

The Impact of Foreign Aid on National Development: A Case Study of Bangladesh

by

Mohammad Haroon

Submitted in partial fulfillment of the requirements for the degree of Master
of Arts in International Development Studies at Saint Mary's
University Halifax, Nova Scotia, Canada
October 17, 2003

© 2003 Mohammad Haroon



National Library
of Canada

Bibliothèque nationale
du Canada

Acquisitions and
Bibliographic Services

Acquisitions et
services bibliographiques

395 Wellington Street
Ottawa ON K1A 0N4
Canada

395, rue Wellington
Ottawa ON K1A 0N4
Canada

Your file *Votre référence*
ISBN: 0-612-85662-3
Our file *Notre référence*
ISBN: 0-612-85662-3

The author has granted a non-exclusive licence allowing the National Library of Canada to reproduce, loan, distribute or sell copies of this thesis in microform, paper or electronic formats.

L'auteur a accordé une licence non exclusive permettant à la Bibliothèque nationale du Canada de reproduire, prêter, distribuer ou vendre des copies de cette thèse sous la forme de microfiche/film, de reproduction sur papier ou sur format électronique.

The author retains ownership of the copyright in this thesis. Neither the thesis nor substantial extracts from it may be printed or otherwise reproduced without the author's permission.

L'auteur conserve la propriété du droit d'auteur qui protège cette thèse. Ni la thèse ni des extraits substantiels de celle-ci ne doivent être imprimés ou autrement reproduits sans son autorisation.

In compliance with the Canadian Privacy Act some supporting forms may have been removed from this dissertation.

Conformément à la loi canadienne sur la protection de la vie privée, quelques formulaires secondaires ont été enlevés de ce manuscrit.

While these forms may be included in the document page count, their removal does not represent any loss of content from the dissertation.

Bien que ces formulaires aient inclus dans la pagination, il n'y aura aucun contenu manquant.

Canada

The Impact of Foreign Aid on National Development: A Case Study of Bangladesh

by

Mohammad Haroon

Submitted in partial fulfillment of the requirements for the degree of Master
of Arts in International Development Studies at Saint Mary's
University Halifax, Nova Scotia, Canada
October 2003

© Mohammad Haroon

Signatures of the Examining Committee

Supervisor

~~Henry Veltmeyer, Ph.D.~~

First Reader

~~Krishna Anooja Patel, Ph.D.~~

Second Reader

~~James H. Morrison, Ph.D.~~

Table of Contents

<i>Table of Contents</i>	i
<i>List of Tables</i>	ii
<i>Acknowledgments</i>	iii
<i>Dedication</i>	iv
<i>Abstract</i>	v
Chapter 1: Introduction.	1
Chapter 2: Foreign Aid in Theory and Practice: A Review of the Evidence.....	18
Chapter 3: An Overview of Structural Economic Reforms in Different Regimes and the Aid Scenario.....	44
Chapter 4: Foreign Aid and Structural Adjustment Programme in Bangladesh.....	107
Chapter 5: Conclusions.....	148
Bibliography.....	157

List of Tables

Table 3.1	81
Table 3.2	82
Table 3.3	84
Table 3.4	85
Table 3.5	86
Table 3.6	87
Table 3.7	89
Table 3.8	90
Table 3.9	90
Table 3.10	92
Table 4.1	121
Table 4.2	126
Table 4.3	129
Table 4.4	134
Table 4.5	138
Table 4.6	143
Table 4.7	144

Acknowledgements

Faith, like love and honesty, is very personal matter. It cannot be measured or fully explained. Ultimately, our conscience must provide the real assessment. Mine tells me that I owe infinite thanks to Allah for the strength to write this study.

A study of this magnitude is never a solo flight. For all their kind efforts in assisting me I am indebted to Annette Wright (IDS- Secretary), David Dzidzornu (Dalhousie University), Alana Rob (International Center SMU), Michelle Fougere (Financial Aid Counsellor, SMU), Victor, Patrick Power Library-SMU, Killam Library-Dalhousie University, CDP(Center for Policy Dialogue, Bangladesh), my colleagues and friends Kevin John Graham Zinck, Ahmed Tareq Rashid and Mark Rushton. I am equally grateful to the IDS –Department and all of its faculty. I am also grateful to Dr. Rafiqul Islam (Killam Chair in Oil and Gas, Dalhousie University) for his encouragement and support.

I am truly grateful to **Dr.Krishna Ahooja Patel** and **Dr. James Morrison** for their extremely constructive recommendations and comments. Their support and encouragement are much appreciated.

One of the many memorable characteristics of the International Development Studies Program is the opportunity it provides to meet and engage in scholarly work with students from many different parts of the world. Through the programme I have had the great opportunity of meeting different students in this department from different thought and different views and I am truly grateful to all of them for their support and cooperation.

This thesis and the completion of the Programme would not have been possible without the endless love and support of my family. I am forevermore thankful to my wife Noor-E-Sifat Samina Haque for her encouragement and strong support. I am truly grateful to my parents whose support made it possible for me to come here in Canada to achieve this higher degree. In the same way, I am grateful and thankful so much to my mother-in law and father-in-law for their constant encouragement.

Finally, but certainly not least, I am endlessly thankful to my thesis supervisor, **Dr. Henry Veltmeyer** for his constant guidance, patience, and support. Dr. Henry is an educator in every sense of the world and I am absolutely grateful and honored to have had the opportunity of learning from him.

Dedication

This thesis is dedicated to my wife **Noor-E-Sifat Samina Haque** and my mother **Badiuz-Zaman** whose support and encouragement will be remembered for years to come.

Abstract

The Impact of Foreign Aid on National Development: A Case Study of Bangladesh

This study is concerned with the impact of foreign aid on development in third world countries. It focuses particularly on the negative impact of aid on recipient countries in a case study of Bangladesh. The Structural Adjustment Programme (SAP) is a part of aid conditionalities and here in this study I trace out the socio-economic impact of the SAP. I review two schools of thought; one that is supportive of aid arguing that aid is a catalyst or driving force for development, and another decidedly critical school that argues that foreign aid is not a catalyst for development but rather as a catalyst for accumulating resources from developing countries and creating a market for the developed world. In this connection I review considerable evidence that suggest that foreign aid is dictated by political and strategic considerations much more than by the economic needs and policy performance of the recipients. The thesis of this study is that foreign aid, rather than being a means to economic and social development, has largely become a means by which most of the developing countries are being exploited. Bangladesh since its independence in 1971 provides backdrop for the research and analysis involved in this thesis.

October17, 2003
Mohammad Haroon

Chapter One

Introduction

The relationship between foreign aid and development dates back to the post-World War II era when a majority of the European states found themselves economically, morally, and physically devastated. Since then, many forms of foreign aid—multilateral, bilateral, private-investment, food-aid, emergency-aid, for example—have been given to foster reconstruction in many different nations. After the European nations recovered, foreign aid no longer went to promote reconstruction, but rather focused on fostering development. The struggle between communism and capitalism not only fueled but also encouraged the use of foreign aid as a foreign policy. Literature on foreign aid and its relationship to the promotion of development in undeveloped nations published during the Cold War displays a democratic slant on development. Many believed that the answer to development was in the adoption of economic, social and political policies embracing democratic ideals. But why has foreign aid helped some countries to develop, while others find themselves worse off than before the aid was accepted? In some cases, foreign aid has not only failed to address the poverty but also increased the poverty situations. Corruption, unproductive consumption and increasing the gap between rich and poor are the consequences of foreign aid in most of the third world countries. For instance, since independence in 1971, Bangladesh's external aid has exceeded \$30 billion. Development economists and aid watchers contend that this aid has had no visible impact on the economic and social development of the country and the benefits of this aid did not reach the poor constituting the vast majority of the population of Bangladesh. Most of it was

sucked up by influential interest groups creating in the process a new elite class and hundreds of import-export agencies and consultancy firms. In Africa, after two decades of development planning financed largely by the IMF and World Bank, sub-Saharan Africa today has a lower per-capital income than it did when the aid started. However, the reasons for such a situation may lie in many factors—the status of the country prior to receiving foreign aid, the motives behind foreign aid, the donor/recipient relationship, the definition of development, the type of foreign aid given, and the proposed policies and conditionalities of foreign aid. But we have evidence that the conditional foreign aid, for example, the aid under structural adjustment policy reforms has a devastating effect on the recipient. There are other factors, which are related to the failure of foreign aid in the context of Bangladesh particularly. For instance, good governance, aid allocation, types of aid and the political and strategic interest of the vested interest groups both in donors and recipients side. In this study I emphasis more on the type of foreign aid, which has been given based on the structural adjustment policy reforms and the effects of these policies. Since the formal introduction of structural adjustment programme in the 1980s its missions and goals have not only failed but also badly affected the poor. In the following sections I like to discuss about different types of foreign aid and structural adjustment programme for better understanding before going to the main discussion of this study.

Foreign Aid

The general idea behind foreign aid is “the benevolent donation of funds by rich nations to poor nations so that the poor nation can sufficiently meet the needs of its people” (Hoy

1998, 3). Morgenthau defines foreign aid as a transfer of money, goods and services from one country to another (Morgenthau 1962, 301). A more technical definition is provided by the Development Assistance Committee (DAC), which cites official terminology of foreign aid as Official Development Assistance (ODA). Three requirements must be met in order for aid (ODA) to be determined, as explained by Robert Cassen. The first concession states that aid must be distributed by official agencies to another official agencies; an “official agency” is an organization that has some affiliation with a state’s government, whether the organization is the actual government or an NGO supported by several governments. The money given to countries by MNC’s or by private donors is not considered ODA. Second, the aid given must be given with the intention of promoting economic development and welfare in the recipient nation. Lastly, 25% of the money transferred must be in the form of a grant—the money does not have to be paid back to the donor nation (Cassen 1986, 2).

According to this official definition of foreign assistance, money given to promote military expansion in a nation is not considered foreign aid because the intention is clearly not to promote economic growth or the welfare of a state, but quite obviously to ensure the security of the recipient state. Aid strictly seeks long-term development as its main goal, so therefore food aid and emergency aid should not be considered ODA; however, these two forms of aid are included in the DAC’s definition of foreign assistance (Cassen 1986, 2). Foreign assistance varies both by the type of aid given, and by the profile of the donor. Bilateral assistance is one-on-one aid: one donor directs funds to one recipient, where the most common donors are governments. Multilateral assistance

is less individualistic: a global or world agency deals directly with a recipient government or a group of governments (Singer 1982, 164). Most often, the donor is an agency in the UN or an NGO. While not all types of aid fit into one category or another and intermediate forms of both exist, there exists a strong debate over which type of aid is more effective. A popular form of aid combines the two—bilateral assistance is given in a multilateral framework (Singer 1982, 165). Individual governments gather together with the recipient nation to analyze studies of the nation's development progress (most often prepared by the World Bank and the nation itself). In this forum the goals of the recipient are established, and each government determines independently the amount of aid and in what form they are going to offer to the recipient (Singer 1982, 165). So, theoretically, foreign aid is given for different development objectives to the recipients. In the following section I will discuss different types of development aid and what type of aid I am looking for in my thesis.

Types of Foreign Aid

Aid is given to promote many different objectives, and therefore exists in many different forms. In 1962, at the height of the Cold War, Hans Morgenthau used political notions to explain the phenomenon of foreign aid, and determined there to be six distinguishable types of aid: humanitarian, subsistence, military, bribery, prestige, and aid for economic development (Morgenthau 1962, 301). The only non-political type of foreign aid is humanitarian aid that is given to countries during times of flood, famine, epidemics, or other crises. Aid given in this manner seeks to solve short-term problems with large

infusions of capital. Subsistence foreign aid is given to governments who do not possess the resources to provide its people with fundamental public policies and programmes. The goal of subsistence aid is to maintain the status quo, and prevent social unrest by the citizens against the government (Morgenthau 1962, 302). Bribery, in the traditional sense, was a means of diplomacy where an ambassador would offer money to another leader to ensure the carrying out of a policy, an alliance in war, or assurance of certain trade proceedings. The modern form of bribery is perhaps more normative yet nonetheless exploitive because it continues to alienate one country over another. While foreign aid seeks to promote political alliances between two countries it can also deter relations between the donor and the non-recipients.

Another type of foreign aid is prestige aid, which is the donation of modern technology to undeveloped nations in the hope of spurring industrialization and economic development—it is strictly to increase the apparent image of the recipient and the donor at the same time. This form of aid requires the least commitment of resources by the donor, and therefore is the cheapest type of foreign aid (Morgenthau 1962, 304).

Military foreign aid dates as far back as the Roman Empire when money was given to a country to assure an alliance. Morgenthau cites the difference between bribery and military foreign aid, as “military aid requires the recipient to supply manpower while the recipient provides money and materials”. Military aid looks to stabilize allied governments facing domestic or even international opposition, or to ensure a political alliance in the international system (Hoy 1998, 21). During the Cold War, the United

States and the USSR offered most of foreign aid in the form of military aid to ensure non-alliance with the other superpower.

The basic form of foreign assistance is strictly given to foster economic development, which can be achieved by instituting industrialization or liberal trade policies in an undeveloped nation. Aid may be tied by source, expenditure or both. When aid is given to buy a particular item or to be spent on a particular project it may be said to be tied by expenditure; when aid is given to be spent on goods and services of a particular country, in most cases the donor country, the aid is said to be tied aid by source (Sobhan and Islam 1990,117). Programme aid is a form where money is offered towards the economic sector of an undeveloped nation to fix economic problems with the hopes of fostering economic development (Hoy 1998, 162). Often times, programme aid comes with a series of stipulations and terms to which the recipient must comply, and is often times referred to as “tied aid” (Singer 1982, 168). The goal of programme aid is make improvements in the recipient nation’s balance of payments (Cassen 1986, 151), which is a measure of the movement of goods, services and capital through a nation’s economy (Lairson and Skidmore 1997, 18). The idea that programme aid seeks to target a nation’s balance of payments leads one to believe that the implication of programme aid is to fund some form of economic development. Programme aid is given on conditional terms—a country often times must agree to undergo a structural adjustment to receive the loan. The goal of the remodeling is to make its economy more efficient and capable of sustained growth (Hoy 1998, 50). Paul Hoy cites Robert Wood’s classification of the reforms instituted as “the four Ds: devalue, decontrol, deflate, and denationalize” (Hoy 1998, 50).

These goals translate into changes in the country's trade policy, use of resources, institutional reforms, and natural resource mobilization (Hoy 1998, 50). Most often, money is given to a recipient with the expectation that the funds will be put towards purchasing goods of the donor country. However, the effect of programme aid is somewhat indeterminable because the aid does not produce tangible results (Cassen 1986, 152). For example, as cited by Singer, Great Britain may give programme assistance to a country such as India through the establishment of a credit line designating a certain allotment of resources. The effectiveness of programme aid is under debate for this reason: Great Britain would most likely only extend this credit line to British resources and the money therefore only returns to the pockets of the donor country (Singer 1982, 169). In addition, programme aid has been cited as unfocused and unaccompanied by an appropriate policy framework (Cassen 1986, 154), and requires the recipient country to efficiently distribute, maximize and utilize the funds provided. Project aid is form of assistance that produces more tangible results, and is often times the result of multilateral assistance given by (but not exclusively) a PVO (private voluntary organization) or NGO (non-governmental organization). "Most projects implicitly or explicitly attempt to modify the values of their intended beneficiaries, particularly their attitudes toward change and their roles of inducing change" (Tisch and Wallace, 40-41). This form of aid goes towards short-term development projects, such as the building of a dam or a highway, and generally produces substantial results, which makes it an attractive form of aid to donors (Hoy 1998, 3). According to Tisch and Wallace, project aid uses three strategies to foster development - technology development and transfer, human resource development, and policy improvement. There are three broad sectors to which project aid

is directed to bring about advancements in these areas: agriculture and natural resources, industry, and services (Tisch and Wallace 1994,41). In the agriculture and resource sector, project aid funding targets the producing, processing, and marketing of food. Money designated to the industrial sector is directed towards nonfood commodities or material goods. And finally, the service area deals with education, health, transportation, and communication improvements (Tisch and Wallace 1994, 41).

Technical assistance is another form of foreign aid where experts, advisers, and/or equipment are sent to developing countries to educate the local population on development strategies and techniques (Hoy 1998, 3). This is more of an educational form of aid rather than an infusion of capital. Professionals are sent to Third World countries to inform the people about methods of central banking, balance-of-payments accounting, taxation, and other financial methods (Hoy 1998, 69). This form of aid is beneficial only if the country is capable of sustainable development—the country must have the proper infrastructure to support the needs of the people before they can concentrate on improving their governing policies. Food aid is a form of aid whose roots are primarily humanitarian and normative. While this type of aid is the least controversial (Hoy 1998, 3), studies have shown that the effects of food aid can be more devastating than beneficial to the recipient country. Food aid is most often given to countries facing natural disasters that are in need of basic supplies and resources, and goes under the title of “emergency assistance” (Lairson and Skidmore 1997, 286). However, famine is not always a natural phenomenon—often times countries experiencing famine have governmental policies that discouraged local food production, did not put aside proper

reserves, or the result of civil fighting between domestic factions (Lairson and Skidmore 1997, 286). Food aid is given according to the methods of programme and projects aid; an example of project aid is “food for work”, as mentioned above, where people of the rural communities are given food rations in return for work. Food aid is given sometimes based on a surplus of First World agricultural commodities, not because of humanitarianism or altruism (Lairson and Skidmore 1997, 288). Another argument against food aid is that it is only a short-term solution to a long-term problem because the aid is consumable: if countries are afflicted by famine, shipments of food are only going to feed the people for a limited time. After the supplies run out, the country will not have remedied the problems with their food production. Populations receiving an influx of Northern food can even become dependent on the supply of food, and local production will therefore be discouraged. In order for food aid to be effective, it must be supplemented with project aid directed towards the agricultural sector of a country to establish a substantial food production system.

Foreign assistance varies by the type of aid given, but also varies by the profile of the donor. Bilateral assistance is one-on-one aid: one donor directs funds to one recipient, where the most common donors are governments. Multilateral assistance is less individualistic: a global or world agency deals directly with a recipient government or a group of governments (Singer 1982, 164). Most often, the donor is an agency in the UN or an NGO. While not all types of aid fit into one category or another and intermediate forms of both exist, there exists a strong debate over which type of aid is more effective. A popular form of aid combines the two—bilateral assistance is given in a multilateral

framework (Singer 1982, 165). Individual governments gather together with the recipient nation to analyze studies of the nation's development progress (most often prepared by the World Bank and the nation itself). In this forum the goals of the recipient are established, and each government determines independently the amount of aid and in what form they are going to offer to the recipient (Singer 1982, 165).

Structural Adjustment Policies

The term 'structural adjustment policies' (SAPs) can be given a number of meanings, but it is usually taken to characterize the kind of policies recommended to heavily indebted countries or who have balance of payments deficits. The aim is to make them credit-worthy again and to lay the foundations for subsequent sustainable growth. However, in general terms, economic adjustment means changing economic policies so as to improve economic performance. Distinctions are normally made between stabilization and structural adjustment¹. The former focuses on immediate change in microeconomic policies including tighter monetary policies, reduction of the budget deficit, and exchange rate devaluation aimed at achieving short-term equilibrium objectives (bringing aggregate demand in line with available resources), lowering inflation, and reducing balance of payments deficits. The latter involves more fundamental changes in the way the economy operates which includes the removal of relaxation of government regulations affecting the economy, reform of international trade policies or the tax system, and privatization; this is intended to allow the adjusting country under adjustment to change

¹ Woodward (1992).

the structure of its economy to meet long-term needs; mainly by permitting the 'magic' of the market to use labour and capital more productively so as to increase economic efficiency. In other words, short-term policies aim to restoring the target economy to its pre-shock equilibrium while long-term policies seek to reconfigure the equilibrium itself².

However, the increased emphasis of the IMF on structural factors in addition to its traditional stabilization and structural adjustment programmes structural adjustment have resulted in substantial overlapping of concerns and responsibilities. Although the term 'structural adjustment' was first coined by the World Bank, structural adjustment programmes, whether from the World Bank or the IMF are fundamentally the same because they are based on a common theory. For the purpose of this study the term 'structural adjustment' will be used to both short-term and long-term adjustment and its impact on recipients. However, the establishment of the Bretton Woods Institutions was predicated on the assumption that Southern economies, like their European counterparts, could absorb and effectively utilize large infusions of capital, despite the fact that the Third World lacked the level of institutional infrastructure, the economic and social background, and the skilled personnel of Europe. It was the contention of prominent economists of the time, as well as many of their successors, that large amounts of foreign aid, private investment, and expanded trade opportunities would produce an economic "take-off" and an export-led growth, the benefits of which would ultimately trickle down to even the poorest members of each society. Under this concept, Structural Adjustment

² Demery (1990).

Policy reforms (SAP) were introduced to make aid more effective since 1980s. So, SAP is very crucial to issue foreign aid or to achieve above said development goal. Simultaneously however, issues of poverty and income distribution in relation to structural adjustment programmes, including safety nets to protect the most vulnerable sections of the population became part of the SAP rhetoric. There was also the development of the concept of consultation with governments as a precursor to the pressure to apply SAPs since experience had shown that SAPs were unsuccessful unless based on social consensus. So, unfortunately, the failure of this orthodox model of economic development to produce sustained economic well-being and growth for most Third World countries has come under fire especially in the last two decades. In my thesis I will try to discuss and analyze the negative impact of structural adjustment reforms, which were provided under the conditions of aid supply.

From definition and historical background of both aid and structural adjustment I would like to connect structural adjustment policy reform as a pre-condition for aid disbursement. Theoretically, aid that is given on the basis of structural adjustment policy definitely is a conditional aid. Therefore, in my thesis I focus on the impact of this kind of conditional aid or, in another word, the impact of structural adjustment policy on recipient.

Thesis Statement

The main argument of this thesis is that foreign aid, rather than being a means to economic and social development has largely become a system by which most of the developing countries suffer through policy reforms, which are part of structural adjustment programmes. The thesis argues that rather than continuing the present arrangement for foreign aid and direct foreign investment, a better means should be found to help developing states to achieve economic growth. Foreign aid has produced socio-economic and environmental problems in most developing countries than it has helped to improve these situations. The one main suggestion arising from this thesis is that foreign assistance should be directed at helping local economic structure acquire know-how and other expertise. In this way, the locals can exploit and utilize their own resources to sustain long term development and gradually create self-sustaining economies, whose viability will not depend on continuing foreign capital, technology or and other inputs which are based on certain policy reforms. I feel that these reform policies often reflect the political and strategic interest of the vested groups locally and externally. I am not alone in this viewpoint. It is shared by many others who have studied the subject and whose findings I have reviewed. Indeed these studies provide sources of evidence that I rely on to argue my thesis.

Methodology

The evidence in support of my thesis is based on primary and secondary materials. The thesis has been conducted here in Halifax with resources from libraries through out

Canada and overseas and from the Internet documents. I did try my best to secure the primary and secondary sources, which I obtained from Bangladesh and from other confidential documents (UN and other international organizations). The Internet was another excellent source of data and a timely way of contacting and obtaining from international organizations such as the UNDP, World Bank, IMF, OECD, and other aid providing agencies. This approach allowed me to procure data from both primary and secondary sources unavailable in North America. It also provided me a means of exchanging ideas with others, including some of the authors of the secondary sources consulted. Ideally, I would have welcomed the opportunity to rely more intensely on Bangladesh for primary sources. Unfortunately, time and budgetary constraint did not permit such an undertaking. Most of my thesis relies on empirical evidence. However, given my physical location and the constraints mentioned above, I have also had to rely on some qualitative data and interpretations.

Working Ideas

There are two schools of thought on the role and impacts of foreign aid—one of them with a critical or negative perspective and one of them taking a sanguine or positive viewpoint. The positive' viewpoint is based on the idea that foreign aid is a critical factor in the development process, providing supplementary resources that the recipient country is unable to generate on its own and thus constituting a 'catalyst' in the economic growth or development process. The critics of foreign aid come in two forms but essentially agree that the overall negative impacts of foreign aid far outweighs its presumed benefits.

In this thesis I align myself with arguments advanced in the Political Economy of aid—a school of thought predicated on the need for radical systemic change to make foreign aid workable. Proponents of this school have not constructed a general theory of aid but their empirical findings have given rise to a number of ideas that I have used as a sort of scaffolding - a series of 'working ideas'-- in the construction of an argument in support of thesis of this study. These ideas include:

- The provision of foreign aid is dictated by political and strategic considerations of the donors;
- The conditionalities imposed by donor organizations and countries have a political dimension, designed more in the interest of donor than recipient organizations and countries;
- Under these conditions foreign aid has served as a form of 'pillage' or 'imperialism', leading to the extraction of productive resources from the recipient country—a process of 'reverse aid'
- This process of 'reverse aid' has led to conditions of economic regression rather than economic development in the aid recipient countries;
- In the process of foreign aid, governments in the recipient countries are in a weak position, generally unable to secure a 'better deal' for its citizens and their economies;
- The overall 'costs' of aid to the recipient countries are greater than the benefits received;
- To fully appreciate the value and role of foreign aid in the development process it is necessary to evaluate carefully how and where the benefits and costs are

distributed—who bears the costs and who receives the benefits.

- Corruption, inefficiencies and bureaucratic failure in the developing countries are often cited as reasons for the negative results of aid, but a better explanation can be found in the political dynamics involved.

The Structure of Thesis Argument

This study is divided into five chapters. Chapter one provides the state of the problem and the definition of foreign aid and structural adjustment programme separately. It also includes the description of the research methodology and the framework of analysis and working ideas as well as the thesis statement. Chapter two advances my thesis on the basis of a systematic review of evidence provided by existing studies on the dynamics and impacts of foreign aid. Chapter three provides an overview of structural economic reforms in different regimes and the aid scenario in Bangladesh. Chapter four gives a short history of foreign aid since the World War II and identifies structural adjustment programme in Bangladesh. It advances an argument for my thesis in describing (and explaining) the impact of foreign aid, which is conditioned under structural adjustment programme directly or indirectly. Here I describe how structural adjustment reforms affect the recipient at socio- economic and the environmental levels. It basically serves the purpose of providing a necessary context for my argument in this thesis. On the basis of a cost-benefit analysis it is argued that the overall negative impact of conditional foreign aid in this context far outweighs any benefits that have accrued. Chapter five concludes the study by reiterating the key arguments presented in the previous chapters

and by making some general comments regarding the role of foreign aid in the development process.

Chapter Two

Foreign Aid in Theory and Practice: A Review of the Evidence

Introduction

Foreign aid has in different periods of history played an important role in the development of many countries. Some of the countries which are now industrially advanced and prosperous are included among them. For instance, the United Kingdom received aid from the Netherlands in the 17th and 18th centuries and from the USA in the 1940s during European reconstruction after the Second World War. The United States, now the leading donor country, was also assisted by the United Kingdom in the middle of the 19th century. The Soviet Union also received foreign assistance in its early stage of development. The linkage between aid and development has, thus, a fairly long history. It was, however, during the post second World War era that external aid assumed a new importance and dimension and emerged as a worldwide phenomenon. Foreign aid was globally viewed as a critical component of the growth paradigm, which for nearly half a century influenced development concepts, plans and strategies. So most of the developing countries are currently looking forward to an acceleration of the pace of development progress along this path. This quest poses many challenges, including a searching appraisal of the role of external aid in development. After more than five decades of the development on foreign aid, the vast majority of developing countries are still struggling to find a way to get out of poverty and hunger. For instance, “until recently 85-100 percent of the development budget of Bangladesh was financed by external aid. What

was most disturbing was the increasing degree to which recurring expenditure budgets of Bangladesh also became heavily dependent on external aid” (Huq and Abrar 1999: 2). Economists are also critical of the external aid because of its adverse macroeconomic effects. In Bangladesh, external aid instead of complementing domestic savings and contributing to raising the rate of investment, acted as a substitute for domestic savings, the gross domestic investment ratio as a percentage of GDP being barely 22%³. Aid dependence has also fostered certain anti-development attitudes. The process of development has become inextricably linked to the search for foreign funds spawning the widely held notion that there can be no significant development without external aid. But in reality, most of aid is siphoned off by the influential national interest groups creating, in the process, a new rich class and hundreds of import-export agencies and consultancy firms. Foreign aid is given on the basis of conditions and reforms in recipients. For instance, Structural adjustment policies (SAP) were introduced in 1980s to make aid more effective. But evidence shows that the IMF and the World Bank reform policies not only failed but also have a devastating effect on the recipient. Here in the following sections I will review for and against aid and its policies on recipients. This chapter reviews the debate on the issue of aid and development from different points of view. These points of view are two new ways of highlighting and assessing the impact of aid on national development. These two schools of thought are: the supportive school and critical point of view. The rest of the thesis chapter is thus divided mainly into two sections focusing respectively on the supportive and critical approaches to assessing the impact of development aid.

³ World Bank and ADB (May 1998).

The Supportive Approach

In historical perspective

To have a better understanding of the consistently evolving relationship between foreign aid and development, it is first necessary to understand when and why development became a focus of First World countries, and why and how foreign aid was introduced as a tool to foster the development process. The end of the World War II brought mainly two international developments: The emergence of the new independent sovereign states in Asia, African and Latin America which changed the political map of the world. Secondly, a worldwide movement for development of the new emergent new nations, known as the third world, comprising two-third's of the world population but commanding only a fifth of the world resources, emerged. The third world urge for rapid progress in raising the quality of life of its peoples was reflected in their commitment to planned development. The resulting national plans are unique as blueprints of the most exciting social and economic experiments ever undertaken in the history of human endeavor. A striking feature of this global movement was that the upsurge of enthusiasm and the efforts generated by this movement have been shared by the rich countries. As a result, thousands of scholars and specialist became participants in this movement and international cooperation for development assumed a new magnitude and significance.

International cooperation was enriched in its structure and content through the establishment of international financial institutions with a view to promote economic and social progress in the developing nations. Notable among them are the World Bank

(WB), the International Monetary Fund (IMF), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The World Bank consists of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Collectively the World Bank, the IFC and the MIGA are generally known as the World Bank Group. During the last five decades the world has gone through many changes. These changes included a major shift in the concept of foreign aid and the perception of development goals and strategies. However, the modern idea of foreign assistance began in the aftermath of World War II.

The Bretton Woods system was implemented in 1944 when delegates from 40 countries met in New Hampshire to establish the World Bank, which emerged as the international organization set to provide financial resources to the war-torn economies of Europe (Bowen 1998,4). The United States took individual action in 1948 when they created the European Recovery Programme, or the Marshall Plan, which committed \$13 billion to recovery from World War II (Hoy 1998, 16) and was the largest reconstruction programme of the time (Hellinger, Hellinger and O'Regan 1988, 15). 89% of the funds went to European countries, and as a result the recipients saw accelerated economic growth by the early 1950's (Bowen 1998,5). The Marshall Plan set the stage for early foreign assistance programmes in developing countries, and was succeeded by the Mutual Security Act of 1951. This legislation was passed to "utilize large sums of money to build up quickly economic structures and political allegiances deemed necessary to fight communism" (Hellinger, Hellinger and O'Regan 1988, 15). The Mutual Security

Agency's goal was to unite military, economic and technical assistance programmes as part of United States' foreign policy.

President Truman, in 1950, reminded the First World of the moral implications of foreign aid to abolish humanity's "ancient enemies—hunger, misery, and despair" (Hoy 1998, 17). This call of moral duty did not last due to the explosion of the Cold War. Funds were allocated towards infrastructure reconstruction programmes primarily focused on defense building, and secondarily towards economic development projects designed to increase the flow of capital to the country. The focus for the United States during the fifties was specifically India, Pakistan, and other countries in the Near East, with aid figures totaling nearly \$ 300 million (Hellinger, Hellinger, and O'Regan 1988, 15). President Kennedy reiterated the moralistic obligation of the First World to combat poverty in the rest of world in 1961, but focused on the connection between US security and foreign aid (Hoy 1998, 17). The US Agency for International Development (USAID) was established in 1961—the start of the "First Development Decade"—and was designed to "promote the foreign, security and general welfare of the US by assisting peoples of the world in their efforts toward economic development and internal and external security" (Hoy 1998, 18). It was created in response to unsuccessful US foreign aid policies that had attempted to foster long-term development. USAID far exceeded past foreign policy programmes because it actually established an organizational structure to better serve the recipients' needs.

The Cold War had a strong influence on the direction of US foreign aid towards the promotion of democracy and stability in countries unaffiliated with the US or the USSR (Hoy 1998, 21). The Second Decade of Development, the 1970s, promoted 'basic human needs' in response to the famines in Africa and the oil crisis of the Middle East (Bowen 1998, 7), as well as to combat the negative view of foreign aid among US citizens. The United States turned its efforts to the Caribbean and Latin America, where the focus shifted from industrialization and savings rate to rural development and employment (Hellinger, Hellinger and O'Regan 1988, 21). A reevaluation of the effectiveness of foreign assistance led to the "New Direction" legislation incorporated in the Foreign Assistance Act of the mid-1970s (Hellinger, et al. 1988, 22). The goal of this revamped foreign aid policy was to ensure the flow of foreign assistance directly to the poorest of countries to stimulate development (Hoy 1998, 22). "Food for development" replaced the notion of Food Aid and stipulated that nations receiving food were not expected to repay the loans given to purchase the supplies as long as they went towards the establishment of development programmes in agriculture, nutrition, health services and population planning (Hoy 1998, 24). This project failed, however, due to the inability of the recipient countries to properly establish the infrastructure of these development programmes. The liberal aid policies of the 1970s were redirected when conservatives seized control of the White House in the 1980s (Hellinger, Hellinger and O'Regan, 1988, 26). President Reagan redirected foreign aid's focus from the humanitarian to militaristic, and sustainable development became the goal of US foreign aid in the United States (Hoy 1998, 22).

In the 1980s, the majority of US foreign aid was in the form of militaristic aid through the formation of the Military Assistance Programme (Hoy 1998: 21). In 1989, Japan replaced the US as the lead donor of “absolute amount of funds transferred” (Hoy 1998: 31). With the fall of communism, hopes soared among the Third World nations that the goal of foreign aid would shift from a political to a developmental focus. However, previously communist nations were added to the list of recipients, and Third World countries received less aid than previously allocated (Hoy 1998: 27).

In theoretical perspective

Modernization theory, which provides the dominant mainstream approach regarding foreign aid, seeks to explain the gap between the North and the South. This theory contends that development in the North can be attributed to the “discovery of secrets of sustained economic growth” (Lairson and Skidmore 1997,222). The establishment of specific political, economic and social programmes and policies embracing the ideologies of capitalism and democracy are the frontrunner of development, Many different definitions for development exist, but those preaching philosophies of the modern day democratic nation stem from the modernist perspective on development. This notion embraces free trade, industrialization, democracy, relatively little control by political or religious authorities, and other ideals inherent in democratic societies, and holds that Third World countries that adopt these attitudes of the democratic/capitalist world will successfully develop.

The contending perspective, dependency theory, rejects the ethnocentrism of the

modernist theory and places the blame for Third World poverty on imperialism and First World supremacy. According to dependency theory, the North purposely prevented the South from developing because the North believed that holding their colonies as underdeveloped would fuel their own development. It is often associated with the communist school of thought because it is an anti-democratic philosophy that places the blame on the First World. According to Lairson and Skidmore, “Dependency theory views Northern economic and political penetration of the South as exploitive, producing a transfer of resources from the poor to the rich” (Lairson and Skidmore 1997: 229).

Since the fall of communism and even during the Cold War theories thought to be associated with the communist school of thought were branded as evil, conspiracy-oriented philosophies. In truth, most donors of foreign aid have traditionally been the democratic nations, and therefore most policies of foreign assistance embrace the modernist school of thought and in some way seek to establish democratic and capitalist principals in underdeveloped nations, whether through economic or political means. Therefore, all the theories on development have roots in the modernist perspective on development.

The Supportive Evidence

The proponents of foreign aid make many claims about the good that aid does, including higher mean incomes in developing nations, higher literacy rates around the world, higher life expectancies around the world (Easterbrook 2002,16-20). The world’s average life expectancy is 66 (Easterbrook 2002, 16-20). The highest life expectancy rate of any

nation in sub-Saharan Africa is Botswana, with an average life expectancy of 65 (Boroughs 1996,52). There are many ways of depicting the success of aid. In the broadest terms, the low-income countries have achieved increases in real incomes and improved living standards to which aid has contributed. Excluding India and China, their life expectancy rose by almost 25 percent between 1965 and 1989, and infant mortality declined by more than a third; Primary school enrolments rose from 49 to 70 percent of the relevant age group over a similar period. The growth in per capita income has been disappointing, at 1.4 percent a year: though another way of putting this is to say that per capita income increased by 34 percent despite population growth of 62 percent over the two and a half decades. (India and China have made significantly greater progress, in China's case with little assistance from aid.)

Aid has helped not only today's low-income countries, but also some which started in the low-income group and have risen to the middle income category. Korea is perhaps the most spectacular example, but several others—Brazil, Colombia, Thailand, for example—have also made remarkable progress (Cassen 1994). More will follow, and aid will demonstrably have helped to lay the foundations for their growth. The contributions of aid can also be described in other ways. Sector by sector across economies, aid has built infrastructure, promoted agriculture and manufacturing, helped to extend the reach of basic services, provided skilled manpower, and promoted institution building.

An increasingly important part of aid today is the policy dialogue that accompanies it. Here, too, both earlier and more recent experience can testify to significant successes.

Much of the world's attention is presently focused on sub-Saharan Africa. The question inevitably arises: if most aid works, why has Africa's development been so halting? Part of the answer is that aid's success has been more common in Asia and the rest of the developing countries. Sub-Saharan Africa has been the most intractable environment for development generally and therefore for aid. It has had several major disadvantages compared with other developing regions: smaller proportions of literate and educated people, less stable political structures, less settled administrative institutions with shorter traditions. In addition, sub-Saharan Africa has faced peculiarly difficult external conditions: in particular, dependence on primary commodity exports facing highly unstable markets, and long periods of deteriorating terms of trade. All these factors have left the region without major attractions to private overseas investors, and most countries have been heavily dependent on aid for foreign capital.

Africa's agro-climatic conditions are also unfavorable. They include a proneness to long periods of drought, and vary greatly over the continent. As a result, there has been no possibility, as there was in South Asia, for a small number of high-yielding crop varieties to transform agriculture over vast areas. And the region has had the world's fastest population growth rates, close to the demographic maximum in countries such as Kenya, Mozambique, Rwanda, and Tanzania, and likely to rise in many countries where death rates still have far to fall and fertility will follow only slowly.

As if these obstacles to development were not enough, hindsight now suggests that the model followed by most developing countries was peculiarly unpromising for those of

sub-Saharan Africa. African countries sought industrialization and modernization as an antidote to the colonial economic structure they inherited, in which the only developed sectors equipped with infrastructure were enclaves of mineral and export crop production, and settler agriculture. The mass of their people was in the undeveloped hinterland, engaged in subsistence agriculture. Industrialization policies led to a good deal of capital-intensive investment, uneconomic import substitution, and disadvantages for agriculture under a regime of overvalued exchange rates. Parastatal agencies expanded as part of an often burdensome public sector which, where it was engaged in marketing, did not create a price structure that would encourage investment and production. For a long time aid donors accommodated these policies. Some of them fitted in with their own commercial interests of exporting capital goods.

There was also a genuine desire to avoid neo-colonial imposition of policies on newly independent states. Today both donors and recipients can see all too clearly the failings of the old model. The current emphasis on policy-based lending is leading to a new realism on both sides. Policies have already been reformed in several African countries; others are following suit. The effectiveness of aid to sub-Saharan Africa has been inseparable from the effectiveness of development overall. The prospects are now good for major improvement in both, provided that donors and recipients play their mutual and cooperative parts to the full. However the reasons for aid failure are as follows which are found in the book of mainstream liberal reformist, Robert Cassen (1994). When aid goes wrong, it is usually for several fairly common reasons to fail. It is not easy to generalize why these factors occur where they do, yet are absent in the much larger number of cases

when all goes well. The fault lies with the donor or the recipient, or both; sometimes misfortune or the unexpected can be the culprit. On the donors' side, one of the most common causes of failure is the excessive intrusion of commercial or political motives. When the (bilateral) donor is less interested in development than in the sale of equipment or in the political gains from supporting a regime, it is not surprising that aid may give a poor return economically. (This is not to say that all such aid is ineffective; only that these are potential causes of failure.) Many projects are technically poor, ill-designed for their intended purpose. But poor design, even when not the result of the donors' commercial purposes, is at least sometimes culpable, the result of inattention to local circumstances, or of failure to profit from available experience.

In general also, donor agencies are not all that good at avoiding repetition of their own mistakes; and they are worse at avoiding each other's, since there is very little communication about failure from one agency to another. These defects, coupled with the incentives to individuals in the agencies simply to get loans made, are probably responsible for a significant share of the aid that goes wrong. There is a strong case for major efforts to improve the learning process, and for strengthening within agencies the incentives to improve the quality of lending, not just its quantity. Much less reprehensible are the projects that go wrong because donors and recipients are trying to do ambitious things in difficult circumstances. Sometimes they may neglect to uncover information, which might have forestalled failure. More generally, however, they are simply taking bigger risks. Innovative activity must be encouraged, and its occasional failure should not give grounds for abandoning the attempt. It is much easier to run infrastructure projects

in South East Asia than to reach poor farmers in sub-Saharan Africa. But it is precisely where the challenge and the difficulties are greatest that aid is most needed.

On the other hand, why some aid fails can be found on the recipients' side. Often aid activities are unsuccessful because of the policy environment in which they operate, or because of administrative deficiencies in the recipient country, or because the government does not take a keen enough interest in implementing them. (The donor too may be implicated, if it knows of these conditions and makes no attempt to circumvent them.) Recipient governments, like donors, can have political and commercial motives which are at odds with the needs of development. The recipient may have an excessive attachment to 'prestige projects' with low developmental priority, or to 'advanced' and unsuitable technology. Sometimes the recipient is at fault when he declines technical assistance that is really needed. In recent years, however, several aid projects have crumbled because the recipient government was simply unable to provide counterpart finances from its heavily constrained budget. Sometimes they had internal causes, because the government was spending heavily on non-development items. Sometimes aid itself was the cause, because donors were not coordinating their projects and the implications of them for financial management. Precisely who or what is at fault here? Recipient, donor, the world economy—perhaps something of all three.⁴

⁴ Cassen (1994).

A Critical Review of the Evidence

Normally, the literature on foreign aid is divided into two parts. First, is on the effects of aid on the recipients and the second is on the determinants of aid. It means who gives to whom and why. On the first point, Jepma (1997) presents a broad survey of the literature from the seventies onward. His conclusions are that, for the most part, foreign aid crowds out private saving, supports public consumption, and has no significant positive impact on the recipients' macroeconomic policies and growth. This survey, however, correctly points out several methodological weaknesses of the early literature. If one observes a correlation between aid, poverty, and bad policies, does this mean that foreign aid is misdirected, or that aid is used to relieve the sufferings of the populations of countries with economic problems? A more recent literature inspired by the renewed interest in cross-country growth empirics, has addressed this issue. In a series of papers Boone (1994, 1996) finds that foreign aid has absolutely no effects on investment and growth in a large sample of developing countries, after controlling for the endogeneity of aid flows. Burnside and Dollar (1997) had a study on the interactions among choice of macroeconomic policies, aid and growth. They found that aid is beneficial to countries that adopt appropriate and stable policies, and otherwise it is wasted. However, they find no evidence that foreign aid encourages the adoption of "good" macroeconomic policies. They also suggest that donors "strategic" interests are more important than the quality of the policies of the receiving countries as an explanation of aid flows.

Who gives aid to whom and why is a central question here. Lumsdaine (1997) emphasizes several determinants of the direction of aid, which we can consider here, such

as colonial history, the democratic status of the recipients, income levels, etc. Lumsdaine emphasizes the "moral vision" that, according to him, underlies foreign aid giving. This "idealistic" view sharply contrasts with a voluminous literature that has argued that strategic foreign policy concerns explain the pattern of foreign aid. For instance, this point is made by Maizels and Nssanke (1984)⁵. Unfortunately, the measurement of what a "strategic interest" is varies from study to study and is occasionally tautological. As a result, the literature is rather fragmented, with one study emphasizing this or that variable and with relatively little attempt at confronting the impact of different variables and their interactions. In other words, while, there is some general agreement about what matters for aid giving, namely poverty of the recipients, strategic interests, colonial history, trade, political institutions of the recipients, etc, there is virtually no solid evidence on the relative importance of different variables⁶. The complexity of the determinants of aid flows is well documented by a recent study by Schraeder, Hook and Taylor (1998). They restrict their attention to Africa and easily reject an altruistic vision of donors' motivation. They also highlight interesting differences between donors, related to their position in the world order, strategic interest and relationship with former colonies. Finally, most authors find that the determinants of bilateral and multilateral aid are quite different and one cannot explain the two together⁷.

However, in a recent study on the pattern of allocation of foreign aid from various donors to receiving countries it finds considerable evidence that the direction of foreign aid is

⁵ This paper also includes a good survey of the literature on this point, up to the mid-eighties.

⁶ For example Trumbull and Wall (1994) find that a measure of infant mortality in their specification is stronger than income per capita of the recipients country in explaining bilateral aid, a result which does not survive in our results below.

⁷ See for instance Maizels and Nissanke (1984) on the difference between bilateral and multilateral aid.

dictated by political and strategic considerations, much more than by the economic needs and policy performance of the recipients. Colonial past and political alliances are the major determinants of foreign aid. At the margin, however, countries that democratize receive more aid. While foreign aid flows respond more to political variables, foreign direct investments are more sensitive to economic incentives, particularly “good policies” and protection of property rights in the receiving countries⁸.

Besides economists, scholars from other disciplines, notably political science and international relations, have also done considerable research on aid. This non-economic literature mentions three distinct strands of thoughts. According to one explanation (Spicer 1966; Nossal 1988), the main motivation of aid is political, aimed at advancing the power and influence of the donor. A second explanation (Tomlinson 1991; Carty and Smith, 1981), emphasizes the importance of economic and commercial importance as determinants. A third approach to aid (Lavergne 1989) stresses the altruistic dimension of aid policy. Many of the econometric studies in this area have been heavily influenced by the above writings. One of these studies was by the Canadian Economic Council, which examined the distribution of bilateral aid from 1970-1978.

The study looked at the following determinants: political (whether aid depends on ties with the commonwealth and Francophone countries), commercial (whether aid goes mainly to countries importing Canadian goods), and humanitarian (whether aid flows mainly to relatively poor countries). The economic council found that the countries most

⁸ Alesina, Alberto and Dollar, David.(1998), “Who gives foreign aid to whom and why”? National Bureau of Economic Research Paper Series, MA, USA.

likely to receive aid were those with relatively low per-capita incomes, either Francophone or Commonwealth, and with relatively large populations. As for the allocation decision, the most important factor proved to be the amount of aid received by the recipient country from other donors, followed by that country's commonwealth status.

Two models for the distribution of aid appeared in the literature. One argued that aid is given mainly according to the socioeconomic needs of the recipients, and the other countered that donor interests are the main motivation behind aid. Several studies have tried to test the validity of these two models. One of the pioneering studies was conducted by McKinlay and Little (1979); it rested on a cross-country regression analysis of the US bilateral aid programme from 1960 to 1970. The study found that the overriding motives for aid were military and political interest, not recipient needs. A study by Maizels and Nissanke (1984), also based on cross-country regressions, looked at both bilateral and multilateral aid. It found that bilateral largely depended on donor interests, whereas multilateral aid had recipient need as its driving force. Several other writers have found refined or extended the above research. For example, Trumbull and Wall (1994) incorporated a political/human rights dimension into the analysis and found it to be significant, while Mosley (1987) found evidence that the adjustment of aid supply lagged behind changes in demand. Gounder (1995) tested the validity of the recipient needs and donor interests models for Australia's bilateral aid from 1986 to 1992 and came up with mixed results. Boone (1994) found that, irrespective of the political regime, the main purpose of aid is to increase wasteful public consumption and strengthen the elitist group

in power. Note, however, that several variables in this study, such as civil liberties and political interests, may be subject to data and measurement problems. Alesina and Dollar (1998) found that the allocation of bilateral aid is dictated by strategic and geo-political considerations, while foreign direct investment appears driven primarily by the economic incentives. In a similar vein, Schraeder, Hook and Taylor's (1998) analysis of Africa led them to conclude that the main determinants of aid are the former colonial status of the aid-receiving country and its political strategic position, and altruism.

Thus, the foregoing literature leads one to conclude that aid is given mainly for political and strategic considerations, not philanthropy. This seems consistent with the results of several studies, which have found that foreign aid has not really helped prevent global poverty (World Bank 1998; Hansen and Trap 2000). In addition to the above, the literature also mentions several factors that have hindered aid.

One is the tendency of recipient countries to following policies that make it difficult for aid to succeed. This is the position of the World Bank (1998), based on the research by Burnside and Dollar (1997). It found that aid tends to promote growth only when the recipient country adopts growth-enhancing policies. This view, however, has been challenged by some critics who argue that when the non-linear relationship between aid and growth is taken into account, aid seems to energize growth, regardless of the policy environment in the recipient country.

A second factor impeding foreign aid is the concept of tied aid. Tying arises when a donor requires a recipient to use aid to buy the donor's exports. Exports include not only goods but also technical co-operation and associate financing; this financing itself includes mixed credits (mixing of commercial export credits with concessional aid funds), co-financing (many agencies financing a project) and parallel financing (lenders' exports credit and aid agencies administer two separate transactions). For example, Canada tends to rank relatively high in terms of the proportion of tied bilateral aid. For example, in 1999, 70.4 percent of Canada's aid was tied aid, the fourth highest out of 19 reporting countries (OECD 2000, Table 23). (The public perception is that multilateral aid is not entirely free of tying. For instance, some of the hiring for technical assistance provided under multilateral aid comes under the Canadian Trust Fund, which is essentially tied aid).

The literature offers several arguments to justify the tied aid (Spicer 1996). One is that the tied aid serves to promote Canadian exports and domestic job creation. The other arguments include winning the support of the public for the aid programme, helping the Canadian industries to penetrate new markets, and preventing the subsidization of trading rivals' export, which would occur if aid were untied.

Given the above considerations, it is heartening to find that the OECD recently signed an agreement designed to untie bilateral aid to the least developed countries (OECD2001). However, the agreement has several weaknesses. First, for example, LDCs account for less than 1.5 percent of Canada's ODA, which suggests that the agreement will carry very

little weight (CIDA 2001,p.29). Second, the agreement leaves out associate financing (mixed credits and financing). Lastly, because the agreement is voluntary, the risk of non-compliance is high.

A third reason for aid's failure to alleviate global poverty pertains to the fungibility of the aid itself, that is, the recipient country may use it for purposes other than those intended by the donor. However, the evidence from single-country experiences (Pack and Pack 1990; 1993) is mixed. By comparison, two more recent studies by Cashel-Cordo and Steven Craig (1997) and Feyzioglu, Swaroop and Zhu (1998) based on cross-country analyses show more conclusively that fungibility poses a major problem to the donor.

A fourth major impediment to aid cited in the literature is corruption in the recipient country. A 1999 study by Alesina and Weder on this issue came up with the following conclusions. First, there is evidence that aid seems to flow mainly to the more corrupt government. Second, corruption tends to deter more private flows than it does official aid. Third, there is no evidence that foreign aid reduces corruption. Finally, some commentators have argued that the lack of local participation in the recipient country also impedes the success of the aid programme (Michel 1997). In this context, one mechanism widely seen as an engine of local participation is the nongovernmental organization (NGO). CIDA funding of NGOs (including non-governmental institutions like universities) has increased rapidly over time.

As for the performance of NGOs, the available evidence, although fragmentary, anecdotal, and plagued by measurement problems (Smillie and Helmich, 1999), reveals a mixed record, both in Canada and abroad. While some progress has been made in such areas as education and humanitarian assistance, NGOs have not fared as well in areas like poverty alleviation, environmental protection (Broadhead et al.1989: 145-147), the provision of rural credit and gender equality (UNDP: 1993).

Among the factors that have thwarted the progress of NGOs are inefficient human-resource management, poor project design and evaluation, excessive dependence on donor agencies, and doubts about the legitimacy and accountability of some NGOs (Edwards and Hulme 1996). Further tensions have plagued ties between Northern NGOs and donor agencies (Broadhead and Pratt 1994), between Northern and Southern NGOs (Malena 1995), and between Southern NGOs and respective national governments (Davis 1998).

Another critical analysis of foreign aid was conducted by James Petras and Henry Veltmeyer in the article "Age of Reverse Aid: Neo-liberalism as Catalyst of Regression" (Development and Change, Vol-33, No. 2 April 2002). Here they found that in a three-year period, 1995-97, over \$157 billion in profits were repatriated, according the Economic Commission for Latin America. Thus aid and the conditions imposed on aid recipients facilitate the takeover of lucrative enterprises and the repatriation of billions of dollars to aid the global accumulation process.

Foreign aid by the IFI (international financial institutions) influenced by the USA (World Bank, the IMF, IDB) is conditioned on the lowering of trade barriers, ending subsidies and cutting back public spending on social services. The result has been a loss of market shares by local enterprises, rising unemployment and underemployment and the de-industrialization of some countries and the proliferation of sweatshop or low wage assembly plants where the workers are denied the right to organize, access to social welfares benefits and protection of labor legislation. Other changes are reflected in widespread social conditions associated with increasing disparities in the distribution of wealth and income, falling wages, deteriorating health, a rise in the rate of unemployment and the proliferation of low incomes that UNRISD (1995), among others, attributes to the social effects of globalization and structural adjustment.

Several important points can be raised from the colonial experience of conquest and aid that are relevant today. In the first place, aid subsumes commercial transactions beneficial to the donors. Secondly, the benefits of aid to the recipient are not equitably distributed among the different classes, gender and ethnic groups, with the bulk accruing to elite collaborators. Thirdly, the asymmetrical political and economic linkage between aid donors and aid recipients lead to long –term, large-scale transfer of wealth, property and power that favours Euro-American donors, while the benefits to recipient regimes are independent of the claims and perhaps, good intention of foreign aid, the systemic conditions (unequal power and exchange), the class nature of the donor regimes (dominance of MNCs and financial institutions), the political economic matrix of aid (protectionism and subsidies in the donor countries and neoliberalism in the recipient

countries) and the subordinate nature of the regime in the recipient countries (macroeconomic policy dictated by the IFI technocrats). So foreign aid is a catalyst for aid reversal. It means the transfer of wealth to the donor countries.

The tendency of donors to channel funds via NGOs for poverty alleviation has had little positive effect. On the contrary, foreign aid directed toward NGOs has undermined national decision-making, as most projects and priorities are set out by the European or USA-based NGOs. In addition, NGO projects fail to deal with the structural problems and crisis of the recipient countries. So, NGO funding has led to a proliferation of competing groups, which set communities and groups against each other, undermining existing social movements. Foreign aid channeled to NGOs complements the privatization agenda of the IFI rather than compensating for the social damage inflicted by their 'free market', debt bondage, and privatization policies.

Foreign aid strengthens the profoundly authoritarian tendencies in the executive branches of government, undermining popular beliefs in electoral process and representative government. To the publicists and promoters of free markets in Europe and US, effective government and good governance is measured by the ability of client regimes to promptly and effectively implement 'unpopular' pro-corporate policies while limiting political protest.

Foreign aid greases the wheels of corruption. Bribes to state officials paid by leading US and European MNCs to secure favourable terms during privatization. Foreign aid is not

the cause of corruption in many cases but the catalyst to the corruption. In a controversial new book of Michael Maren (1997), *The Road to Hell: The Ravaging Effects of Foreign Aid and International Charity*, he argues that foreign aid is worse than useless. His experience with foreign aid in Africa over the past two decades is extensive, first with the Peace Corps, then with Catholic Relief Services, finally as a journalist. In an interview, Maren contends that little of the money contributed by taxpayers ends up in the hands of the needy; most is absorbed by multinational corporations, foreign aid bureaucracies, or political dictators. He explains, "If you're doing aid work in Kenya, you're supporting the government of Kenya, which itself is the reason for most of the problems in Kenya. They're the ones who are choking off farmers and not allowing them to sell grains or coffee or whatever to the highest bidder. They're the ones who are stifling the local economy." Maren, from his experiences, sees foreign aid as a new imperialism, and just as the West allowed its colonies political freedom, it should now allow them economic freedom as well.

Aid is based on policy improvements and good governance -- implementation of the privatization and free market agenda. It is the large-scale transfer of public property that is the source of corruption. From the perspective of the majority of the electorate, good governance means-rejecting the intrusion and threat of the IFI and their conditioned foreign aid. It means resisting cuts in social budgets and the soft loans that are attached to these regressive proposals. Good governance means safeguarding strategic economic sectors from corporate takeover and resisting the financial destabilization efforts of donor countries. Above all, good governance means redistributing wealth and defending

popular decision making against the neo-authoritarian elites who are the current foreign aid recipients. Despite occasional official rhetoric, foreign aid has never financed a comprehensive land reform programme. In fact, most loans by the IFI and bilateral financing are directed at modernizing large-scale commercial landlords at the expense of landless farm workers and peasants.

Conclusion

It can be concluded that each of these two schools of thought has advanced some useful ideas in regard to the role of aid on development in third world countries. The aid supportive school of thought argues that foreign aid has increased literacy, improved health conditions and helped alleviate poverty. In addition, aid has served in crisis situations during famine or natural disaster or in situations of conflict experienced by countries at war. The World Bank, the IMF and other multinational agencies are the best examples of established supportive institutions of foreign aid. On the other hand, the critical school of thought argues that aid could be an important catalyst of growth and development but there should be some changes and reform. Without changes and reforms aid is unproductive consumption only. However, it argues that foreign aid works as a tool of political and strategic interest to the benefit of donors, rather than the recipients' vast poor interests. According to this school of thought, aid has increased poverty, corruption and the gap between rich and poor. It only benefits the political and economic elite groups in society. It makes the recipients dependent rather than self-sufficient.

Each school of thought provides relevant evidence on aid and each school also has evidence in support of the arguments and ideas about aid and development. Thus, on the basis of a literature review it is not possible to draw any hard and fast conclusion. Each set of ideas needs to be tested against the available evidence. This is, in effect, the main aim and purpose of this thesis. However, as a guide to my research and analysis, a number of guiding ideas have been derived from my review of the literature. They are formulated as a theoretical and conceptual framework in Chapter One. For the most part, these ideas are derived from the critical school on aid but as such they are not treated as ‘truths’ but rather as possible explanations or hypotheses. They are formulated as such as ideas to be tested against the evidence that I have collected and analyzed related to Bangladesh’s aid reform policies or structural adjustment policies and their impact.

Chapter Three

An Overview of Economic Reforms in Different Regimes and the Aid Scenario

Introduction

Bangladesh began stepping towards the free market economic reforms since 1975 and after the fall of socialist-oriented first new regime of the newly independent country-Bangladesh, though structural economic reform had appeared before that period on the agenda of the International financial Institutions (IFIs) such as the World Bank and the International Monetary Fund (IMF). Over the last 27 years, successive regimes, both military and civilian, undertook wide-ranging reform policies that led to the creation of what is often called a market-friendly framework for economic governance. Their policies focused primarily on restructuring the public sector, adopting an export oriented growth strategy, strengthening the private sector, liberalizing the trade and exchange regimes, and establishing an enabling environment for economic growth.

Most studies claim that after more than a quarter century of experiments with market reform, Bangladesh's economy is still struggling to both sustain macroeconomic stability and develop a framework for rapid economic growth. Despite some progress in stabilizing the economy in the early 1990s, the sudden increase in fiscal deficit, record low foreign exchange reserves, weak balance of payment situation, a revenue shortfall, and the crash of the capital markets have already called in to question the ability of Bangladesh to restore the fiscal health of its economy through liberalization programmes.

What concerns policy-makers and development practitioners most, however, is the slow progress that Bangladesh made in improving its dismal human development record.

The performance of the economy, which grew 5 percent a year during the 1990s, proved to be inadequate to make a dent on the country's poverty conditions. Bangladesh still has the highest incidence of poverty in the region. Some 45 million people, in other words, half of its 89 million rural populations live below the poverty line. The deteriorating poverty situation in urban areas is making things even worse. A vast majority of the poor have little or no access to education, health care, safe drinking water, and other essential services.

The World Bank blames "the unfinished reform programme" for the failure of the country to bring the poor out of poverty. It therefore focuses on the need for further accelerating reforms, "choosing the high road of faster policy and institutional reforms" (World Bank, 1995: xvii). By contrast, a number of authors have criticized the international creditor community for imposing inappropriate reform policies that failed miserably to address the unique socio-economic reality of Bangladesh (Sobhan, 1993). Why and how market reforms failed to bring about desired socio-economic results, it argues that economic reforms were used primarily to consolidate the power of the ruling elites. Successive regimes treated market reforms as an instrument to build and maintain political coalitions in particular with traders and industrialists. In exchange for political support, they allowed business elites to use market liberalization programmes as the primary tool to attain their financial and economic objectives. As a consequence,

economic liberalization programmes hardly contributed to the improvement in the macroeconomic management of the economy. Nor did they succeed in achieving the goals of human development.

This chapter is comprised of eight main sections. It first looks an over-view of economic condition of the immediate independent nation under Sheikh Mujibur Rahman regime (1971-75). It then looks critically at the liberalization measures undertaken by General Ziaur Rahman (1975-1981). Section three presents an explanation for the political use of pro-market reforms by General Hussain Mohammad Ershad's (1982-1990) military regime. In particular, it analyzes why a military general focused more on the ways of developing a political coalition with key socio-political actors for his contested regime than developing a healthy market mechanism. Section four, five and six provide an account of the failure of the three democratically elected regimes of Prime minister Begum Khaleda Zia (1991-1996), Prime Minister Sheikh Hasina Wazed (1996-2001) and Prime Minister Begum Khaleda Zia (2001-2003) to enact and enforce laws necessary to improve governance in the financial sector. By identifying the main constituencies of Begum Khaleda Zia and Sheikh Hasina, it examines the growing role of big business in the country's decision-making.

In addition, this section connects the regime style with the provision of aid and its separation into grants and loans. This part also connects the world political system with the structural changes and is part of the reason why structural economic reforms do not

work. They are often based on political consideration, not economic development. The last section offers some concluding remarks based on its main findings.

The Regime of President Shiekh Mujibur Rhman (1971-75)

The economic situation facing Bangladesh as it emerged from the war of independence in 1971 included the highest rural population density in the entire world, an annual population growth rate between 2.5 and 3 percent, chronic malnutrition for perhaps the majority of the people, and the dislocation of between 8 and 10 million people who had fled to India and returned to independent Bangladesh by 1972. The new nation had few experienced entrepreneurs, managers, administrators, engineers, or technicians. There were critical shortages of essential food grains and other staples because of wartime disruptions. External markets for jute had been lost because of the instability of supply and the increasing popularity of synthetic substitutes. Foreign exchange resources were minuscule, and the banking and monetary system was unreliable. Although Bangladesh had a large workforce, the vast reserves of undertrained and underpaid workers were largely illiterate, unskilled, and underemployed. Commercially exploitable industrial resources, except for natural gas, were lacking. Inflation, especially for essential consumer goods, ran between 300 and 400 percent. The war of independence had crippled the transportation system. Hundreds of road and railroad bridges had been destroyed or damaged, and rolling stock was inadequate and in poor repair. The new country was still recovering from a severe cyclone that hit the area in 1970 and cause 250,000 deaths. India, by no means a wealthy country and without a tradition of giving

aid to other nations, came forward immediately with massive economic assistance in the first months after the fighting ended. Between December 1971 and January 1972, India committed US\$232 million in aid to Bangladesh, almost all of it for immediate disbursement. The largest single element in Indian aid was 900,000 tons of food grains. The United States and the World Bank thereafter became leading foreign aid donors, and the World Bank organized a consortium known as the Bangladesh Aid Group, comprising twenty-six international financial institutions and foreign governments interested in assisting Bangladesh's development. In October 1974, the Bangladesh Aid Group was established under the aegis of the World Bank, with twenty-six participating governments and institutions. Commitments of the aid group were US\$551 million in FY 1974 and US\$1.2 billion the following year. Aid to Bangladesh has remained at a high level since the consortium came into existence, although with substantial fluctuations in new commitments from year to year. So, during most this period the situation was devastating and everything had to be started from the beginning. But Shiekh Mujibur Rhman was trying to shape the political and economic structure in the form of socialism. But all his plan came into end after his assassination in August 15, 1975.

The Regime of General Zia Ur Rhman (1975-81)

The severe financial and economic crisis that General Zia had inherited from the Awami League (AL) regime created the ground for his neoliberal regime to initiate a formal search for a better alternative to the excessively interventionist development model adopted by the Mujib government that came into power after the inception of Bangladesh in 1971. Zia's desire to move away from the state-led development approach was clearly

manifested in December 1975 when his military regime announced its first major economic policy, which came to be known as the Revised Investment Policy (RIP). One of the major objectives of this RIP was to allow the private sector to play a major role in national economic development. It emphasized the need for transferring State Owned Enterprises (SOEs) to the private sector and encouraged private entrepreneurs to invest in all but 8 strategically important sectors. The RIP significantly increased the ceiling of private investment to Taka (Bangladeshi currency) 100 million and announced that the state would never nationalize any private enterprises. It offered compensation to those Bengali and non-Bengali owners who had suffered financial losses due to the Mujib regime's nationalization programme. The Revised Investment Policy also opened up new opportunities for foreign investors and facilitated the formation of the country's first Export Processing Zone (EPZ) in the port city of Chittagong (Government of Bangladesh, 1976: 228-29).

Central to Zia's pro-market reforms was a comprehensive disinvestment programme that allowed private investors to become the engine of Bangladesh's economic growth. A series of actions, including the creation of a Disinvestment Board, were undertaken simply to facilitate the role of the private sector in both industrialization and capital mobilization. The Disinvestment Board, for instance, was given the responsibility for implementing the regime's just announced privatization policies. Efforts were made to foster private investment largely through the reactivation of the Dhaka Stock Exchange and the establishment of an Investment Promotion Center in Dhaka. Zia's military regime also directed Development Finance Institutions (DFIs) to provide massive

financial support to private entrepreneurs leading to the emergence of the DFIs as the major financial source of private investment in Bangladesh (Sobhan & Mahmood, 1991: 158).

Restoring macroeconomic balance also appeared to be a priority of the government. Complying with the conditionalities set out in the IMF/World Bank sponsored adjustment and/or Extended Fund Facility (EEF) programmes, the military regime undertook measures to reduce budget deficits, reform the public sector, restructure the tax system, lower inflation, withdraw subsidies on such items as food, fertilizer, and petroleum, increase exports, improve the country's foreign currency reserves, and liberalize the trade regime. The government announced different policy measures designed to develop a competitive exchange rate policy for the Bangladeshi currency (Rahman 1994: 13-14).

While it appeared that Zia's major concern was to ensure a rapid recovery of the collapsing economy, empirical evidence suggests that his market-oriented reforms were driven primarily by his political goals. He was indeed smart enough to realize that his military regime suffered from a severe crisis of legitimacy as its rule was based on military might rather than the consent of the electorate. The need for him to stay in power thus demanded that his 'unconstitutional government' make efforts to both develop a popular support base and generate a new political coalition.

As a pragmatic politician, he clearly understood the inability of any interventionist development strategy to keep him in power for a longer period of time, let alone expand

his support-base. From mid-1974, the pressure for liberalizing the economy was gradually mounting. The World Bank had already begun to push the Mujib government to embark upon a denationalization programme so that the private sector could come to play a key role in the economy (Islam, 1977: 246). The assassination of Mujib in August 1975 added a new dimension to the growing power of such external actors. Both the IMF and the World Bank saw the demise of Mujib's center of left political regime as an opportunity to pursue their market-driven economic policies. They didn't hesitate to use Zia's political vulnerability to the advantage of the global forces of production and finance. The IMF and the World Bank increased their pressure upon Zia's military regime for immediately abandoning the statist approach adopted by the Mujib regime.

The pressure from key domestic actors, namely the emerging Bengali entrepreneurs, and high-level bureaucrats and technocrats, was also increasing as they began to demand an immediate improvement in the business environment. Importantly, while most of these actors never lent their support to the AL's interventionist development strategy, they kept their silence until the weakening of Mujib's popular support. Given the extremely disappointing economic results of Mujib's so-called socialist policies, these traditionally powerful actors start to exert their political influence for opening up the economy in general, and for stimulating private investment, in particular.

In particular, the use of economic reform programmes to benefit a small group of traders and industrialists was reflected quite clearly in the privatization of SOEs, which was the major component of Zia's market liberalization programme. His military regime seemed

to have done nothing to identify the broad objectives of the privatization programme. Nor did it make any meaningful attempts to justify the government's decision of embarking on its programme of transferring SOEs. What is even more important is that, unlike most adjusting nations, Zia and his policy advisors did not seek to generate revenues from the sale of public enterprises. Although it is a common practice that the market should determine the value of an SOE and the unit should be sold for cash, most SOEs were virtually sold for what Palmer calls "give-away prices" (Palmer 1994: 31). The buyers did not have to invest their own money to purchase a public enterprise. Subsidized credits from public funds were made readily available to them. Furthermore, the entire process of transferring SOEs to the private sector lacked transparency. The government hardly bothered to keep the people informed about the process of valuation and formal negotiations that took place between the state and interested buyers behind close doors. Nor did it consult with labor unions to address their concerns. The government overlooked the need for launching a public awareness campaign as to the goals of privatization, which eventually contributed to the development of political opposition to economic reforms. Almost all trade union federations demanded the scrapping of the government's privatization programme.

The government-business relationship also reduced the military regime's ability to develop an appropriate legal and regulatory framework essential to enhance competition and efficiency of the private sector as well as to protect public interests. This in effect encouraged private entrepreneurs to quickly become rich by misusing public resources. A considerable number of buyers of SOEs and private investors, who borrowed money

from different DFIs, emerged as ‘willful defaulters’ as they refused to service their debts. Most of them invested money in non-productive and even illegal areas of business, thus making huge unreported profits (Maniruzzaman, 1992: 219). Virtually no legal action was taken against them as they continued to enjoy political patronage from General Zia’s regime. In other words, corruption began to find institutional foundations during the rule of Zia, who himself admitted that “corruption and misuse of power have led to the wasting of almost 40 per cent of the total resources set apart for development” (Puchkov, 1989: 171-74). Despite his awareness of such a deplorable situation, he did not take any initiatives to either develop a well-defined legal framework or to enforce existing laws in order to prevent what Tat Yan Kong calls the “private misappropriation and abuse of public funds” (Kong 1996: 49).

While such a mutually dependent relationship between the government and big business severely undermined the ability of the government’s economic reform programmes to live up to its expectations, it indeed enabled Zia to legitimize his unconstitutional regime. The political and financial support he received from big business gave him a great deal of confidence in successfully carrying out the so-called civilianization programmes. He registered a landslide victory, for instance, in the presidential elections of 1978, receiving 76 per cent of the total votes cast. Likewise, the voters responded positively to his 19-point programme in the ‘*Jatiya Sangsad*’ (National Parliament) elections in 1979. His Bangladesh Nationalist Party (BNP) had no difficulty whatsoever in securing a two-thirds majority in the parliament (Khan 1984: 179-80). By contrast, during his five-year rule, the opposition remained highly fragmented and therefore failed to build a momentum in

its fight against military authoritarianism. Part of the reason for their inability to mobilize popular support in general, and to draw support from the business community in particular, was that, unlike the ruling party, they did not have any control over the established post-independence 'patronage' system (Kochaneck, 1993: 229).

The Regime of General Hussain Mohammad Ershad (1982-1990)

General Hussain M. Ershad's military takeover in March 1982 dramatically changed the pace of market-oriented economic reforms in Bangladesh. Soon after the seizure of power, General Ershad introduced his reform package through the declaration of his New Industrial Policy of 1982 (NIP). Drawing upon Zia's pro-market reform strategy, this economic restructuring programme aimed to accelerate the process of privatization and improve the policy framework mainly to institutionalize the role of the private sector in economic development. Such a programme further limited the scope of the public sector and focused on the urgent need to ensure macroeconomic stability (Government of Bangladesh 1983: 87-88).

Hoping to speed up the process of both economic and financial liberalizations, the military regime announced its second reform package in 1986, which was popularly known as the Revised Industrial Policy of 1986 (RIP). This reform package was designed primarily to further expand the role of the private sector in general, and to stimulate private investment - both local and foreign, in particular. It also was designed to strengthen the on-going processes of adjustment and stabilization. The RIP sought to

accelerate the process of privatizing SOEs through a number of measures, notably the return of industrial units to their original owners, disinvestment of industries that were left abandoned by their Pakistani owners, and the conversion of SOEs into public limited holding companies largely through the selling off the shares to ordinary people and employees. As part of its goal of achieving higher levels of efficiency, this reform programme promoted the idea that the management of public sector corporations might be handed over to interested private management companies (Government of Bangladesh 1988: 70). Ershad's military regime expected that such a provision would eventually stop the drain on the national budget. Apart from these, it also undertook quite a few important measures to deregulate the financial sector and to liberalize the trade, particularly the import regime.

In brief, unlike Zia's hesitant approach, Ershad adopted a more focused and aggressive path to the market. His privatization programme, for instance, was not limited to the transfer of either loss-making SOEs or strategically insignificant, small-scale industries. It aimed to transfer all sorts of industrial and commercial enterprises, including a number of key industries in the jute and textile sectors, to the private sector. Within a year of the announcement of the NIP, Ershad's military regime transferred the ownership of 60 large jute and textile industries to private investors (Humphrey, 1990: 60). In addition to this, the government continued to hand over the ownership of 'profit-making' public enterprises. The number of such profit-making units transferred to the private sector rose from 32 per cent in 1981 to 78 per cent in 1985 (Sobhan and Ahsan 1984: 47).

This raises an inevitable question: Why did Ershad adopt such a radical approach to the market? While most studies blame the international donor community for pressurizing the military regime to speed up the country's on-going market reform programmes, this study looks at the internal politico-economic dynamics to identify the factors that led Ershad to undertake a relatively aggressive path to the market. After his ascension to power, General Ershad dealt with a rather complex political situation that Zia never confronted during his entire tenure. Despite Ershad's promise of quickly restoring democracy, eliminating corruption, bringing back people's confidence in the deteriorating law and order situation, and rebuilding the economy, he found himself in a position that was less than welcoming (Hakim 1993: 11)

The rational choice for General Ershad, therefore, was to rely on key domestic and external actors for consolidating his position. He knew that the donor community, especially the World Bank and the IMF, was unhappy about the slow pace of reforms. Both the World Bank and the IMF made it clear to him that, without a firm commitment from his government to restructuring the economy, they would stop pumping any aid money into Bangladesh's troubled economy. The IMF, for instance, suspended its Extended Fund Facility (EFF) programme for the apparent failure of the country to conform to all the adjustment-related conditionalities (Rahman, 1994: 14). However, the military regime's quick decision to pursue greater liberalization programmes in general, and to meet the terms set out in the articles of agreement of the IMF in particular, restored the confidence of the donor community. Pressure for economic and financial liberalization also came from local actors. The business community was particularly

anxious to see the immediate removal of all kinds of ambiguity from the private sector-led development strategy adopted by Zia. Senior military and civil bureaucrats, most of them are western-educated and/or trained, were as well calling for the adoption of a more focused approach to the market. As a survival strategy, thus, Ershad sought to build political coalitions with these powerful external and internal actors. Having subscribed to a structural reform package sponsored by the World Bank and IMF, he went on to build alliances with major local players.

Generous donations from big business also allowed him to silence some key opposition political parties that threatened the very survival of his unconstitutional government. As Kochanek noted, it was believed that, General Ershad bribed the agitating opposition, which had initially refused to participate in any elections under his military regime. The immediate success of his buy off strategy was reflected in the suddenly changed mood of a number of major opposition parties that stunned the country by announcing their decision to take part in the parliamentary elections of 1986 and 1988, giving his legitimization process some sort of credibility (Kochanek 1993: 226-27).

In exchange for their generous contributions to the party funds as well as their support for military rule, General Ershad allowed the business elites to further accumulate their wealth largely through the misappropriation of public resources. His economic liberalization programmes became the means by which private entrepreneurs continued to enrich themselves. The massive transfer of SOEs to the private sector, for instance, was done basically without putting an appropriate mechanism in place. There was no

standard basis for the valuation of public enterprises. As in Zia's time, no clear step was taken either to generate revenues for the state through the sale of public enterprises or to even make the deals transparent. Such a relaxed environment proved to be extremely beneficial for the buyers as it offered them an excellent opportunity to increase their wealth by manifolds in a relatively shorter period of time.

By contrast, the liberalization of the import regime suddenly created a huge demand for foreign goods, ranging from shaving cream, shampoo, cosmetics, utensils, and electronic appliances to luxurious cars. This increasing demand helped the traders multiply their profits in two specific ways. First of all, taking advantage of an undervalued foreign exchange rate, they simply flooded the local markets with imported goods and sold them at relatively higher prices. And secondly, with the help of senior government officials, they widely used the under-invoicing technique mainly to evade appropriate customs duties and sales tax, therefore lowering the cost of imported goods and significantly increasing their profits (Maniruzzaman 1992: 218-19). Unofficial imports, in particular smuggling, also became a common practice during this period. According to one estimate, illegal imports have come to constitute about 18 per cent of the total imports into Bangladesh, owing to loose enforcement of legal provisions (World Bank 1996:7).

Such an absence and/or weak enforcement of legal terms was also reflected in the financial sector, where the problems of loan default reached a dangerous level. Despite his promise to decisively act against the loan defaulters, General Ershad did virtually nothing to check this problem. A number of studies suggest that he actually encouraged

the DFIs to make loans that were highly unlikely to be recovered (Sobhan 1991: 10). The World Bank also criticized the government for politically using the DFIs' lending operations. According to a World Bank report,

“The high default rate among Nationalized Commercial Bank (NCB) borrowers has occurred because these banks have been poorly managed and have had little incentive to make good loans. NCBs have had to make high-risk loans to priority sectors, new entrepreneurs, public corporations, ‘sick’ industries and borrowers with political influence. They have also had to endure loan forgiveness programmes by the government,” (World Bank 1995: 138).

DFI loan defaults doubled in the 1980s, increasing from Tk 5.2 billion in 1982 to Tk 10.5 in 1990 (Sobhan 1991: 5). It was no wonder that the private sector accounted for 96.5 per cent of the total bad lending. Of particular importance is that the debt equity ratio reached 90:10 during General Ershad's nine-year rule (Humphrey 1990: 75).

In addition to weak implementation of existing rules, Ershad's increasing political dependence upon big business also enabled the defaulters to evade legal actions. With the intensification of an anti-military movement led by key civil society groups, Ershad began to focus on the inclusion of large business and industrial houses in his coalition. Like Zia, he encouraged them to maintain their dominance in the country's economic and political decision-making process. In his 1988 cabinet, for example, he appointed six businessmen as ministers (Kochaneck 1993: 223). While the unavailability of any reliable

data makes it difficult to provide a clear picture of business representation in decision-making, according to one estimate, some 40 per cent of Jatiya Party (JP) members elected to the 1986 '*Jaitiya Sangsad*' (National Parliament) were big businessmen. Representation of big business in the decision-making process continued to increase during the next few years of his rule.

Despite such growing partnerships with big business, the military, and senior civil bureaucrats, General Ershad was not able to resolve the severe legitimacy crisis that he confronted from the very beginning of his tenure. Failing to overcome growing political opposition to his military authoritarian regime, he had to step down in December 1990, paving the way for the country's transition to democracy. Yet the fact cannot be denied that, without a solid political support base, he remained in office for full nine years largely with the help of his coalition partners that benefited greatly from the World Bank-IMF sponsored market adjustment programmes.

The Regime of Prime Minister Begum Khaleda Zia (1990-1996)

Although Ershad made a departure from his predecessor's gradual approach to economic reform, it was not until the assumption of power by the democratically elected regime of Begum Khaleda Zia in 1991 that the country actually witnessed the implementation of a radical liberalization programme. Under the leadership of Finance Minister M. Saifur Rahman, the regime outlined its reform priorities through the announcement of the National Industrial Policy (NIP). At the heart of this policy was an attempt to change the

traditional role of the state in development. By both simplifying investment procedures and eliminating the regulatory role of key governmental agencies, Begum Zia's democratically elected regime formally expressed its desire to assume a promotional rather than a regulatory role in facilitating the development of what it called a healthy private sector. The NIP also emphasized the need for implementing a comprehensive privatization programme with a focus on the jute sector that continued to operate in the red (Bangladesh Bank 1992: 7).

The creation of a solid export base appeared to be a priority of the BNP regime. It undertook measures to diversify the country's export base, encouraging both local and foreign investors to set up export-oriented enterprises. The government offered foreign investors tax exemptions on the interest of foreign loans, royalty, and technical assistance fees. It allowed them to freely import machinery and receive long-term credit facilities from national financial institutions (World Bank 1992: 82). Local investors were also given incentives for undertaking similar export-oriented industrial and commercial schemes (DCCI 1997: 20). As part of its plan to create a competitive export-oriented economic structure for the country, the government further accelerated the process of freeing up import regulations and removing non-tariff barriers. It announced a relatively low tariff regime, sped up the process of rationalizing the tariff structure, and replaced the import sales tax, domestic excise duty, and development surcharge with the Value Added Taxation (VAT).

What, thus, comes into sight is that the pace of economic reforms reached a new height under the democratically elected regime of Begum Khaleda Zia. What explains Begum Khaleda Zia's adoption of such a faster path to the market? Popular assumptions often refer to the growing external pressure for liberalization as the primary cause of the introduction of a massive liberalization programme by the BNP regime. There is absolutely no doubt that the international actors, especially the World Bank and the IMF, were not happy with the slow progress of Bangladesh's attempt to make a transition to the market. On numerous occasions, they expressed, along with other key bilateral donor countries and/or organizations, their serious concerns about the inability of the country to adopt a more defined approach to reforms. They were particularly critical of the failure of Ershad's military regime to develop an appropriate legal and regulatory framework for ensuring a better performance of structural economic reforms. Their frustration was clearly manifested in the reduced aid commitment in the Aid Group meeting in 1990 (Kabir 1995: 565). Thus the collapse of the military regime in December 1990 appeared to have made the donors feel relieved as they hoped to use the newly created democratic space to the pursuit of a more aggressive reform agenda. Considering market reform as the only means to achieving broader goals of economic development, poverty alleviation, and employment generation, they began to push the BNP government to speed up its economic restructuring programmes (United News of Bangladesh 1994).

This external pressure helps to explain the shift, but only in part. The government's inability to neutralize and/or resist donor pressure resulted from two major factors. First, Bangladesh's historical reliance upon foreign aid virtually made it impossible for the

BNP regime to ignore donor advice. Despite a decline in the flow of foreign aid into the country, between 1990 and 1995 Bangladesh received a total of \$7,564 million US, which constituted some 48 per cent of the country's development expenditure (Government of Bangladesh 1997: 8). There is hardly any doubts exit that without such a massive volume of external aid, the BNP would find it almost impossible to keep the wheels of the economy moving.

Second, and perhaps more importantly, the growing government-big business nexus either pushed or encouraged Begum Khaleda Zia's government to accelerate market reform programmes. Like the donor community, key business actors believed that neither Begum Khaleda Zia's nor Ershad's regimes did enough to ensure private participation in Bangladesh's economic development. They were particularly critical of successive military governments' reluctance to allow the private sector to get involved in improving infrastructure facilities and activities. They also were disappointed with what they called "the slow pace of trade reforms", especially the liberalization of the import regime.ⁱ Thus, they demanded that the BNP government must take concrete steps to further deregulate the economy and promote greater competition. They also asked the government for making some 'actual progress' in privatizing SOEs (Kabir 1998).

Begum Khaleda Zia's regime could not do much to neutralize these pressures due to her party's traditional reliance upon big business. Instead of acting independently of the business community, the BNP indeed showed its willingness to establish even closer ties with big trading and industrial houses which became crystal clear in the '*Jatiya Sangsad*'

elections of 1991, when the party deliberately picked up almost half of its candidates from the big business category (MRCB 1991: 6). This was done partly in response to the rapidly changing nature of electoral politics in Bangladesh. From the mid-1980s, it increasingly became evident that the chance of winning would no longer depend upon the candidate's credentials or the party's election manifesto. The candidate needs to spend millions of Tk simply to ensure his/her victory in any elections. Without a lavish display of wealth one can now hardly imagine getting people's endorsement for holding a public office in Bangladesh (Kibria 1994).

The staggering campaign costs encouraged the BNP leadership to nominate the 'millionaires' in the crucial '*Jatiya Sangsad*' elections of 1991, therefore further strengthening its formal relations with big business. This is not to say, however, that such a practice was only limited to the BNP. All other major political parties participated in the elections of 1991 adopted a similar policy when choosing party candidates. Almost 33 per cent of AL candidates and 33.3 per cent of Jatiya Party (JP) candidates, for example, were from the big business category (MRCB 1991:6). High campaign costs, as Hakim noted, "discouraged many formidable aspirants of low financial ability to contest the parliamentary elections" (Hakim 1993: 48).

It was no wonder that not only did the BNP emerge as the single largest party in the '*Jatiya Sangsad*' (National Parliament), but also traders and industrialists came out as the dominant group in the parliament. The business-industrialist group constituted some 59 per cent of the newly elected members of the '*Jatiya Sangsad*,' reflecting an increase of

about 95 per cent over a period of just twelve years. The number of business representatives in the '*Jatiya Sangsad*' increased from 67 in 1973 to 91 in 1979 and 177 in 1991. Out of the 141 BNP members elected to the parliament of 1991, 94 of them were businessmen and industrialists (Maniruzzaman 1992: 216). While businessmen and industrialists constituted 28 per cent of the elected BNP members in the 1979 '*Jatiya Sangsad*,' the same group comprised some 67 percent of the BNP legislators in the parliament of 1991. The dominance of big business in decision-making was also reflected in the composition of Prime Minister Begum Khaleda Zia's ministry. Big business accounted for some 58 per cent of the 1991 ministry, which was formed following the country's return to parliamentary democracy. Such an overwhelming majority of business legislators and ministers made it evident that big business had emerged as the dominant political force in Bangladesh.

During Begum Khaleda Zia's five-year rule, the business community therefore played a central role in implementing a rapid liberalization programme. While the adoption of a fast-track liberalization programme enabled the country to achieve some sort of macro-economic stability, it sparked off popular opposition to reforms, which was manifested in the BNPs' failure in the mayoral elections in Dhaka and Chittagong in 1994. Both of the party candidates lost miserably in the election. By choosing opposition candidates, the people of Dhaka and Chittagong indicated a strong desire for the development of a safety net for those who were badly hit by the government's fast-track market reform programmes. They expected that such a signal would create the ground for the BNP regime to manage distributive conflicts generated by its massive reform programmes.

The government was not even able to address the distribution issue partly because of the resistance that it faced from big business.

What is perhaps more important to mention is that, business legislators and ministers were able to use the liberalization programme to ensure their personal gains in both economic and political terms. The increasing presence of big business in decision-making put formidable obstacles to the creation of an appropriate legal and regulatory framework necessary to ensure that private entrepreneurs comply with the rules of the game. Using their growing political power, businessmen-industrialists prevented the government from constructing a well-functioning legal system that would protect consumer rights, make contracts enforceable, and stop inappropriate/illegal business practices. Although, under donor and public pressure, the democratically elected regime of Begum Khaleda Zia made some attempts to improve the regulatory framework, the lack of enforcement continued to help big business to abuse public resources for private gains. The newly established Financial Loan Courts, for instance, made little progress in either recovering overdue loans from the defaulters or in ensuring an improved performance of the lending institutions. Apart from making the legal provisions for setting up these courts, the government hardly did anything to enhance the ability of these courts to act decisively against the politically influential defaulters (World Bank 1997: 17).

The absence of a minimum consensus on economic reforms under a democratic regime also contributed to the apparent failure of adjustment policies to bring about sustained politico-economic results. Like Generals Zia and Ershad, the BNP regime evidently

neglected the importance of generating popular support in favor of its liberalization programme. It made very little effort to hold dialogues with relevant actors, including the trade unions and student groups, thus failing to develop a broad-based consensus on market reforms. Of particular importance is that, despite widespread expectations, Begum Khaleda Zia's democratically elected regime did not undertake any programmes to educate the people as to the costs and benefits of market reforms. Nor did the government make, as mentioned above, any meaningful attempts to resolve the distributive conflicts associated with market-oriented reform programmes. Since her market reform programmes were not accompanied by any satisfactory mechanisms designed to compensate the losers/sufferers, these liberalization initiatives continued to generate political resistance.

Considering the government's privatization programme as a direct threat to the livelihoods of public sector employees, the Sramik Karmachari Oikka Parishad (SKOP) an alliance of some fifteen national trade union federations launched a massive anti-reform movement. Although it was widely hoped that a democratic government would pay more attention to the welfare of the workers, like Zia and Ershad, Begum Khaleda Zia's regime failed to overcome the workers' opposition to the on-going liberalization programme. This was due largely to the inability of the government to implement an acceptable compensation package that would ensure the protection of the interests of the workers (World Bank 1994: 49-50). Also, in the absence of an effective reconciliation mechanism, the government could not act appropriately and rapidly to resolve labor disputes, further contributing to the development of a highly confrontational labor-

government relationship in the country, which eventually prompted the fall of the BNP regime.

The Regime of Prime Minister Sheikh Hasina Wazed (1996-2001)

The coming into power in 1996 by the AL that once refused to let the private sector become a partner of the country's social and economic progress appeared to have made no negative impact on Bangladesh's pursuit of a free market economy. Structural economic reform remained a top priority for Sheikh Hasina's regime that registered a convincing victory in the parliamentary elections of 1996 held under the supervision of a neutral, caretaker government. Most civil society groups, including the SKOP, that lent their unequivocal support to the AL's election campaign hoped that the AL's return to power would provide them with the political space essential for the initiation of a meaningful search for alternative policy agendas. To the surprise of many activists, Sheikh Hasina's democratically elected government refused to even consider the adoption of a strategy designed to strike a balance between the private and public sectors. In the Fifth Five Year Plan, which was introduced in 1997, the AL government assured the donors that it has no plans whatsoever to abandon the export-oriented growth strategy originally introduced by General Zia in the late 1970s. Her government promised to continue to implement a fast track liberalization programme in order to accelerate economic growth (Government of Bangladesh 1997).

Improving the country's macro-economic structure remained a major focus of the AL's reform package. Policies were directed to contain the fiscal deficit, maintain a competitive real exchange rate, build a strong foreign exchange reserve, reduce public expenditures, and increase government revenues. The government announced various policies to ensure that the private sector continued to play a crucial role in the country's economic and social development. It also emphasized the need for transferring SOEs to the private sector. Between June 1996 and May 1998, for instance, the Privatization Board finalized the selling and/or transfer of 32 public enterprises (World Bank 1998: 13). As part of its plan to facilitate export, the government continued to liberalize the trade regime mainly by removing both non-tariff barriers and quantitative restrictions. It undertook various measures designed to both reduce tariffs and streamline import procedures.

The results of such liberalization programmes were somewhat encouraging at least in the beginning. For much of the 1990s, the economy grew at 5 per cent a year mainly due to the expansion of the agriculture sector. The country became almost self-sufficient in food production as agriculture continued to show a relatively strong performance in the late 1990s. The stable macroeconomic environment coupled with the liberalization of the trade regime attracted foreign investment in such areas as energy, infrastructure, and export-oriented manufacturing. Inflows of foreign direct investment (FDI) increased from \$ 83 million US in 1994/95 to \$ 630 million US in 1997/98. If the current trend continues, the country is expected to receive an average of US\$ 800 million of FDI each year (World Bank 1999: 32-34).

Such relative macroeconomic stability however proved to be unsustainable as the economy plunged into a crisis situation in the beginning of the new millennium. The growth of the economy dropped from 5.9 per cent in 2000 to almost 5 percent in 2001. Per capita GDP growth fell from 4.9 per cent in 2000 to 3.8 percent in 2001. Growth rates in all the three sectors, namely industry, agriculture and service, also dropped. Consolidated fiscal deficits rose to 8 per cent of GDP in fiscal year 2001, while domestic public debt increased to TK. 400 billion, which is equivalent to 15 per cent of GDP. Bangladesh's foreign exchange reserves also hit the lowest level in ten years declining to \$1.3 billion US in March 2002 (Government of Bangladesh 2002). The performance of the financial sector also remained extremely disappointing as the crisis of debt default reached a precarious level. According to an estimate, the non-performing loans constituted some "33 per cent of the combined portfolio of the Nationalized Commercial Banks and domestic private banks" (World Bank 1998: 15). A major weakness of the financial system also came into light when the capital market crashed in 1996, making millions of investors virtually penniless.

Although the volatility in the external environment was in part responsible for the weakening of Bangladesh's macroeconomic structure during the late 1990s, the inability of Sheikh Hasina's democratically elected regime to regulate the market properly also contributed to the apparent failure of her government to stabilize the economy. Her regime found it particularly difficult to put the country's financial sector in order because of its growing ties with big business and industrialists. The new realities of the post-Cold

War coupled with its desire to come to power largely through the creation of a broad based political coalition seemed to have created the basis for the AL leadership in the 1990s to abandon its center off left political identity. Not only did it adopt a neo-liberal approach to economic development, the party, under the leadership of Sheikh Hasina, also began to incorporate traders and/or industrialists into the heart of its decision-making process.

The payoffs of such transformations of the AL were indeed huge, especially in the parliamentary elections of 1996 when it emerged as the majority party with some 155 seats in the 300-member '*Jatiya Sangshad*.' After 21 years of failed attempts, the AL finally formed the government that heavily relied upon its new coalition partner big business and industrialists. Out of the 155 MPs elected to the 1996 parliament, 87 of them represented the interests of business and/or industries. This growing bondage with business in effect constrained the government's ability to maintain its autonomy vis-a-vis traders and industrialists. Despite its promise of taking actions against the debt defaulters, for instance, Sheikh Hasina's democratically elected regime was not able to reform the legal framework necessary to take punitive measures against both the defaulters and the banks. Nor was it able to strengthen the regulatory and supervisory capacity of Bangladesh Bank. The capital markets also suffered from a major crisis of governance owing to the inability of the government to enforce laws. No meaningful efforts were made to ensure the accountability of the stock exchanges.

The Awamiligue's (AL) newly developed tie with big business also caused enormous tensions in its traditional friendly relationship with labors and public sector employees. These two groups were hoping that the return to power by the AL would allow them to play a role in the country's economic policy-making. They soon felt alienated as the priorities of Prime Minister Sheikh Hasina shifted from responding to popular demands to the maintenance of its strategic relations with both big business and donors. It, therefore, didn't take long before a sense of frustration returned to civil society, leading to the shocking defeat of the AL in the parliamentary elections of 2001.

The Regime of Prime Minister Begum Khaleda Zia (2001-2003)

The BNP (Bangladesh National Party)-led ruling alliance of Prime Minister Khaleda Zia celebrates today October 10, 2003 its two years in power, mixed with successes and failures. This is the second term in the power as a prime minister of Bangladesh after her first regime of 1991-1996 though the structure of her present regime is different from the last one, in terms of political alliance as well as success and failure to bring stability in the country. As a result the successes and failures of her present regime are quite different from the previous one. Because of the four- party alliance, there are some differences in power sharing and in decision making within these four political parties but the key player is the BNP who leading the alliance. The evidences show that in the last two years of the present regime there is no fundamental change in political and economic trend than the previous one of the same regime. To stay in the power is the main focus rather than governance, socio-political and economic development of the country.

The BNP, Jamaat-e-Islami, Bangladesh Jatiya Party (BJP) and Islami Oikya Jote (IOJ) forged coalition during their movement against the Awami League government and contested the October 1, 2001 general election combinedly. The coalition roared into power, bagging over two-thirds seats in parliament. Though there was a commitment to form a four-party coalition government, the BJP and the IOJ have not yet been included in the cabinet. The BNP has not yet implemented much of its 32-point election pledges.

The pledge to stamp out crime and corruption topped the election manifesto of the BNP. Despite the anti-crime drive like Operation Clean Heart, the country experienced free fall of law and order. And, on Tuesday, October 7, 2003, the Transparency International (TI) rated Bangladesh as the most corrupt nation for the third successive year.

Commitments to increase parliamentary seats from 300 to 500 and raise in women's seats are yet to be implemented. The BNP was committed to address the women's reserve seat issue in the first session of the *Sangsad* (parliament). Other important issues like separation of judiciary, autonomy of state-owned radio and television, setting up of human rights and independent anti-corruption commissions, appointment of an ombudsman, repeal of Special Powers Act 1974, revival of zila(District) and upazila(sub-district) parishads(Council), nationalization of all non-government primary schools, etc have not been executed. In many cases, no initiative was taken at all.

However, several other commitments like establishing liberation affairs and expatriates welfare ministries, special court to try heinous crimes, repeal of Public Safety Act, free education for girls up to HSC level, etc have already been implemented. The education for girl students has been made free up to bachelors' degree level and huge investment has been made to improve standard of education. Copying in examinations has dropped down, but leakage of question papers for various exams, including those of public service commission, has tarnished the government achievements in the education sector significantly.

Corruption, crime, price hike of essentials, government's indecision, excessive dependency on bureaucracy and administrative sluggishness have largely marred the achievements of the two-year-old government of Prime Minister Khaleda Zia. It appears that corruption has pervaded all sectors as Bangladesh was pegged as the most corrupt country in the world for the third straight year by a sleaze watchdog (TI). In a article (Lack of Law and Order and Suitable Governance by Muhammad Zamir) in the daily news paper *The Daily Star* dated on 10th October 2003, it says, 'While government officials were stressing on excellent existing investment climate in Bangladesh (in a seminar), a group of Japanese investors in our country were accusing 'government officials of demanding bribes for customs clearance, visa issuance, work permit renewals, permission for selling products and other services'. In addition, other foreign investors have stated that they are regularly victims of poor law and order, of robbery and theft, carried out with impunity by 'armed mafia' at construction sites, mostly outside Dhaka'.

The government took more than 200 steps to improve law and order, but murder, kidnap, rape, extortion and a spate of other crimes continued to be the prime concern of people. The setting up of special tribunals, quick disposal of sensitive cases and passage of tougher laws against acid attacks and repression on women and children have brought some relief to people.

Conflicts in policy decision, rivalry among senior ministers, discord between ministers and state ministers, conflict between ministers and bureaucrats, inner-grouping and war of attrition among ministers are affecting government activities and presenting a drag on development. Apparent dual rule, dominance of a youngsters, lack of tested leadership, inadequate number of skilled and experienced politicians are slowing down the activities of the government that took office with over two-thirds majority. Compared to the previous BNP administration that ruled from 1991 to early 1996, the present government seems to suffer from serious lack of dynamism as the mainstream leadership has been cornered by inexperienced youngsters.

Nowadays, most cabinet ministers and senior BNP policymakers, marginalised in the past two years, apparently hesitate to own the government and take responsibility for government actions. They feel everything depends on two power centres -- one at Nakhalpara (the Prime Minister's Office) and the other at Banani (Hawa Bhaban). The BNP leaders feel the absence of experienced and committed leaders like the late Mirza Golam Hafiz, Abdus Salam Talukder, ASM Mustafizur Rahman and Prof AQM Badruddoza Chowdhury, Majid-ul-Haq and Oli Ahmed in the cabinet.

In the current cabinet, Saifur Rahman, Abdul Mannan Bhuiyan, Tariqul Islam and Dr Khandaker Mosharraf Hossain are showing experience in running the administration as well as carrying out political activities. But the majority of others have failed to show their capacity in the past two years.

Due to lack of experienced politicians in the cabinet, the government depends much on the bureaucracy, the majority of whom are on contractual service. Many consider the present civil administration less competent than under the past BNP government. Weakness in both political leadership and bureaucracy has brought in serious sluggishness in state affairs and slowed down the pace of decision-making. The bureaucracy seems to be taking full advantage of the weakness of the political leadership.

There was a mini-cabinet under the previous BNP administration and Khaleda took important decisions in consultation with senior colleagues, but there is no such entity currently. The premier now takes important decisions in consultation with a 'mini-secretariat' comprised of five top bureaucrats. Some allege that top secretaries and some influential officials at the PMO as well as Hawa Bhaban-based youngsters influence government decisions in their favour to advance individual, group business interest.

Inexperience and incompetence of both politicians and bureaucrats came to light when 19 out of 20 project proposals placed in a recent Ecne meeting were rejected because of gross faults and violation of rules and regulations. Most proposals and projects were sent

back from the cabinet and Ecnec meetings for further scrutiny in the past two years, as they were faulty, full of gross mistakes and not placed properly although they made their way to the meetings crossing several steps. A Tk 25 crore project for the facelift of Dhaka city was placed at an Ecnec meeting last month without pre-Ecnec approval and work on the project started ahead of approval. The Security Exchange Commission has been running without its chairman for several months because of the indecision of the PMO. The finance ministry recommendation for the appointment long back.

Similarly, several Bangladesh missions abroad, including in the Maldives, Bhutan and Nigeria, have been functioning without heads for the last two years due to indecision of the government. Many other posts still remain vacant. Appointments to a number of foreign posts have been made recently, after long and inexplicable delays.

The declared policy of the government for promotion in the civil administration was grossly violated and recommendations of the Superior Selection Board (SSB) were ignored on many occasions allegedly under the influence of a section of junior and mid-level officials. The cabinet committee on law and order, some key ministers and officials concerned held a dozen of meetings and took a raft of decisions to check the crime state, but they are yet to be implemented.

The government received a huge amount of aid and loan for the health sector, but a long-running conflict between the minister and the former secretary delayed implementation of the funded projects. In most cases, bureaucrats in the name of feasibility study

unnecessarily delayed the implementation. The health ministry has reportedly turned into an extension of pro-BNP Doctors Association of Bangladesh (DAB). The finance minister at a recent meeting expressed serious dissatisfaction as benefits of investment in the sector were not reaching the poor. There was no major purchase in the public sector in the past two years because of faulty proposals and clear violation of rules. Most purchase proposals were rejected at the meetings of the cabinet committee on economic affairs.

Most ministries are not even capable of preparing their tender documents for development projects and purchases in which international bidders may take interest. Foreign bidders, especially the internationally renowned companies, do not participate in official tenders for supply of equipment as most specimens and quotations of the documents remain faulty. Besides, repeated cancellation of tenders discourages foreign and reputed local firms.

The government miserably failed to purchase urgently needed equipment for Bangladesh Television, Chittagong Port and some other organisations because of faulty tender documents, lack of response by reputed foreign companies and cancellation of bidding. The government also feels the shortage of skilled negotiators who can handle national and international issues properly. There is virtually no tangible achievement of the government in bilateral, regional and international negotiations.

However, in the context of successful story, Bangladesh, according to the latest Human Development Report, has graduated from the category of “Lowest Human Development” to “Medium Human Development”. The Country Performance Rating of Bangladesh, according to World Bank estimates, has improved very significantly since the new Government took over. GDP growth in 2002- 2003 was around 5.3 percent; inflation was contained to about five percent. In last two years, foreign exchange reserves have been doubled from a disastrously low level inherited by the present Government. Floating exchange regime has been successfully introduced. Reversing the trend of negative growth last year, exports grew at around nine percent. The fiscal deficit has been significantly curtailed. The benefits of these reforms cannot be reaped fully unless investment in physical and social infrastructure could be accelerated. But in reality, the GDP growth, containment of inflation rate, export growth, stable fiscal deficit all these factors do not reflect significantly the vast picture of the poor. Unemployment, corruption, poverty and lack of good governance are the everyday picture of the country. Under the direction of the IMF and the World Bank the regime started privatization so many State Owned Enterprises (SOE) in a speedy way. As a result, hundreds of workers are becoming unemployed eventually.

Even after the Cancun talks failed policymakers in Bangladesh are yet to realize it is agriculture that is the locomotive of economic growth. We have very little subsidy for agriculture and even less for its export. In the past when it was raised a finance minister had quite non-chalantly said that we do not provide subsidies for raw material export. Is agricultural products raw material? Is there no value addition when a crop is planted or harvested? According to our collective ignorance, no, it is not. The item he was referring

to was nothing other than jute. Even in the Pakistan period its export was subsidized by so-called bonus vouchers, a form of subsidy. It was left to the wisecracks in Bangladesh to stop subsidizing its jute exports and destroy the industry and ruin the rural economy. Since then the jute industry has collapsed and many people have been rendered jobless. There is not an iota of sympathy for this. On the contrary the government has claimed that the closure of the nation's biggest jute mill, the Adamjee Jute Mills, was a great success for it! Due to the agitation of labour unions some other jute mills which were scheduled to be closed has been backtracked. So, in the context of Bangladesh political culture, we can say that this regime is also as the 'two sides of the same coin'.

The Aid Scenario of Bangladesh

External assistance has been of critical importance for the economic development of Bangladesh. During the twenty-six years of its existence Bangladesh received \$29 billion of external aid.' In the early years of Bangladesh's gaining of statehood foreign assistance was mostly geared towards providing relief and rehabilitating of the war affected people. Since mid-1973 external resources have been mobilized for the importation of food grains and other commodities and the financing of development projects envisaged under the Five-Year Plans (FYP). The over dependence of Bangladesh's economy on external assistance has been generally explained by a number of economists in terms of a two gap model. The country's inability to generate enough savings for investment, on the one hand, and earn adequate foreign exchange to pay for imports, on the other, has

necessitated a continuing flow of foreign aid. The overall aid scenario can be described in the following terms:

Aid flows to Bangladesh

Foreign aid to Bangladesh has officially been categorized under three main headings: Project Aid, Commodity Aid and Food Aid. Project Aid constituted half of the \$29.04bln of foreign assistance that Bangladesh received so far. Projects under the Annual Development Plan (ADP) are generally financed under Project Aid. Commodity Aid is the type of aid that is spent for the procurement of intermediate inputs and raw materials.⁹ As of 1972 Commodity Aid constituted 31.51% of the total aid volume to Bangladesh. Moreover, commodity aid generates counterpart funding through sales. This counterpart fund is channelled in the form of local resources in the implementation of ADP projects. Food Aid constituted 18.32% of the total aid received¹⁰.

Table 3.1: Structure of Foreign Aid Flow to Bangladesh (1971/72-1994/5) (US\$ M)

Type	Grant	Loan	Total
Food Aid	4559.731 (32.18)	762.557 (5.13)	5322.288 (18.32)
Commodity Aid	4248.256 (29.98)	4904.869 (32.97)	9153.125 (31.51)
Project Aid	5360.59 (37.83)	9208.333 (61.90)	14568.923 (50.16)
Total	14168.577 (100.00)	14875.759 (100.00)	29044.336 (100.00)

Source: Adapted from the Government of Bangladesh (1997)

⁹ While estimating commodity aid items such as edible oil and fertilizer and programme aid are also included. However, it excludes commodities acquired under Project Aid

¹⁰ In estimation costs of transport, storage and distribution are included

The Changing Pattern of Foreign Aid

Commitment and Disbursement

There has been a difference between aid commitment and disbursement figures. Commitment is a firm obligation expressed by an agreement or equivalent contract for its provision of resources,¹¹ while disbursement is the actual release of funds under an agreement. Until 1995 total foreign aid committed to Bangladesh amounted \$35.13bln but the amount actually disbursed stood at \$29.01bln. The percentage of disbursement of food, commodity and project aid to commitment was 98.51, 96.62 and 71.79 respectively. Economic Relations Division (ERD) estimates that Bangladesh has \$6.23bln in its aid pipeline as of July 1995.

Table 3.2: Commitment and Disbursement (In US\$ Bln)

	Commitment			Disbursement		
	Grant	Loan	Total	Grant	Loan	Total
Flood aid	4.63	0.76	5.39	4.55	0.76	5.31
Commodity Aid	4.38	5.08	9.46	4.24	4.90	9.14
Project Aid	6.86	13.42	20.28	5.36	9.20	14.56
Total	15.87	19.26	35.13	14.15	14.86	29.01

Source: Adapted from the Government of Bangladesh (1988)

¹¹ It lays out the specified amount and financial terms and conditions and the specific purpose for which loan is disbursed difference between commitment and disbursement over the last 26 years.

Sectoral Allocation

With respect to sectoral allocation of foreign aid one would see its obvious project aid orientation. Power received the largest allocation \$2788.9 (19.14%), followed by transport and communication \$2627.8 (18.07%). Other infrastructural development projects (water, flood control, housing and cyclone shelters) constitute the third largest sector accounting for \$2125.8 (14.59%). Agriculture and rural development accounted for 12.35% of foreign aid allocation. It is important to note that human development sectors (health, education etc.) accounted for only 12.57% of the total resources mobilized. There is a general bias towards large-scale projects on one hand, and also towards projects, which demand more external inputs, on the other.

It would appear from sectoral allocation of foreign aid over time that agriculture and rural development on an average accounted for about 13% of the total allocation between 1981-85 to 1991-95 period as shown in table 3 below. Water and flood control sector has registered a steady increase of 11.61% in 1981-85 to 16.82% in 1991-95, while power sector average 26.86% during that period. It is worth noting that the share of the industrial sector registered a major decline from 22.42% in 1976-83 to a mere 4.67%. Such a sharp fall might have links with the change in policy framework towards private sector promotion.

Table 3.3: Sectoral Disbursement of Project aid (cumulative)

Sectors	Amount in US\$m	Percentage
Power	2788.8	19.14
Transportation and Communication	2627.8	18.04
Water, flood control, physical planning, housing, cyclone shelters	2125.8	14.59
Agriculture and Rural Development	1800.1	12.35
Industries	1565.8	10.75
Health and Population Control	1043.1	7.16
Oil, Gas and Natural Resources	932.0	6.39
Science, education, religion, sports, culture, social welfare, women, youth, labour and mass media	802.8	5.51
Public Administration	107.9	0.74
Privates ¹⁰	774.7	5.32
Total	14568.9	100.00

Source: Adapted from the Government of Bangladesh (2002)

In the initial years when the country was recovering from the devastation of the war there was an overwhelming grant component in foreign assistance. This is reflected in 90.5% grant component of the total aid, as against 9.5% of loans. However, between 1980/1 to 1994/5 period grants constituted 40 to 51% of the total aid package. If one compares the three categories of aid, then one finds that the share of project aid is on the increase while food and commodity aid, which are mostly grants, have registered a decrease. The declining share of grant indicated the country's diminishing access to concessional

resource flow. This reflected increasing competition for aid money by larger number of countries, particularly from the former Soviet Union and Eastern Europe.

Sources of Aid

The major sources of official aid are DAC countries, OPEC countries and the multilateral financing institutions, e.g., World Bank EU.

Grant and Loan Components

Table 3.4: Changing Pattern of Aid Disbursement (In Percentage)¹²

Disbursement	1971/2	1975/6	1980/81	1985/6	1990/91	1994/5	1971/94
<i>Type</i>							
Grant	90.5	29.2	51.8	41.8	48	51.2	49
Loan	9.5	70.8	48.2	58.2	52	48.8	51
<i>Source</i>							
Bilateral	85.7	71.4	72.1	47.9	39.3	52.8	60.1
Multilateral	14.3	28.6	27.9	52.1	60.7	47.2	39.9

Source: Adapted from Huq (1999)

Bilateral aid shows a progressive declining trend. Between 1971/2 and 1980/1 bilateral source accounted for 72 to 86%, whereas the figure has oscillated between 47 to 60% in

¹² All loans and grants, which are categorized according to economic sector classification in Annual Development Programme (ADP).

the last ten years. However, in aggregate terms 39.9 percent of external assistance has been provided by multilateral sources and the rest 60.1 percent from bilateral sources.

Types of aid

Table 3.5: Changing Pattern as to Source and Types of Aid

Year Project Aid	Food Aid	Commodity Aid
1980-85 2762.8 (45.3)	1203.4 (19.7)	2135.0 (35.0)
1985-90 4576.8(57.1)	1143.0(14.3)	2297(28.7)
1990-95 5480.4 (65.9)	886.0 (10.7)	1950.4 (23.5)

Source: Adapted from Huq (1999)

The above table provides a general picture about the declining share of food aid and commodity aid components with the concomitant rise in project aid. Over the last ten years' share of food aid has dropped from 19.7% (1980-5) to a mere 10.7% and that of commodity aid from 35 to 23.5%. The share of project aid has risen from 45% to 65.9% in the matching period.

Aid by source

A large number of countries contribute to Bangladesh's aid basket. The list includes OECD countries such as Japan, USA and the European countries, OPEC states and other countries such as India, China and Russia. A host of multilateral such as the Asian Development Bank (ADB), European Union, World Bank in addition to the UN system are also Bangladesh's partners in development (see table 6).

Table 3.6: Pattern of Disbursement of 10 Major Donors

Donors	Food	Commodity	Project	Grant (%)	Loan (%)	Total
Japan	376.3	2291.7	1568.6	1679 (39.64%)	2557.2 (60.36%)	4236.6
US	1651.1	588.6	843	2319.2 (75.23%)	763.5 (24.77%)	3082.7
Canada	846.8	383.8	486.8	1701.4 (99.06%)	16.0 (0.04%)	1717.4
FRG	105.6	516.5	574.4	928.6 (77.60%)	267.9 (22.40%)	1196.5
UK	58.5	444.3	516.7	957.2 (93.88%)	62.3 (6.12%)	1019.5
Netherlands	14.8	456.8	352.7	753.0 (91.35%)	71.3 (8.65%)	824.3
S. Arabia	110.7	315.2	396.4	539.4 (65.60%)	282.8 (34.40%)	822.3
Sweden	31.2	196.5	312.7	533.8 (98.79%)	6.5 (1.21%)	540.3
Norway	10.5	175.3	290.1	475.8 100%	0.0 (0%)	475.8
France	47.7	33.1	386	223.7 (47.92%)	243.1 (52.8%)	466.8
IDA	0	2036.9	3039.6	0(0%)	5076.5 (100%)	5076.5
ADB	0	561.7	2583.1	12.7 (0.\$)%	3132.1 (99.60%)	3144.8
UN System	1008.4	145.9	381.1	1535.5 (100%)	0.0 (0%)	1535.5
EU	522.3	160	193.3	827.6 (94.51%)	48.0(5.49%)	875.6

Source: Adapted from Huq (1999)

Table 6 provides a list of selected countries/agencies that have contributed more than \$100m in any of the categories of aid to Bangladesh. The above Table shows that cumulative disbursement of project aid has been the highest as far as the ten major donors are concerned US\$ 5727.4m, followed by commodity aid of \$5401.8m. The trend is similar in case of four major multilateral donors as well, project aid accounting for \$6197. 1m, commodity aid \$2904.5m and food aid \$1530.7m. However, in the latter case

project aid far outweighs commodity aid. By far the United States and Canada are the most important donors of food aid and it is this component that accounts for a major share of their aid packages to Bangladesh. Of the multilateral agencies, the UN system provided the highest amount of food aid to Bangladesh, followed by EU. Both in project and commodity aid, Japan contributed the highest dollar amount among bilateral donors, and the IDA among multilateral donors. If one looks into the grant and loan proportions, it is like-minded group of countries (Canada, Netherlands, Sweden and Norway) whose contribution is higher in grant form than loan. Grants constitutes 100% of the Norwegian, 99.1% of the Canadian, 98.8% of the Swedish and 91% of the Dutch aid to Bangladesh. Of the multilateral agencies 100% of the UN system's and 94.5% of EU's aid channelled to the country was grant. Grants also constitute more than 93%, 77% and 75% of UK's, Germany's and US's aid package to Bangladesh respectively.

Though loans make-up more than 60% of the Japanese aid, the government of Japan provides an annual grant equivalent to a debt service payments on Japanese loans paid during the Japanese fiscal year (April-March)¹³. About 100% of the IDA and the ADB loans, for obvious reasons, are loans. With an overwhelming component of grants the above table clearly indicates that over the years Bangladesh has been favourably treated by donors. The table shows that four OECD countries (Canada, Germany, Japan and US have all made major contributions in all three categories of aid. Japan has so far made significant contribution in commodity and project aid packages, while the US is the most

¹³ The amounts paid are deposited in a bank account and these amounts plus interest are resumed in two cash installments during the subsequent year for import financing and since 1990 for local counterpart funds project financing.

important donor of food aid. Of other countries Saudi Arabia and India have both contributed more than \$100m to each of the categories. EU and UN system are the two multilateral sources that have made similar contributions. IDA, the soft loan window of the World Bank has so far mobilized a major share of the multilateral aid under commodity and project aid programmes while the Asian Development Bank provided more than \$2.5bln in project aid.

Debt Situation

Table 3.7: Statement of External Debt (1971/72 - 1994/95) US\$ in million

Year Outstanding	Disbursement	Debt Service	Debt
1971-5	859.6	88.3	792.8
1975-80	2387.6	367.6	3088.8
1980-85	2829.2	611.0	5267.4
1985-90	4549.6	1300.9	9809.4
1990-95	4299.4	1848.3	15946.6
Total	14925.4	4266.1	15946.6

Source: Adapted from the Government of Bangladesh (1997)

The above table presents a five-year situation of external debt. There has been a steady increase in disbursement until 1980-85 period. Disbursement sharply increased by 60% in 1985-90 period before a drop of 5.5 % in 1990-95. With an increasing number of debts maturing the amount paid in 1990-95 period stood at \$467.9m. It is interesting to note that in the year 1994-95 the total amount of aid disbursed was \$849m, while amount spent on debt servicing was a staggering \$467.9m. The cumulative outstanding debt until June 30, 1995 amounted to \$15.94b. The above table indicates that with increase in loan component and with maturity of outstanding loans there has been a five-fold rise in total debt service in the two-decade period, from the mid-1970s to the mid-1990s.

Table 3.8: Debt Service Pattern

Year	Total debt service	Export of merchandise	Services invisible receipt	Remittance	Total	TDS as % of export of good & services
1974/75	100.9	335.0	96.0	35.0	486.0	20.8
1979/80	219.8	743.0	254.0	249.0	1246.0	17.6
1984/85	476.0	971.0	301.0	439.0	1711.0	27.8
1989/90	570.0	1524.0	446.0	761.0	2731.0	20.9
1994/95	552.1	3473.0	819.0	1198.0	5490.0	10.1

Source: Adapted from the Government of Bangladesh (1997)

However, in the same period there has been a drop of about 50% in total debt service as percentage to export of goods and services. One may note that the figure registered a steady rise in TDS up to mid-1980s. In the last decade, major increase in exports, particularly in apparel, and remittance of Bangladeshi workers from abroad had contributed considerably to the lowering ratio of TDS/export of goods and services.

Table 3.9: Exchange Rates Per US\$

Currency	1979-80	1984-85	1989-90	1994-95
SDR	1.29	1.00	0.77	0.67
Yen	230.00	235.00	166.67	94.11
Canada \$	1.00	1.15	1.17	1.38
British Pound	0.43	0.67	0.59	0.63
DM	2.00	3.00	1.67	1.49

Source: Adapted from the Government of Bangladesh (2002)

Fluctuations in exchange rates have major ramifications in the valuation of foreign aid. It also has a direct bearing on the cost of aid. The above table suggests that as against dollar currency rates have fluctuated in a mixed way. IDA and Japan are two major sources of credit for Bangladesh. In that context, rise in value of SDR and Yen against dollar, means Bangladesh has to pay more while repaying the loans. In case of the Yen there has been more than 125% depreciation against the US dollar and in case of the SDR the depreciation rate is a little less than 100%. While value of Japanese aid in terms of US dollar shows a decline, the debt servicing liability increased. The Deutsche Mark has also registered an increase in value over the period. However, there has been a decline in value of Canadian dollar and pound sterling against US dollar.

Aid Mobilization Through the NGOs

In the immediate wake of independence of Bangladesh, NGOs were involved in relief and rehabilitation work and reconstruction of the war devastated economy. Gradually the NGO sector has emerged as an important actor in the overall development process of the country. At present NGOs are involved in almost all sectors of development, health, family planning, education, training, income generation, agriculture, fisheries, legal aid etc. All these activities are conducted under the broad rubric of poverty alleviation and development of the poor. In 1995 there were 20,000 NGOs in Bangladesh. Of them about 900 obtained direct foreign funding and were registered with the NGO Affairs Bureau. In 1992 about 20% of annual aid flow has been channelled through NGOs. Up to

December 1994, 745 NGOs (124 foreign and 621 local) received foreign assistance worth Tk.60,380,000,000 for 2499 approved projects.¹⁴

Table 3.10: Flow of Foreign Grant Fund Through the NGO Affairs Bureau

Period	Projects Financed	Funds Released
Prior to June 1990	8	5.42
1990/91	464	106.60
1991/92	549	121.63
1992/93	626	195.70
1993/94	581	171.00
1994/95	579	210.25
1995/96	337	156.77

Source: Adapted from Huq (1999)

Until the 1980s NGOs received most of their external funding from international NGOs, foundations and corporations. Bilateral donors also provided resources to the NGOs. It was from the 1980s that multilateral donors have begun showing keen interest on NGOs and encouraged NGOs to collaborate with the government in projects funded by them. Accordingly, NGOs have participated in some large-scale development projects, such as the Jamuna Bridge Project, the Fourth Population and Health Project, the Third Fisheries Project. It may be noted that the multilateral donor funded projects in which NGOs are actively engaged in, do not get accounted for in the NGOAB record. In the last few years 16 to 18% of the annual aid flow to Bangladesh has been channelled through the NGO

¹⁴ All these figures are from Siddiqui (1995).

sector. NGO Bureau reports that the gross amount mobilized through this sector during 1995 was US\$ 156.77m. Another emerging trend is the growing share of FDI in the external resource flow. An important feature of NGO finance in Bangladesh is that it is mainly controlled by a section of large NGOs.

One estimate suggests that in 1992, 30 large NGOs have received 80% of the total foreign funds, channelled in this sector, 60% of this amount was controlled by eight of the large NGOs.⁸ Another study suggests that 68% of the total foreign fund released by NGOAB in 1993-94 was spent by ten leading national NGOs.¹⁵ In the context of Bangladesh donors feel that it is extremely difficult to reach the poor through the existing government machinery. This is because of corruption, misappropriation of funds, overlapping of power of various government bodies, bureaucratic redtape, etc.

In this context, donors think that channelling funds through NGOs is justifiable because NGOs (a) are geared specifically to the needs of the poor, (b) operate at a low cost, (c) can ensure beneficiary participation, (d) are relatively free from bureaucratic hierarchy, and (e) are flexible and innovative in their approach. Donors also consistently influence the government to establish a favourable public policy framework for the NGOs.¹⁶

¹⁵ World Bank, *Pursuing Common Goals*(1996. p.45) and *Bangladesh: Evolution of Netherlands Funded NGOs, 1972-1996*. Dutch Ministry of Foreign Affairs, the Hague, 1998

¹⁶ Siddiqui (1992 op.cit., 117)

Conditional Aid Situations in Bangladesh

Bilateral donors are guided by policy-making consideration in their home countries. Questions such as 'promoting democracy' and 'market mechanism' are often pushed by national legislatures and in that respect their aid officials have little flexibility. Conditionalities are imposed by multilateral donors as well. With new claimants for the soft loan (particularly IDA money) the multilateral donors, like their bilateral counterparts, look for efficient organization and capable government for proper use of the aid. They also prefer governments who have clear ideas and better programmes for the use of aid. Donors view that limited aid absorptive capacity due to ill-conceived project planning, bureaucratic inefficiency and lack of co-ordination between various agencies, in the past, has acted as a major disincentive in increasing the volume of aid to the country. Bangladesh officials, of course, insist that decline in the quality of aid and imposition of more stringent conditionalities are major issues and are concern for them. They argue that changes in the modality of commodity aid disbursement, tied to domestic sources of aid disbursing country, severely undermine the quality of aid. In addition, supply-based technical assistance, instead of being demand driven, also erodes the quality of aid. The Third Five-year plan observes, one of the difficult problems associated with technical assistance is a synthesis between donor preference and recipient priority. The problems of diverse priority, time frame and attitudes and preferences on many occasions may turn out to be critical.

Normally conditionalities are imposed multilaterally, they come not as requests but as directives. Human rights, environment and transparency are some of the relatively newer

elements in conditionality. With respect to conditionality there have been mixed responses. Conditionalities may be imposed on different levels: project, sectoral or macro economic. For projects like power plant it deals with where it will be located, who will be implementing them, what will be the work schedule and how the product will be sold, who will manage the facility, supply of inputs, operation and maintenance, pricing delivery of services flowing from the project etc. For sectoral issues like power sector it involves input pricing, sector management (public and private) distribution system (whether there will be monopoly or competition), control of decisions etc. For macro-economic issues money supply, inflation, trade pattern, exchange rate, budget etc. are important considerations.

In the years between 1987-95 conditionalities were imposed on commodity aid or project aid, under structural adjustment credit and concessionary loans. In this period Bangladesh accepted commodity aid, which were 'stringent, embarrassing and bitter in nature'. In 1986-87 the country's foreign currency reserve situation was very low and development budget was totally dependent on foreign aid. Government was in a difficult situation and in order to stabilize balance of payments situation it accepted structural adjustment loans. Most of the structural adjustment loan agreements were signed in this period.

Under the scheme the World Bank and the Asian Development Bank (ADB) disbursed cash money in exchange of fulfillment of some tough conditions to reform the financial, energy, agriculture, public resource management, jute and other industries sector. Bangladesh had little choice than accepting what the donors proposed. There had been

situations where new conditions were attached at the disbursing stage. Reserve positions had improved following acceptance of first tranche. But, severe complications followed. Over time the nature of conditionalities changed from project to sectoral in the form of institutional reforms. Questions were raised about system loss. The macro-economic scenario was also bleak. Government was spending more than it could afford. This invited macro-economic conditionalities on the government revenue base, government expenditure, exchange rate mechanism etc. and was directed to sustainable macro-economic stability. During 1987-89 period as all aid were linked with sectoral and macro-economic conditionalities, government accepted such conditionalities knowing full well that these could not be implemented. However, post-1991 democratic government was under pressure to implement policies agreed upon by the predecessor government. It is at the Annual Aid Group Meetings (AGM) that conditionalities are suggested. Individual donors place their conditions at bilateral meetings. Major donors like Japan and Germany disposed towards a sound macro-economic management. The world Bank and the International Monetary Fund (IMF) certify the government's level of implementation of conditionalities agreed upon. From 1991-92, with the improvement in overall economic situation Bangladesh became more selective in accepting structural adjustment credit. Pros and cons of loan agreements are carefully assessed. There had been instances when Bangladesh had to cancel agreements, e.g., the second industrial credit.

With a better reserve situation the government felt the strength to do so. In cases where Bangladesh has shown keen interest in getting funds for projects, it evoked strict conditions. The Jamuna Bridge Project is a major case in point where loans were

accepted with severe conditions. Conditions relating to compensation and resettlement were particularly stringent. To cater to such conditions amendments to the land acquisition law had to be made. One may argue that political commitment of the government to the Jamuna project had led to its acceptance of such hard conditions. GOB's responses to conditionalities are determined by two factors, political and economic. In some instances the government has been able successful to implement the macro-economy related conditionalities. This has been reflected in lower interest rate and lower inflation rate during in the mid-1990s. However, the problem becomes acute when it involves trimming down of state corporations. Politically, it becomes very difficult on the part of the government to implement conditionalities which demand large scale retrenchment. During the 1970s aid received was mainly in the form of food aid and commodity aid. In the 1980s aid came with moderate conditionalities. In the latter half of 1980s conditionalities became tough as mismanagement and corruption became very obvious. As national reserve depleted the government became more vulnerable to tough structural programs conditionalities. The misappropriation of 1988 flood relief goods also invited severely strict monitoring of government utilization of aid money. There have been occasions when the head of the state's signature was called into question. Normally the government has no choice but to accept conditionalities. Under the structural adjustment program the government qualifies to receive cash money under different tranches. For release of money under each tranche that government has to certify that it has met the conditions led down. Although the terms for project level conditions are generally easy compared to SAR programs, much time is wasted in meeting donors' conditions and the project commencement is delayed. In mid-June 1990 foreign exchange

reserve declined to the low level of \$350m as against the usual \$500m. The only ray of hope was release of a tranche of aid by the Japanese, which would take the figure just above the \$500m mark. When Japan was requested to release the amount it informed that only on the World Bank's advice she could do so. The Bank, in its turn, demanded incorporation of certain fiscal measures pertaining to tax liberalization in the national budget, due to be announced in 2/3 days time. The government agreed but the Bank stated that the only after the presentation of the budget Japan will be advised to release the tranche. The budget was presented at 4 p. m. in the Parliament and the relevant section of the minister's budget speech was faxed to the World Bank. At mid-night Bangladesh time a meeting was held in Washington DC at the Bank. On 16th June Japan release the tranche following an agreement signed by the Bangladesh Ambassador in Tokyo. Bangladesh had to send an advance authorization letter from the president so that the Ambassador could sign the document. The donors' treatment to government varied over conditionalities. The 1991 aid group meeting was very sympathetic to the new Bangladesh government. In the preceding year's negotiations, Bangladesh was 'put on the dock' and donors did not commit any aid. The 1991 negotiations were protractive, but more accommodative about tax and tariff liberalization. A major rationale for imposing conditionalities on the part of the donors is that they have to justify their performance to their own taxpayers.

An area of major concern for donors is the accumulated loss of public sector corporations which accounts for \$600m per year. The World Bank/IMF want the government to down scale its involvement and retrench unnecessary workers, which the government had

earlier agreed to, but has been reticent in implementing it for political reasons. The Dutch government decided not to disburse second installment of loan under the jute industries restructuring program because of the government's performance. Argues the concerned Dutch official, "we tried to explain to the government that better not reform than half-reform". Japan insists that she does not impose conditionalities as much as other donors do but reiterates that system losses in the power sector have to be reduced before Japan resumes aid in any major way. Frustration with energy ministry's performance is reflected when the Ambassador states that the "the ministry's sense of urgency is different from ours". Both donors and recipients state that ultimately

It may be noted that Japan did not totally stop fund the power sector projects, as other donors had done, acceptance of conditionalities rests with the recipient country, as it may always not proceed with investments if they regard conditions set by donors as unreasonable.¹³ Gob had serious reservations about natural resource sector conditionalities. When Bangladesh's reservations were explained, donors were convinced and three paragraphs were dropped from the project agreement.¹⁴ In order to avert conditionalities the recipient must be pro-active in aid negotiations. The weaker the agency, the more are the conditionalities attached to the projects. The weaker is preparedness of the Government (with adequate data, statistics), the weaker the professional approach to issues, the weaker the analytical capacity of our policy-making agencies, the more will be the conditionalities. In other words, the weaker the administration, the more will be the conditionalities. We can take a positive attitude towards conditionalities by taking action ourselves and thus preempt the donors.

If conditionalities are properly designed with full professional participation of our agencies, these should have positive impact on sectoral performance. For policy design there has to be adequate professional competence within the government and coherent coordination between economic ministries. Otherwise, donors will fill the gap. Policy reforms at the government's own initiative is likely to have a positive impact on resource flow from aid sources. Properly designed conditionalities (targets) have to be imposed by the Ministry of Finance (and Planning) on other ministries, the ministries, in their turn, have to impose targets and conditionalities on their agencies\corporations for better performance-and thus preempt the donors-as far as project conditionalities are concerned. 17th But there are instances where project conditionalities tend to clash with broader donor guidelines. For example, the government is under constant pressure of the donors to reduce its size. However for the social forestry project, it has been urged by the donor agencies to absorb personnel who have been temporarily appointed. This form of duality puts the government in difficult situation. 18th Again, increase in revenue generation is an important macro-conditionality. Meeting such condition through additional taxation, affects the general investment climate in the country.

Donors assume conditions are not met because Government of Bangladesh (GoB) does not want to, or because they can't. Many believe that conditions attached to grants impose a considerable burden. Conditions are inappropriate and impossible to fulfill: For example one European bilateral offered assistance to rehabilitate ferries – on condition the ferries were all privatized. However, regardless of the debates of whether privatization enhances efficiency, not all the ferries are profitable and private companies are reluctant to be involved in their operation. It is advised from the GoB side that the

donor and GoB together should discuss the options to increase efficiency, rather than the donor “dictating a solution” which may not necessarily improve service delivery. Another example is cited is the rehabilitation of locomotives on the Bangladesh railway. As the railway has some – but not enough – of its own resources, assistance from donors was requested, but donors approached would only offer assistance if private sector involvement increased. Further, the donors insisted on including their own experts when there were sufficient local experts. Again, some parts of the railway are not profitable and not possible to privatise – even if GoB actually wanted to adopt such a policy. GoB would like to discuss conditions and proposals, but many felt donors are not flexible and imply “accept or we go elsewhere” – which of course gives the GoB an incentive to look elsewhere and an incentive to discourage donor coordination or harmonisation. Disbursement delays if conditions are not met. The government is not in a position to fulfil the conditions but signs finance agreements anyway as it wants funds. However on several occasions, the conditions have not been met, disbursement stops and the project stall. Conditions set to change the “basic rules of GoB” are not appreciated. Some conditions relate to general matters such as government reform, rather than specifically to the project’s objectives. While it is noted that conditions are often used to ‘persuade’ governments to undertake policy changes that donors feel would be beneficial to the country, several officials believed attaching general conditions was inappropriate. Trying to push through reforms ‘by the back door,’ rather than through formal discussions on reforms, was not believed to encourage positive relations between donors and the government and actually distracts government from itself addressing underlying problems. Consequences may not be acceptable: Often pre-project conditions are set, for

example to ensure a project manager is employed before the implementation begins. However GoB is wary about such pre-conditions as once a position is created within the civil service, it is very difficult to remove. If the project collapses, the government must still pay the managers' salary, but does not receive funding to cover such costs.

In relation to technical assistance, that whiles a welcome form of aid, the technology that is offered at affordable rates is often obsolete, leaving Bangladesh with hidden costs at the operational level and with problems of maintenance and replacement. More up-to-date technology, which is likely to have a greater impact on development, is expensive, as it must be sourced from the donor country. GoB officials believe it is feasible to reduce the proportion of project funds allocated to technical assistance, and focus on the best value use of aid, by allowing a free choice of supplier. For example, modern technology is often cheaper when sourced from other developing countries.

Conclusion

This study finds little empirical evidence to support the widely held assumption that pro-market reforms were undertaken in Bangladesh in order to improve either its macroeconomic performance or to improve its poverty conditions. Successive regimes, both civilian and military, implemented various types of economic liberalization programmes, including the transfer of SOEs to the private sector, reforming the financial sector, and liberalizing the trade and import regimes primarily to develop political coalitions with both external and internal key actors. In particular, the two military

regimes of Zia and Ershad used economic reform programmes largely as a tool to both legitimize and consolidate their unconstitutional power base. Both of them sought to develop political alliances with senior bureaucrats, businessmen, and industrialists mainly through their reform measures.

This research discovers that Generals Zia and Ershad allowed big business to emerge as a major player in national decision-making, which in turn adversely affected the state's ability to either enforce contracts or to develop a mechanism for redistributing assets. Both Generals also encouraged, albeit indirectly, the country's financial and economic elites to accumulate huge wealth through the abuse of scarce public resources. In return, not only did big business lend its political support to the military authoritarian regimes' legitimization programmes, perhaps more importantly, businessmen and industrialists also contributed generously to the coffers of the ruling BNP and JP, helping them to expand their political support base. Even under the democratically elected regimes of both Begum Khaleda Zia and Sheikh Hasina, economic reforms did not appear to be a means of improving either the performance of the economy or the living standards for the majority. Instead, economic liberalization programmes were used primarily to protect and promote the goals of big business during their rules. Despite widespread optimism, these two democratically elected regimes did not even succeed in winning popular support in favor of their fast-track reform programmes. This research also finds that economic reform programmes undertaken by both Mrs. Zia and Sheikh Hasina substantially increased the power of businessmen and industrialists and subsequently

further reduced the state's ability to develop an effective regulatory framework required to stop the abuse of public resources by business elites.

So, we can say that big business emerged as the dominant political force in Bangladesh, preventing the state from carrying out various redistribution programmes designed to reduce the sufferings of those who are badly affected by the country's transition to the market. Economic liberalization thus continued to frustrate the hopes of its advocates and ordinary citizens of Bangladesh.

Another crucial reason for the failure of structural economic reform in Bangladesh is the corruption. According to public perception both petty and general corruption has increased in Bangladesh like many developed and developing countries. Experience of officials and members of business community corroborate the perception. The areas most prone to corrupt practices are public procurement, contracting including contracting out and consulting, public works, energy sector including exploration and generation, public services delivery including healthcare and education; utility and municipal services, regulatory bodies including telecommunication and financial services. These are corroborated by BPI of TI.

The causality between structural adjustment programme and increase or decrease in corruption cannot be established from the evidence/opinion/experience available. Structural Adjustment Programme if implemented in an appropriate environment, it is likely to increase consumer's surplus through reduction in transaction cost and increase in

efficiency through heightened competition. But no such situation seems to have manifested itself in Bangladesh. Many causes suggest themselves including bureaucratic deviation, collusive restriction, unfair trade practices and so on. The logical conclusion seem to be more reforms and institutional capacity for good economic, political and social governance in a regime where civil society is vigilant and performs watchdog functions diligently. In Bangladesh the causes of secular increase in corruption is related to cronyism, connections, activities of family members and relatives, political donations, and bureaucratic deviation along with oversight of fraud and extra legal activities. These are governance issues. The checks on such corruption are possible through strong political commitment, comprehensive and independent anti corruption commission, transparency of decision-making, enforcement of accountability and civil society vigilance. These are a gain concern of governance, which alone can make corruption a high-risk activity and institute reward and motivation for predictable rule-bound transparent and enforceable decision-making.

A review of the empirical data in this chapter shows that aid to Bangladesh has been influenced by the political ambitions of the developed nations as well as local political groups. By comparing regimes with the break down of economic reforms, it is easy to spot the political considerations. As the experiment with socialism based economic and political system was replaced by the military leadership, the grants were replaced by loans as the developed nations felt Bangladesh was firmly in their camp. By the end of the 1980s, Bangladesh was seen to be more firmly in the western block and suddenly more conditions were applied in order to qualify for aid. This involved structural changes

including privatization, de-nationalization and democratic reforms. As Bangladesh moved into a democratic political structure in 1990s, developed countries connected their aid in the form of conditional structural reforms or hard loans, not soft loans or grants as their attention become drawn to former nations of socialist block. In such a situation still the developing countries need aid to balance their annual budget deficits. In the next chapter I will discuss such structural adjustment reform policies pursued by Bangladesh and the effects of such policies.

Chapter Four

Foreign Aid and Structural Adjustment Programme in Bangladesh

Introduction

“As Mao Tse-Tung warned his cadres as they took power in China in 1949, the ‘sugar coated bullets of the bourgeoisie are likely to prove more fatal to a revolution than real bullets’” (Payer 1974).

Foreign aid is used as a lever to impose structural adjustment packages on the third world. Since the 1980s U.S. foreign assistance worldwide has been conditioned on the adoption of structural adjustment packages designed by the World Bank and the International Monetary Fund. Making a grant or loan conditional on some action being taken by the recipient is called "conditionality." Conditionality works by "tranching" economic assistance packages-that is, dividing the total sum to be donated or loaned to a recipient country into a series of smaller disbursements to be made over time, called tranches. For instance, before each disbursement is made, the recipient must make policy changes spelled out in the "covenants" of the aid agreement that they must sign with USAID.

Between 1982 and 1990, nine U.S. economic assistance packages provided to the Costa Rican government contained a total of 357 "covenants" that made disbursement conditional on more than twenty structural changes in the domestic economy. These

included eliminating a grain marketing board that assisted small farmers; slashing support prices for locally grown corn, beans, and rice; allowing more imports from the United States; easing regulations on foreign investment and capital flows; and complying with specific clauses in similar agreements signed with the World Bank and the IMF. Such conditionality works in a 'carrot-and-stick' fashion. When the Costa Rican congress balked at approving an outrageous new law demanded by the United States that would allow aid to bypass the government and go directly to the private sector, USAID suspended a \$23 million disbursement. Ironically, this came at the very moment at which the Costa Rican Central Bank had exhausted with the foreign exchange reserves needed for the daily operation of the economy. An internal USAID memo written several months before the incident occurred-which was obtained access to years later-showed just how cynical the United States can be. A top USAID administrator predicted the month in which the reserves would run dry and recommended timing a key disbursement to take advantage of that moment as leverage to guarantee that the desired law would be passed.

It was precisely the replication of changes like this and of structural adjustment-throughout the third world that produced rising inequalities. For instance, in Bangladesh, millions of the rural and urban poor are cut out from opportunities for progress. Credit, extension, subsidies, and technical education all fell by the wayside as budgets are slashed, and the lifting of tariffs flooded local economies with imported foodstuffs often placed on the world market at prices below local costs of production. As a consequence, poor farmers were caught in a squeeze between the high price of chemicals and other farm inputs and low crop prices, often losing their lands and moving to cities.

The structural adjustment programme is designed to eliminate distortions and elementary economics tells us distortions create allocative and distributive inefficiency. The programme was aimed to stimulate growth in developing economies most of whom stagnated due to effects of external and internal shocks. The basic idea is simple i.e. establishing a market-determined regime; this requires containment of the role of the state in production and market. The state, which was earlier identified as the organized force for propelling growth, was identified as the prime source of distortion manifested through regulation, control, protection under high tariff wall, ownership and operation of public enterprises, price control, exchange control, high presence in financial sector and poor quality of public expenditure. The basic thrust of structural adjustment was deregulation, privatization, and liberalization for allowing the market forces to play their rightful role. The framers of the policy possibly did not dream of achieving the ideal of a perfectly competitive economy in product, labor and capital markets, but generally couch their arguments in the language. Bangladesh implemented the structural adjustment policies since 1982 and enjoyed support of Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment facility (ESAF) in this regard. Bangladesh has been credited for carrying out one of the most rapid tariff liberalization and privatization programme as well as carrying out policy reforms in financial and fiscal sectors. It has devalued currency and decontrolled current account operations, it has adopted measures to deregulate many sectors including private investment and foreign direct investment, withdrawn many subsidies and price controls, reduced effective average tariff rates, followed on the whole a fiscal policy of budgetary deficit containment, rationalized tax

structure, allowed monetary sector to function according to market signals and increased spending in social sector. It has not carried out labor market reform or a meaningful reform in public administration. The basic premise was that such policy adjustments and withdrawal of state control will reduce costs due to transactions and inefficiency, increase entry into the market increasing competition, production and employment through a cumulative efficiency impact and these efficiency gains will increase productivity gain and income of factors thus propelling the economy towards higher gross domestic product.

International development economics gained prominence as a field of academic and policy related endeavor following World War II. In July 1944, the IMF and the International Bank for Reconstruction and Development were created at the Mount Washington Hotel in Bretton Woods, New Hampshire, with the intent of creating a new international economic order in the wake of the Second World War. The 700 delegates at Bretton Woods envisioned a world where, guided by the Bretton Woods Institutions, improved living standards and peace would be sovereign. The establishment of the Bretton Woods Institutions was predicated on the assumption that Southern economies, like their European counterparts, could absorb and effectively utilize large infusions of capital, despite the fact that the Third World lacked the level of institutional infrastructure, the economic and social background, and the skilled personnel of Europe. It was the contention of prominent economists of the time, as well as many of their successors, that large amounts of foreign aid, private investment, and expanded trade opportunities would produce an economic "take-off" and an export-led growth, the benefits of which would ultimately trickle down to even the poorest members of each

society. Under this theory, the new concept of Structural Adjustment Policy reforms (SAP) were introduced basically since 1980s. Unfortunately, the failure of this orthodox model of economic development to produce sustained economic well-being and growth for most Third World countries has come under fire. In the following sections I will discuss about the historical background of foreign aid and structural adjustment programmes and the consequences in Bangladesh.

Historical Background of Foreign Aid

To gain a better understanding of the consistently evolving relationship between foreign aid and structural adjustment policies, it is first necessary to understand when and why development became a focus of First World countries, and why and how foreign aid was introduced as a tool to foster the development process. The modern idea of foreign assistance began in the aftermath of World War II. The Bretton Woods system was implemented in 1944 when delegates from 40 countries met in New Hampshire to establish the World Bank, which emerged as the international organization set to provide financial resources to the war-torn economies of Europe (Bowen 4, 1998). The United States took individual action in 1948 when they created the European Recovery Programme, or the Marshall Plan, which committed \$13 billion to recovery from World War II (Hoy 1998, 16) and was the largest reconstruction programme of the time (Hellinger, Hellinger and O'Regan 1988, 15). 89% of the funds went to European countries, and as a result the recipients saw accelerated economic growth by the early 1950's (Bowen 5, 1998). The Marshall Plan set the stage for early foreign assistance programmes in developing countries, and was succeeded by the Mutual Security Act of

1951. This legislation was passed to “utilize large sums of money to build up quickly economic structures and political allegiances deemed necessary to fight communism” (Hellinger, Hellinger and O’Regan 1988, 15). The Mutual Security Agency’s goal was to unite military, economic and technical assistance programmes in the United States’ foreign policy. President Truman, in 1950, reminded the First World of the moral implications of foreign aid to abolish humanity’s “ancient enemies—hunger, misery, and despair” (Hoy 1998, 17). This call of moral duty was not lasting due to the explosion of the Cold War. Funds were allocated towards infrastructure reconstructing programmes primarily focused on defense building, and secondarily towards economic development projects designed to increase the flow of capital to the country. The focus for the United States during the fifties was specifically India, Pakistan, and other countries in the Near East, with aid figures totaling nearly \$300 million (Hellinger, Hellinger, and O’Regan. 1988, 15). President Kennedy reiterated the moralistic obligation of the First World to combat poverty in the rest of world in 1961, but focused on the connection between US security and foreign aid (Hoy 1998, 17). The US Agency for International Development (USAID) was established in 1961—the start of the “First Development Decade”—and was designed to “promote the foreign, security and general welfare of the US by assisting peoples of the world in their efforts toward economic development and internal and external security” (Hoy 1998, 18). It was created in response to unsuccessful US foreign aid policies attempting to foster long-term development country. USAID is the ultimate form of bilateral assistance, or foreign aid given by a nation’s government to the government of an undeveloped. The Cold War had a strong influence on the direction of US foreign aid towards the promotion of democracy and stability in countries unaffiliated

with the US or the USSR (Hoy 1998, 21). The Second Decade of Development, the 1970's, promoted 'basics human needs' in response to the famines in Africa and the oil crisis of the Middle East (Bowen 1998, 7), as well as to combat the negative view of foreign aid among US citizens. The United States turned its efforts to the Caribbean and Latin America, where the focus shifted from industrialization and savings rate to rural development and employment (Hellinger, Hellinger and O'Regan. 1988, 21). A reevaluation of the effectiveness of foreign assistance led to the "New Direction" legislation incorporated in the Foreign Assistance Act of the mid-1970's (Hellinger, et al. 1988, 22). The goal of this revamped foreign aid policy was to ensure the flow of foreign assistance directly to the poorest of countries to stimulate development (Hoy 1998, 22). "Food for development" replaced the notion of Food Aid and stipulated that nations receiving food were not expected to repay the loans given to purchase the supplies as long as they went towards the establishment of development programmes in agriculture, nutrition, health services and population planning (Hoy 1998, 24). This project failed, however, due to the inability of the recipient countries to properly establish the infrastructure of these development programmes. The liberal aid policies of the 70's were redirected when conservatives seized control of the White House in the 1980's (Hellinger, Hellinger and O'Regan. 26). President Reagan redirected foreign aid's focus from the humanitarian to militaristic, and sustainable development became the goal of US foreign aid in the United States (Hoy 1998, 22). For the US, in the 1980's, a majority of the foreign aid given was in the form of militaristic aid through the formation of the Military Assistance Programme (Hoy 1998, 21). In 1989, Japan replaced the US as the lead donor of "absolute amount of funds transferred" (Hoy 1998, 31). With the fall of

communism, hopes soared among the Third World nations that the goal of foreign aid would shift from a political to a developmental focus. However, previously communist nations were added to the list of recipients, and Third World countries received less aid than previously allocated (Hoy 1998, 27). Industrialization and technological discoveries fueled the North towards unheard of levels of economic growth, only further widening the already expansive development gap between the North and the South. So, in such a situation, theoretically, structural adjustment programme was dictated by the IMF and World Bank to stabilize the economic situation in third world countries since 1980s. Unfortunately, such reforms are not helping to sustain development in the long run. Rather, it is creating the vested elite and powerful groups locally and externally and leaving the vast majority of the society in poverty and sufferings.

The Relationship Between Foreign Aid and the SAP

Historically, the relationship between foreign aid and structural adjustment dates back to the cold war period when foreign aid was used for the purpose of political structural reforms as well as geo-strategic reforms. On the passage of time since 1980s the trend of the SAP has been changed and introduced for economic reforms under the auspices of the IMF and the World Bank for economic stability in the third world countries. Under the condition of adopting the SAP, foreign aid is approved by the IMF and the World Bank in most of the recipient countries. Unfortunately the SAP did not help reduce poverty. It rather created huge unemployment when the State Owned Enterprises (SOEs) were denationalized leaving the workers jobless. So, foreign aid is used as a lever to impose structural adjustment policies on the third world countries to accumulate resources by the

handful private sectors; rather than help the marginalized rural poor in the country like Bangladesh. So, in that sense, the connections between aid and the SAP are interlinked. As a result, I realize that it is important to bring the issue of the SAP in this study.

The Evolution of Structural Adjustment Policies

The term 'structural adjustment policies' (SAPs) can be given a number of meanings, but it is usually taken to characterize the kind of policies recommended to heavily indebted countries or who have balance of payments deficits. The aim is to make them credit-worthy again and to lay the foundations for subsequent sustainable growth. The impetus for SAPs comes from the World Bank and the International Monetary Fund (IMF) whose rationale was that SAPs would promote high quality growth, which would lead to the enhancement of living standards and the quality of life for everyone. According to IMF and World Bank proponents the key elements of adjustment are reform and restructuring based on new macro-economic policies such as a firm anti-inflationary monetary policy, a sustainable fiscal strategy and a realistic exchange rate, a market-friendly environment for growth, a liberal trade and exchange regime that fosters international trade and investment, active social policies (including well-targeted social safety net provisions), and good governance.

However, in all fairness, it must be acknowledged that the IMF/World Bank structures for reform did not illustrate a uniform strategy. During their life, SAPs, were very much influenced by restructuring within the World Bank and IMF, reflecting the shift in policies most dramatically over the 1980s and 1990s. These shifts were in response both

to external criticism of SAP as well as to internal ideological debates between the proponents of sustainable development policies on the one hand and the hardcore economic reformists on the other. Ultimately however, the real shift came from the failure of economies which had already embraced SAPs, particularly the South-east Asian nations whose economic collapse in the mid 1990s showed the world that IMF/World Bank strategies were not effective. The following illustrates the transformation in SAP strategies since Bretton Woods (post World War II) indicating the tenuous nature of the policies and their rationale:

1. 1950s and 1960s: IMF provided financial assistance to mainly industrial countries. Policy advice was focused on macroeconomic policies to aid post-war reconstruction.
2. 1970s and 1980s: financial assistance was provided to developing countries and countries in transition. The focus shifted to the complementarities of macro-economic policies and structural reforms. Formulation of medium term policies.
3. Late 1990s: Third generation SAPs such as trade and exchange rate liberalization, reduction of the budget deficit, removal of subsidies from petroleum products and other basic commodities, privatization of state-owned enterprises and reduction of staff in the public service evolved.

Simultaneously however, issues of poverty and income distribution in relation to structural adjustment programme, including safety nets to protect the most vulnerable sections of the population became part of the SAP rhetoric. There was also the development of the concept of consultation with governments as a precursor to the pressure to apply SAPs since experience had shown that SAPs were unsuccessful unless

based on social consensus. Finally, governments were requested to move funds away from the military to social welfare and poverty alleviation schemes. In fact, social welfare spending was considered to be criteria for further lending. Gender equity programmes and human rights were similarly promoted.

The evidences show that the relationship between aid and structural adjustment policies are vital and structural adjustment policies are important to implement the aim and goal of foreign aid. In another words, to make foreign aid workable structural adjustment policies have been introduced. Now a days foreign aid is given on the basis of structural adjustment policies. But the critics of the IMF/World Bank SAP policies have provided an alternative view. They have argued that SAPs were intended to extract as much debt repayment as possible so as to avoid the equitable sharing of loan losses between creditors and borrowers and to make those economies conform to a single economic model compatible with the long term interests of a world economy dominated by rich industrialized countries. There was criticism also of the impact of SAPs on the environment and natural resources of the indebted countries and on commodity prices as all nations competed to expand and restructure simultaneously in a shrinking international market. And, finally, there were accusations that SAP strategies for recovery failed to take account of the specific conditions of countries, of the problems related to competitive currency devaluation resulting from the requirement to liberalise foreign currency, of the reduction in the availability of resources for the realization of economic, social and cultural rights, of the weakening role of the State, and of the social consequences of reducing state expenditure.

I. The SAP

The Structural Adjustment Programme in Bangladesh

In Bangladesh, the experience of policy reforms as part of aid conditionalities is not new. During the period 1972-1986, the Government of Bangladesh contracted 13 Import Programme Credits (IPC) amounting to a total of \$1165 million. According to the World Bank (1986), the first three IPCs supported critical post-independence rehabilitation needs. All other credits had conditionalities addressing sectoral, microeconomic and institutional reforms.

According to the WB's review of the experience with policy reforms in the 1980s, the policy issues identified in the IPCs 'turned out to require a more extended dialogue and in-depth sector work than the annual IPC framework allowed.' Thus, the Bank shifted its course from annual programme loans to sector adjustment loans and IPCs were phased out after the 13th IPC.

The government in 1986-87 adopted a medium-term adjustment programme administered under a three-year arrangement of the Fund's Structural Adjustment Facility (SAF) and by various sector adjustment and investment credits from the WB. Bangladesh was one of the first 35 countries contracted to SAF, set up by the IMF in march 1986 to provide highly concessional but extremely conditional loans in support of structural adjustment in low-income economies. The policies of the government for the three-year period were

given in the Policy Framework Papers (PFPs) prepared by the Fund and the Bank (with negligible input from the national agencies). Negotiations took place in August 1989, February 1990, and May 1990 on a further three-year programme under the Fund's Enhanced Structural Adjustment Facility (ESAF) and that became effective on July 1, 1990. Here, again, Bangladesh was among the first 29 countries having recourse to the ESAF, initiated by the Fund in December 1987.

Bangladesh first signed a loan from the IMF under the Extended Fund Facility in December 1980. The loan agreement was, however, revoked in July 1980, barely six months after its initiation due to the inability on her part to adhere to the limits imposed on government borrowing (Matin, 1986). Only SDR (special drawing rights) 20 million out of a total commitment of SDR. 800 million was disbursed at the time of suspension. However, the following sections are an overview and consequences of structural adjustment programme.

The Design of Structural Adjustment Programme

The macroeconomic objectives of the adjustment programme during the SAF period were to raise the annual real GDP growth to 5 per cent, moderate the rate of inflation, and contain the central government budget and external current account deficits at 7 per cent of GDP. The structural policies were aimed at improving the efficiency of resource use, enhancing the role of the private sector, and realizing higher rates of domestic savings and investment. The proposed reforms include changes in price incentives; simplification of investment regulations; strengthening of tax policy and administration; improvements

in financial management of public enterprises; greater reliance on market oriented monetary policy instruments; intensification of recovery programmes of non-performing bank loans; flexible exchange rate management; and trade and exchange liberalization.

The objectives under the Enhanced Structural Adjustment Facility

- Agricultural sector reform, including a greater role for the private sector in the distribution of inputs and the rationalization of the operations of the Public Food -grain Distribution System (PFDS) and the jute sector.
- Improved industrial incentives, including the easing of private investment procedures
- Comprehensive tax reform to improve the elasticity, efficiency and progressivity of the tax system and raise revenue in relation to GDP.
- Reorientation of public expenditure to support growth and poverty alleviation
- Strengthening of public enterprise finances through more flexible pricing policies, a vigorous effort to ensure that payment is received for goods and services, and measures to improve cost control and performance evaluation.
- Financial sector reform aimed at improving the efficiency of intermediation through adoption of more market-oriented methods of monetary management.
- Reform of trade policies to strengthen export growth and diversification, removal of export subsidies, import liberalisation and further rationalisation of the tariff structure.
- Exchange rate policy that ensures competitiveness and contributes to a macroeconomic framework conducive to higher savings and investment, price stability, and external adjustment.

Policies Under Enhanced Structural Adjustment Facility (ESAF)

The IMF in its PFPs under ESAF programme lists a host of priority measures. This, according to the IMF, would reduce obstacles to private sector initiatives, improve public resource management, rationalise the public enterprises, strengthen the effectiveness of the financial system, and liberalise the exchange and trade regime. Adheren to these, as expounded in IMF's PFPs, would lead the country to achieve higher economic growth, with emphasis on poverty alleviation through human resource development and increased resource mobilisation.

The priority structural and macroeconomic policies prescribed by the IMF under ESAF are given below:

Table 4.1: Priority Measures under the ESAF

I. Agricultural Policy

- Maintain liberalisation of import and distribution of irrigation equipment and fertiliser
- Reduce subsidies on agricultural inputs
- Maintain adequate producer price incentives

II. Industrial and Trade Policy

- Further simplify investment regulations

- Eliminate quantitative restrictions on imports except for those required for reasons of religion, health,
- Security and social considerations and a small number of highly sensitive items
- Rationalise the tariff structure and reduce maximum tariff levels
- Remove export subsidies

III. Public Resource Mobilisation

- Expand the base of the value-added tax
- Reform personal and company direct taxes
- Strengthen the tax administration
- Adjust prices for public goods and services while improving their operational efficiency

IV. Public Expenditure Policies

- Implement a three-year prioritised public investment programme
- Limit the growth of current expenditures to less than the growth of nominal GDP
- Reduce subsidies and administrative costs
- Improve project aid utilisation
- Reduce the operating deficit of Bangladesh railway

V. Public Enterprises

- Reduce excess labour
- Enforce payment of debt-service liabilities and eliminate inter-agency arrears

- Rationalise the jute mills
- Improve the operational performance and financial management of Bangladesh Power Development Board and other public entities

VI. Privatisation

- Privatisise selected public manufacturing/ commercial enterprises already approved by government and expedite the identification of additional enterprises for privatization
- Announce a timetable for implementation

VII. Financial Sector Reform

- Implement reforms aimed at a market-oriented system of monetary management
- Undertake further interest rate liberalisation
- Strengthen commercial bank loan recovery programmes

VIII. External Sector Policy

- Manage the exchange rate to ensure competitiveness
- Export diversification
- Efficient import substitution

IX. Human Resources and Poverty Alleviation

- Improve the access of women to education and income generating activities

- Provide adequate funding for primary education, health and family planning services
- Target food aid to poverty groups and reduce cash subsidies to monetised food distribution

X. Environment

- The government will articulate a clear policy on environmental issues and prepare environmental assessments for major new projects.¹⁷

World Bank Adjustment Lending

The adjustment programme was supported by two three-year arrangements under the SAF and ESAF of the IMF and by various sector adjustment and investment credits from the International Development Association (IDA), soft-term lending window of the WB. These highly concessional but extremely conditional loans go under the generic names of "structural and sectoral adjustment loans" (SALs and SECALs)). This new generation of "policy-based loans" was devised to help countries to adjust. These WB loan agreements included tight conditionalities, under which money was disbursed only if the government complied with structural adjustment reforms and met the deadline for implementation with precision. According to the WB's *Country Assistance Review (CAR)*, adjustment

¹⁷ Compiled from: a. International Monetary Fund, Bangladesh: Enhanced Structural Adjustment Facility, Policy Framework Paper, 1990. b. International Monetary fund, "Bangladesh: Enhanced Structural Adjustment Facility, Policy Framework Paper, 1991/92 - 1993/94," August 9, 1991. c. International Monetary Fund, "Bangladesh: Enhanced Structural Adjustment Facility, Policy Framework Paper, 1992/93 - 1994/95" August 20, 1992.

lending constituted a third of total commitments of IDA to Bangladesh during the period under CAR's review (FY1980 to FY1996). IDA commitments to Bangladesh during that period amounted to \$5.965 billion, involving 93 projects. Disbursement during the said period totalled \$4.65 billion. The scale of adjustment lending declined in the 1990s to about 15 per cent. The WB explicitly stated that the adjustment lending would decline in future. The CAR categorically states that the adjustment lending will undoubtedly decline further in the absence of key reform initiatives in certain sectors (e.g. finance).

Table 2 shows the commitments of IDA loans to Bangladesh by sectors and the amounts of adjustment credit.

Table 4.2: Share of Adjustment Loans in IDA's Commitment to Bangladesh¹⁸

Sector	In million US dollars		In per cent of total	
	Loans	Adjustment	Loans	Adjustment
Agriculture	1186.6		20	--
Education	411.6		7	--
Power	636.3	177.3	11	4
Industry and Finance	677.8	438.4	11	7
Multi-sector	1237.0	1141.0	21	19
Oil and Gas	453.0	--	8	--
Population, Health and Nutrition	239.8	--	4	--
Telecommunications	35.0	--	1	--
Transportation	815.7	--	14	--
Urban Development	47.6	--	1	--
Water supply and sanitation	50.0	--	1	--
Other	173.0	--	3	--
Total	5965.4	1756.7	100	30

Source: Adapted from Bhattacharya (2001)

¹⁸ Financial Database of the World Bank, quoted in Country Assistance Review, 1998

Table 4.3 provides summary statistics about the SALs and SECALs that Bangladesh contracted.

Out of six SALs and SECALs, three (i.e. Second Industrial Adjustment Credit, Jute Sector Adjustment Credit, Public Revenue Management Adjustment Credit) were cancelled because of the government's failure to adhere to the policy conditionalities attached to these credits.

Energy Sector Adjustment Credit:

The credit of an amount of SDR. 137.0 million was approved by the Bank on April 11, 1989 and was supplemented by an amount of SDR. 1.8 million by GOB. The credit was fully disbursed and closed on July 3, 1990.

Industrial Sector Adjustment Credit:

The Bank approved the SDR. 147.8 million (equivalent to US 190 million dollars) credit on June 6, 1987. The credit was fully disbursed and closed on May 11, 1989, seven months ahead of the original schedule.

Financial Sector Adjustment Credit:

On June 5, 1990, the WB approved the credit amount of SDR. 132.7 million (equivalent to 132.7 million) and made it effective on June 22, 1990. Two supplementary credits, amounting to a total of SDR. 5.4 million were signed on January 16, 1991 and January 15, 1992 respectively.

The first tranche of the credit was released by February 1992 and the second tranche was disbursed on August 26, 1992, after a delay of eighteen months from the targeted date and the third and final tranche was released on December 30, 1993, after a delay of 20 months. The credit was closed on February 22, 1994, much later than the original closing date of September 30, 1992.

Second Industrial Sector Adjustment Credit:

The credit to the tune of SDR. 72.2 million (US \$100 million) was approved by the Bank's Board on October 27, 1992 and was made effective on November 5, 1993, though the scheduled date was January 1993. The credit was cancelled after disbursing the first tranche, leaving a balance of US \$ 50 million.

Jute Sector Adjustment Credit:

The largest ever credit to the country was approved on February 17, 1994 and made effective on April 5, 1994. Of the SDR. 175 million, only the first tranche, amounting to

SDR. 35 million was released. The credit was closed on June 30, 1997, leaving the three other tranches—the second, the third and the floating—cancelled.

Public Resource Management Adjustment Credit

This credit of SDR 109.3 million was approved on May 5, 1992 and made effective on June 8, 1992. Out of three tranches, two were disbursed while the third tranche amounting to SDR 36.9 million was cancelled.

Table 4.3: Summary statistics of SALs and SECALs in Bangladesh¹⁹

Loan / Project	Project	Principal Disbursement	Apprv.	Closing
Credit ID		(Amount in Million SDR)	(mo/yr)	(mo/yr)
18160	9457 Industrial Sector Credit	190.0	195.9	01/87 12/89
18160	9457 Industrial Sector Credit	2.5	2.4	3/89 3/90
19990	9511 Energy Sector Credit	175.0	177.1	4/89 12/91
19991	9511 Energy Sector Credit	2.3	2.3	10/89 12/91
20000	9521 Export Development	25.0	27.1	4/89 6/94
21520	9528 Financial sector Credit	175.0	184.4	6/90 12/93
21521	9528 Financial sector Credit	3.5	3.4	11/90 9/92
21522	9528 Financial sector Credit	2.9	3.0	11/91 01/93
23610	9464 Public Resource mgmt Credit	150.0	100.6	5/92 12/96
24270	9513 Industrial sector Adjust. Loan II	100.0	50.1	10/92 12/94
24271	9513 Industrial sector Adjust. Loan III	3.5	3.5	12/92 01/94
25670	9553 Jute Sector Adjustment Credit	247.0	52.0	02/94 6/97
25671	9553 Jute Sector Adjustment Credit	3.4	3.6	5/94 6/95
25672	9553 Jute Sector Adjustment Credit	3.2	0.0	12/94 09/96
25670	9553 Jute Sector Adjustment Credit	0.0	0.0	12/96

Source: Adapted from Bhattacharya (2001)

¹⁹ World Bank Bangladesh Country Office.

II. The Assessments of the SAP in Bangladesh

The IMF Evaluation

Structural Adjustment Facilities (SAF)

The IMF in its Enhanced Structural Adjustment Facility Policy Framework Paper, 1990/91- 1992/93 records the performance of the economy during the SAF period that the government contracted with the Fund in 1986/87 for a period of three years. The IMF stated that the macroeconomic objectives were not 'fully realized'. The real GDP growth averaged only 3 per cent annually as against the target growth rate of 5 per cent per annum. The slow growth was partly attributed by the IMF to the disruption caused to economic activities by successive natural calamities in 1987/88 and 1988/89. The agricultural output stagnated. The lower jute production and flood damage to rice crops was shown as reasons for the stagnation of output growth. According to the Fund, the manufacturing production grew slowly because of weak domestic demand. Domestic and national savings increased in the initial year of the programme, but declined in relation to GDP in the two subsequent years. Budget revenue fell much short of expectations. The Fund attributed it to the government's failure to introduce reforms on the scale originally envisioned by the Fund. Revenue showed no improvement. The objectives of containing inflation and balance of payments pressures were broadly achieved.

Extended Structural Adjustment Facilities (ESAF)

The macroeconomic objectives of the first-year programme, supported under ESAF, were to raise real GDP growth to 4.6 per cent; reduce the inflation rate to 7.5 per cent; contain

the budget deficit to 6.5 per cent of GDP; and hold the external current account deficit to 6.5 per cent of GDP. According to the IMF, the growth, inflation and investment outcomes for 1990-91 were low mainly because of the impact of the Gulf crisis and the cyclone. It attributed the 3.2 per cent realised growth to the decreased activity in the non-agricultural sector and the modest increase in agricultural production over the bumper harvest of 1989/90. The inflation of 8.9 per cent was explained by the IMF with the higher oil import costs and increase in the administered prices of public goods and services. According to the IMF, the shortfall in revenue was due to lower-than-programmed dutiable imports as a result of the cyclone and difficulties in collecting excise duties from the natural gas and cigarette companies.

Consistent with the three-year ESAF-supported programme, the macroeconomic objectives of the second year programme were to raise real GDP growth to 4.7 per cent; reduce inflation rate to 6.5 per cent; contain the budget deficit to about 7 per cent of GDP; and hold the external current account deficit to 6.5 per cent of GDP. The IMF attributed the growth rate of 3.2 per cent in the second year to the sluggish domestic demand and production owing to delays in implementing the public investment programme, their adverse impact on private investment and the uncertainty associated with the external shock due to the Gulf crisis.

The World Bank Evaluation

The WB's Operation Evaluation Department (OED) carried out a Country Assistance Review (CAR) for FY1980 to FY 1996 to evaluate the relevance and efficacy of the Bank's assistance in Bangladesh. The review covering 16 years and 93 projects is based on a massive volume of economic and sector work (ESW) and policy dialogues encompassing every aspect of the economic and social life of Bangladesh.

The CAR's main conclusion is that: "IDA's assistance to Bangladesh over the past fifteen years has been effective, and the partnership forged with the government has brought about notable successes." The CAR notes the "good progress" achieved in the general well-being of the population, notwithstanding the "not spectacular" trend of growth rate of Gross Domestic Revenue (GDR). It goes on to record the strides made in the reduction of fertility and "good progress" made in education, particularly primary education with 'strong attendance of the girls'. It asserts that the country has "achieved" self-sufficiency in food-grains in a normal climate year as a result of liberalisation in agricultural input trade and smallholders' productivity. Nevertheless, the WB expresses its scepticism about the sustainability of the achievements already made. The CAR adds: "questions remain as to food security, the country's aid dependency and the fragility of the eco-system."

Country Assistance Strategy (1980-1996)

The World Bank has been involved in Bangladesh's economic development since its Independence in 1971. The WB's current all-encompassing role that has evolved through

in policy advice, lending and donor coordination, according to the Bank, was "coloured by a fundamental difference regarding the country's post-independence policy framework and the role of market systems" till 1973/74. Since then, the Bank and government have forged an 'active development partnership.' Over the past two decades, IDA has financed about a quarter of all foreign aid commitments to Bangladesh, covering all sectors of the economy, including import and balance of payments support. Table 4 shows how the focuses of IDA country assistance strategies have evolved over the years. While political economy and governance issues were less appreciated during the first half of the 1980s, the sensitivity to these issues now tops the list. The Review gives "fully satisfactory" ratings to the Bank's strategies of 1991-96 for reflecting past experience, realism of outcome projections and risk assessment and an adequacy of monitorable progress indicators

Table 4.4: Relevance of IDA's Country Assistance Strategy²⁰

Issue	1980-85	1986-90	1991-96
Sensitivity to political economy and governance issues	1	2	4
Awareness and appreciation of institutional constraints	1	1	3
Identification of key development issues	3	3	4
Identification of solutions to constraints	2	2	2
Prioritisation of assistance in accord with constraints	3	3	3
Appropriateness of instruments proposed	1	2	3
Does strategy reflect past experience	2	2	2
Realism of outcome projections	1	1	3
Realism of risk assessment	1	1	3
Adequacy of monitorable progress indicators	1	1	3
Average score	1.6	1.8	3.1

Source: Adapted from the World Bank (1998)

Implementation Status

Project implementation in Bangladesh has been a persistent problem, which, according to the CAR, has been effecting negatively the implementation of IDA's development assistance strategy. The salient features identified by the CAR are given below:

²⁰ Bangladesh: Country Assistance Review, World Bank, Report No. 17455-BD, March 6, 1998.
Note: Rating system: 4 = Highly satisfactory, 3 = Fully satisfactory, 2 = marginally satisfactory, 1 = deficient

- The disbursement ratio is still below the Bank-wide average of 18.8 per cent, although the disbursement ratio for Bangladesh rose to 17.3 per cent in FY 1996 from the average of about 11 per cent throughout the 1980s.
- In FY 1980, 12.5 per cent of the ongoing portfolio of the Bank was given a "problem rating", which climbed to a peak of 29.5 per cent in FY 1986 to stay for the rest of the 1980s. The proportion of problem projects has gradually declined during the 1990s to 21.4 per cent in FY 1996, which is still above Bank-wide averages.
- Of the 63 projects evaluated during 1980-96 by the QED, 24 projects or 38 per cent were rated as "unsatisfactory," compared to a Bank-wide OED rating of 33 per cent. Thirty-five percent of Bangladesh's projects was rated 'sustainable'. Regarding the institutional development performance, 36 per cent of rated Bangladesh projects had a negligible institutional development rating compared to 24 per cent Bank-wide. Out of 13 operations in terms of sectors in Bangladesh, only 3 or 23 per cent had a satisfactory rating.
- The primary measure used by the Bank for estimating the efficiency of IDA-assisted programme is staff years (SYs) spent per approved project. In lending SYs spent per project is almost 40 per cent higher than the Bank-wide average. Bangladesh lending completion SYs were over twice the South Asia average, and 4.3 times the Bank-wide

average. Bangladesh requires over 50 per cent more calendar time to take a project from the project concept stage to the Board approval stage.

- With regard to the time taken between the Board approval and effectiveness of the Credit, of 83 projects reviewed by QED, 53 or over 70 per cent took longer than three months, 45 or 54 per cent took six months or longer, and an astounding number of 24 projects or 29 per cent took nine months to be declared effective.

The CAR attributed the dismal performance of the WB's projects in Bangladesh to administrative logjams in the country, lack of "full commitment" to projects, and deficient project preparation and design. The report thus suggested keeping effectiveness conditions to a bare minimum, but advised "most of the required actions" to be completed before the approval of a credit by the WB's Board. Though there is likelihood that this may lengthen the time between negotiations and board presentation, according to the CAR, this would create a greater sense of urgency to complete the required actions.

III. Development Outcomes

Macroeconomic Performance

The WB views the growth performance of Bangladesh as "not spectacular" and its own estimation reveals the rate ranging between 3.5 to 4.5 per cent per annum. Investment, both private and public, has been inadequate when compared with the countries of South Asia or with those having similar per capita incomes.

- There has been a remarkable decline in the relative share of agriculture in GDP from over 40 per cent in the early 1980s to 25 per cent by the late 1990s.
- The gross domestic savings as percentage of GDP have taken an upturn from 1.3 in 1981-1985 to 7.7 per cent in 1991-1995. According to the WB, it was recorded because of "strong" growth in private savings owing to increased monetisation of the economy, coupled with a wide expansion of banking service to rural areas. The sharp rise of workers) remittance from abroad in the latter part of the 1980s and in the 1990s added to the pool of private savings. The public sector improved its savings performance entirely due to better tax collection and introduction of the value added tax system.
- Throughout much of the 1980s, reserves were at a precarious level, given the country's susceptibility to the natural shocks and very high current account deficit averaging over 9.0 per cent of GDP. Since 1989 the WB, however, finds a sustained improvement in the country's macroeconomic management, as well as a sustained period of structural adjustment and liberalisation.
- Export values in GDP in 1995 were equivalent to over 17 per cent of GDP, rising from just 8 per cent of GDP in 1988, mostly contributed by ready-made garments (RMG) and other non-traditional products. The RMG grew from almost zero in 1982 to over US\$ 2 billion by 1995. Since 1990, the overall budget deficit showed an improved trend rate, mainly due to progress in revenue collection, together with a lessened net loss of public enterprises.

Table 4.5: Fiscal Performance as Percentage of GDP²¹

Indicators	1986 - 90	1991	1992	1993	1994	1995
Overall Budget Deficit	-7.4	-7.2	-5.9	-5.9	-6.0	-6.8
Revenue	8.8	9.6	10.9	12.0	12.2	12.1
Expenditure	16.3	16.8	16.8	17.8	18.1	18.9
Current	7.9	8.7	8.3	8.9	8.9	
Annual Development Programme	7.1	6.2	6.3	7.1	8.4	8.8
Gross Losses of Public Enterprises	1.1	2.1	1.9	1.1	0.8	NA
Net Losses of Public Enterprises	0.8	1.8	1.6	0.7	0.6	NA
Foreign Financing		7.0	6.2	4.9	5.6	4.9

Source: Adapted from the Government of Bangladesh (1997)

Industry and Finance

Real growth in manufacturing averaged only 2.6 per cent per annum between 1981 and 1990, below the GDP growth of 3.2 per cent per annum. The disappointing trend continued.

According to the Bank, new private investment was stagnant through much of the period and the State Owned Enterprises (SOEs) continued to perform poorly. With regard to the poor performance of the manufacturing sector, the WB identified some policy constraints, interfering with the growth of the private manufacturing sectors. These are furnished below:

- A high cost of capital and access to credit has been a major difficulty for small manufacturing enterprises.

²¹ Bangladesh: Country Assistance Review, World Bank, Report No. 17455-BD, March 6, 1998

- The Government's policy of supporting "sick" private and public industrial enterprises has weakened the banking system, and this lack of "exit" for insolvent firms has weakened stronger competitors.
- Despite some trade policy reform, the manufacturing sector throughout the 1980s was highly protected and oriented toward the domestic market which can now grow only as fast as the disposable income.
- Despite some denationalisation, the high degree of continuing public sector ownership in several large manufacturing sub-sectors such as textiles and jute has inhibited investment and technological progress.

Agriculture

According to the WB's estimate, agriculture growth rate between 1980 and 1996 averaged 2.1 per cent per annum or about the same pace of population growth. To the WB, the growth rate is, however, "curious" as against the large increase in fertiliser use, introduction of high yielding varieties and widespread irrigation.

*Social Sector*²²

The WB finds good progress made in the social sector, although, according to the CAR, the GDP growth performance during the 1980s and 1990s has not been spectacular.

²² Bangladesh: Country Assistance Review, World Bank, Report No. 17455-BD, March 6, 1998

- Fertility has declined to about 2.4 and infant mortality has declined to 77 per 1000 live births in FY 1994 compared to those of 3.2 and 111.5 in FY 1981.
- After the stagnant primary school enrolment for almost thirty years, gross enrolment rose from 55 per cent in 1985 to 63 per cent in 1990.

Country Assistance Review

The IDA feels that its assistance to Bangladesh has been effective and has brought about some notable success. It prides itself on assisting the country's "transformation" against the backdrop of a "very difficult political climate." It attributes the hindrances to progress to "deeply entrenched governance issues and powerful vested interests that have sought to maintain the status quo."

The CAR poses two important questions relating to each sector and answers to these questions would avowedly determine the IDA strategy, the type of lending and ESW:

- (a) What should and can the government do and what should be done by the private sector and NGOs? and,
- (b) How can the services provided by the public sector be made more responsive to the needs of the stakeholders?

Independent Reviews

The structural adjustment process in Bangladesh has received criticism from local academics both for its underlying ideology and its social, political and economic costs.

The disagreements focus on the choice, pacing and sequencing of its instruments. Despite their particular focus, studies to date have mainly deployed 'target versus actual, 'before versus after' and 'with and without programme' approaches to finding out the impact of the adjustment policies. The analytical basis for these approaches, however weak as a scientific model which causally links the specific policy intervention prescribed under adjustment with micro-macro changes, is yet to be designed (Sobhan,1993)

The UNDP in its report on human development in 1993 made several points of criticism. Rahman (1992) concentrated on the macroeconomic performance of Bangladesh during the 1980s. Mujeri et al (1993) set to finding out the impact structural adjustment left on poverty, employment and distribution. Sobhan (1993) argued for a renewed reform agenda by reappraising the logic and causality of the ongoing reform agenda. These studies, covering mostly the period up to 1989 or 1990/91, were unable to assess the 'final' results of the 'full' period of stabilisation due to the obvious reason of data availability. The available studies, despite their varied objectives and focuses, have analytical shortcomings as they assumed a causal relationship without investigating whether the relationship held good.

For an indicative assessment, however, one may look at the intertemporal sectoral studies, as adjustment policies have in effect interfaced with every aspect of the economy.

The UNDP on Aid

The UNDP in its periodic review of Bangladesh's human development in 1993 devoted a section to 'Structural Adjustment and Human Development in Bangladesh' articulated major controversies in this respect. The following is a list of issues which summarises the concerns expressed by the UNDP (1993):

- SAP should go beyond the text-book approach to take into account the contextual reality for the purpose of pragmatic implementation of a programme sustaining higher levels of growth and output. The pre-occupation with macro-balances is argued to be detrimental to medium-term growth rate prospects and long-run transformation of the economy. It is added that a less contractionary macroeconomic policy would be preferable, given the low levels of output and investment.
- Excessive emphasis given in the SAP design on demand management policies dwarfs issues of human development such as employment generation, poverty alleviation, illiteracy eradication, etc. The design should have incorporated some macro policies which could strengthen the expansionary approach to serving the poor.
- In contrast to the Bank/Fund's 'hands off' policy, the state should continue to invest in economic sectors as they suffer from the disappointing outcome of privatisation.

- Across-the-board liberalisation is certainly no panacea. It might thwart the growth of the nascent indigenous economic activities by exposing these enterprises to sudden competition.
- There is hardly any reliable information in favour of 'crowding' rather than crowding out of private investment in absence of public investment in Bangladesh.

Macroeconomic Performance

The growth rate of GDP virtually remained stagnant over the last years. If one traces the growth path of Bangladesh, the 'era of adjustment' will appear to have a lower growth rate than the growth rates prevailing in the early 1980s (Sobhan, 1996). Table 6 shows that growth has remained arrested at around 4 per cent per annum.

Table 4.6: GDP Growth trends 1982/83-1993/94²³

Period	Growth rate
1982/83 -1985/86	4.45%
1986/87- 1989/90	4.05%
1990/91 - 1993/94	4.18%

Source: Adapted from the World Bank (1997)

Agriculture

²³ World Bank, March 16, 1995, Recent Economic Developments and Priority Reform Agenda for Economic Growth.

The average annual growth rate in agriculture increased significantly to 4.9 per cent during the First Five Year Plan period of Bangladesh. From then onwards, the sector's growth rate showed signs of its decline. The growth rate declined to 1.7 per cent during the TFYP and the slump continued registering a 0.98 per cent growth rate during the FFYP (slam, 1998). Table -7 shows the inter-temporal growth rate since the independence of Bangladesh.

Table 4.7: Growth in Agriculture²⁴

Year	Annual Growth Rate (%)
1973-78	4.9
1978-80	3.1
1980-85	3.5
1985-90	1.7
1990-95	1.7

Source: Adapted from the Government of Bangladesh (1996)

Industrial Production

Bangladesh Bureau of Statistics estimates of industrial production shows a sudden bullish trend in the country's industrial production. The sector's growth jumped from 4.18 per cent in 1990/91 to 10 percent in 1991/92. The escalation continued to be 13 per cent in the preceeding year. The degree of the output growth has been questioned on the face of it on two counts. The sector's spokesmen were vocal about the industrial sickness and stagnation in investment throughout the 1990s and secondly, the growth record even surpassed high growth economies such as China (11.2 per cent) (Sobhan, 1996).

²⁴ Bureau of Statistics (1996), Ministry of Planning, Government of Bangladesh, Dhaka

Poverty

SAP left a serious impact on the distributional aspect and its consequences on the poor. Poverty and human resources were taken as add-on agenda in the SAP process. Mujeri et al (1993) argued that the main goal for Bangladesh should be adjustment with poverty reduction and not either adjustment or poverty reduction. The poverty measures show an increase in poverty after 1985/86.

Health System

The state of affairs in the country's dismal health sector suggests that 60 per cent of Bangladesh's population has access to health care. Over 90 per cent of the children are malnourished, 70 per cent of the mothers suffer from nutritional deficiency, over 70 per cent of the pregnant women do not receive ante-natal care while over 90 per cent of them do not receive post-natal care (Barkat, 1998; Sobhan, 1998).

Environmental Impacts

We have found that the pressure to increase food production has resulted in adopting policies such as excessive emphasis on (rapidly) increasing yield, withdrawal of subsidy and liberalization of imports. Adherence to these policies has generally resulted in excessive use of fertilizers, use of spurious fertilizers and inefficient use of various type of fertilizers. These had serious impact on the quality of land: nutrient content in the soil

declined and fertility of land eroded. We have also found that the objective of pursuing an export-led growth strategy has led to adoption of policies such as promotion of non-traditional exports, for example, shrimps. Bhattacharya et al. (1999) makes an attempt to incorporate environmental costs in measuring the economic costs and benefits of shrimp cultivation. There are direct (land degradation, health hazards and mangrove destruction and so on) and indirect (loss in biodiversity, social impact and so on) costs of shrimp cultivation. These costs are not always immediate and therefore spread over time.

Conclusion

The failure of the Bangladesh economy to be on a sustainable growth path has been aggravated by a crisis of governance. The failure in following the desired growth path has led the independent periodic reviews to argue that it is rooted in a crisis of governance rather than in a failure of the macroeconomic policy (Sobhan, 1998). A view is gaining ground in civil society that the fundamental governance crisis emerges from a lack of ownership of the reform by the government. Lack of ownership has impeded the implementation of concrete suggestions made by the donors.

The dismal outcome of the reforms, as opposed to the rosy aspirations which underlay them, may lead to a redirection of the reform agenda on the ground that the economy is caught in low-savings, low- investment, and low- growth trap. This could be a result of the excessive emphasis put on demand management at the neglect of supply factors. Consequently, it is suspected that improvements in some key parameters are deceptive since they can not usher in a sustained trend.

The new realism both at the global and country levels have reinforced the fact that there exists no ready-made universal solution that can be packaged together and spread throughout the universe. Under the impact of the ground reality, it is now felt that the simplistic agenda universally marketed by the Bretton Woods Institutions (BWIs) and swallowed by governments like Bangladesh to stave off their economic problems is no easy solution to their peculiar crises. One might be tempted to follow a policy agenda which both targets and empowers the hard-working poor whilst promoting creative entrepreneurship. Such an agenda will also be the best investment to sustain Bangladesh's still fragile democratic institutions (Sobhan, 1995).

Chapter Five

Conclusions

In the literature, each of two schools of thought has advanced some ideas in regard to the role of aid on development in third world countries. The aid supportive school of thought argues that foreign aid has increased literacy, improved health conditions and helped alleviate poverty. In addition, aid has served in crisis situations during famine or natural disaster or in situations of conflict experienced by countries at war. The World Bank, the IMF and other multinational agencies are the best examples of established supportive institutions of foreign aid. On the other hand, the critical school of thought argues that aid could be an important catalyst of growth and development but there should be some changes and reform. Without changes and reforms aid is unproductive consumption only. However, it argues that foreign aid works as a tool of political and strategic interest to the benefit of donors, rather than the interests of the recipients' vast poor. According to this school of thought, aid has increased poverty, corruption and the gap between rich and poor. It only benefits the political and economic elite groups in society and makes the recipients dependent rather than self-sufficient.

Each school of thought provides relevant evidence on aid. And each school also offers evidence in support of the arguments and ideas about aid and development. Thus, on the basis of a literature review it is not possible to draw any hard and fast conclusion.

This thesis explores the impact of foreign aid on development. Here I discuss in general but focused particularly on Bangladesh on aid related conditional issues and their impact. As I already mentioned that foreign aid conditionalities relate to many things. Among them are structural adjustment programme (SAP) on which I discussed their impact on recipients here in my thesis. Structural Adjustment Programme (SAP) is theoretically one form of aid conditionalities or pre-condition of aid supply for development. It is applied for macro-economic balanced, high production, high profit market economic reform, neglecting long-term local socio-political, economic and environmental impact. Most observers agree that foreign aid, at best, is only partially successful at promoting growth and reducing poverty. One reason is the poor performance of the recipient countries. The other reasons (documented in this paper) are the pattern of the flows of foreign aid or in another word the conditional reform policies. The evidence shows that, in Bangladesh, the pressures from donors to increase food production has resulted in adopting policies such as excessive emphasis on liberalization of imports. These policies have resulted in excessive and various mixed harmful fertilizers. These have a serious impact on the quality of land; nutrient content in the soil is declined and fertility of land is eroded. The evidence also shows that the effect of pursuing an export-led growth strategy has led to adoption of policies such as promotion of non-traditional exports, for instance, shrimp farm. The effects of increasing shrimp production are loss in biodiversity and increasing salinity of soil. The social impact of such shrimp culture is also enormous and pathetic. In the article published in "The Daily Star" on Sept.2, 2003 titled "Shrimp Culture: Dollars or Deaths?"- Written by Abdul Bayes who is a Professor of Economics at Jahangirnagar University, has describe that these are agricultural land that historically the people of that

locality leaned on to meet the food security need by producing rice. In the past, when cultivation of crops was the mainstay, ecological balance was maintained, indigenous technologies were adopted and an egalitarian approach to the preservation of common properties was in evidence. But gone are those days with the advent of shrimp cultivation. Unplanned growth of the projects, absence of proper regulations and above all, lack of governance grievously gave way to an unsustainable development. However, as time passed, shrimps began to show potentials as an important source of foreign exchange, accounting for, perhaps, 6 per cent of Bangladesh export earnings and about 3 per cent of world exports of shrimps. At global level today, about one-third of the shrimps are reported to be farmed here compared to barely 5 per cent in the 1980s. This is the dollar-side of the development. But the dark side should never be in oblivion. Since shrimp culture started to surge, local conflicts crept up with grabbing of land, environmental degradation developed, considerable numbers of people were forced below the poverty line and a host of adverse impacts were impinged thereupon. The imputed costs of such hazards should be added to the revenue earnings to arrive at sustainable development of the sector. There are many newspaper stories and research findings about the socio-economics and politics of shrimp culture. In fact, if one scans through the news and views relating to deteriorating law and order situation in greater Khulna one could, perhaps, come to the conclusion that the lion's share of these deteriorations owe to shrimp cultivation and related issues.

The structural adjustment programme is designed to eliminate distortions and elementary economics tells us distortions create allocative and distributive inefficiency. The programme was aimed to stimulate growth in developing economies most of whom

stagnated due to effects of external and internal shocks. The basic idea is simple i.e. establishing a market-determined regime; this requires containment of the role of the state in production and market. The state, which was earlier identified as the organized force for propelling growth, was identified as the prime source of distortion manifested through regulation, control, protection under high tariff wall, ownership and operation of public enterprises, price control, exchange control, high presence in financial sector and poor quality of public expenditure. The basic thrust of structural adjustment was deregulation, privatization, and liberalization for allowing the market forces to play their rightful role. The framers of the policy possibly did not dream of achieving the ideal of a perfectly competitive economy in product, labor and capital markets, but generally couch their arguments in the language. Bangladesh implemented the structural adjustment policies since 1982 and enjoyed support of SAF and ESAF in this regard. Bangladesh has been credited for carrying out one of the most rapid tariff liberalization and privatization programme as well as carrying out policy reforms in financial and fiscal sectors. It has devalued currency and decontrolled current account operations, it has adopted measures to deregulate many sectors including private investment and foreign direct investment, withdrawn many subsidies and price controls, reduced effective average tariff rates, followed on the whole a fiscal policy of budgetary deficit containment, rationalized tax structure, allowed monetary sector to function according to market signals and increased spending in social sector. It has not carried out labor market reform or a meaningful reform in public administration. The basic premise was that such policy adjustments and withdrawal of state control will reduce costs due to transactions and inefficiency, increase entry into the market increasing competition, production and employment through a

cumulative efficiency impact and this efficiency gain will increase productivity gain and income of factors thus propelling the economy towards higher gross domestic product. Basically, Bangladesh began stepping towards free market economy since 1975 after the fall of socialist-oriented first new regime of the newly independent country-Bangladesh, though structural economic reform had appeared before on the agenda of the International financial Institutions (IFIs) such as the World Bank and the International Monetary Fund (IMF). Over the last 27 years successive regimes, both military and civilian, undertook wide-ranging reform policies that led to the creation of what is often called a market-friendly framework for economic governance. Their policies focused primarily on restructuring the public sector, adopting an export oriented growth strategy, strengthening the private sector, liberalizing the trade and exchange regimes, and establishing an enabling environment for economic growth.

Most studies claim that after more than a quarter century of experiments with market reform, Bangladesh's economy is still struggling to both sustain macro-economic stability and develop a framework for rapid economic growth.

This study finds little empirical evidence to support the widely held assumption that pro-market reforms were undertaken in Bangladesh in order to improve either its macro-economic performance or to improve its poverty conditions. Successive regimes, both civilian and military, implemented various types of economic liberalization programmes, including the transfer of State Owned Enterprises(SOEs) to the private sector, reforming the financial sector, and liberalizing the trade and import regimes primarily to develop political coalitions with both external and internal key actors. In particular, the two

military regimes of General Zia and General Ershad used economic reform programmes largely as a tool to both legitimize and consolidate their unconstitutional power base. Both of them sought to develop political alliances with senior bureaucrats, businessmen, and industrialists mainly through their reform measures.

This research discovers that General Zia and Ershad allowed big business to emerge as a major player in national decision-making, which in turn adversely affected the state's ability to either enforce contracts or to develop a mechanism for redistributing assets. Both Generals also encouraged, the country's financial and economic elites to accumulate huge wealth through the abuse of scarce public resources. In return, not only did big business lend its political support to the military authoritarian regimes' legitimization programmes, perhaps more importantly, businessmen and industrialists also contributed generously to the coffers of the ruling BNP and JP, helping them to expand their political support base. Even under the democratically elected regimes of both Begum Khaleda Zia and Sheikh Hasina, economic reforms did not appear to be a means of improving either the performance of the economy or the living standards for the majority. Instead, economic liberalization programmes were used primarily to protect and promote the goals of big business during their rules. Despite widespread optimism, these two democratically elected regimes did not even succeed in winning popular support in favor of their fast-track reform programmes. This research also finds that economic reform programmes undertaken by both Prime ministers- Mrs. Begum Khaleda Zia and Sheikh Hasina Wazed substantially increased the power of businessmen and industrialists and

subsequently further reduced the state's ability to develop an effective regulatory framework required to stop the abuse of public resources by business elites.

On the basis of this study we can argue that the big business elites emerged as the dominant political force in Bangladesh preventing the state from carrying out various redistribution programmes designed to reduce the sufferings of those who are badly affected by the country's transition to the market. Economic liberalization thus continued to frustrate the hopes of its advocates and ordinary citizens of Bangladesh. So, basically, the structural economic and political reforms (which are advised or directed by the IMF and the World Bank) have been introduced as the conditional tools to bail out or to sustain economic development in the third world countries. Unfortunately, such a reform has been done without proper local participation and research survey on the basis of trial and error, which I have focused in the case of Bangladesh. As a result, the adverse impacts of reform-conditionalities marginalized the vast poor, favouring local elites and globalized multinational market forces.

Here again I like to mention some specific issues, which are directly or indirectly related to the causes of failure of foreign aid in Bangladesh. Governance is one of the main issues in the case of Bangladesh. The pledge to stamp out crime and corruption topped the election manifesto of the present government of Bangladesh. Despite the anti-crime drive like Operation Clean Heart, the country experienced free fall of law and order. And, on Tuesday, October 7, 2003, the Transparency International (TI) rated Bangladesh as the most corrupt nation for the third successive year. So, it proves that in absence of good

governance corruption prevails which is one of the main obstacles for development in the case of Bangladesh. Governance is a very crucial dynamic for human development. From a human development perspective, it is defined that good governance promotes, supports and sustains human well-being based on expanding human capabilities, choices, opportunities and freedom (economic and social as well as political), specially for the currently poorest and most marginalized members of society. In this context, governance can be seen as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. So, good governance is defined as a set of societal institutions that fully represent the people, interlinked by a solid network of institutional regulation and accountability (with ultimate accountability to the people), whose purpose is to achieve the welfare of all members of society. So, the evidence provided in this study on the case of Bangladesh regarding corruption and irregularities of different regimes is one of the governance issues, which hinder any kind of development initiative. On the other hand, in spite of bad governance the donors are funneling aid for their own interest. So, in this sense the donors are also responsible for underdevelopment in the recipient.

There are other factors that do not help foreign aid workable in the case of Bangladesh. For instance, aid allocation, conditionalities of aid, types of aid, and the political and strategic consideration of aid both in recipient and donors perspective. In the case of conditionalities, the donor countries impose the clauses in the aid agreement to purchase expensive materials or to employ the inexperienced experts with high salary to the recipient. So, not a single reason is responsible for the negative impact of aid on national

development; rather all of above-mentioned factors particularly more or less are combinedly responsible for the ineffective aid situation in Bangladesh.

Bibliography

- Action Aid (1995) *The Reality of Aid*. London: Earthscan Publications, UK.
- Ahooja-Patel, Krishna, Anne Gordon Drabek, and Marc Nerfin (eds)(1991) *World Economy in Transition*. New Delhi: Ashish Publishing House.
- ADB(Asian Development Bank) (1997-998) *Asian Development Outlook*.CountryProfile: Bangladesh, pp.113-118.
- Alesina, Alberto and David Dollar (1998) *who gives foreign aid to whom and why?* Working paper no.6612,National Bureau of Economic Research(NBER), Cambridge, MA. USA.
- Alesina,A. and B. Weder(1999) *Do Corrupt Government Receive Less Foreign Aid?* Working paper no. 7108,NBER, Cambridge, MA.
- Akash, M. M. (1998) ‘Governance and Development’, in Sobhan, R. (ed) *Crisis in Governance: A Review of Bangladesh’s Development*. Dhaka: Centre for Policy Dialogue and University Press Limited.
- Alam, Jahangir (1998)‘Managing Agricultural Development: Public Expenditure, Extension and Research’, in Sobhan, R. (ed) *Crisis in Governance: A Review of Bangladesh’s Development*. Dhaka: Centre for Policy Dialogue and University Press Limited.
- Alam, A.M. Quamrul(1993) ‘ The Nature of the Bangladesh State in the Post1975period’, *Contemporary South Asian* 2(3): 311-25.
- Association For Promotion of International Cooperation (1982) *A Guide to Japan's Aid*, Tokyo: Japan
- Bakht, Zaid and Bhattacharya, Debapriya (1992) *Japanese Economic Cooperation with Bangladesh: Status and Prospect*. Final Report. Dhaka: BIDS (Bangladesh Institute of Development Studies).
- Bandow, Doug, and Ian Vásquez, (eds) (1994) *Perpetuating Poverty: The World Bank, the IMF, and the Developing World*. Washington, D.C.: Cato Institute.
- Baldwin, R.E., (1982) ‘The Political Economy of Protectionism’, in J.N. Bhagwati (ed.) *Import Competition and Response*, pp. 263-86. Chicago: University of Chicago Press.

- Bamuamba, Clement (2001) *Political Corruption in Congo-Zaire: Its Impact on Development*. MA Thesis, Halifax: Saint Mary's University.
- Bangladesh Bank(1992) *Annual Report:1991-92*. Dhaka: Ministry of Finance, Government of Bangladesh.
- Barkat,Abul(1998) 'Governance of Public Health in Bangladesh', in Sobhan,R (ed) *Crisis in Governance: A Review of Bangladesh's Development*. Dhaka: Centre for Policy Dialogue and University Press Limited
- Bernard, J. Lecomto (1986) *Project Aid: Limitations and Alternati*. Paris: OECD
- Bhagwati, Jagdish (1970) *Amount and Sharing of Aid*. Washington: Overseas Development Council.
- Bhagwati, J.N., R. Brecher and T. Hatta (1983) 'The Generalized Theory of Transfers and Welfare: Bilateral Transfers in a Multilateral World', *American Economic Review* 73: 57-76.
- Bhagwati, Jagdish (1995) 'New Thinking on Development', *Journal of Democracy* 6: 50-64.
- Bhattacharya, Debapriya (1999) ' Bangladesh Experience with the structural Adjustment and Enhanced Structural Adjustment facilities', in Roy H Grieve and Mozamel Huq(eds), *Bangladesh Strategies for Development*. Dhaka: University Press Limited
- _____ (1985) *Dependence and Interdependence*. Delhi: Oxford University Press.
- _____ (1970) ' The tying of Aid', in J.Bhagwati and R.S. Eckaus(ed.), *Foreign Aid*, Chap.10. Penguin Modern Readings, London: Harmondsworth, Penguin,.
- _____ and Rashed A.M. Titumir (2001) ' Towards Demystifying a Process: The Structural Adjustment Policies in Bangladesh', in Debapriya Bhattacharya and Rashed A.M. Titumir (ed.), *Reforms and Consequences*. Dhaka: Shraban Prokashoni.
- Boone, Peter (1994) *The Impact of Foreign Aid on Savings and Growth*. London School of Economics, mimeo.
- _____ (1995)*Politics and the Effectiveness of Foreign Aid*. Working Paper no.5308, NBER, Cambridge: MA
- _____ (1996) 'Politics and the Effectiveness of Foreign Aid', *European Economic Review* 40:289-330.

- Boroughs, Don L. (1996) 'Where US Aid Works: Botswana', *US News and World Report* 120: 52-61.
- Bowen, Janine L. (1998) *Foreign Aid and Economic Growth: A Theoretical and Empirical Investigation*. Vermont: Ashgate Publishing Company.
- Brodhead, T. and C. Pratt(1994) 'Paying the Piper:CIDA and Canadian NGOs', in Cranford Pratt (ed.), *Canadian International Development Assistance Policies: An appraisal*. Montreal and Kingston: McGill –Queen's University Press.
- _____ and B. Herbert Copley(1989) 'Bridges of Hope?', *Canadian Voluntary Agencies and the Third World*. Ottawa: North-South Institute.
- Browne, Stephen (1990) *Foreign Aid in Practice*. London: Pinter Reference.
- Burnside, C. and D. Dollar (1996) *Aid, Policies and Growth*. Policy Research Department, Washington, D.C.: World Bank.
- _____ (1997) *Aid Policies and Growth: Impact of Foreign Aid on Growth*. World Bank Publication.
- _____ (2000) 'Aid, Policies, and Growth', *American Economic Review* 90: 847 – 867.
- _____ (1997) 'Aid, Policies, and Growth', *Policy Research Working Paper 1777*. World Bank, Policy Research Department, Washington, D.C.
- Callaghy, Thomas A. (1994), 'Africa and Aid and Development: A Time for Realism', in Richard S. Belous and Sheila M. Cavanagh (eds) *New Views on North-South Relations and Foreign Assistance*, pp.24-32.Washington, D.C.: National Planning Association.
- Carty,R. and V. Smith (1981)*Perpetuating Poverty: The Political Economy of Canada's Foreign aid*. Toronto: Between the lines.
- Cashel-Cardo,P. and S.G. Craig ' Donor Preferences and Recipient Fiscal Behaviour: A Simultaneous Analysis of Foreign Aid', *Economic Inquiry* 35:653-671.
- Cassen, Robert and Associates (1994) *Does Aid Work? Report to an Intergovernmental Task Force*. Oxford: Clarendon Press.
- _____ (1986) *Does Aid Work? Report to an Intergovernmental Task Force*.Oxford: Clarendon Press.

- Campbel, Piers and Vincent, Fernand (1989) *Towards Greater Financial Autonomy: A Manual on Financing Strategies and Technique for Development NGOs and Community Organizations*. Geneva: Switzerland.
- Cavanagh, John, Broad, Robin and Weiss, Peter (1995) 'The United States Must Aid the World', in Jonathan S. Petrikin (ed.) *The Third World: Opposing Viewpoints*, pp. 208-215. San Diego, CA: Greenhaven Press Inc.
- CBO Study (1997) *The Role of Foreign Aid in Development*. Washington, D.C.: Congress of the United States Congressional Budget Office.
- Centrum Voor Economische Studien (CVES) (1981) *The Economics of Foreign Aid: Changing Perception*. Leuven: (Belgium).
- Chenery, Hollis B. and Nicholas G. Carter (1973) 'Foreign Assistance and Development Performance, 1960-1970', *American Economic Review* LXIII (2): 459-68.
- Chowdhury, Ashraf (1986) *Norway's Commodity Assistance and Import Support to Bangladesh*. A Study Commissioned by the Norwegian Ministry of Development Cooperation, Bergen: Norway.
- CIDA(2001) *Strengthening Aid Effectiveness: New Approach to Canada's International Assistance Programme*. Ottawa.
- _____ (1999) *Statistical Report on Official Development Assistance 1998-99*. Statistical Analysis Section, International Development Information Centre, Policy Branch, Ottawa.
- _____ (1998) *Development at a Glance*. Ottawa.
- _____ (1995) *Canada in the World*. Ottawa.
- _____ (1987) *Sharing our Future*. Ottawa.
- _____ (1975) *Strategy for International Development Cooperation 1975-1980*. Ottawa.
- Davis, Peter R. (ed) (1998) *Identifying and Supporting Civil Society Organizations which represent the Poor to Governments*, pp.67. Bath: Centre for Development Studies, University of Bath. UK.
- DCCI (1997) *A Guide to Investment and Business in Bangladesh*. Dhaka: Dhaka Chamber of Commerce and Industry.
- Dewan, A.H. Alamgir (1997) *Role of Apex Finance Credit to Finance Programmes*. CDF: Bangladesh

- Demery, Lionel (1990) *Structural Adjustment: Its Origins, Rationale, and Achievements*. Washington, D.C.: World bank.
- Dixit, A.(1996) *The Making of Economic Policy: A Transaction-cost Politics Perspective*. Cambridge: MIT Press, MA. USA.
- Easterbrook, Gregg (2002) 'Safe Deposit: Foreign Aid', *The New Republic* 227 : 16-20.
- Edwards,M. and D. Hulme(1996) 'Too close for Comfort? The Impact of Official Aid on Non-government Organizations', *World Development* 24(6): 29-58.
- Faaland, Just (1983) *Does Foreign Aid Reach the Intended Beneficiaries?* Norway: Chr.Michelsen Institute.
- Faaland, Just et al. (eds) (1981) *Aid and Influence: The Case of Bangladesh*. London: Macmillan.
- Farouk, A. (1982) *Changes in the Economy of Bangladesh*. Dhaka: University Press Limited(UPL).
- Feis, Herbert (1964) *Foreign Aid and Foreign Policy*. New York: St. Martin's Press, USA.
- Feyzioglu, T., V. Swaroop and M. Zhu (1998) 'A Panel Data Analysis of the Fungibility of Foreign Aid', *World Bank Economic Review* 12(1):29-58.
- Franda, Marcus(1982) *Bangladesh: the first decade*. New Delhi: South Asian Publishers.
- Friedman, Milton (1982) *Capitalism and Freedom*. Chicago, IL: University of Chicago Press.
- Gastil, R.D. (1990) 'The Comparison Survey of Freedom', *Studies in Comparative International Development* 25 (1): 25-50.
- Gastil, R.D. (1986-87) *Freedom in the World: Political Rights and Civil Liberties*. Greenwood Press.
- Goldman, Ralph M. (1988) 'The Donor-Recipient Relationship In Political Aid Programs', in Ralph M. Goldman William A. Douglas (eds.) *Promoting Democracy: Opportunities and Issues*, pp.51-73. New York: Praeger Publishing,
- Gouder, Rukmani 'Non-nested Models of Australia's Overseas Aid Program', *AppliedEconomics*: 609-621.
- Government of Bangladesh (1976) *Bangladesh Economic Survey: 1975-76*. Dhaka: Ministry of Finance, Government of Bangladesh.

- _____ (1983) *Bangladesh Arthonoytik Jorip [Bangladesh Economic Survey]: 1982-83*. Dhaka: Ministry of Finance, Government of Bangladesh
- _____ (1988) *Bangladesh Arthonoytik Jorip [Bangladesh Economic Survey]: 1986-87*. Dhaka: Ministry of Finance, Government of Bangladesh
- _____ (1997) *The fifth Five Year Plan: 1997-2002*. Dhaka: Ministry of Planning, Government of Bangladesh.
- _____ (2002) *Memorandum for Bangladesh Development Forum 2002-2003*. Dhaka: Ministry of Finance, Government of Bangladesh.
- Hakim, Muhammad A. (1993) *Bangladesh Politics: the Shahabuddin Interregnum*. Dhaka: University Press.
- Hansen, H. and F. Trap (2000) 'Aid Effectiveness Disputed', in Finn Trap (ed.) *Foreign Aid and Development : Lessons Learn and Directions for the future*. London and New York: Routledge Press.
- Hayter, Teresa (1971), *Aid as Imperialism*. New York: Penguin Books.
- _____ (1985) *Aid: Rhetoric and Reality*. London: Pluto.
- Haque, Aminul (1994) *Small versus Large Donors: Swedish Aid to Bangladesh*. Hague
- Helleiner, G.K. (1970) 'Canadian Commercial Relationship with the Third World', in Freeman, L. (ed.) *Unequal Partners: Development in the Seventies where does Canada Stand*. Toronto: Oxfam- Canada.
- Hellinger, Stephen, Hellinger, Douglas, and O'Regan, Fred M. (1988) *Aid for Just Development: Report on the Future of Foreign Assistance*. Boulder (Colorado): Lynne Rienner Publishers.
- Himenez, U. (1989) *Development Strategies and Foreign Aid Policies in Low Income Countries in the 1990*. Kile (Denmark): Institute for Weltwirt Schaft.
- Hillman, A.L. (1989) *The Political Economy of Protection*. Washington: Harwood Academic Publishers.
- Hoy, Paula (1998) *Players and Issues in International Aid*. Connecticut: Kumarian Press Inc.
- Humphrey, Clare E. (1990) *Privatization in Bangladesh: A Study in Political Economy*. London: C.Hurst & Company.

- Huntington, Samuel P. (1970/ 1971) 'Foreign Aid for What and for Whom', *Foreign Policy* 2:161-189.
- Huq, Muhammad Shamsul and Chowdhury Rafiqul Abrar (1999) *Aid Development and Diplomacy: Need for an Aid Policy*. Dhaka: University Press Limited.
- Husain, Israt and Diwan, Ishac (eds) (1993) *Dealing with the Debt Crisis: A World Bank Symposium*. Washington: World Bank/IBRD.
- Islam, Nurul (1993) *Development Planning in Bangladesh: A Study in Political Economy*. London:C.Hurst & Company.
- Islam, Nurul (1993) *Development Planning in Bangladesh: A Study in Political Economy*. Dhaka: University Press Limited.
- Islam,Syed Serajul(1988) *Bangladesh: state and economic strategy*. Dhaka:University Press Limited.
- OECD (2001) *DAC Recommendation on Untying official Development Assistance to the Least Developed Countries*.
- _____ (1996) *Geographical Distribution of Financial Flows to Aid Recipients 1960-95*.
- _____ (2000) *Development Cooperation 1999 Report*. Paris: OECD Publications.
- Jepma, Catrinus J. (1988) *North-South Co-operation in Retrospect and Prospect*. London: Routledge.
- _____ (1991) *The Tying of Aid*. Paris: Organization for Economic Cooperation and Development.
- _____ (1997) *On the Effectiveness of Development Aid*. World Bank, unpublished.
- Kabir, A.K. M. Zahirul (1994) *A Alternatives to Foreign A id in Bangladesh*. Dhaka: Public Administration Training Centre (PATC).
- Kabir,Laila R. (1998) *Privatization Policy in Bangladesh and Options*. Commentary prepared by President of Metropolitan Chamber of Commerce and Industry at a Seminar on Privatization, Dhaka, June 18.
- Kabir,Bhuiyan Monoar (1995) Politico-Economic Limitations and Fall of the Military Authoritarian Government in Bangladesh, *Armed Forces & Society* 21(4): 553-72

- Kamath, Shyam J.(1995) 'US Aid Hurts the Third World', in Jonathan S. Petrikin (ed.) *The Third World: Opposing Viewpoints*,pp.216-224. San Diego, CA: Greenhaven Press Inc.
- Kemp, M.C. (1992) 'The static welfare economics of foreign aid: a consolidation', in Savoie, D. and I. Brecher (eds.) *Equity and Efficiency in Economic Development: Essays in Honor of Benjamin Higgins*, pp 289-314. McGill-Queens University Press, Montreal.
- Khan,Zillur R. (1994) *Martial law to Martial Law : Leadership crisis in Bangladesh*. Dhaka: University Press Limited
- Khor, Martin (1995) *State of Disarray: The Social Effects of Globalization*. Geneva: United Nations Research Institute for Social Development (UNRISD).
- _____ (2000) *Globalization and the South: Some Critical Issues*. UNRISD Discussion Paper No. 147 (May). Geneva: United Nations Research Institute for Social Development (UNRISD).
- Kibria,Shah AMS (1994) 'A house of Millionaires: Is this the kind of Parliament we fought for?' *The Daily Star* 27 February.
- Kochanek, Stanley A. (1993) *Patron-Client Politics and Business in Bangladesh*. Dhaka: University Press Limited.
- Kohler, Volkmar (1985) 'Should Aid Be Abandoned?', *Development and Cooperation* 1: 4-7
- Kong, T at Yan (1996) 'Corruption and its Institutional Foundations: the experience of South Korea', *IDS Bulletin* 27 (2): 48-55.
- Lairson, Thomas D. and Skidmore David (1997) *International Political Economy: The Struggle for Power and Wealth* (2nd ed). United States: Holt, Rinehart and Winston Inc.
- Lavergne, R.P. and E.P. English (1987) *Canadian Development Assistant to Senegal*. Ottawa: North-South Institute.
- Lavergne, R.P. (1989) 'Determinants of Canadian Aid Policy', in O. Stokke (ed), *Western Middle Powers and Global Poverty*. Uppsala: The Scandinavian Institute of African Studies Uppsala with the Norwegian Institute of International Affairs.
- Little, I.M.D. and J.M. Clifford (1965) *International Aid*. London: Allen and Unwin.
- Lumsdaine, D.H. (1997) *Moral Vision in International Politics*. Princeton,NJ: Princeton University Press.

- Maizels, Alfred, and Machiko Nissanke (1984) 'Motivations for Aid to Developing Countries', *World Development* 12(9): 879-901.
- Malena, C. (1995) 'Relations between Northern and Southern Non-governmental Development Organizations', *Canadian Journal of Development Studies* 16(1): 7-30.
- Maniruzzaman, Talukder (1998) *The Bangladesh Revolution and its Aftermath*. Dhaka: Bangladesh Books International.
- Maniruzzaman, Talukder (1999) 'The Fall of the Military Dictator: 1991 election and the prospect of civilian rule in Bangladesh', *Pacific Affairs* 65(2): 2003-24.
- Maren, Michael (1997) *The Road to Hell: The Ravaging Effects of Foreign Aid and International Charity*. Detroit: Free Press. ISBN: 0743227867
- McKinlay, R.D. & Little, R. (1977) 'A Foreign Policy Model of US Bilateral Aid Allocation', *World Politics* 30(1):58-86.
- _____ (1978) 'The French Aid Relationship', *Development and Change* 459-78.
- _____ (1979) 'The U.S. Aid Relationship: A Test of the Recipient Need and Donor Interest Models', *Political Studies* 27 (2): 236-250.
- Michel, J.H. (1997) 'A New Approach to Development', *The OECD Observer* p.33-35.
- Mickelwait, Donald R. (1979). *New Direction in Development: A Study of USAID*. Colorado: West View Press.
- Morgenthau, Hans (1962) 'A Political Theory of Foreign Aid', *The American Political Science Review* p.301-309.
- Mosley, Paul (1987) *Overseas Aid: Its Defense and Reform*. Sussex: Harvester Press Publishing, UK.
- _____ (1985) 'The Political Economy of Foreign Aid: A Model of the Market for a Public Good', *Economic Development and Cultural Change* p.373-393.
- _____ (1987) *Foreign Aid Its Defense and Reform*. Lexington: KY University Press of Kentucky.
- Mosley, P., J. Harrigan, and J. Toye (1991) *Aid and Power: The World Bank and Policy based Lending*. London: Routledge.
- Myrdal, Gunnar (1970), *The Challenge of World Poverty: A World Anti-Poverty Program and Outline*. New York: Pantheon Books. USA

- Nossal, K.R.(1988) 'Mixed Motives Revisited: Canada's Interest in Development Assistance', *Canadian Journal of Political Science* p. 35-56
- Pack, H. and J.R. Pack (1990) 'Is Foreign Aid Fungible: The Case of Indonesia', *Economic Journal* p.188-194.
- _____ (1993) 'Foreign Aid and the Question of Fungibility', *Review of Economics and Statistics* p.258-265.
- Packenham, Robert (1966) 'Political Development Doctrines in the American Foreign Aid Programme', *World Politics* 18 :194-235
- Payer, Cheryl (1974) *The Debt Trap: The IMF and the Third World*. New York: Monthly Review Press.
- Porter, Phillip W. and Eric S. Sheppard(1998) *A World of difference: Society, nature, development*. New York: Guilford Press.
- Pronk, Jan P. (2001) 'Aid as a Catalyst', *Development and Change* 32(4): 611-29.
- Puchkov, V.P. (1989) *Political Development of Bangladesh: 1971-85*. New Delhi: Patriot Publishers.
- Rahman, Mashiur(1994) *Structural Adjustment, Employment and Workers: Public Policy Issues and Choices for Bangladesh*. Dhaka: University Press Limited.
- Rahman, AkElakur (1984) *Foreign,Aid and Self Reliant Growth: The Case of Banglades*. Dhaka: Centre For Social Studies, pp.194-235.
- Riddell, R.C. (1987) *Foreign Aid Reconsidered*. Baltimore, Maryland: The John Hopkins University Press.
- Rodrik, Dani (1995) 'Why is there a Multilateral Lending?', in M.Bruno and B. Pleskovic (eds) *Annual World Bank Conference on Development Economics*, pp.167-193. Washington D.C.: The World Bank.
- Rodrik, Dani (1999) *The New Global Economy and Developing Countries*. Washington DC: Overseas Development Council.
- Rose-Ackerman, Susan (1998), 'Corruption and Development', in B. Pleskovic and J. Stiglitz (eds) *Annual Conference on Development Economics*, pp 35-37. Washington DC: The World Bank.
- Sachs, Jeffrey D. and Andrew Warner (1995) 'Economic Reform and the Process of Global Integration', *Brookings Papers on Economic Activity* (1), 1-118.

- Samad, Abdus (1983) *Bangladesh: Facing the Future*. Dhaka: BRAC Printers, Bangladesh.
- Sattar, Mohammad A. (1982) *Aid or Stagnatio*. Dhaka: UPL, Bangladesh.
- Schaefer, Donald David Arthur (1999) *US Foreign Assistance and the Change from Economic to Security-Based Aid: Reagan through Clinton*. The University of Michigan.
- Schraeder, P.S. Hook and B. Taylor (1998) 'Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French and Swedish Aid Flows', *World Politics* p.294-320
- Singer, H.W. (1965) 'External Aid: For Plans or Projects?', *The Economic Journal* 75 (299): 539-45.
- Singer, Hans W. (1982) *Rich and Poor Countries*. London: George Allen & Unwin.
- Siddiqui, Kamal (2000) *Jagatpur 1977-97: Poverty and Social Change in Rural Bangladesh*. Dhaka: University Press Limited.
- Singer, Hans W. (1984) *The Ethics of Aid*. Brighton: Institute of Development Sussex University.
- Smillie, I. And H. Helmich(1999) *Stakeholders Givernment-NGO Partnership for International Development*. London: Earthscan Publications.
- Sobhan, Rehman (1982) *The Crisis of External Dependence: The Political Economy of Foreign Aid to Banglades*. Dhaka: UPL
- _____ (1985) *Studies in Planning for Self Reliance of the Bangladesh Economy: Donor Perspective and Influence on Domestic Economic Policy in Bangladesh*. Dhaka: Bangladesh Institute of Development Studies (BIDS).
- _____ (1987) *A Study on Aid Dependence of Consumption, A Sector Level Analysis*. Dhaka: BIDS
- _____ (1987) *The Role of Foreign Aid in Financing the Sectoral Programmes Under the ADP*. Dhaka: BIDS
- _____ (1987) *Foreign Aid and Domestic Resource Mobilization in Bangladesh*. Dhaka: BIDS.
- _____ (1987) *The Cost of Aid: An Analysis of Price Discrimination on Tied and United Imports of Bangladesh*. Dhaka: BIDS

- _____ (1987) *A Study on Beneficiaries of Foreign Aid to Bangladesh*. Dhaka: BIDS.
- _____ (1987) *A Study on Donor Perspectives and Influence on Domestic Economic Policy in Bangladesh*. Dhaka: BIDS.
- _____ (1990) *From Aid Dependence to Self Reliance: Development Options for Bangladesh*. Dhaka: UPL.
- _____ (1991) *National Sovereignty, External Dependence and Government of Bangladesh*, National Professor Anwar Hossain Memorial Lecture, Dhaka.
- _____ (1991) ed. *Debt Default to the Development Finance Institutions: the crisis of state sponsor entrepreneurship in Bangladesh*, Dhaka: University Press.
- _____ (1993) *Integration of Technical Assistance into Developing Country National Strategies*. Dhaka: University Press Limited.
- _____ (1998) 'Over View', in Sobhan,R(ed.) *Crisis in Governance: A Review of Bangladesh's Development 1997*.Dhaka: Centre for Policy Dialogue and University Press Limited.
- _____ (1979) 'Public Enterprises and the Nature of the State', *Development and Change* 10(1):23-40.
- _____ (1993) ' Structural Adjustment: Bangladesh's experience with market reforms', *Economic and Political Weekly* 28(19): 925-31.
- _____ (1995) 'From Theology to Empiricism: Reappraising Bangladesh's Experience with Economic Reforms', *Bangladesh Journal of Political Economy* 13(1):1-30.
- Sobhan,Rehman and Ahsan Ahmed (19984) *Disinvestment and Denationalization: Profile and Performance*.Mimeo, Dhaka: Bangladesh Institute of Development Studies(BIDS)
- Sobhan, Rehman and Mahmood, Syed Akhter(1991) 'Trends in Repayment Performance to the DFIs: 1971-72 to 1981-82', in Sobhan(ed.) *Debt default to the Development Finance Institutions: The crisis of state sponsored entrepreneurship in Bangladesh*. Dhaka: University Press: 142-96.
- Sobhan, Rehman and Tajul Islam(1990) 'The Costs of Aid: An Analysis of Price Discrimination in Tied and Untied Imports', in Sobhan(ed.) *From Aid Dependence to Self-Reliance: Development Options for Bangladesh*,pp.117- 119. Dhaka: University Press Limited.

- Spicer, K. (1966) *A Samaritan State? External Aid in Canada's Foreign Policy*. Toronto: University of Toronto Press.
- Stevens, Michael (1981) 'Aid Management in Botswana: From One to Many Donors', in Charles Harvey (ed.) *Papers on the Economy of Botswana*, pp. 159-177. London: Heinemann Educational Books Ltd.
- Stokke, Olav (1996) 'Foreign Aid: What Now?' in Olav Stokke (ed.) *Foreign Aid Towards the Year 2000: Experiences and Challenges*, pp. 16-129. London: Frank Cass & CO. Ltd.
- Swatuk, Larry A (1997) 'The End of History or the Beginning of the End? Prospects for Botswana in the Twenty-First Century', in Rukhsana A. Siddiqui (ed.) *Subsaharan Africa in the 1990's: Challenges to Democracy and Development*, pp. 88-106. Westport, Connecticut: Praeger Publishers.
- Tisch, Sarah and Wallace, Michael (1994) *Dilemmas of Development Assistance: The What, Why and Who of Foreign Aid*. Boulder: Westview Press.
- Tomlinson, B. (1991) 'Development in the 1990s: Critical Reflections on Canada's Economic Relations with the Third World', in J. Seift and B. Tomlinson (ed) *Conflicts of Interest Canada and the Third World*. Toronto: Between the lines.
- Trumbull, William N. and Howard J. Wall. (1994) 'Estimating aid allocation criteria with panel data', *Economic Journal* 104(425): 876-882
- UNB (1994) 'Donors for Pushing Through Reforms', *The Daily Star*, 11 February.
- UNDP Bangladesh (1996) *Report on Human Development in Bangladesh* (3 volumes), Orchid Printers.
- UNDP (1997) *Human Development Report*. New York: Oxford University Press.
- _____ (Various Years) *Human Development Report*. New York: Oxford University Press.
- Veltmeyer, Henry and James Petras (2001) *Globalization Unmasked: Imperialism in the 21st Century*. Zed Books Ltd. London, UK and Fern wood Publishing Ltd. Halifax, NS, Canada.
- _____ (1997) *Economic Liberalism and Class Conflict in Latin America*. London: Macmillan Press.
- _____ (2000) *The Dynamics of Social Change in Latin America*. London: Macmillan Press.

- _____ (2002) 'Age of Reverse Aid: Neo-liberalism as Catalyst of Regression', *Development and Change* 33(2): 281-293.
- Veltmeyer, Henry (1998) 'The Dynamics of Globalization: Critical Issues in Debate', in Veltmeyer, H. and Petras, J. *The Dynamics of Change in Latin America*. London: Macmillan Press.
- _____ (1996) *The Search for Alternative Development*. IDS Working paper, International Development Studies Programme, Saint Mary's University, Halifax, NS, B3H 3C3, Canada.
- Woodward, David (1992) *Debt, Adjustment and Poverty in Developing Countries*. 2 Vols. London: Save the Children Fund.
- World Bank (1989) *World Bank's Formula for Development in Bangladesh*. Dhaka: Development Library.
- _____ (1997) *World Development Report*. Washington DC.
- World Bank and Asian Development Bank (1998) *Bangladesh Economic Trends and Policy Agenda*.
- World Bank (1996) *World Debt Tables: External Finance For Developing Countries*. Volume 2 Country Tables.
- World Bank and ADB. (1998) *Bangladesh: Economic Trends and the Policy Agenda*. Washington, USA.
- World Bank (various years) *World Debt Tables*. John Hopkins University Press.
- _____ (1993) *Financial Flows to Developing Countries Quarterly Review*, Washington.
- _____ (1988) *Aid For Development: The Key Issues*. Washington.
- World Bank, IMF, BIS, OECD (1988) *External Debt: Definition, Statistical Coverage and Methodology*. Paris.
- World Bank (1992) *Bangladesh: Selected issues in external competitiveness and economic Efficiency*. Washington, DC: South Asian Country Department.
- _____ (1994) *Bangladesh: privatization and adjustment*. Washington, DC: South Asian Country Department, World Bank.

_____ (1995) *Bangladesh: from stabilization to growth*. Washington, DC: World Bank.

_____ (1996) *Bangladesh Trade Policy Reform for Improving the incentive Regime*. Washington, DC: Public Sector Development and Finance Division, World Bank.

_____ (1997) *Bangladesh: annual economic update-economic performance, policy issues and priority reforms*. Washington, D.C.: South Asian Region, World Bank.

_____ (1998) *Bangladesh: Economic Trends and Policy Agenda*. Dhaka, the World Bank Group in Bangladesh.

_____ (1998) *Assessing Aid: What Works, What Doesn't, and Why*. New York: Oxford University Press.

_____ (1999) *Bangladesh: Key Challenges for the next Millennium*. Washington, D.C.: World Bank.

_____ (2001) *World Development Report Poverty 2000/2001*. New York: Oxford University Press.

_____ (2002) *Country Brief: South Asia Region-Bangladesh*. Dhaka, the World Bank Group in Bangladesh.

<http://www.info.usaid.gov/about/challenge/index.html>

http://www.infor.usaid.gov/hum_response/ffp/banglrpt.htm
