — also must be termed a disaster.¹¹ Even in good years, when water levels in Lake Volta were high, revenue from the dam barely covered its carrying charges; and during bad years, when drought reduced the amount of water power available for sale, the dam became a major foreign exchange drain.¹²

One casualty of this revenue shortfall was irrigation for agricultural lands, which was intended to improve the lot of farmers in Ghana.¹³ But ironically, experience in other

countries shows that the farmers may have been fortunate, because irrigation schemes are as likely as not to be failures.

The Indian Planning Commission has discovered that India's huge investments in irrigation have produced disappointingly low returns for the farmer: only one third the expected grain yield.¹⁴ More threateningly, because the irrigation canals drain poorly, water tables have risen in some areas by as much as 25 feet within ten years, boosting the salinity and alkalinity of soils and jeopardizing at least one quarter of India's 100 million acres of irrigated land.¹⁵ Throughout the world's arid zones, improperly designed and managed irrigation systems are turning one-and-a-quarter million acres of irrigated land into desert every year — roughly the same area that is newly irrigated each year.¹⁶

This is not the only example of how the pace of development can accelerate while progress itself stays at a standstill, or even slides backward: hydro dams, because they force the poor to search for alternatives to their agriculturally rich valleys and plains where none exist, often have the same effect.

Evicted from their valleys, the poor move either into nearby forests, which they clear to farm, or onto smaller or less fertile plots in more marginal areas. In these new lands, which they usually farm under crowded conditions and where they are always fearful of being uprooted again, their traditional care in husbanding the soil often falls by the wayside. When this occurs, the soil soon becomes farmed to exhaustion, and the poor must then cut down more forests for more land to farm.¹⁷

This cutting of trees is a major cause of deforestation, and with deforestation comes the loss of topsoil and the spreading of more deserts. That means less food, less fuel, and the continuation of a downward spiral that causes the

destruction of the local environment upon which the poor, and their descendants, depend.

As a final irony, the topsoil lost from the land goes into the river basins and ends up filling the dam reservoirs, cutting the useful life of the dams by up to one half. Then, whatever industrial development depends on power from these dams will have to either stop or find some new source of power. These dams, which are considered but a means to an end, will no longer be a means, and neither will the ends be secured. But the river valleys on which thousands had depended for their livelihoods will have been destroyed, yielding no more harvests and providing no more power.

3

Whatever else happens, developing renewable resources, such as hydroelectricity, means that our gift will last forever

"In a world suffering from inflation and fossil-fuel depletion, hydropower offers stable prices and permanence The fact that water resources exist in abundance in many of the world's poorest regions and nations places hydropower high on the global development agenda."

— *Rivers of Energy*, Worldwatch Institute, June 1981.

"Big dam schemes do seem to contain within them seeds which lead to their own long-term demise."

— John Madeley in "Dams with faint praise," in *Development Forum*, April 1984.

THE PELIGRE HYDROELECTRIC dam in Haiti was hailed just one generation ago as a great boon to the Haitian economy. Thanks to this inexhaustible source of power, which would fuel industries in and around the capital city

of Port-au-Prince, prosperity was just around the corner.

What opposition this dam might have aroused among those whose valley was flooded would not have been taken seriously by the majority of the population. Here was a chance for Haiti to have lasting benefits: those who would put their own selfish interests ahead of the national interests must surely have been quickly dismissed.

Today, because it is filling up with silt, the Peligre dam is so incapacitated that cities are blacked out for as much as twelve hours daily. The government has been looking for a way of replacing the power lost at Peligre, and it thinks it has found it in flooding two sections of the Artibonite River Valley, which is dubbed the "breadbasket of Haiti."¹ A generation from now, after this prime agricultural land has been retired, the government may look for more valleys to flood.

The myth that hydro dams, like diamonds, are forever has led the world's foreign aid agencies to promote dam construction above all other energy projects.² The enormity of this mistake is only now beginning to sink in.

The Ambuklao Dam in the Philippines has silted up so fast that its lifespan has been reduced to 32 years from the 60 originally predicted.³ Kenya's largest hydroelectric complex, Kamburu, is receiving almost six million tons of soil a year, which has reduced its useful lifespan to under 30 years.⁴ Numerous other reservoirs in Kenya have filled with sediment in 15 or 20 years, severely reducing their ability to support electricity generation, provide water for irrigation, or control floods.⁵

Studies of 17 major reservoirs in India show them to be silting up at three times the expected rate. The giant Tehri Dam, now under construction on the Bhagirathi River, is expected to last only 30 to 40 years instead of the 100-year

minimum initially planned.⁶

Short-lived projects like these are the norm but by no means the worst. In Colombia the Anchicaya Dam, completed in 1955, lost one quarter of its storage capacity in its first 21 months of operation and 20 years later had lost 80 percent of its seven million cubic yard capacity to siltation.⁷ The Sanmenxia Dam in the Yellow River Basin of China was completed in 1960, but had to be decommissioned in 1964 because so much sediment accumulated in its reservoir that the riverbank eroded and threatened to flood the City of Xian. The Laoying Reservoir, also in China, filled with sediment before the dam was completed.⁸

This extraordinarily rapid accumulation of silt behind the reservoirs should not have taken the hydro engineers by surprise. But it did because most of the hydro dams built in the Third World in the last 30 years were built with Western money by Western-trained engineers whose experience and knowledge ill-prepared them for building hydro dams in the Third World. Due to natural factors, such as climate, relief, geology, and vegetation; and to man-made factors such as cattle ranching, agriculture, and logging, the runoff of soil into the river systems of most of the Third World⁹ is generally much higher than the runoff into the river systems of the industrialized world. The rivers of Asia which flow to the sea between Korea and Pakistan alone contribute nearly 50 percent of the total sediment transported to the world's oceans. Ranking first, second, and third in terms of sediment loads is the Ganges/Brahmaputra River System in the Indian subcontinent, the Yellow River in China, and the Amazon in South America.¹⁰ Siltation, which in the West usually occurs at too low a rate to be a factor to the dam builders, becomes the overriding factor in many other parts of the world.

Not only are these large hydro dams non-renewable themselves, but they also reduce the renewability of their river valleys, and thereby the self-sufficiency of the entire region.

By interfering with the natural flow of the river and trapping the nutrient-rich silt in the reservoirs instead of letting it wash it over the river banks during the annual flooding, the dams deprive the flood plains of the nutrients needed to maintain their agricultural productivity. As a result, regions that now have reservoirs for hydroelectricity usually become dependent on petrochemical-based fertilizers to replenish their soil¹¹ and on man-made irrigation systems to replace the lost irrigation of the annual floods. Without the soil's natural replenishment, and with its more intensive use under modern agricultural systems, come a decrease in the area's ability to regulate itself naturally, and an increase in the amount of topsoil that silts up in the riverbed and eventually destroys the dam. In the end, the river provides neither hydroelectricity nor irrigation nor fertilization nor flood control for its river valley.

The intrusion of these dams into ecologically sensitive areas upsets the existing equilibrium to claim a human toll as well. According to Alan Meltzer, a tropical disease expert at the International Development Research Centre in Ottawa, the practice of building hydroelectric dams and irrigation projects in the Third World is the "way you create a malaria problem."¹² In addition to malaria, which today affects 800 million people and kills one million children younger than two years of age every year, bilharzia, a disease which thrives in the still waters of irrigation canals and dam reservoirs, debilitates some 200 million people.¹³

Despite the devastating consequences that so often accompany these dams, they are being built on an unprecedented-

ed scale. The World Bank estimates that \$100 billion will be spent in the Third World on hydro projects over the next two decades, much of it to build dams so large that they are almost outside our experience. The Grand Coulee Dam on the Columbia River, for example, is 550 feet high. In the 1980s alone, 33 dams over 500 feet high are slated to be completed in the Third World; by the year 2000, if plans proceed as scheduled, virtually all of the world's major river valleys will have been irrevocably altered by dams.¹⁴

Some foreign aid agencies, particularly AID in the U.S., have abandoned large hydro dams because of their failure to promote development. But others, Canada's International Development Agency and Britain's Overseas Development Administration among them, continue to push hydroelectric development as a gift that keeps on giving.¹⁵

The reason for this preference cannot be explained entirely by ignorance of the terminal nature of these gifts. Unenlightened self-interest on the part of the governments that provide aid and the corporations that deliver it also plays a role.

*We can kill two birds with one stone by giving the
Third World our products, boosting our own
economy and helping the needy abroad*

"For our own benefit as well as [the Third World's, we will] help Canadian firms to provide additional goods and services in support of Third World development."

— Marc Lalonde, Canada's Finance Minister, in the Budget Speech, Feb. 15, 1984.

"The people of Sri Lanka today could build this project faster than is being done now. There are too many foreign contracts. The people have not made it their own."

— D. N. Fernando, official with the Mahaweli Authority, quoted in "Harnessing Sri Lanka's Nile," *Christian Science Monitor*.

CANADA, WHICH IS GENERALLY numbered among the countries considered to have a good foreign aid record, is one of the world's chief proponents of large hydro dams for the Third World: over half of Canada's energy aid dollars

has been dedicated to hydroelectric systems, and with the exception of the few Canadians who are aware of the problems that can be associated with these dams, most would endorse this type of foreign aid.

Most would also endorse their government's requirement that Canadian engineers and Canadian contractors design and build the dams. They would see little sense in allowing American or West German dam builders to get the business when Canadians could do the job just as well. This is how foreign aid is promoted in Canada — as something which is good for the Third World and good for Canada because the aid is tied to Canadian goods and services.

On the surface, the logic seems unassailable; scratch the surface and tied aid loses its luster. Compared to aid with no strings attached (which itself has a disappointing record), tied aid can be justified neither as a boon to a receiving country nor as a boon to a donor country like Canada.

From the Third World country's point of view, it can never be better off receiving a gift of Canadian products instead of the cash required to buy them. With cash it can shop anywhere in the world for the goods and services that most closely meet its own needs at the best available price. When Canadian goods are too expensive, the Third World country would be able to purchase the goods elsewhere, and save the balance of its cash for another need. When Canadians don't produce a particular product, the Third World country would not be forced to settle for something that almost does the job.

But Canada won't give foreign aid to countries in the form of cash; Canada wants to make sure the Third World buys Canadian.

The cost to the Third World of this conditional generosity varies in estimate. According to a study by the Canadian

Treasury Board,¹ Third World aid recipients pay 15 percent to 20 percent more than necessary for a development project financed with tied Canadian aid. According to the World Bank-sponsored Commission on International Development, the cost is over 20 percent,² and according to Maurice Strong, the first president of the Canadian International Development Agency, the federal government's foreign aid arm, the cost is closer to 25 percent.³

The cost in terms of dollars, though considerable to impoverished countries, may be dwarfed by the cost of being forced to choose a technology that would otherwise not be chosen. Canada, matched only by the U.S., has the world's worst record in using energy efficiently for almost any given task.⁴

Canadian tractors given to a Third World country, as a result, tend to increase that country's long-term dependence on imported petroleum fuels. So do Canadian transportation systems, food production systems, and numerous other foreign aid projects Canada offers.⁵ Canadian advice tends to be debilitating as well. When Canada sends consultants to the Third World their recommendations mirror their training and experience in Canada, whose industrial economy grew up on cheap energy, and whose energy systems are the product of a myriad of uniquely Canadian political decisions.

Among Canada's many foreign aid consultants are Hydro-Québec and Ontario Hydro, provincially owned electrical utilities that have received contracts worth millions of dollars over the years from the federal government to advise Third World governments on how to set up their own electrical systems.⁶ These utilities are abnormally large, they exercise monopolies over larger territories than any other utility in the non-Communist world, and they have acquired these gigantic proportions by forcing competing producers of

power out of business and replacing their small-scale facilities with large-scale systems. When Hydro-Québec or Ontario Hydro offers advice, it does not emphasize the benefits of having a small or decentralized electricity system.

Neither does the advice of other Canadian engineers, who have earned their living in large part by servicing the needs of Canada's giant utilities. It has been two generations since Canada's engineers have had to understand the workings of small utility systems.⁷

Canadian engineers understandably have a tendency to think big, and as a result Third World governments receiving their advice tend to adopt big systems, such as big hydroelectric dams, whether bigness is required or not. In this way, huge and wholly inappropriate systems have been adopted in the Third World at Canada's behest. Some of these systems might have been adopted had Canada's aid not been tied — there are many reasons for Third World leaders to want centralized systems and grandiose projects — but tying aid virtually guarantees that what is offered gets accepted, because the alternative for the Third World government would be no system at all. Tied aid, from the Third World government's perspective, amounts to "take it or leave it."

But from the perspective of the giving country, tied aid also has severe shortcomings because it inflates the cost of delivering foreign aid. In Canada's case, where the cost is inflated by 15 percent to 25 percent, the one billion-odd dollars that were tied in 1983 were diminished in value by between \$150 million and \$250 million. Canadian taxpayers thus became losers as well: they could have provided the Third World with gifts of equal worth at a tax saving of a quarter of a billion dollars.

This substantial loss to Canadian taxpayers is not balanced by comparable gains elsewhere.

Based on the Treasury Board figures, tying foreign aid to Canadian products seriously undermines Canada's aid effort for only minimal benefit to the Canadian economy as a whole: only about \$10 million in profit at home would have been lost with the untying of Canadian aid for the 1974 fiscal year, the period it studied.⁸

As for the more technical concerns of economists, such as the balance of payments situation, untying aid would have worsened it but too little to "have any significant effect on the exchange rate."⁹ The "often-quoted argument in favor of tied aid" — that it helps Canadian industry penetrate foreign markets by being a loss leader — had no merit at all to the Treasury Board report, which bluntly said that "this argument has been dismissed." The report found that "there is no commercial or technological link" between the products Canada gives to the Third World and the products they later buy.¹⁰ Even the service sector, primarily consulting engineers, does not provide an entry for future profits because Third World countries simply cannot afford to buy Canadian services at market rates. "Accordingly, services can only occasionally be exported without public or international financing."

These striking findings nevertheless understate the total cost of our self-interest. As the Treasury Board report stressed, "the cost that we have calculated minimizes the total cost of tied aid for the recipient countries, since it does not take into account the indirect costs incurred because these countries do not necessarily receive the kinds of goods and services that they need most urgently." A Third World country, in other words, may not need any of the energy systems available in Canada. Instead of limiting its choice to several undesirables, Canada could be giving Third World countries additional options by untying its aid and providing

cash. Kenya, for example, might use the cash to relieve the energy crisis in its rural areas by purchasing biogas digesters from China instead of taking another hydroelectric facility from Canada to serve its urban industries.

Although Canada's electrical industry would be deprived of some aid business, the effect of this "lost sale" to Canada is not as bad as it seems. Canadian dollars would have gone to China instead of back to Canada, and the Chinese, who would now have them, might choose to spend them in Canada on another commodity, say communications equipment. Or the Chinese might choose to spend them in another country. (Canada's dollars would be worthless to the Chinese if their value were not claimed.)

Whether those dollars come back to Canada from China or from another country, sooner or later they will be used to claim goods from Canada, because Canada is the issuing country, and ultimately the only one responsible for exchanging its dollars for the goods and services they represent.¹¹

In effect, what will have happened is this: instead of Canada's foreign aid dollars returning from Kenya to buy electrical products, they will be coming from China or any other country to buy communications equipment or any other Canadian product. The same number of Canadian dollars will have circulated, but the benefits will have been spread across Canada's economy, instead of having been limited to particular industries or to particular companies.

Those particular industries, the Treasury Board report tentatively concludes, are those industries which "profit from the monopolistic position in which tied aid has put them," and within these industries, a handful of companies appear to reap the lion's share of those monopoly benefits.

In the manufacturing sector, a mere 23 suppliers — primarily multinational corporations like General Electric,

Raytheon, and Westinghouse — accounted for 75 percent of the aid business. Tied aid here forced Third World countries to pay a penalty of at least 25 percent for the benefit of these corporations.

The engineering consulting industry also forced the Third World into paying a 25 percent surcharge. Half of the firms involved, according to the Treasury Board, were "characterized by a dependency on aid contracts and a lack of experience" in international markets. Sixteen consulting firms landed 56 percent of the \$83.8 million spent by the Canadian International Development Agency for consulting services, while 21 consulting firms were found to be so uncompetitive that "if the contracts obtained through CIDA had been untied, these firms probably would not have received them, since they could not have successfully challenged their foreign competitors."

The Treasury Board's 1976 analysis has stood up well. In the following years, with the domestic market for large-scale industrial projects shrinking, these Canadian consulting firms have proved unable to penetrate international markets. Crippled by their inability to compete, they usually did not bother to even bid. In 1977, Canadian companies bid on only 2.3 percent of 7,200 tenders called by the World Bank. In 1978, the percentage of tenders for which bids were submitted dropped to 1.3 percent. Between 1973 and 1982, Canadian companies did not submit a single bid on more than 1,700 civil works contracts financed by the Asian Development Bank, with a total value of \$1.4 billion.¹²

Tied aid is not good for a nation's overall welfare, but because this is generally not well recognized by the public most countries, to varying degrees, tie their aid. Among the industrialized countries of the Organization for Economic Cooperation and Development, Finland ties the least, only

twelve percent of its foreign aid budget, and the United States ties relatively little, 32 percent. At the other end of the scale, Canada ties 65 percent of its foreign aid funds, twice as much as the U.S. and second only to Austria.¹³

This much corruption of the purpose of foreign aid is less attributable to the force of Canada's business lobby¹⁴ than to the absence of an organized lobby that is able to present the case against tied aid to the Canadian public. Recognizing tied aid's failure, the federal government had pledged in 1975 to eliminate it, and a Parliamentary Task Force in 1980¹⁵ wanted it reduced because "short-term commercial objectives should not be permitted to undermine the development purposes of the assistance program." In general terms, the public also agrees: according to a 1980 poll commissioned by CIDA,¹⁶ over 90 percent of Canadians want their foreign aid to be given for humanitarian or moral reasons while only four percent thought it should be given in order to benefit Canadian business. But because the myth persists that tied aid can both be humanitarian and help business, the government found it expedient to ignore its pledge rather than risk the wrath of the business lobby when it stood to receive little credit from a disinterested public.

To the Third World country, the choice between tied aid and no aid is unenviable; to the Westerner, it does not seem so bad. Even second best products, to our way of thinking, must surely be better than anything they have. Besides, we reason, we have used our resources so well, acted so responsibly, while the Third World is the continuing author of its own failure.