

10th MOF · NGO Regular Consultation
December 21, 1999

Discussion with Jean-Michel SEVERINO
Vice president, World Bank

What follows is a transcript of the English-language discussion which took place during the 10th MoF-NGO Regular Consultation (Dec. 21, 1999), between Japanese participants and Mr. Jean-Michel SEVERINO, Vice President, World Bank, who was in Japan for a series of meetings with Japanese government officials. Mr. Severino first offered a brief presentation about WB responses to the Asian Financial Crisis and its Comprehensive Development Framework, then remained for the following exchange with representatives of Japanese NGOs. These minutes correspond to sections Agenda items 3-1 and 3-2 of the 10th regular Consultation.

** We have placed question marks in parentheses, (?), where the words of a speaker could not be transcribed with certainty due to noises or poor voice quality of our tape-recording.

3-1. Pakmun Dam

Matsumoto (NGO): I would like to raise the issue of the Pakmun Dam in Thailand in this occasion, although I am not sure whether the vice president know this issue. The Board Meeting of the World Bank decided to give a loan for this project in 1991, i.e. 8 years ago. It is the very old project. I would like to have a brief presentation about the issue of the Pakmun Dam.

The Pakmun Dam was approved by the Board Meeting of the World Bank to be given a loan in 1991. At that time, the OED from the USA, Germany, and Australia gave very negative and opposing opinion against giving the loan for the project, because of expecting serious social and environmental impact by this project. However, according to Thai newspapers, the Japanese and some other OED strongly supported this project. And finally the Board Meeting approved to give a loan for the Pakmun Dam. Construction work has started. Then it was completed 1994. This dam is for hydraulic power generating 136MW.

According to feasibility study of this project, 262 families should be resettled by this project. After the completion of the dam, more than 900 families had to relocate from the site, and also another 6,000 families, especially fisheries, claimed negative impacts by this project. At that time, the Thai government decided to give 3 year compensation for 3,000 families for specifically their lost of fishes during the construction period. Except the compensation for 3,000 families, in Thailand, there are another 3,000 families claiming compensation. And there are also lots of people claiming permanent compensation. During the negotiation between a people's organization and the Chawaritt government, the government finally approved to solve this problem by themselves.

Unfortunately Asian economic crisis hit to Thailand at the time. Then the government changed from Chawaritt government to Chuwang's. Chuwang government suddenly canceled all agreement between the people's organization and the government. Then the Thai government started emphasizing those villagers claiming new compensation are a liars -- that they came from such as Bangkok and resettled at Pakmun area to claim the compensation. That is why, even after completion of the construction, still thousands people affected by the project are standing up against this dam during past three or four years. Especially last year, the World Bank or the OED published one report about recent experiences of involuntary resettlement including the case of Pakmun dam. According to the report, this is the best successful case of resettlement. Although the report touched briefly on the loss of fishes in villages, it is not enough to discuss social and environmental impacts of this project. I think this report ignore serious impacts to villagers on fisheries. So this year, from April, about 4,000 people settled at the Pakmun site to demonstrate against the government's ignorance on this issue.

Unfortunately, during past several months (i.e. about eight months), they have not got any attentions from the government in Thailand. I gave some references published by the International Rivers Network. Because this is the 10th anniversary year for the protesters since they started protesting against this project in April 1989. So they organized a big event around the Pakmun site this month, December. They again tried to ask the public and international societies to pay attention to this dam problem in Thailand. That is why now I am here to raise this issue to the vice president and other World Bank officials to look at this issue more seriously.

In order to solve this issue, since this is partly loaned by the World Bank 1991, especially based on the assertion of the villagers, they are waiting for World Bank staffs to visit the site and discuss with villagers to discuss this serious issue with the local. So far, they have never seen any World Bank officials to discuss this issue and they feel they are totally ignored by international society or the World Bank. Here I would like to ask you to discuss and decide to review this dam project again and also visit the site to discuss with the local people to find out potential solutions, probably including compensation and also some claiming decommissioning the dam, as more serious one. At least, I think, it is necessary for the World Bank, especially for senior responsible staffs, to visit the site to discuss with the villagers. Please notice that the villagers have suffered from this project in past ten years. Amazingly they are still settling at the Pakmun dam site. Outside their house, they built tents. They stayed at the tent about 9 to 10 months to ask international and domestic attention on this issue. So in this occasion, I would like to raise this issue and ask you to consider this issue more seriously.

Severino (WB): To be frank, since my technical knowledge is limited, I might not be able to have technical conversation. We are ready to discuss about this issue. Since, in a sense of accountability and responsibility, the OED is in an independent structure, it is very hard to raise issue from the WB. Although the OED is always not going to have easy conclusions, there is a criticism that they

approved too easily in this case. We have started investigation for this issue since mid-February. To understand this issue is very complex. It seems necessary to understand this issue more. In addition, recently, the number of sending technical staffs is raising.

The other thing is that we have different information about compensation. According to the information, first, although I am not sure whether it is true or not, shortage of fish is based on over-fishing. According to the Thai government, although I have no idea, a compensation fund set by previous government is also set in the current government. Despite the fact, there are no claims from villagers for compensation. I do not know whether it is true or not. It might be based on the issue of openness of the Thai government. So what I want to say is to give us time to have more information about this.

Matsumoto (NGO): It may be necessary to have very technical details. I would like to mention a couple of things. One is about the World Commission of Dams, which held in Vietnam on end of February. It is a quite good idea that NGO and the World Bank sit together, set up such a commission, discuss issues to find solutions for large dam issues. That was very fine. But on the other hand, the villagers claimed that it is very difficult for them to participate the meeting in Vietnam, especially for local people. There are lots of meeting in Bangkok also. It is also very difficult for them to visit Bangkok by bus, train etc. It is very costly and they have to leave families. So what they said was it is very important for them to have meetings with WB staffs in their region, i.e. Pakmun area. It is very important for affected them. Although we have lots of different perspective about impact or process. But at least I think we should find there are some problems there now and a lot of people are fighting against the problem to solve. It is very effective that WB send a quite important mission to the dam site to discuss with villagers. Except for other initiatives, such as World Commission of Dams etc., efforts by the World Bank is very important. So that is why I would like to stress this point again.

Severino (WB): It is a good point. And it is very important. It should be done before Vietnam.

3-2. Poverty Alleviation Policy after Economic and Financial Crisis in Southeast Asia and issues in East Timor

Koshida (NGO): My question is very general about World Bank's policy on poverty alleviation and reduction in particular in Southeast Asia after the Economic crisis. We have read several WB's approaches and comprehensive policies. And we found poverty reduction is one key problem for it. Although this is our own understanding, since you have several inside organizations, such as the IBRD, most recipient countries in the IBRD is very limited to poor countries including Southeast Asian countries. How do you match this kind of issues to the Poverty Alleviation Policy(?) Do you have any ideas, for example, some safety net programs, like social impact fund (?) in Thailand to implement grant or loan, for example? The Thai case is very specific one. But I want to ask more general framework for this program. This is the one thing.

The other point is about East Timor project. I just heard explanation from officials in the MoF. I would like to ask more details about how the WB implement programs for East Timor, your ideas to help nation building (?) in East Timor, not only financial support but also some others, such as social support.

Severino (WB): We have done lots of works on poverty recently, particularly after the Asian crisis. We accepted poverty alleviation as an important issue. As a result of looking at the recent time, we found poverty as a core of works for the WB, and it is a jeopardized issue. We have done lots of works particularly in Thailand and Indonesia. There are more participating projects and ownership. Different judgment makes different rules.

One consequence in Indonesia is that there are relationships between poverty and corruption. We developed the monitoring mechanisms by different sectors, especially by local and international NGOs to watch international issues. There are lots of progresses. Third set of issue which we met was issue of targeting. This is a very complex issue to reach real poor people. We had some mistakes to target people. Rural areas are much more affected than urban areas. And sometimes urban areas are much more affected than rural areas. We have had difficulties to reach women owing to social barrier, culture in Southeast Asian countries etc. There is a difficulties to such against socio-cultural barriers, etc. On the other hand, it was technically easier to reach children. We spent lots of money in the social safety net program as a core in the crisis. Evaluation gave us mixed reports, i.e. some are successful, but some are not. So we had lots of lessons from it. It is the first time to develop social set.

Second set of human development is social security side. Social security program include, for example, stay-at-school program(?), community development programs, food protection programs, food distribution programs, etc. One case is in Korea. There were high unemployment rate in Korea after economic crisis. It was a very hard work. We tried to set insurance, e.g. medical insurance scheme. But there were no access to Korean law. I think it was very successful. Korean government found very impressive set of legislation. My perception that Korean could recover from the crisis is the legislation reaching social impacts of the program.

Third set of issue is the issue of household including health education (i.e. to improve access to health education for the poor) especially caused by losing access to health services etc. in Indonesia. Basically our supports are in two ways. One was the funding for budget deficit. Second was the reformulating education and health programs. Only in expenditure side, by the government, accounting numbers are very emphasized. Overall, our judgment has not dropped. In the case of Indonesia, since we did not have public expenditure numbers for 1998 budget, we have no idea about details.

In terms of (?) services, our projects are more successful in health than education. We worked more socially as well as monetary policy, exchange rate policy etc. So that is why in the last social conference at the ADB, Manila, we had quite lots of discussions about relationship between macro economics and social policies.

East Asian crisis is, compared with recent Russian crisis etc., I think we could reduce the impacts for social side in most cases. We continue to tackle social issues, e.g. community empowerment project, poverty alleviation, health education project, linking efforts to social policy, victims of corruption environment etc.

Igusa (NGO): I have two opinions. First, the Asian crisis was very financial crisis, which means that the cause of the crisis, in my mind, was accumulation of foreign deficit. So I feel you need to prepare safety net along with some kind of policy for bankruptcy. In my point, you must tackle to the issue of foreign deficit to improve the crisis. Second, I think economic foundations in this region were quite good until about 1995. For me, one of the causes of sudden collapse was too fast growth. I am not only one person saying this. So I would like to ask your reaction about these points.

Tamaki (MoF): The problem was the non-funding loan, but not the deficit.

Igusa (NGO): I think it is both.

Severino (WB): One of the reasons of exclusion of foreign deficit is the structure of operations (?). Processes are going through lots of difficulties. (?) said problems were in physical structure rather than financial one, because there are food crisis, limits of foreign capacity, and many corporations could not survive by the shock. Without the type of extra openness Southeast Asia had, there is important slow down, because there was too much credit expansion. The shock was caused by too fast and too far. I think second comment is correct. There was too rapid growth in mid-1990s. It seems very important for the future how to avoid repetition.

The issue in East Timor is very transition and administration. We see our role as a coordinator for international assistance. It is necessary to give fund and capacity to the UNTAET. So we do not intend to work in the front line. What we do is to gain some experiences in the past. The first project will be implementation of community recovery and empowerment project, which means to improve public facilities, health etc. In short, East Timorese human and institutional capacity building is important. Most of foreign people is operators and implementers of cooperation. In East Timor, there are lots of donors. So efficiency of aid work depends on co-ordination.

Koshida (NGO): The leader in East Timor once said they will not follow other developing countries' way. He think it is the vicious cycle of debt. What is your reaction to his comment?

Severino (WB): In at least 2-3 years, it does not make sense to provide loans to East Timor. I expect, in coming 2-3 years, we provide only grant to East Timor. They need to develop their capacity. As far as the World Bank concerns, until when East Timor becomes a member of the World Bank, the grants will go on.

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