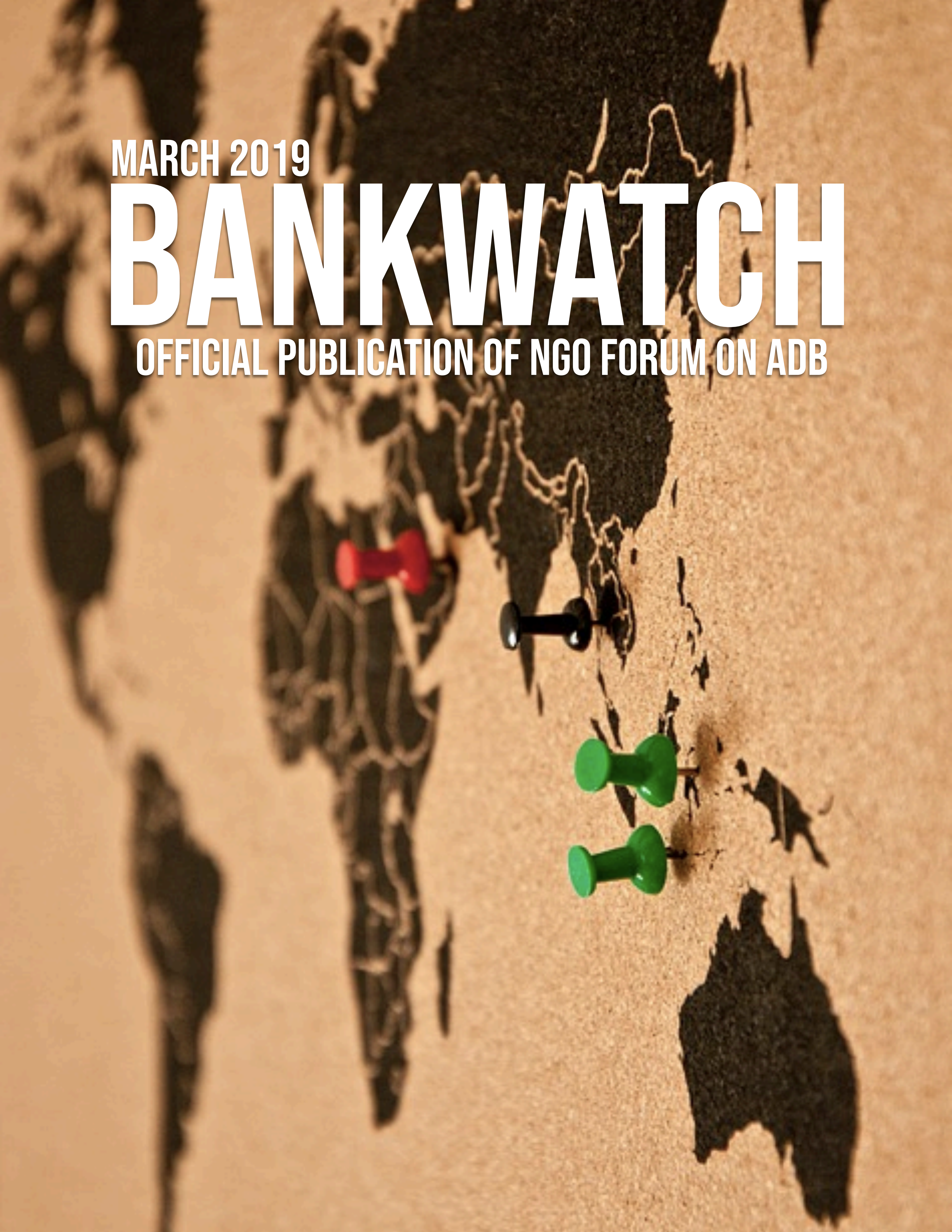
MARCH 2019

# BANKWATCH

OFFICIAL PUBLICATION OF NGO FORUM ON ADB



# INSIDE

# WORDS FROM THE EXECUTIVE DIRECTOR

Dear Readers,

This is our first issue for the year 2019, it features articles about the Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), and harmful projects that they have financed.

In this issue, we feature a commentary about **China's Belt & Road Initiative: A Cautionary Tale for the Kachins**, written by Lahpai Seng Raw. We also have an eye-opening article written by Francine Meestrum on **Universalism … really? How the World Bank turns meanings to its advantage.**

Another brilliant article written by Walden Bello titled **Global Finance Power and Instability** is included in this issue. Lastly, we have a piece about the fisherfolk communities in Northern Sri Lanka independently investigating the impacts of a proposed harbor project titled **Information delayed is Information denied** written by Tom Weerchat.

We hope that you will find the contributions informative and useful in your ongoing campaigns for economic and environmental justice.

Sincerely,

**Rayyan Hassan**
Executive Director

# CHINA'S BELT & ROAD INITIATIVE: A CAUTIONARY TALE FOR THE KACHINS

**A Commentary by Lahpai Seng Raw**

A Memorandum of Understanding to establish the China Myanmar Economic Corridor (CMEC) was signed by the governments of Myanmar and China in September 2018. The CMEC forms part of China's Belt and Road Initiative (BRI), a 21st century reimagining of the ancient Silk Road, the network of land and sea trade routes that once linked Imperial China with markets in the west.

The Chinese posit BRI as "a bid to enhance regional connectivity and embrace a brighter future", but there are many who perceive it as nothing more than a form of neocolonialism, a thinly-veiled attempt at gaining dominance on the world stage. The very act of rebranding the initiative Belt and Road, taking the word "One" out of its original name [“One Belt, One Road”], is seen as an attempt to address this negative impression.

In Myanmar, official estimates are that CMEC will be implemented before 2020. At first glance, the time frame does not sound too auspicious, given that the Corridor passes through ethnic areas rife with armed conflict, and the peace process remains at an impasse. But the Tatmadaw or Myanmar Army's 21 December declaration of a unilateral ceasefire in regional commands which encompass major CMEC project areas is a clear indication that China is going to great lengths to secure that flank.

The security situation may likely be improved, but hastily expanding connectivity without addressing the ethnic, religious and social cleavages that plague the project areas risks exacerbating existing conflicts. This is especially true in extremely sensitive ethnic conflict areas like Kachin State and northern Shan State.

A clear mechanism needs to be put in place for resource sharing and evaluation of social and environmental impacts before implementing national level projects. Unless such steps are taken, the trust deficit in China-backed economic ventures will only intensify. China also stands to lose credibility as an honest mediator in the peace process. One only has to hark back to the case of the stalled Myitsone Dam to drive home this point when, in 2011,


Photo retrieved from Jakarta Post

construction of the Chinese financed mega-watt dam had to be halted due to public pressure. The exclusion of community perspectives in CMEC planning is cause for major concern. In China itself, platforms for civil society engagement around Belt and Road have been established, including action plans for Chinese social organizations to promote BRI. However, such platforms are not extended to individual partner countries such as Myanmar, with the result that civil society involvement in the planning process is non-existent.

Projects in ethnic-controlled areas in Myanmar are being hastily implemented, solely through negotiation between the Chinese and the National League for Democracy (NLD) governments without any consultation with the ethnic nationals that populate the project corridor. For instance, projects to be implemented in Kachin State and Mandalay Region have been touted as CMEC-related, but local communities have no idea yet how they fit into the CMEC framework.

There is no doubt that a storm is brewing. CMEC is looming over us like a black, threatening mass of cloud, further aggravating the raging political storm of unresolved political grievances and environmental degradation that envelop us. This is the harsh reality that we Kachins face with the advent of CMEC. And like it or not, we must face it and its resultant effects.

As things stand now, it would seem that we are caught between the devil and the deep sea, with not many good options in sight. The question facing us now is whether it would be more pragmatic to cast our lot with China and its Belt Road Initiative rather than the transformation process under Myanmar* rule, and the non-negotiable, centralized "Peace Process"?

We have been through 70 long years of an unending cycle of armed conflict, rights violation, military aggression, displacement, poverty, trafficking, ceasefires and resettlement and, before you know it, the cycle starts anew all over again. The fact of the matter is that, after having gone through the era of military encroachment, we are now facing another type of encroachment - the Chinese kind, which in its own way is equally frightening. As it is, we do not have the choice of opting for the Devil or the Deep Blue Sea, but will have to face both of them head on.

Some Kachin civil and business leaders are of the opinion that, to survive this storm without losing our identity and livelihood, we need to ride out the storm in its eye, being that the most tranquil place during a storm is at its center – the eye of the storm. The reasoning behind this is that the Kachins, as an ethnic group, are weak and negligibly small in number. Thus it would be more advantageous to adopt a multi-alignment policy, taking care to get along with both powers, avoiding confrontational behavior, constructing a harmonious society, and discerning the best means that would yield mutual benefit for all stakeholders.

But the problem with this concept is: how do we insert ourselves into a process that both powers have excluded us from? Thus far, we have not been given any opportunity to give any kind of input at any level in the CMEC process. So what course can we take to avoid getting undercut, and escape the fate of numerous other communities who have suffered negatively from the impact of Chinese "development" projects?

A classic example would be the multi-billion dollar Kyaukpyu Special Economic Zone, with its deep seaport project at Maday Island and the gas pipeline project at Kyaukpyu in Rakhine State. The local populations, who had high hopes of a brighter future with better job opportunities, have had their dreams dashed, hit with massive land grabs, destruction of local fishing grounds, and arrests and incarceration for protesting against unlawful land grabs. The situation has become so untenable that Rakhine political parties and civic groups are now calling for an end to BRI-related mega-projects rushed through without consultation with the local people.

Chinese academic Yuen Yuen Ang writes that BRI needs a roadmap: that the Initiative, like most communist party campaigns, is sprawling and uncoordinated. She adds that the Initiative is a vision, not a plan. To me, it sounds eerily like the "vision" Aung San had for the Union of Burma. Panglong was a tool to gain a quick and easy independence from the British – rather than a pragmatic plan for a Union where diverse ethnic groups could live together. The result is that, after 70 years of independence, many of the non-Bamar are becoming convinced that the last thing on the Myanmar agenda is a Union with other ethnic groups, either before or now.

A close look at the entire CMEC working committee will show that there are no ethnic nationalities represented on the committee other than the Bamar. The names of individuals on the committee have not yet been made public, but all of the organizations seem to represent only military and NLD interests. Hopefully CMEC planners will pause and ponder on the negative impact of putting into operation yet another investment venture, negotiating only with the ruling party and the military.

What is most critical at this point is unity, with all stakeholders striving to bring about lasting change to our country. The Ethnic Armed Organizations (EAOs), the political parties, the Civil Society Organizations (CSOs) must all participate as partners, together with the Chinese and NLD governments in CMEC negotiations. We

*Photo by Sebastian del Val*

must learn to ride out of the eye of this powerful challenge if we are to maintain our independence as a nation. That is the challenge for all of us.

Likewise with regard to the peace process, the EAOs, CSOs and political parties must prove themselves capable of cooperation within a federal structure – to cooperate with the ethnic majority Bamar. If we are not able to rise above the situation, we will be in danger of becoming irrelevant minorities in our own land much like the Uighurs of Xinjiang, enduring the Myanmar Army's continued attack of ethnic armed groups, labelling them separatists and terrorists.

The ruling Myanmar elites, on the other hand, must be convinced that the ethnic armies are not "rebels" in the sense of putschists and enemies, but that they are potential brothers with the same goals: a stable and productive State.

We also look to our giant neighbor China – the neighbor with a vested interest in seeing a peaceful Myanmar, and has experience with a one country, two/three policy – to provide us with long term sustainable support in matters like the sharing of natural resources, the right to self-determination and the creation of a fair platform to negotiate with the Myanmar government in resolving underlying political issues. It would be a dream come true if the Nationwide Ceasefire Agreement process were to be completed and democratic reforms get back on track by 2020.

Unless such steps are taken, there is a real danger that China's economic initiative in Myanmar will fail, and democracy will continue to elude the country, with no possibility in sight of reviving the Union Spirit.

* Myanmar is also the name of the majority ethnic nationals in the country of “Myanmar”: “Bamar”. So the name "Myanmar" represents only one ethnic group, and does not include all other ethnic nationals of the country. The non-Myanmar/non-Bamar ethnic nationals had opted to form a Union with the majority population in order to gain independence from the British. The 1947 Panglong Agreement, which sealed this union, guaranteed full equal rights to ethnic minority groups as co-founders of the Republic of the Union of Burma (as Myanmar was known then). But the failure to live up to the promises of Panglong has led to non-acceptance by ethnic minority nationals of the governance of majority Bamar rule.

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# UNIVERSALISM … REALLY? HOW THE WORLD BANK TURNS MEANINGS TO ITS ADVANTAGE

**Francine Mestrum, Global Social Justice**

With all the paradigmatic changes the World Bank has been promoting in the field of social policies, one element never changed in the past thirty years. Social policies were meant for the poor, governments had to find the best ways to target those who really needed their help.

The reasoning is simple: poor people, as was spelled out in its first World Development Report on Poverty of 1990 [1], were those left behind by growth and by governments. The wrong policies were applied so that poor people did not get access to labour markets and, moreover, these labour markets were made more difficult to enter because of minimum wages and other 'protective' rules the poor did not really care about. If one really wanted to help the poor, one had to abolish all these well-meant but adverse policies. Open, deregulated markets, at the local and the global level, were the best programmes for the poor. In its 'Doing Business' Report of 2013[2], the World Bank still considered fixed term contracts and 50-hour workweeks as positive achievements, whereas premiums for night-work and paid annual leave were on the negative side[3].

As for the not-so-poor or middle classes, these people are said to have enough resources to buy the insurances they want on the market. Insurances are an economic sector and there is no reason why States or governments should get involved in it[4]. Solidarity is one of the words that has always been shunned by the international financial organisations.So, from its poverty reduction programmes, started in the 1990s, up to its first thinking on social protection in 2000[5] and its new programme for 'sharing prosperity' in 2013[6], the World Bank remained loyal to its 'targeting'. When publishing its new strategy, it did not say anything about its scope, but it seems clear it does not concern a 'universal' social protection. 'Well designed, well targeted social protection[7]', 'Resilience for the vulnerable, equity for the poor, opportunities for all'[8].

## ILO'S AMBIGUITY

It has long remained the major difference between the World Bank and the ILO (International Labour Organisation) which, in all its documents on social protection, favours a 'universalist' approach. Other organisations, such as UNRISD (United Nations Research Institute on Social Development), are doing the same.

It was a bit disappointing therefore to read the ambiguous 'Recommendation' (202) for social protection floors the ILO adopted in 2012[9]. From the preparatory documents up to the final Recommendation, the ILO said it wanted a 'universal' social protection, while at the same time it spoke of systems 'for the needy'. It looks like the SPF (Social Protection Floor) does not go beyond poverty reduction and it is not a 'universal social protection'. Being limited to the poor, SPF looks like a rights-based social assistance programme with the potential of being extended, in the long term, to a universal social security programme. The terminological confusion can lead to many divergent interpretations and gives the SPF an aura it maybe does not deserve. The ILO is playing with words like 'universalism' which is then qualified as being only valid for the poor or only for the guarantees.[10]

An even bigger surprise came with the adoption in 2015 of a 'Joint Statement' of both the World Bank and the ILO in favour of an initiative for universal social protection.[11]

In their concept note, here is what the organisations write: 'Since the 2000s, universality has re-entered the development agenda. First it was education: universal primary education became a Millennium Development Goal in 2000. Then it was health: in December 2013, the World Bank and WHO committed to universal health coverage. Now it is time for universal social protection.

For the World Bank and the ILO, universal social protection refers to the integrated set of policies designed to ensure income security and support to all people across the life cycle – paying particular attention to the poor and the vulnerable. Anyone who needs social protection should be able to access it'.[12]

The Initiative 'Global Partnership for Universal Social Protection' was officially launched in September 2016. The aim is to make pensions, maternity, disability and child benefits, among others, available to all persons, closing the gap for hundreds of millions currently unprotected worldwide.

In the examples of 23 country cases that were given, however, the universalism was each time limited to just one sector: child benefits, pensions or maternity protection… These are certainly positive steps, but one can hardly call them 'universal social protection.[13] One could expect that at least the different elements of the Social Protection Floors are all included, but they are not.

Photo by Yair Ventura Filho

# NO CLARITY YET

In practice, nothing much was changing. The IMF (International Monetary Fund), the World Bank's sister organisation, continues till today to impose targeting in social spending.

In a report of the Independent Evaluation Report of the IMF on social protection[14], it is noted that the IMF 'consistently favoured targeted (means-tested) benefits over Universal Child Money Entitlement'. In a report on loan conditionality the ONG Eurodad also points to systematically targeting of social spending[15], and the UN Special rapporteur on extreme poverty[16] did the same. The ILO itself refers to the case of Mongolia which had introduced a universal child benefit, whereas the IMF insisted on 'strengthening and better targeting of social safety nets'[17]

The IMF is not the World Bank, though it would be the very first time that the two institutions of Bretton Woods differ on such a very important strategic point.

The Sustainable Development Goals, adopted by the UN General Assembly in September 2015, do mention for several targets a 'universal access', such as for sexual and reproductive health care services, for health coverage, for safe drinking water, for energy, etc.[18] It does not, however for social protection: 'Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable' (Target 1.3).

In practice, then, nothing much changed. So, while the joint statement of WB and ILO had no immediate consequences, people continued to wonder if anything really had changed, and if so, who had changed? The World Bank? The ILO? Now that an international conference is going to put meat on the bone of this initiative, the time has come to take a closer look at it.

# LOOKING AT LABOUR

In a document of 2012, the World Bank did add 'labour' to its new strategy of 'sharing prosperity'. 'Employment laws are needed to protect workers from arbitrary or unfair treatment', says the World Bank. It claims its indicators are consistent with ILO conventions, though they do not cover its Core Labour Standards. But 'upholding Core Labour Standards is central to protecting workers and improving their productivity'.[19] Once again, while this is a huge step forward for the World Bank, it wants 'to strike the right balance between protection and competitiveness'. This is one of the first texts in which the World Bank implicitly accepts trade unions and collective bargaining, included in the Core Labour Standards. The same happens in its

Photo by Igor Ovsyannykov

World Development Report 2013[20] on jobs, where it is said that 'collective bargaining does not have a major impact'[21], as well as that 'there is little evidence on the impact of trade unions'.[22] Though it also adds that 'there is no consensus on what the content of labour policies should be'.[23]

More clarity is given in the latest World Development Report of 2019 on the future of work.[24]

In fact, what we find in this report, are the same objections as in 1990 against social insurances, though framed in a different way. Because yes, the World Bank defends 'universal social protection', but 'the Bismarckian model is withering'.[25] 'More universal approaches are desirable', but they demand significant additional resources.[26] And it goes on saying that a contributory approach is not good for developing countries, since there are no stable jobs, since it is unfit in view of the nature of work … 're-thinking of this model is a priority'.[27] For social assistance however, the World Bank accepts to think of a 'progressive universalism'.[28]

Not more than a couple of sentences, but they reveal the thinking of the World Bank.

We can summarize it as follows. The World Bank is in favour of 'universal' minimum social assistance, a new way of saying 'poverty reduction', a non-contributory minimum pension, minimal health care, help for the disabled, universal primary education … Exactly the points that are mentioned in the ILO's social protection floors Recommendation, so there are no differences with the ILO on this point.

The World Bank is not in favour of social insurances linked to the labour market, it can accept some minimal presence of trade unions, though the acceptance of the core labour standards – with fundamental economic and social human rights – is still is a bridge too far.

Once again, we must conclude that the World Bank is not concerned at all about people's rights, but only about labour costs.

If the World Bank accepts the principle of universal social protection, it will have to be paid by the State, not by the companies. Its funding will come from taxes, not from social contributions.

In other words, its thinking is not so very different from what some NGO's are proposing in terms of 'guaranteed minimum' for all, whether it be in cash (basic income) or in social services. Cash, such as the highly promoted 'CCT's' (conditional cash transfers) is very useful because it can allow the poor to buy services from the privatised health care or school system.

For companies who do want to do something more for their workers, the World Bank will have no problems at all with the 'occupational pensions' or other types of services, such as health care. These services, at any rate, can also be bought on the market and will only raise the labour costs when and if the companies think they can allow it. It is not an obligation for all and the State is not involved.

We can start to see, then, the future the World Bank is preparing: with the ILO, it will promote a 'universal social protection', a minimum for all so that all can survive. It is totally de-linked from the labour market and does not concern wages or social contributions. The World Bank thinks that at any rate, stable jobs will more and more disappear, if not jobs as such.

Companies will not have to bother about social policies. If they want to do something for their workers/employees, they can, but they do not have to. In the same way as many big companies have stopped paying taxes, they can work 'hors sol', looking for the best environment and the lowest wages. They do need the State of course, in order to make 'rulings' (to limit their tax obligations), to preserve property rights, to pay minimal or no social benefits to their workers, to enhance competition.

As for workers, they have no reason to address the companies anymore with their social demands. They can directly address governments if they are not happy with what they get. Trade unions may try and negotiate for better wages and better working conditions, surely, but their role will be seriously diminished.

What this means is the end of welfare states implying a mutual strengthening of economic and social policies. This process has been started several decades ago and now finds its more or less final shape. Companies can produce, but do not have to care in any way about the reproduction of labour.

# CONCLUSION

There is no reason to think that this is the reality that will unavoidably be prepared by the ILO and the World Bank. The major advantage of discourse analysis is to reveal the hidden messages in documents that do show a certain continuity, even if, at first sight, they are contradictory. These hidden messages and the political projects they reveal can be resisted if social movements are aware of them and can get organised. It means the resistance can be organised as from today, one does not have to wait till the triumphant announcements about the 'universal social protection' will be made. As we have seen, however positive it would be to give all people access to minimal social benefits, it may be a very negative move in taking away from workers their economic and social human rights, a direct way to put pressure on companies to respect their workers. Several movements have indeed reacted already to the proposals

*Photo by Engin Akyurt*

of the latest World Development Report.[29]

In the new context that is being shaped right now, with major changes on the labour markets and with a threatening climate crisis, much has been said and written about the role of companies. Is their role limited to making profits for their owners, the shareholders? Or do they have a broader responsibility for the environment and for society? The World Bank seems to have made its choice, but it is hard to believe this choice will be accepted without any debate

What it comes down to is that companies are given a free hand for (more) exploitation of workers, whereas they can shift to the State and public funds the responsibility for guaranteeing the re-production of their labour force.

The current way companies have been shunning away from their responsibilities towards society and the environment – avoiding taxes and social contributions, as well as through the characteristics of their activities, especially in the extractive sector and with global value chains – is one of the major causes of the fiscal restraints of States. Universal social protection means that social protection, as part of a coherent social process, should be at the benefit of all, that is, the whole of society. Taxes are needed for providing a whole series of social services that gives meaning to 'society' and are crucial for its sustainability. This automatically means that all of society, including the rich and owners of capital, have to contribute by paying. We can never have decent work with decent wages and decent social protection if we do not bring capital back in.

It is certainly true that our welfare states need a serious effort of renewal in order to fit societies and labour markets of the 21st century. But this cannot be done by giving a free hand to companies and burden the already impoverished States with social protection. Because in the end, if only citizens pay direct and indirect taxes to receive in return a minimal social protection, the world of capital escapes, while production and re-production cannot and should not be dissociated. By separating production and reproduction, we go back to the early stage of capitalism and industrialisation where risks were considered to be individual, outside of the production process. This new philosophy is making an end to the acceptance of collective responsibilities.

Global Social Justice has been working with its partners and allies to conceptualize another philosophy of social protection, one that is not compatible with the World Bank's one. We think that social protection is a major element of a re-production process, and that it cannot be separated from the production process. It must play a role in the shaping of the other world we want to promote. As production cannot be separated from re-production, social protection cannot be separated from all the other sectors we are concerned about, from climate justice to democracy and peace. Social protection should be more than the minimal benefits in case of illness, disability or old age. It also consists of labour rights, assistance to the poor and social services. If we really want to promote 'another world', we must make the links between these different topics, not separate them. The economy is part of society and should be embedded in it, as Polanyi explained so brilliantly, and it is society we want to make more coherent.

In the end, then, what it is all about is the objective we want to give to social protection, something totally apart from the economy while all the same enhancing it and promoting growth, a help against market failure, or an instrument to really protect people, give them more security and contribute to social justice and system change.

Social protection is a human right, if we want to resist the further neo-liberalisation of our policies and societies, with an autonomous economic sector and a State to cover all people's needs, we have to organise a debate about social protection.

What the World Bank is doing is, through the positive message of a 'universalisation' of social protection, fundamentally changing the old philosophy of welfare states, thereby reducing the economic and social rights of workers and breaking the necessary link between production and re-production.

The French philosopher Bruno Latour writes in his latest book 'Où atterrir?' (Where to land?) that since the end of the 1980s, the death of communist regimes, globalisation and the denial of the climate crisis, elites have stopped to be pretending to lead the world. What they are now trying to do is to hide from the rest of the world. They do not believe anymore in the existence of a common world we have to share. Your world may be threatened, but ours is not, is the reasoning. We do not belong to the same world anymore. Hence the rising inequalities, the rejection of migrants and refugees, the withdrawal from the climate agreement. In a way, this is exactly what is also behind the World Bank's reasoning. Companies want to create wealth and consider this wealth to be theirs and not to be shared with anyone. It is the creation of a split word that, in the end, can never be sustainable.

Footnotes

[1] World Bank, World Development Report 1990, Poverty, Washington, The World Bank, 1990.

[2] Doing Business 2013, Washington, World Bank, 2013.

[3] Doing Business, 2013, op.cit., p. 216.

[4] World Bank, World Development Report 1997, The State in a Changing World, Washington, The World Bank, 1997.

[5] Holzmann, R. and Jörgensen, S., Social Risk Management: A new Conceptual Framework for Social Protection and Beyond, Social Protection Discussion Paper n° 0006, World Bank, Washington, 2000.

[6] Development Committee (Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries) DC2013-0009, September 18, 2013, World Bank Group Strategy.

[7] World Bank, Resilience, Equity, and Opportunity, Washington, The World Bank, 2012, p. XII.

[8] World Bank, 2012, op. cit., p. 1.

[9] ILO, Recommendation (202) on Social Protection Floor, 2012.

[10] Mestrum, F., Social Protection Beyond Poverty Reduction, http://www.globalsocialjustice.eu/index.php?option=com_content&view=article&id=301:social-protection-floor-beyond-poverty-reduction-&catid=10:research&Itemid=1.

[11] ILO/WBG, Joint statement by World Bank group president Jim Yong Kim and ILO Director General Guy Ryder, 30 June 2015.

[12] ILO/WBG, A shared mission for universal social protection, Concept Note, https://www.ilo.org/wcmsp5/groups/public/—dgreports/—dcomm/documents/genericdocument/wcms_378996.pdf.

[13] Global Partnership for Universal Social Protection to achieve the Sustainable Development Goals, 21 September 2016, https://www.social-protection.org/gimi/gess/NewYork.action?id=34.

[14] IMF/IEO, The IMF and social protection, 5 July 2017.

[15] Eurodad, Unhealthy Conditions, IMF Loan Conditionality and its impact on Health Financing, Brussels, 2018.

[16] UN, Report of the Special Rapporteur on Extreme Poverty and Human Rights, Res. A69/297, 11 August 2014.

[17] ILO, World Social Protection Report 2017-2019, Geneva, ILO, p. 16.

[18] United Nations, Sustainable Development Goals, https://sustainabledevelopment.un.org/?menu=1300.

[19] World Bank, 2012, op.cit., p. XVII.

[20] World Bank, World Development Report 2013, Washington, The World Bank, 2013.

[21] World Bank, 2013, op. cit., p. 26.

[22] World Bank, 2013, op. cit., p. 263.

[23] World Bank, 2013, op. cit., p. 25.

[24] World Bank, World Development Report 2019, Washington, The World Bank, 2018.

[25] World Bank, 2018, op. cit., p. 118.

[26] World Bank, 2018, op. cit., p. 109.

[27] World Bank, 2018, op. cit., p. 113.

[28] World Bank, 2018, op. cit., p. 119.

[29] See e.g. How the draft WDR 2019 got it wrong, www.wiego.org/blog/how-draft-wdr-2019-got-it-wrong-rethinking-and-“relinking”-social-protections-future-work.

# GLOBAL FINANCE POWER AND INSTABILITY

**Walden Bello**

Over the last 30 years, finance capital has become dominant in the leading capitalist economies, outstripping the industrial elite in power and influence. This development has led to the increasing subjection of the productive sector to the volatile dynamics of the financial sector.

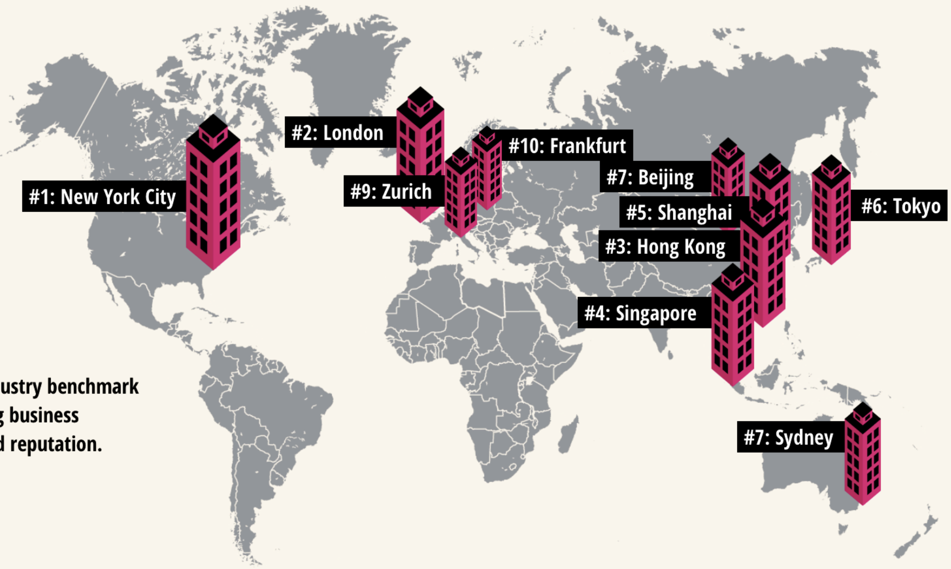
The centrality of finance in today's global economy is revealed by the increasing frequency of major financial crises, which have inevitably been followed by recessions. Since the liberalisation of capital markets began during the Thatcher–Reagan era in the early 1980s, there have been at least 12 major financial crises, the most recent being the Global Financial Crisis of 2007-2008, which also provoked what is now known as the Great Recession from which many of the developed economies have not yet recovered.

Indeed, the global economy is now said to be in the throes of 'secular stagnation' or a period of prolonged low growth, one of the key causes of which was the recent financial implosion.

The most distinctive process and feature of contemporary capitalism is said to be financialisation, which has several dimensions. It generally means that finance or the dynamics of the financial sector have become the central force driving the economy. It means that movements in the production and pricing of goods and services are increasingly conditioned not only by supply and demand in the real economy but by the increasingly autonomous movements in the values or prices of financial instruments tracking goods and services.

It also means that speculative transactions overshadow the process of production as the source of profits, leading to a situation in which the wealth of the financial elite in the banking and shadow-banking sectors eclipses the non-financial capitalist elites. Though it accounted for only 8 per cent of the US Gross Domestic Product (GDP), the financial sector raked in 30 per cent of the profits in recent years, with some analysts saying that the actual figure was 50 per cent.

## FINANCIAL CENTRES




Top ten ranked according to industry benchmark that analyses 5 factors including business environment, infrastructure and reputation.

## DELINKING THE FINANCE-PRODUCTION CIRCUIT

What accounts for the dominance of finance in contemporary capitalism? In the standard Economics 101 description of the financial system, it is the subsystem of the economy that channels money from those who have it (savers) to those who need it in order to invest in production (investors). This relationship is what has been lost or delinked in contemporary capitalism, with finance increasingly losing its relationship with production and becoming an end in itself.

This delinking of the relationship between creditor and debtor, saver and investor, or financier and entrepreneur has been expressed in different, though complementary, ways by Marx and Keynes.

In Volume 2 of Capital, Marx talks about the normal production circuit of 'M-C-M1' (Money–Commodity–Money) being occasionally displaced by 'M-M1' (Money–Money). This occurs, he says, because '[to the possessor of money capital] the process of production appears merely as an unavoidable intermediate link, as a necessary evil for the sake of money-making. All nations with a capitalist mode of production are therefore seized periodically by a feverish attempt to make money without the intervention of the process of production'.

To Keynesians, the hegemony of finance stems from what Keynes saw as the contradictory functions of money as capital and money as store of value.

Uncertainty about the future leads savers to prefer keeping their wealth in liquid or monetary form rather than lent as capital to be invested in production, a phenomenon he famously described as 'liquidity preference'.

Money as a store of value, say Keynesians Massimo Amato and Lucca Fantacci, 'makes it possible for saving to be unconnected with concrete goods and to take place rather through the constant and indefinite accumulation of abstract purchasing power….'. This process of accumulation unconnected with production leads to a destabilising expansion of liquidity that is made possible by the creation of multiple forms or instruments of credit that go far beyond the stock and bond markets to embrace the so-called innovations of financial engineering such as mortgage-backed securities(MBSs) and derivatives.

With finance increasingly taking on autonomous dynamics of its own, becoming more and more delinked from the productive process, 'the fundamental instability of capitalism', argued the famous Keynesian Hyman Minsky, 'is upward. After functioning well for a time, a capitalist economy develops a tendency to explode, to become "euphoric"'.

Filling out Minsky's dynamic picture of the processes unleashed by speculation, Bill Lucarelli writes:

'The economy therefore tends towards disequilibrium as these destabilizing financial forces assume ever more speculative forms. Asset price inflation during the peak of the boom will generate an increase in investment and consumption through the various channels of income and cash flows.

When the price of capital assets exceeds the price of current output, excess investment is channeled into rising equity markets, which also encourages investors to increase their leverage. An implicit capital gain is realized, which merely serves to attract more investment. In other words, the rise in the price of capital assets relative to the price of current output could set in train quite perverse wealth effects, which amplify increases in consumption and investment.'

The critical moment comes when there is widespread realisation that the asset price bubble is about to burst and there is a rush towards liquidity and riskless assets before the value of financial assets collapse. This is the so-called 'Minsky Moment', a phenomenon that accelerates the destruction of values.

Essentially, this is what happened in 2007-2008.

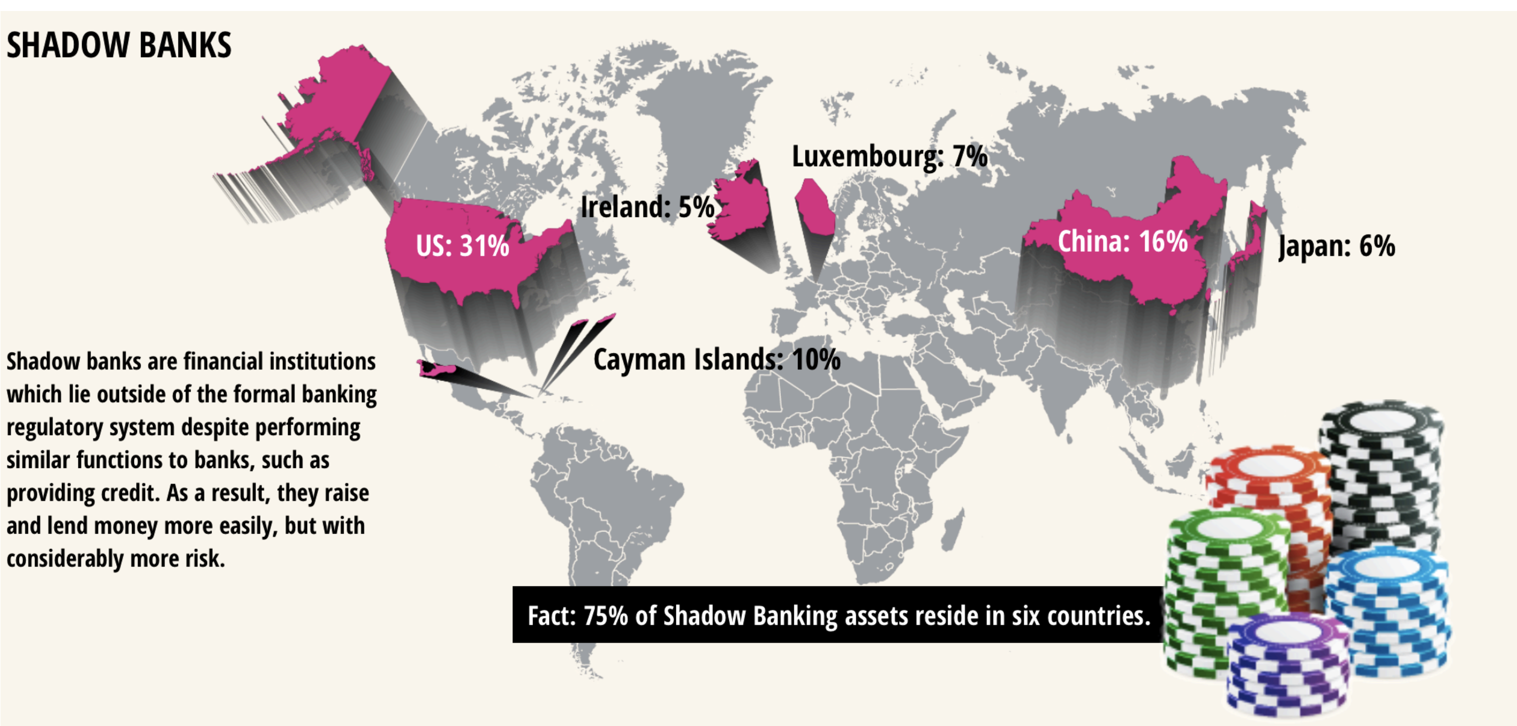
## THE CAUSES OF FINANCIALISATION

In Marx's day, financialisation as the key mechanism for creating profits was considered a periodic aberration. In recent years, however, it has become the dominant means of extracting profit. How did this happen?

Financialisation stems essentially from the crisis of production that began in the late 1970s. This took the shape of a crisis of overproduction that overtook the global capitalist economy after the so-called trentes glorieuses or 'Glorious Thirty Years' of expansion after the Second World War.

Overproduction was rooted in the swift and successful economic reconstruction of Germany and Japan and the rapid growth of industrialising economies such as Brazil, South Korea and Taiwan. This added tremendous new productive capacity and increased global competition, while income inequality within and between countries limited the growth of purchasing power and effective demand. This classic crisis of overproduction – or underconsumption, to use Paul Sweezy's formulation – led to a decline in profitability.

There were three exits from the crisis of profitability that capital took: neoliberal restructuring, globalisation, and financialisation. Neoliberal restructuring essentially meant redistributing income



from the middle class to the rich to provide the latter the incentive to invest in production.

Globalisation of production involved locating production facilities in low-wage countries to increase profitability. While these two strategies brought a rise in profitability in the short term, in the medium and long term they were self-defeating since they brought about a downturn in effective demand by cutting into or preventing the rise of workers' wages.

## KEY DIMENSIONS OF FINANCIALISATION

That left financialisation. Financialisation had a number of key aspects, but three must be stressed.

First, financialisation involved the massive creation of indebtedness in the population to substitute for stagnant incomes in order to create demand for goods and services. Much of this debt was financed by the infusion of borrowed money from Asian governments recycling cash to the US drawn from the trade surpluses they enjoyed with the latter. The main avenue taken by to create debt in the US was through the provision of so-called subprime housing loans to a huge swathe of the population. These were loans that were indiscriminately given to home buyers with little capacity to repay them, so that they were essentially ticking time bombs.

Second, financialisation involved so-called innovations in financial engineering that would facilitate liquidity. One of the most important – and eventually most damaging – was securitisation, which involved making traditionally immobile contracts such as mortgages liquid or mobile and tradable. With mortgages securitised they could be traded, leading to the disappearance of the original creditor–debtor relationship.

Furthermore, financial engineering allowed the original subprime mortgage to be combined with better quality mortgages and sold as more complex securities. But even as mortgage-based securities were combined and re-combined and traded from one institution to another, they could not escape their underlying quality.

When millions of owners of the original subprime mortgages could no longer service their payments owing to their low incomes, this development spread like a chain reaction to the trillions of mortgage-based securities being traded globally, impairing their quality and bankrupting those holding significant quantities of them, like the Wall Street investment bank Lehman Brothers.

MBSs were just one example of the innovations of financial engineering, which were broadly known as 'derivatives', which were meant to facilitate liquidity, but ended up encouraging massive indebtedness built on a frail foundation of equity or real wealth. Market participants marked by a high ratio of debt to equity were described as being 'highly leveraged'. How highly leveraged Wall Street was prior to the crisis was indicated by the fact that the value of the total volume of traded derivative financial instruments was an estimated $740 trillion, compared to a world GDP of $70 trillion.

Mathematicians hired by Wall Street forms formulated the most complex equations to foster the illusion of quality when in fact securities rested on assets of questionable value, a practice that provoked the legendary investor Warren Buffet to make his famous remark that derivatives were 'weapons of mass destruction, carrying dangers that, while latent, are potentially lethal'.

He emphatically ruled them out of his investment portfolio because he could not understand how they worked. That Buffet's warning about derivatives was not exaggerated was underlined by the subprime mortgage crisis that hit the US economy in the mid-2000s.

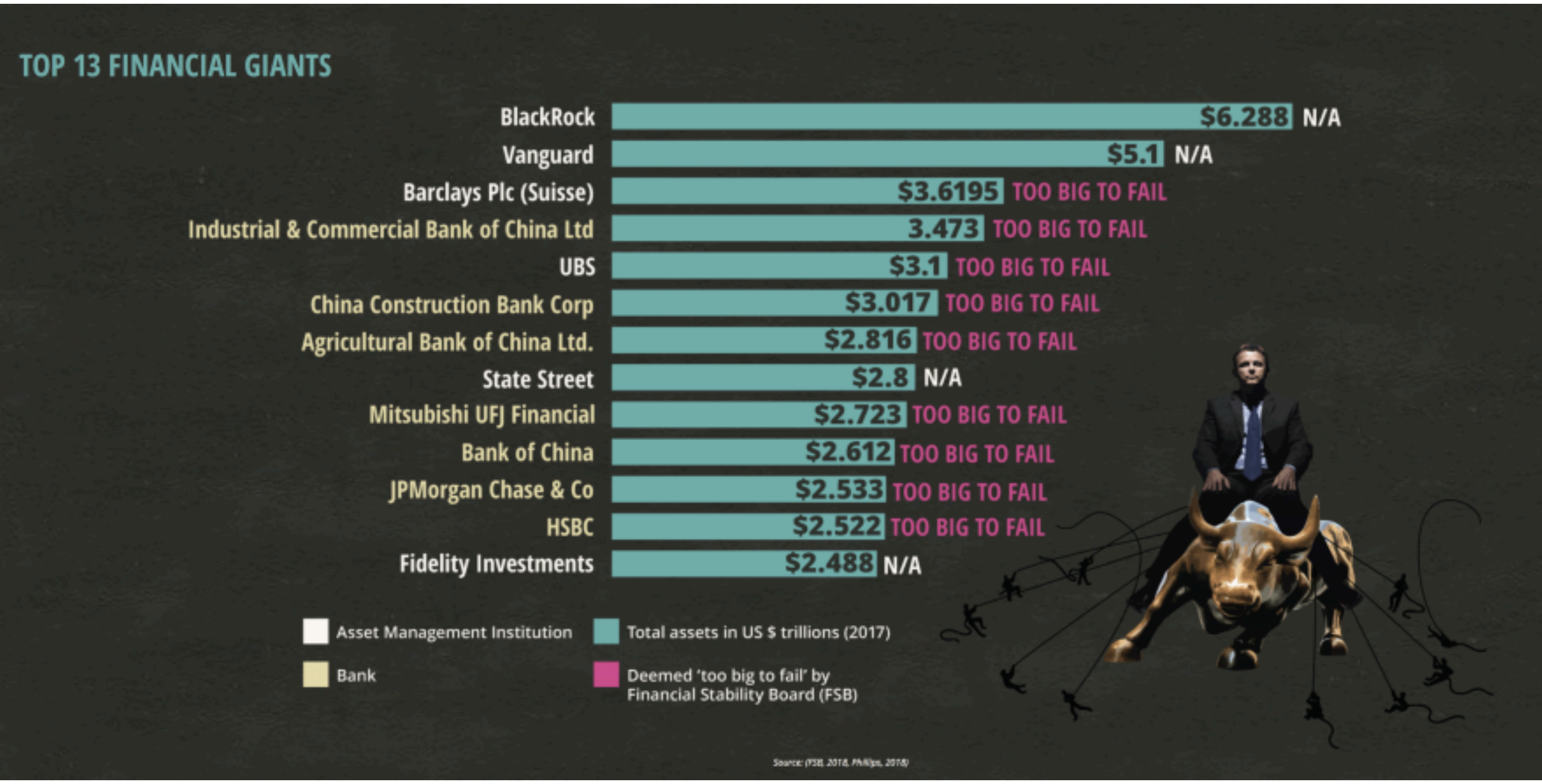
The third key feature of financialisation was that many of the key actors, institutions, and products that were at the cutting edge of the process were either unregulated or poorly regulated.

Thus there emerged the so-called 'shadow banking industry' alongside the regulated traditional banking industry, with non-traditional financial institutions like Goldman Sachs, Morgan Stanley, and American International Group (AIG) serving as the first massive wave of a tsunami that brought with it the introduction of securitisation, financial engineering, and novel products such as MBSs, collateralised debt obligations (CDOs), and credit default swaps (CDSs).

## THE GLOBAL FINANCIAL CRISIS

### PHASE 1

In 2008, capital markets froze and banks even refused to even lend to each other, owing to fears that their prospective debtors might be loaded with toxic assets. Lehman Brothers was, in fact, loaded with worthless MBSs. When other banks refused to




extend it credit and Washington likewise withheld assistance, Lehman declared bankruptcy.

Lehman's bankruptcy pushed the financial system to the edge of collapse, so that the government had to step in to restore confidence in the banking system. Washington bailed out the biggest financial players, with an initial rescue fund of over $700 billion, with supplementary financial support and guarantees over the next few years.

The government's rationale was that Citigroup, JP Morgan, Bank of America, Wells Fargo, Goldman Sachs and other top US financial institutions were 'too big to fail' – allowing them to go bust would bring the whole global capitalist system down.

The financial crisis was followed by the Great Recession, the second biggest economic disaster to hit the US after the Great Depression. Unemployment rose from under 5 per cent in 2007 to 10 per cent in 2010. By 2015, the number of unemployed was still above the 6.7 million at the officially designated start of the recession in 2007. More than four million homes were foreclosed and thousands were plunged into poverty and great uncertainty as the government prioritised saving the big banks rather than bankrupt homeowners.

The ability to remain unaccountable to society despite having inflicted on it a grievous wound is the ultimate measure of power. The bailout of the biggest US banks, despite the obvious bankruptcy of some and the role they had all played in bringing about the worst economic crisis in the US since the Great Depression, testified to the tremendous power that had been amassed by finance capital.

## PHASE 2

Initially regarded by European leaders like German Chancellor Angela Merkel as a crisis that was limited to Wall Street, the financial crisis spread to Europe fairly quickly.

In the UK, the crisis followed the US pattern of high leveraging or creation of massive indebtedness by private banks, much of it via the creation and exchange of massive amounts of subprime mortgage-based securities, system failure owing to the destruction of bank balance sheets when these securities became toxic, then the state stepping in to save the banking system.

In Ireland and Greece, especially the latter, the second phase of the global financial crisis kicked in: the so-called sovereign debt crisis. Massive indebtedness of private banks and, in the case of Greece, the state itself, to foreign banks forced the state, owing to tremendous pressure from the domestic governments of these banks, to assume responsibility for repaying all debt, both private and public.

To save the highly exposed German and French banks, the European Union (EU) establishment and the International Monetary Fund (IMF) provided loans to the states in severe crisis that were then transformed into payments to the private banks, with the condition that these states impose harsh austerity programmes that were ostensibly meant to cough up the resources to repay the loans to the official lenders and nurse the afflicted economies back to health.

There was, however, a contradiction at the heart of this formula. Germany's government and the other governments of the rich Northern Europe demanded that the Southern European countries and Ireland deepen austerity measures in exchange for official loans to stay afloat.

However, the austerity measures crippled the ability of these economies to grow and produce the surplus to repay the loans, making repayment an ever more distant possibility with each new loan extended the supplicant.

Former Greek Finance Minister Iannis Varoufakis called this relationship one of 'extend and pretend', that is, extend a loan and pretend it can be repaid, while the conditions attached to the loan would make this impossible, all


Photo by Lawrence McCutchen

with the goal of avoiding a formal default on the part of the debtor, with its unpredictable consequences. Illustrating his argument with the case of Greece, he wrote:

'[N]o sane investor is attracted to a country whose government, banks, companies, and households are all insolvent at once. As prices, wages, and incomes decline, the debt that underlies their insolvency will not fall, it will rise. Cutting one's income and adding new debt can only hasten the process. This is of course what happened to Greece from 2010 onwards…In 2010, for every 100 euros of income a Greek made, the state owed 146 euros to foreign banks. A year later, every 100 euros in 2010 of income earned in 2010 had shrunk to 91 euros before shrinking again to 79 euros by 2010. Meanwhile, as the official loans from European taxpayers came in before being funneled to France and Germany's banks, the equivalent government debt rose from 146 euros in 2010 to 156 euros in 2011.'

As Varoufakis correctly forewarned, the situation in Greece in 2018 had not improved and the country was locked in permanent austerity and permanent indebtedness. While not as dire, the situation in Portugal, Spain, and Italy was essentially the same.

There were obvious differences in the way financial crises unfolded in the US and Europe. But there was one thing that they shared: the ability of the financial sector to go unpunished and remain unaccountable for its massive mistakes. As in the US, this was the ultimate measure of the power finance capital had achieved over both society and the state.

## THE FAILURE OF REFORM

When Barack Obama became the US president in 2008, one of his priorities was to fix the global financial system. Ten years later, it is evident that owing to a combination of timidity on the part of government and resistance on the part of finance capital, little reform took place under Obama and his counterparts in the rest of the world, despite the high-sounding commitments to global financial reform made by the Group of 20 Summit in Pittsburgh in 2009.

First, the 'too big to fail' problem has become worse. The big banks that were rescued by the US government in 2008 because they were seen as too big to fail have become even more too big to fail, with the 'Big Six' US banks – JP Morgan Chase, Citigroup, Wells Fargo, Bank of America, Goldman Sachs, and Morgan Stanley – collectively having 43 per cent more deposits, 84 per cent more assets, and triple the amount of cash they held before the 2008 crisis. Essentially, they had doubled the risk that felled the banking system in 2008.

Second, the products that triggered the 2008 crisis are still being traded. This included around $6.7 trillion in mortgage-backed securities sloshing around, the value of which has been maintained only because the Federal Reserve bought $1.7 trillion of them.

US banks collectively hold $157 trillion in derivatives, about twice global GDP. This is 12 per cent more than they possessed at the beginning of the 2008 crisis. Citigroup alone accounts for $44 trillion, or 50 per cent more that its pre-crisis holdings, prompting a sarcastic comment from one analyst that the bank seems 'to have forgotten the time when they were a buck a share', alluding to the low point in the bank's derivatives' value in 2009.

Third, the new stars in the financial firmament – the institutional investors' consortium made up of hedge funds, private equity funds, sovereign wealth funds, pension funds, and other investor entities – continue to roam the global network unchecked, operating from virtual bases called tax havens, looking for arbitrage opportunities in currencies or securities, or sizing up the profitability of corporations for possible stock purchases. Ownership of the estimated $100 trillion in the hands of these floating tax shelters for the super-rich is concentrated in 20 funds.

Fourth, financial operators are racking up profits in a sea of liquidity provided by central banks, whose releasing of cheap money in the name of ending the recession that followed the financial crisis has resulted in the issue of trillions of dollars of debt, pushing the global level of debt to $325 trillion, more than three times the size of global GDP. There is a consensus among economists along the political spectrum that this debt build-up cannot go on indefinitely without inviting catastrophe.

Fifth, instead of more tightly controlling the financial sector, some countries have followed the advanced capitalist economies in liberalising it. In China, the world's second biggest economy, this has created a dangerous conjunction of factors that could lead to a financial implosion: a volatile stock market, a property bubble, and an unregulated shadow-banking sector. The number of vulnerable points in the

# FINANCIAL OPERATORS ARE RACKING UP PROFITS IN A SEA OF LIQUIDITY PROVIDED BY CENTRAL BANKS, WHOSE RELEASING OF CHEAP MONEY IN THE NAME OF ENDING THE RECESSION THAT FOLLOWED THE FINANCIAL CRISIS HAS RESULTED IN THE ISSUE OF TRILLIONS OF DOLLARS OF DEBT

world economy has increased and all are candidates for the next big crisis.

# CONCLUSION

## WHAT NEEDS TO BE DONE?

In a recent study sponsored by the Transnational Institute that will be published later this year, I lay out a detailed rationale for 10 major imperatives for the global financial sector. These are:

- Restrict operations of hedge funds and close tax havens;
- Ban mortgage-backed securities and derivatives;
- Move towards 100 per cent reserve banking;
- Nationalise financial institutions that are 'too big to fail';
- Re-institute the Glass–Steagall Act that placed a 'Chinese wall' between commercial banking and investment banking;
- Place drastic limits on executive pay;
- Phase out credit ratings agencies like Moody's and Standard and Poor;
- Convene a new Bretton Woods Conference to set up new institutions and rules for global financial governance, end the dollar's monopoly as the world's reserve currency, and establish new, fair arrangements for development and climate finance;
- Make central banks accountable; and
- Move towards full political, fiscal, and monetary union in the Eurozone countries or exit from the euro.
- The proposed measures constitute a 'minimum programme', or a set of moves that strengthen the world's defences against another financial crash, albeit not eliminating the possibility of such an event.

Capitalism as a system is structurally prone to generate financial crisis, and the programme outlined above assumes a global economic system that continues to function under its rules. The successful implementation of these reforms would be a giant step in a longer process of transformative change. That change cannot, however, take place without fundamentally addressing other key dimensions of capitalism, especially its engine: the insatiable desire for ever greater profits.

## REFORMED CAPITALISM OR POST-CAPITALISM?

Ultimately, it is the dynamics of the real economy that determine developments in the financial economy. This is not a novel insight. From the perspective of Marxist economists, the gyrations of the financial economy are a result of the deep-seated contradictions in the real economy, in particular the tendency towards overproduction, or supply outstripping demand owing to the persistence of great inequality.

If weak demand in the real economy brought about by inequality is the problem, then it is obvious that the monetary measures taken over the last few years by financial authorities such as 'quantitative easing' of credit flows and negative interest rates to counteract recessionary pressures can bring only very limited and temporary relief to an economy in crisis and may in fact deepen the crisis in the medium term.

Indeed, without addressing the crisis of demand in the real economy, a reformed financial sector would find it difficult to resist the intense pressures for capital to seek profitability in finance rather than in a stagnant productive sector.

For some, then, the most urgent need is how to reform capitalism. In their view, a programme of financial reform would have to be integrated into a more comprehensive programme of drastic reform of capitalism.

This enterprise would have to seriously address the lack of demand rooted in increasing inequality. It would have to bravely acknowledge its roots in the unequal power relations between capital and labour, how this unequal power translates into increasing inequality, and how inequality translates into anaemic demand that acts a brake on the expansion of production.

For others, the situation demands a solution beyond a reform of capitalism, even of a radical Keynesian kind. From their perspective, capitalism's constant search for profitability is a fundamental source of instability that will ultimately undermine all efforts at reforming it – as happened to post-war Keynesianism in the late 1970s.

Moreover, what needs to be addressed is not just social inequality and lack of demand but the drive of the productive system to grow at the expense of the biosphere. What is needed, they say, is a post-capitalist programme, made all the more urgent by the climate catastrophe in the process of unfolding. Indeed, in some circles, a


strategy of 'de-growth' is increasingly seen as necessary.

Amidst this increasingly heated debate on alternative systems, there are two things on which there is consensus. First, that continuing on the current path of a loosely regulated finance-driven capitalism is to invite another financial catastrophe, perhaps one worse than the 2007-2008 crisis. Second, that moving away from this road to ruin will necessitate taking on and breaking the power of finance capital.

****** Originally published by Transnational Institute*

# INFORMATION DELAYED IS INFORMATION DENIED — FISHERFOLK COMMUNITIES IN NORTHERN SRI LANKA INDEPENDENTLY INVESTIGATE IMPACTS OF PROPOSED HARBOR PROJECT

**Tom Weerachat**

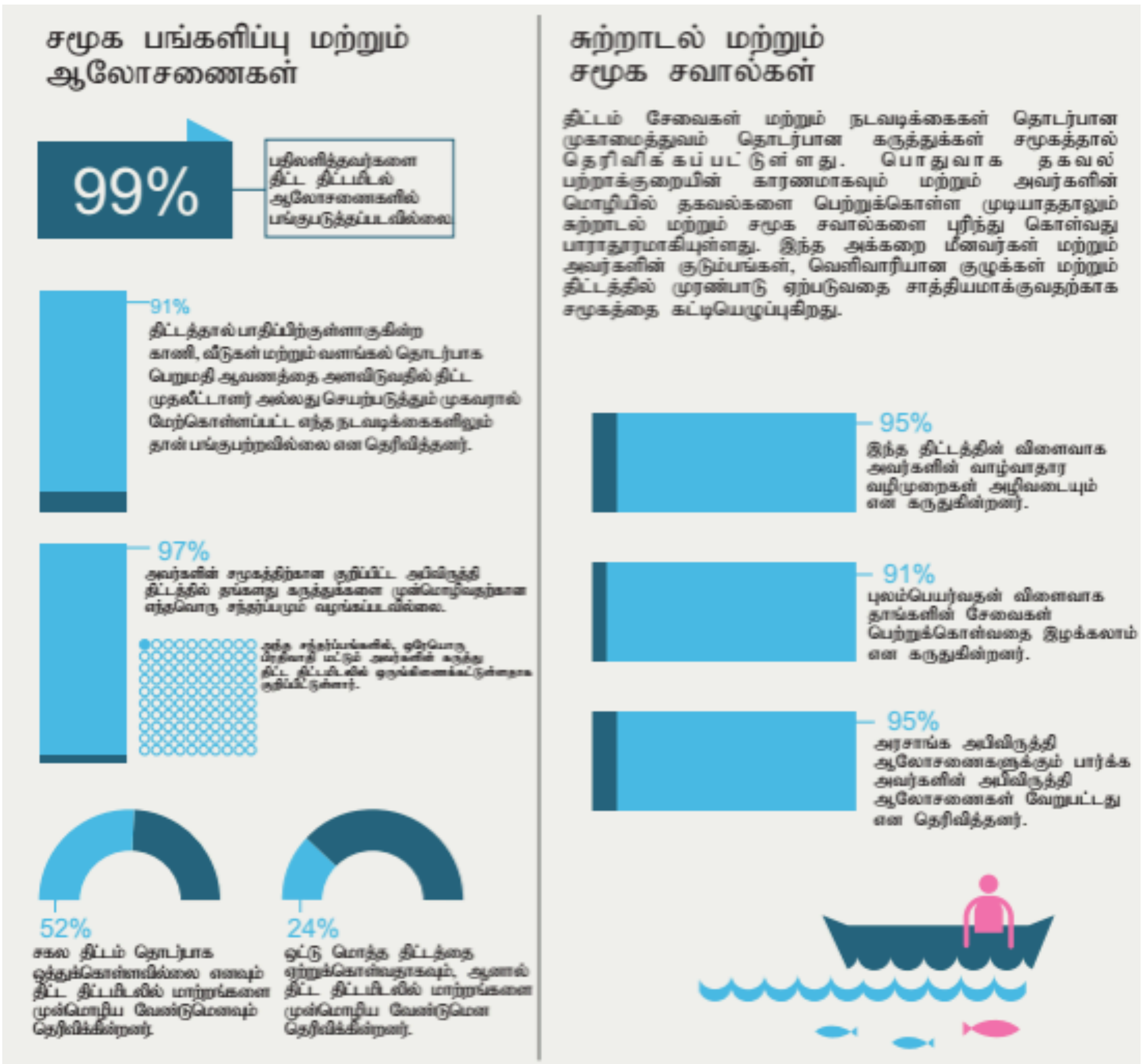
It has been eleven months since local fishing communities in Sri Lanka first learned about a proposed development project that could threaten their livelihoods and environment. The Northern Province Sustainable Fisheries Development Project, proposed by the Asian Development Bank, could decimate the traditional fishing economy and further impoverish the lives of children and families only a decade after the end of the civil war. Communities first heard about this project, not from the government or project planners, but from the Sri Lanka Nature Group, the International Accountability Project, civil society organizations working with the Early Warning System. These organizations, together with Accountability Counsel, facilitated a training for communities in 2018 to discuss how they can hold the Asian Development Bank accountable to its own social and environmental safeguards and transparency requirements.

> "This is a blanket project packaged by the Asian Development Bank (ADB) which covers many important fishery areas that local Northern Sri Lankans rely on. Without asking the communities, the government and ADB pushed forward the project designs without community inputs and meaningful participation, the project will lead to natural resource grabbing by the powerful." says Thilak Kariyawasam, Director of the Sri Lanka Nature Group

Over 1,000 community members on Mannar Island in the Northern Province of Sri Lanka have been meeting and organizing in response to the proposed project. According to local communities, the project is not based on community priorities and has been designed without meaningful public consultations.

In recent months, communities have repeatedly requested the Government of Sri Lanka and the ADB to make project information more available and accessible to local communities.

Despite numerous requests by both communities and civil society and despite the many promises made by various government agencies, project documents are still not available in Tamil — the language spoken by affected communities.




*Excerpt of an infographic in Tamil summarizing research findings. See the full [infographic http://bit.ly/SLInfographicTamil.](http://bit.ly/SLInfographicTamil) (An English version of the infographic is also available http://bit.ly/SLInfographicEN)*

*Local Livelihood near proposed project site in Point Pedro, Northern Province*

**Community-led research uncovers failures in consultation and ensuring access to information**

The International Accountability Project and Sri Lanka Nature Group (SLNG) assisted communities in Mannar district in conducting research to understand and document what communities knew about the project. The research collected testimonies about the project, its financing, and the community's experience with the consultation process, as well as their understanding of entitlements under the project.

Community members attend a workshop organized by SLNG, Accountability Counsel and International Accountability Project

Between June and September 2018, a research team of 20 people comprising community members in Mannar and SLNG staff, carried out a community-wide survey and held focus group discussions with over 400 community members. The survey focused on communities' access to information, their opportunities for accessible public participation and consultation, the perceived human rights and environmental risks associated with the project and the degree to which the project incorporated any of the community's development priorities.

The results of the community-led research process in Mannar suggests that the Asian Development Bank failed to uphold its Public Communications Policy and comply with the Safeguard Policy Statement. The bank's obligations on information disclosure and meaningful consultation are set out, in part, in the bank's current **Access to Information Policy**, which came into effect on January 1, 2019 and superseded the Public Communications Policy. In preparation for this project, officials failed to uphold key elements of the Public Communications Policy which required ADB to *"provide information in a timely, clear, and relevant manner. Information shall be given to affected people early enough for them to provide meaningful inputs into project design and implementation. ADB shall not selectively disclose information"* (para. 30).

Similarly, the new principles-based **Access to Information Policy** recognizes the obligation of the bank to provide timely and accessible information to project-affected people and other stakeholders:

> "ADB works closely with its borrowers and clients to ensure two-way communications about ADB projects with project-affected people and other stakeholders. This is done within a time frame, using relevant languages, and in a way that allows project-affected people and other stakeholders to provide meaningful inputs into project design and implementation."

-Asian Development Bank, Access to Information Policy (Sept. 2018), paragraph 3(vi).

Yet, the evidence of community experiences in Northern Sri Lanka would suggest that the ADB has failed to implement several key principles necessary to facilitate communities' meaningful inputs-- for instance, Principle 1 (Timely and appropriate disclosure), Principle 4 (Proactive disclosure), Principle 5 (Sharing of information and ideas) and Principle 6 (Providing information to project-affected people and other stakeholders).


*Community members attend a workshop organized by SLNG, Accountability Counsel and International Accountability Project*

From the research, 99**%** of respondents indicated that they were not consulted during project planning and **94%** of respondents reported that they did not have the information needed to be able to provide informed opinions and ideas about the project plans. "*The project information should be provided to everyone in our local language."* stated one respondent.

*Excerpt of an infographic in Tamil summarizing research findings. See the full infographic* http://bit.ly/SLInfographicTamil. *(An English version of the infographic is also available* http://bit.ly/SLInfographicEN*)*

In addition, **98%** of respondents reported that they did not receive information about either the consultation or project complaint processes. Respondents reiterated that the project financier and executing agencies should, "c*onsult the community before commencing a project."* Failing to ensure communities receive clear and timely information about proposed projects creates numerous barriers for participation. For example, **97%** of respondents reported that they did not have an opportunity to propose ideas for specific development projects for their community. Close to **90%** responded that their ideas were not incorporated in the project plans. Importantly, **95%** of respondents indicated that their idea of development is different from their government's idea of development.

One participant recommended, "*Respect the community by planning the project with the community.*" These findings suggest that the ADB has failed to provide clear, timely and appropriate disclosure, preventing communities from meaningfully engaging with the project. As per its own policies, "*people may equally seek, receive, and convey information and ideas about ADB operations.*" The experience of Mannar community experienced otherwise.

"The community told me that they need development but development should be community-led, based on what they need and should consider small-scale projects not only big infrastructures. Communities have demanded that the project be revised, and re-proposed to community. Only if the community agrees, it should then go to the bank" notes S. Vishvalingam, Sri Lanka Nature Group.

**Asian Development Bank postpones Board Date for the project but communities continue to face barriers to participation**

Based on the preliminary findings of the research and community's demands, a brief statement was sent to the Board of Directors of the Asian Development Bank. The statement proposed that the bank postpone their vote to decide funding on the project until communities have received adequate information and have been properly consulted by project officers and the government. The statement also urged the bank and executing agencies to take into account the concerns, recommendations and demands by local communities and incorporate community development priorities into project plans. The statement further recommended that the Asian Development Bank and Government of Sri Lanka ensure a safe space for people to meaningfully participate throughout the process, free from any form of intimidation or coercion.

Following advocacy supported by SLNG, IAP and NGO Forum on ADB, the Asian Development Bank agreed to postpone the formal vote on the project. The ADB's Board of Directors requested the Resident Mission in Sri Lanka to develop a road map for further community consultations, to provide the Board with periodic updates on the process, and to commit not to move forward on construction until there is broader community support.

Despite these initial promises, communities continued to face serious obstacles to participation. In December 2018, SLNG representatives were invited to meet with the responsible government agencies and ADB staff in

Colombo to present details of the community-led research and findings. The government officials promised to provide project information in Tamil and to conduct consultation meeting at the communities on December 19. When SLNG representatives traveled to observe the meeting, they discovered that the meeting had already taken place 5 days previously. The meeting had been organized separately with a small number of government-organized groups, without the knowledge of the Mannar District Fisherman's Cooperative Federation or SLNG. In another worrying development, local communities have reported instances of intimidation in recent weeks by project management, government officials and ADB consultants. Community members report feeling pressured not criticize the project, with the implication that the government may stop providing support to fisherfolks if they continue to voice their concerns.

In light of this coercion, communities are now demanding an immediate suspension of the project until all project documents are made available in Tamil and there is a clear plan to ensure that project activities will be designed with communities. We stand with communities in urging the Asian Development Bank to heed the leadership and advice of local communities As one respondent stated, *"Any project implemented in our area should benefit our community without destroying the environment and our livelihoods."*

*Tom Weerachat works as International Accountability Project's Program Coordinator, based in Chiang Mai, Thailand. Tom is a community trainer, a teacher, a traveler, and a Mekong activist.

The Early Warning System ensures local communities and the civil society that support them, have verified information about projects likely to cause human and environmental rights abuses. Learn more: ews.rightsindevelopment.org

For more information about this project and further materials, please read:
Fisherfolk Communities in Northern Sri Lanka Organize to Protect Livelihoods From Proposed Asian Development Bank Project http://bit.ly/IAPNorthernSriLanka

Preliminary Findings from Community-led Research on the Northern Province Sustainable Fisheries Development Project, Sri Lanka http://bit.ly/SriLankaBriefer

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